



Annual Report 2010

Padaeng Industry
Public Company Limited

Centre of
Excellence



PADAENG INDUSTRY
PUBLIC COMPANY LIMITED

30th
Anniversary



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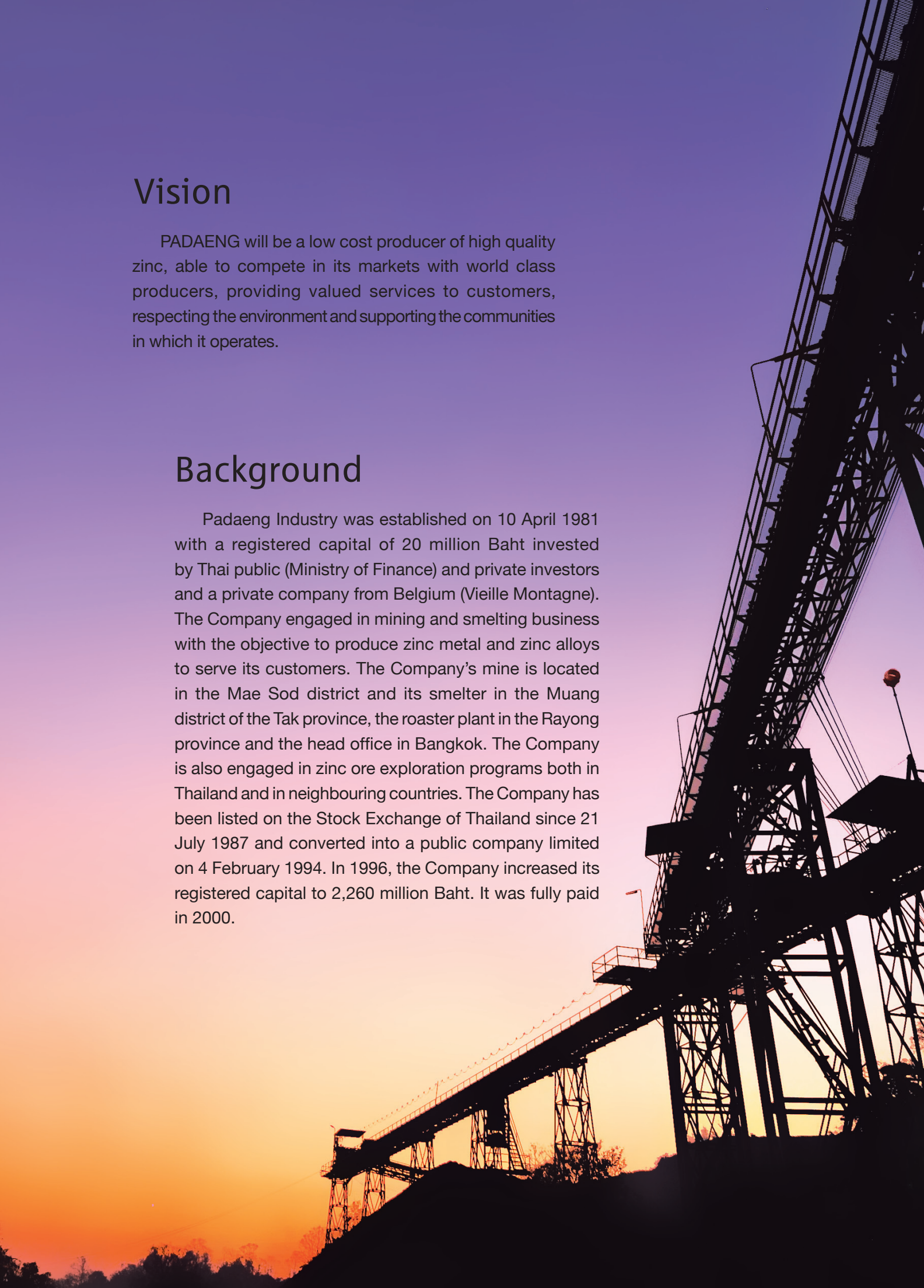
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Vision

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.



The Centre of Excellence



The Centre of Excellence : COE

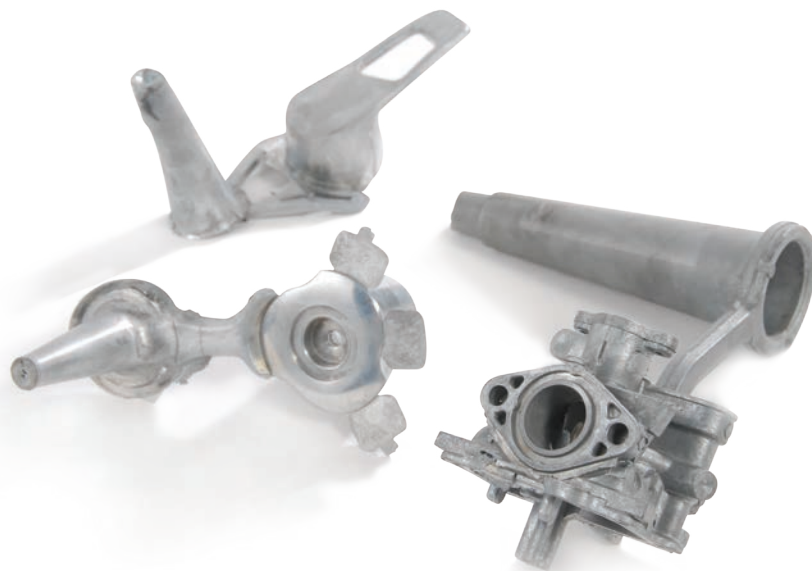
promotes collaboration among stakeholders through a cluster approach in order to achieve excellence in the zinc die casting industry in Thailand and within the region. The COE was officially launched in October 2010 by Padaeng.



The COE responds to a number of major ways to develop the industry, such as improving the technical knowledge, accelerating the technology transfer, and increasing the quality of the casting injection.

Before launching the COE, the Company selected one premium-quality die casting application, the zinc faucet, as a pilot project. Through the pilot project, the Company took a leadership role in mobilising supports, contributions and cooperation from various parties, including expert bodies such as the National Metal and Materials Technology Center (MTEC)

In October 2010 the Company launched the Thai version of ZincCast CD, a self-learning software tool developed in Europe for the zinc die casting operators and technicians. ZincCast content has also been included in class training programmes since November 2010.





Cooperation with MTEC and more intensive training programmes are planned in the year 2011 and onwards, aiming at increasing the technical knowledge of the zinc die casting and mould-making personnel.

Since most technical training programmes have proven more effective if coupled with training in a workshop setting, the Company, in collaboration with MTEC, is seeking the support of the National Institute for Skill Development (NISD-Samutprakarn) by using its FRECH die casting machine to set up a zinc die casting workshop training programme designed as a part of the COE approach.





The Company also sees the importance of disseminating knowledge of zinc die casting technology to those who have not yet joined the labour market, i.e. technical college or university students. In this regard, a short training programme (one day) on zinc die casting will be provided for the students.

On a regional scale, the Company is using the collaborative COE process with a view of developing the Thai zinc die casting industry into a leader. Upcoming ASEAN economic integration will lead to increased opportunities in that market.

In order to allow the industry to survive and grow under tough competition conditions, enhancing problem-solving ability and process improvement in the zinc die casting plants are important tools. Since 2010, the Company provides analytical tools to help the zinc die casters get a quicker and better understanding of problems and defects. The Company is also planning an installation to recycle scraps and spruces to enhance the quality of its customers feed.

Finally, communication is also very important for enhancing every activity within the COE. The Company current uses Facebook as the platform to communicate within the Thai zinc die casting network.



Message from the Board of Directors



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

Arsa Sarasin
Chairman of the Board

After two years of recession, 2010 has seen a recovery of the markets served by the Company. The local market has regained the losses of 2009 allowing the Company to bring its exports to a more normal level. Setbacks in production caused by incidents and by a delayed permitting process have prevented the Company to fully enjoy the improvement but the Net Profit has increased by forty percent. The liquidity position of the Company remained strong.

Pursuing its efforts to develop the market in Thailand for its products, the Company has created a “Centre of Excellence” with the support of its customers. It will help enhance the quality of the Thai finished products and their competitiveness on the world market. This project will lead to facilities inside and outside the Company with the aim to support training and knowledge transfer.

Exploration has been furthered outside Thailand. In Laos, the activity has been intensified as we are half way of what should turn into a five year exploration programme. In Myanmar, the five year concession extension has been granted. Mining operations began towards the end of the year and exploration will be conducted in 2011.

Inside Thailand, confronted with the uncertainties of the permitting process, the Company has temporarily halted all exploration work and written off most of its projects. It has decided to assess the situation before proceeding further. As, during the year, the permitting process for new mining leases has become clearer, the Company decided to apply, according to the new regulations, for a complementary lease at Mae Sod. If granted this lease will assist the Company into a more efficient and safer mine closure.

Faced with conflicting analyses on the causes of the presence of cadmium in the Mae Tao and Mae Ku basins, the Company has commissioned a study on this subject by an independent and international group. This study, as many others before, supports the view that the presence of cadmium is the result of essentially natural processes and that mining activities have made no difference to the contamination of rice and other food crops. Nevertheless, the Company has continued to devote many efforts to help the authorities and the local population to move away from food crops. More particularly, the Company has launched a local project to help the farmers to increase the sugarcane yield from their fields.

The Board of Directors and the Management of the Company wish to thank all stakeholders for their uncompromising support. Our thanks go to the shareholders but also to the neighbouring communities and to our employees.



A handwritten signature in black ink, reading "André R. van der Heyden".

André R. van der Heyden
Managing Director



Highlights of the Year 2010

- Net consolidated profit is 418 million Baht and net earnings per share are 1.85 Baht.

- A dividend payment of 1.29 Baht per share will be proposed to the shareholders at their Annual General Meeting.

- In cooperation with multiple stakeholders from the zinc die casting industry, the Company initiated and launched a “Centre of Excellence” project in Thailand.

- The Company supports actively the development for its products of new applications and markets that will make the Thai industry more competitive and expand the Company’s customer base.

- The Company is committed to rehabilitate the Mae Sod Mine to its natural state. On-going mine rehabilitation efforts have been widely recognised, as demonstrated by various awards received including the Green Mining Award and the Corporate Social Responsibility Award (CSR-DIW) from the Ministry of Industry.

- The exploration of new alternative sources of raw material is one of the Company’s priorities. The Company has focused on exploration through a concession in Laos.



Key Figures and Ratios

Consolidated

End of year		2010	2009	2008
Total revenues	(million Baht)	8,162	6,644	8,184
Gross profit	(million Baht)	1,014	676	758
Net profit (loss)	(million Baht)	418	296	265
Net profit (loss) per share	(Baht)	1.85	1.31	1.17
Net profit (loss) per total revenue	%	5.13	4.46	3.24
Total assets	(million Baht)	6,968	6,913	6,477
Total liabilities	(million Baht)	2,072	2,227	2,040
Total shareholders' equity	(million Baht)	4,896	4,685	4,438
Return on assets	%	6.03	4.43	4.33
Return on equity	%	9.15	6.72	5.84
Return on capital employed	%	8.74	7.53	6.15
Debt to equity ratio	(Times)	0.44	0.48	0.47
Book value per share	(Baht)	20.71	19.78	19.27
Dividend per share	(Baht)	1.29	0.92	0.82



The Year in Review

Industry conditions

According to the statistics of the International Lead and Zinc Study Group (ILZSG), in 2010, the zinc consumption in China has seen an apparent growth of 15%, along with the strong recovery in demand in Europe, Japan and Korea. Globally, the zinc consumption increased sharply by 17%.

The domestic demand for zinc in Thailand totalled 120,015 tonnes in 2010 or a strong uprising of 28% from the previous year, in line with the world usage.

The zinc price in 2010 climbed from the beginning of the year at its highest level of 2,635 USD per tonne in January and fell to its lowest of 1,595 USD per tonne in June. The average annual price was 2,161 USD per tonne, an increase of 506 USD or 30.5% from the previous year (1,655 USD per tonne).

USD/tonne	2010	2009
LME first half	2,157	1,323
LME second half	2,164	1,988
LME average	2,161	1,655

Zinc sales volume

The Company's sales totalled 105,838 tonnes. Domestic sales accounted for 86% or 91,005 tonnes, up 16% from the previous year. Export sales totalled 14,833 tonnes, a decrease of 53% over 2009.

Competition in the industry

After a year of reduce zinc consumption, most of the competitors resume full production. Without being really short, the concentrate market tightened during the year leading to increased feed costs.



Figure 1 : LME zinc prices and stock levels during the past 10 years

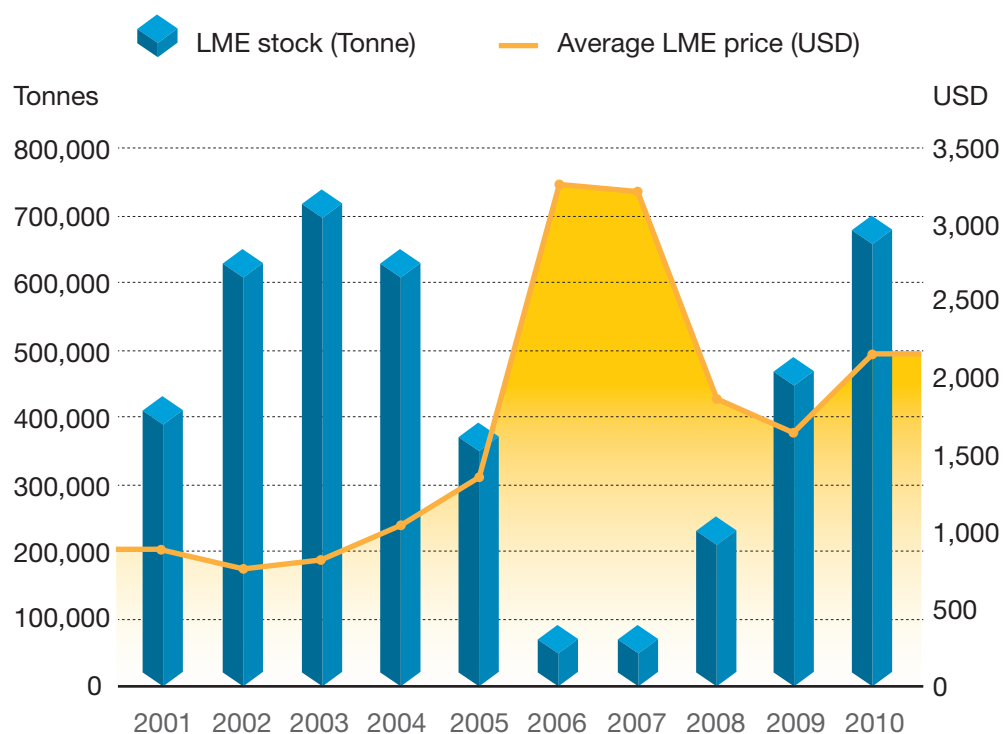


Figure 2 : Zinc consumption in Thailand from 2006-2010

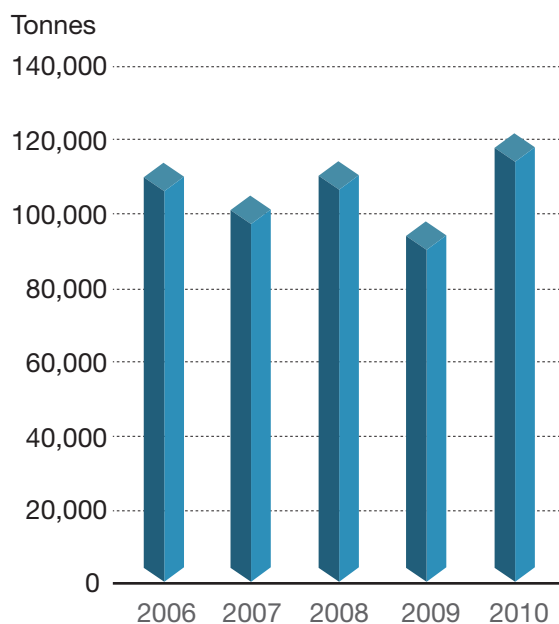


Figure 3 : Sales volume of zinc metal and alloys from 2006-2010

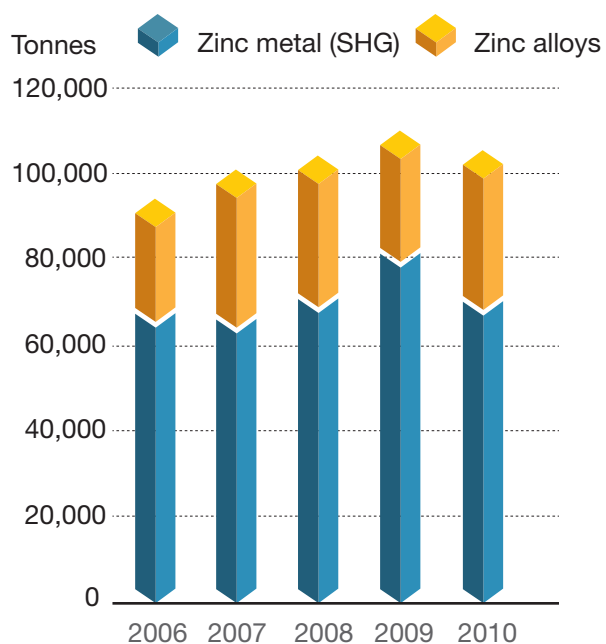
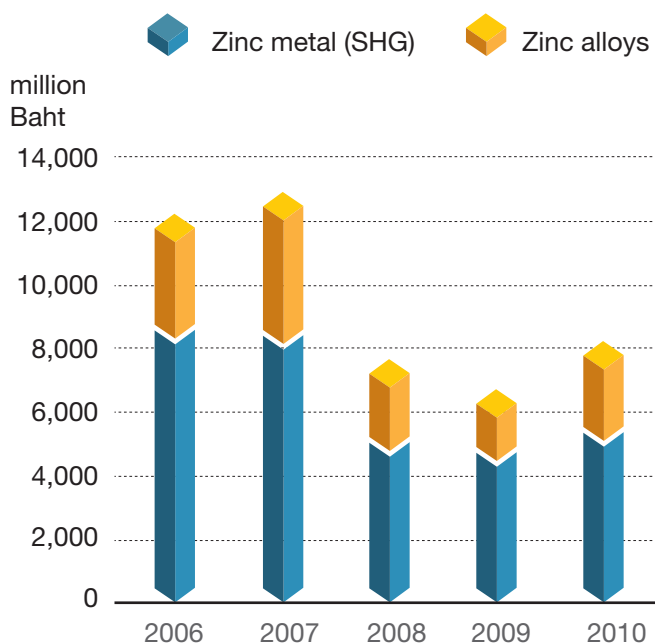


Figure 4 : Sales volume of zinc metal and alloys from 2006-2010



Operations

Smelter raw materials

Imported zinc ore, concentrate, oxide and various other raw material totalled 195,000 tonnes, equivalent to 98,000 tonnes of zinc units.

Peruvian and Australian zinc sulphide concentrates remained the major source of supply.

Due to a mine closure in Australia, new sources of silicate ore from Turkey and Africa have been secured.

Mine operations

The Company produced a total of 119,382 tonnes at 21.4% zinc at the Mae Sod mine, 63,574 tonnes of high-grade ore and 55,808 tonnes of concentrate, equivalent to 25,529 tonnes of zinc.

The Company has made application for a new mining lease in the existing concession (No. 8/2553). The Company goal is to extend the mine pit into the dressing area and waste dump area and allow recovery of more resources while working in safer conditions. The Company commenced the new permitting process in October 2010 with a target of April 2011 to file the Environmental and Health Impact Assessment (EHIA) report.

Smelter operations

The Smelter's cathode zinc production was down by 5.6% in comparison with 2009. The decline was due to calcine shortage which originated mainly from equipment

Figure 5 : Sales volume of zinc metal from 2006-2010



failures and the late approval of the Environmental Impact Assessment (EIA) for the fresh water cooling system project of the Rayong calcine plant. Many parts and equipment were replaced to enhance the plant's reliability and process stability.

As a result, cast zinc production was down by 5.8%. However the ratio of alloys, value-added products increased from 28% to 37% during the year 2010.

The copper cathodes production increased by 9%. It is a result of a higher recovery and of a higher copper content in the raw material.

Continuing improvements at the electrolytic cell room resulted in a significant increase of current efficiency.

In 2010 the Smelter entered 5,200 tonnes of zinc units from secondary raw material, a cheaper and more available source, with its feed equivalent to 5% of the zinc cathode production. The Smelter continued to make efforts to increase zinc share from this material source.

Research and development

Research is underway for recycling zinc alloy in order to sustain zinc die casting products quality. The project aims at refining and transforming scraps, parts and defective products, usually recycled back into the process of die casting, into pure alloy in order to prevent defects in the casting products.

It has been proved that zinc alloy chemistry has good mechanical, casting and finishing properties

as well as excellent long-term quantifiable casting performance, provided that it contains alloying metals and impurities within the specified limits. Aluminium is added to enhance strength and casting fluidity. It also reduces the leaching or dissolving effect of pure zinc on the cast-iron machine components and is therefore an essential element that has to be maintained in the proper range. Magnesium is added to counteract the effects of harmful impurities affecting the short and long term properties of zinc alloy casting. Detrimental impurities such as chromium, nickel, iron and silicon, among others, have detrimental effects on casting quality and process performance. They can also alter the long-term stability of the casting and change the finishing and machinery characteristics of the alloy. Normally in the manufacture of die-casting alloys SHG zinc (99.995% minimum) is used, it contains those impurities at trace levels. However, impurities or contaminants usually accumulate during the die-casting process and they have to be properly controlled or removed in order to have good quality of casting products. Excessive recycling also results in build-up of impurities to a level that becomes harmful to casting products.

The Electroplating and Metal Test Laboratory, a three-million Baht investment is now fully operational and ready to support quality development of customers' products.

Projects to increase the feed rate of secondary raw materials and to upgrade valuable ore residue are expected to be completed in the second half of 2011 after the approval of Environmental Impact Assessment (EIA) by Office of Natural Resources and Environmental Policy and Planning (ONEP).

Operations at subsidiaries and affiliated companies

Maesod Clean Energy Co., Ltd

Maesod Clean Energy Company Limited continued its second year of operation in 2010. It processed 375,000 tonnes of sugarcane compared to the projection of 400,000 tonnes, due to unexpected cool weather resulting in lower sugarcane yield. The lower amount of sugarcane, which accounted for 60% of the plant's rated capacity, coupled with unfavourable price of ethanol, caused the plant to fall short of its financial breakeven point.

The sugarcane available for the 2011 operation has been estimated at 410,000 tonnes. The small increase

is partly due to drought in the first half of 2010 and partly due to the attractive guaranteed price of corn, which typically dominates agricultural production in the area, making farmers less motivated to switch to sugarcane. The Company has made plans and investments to improve yield by better irrigation, which should show result in the 2011-2012 season. The Company has also had some success in increasing the plantation area by 10,000 rai for the 2011-2012 crop, which together with the better yield, will enable the Company to achieve breakeven.

The application to sell excess electricity to the Provincial Electricity Authority (PEA) was approved in late 2010. The Company will start selling excess electricity in the 2010-2011 operation. The revenue from this electricity sale would significantly improve the Company's financial result.



Mineral resources and exploration

Padaeng mineral resources and ore reserves

As of 31st December 2010, the total mineral resources of zinc silicate and carbonate at the Mae Sod mine was estimated at 2,485,000 dry metric tonnes (dmt) at 10.4% zinc, containing about 257,000 tonnes of zinc metal. The mineral resource as shown in Table 1 was estimated using a cut-off grade of 3.0% zinc.

At the current rate of production at Padaeng mine, these reserves as shown in Table 2 are sufficient to sustain mining and beneficiation for 6 years.

Table 1 : Mineral resources at the Padaeng mine 31 December 2010.

Category	dmt	Zinc grade (%)
Measured resource	977,000	11.1
Indicated resource	1,508,000	9.8
Total	2,485,000	10.4

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 the Padaeng mine 31 December 2010

Category	dmt	Zinc grade (%)
Stock	84,000	10.4
Proven reserve	961,000	10.5
Probable reserve	1,046,000	9.4
Total	2,091,000	9.9

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 reserves in the form and context in which they appear.

Exploration**Padaeng mine at Mae Sod**

After the completion of the 2009 campaign, no more exploration work has been done at the Mine.

Regional exploration

Due to intensive exploration activities in Laos, exploration in Thailand in 2010 was scaled back, while data and options continued to be reviewed with support from consultants.

Applications for the renewal of the licences at Li North in the Lamphun province were filed after their expiration in June 2010. A non-JORC compliant mineral resource of zinc sulphide in Lamphun province was estimated at about 2.1 million dmt at 7.2% zinc and 1.2% lead (at cut-off grade of 3.0% zinc) in 2009. This area is believed to still have long-term zinc exploration

and development potential.

Applications for the renewal of the licences at Loei South in the Loei province were also filed after their expiration. Although no longer an attractive for zinc, the Loei South area has potential for gold and copper.

Several interesting zinc anomalies were delineated in northern Thailand, from a regional stream sediment sampling survey. The zinc anomalies appear to be related to favourable geological settings. Further follow-up exploration activities are planned to investigate these anomalies.

Puthep copper project in Loei province

In 2009, the Resource Estimate of 160 million tonnes at 0.53% copper and 0.09 grams per tonne gold (at cut-off grade of 0.30% copper) has been published by PanAust, Padaeng's partner in this project.

Table 3 : PUT1 Mineral resource as at 1 May 2009, Puthep copper project, Thailand

0.30% 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	0.10	306	186
Inferred	60	0.50	0.10	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. Dan 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.

With a view of completing the feasibility study, additional work is currently being performed on processing this complex ore. The feasibility study is considering the development of a copper leaching operation to process the predominantly chalcocite mineralisation. Through 2011, Puthep will submit a mine plan to support the mining lease applications and complete community consultation and the Environmental and Social Impact Assessment study.

Exploration project in Laos

Since October 2006, 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-month exploration licence on a 400-square kilometre area.

In 2010, the Company continued its second year of exploration works in that area, focusing its activities

on the highly anomalous Pha Vang Sam trend, which includes the Pha Vang Sam and Tham Noi zinc prospects. Thirty two diamond drill holes, totalling about 5,250 metres, were drilled along the Pha Vang Sam trend in 2010.

Zinc resources have been defined at Pha Vang Sam and Tham Noi. A non-JORC mineral resource estimate of mixed zinc (oxide and sulphide) of about 700,000 tonnes at 9.25% zinc and 1.90% lead was determined in October 2010. Additional drilling is aimed at extending these resources and defining satellite resources. Drilling results suggest potential higher one million tonne zinc mineral resource.

Ore samples from diamond drilling have been sent to the smelter at Tak for processing design, in anticipation of providing potential future ore feed sources.

Prospecting activities by surface and deep soil sampling during the year focused at the northern area of the trend. Positive results indicate further extension of zinc mineralisation.





Sustainable
Development 





Health and safety

Padaeng recognizes that occupational safety, health and environment are an integral factor to ensure success of business operations. All employees, workers, contractors and others, regardless of their place of work, should be assured of sound safety, health and environmental working conditions.

The Smelter is committed to provide a safe working environment for all employees and contractors. Significant risks, audits and inspections results have been continually assessed according to the Occupational Health and Safety Management System (OHSAS 18001/TIS 18001) in order to promote a safe workplace. The Smelter has also continued to implement medical assessments which included physical examinations, blood and urine analysis, chest X-ray, audiometry and spirometry, etc. to monitor and ensure the well-being of all employees.

The Mine conducted occupational health and safety activities with awareness-raising activities regarding safety, training and annual emergency evacuation drills under the OHSAS 18001/TIS 18001 system.

The Mine achieved an accident-free record with no work stoppage for 249,167 man-hours at the end of 2010.

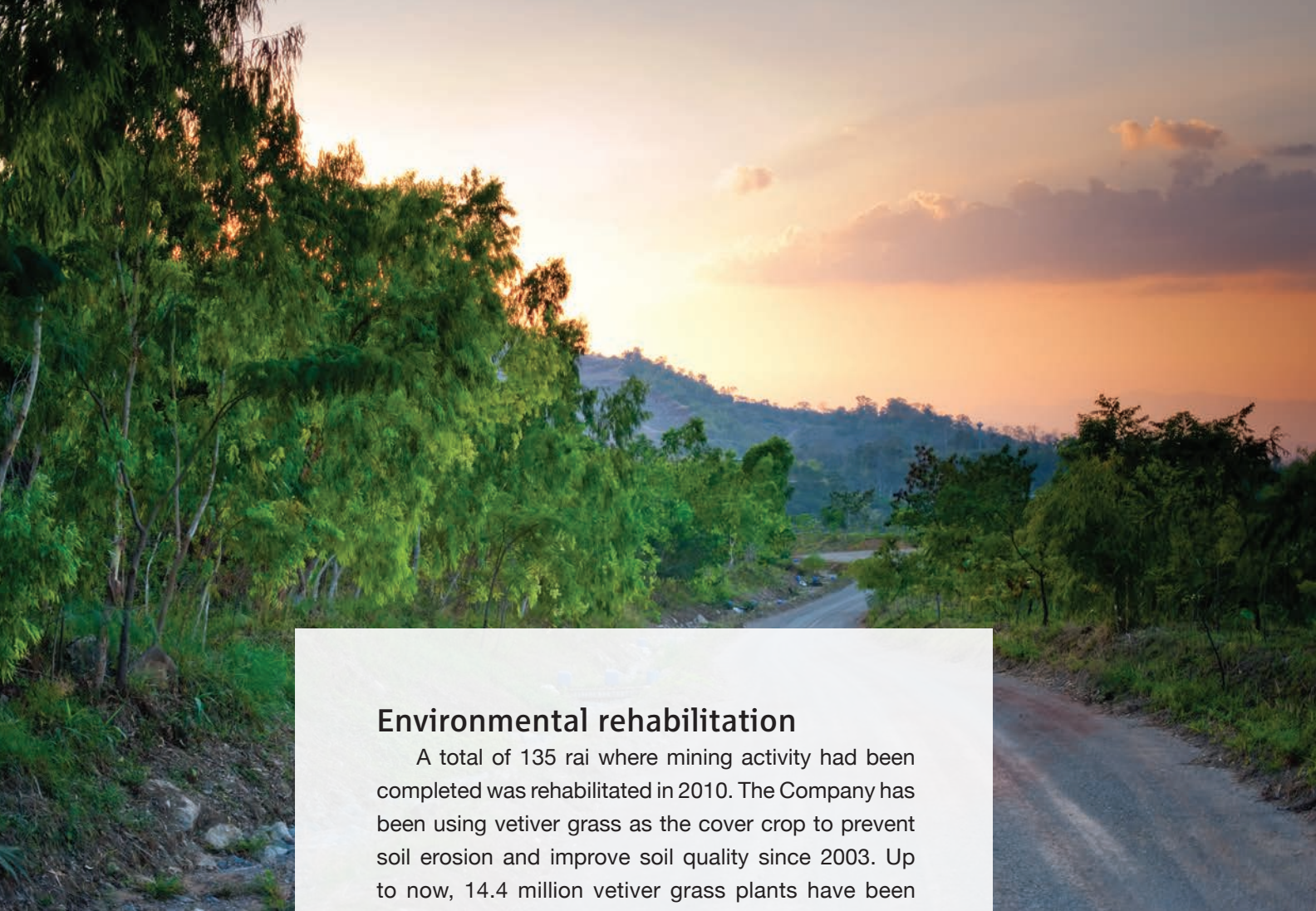


Environment

The Company places high importance on environmental impact prevention and mitigation through undertaking various measures in strict accordance with the laws and regulations of various supervisory state agencies. The results of environmental quality testing at the Smelter in the Tak and the Rayong provinces, along with the Mae Sod Mine, show that the environmental quality meets the official standards in all parameters.

The Smelter at the Tak and the Rayong have Environmental Management Systems which have been certified to ISO 14001, ensuring that all significant environmental risks and aspects have been identified in order to minimize their emissions and continually improve their performance.

In accordance with the stringent Environmental Impact Assessment (EIA) reports, monitoring and inspection of environmental quality are being undertaken with greater frequency and at more locations. Results show that the Mine met official standards for every parameter. The Mae Sod Mine also participated in the “Social Responsibility” project of the Department of Primary Industries and Mines (DPIM) under the Ministry of Industry. As a result, the Mine was recognized with the “Green Mining” award on 27 October 2010 by DPIM.



Environmental rehabilitation

A total of 135 rai where mining activity had been completed was rehabilitated in 2010. The Company has been using vetiver grass as the cover crop to prevent soil erosion and improve soil quality since 2003. Up to now, 14.4 million vetiver grass plants have been planted at the mine, making it one of the largest areas where vetiver grass is grown in Thailand. In terms of perennial plantings, local tree species were mainly used and fast-growing tree species have also been added. A total of 60,000 trees have been planted to date. The total expense for environmental rehabilitation was 32.4 million Baht.



Overview of the environmental performance indicators (EPI)

Indicator	Measurement	Zinc smelter			Roaster plant		
	unit	2010	2009	2008	2010	2009	2008
Input indicators							
Total materials used	tonnes	283,580	315,971	297,169	121,479	136,030	128,786
Total energy consumption							
- Electricity	gigajoule	1,559,566	1,644,475	1,619,035	84,730	10,024	8,000
- Electricity/tonne production	gigajoule/tonne production ¹	14.76	14.64	14.63	0.73	0.08	0.07
- Fuel	gigajoule	310,669	397,405	358,685	21,331	16,673	18,801
- Fuel/tonne production	gigajoule/tonne production ¹	2.94	3.54	3.24	0.18	0.13	0.19
Total water consumption							
- Total water consumption	1,000 m³	1,622	1,531	1,826	323	269	256
- Water consumption/tonne production	m³/tonne production ¹	15.35	13.63	16.50	2.80	2.17	2.29
Output indicators							
Produced waste							
- Total waste produced	tonnes (wet weight)	616,217	713,732	670,555	426	283	210
- Disposal ²	%	99.97	99.98	99.95	99.00	97.00	97.00
Emission to water							
Total emitted process water	1,000 m³	711	887	1,260	104	91	59
Total emitted metals	kg	411	351	531	136	114	75
Effluent quality							
- Zinc (<5 mg/l)	mg/l	0.37	0.12	0.11	1.28	1.20	1.26
- Cadmium (<0.03 mg/l)	mg/l	0.01	0.01	0.01	0.01	0.01	0.01
- Manganese (<5 mg/l)	mg/l	0.47	0.17	0.20	-	-	-
- Lead (<0.2 mg/l)	mg/l	0.05	0.05	0.05	-	-	-
Emission to air							
Total emitted metals	kg	933	1,008	885	12	14	132
Total emitted SOx	tonnes	267	366	344	233	250	246
Air quality							
1. Air emission							
- SO ₂ at Acid Plant (< 500 ppm)	ppm	43	50	56	288	274	307
- SO ₂ at Boiler (< 950 ppm)	ppm	485	523	689	-	-	-
- Total suspended particulate at Boiler (< 240 mg/m³)	mg/m³	152	155	189	-	-	-
- Total suspended particulate at Bag Filter (< 400 mg/m³)	mg/m³	8.82	8.43	10.86	-	-	-
2. Ambient air quality							
- Total suspended particulate (< 0.33 mg/m³)	mg/m³	0.060	0.056	0.050	0.083	0.052	0.082
- Sulfur dioxide (SO ₂)							
(average 24 hr <0.30 mg/m³)	mg/m³	0.02	0.01	0.02	-	-	-
(average 1 hr <0.30 ppm)	ppm	-	-	-	<0.01	<0.01	<0.01
Greenhouse gas							
Total greenhouse gas	tonnes	23,598	30,267	27,269	1.44	1.12	0.80
Total greenhouse gas/tonne production	kg/tonne production ¹	223	270	246	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		
		2010	2009	2008	2010	2009	2008	2010	2009	2008
Safety indicators										
Injury frequency rate, IFR	accidents/million working hours	2.39	0.79	0	0.00	0.00	6.44	1.67	0	0
Injury severity rate, ISR	lost days/million working hours	74.77	9.53	0	0.0	0.0	1,654.4	113.57	0	0
No. of employee	number	589	590	587	104	110	112	281	310	322
Financial indicators										
Environmental investment and operating costs										
Total environmental investmnt costs	million baht	0.0	0.0	15.5	5.7	19	24	0.03	1.2	7.9
Total environmental operating costs	million baht	173	173	152	24.3	25	14	3.2	9.2	6.7



Personnel

In 2010, the Company focused on personnel development through local and international training programmes.

The Company is committed to up-skilling its workforce through its in-house technical training. A number of programmes help the Company identify and improve the capability in its workforce and familiarise employees with industry standards in order to ensure consistent, high-quality performance and practices.

For professional training, Padaeng is a member of the International Zinc Association (IZA) and the Company has sent several managers to the “Zinc College”, a unique international training programme organised by IZA for the zinc industry. It is an opportunity to gain practical knowledge in the industry’s key functional areas and allows the Company management to establish valuable relationships with industry peers from around the world. The Company also provides opportunities for its managers to attend international conferences in the area of market and product development, as well as exploration and mining.

During 2010, the Company’s exploration team was assigned to work with the affiliated company Padaeng Industry (Laos) for ore exploration in Laos. Padaeng has been supporting a project and is investigating personnel and administrative regulations in order to employ a group of local employees for the project.

In addition, Padaeng Industry (Laos) undertook a programme to set up a training school for exploration drilling with the Polytechnic College of the Ministry of Education of the Lao PDR. A curriculum for basic knowledge about mineral exploration drilling was designed for graduates from the college. The training will take 1.5 years. This programme will support the expansion of survey works of Padaeng Industry (Laos) in the future while providing jobs for local people in Laos.

At the moment, no training is available in the country in this subject.

In 2010, the Company received awards related to personnel development and welfare from the government as follows:

- The Zinc Smelter and the Mae Sod Mine received certificates of Corporate Social Responsibility (CSR-DIW Continuous Awards and CSR-DIW) from the Department of Industrial Work, Ministry of Industry.
- The Zinc Smelter received the Outstanding Award for Safety Measures, Occupational Health and Working Environment from the Ministry of Labour.

At year-end, the Company had a total of 1,018 employees (a decrease of 21 employees compared to the previous year, reflecting mainly the workforce reduction at the Mae Sod Mine), of which 19% hold a bachelor’s degree or higher and 40% vocational certificates. Most employees reside in Tak province and in the northern region, where the smelter and mine are located. The average age of employees is approximately 41 years with the average service tenure is 14.5 years. The personnel turnover rate is 2.5%.



Corporate social responsibility

The Company undertakes its corporate social responsibility programs with a view to ensuring a happy and sustainable co-existence with local communities. Rather than merely donating funds and supplies for the sake of creating good relationships, it places importance on building a firm foundation for the community by developing stable occupations and well-being in both body and mind. The Company supports activities that promote career and community health and welfare in a serious and continuous manner.

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

The Company has continued to support the farmers from the three sub-districts of the Mae Tao basin in their transition from cultivating rice to sugarcane. Training was conducted for the farmers on proper techniques for sugarcane planting, nurturing and plantation management. The Company also supported the actions of the official agencies such as the Land Development Department in its project of dredging canals, drainage channels and ponds, as well as of constructing roads to transport the sugarcane products. This collective effort from the farmers, the Authorities, Maesod Clean Energy and the Company has allowed, for the first time in the area, sugarcane plantation in the Mae Tao basin to yield more than 10 tonnes per rai. Sugarcane farmers are now well on the way to be able to enjoy higher income and better quality of life, while gaining confidence to expand sugarcane acreage and pursue sugarcane cultivation as a stable career.

The Company also collaborated with the Tak Province Education Office Zone 2 and the Maesod Clean Energy Company Limited to carry out the first sugarcane demonstration plot at Mae Ku Witthayakhom School. Students from all 17 schools in the three sub-districts participated. They learned both theoretical and practical aspects of pre-planting preparation, planting methods,



watering, nurturing and harvesting. A work plan has been developed to expand the project so that more young students in the area will learn correct methods for sugarcane planting, by applying the principles of sufficiency economy to achieve sustainable development in the future.





60th Coronation Anniversary Health and Social Welfare Fund

The 60th Coronation Anniversary Health and Social Welfare Fund for the three sub-districts of the Mae Sod district, supported by the Company and the Padaeng Quality of Life Development Foundation with the objective of improving the quality of life of the people, continues to grow larger and stronger.

The Fund entered its fourth year of existence and was registered as a public welfare organisation by the Ministry of Social Development and Human Security on 24 May 2010.

This past year, the members of the Fund received not only health care benefits but, for the first time, they became eligible for welfare support for birth, aging, sickness and death. Each member contributes annually 183 Baht as savings or 50 Satang a day to the Fund. The savings amounted to 528,504 Baht from 2,888 members and the Padaeng Foundation contributed another 160,000 Baht. The Padaeng Foundation also arranged the training for the personnel to develop a computer program for the Fund's data system in order to improve efficiency, accuracy and transparency. This will allow the Fund to be better appreciated by the community.



Activities to promote education, religion, traditional culture and public welfare

The Company recognises the importance of education as the main factor for ensuring progress for the community. It promotes and supports the education of young students with good academic performance and behaviour, but lacking funding. The Company therefore provides more than 600 scholarships at all levels, including university. It also supports educational media and school lunch programs, distributes medical supplies and equipment and participates in religious affairs and public activities of the local communities.



Community activities of subsidiaries

The Company's subsidiaries share the same policy and enhance good relations with the community by implementing useful activities. These include:

- Rice yield improvement by using zinc containing fertiliser: In Laos, Padaeng Industry (Laos) carries out a joint research programme with the "Rice and Cash Crop Research Centre". The main focus of the research is the application of zinc fertiliser to boost productivity directly, the use of zinc fertiliser to decrease the absorption of iron in rice, and the increase of zinc content in rice grain which will be beneficial to improving the health of rice consumers. In the past year, research has been completed, but additional research will be conducted to verify the initial results. The research results will then be disseminated to concerned agencies in Laos or international agencies like the International Zinc Association (IZA) so that the research results can be applied to solve problems, to boost productivity of rice production by the farmers and to increase zinc content in rice grain.

- Support of local cultural activities and charitable works: This includes the donation of books, education and sports equipment by Puthep Company, a joint venture with PanAust (Padaeng's partner in this project) in copper mining development in Loei province.



Financial Review

Overview of Company performance in 2010

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 generates earnings by converting raw materials such as imported concentrates, other feed stock and ore from its own mine into marketable zinc metal. The revenues of the Company are affected by the commodity (zinc) prices and the treatment charges (TC) received from the suppliers 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 customers.

As mentioned earlier, the London Metal Exchange (LME) average zinc cash settlement price for 2010 was at 2,161 US dollar per tonne (USD/tonne), an increase of 30% from the price of 1,655 USD/tonne achieved in 2009. The average US dollar (USD) exchange rate to the Thai Baht (THB) for 2010 was 31.87 THB/USD, compared with 34.47 THB/USD in 2009. As a result, the average zinc price expressed in Thai Baht increased by 20% from 57,057 THB/tonne in 2009 to 68,857 THB/tonne in 2010.

In 2010, the volatility of the zinc price did not provide the impact of back pricing seen in 2009, when zinc prices rose continuously, zinc prices in 2010 were initially (first half) declining but later (second half) rising. Management also limited the quantity sold on back pricing basis in conjunction with the use of transactional hedging. The apparent net premium on zinc shows a strong improvement rising from 27 USD/tonne in 2009 to 163 USD/tonne in 2010. Similar improvement is also seen in copper apparent net premium. At the level of result, the impact from terms of Treatment Charges (TC) is cushioned by the fact that the higher zinc price had a mitigating effect on the decline in the apparent TC from 330 USD/dmt in 2009 to 301 USD/dmt in 2010. The Company compensated the shortfalls in production by buying metal on the market to serve the needs of its customers.

Balance sheet

Assets and liabilities

Significant item on the working assets of the Company in 2010 is the increase in inventories value from 2,707 million Baht in 2009 to 3,213 million Baht in 2010. This increase stems from higher zinc price towards the end of 2010. The investment in the jointly controlled entity (Maesod Clean Energy Co., Ltd) decreased by 62 million Baht to 105 million Baht to reflect the loss of that company. During 2010, 37 million Baht in exploration costs were expended as, for several projects in Thailand, the Company does not expect to commence development and production within the next five years.

At the consolidated level, the increase in capitalised exploration expenses from 27 million Baht in 2009 to 58 million Baht in Padaeng Industry (Laos) Co., Ltd reflects exploration works being carried out to find zinc ore deposits in Laos.

At the end of 2010 Puthep Co., Ltd capitalised exploration costs for copper deposit in the Loei province, Thailand amount to 885 million Baht. PNA (Puthep) Pty Ltd, Padaeng partner in the project, has pursued the work on the feasibility study. Puthep is now in the stage of preparing the Environmental and Social Impact Assessment (ESIA) conducted by the Kasetsart University.

On the liabilities side, there is a working capital loan outstanding of 719 million Baht at the Company level and, at the consolidated level, a term loan provided by PNA (Puthep) Pty Ltd to Puthep of 464 million Baht repayable upon the success of the Puthep copper project.

Shareholder's equity

In 2010, appropriated legal reserve increased by 23 million Baht to reach the legal reserve's 10% threshold at 226 million Baht. A dividend of 208 million Baht was paid in May 2010. Total shareholder's equity amounted to 4,896 million Baht or 21.6 Baht per share.

Cash flow and capital expenditure

The net cash used in operating activities in 2010 was 234 million Baht. Main utilisations were for supporting higher value of raw material (500 million Baht) and for paying down trade accounts payable (492 million Baht).

The Company continues to maintain a strong financial position. Consolidated net cash at end of 2010 is 456 million Baht. No long term debt other than the term loan from PNA (Puthep) Pty Ltd mentioned earlier. This term loan is not due until there is a viable and profitable operation of copper project. The Company continues to operate adequately within internal cash and short term working capital financing facilities.

Investment in plant and equipment amounted to 72 million Baht. Cash used in explorations amounted to 62 million Baht. Additional cash used in acquisition of the Concession Operating Right in the Union of Myanmar by the South East Asia Metal Co.,Ltd amounted to 15 million Baht.

Development in related companies

Ethanol producer Maesod Clean Energy Co.,Ltd aims to increase the area of sugar cane plantation and to achieve higher yield in order to increase raw material to the plant. A capital increase is planned by Maesod Clean Energy Co.,Ltd however the Company has not yet made its decision to participate.

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

In South East Asia Metal Co.,Ltd, a five year extension of the mining concession has been granted by the Government of the Union of Myanmar to Mayflower, the concession holder. Initial phase of upgrading the known low grade material into concentrate containing a minimum of 30% zinc is underway. An exploration program will be launched soon to assess quantity of additional low grade material.

	Year 2010	Year 2009
Averages		
LME Zn (USD/t)	2,161	1,655
LME Cu (USD/t)	7,511	5,150
USD/THB	31.87	34.47
Zn (THB/t)	68,857	57,057
Cu (THB/t)	239,357	177,522
Apparent Zn net premium (USD/t)	163	27
Apparent Cu net premium (USD/t)	(97)	(232)
Apparent TC net (USD/dmt)	301	330



	Tonnes	2010 million Baht	Tonnes	2009 million Baht
Zinc price (at LME average)		7,288		6,273
Apparent zinc net premium		548		101
Total zinc sales	105,838	7,836	109,946	6,374
Copper price (at LME average)		105		86
Apparent copper net premium		(1)		(4)
Copper sales	440	104	484	82
Acid sales	97,929	184	117,247	147
Company revenue		8,124		6,603
Other income		12		11
Expenses				
Zinc costs (at LME average)		5,460		4,227
Apparent TC net		(1,615)		(1,828)
Zinc purchased		3,846		2,399
Alloying metals		111		71
Sulphur		148		142
Total raw materials		4,105		2,612
Personnel expenses		521		508
Energy expenses		1,388		1,449
Materials and supplies		63		87
Consumables		215		228
Services (freight, contracts)		650		671
Other expenses		285		345
Depreciation amortisation		339		413
Subtotal		7,565		6,315
Gain (loss) on foreign exchange		111		49
Financial income (expenses)-net		(11)		(9)
Net consolidation effect-profit/(loss)		(15)		2
Share of loss from joint venture		(62)		(45)
Operating result		594		296
Corporate income tax		(176)		0
Net operating result		418		296

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 its 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 the Mine and the Smelter under licences 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 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 (2008 - 2010)

Products	2010 Revenue million Baht	% of Total revenue	2009 Revenue million Baht	% of Total revenue	2008 Revenue million Baht	% of Total revenue
Zinc metal (SHG)	4,962.08	60.80	4,430.61	66.69	4,672.20	57.09
Zinc alloy	2,828.61	34.66	1,887.83	28.41	2,512.26	30.70
Sulphuric acid	184.02	2.25	146.65	2.21	762.11	9.31
Other revenue	186.91	2.29	178.96	2.69	237.51	2.90
Total revenue	8,161.62	100.00	6,644.05	100.00	8,184.08	100.00

2010 Board of Directors, Strategic Committee, Audit Committee and Nomination and Remuneration Committee



Arsa Sarasin

Chairman 74 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 • Chairman of the Board of Governors, Amata Spring Country Club • Chairman, Maesod Clean Energy Company Limited • Chairman of Advisor, Thai-Lao Association • Vice Chairman, Thai Tapioca Development Institute • Director, Thai Pure Drinks Company Limited • 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 and Advisor, Bangkok Bank Public Company Limited • Director, Vinythai Public Company Limited • Chairman of the Thai-Laos Association



Paron Israsena

Independent Director, Audit Committee Member and Nomination and Remuneration Committee Chairman 83 Years Old

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

Training • The Board's Role in Setting Effective Compensation Policy, Thai Institute of Directors Association • 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 Member 65 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 • Governor, the Stock Exchange of Thailand • Chairman, Ch. Karnchang Public Company Limited • Chairman, Thoresen Thai Agencies Public Company Limited • Chairman, Krungthai-AXA Life Insurance Company Limited • Chairman, Thai Orix Leasing Company Limited • Chairman, Ton Poh Thailand Fund • Vice Chairman, Electricity Generating Public Company Limited • Independent Director, Bangkok Aviation Fuel Services Public Company Limited • Independent Director, OHTL Public Company Limited (Mandarin Oriental Hotel) • Independent Director, Thai Reinsurance Public Company Limited

Working experience • Assembly Member, the National Legislative Assembly • Director and Executive Director, Krung Thai Bank Public Company Limited • Independent Director, Thai Rating and Information Service Company Limited • 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

70 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



Pinit Vongmasa

Director and Nomination and Remuneration Committee Member 66 Years Old

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

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

Current position • Director and Nomination and Remuneration Committee Member, 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



Surapol Supradit

Director 59 Years Old

Education • National Defence College of Thailand (Class 46) • Cert. in Middle Management, Revenue Canada • Cert. in English for Management, University of Sydney • Bachelor of Law, Thammasat University • Bachelor of Economics, Sukhothai Thammathirat University • The Thai Bar, Institute of Legal Education of The Thai Bar • Master of Business Administration (Organization Management), Dhurakij Pundit University (on university scholarship)

Training • Thai Institute of Directors Association - Directors Certification Program 2006

Current position • Consultant in Development and Tax Administration, Excise Department

Working experience • Deputy Director, Excise Department • Assistant to the Permanent Secretary of the Ministry of Finance • Head of the Office of the Secretary to the Minister of Finance



Karel Vinck

Independent Director 72 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), Belgium • Director, La Monnaie and Roland Berger Consultants • 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 40 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 of mergers and acquisitions and investment banking experience, covering telecom & technology, real estate and financial institutions • Senior Position in Millennium Finance Corporation • Chief Investment Officer in Etisalat International Investment • Over 8 years in a private Equity Fund in New York, U.S.A.



Madhu Koneru

Director and Strategic Committee Member 36 Years Old

Education • MBA in 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



Ravi Gidwani

Director 35 Years Old

Education • MBA, SDA Bocconi School of Management, Italy • B.Sc. (Econ.) Economics, London School of Economics, UK

Current position • Executive Director - Private Equity, Istithmar World PJSC

Working experience • Consultant, Marakon Associates • Senior Analyst, McKinsey&Co. • Equity Analyst, ABN AMRO



André R. van der Heyden

Managing Director 63 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.



Vinij Ongnegenun

Deputy Managing Director 61 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 licence • Chartered Engineer, Mechanical Engineering, Council of Engineers (Kor Vor 567)

Board of Directors (Resigned during the year)

Sirinuj Bisonyabut

Director

61 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

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

Gable F. Gao

Director

41 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.

Company Management



Top Management

1. **Vinij Ongnengnun**
Deputy Managing Director
2. **Chaian Rojnowate**
Chief Manufacturing Officer
3. **Waykin Utharntharm**
Chief Financial Officer

Executives

4. **Suwit Uawanichkul**
Plant Manager
5. **Tianchai Singhakarn**
Mine Manager

Company Management



Executives

6. Chitchai Thaveepanich

Vice President - Human Resources & Corporate Administration

7. Chaya Hasdiseve

Vice President - Procurement

8. Siam Dowmanee

Vice President - Technical Service

9. Unnop Tungkananukulchai

Vice President - Regulatory Affairs

10. Manoch Jaroenvuthitham

Vice President - Production

11. Pothong Pipatpaiboon

Vice President - Maintenance

12. Akarapol Prucksuwan

Senior Manager - Marketing

Internal Audit

13. 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 2010, 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 laws, the regulations of SEC, SET and with the generally accepted accounting principles of Thailand before submission to the Board. There are also additional meetings with the external auditor without management so as to independently discuss the information of financial statement and of any potential fraudulent action. 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. In addition the Audit Committee has also overseen the issue of connected party transaction to prevent any conflict of interest that might arise from such transaction.

For year 2011 the Company will continue focus on the improvement of the internal control system to identify weaknesses in the system and implementation of solution to eliminate them. Moreover, the Audit Committee will review that the Company is in compliance with the change in Thai GAAP effective from 2011 onwards.

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 2011.



(Vinai Vamvanij)
Chairman of the Audit Committee
14 March 2011



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 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited as at 31 December 2010, and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the year then ended. 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 audit. The financial statements for the year-ended 31 December 2009 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited, presented herewith for comparative purposes, were audited by another auditor in the same firm as myself, whose report dated 16 February 2010, expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards requires 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 audit provides 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 2010, and the consolidated and company results of operations and cash flows for the year then ended of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited, respectively, in accordance with generally accepted accounting principles.



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

22 February 2011

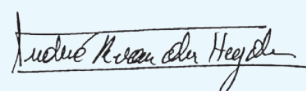
Balance Sheets

Padaeng Industry Public Company Limited

As at 31 December 2010 and 2009

		Consolidated		Company	
	Notes	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Assets					
Current assets					
Cash and cash equivalents	6	455,719,315	630,121,596	281,592,741	437,464,391
Trade accounts receivable-net	7	374,751,863	318,813,177	373,534,762	317,117,099
Inventories-net	8	3,212,808,832	2,707,478,925	3,212,808,832	2,707,478,925
Value added tax receivables		149,513,854	149,074,154	149,051,309	148,702,550
Other receivables-related parties-net	26 (iv)	69,524	3,989,549	20,197,565	11,643,592
Other current assets	9	21,598,753	46,637,244	19,116,833	45,256,222
Total current assets		4,214,462,141	3,856,114,645	4,056,302,042	3,667,662,779
Non-current assets					
Advances to related parties-net		-	-	41,112,916	16,965,416
Investments in subsidiaries-net	10, 26 (i)	-	-	233,005,323	233,005,323
Investments in jointly controlled entity	10, 26 (i)	105,271,490	167,309,172	236,249,800	236,249,800
Property, plant and equipment-net	11	1,482,552,695	1,725,019,574	1,483,632,306	1,726,246,262
Exploration and acquisition costs	12	1,114,261,747	1,094,047,135	131,049,859	182,616,867
Other non-current assets					
- deferred environmental rehabilitation expenses-net	13 (i)	20,518,370	32,540,631	20,518,370	32,540,631
- deferred environmental risk assurance expenses-net	13 (ii)	21,404,011	28,681,950	21,404,011	28,681,950
- others	13 (iii)	9,113,336	9,148,192	8,716,632	8,617,579
Total non-current assets		2,753,121,649	3,056,746,654	2,175,689,217	2,464,923,828
Total assets		6,967,538,790	6,912,861,299	6,231,991,259	6,132,586,607

Director



(André R. van der Heyden)

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

Balance Sheets [Continued]

Padaeng Industry Public Company Limited

As at 31 December 2010 and 2009

		Consolidated		Company	
	Notes	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Liabilities and Shareholders' Equity					
Current liabilities					
Short-term loans from financial institutions	14	718,869,139	358,887,456	718,869,139	358,887,456
Trade accounts payable		338,388,316	832,090,780	336,539,038	830,692,147
Accrued electricity expenses		100,783,304	113,296,426	100,783,304	113,296,426
Royalty payable		1,890,000	2,412,081	1,890,000	2,412,081
Current portion of provision for retirement benefits	17	18,393,687	21,727,850	18,393,687	21,727,850
Other payables-related parties	26 (vi)	-	-	491,740	243,587
Income tax payables		41,142,142	-	40,844,350	-
Other current liabilities	18	186,518,997	267,029,221	179,557,617	246,426,670
Total current liabilities		1,405,985,585	1,595,443,814	1,397,368,875	1,573,686,217
Non-current liabilities					
Long-term loan from other party	26 (viii)	464,431,861	439,108,024	-	-
Accrued interest expenses-other party	26 (viii)	48,313,578	28,405,604	-	-
Provisions for restoration expenses	16	48,704,826	70,660,152	48,704,826	70,660,152
Long-term portion of provision for retirement benefits	17	104,300,552	93,417,874	104,300,552	93,417,874
Other non-current liabilities		85,729	570,157	85,729	570,157
Total non-current liabilities		665,836,546	632,161,811	153,091,107	164,648,183
Total liabilities		2,071,822,131	2,227,605,625	1,550,459,982	1,738,334,400

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

Balance Sheets [Continued]

Padaeng Industry Public Company Limited

As at 31 December 2010 and 2009

	Notes	Consolidated		Company	
		2010 Baht	2009 Baht	2010 Baht	2009 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	226,000,000	202,961,801	226,000,000	202,961,801
Unappropriated		1,591,861,225	1,404,316,926	1,593,117,677	1,328,876,806
Total shareholders' equity		4,680,274,825	4,469,692,327	4,681,513,277	4,394,252,207
Minority interest		215,486,834	215,563,347	-	-
Total shareholders' equity		4,895,761,659	4,685,255,674	4,681,531,277	4,394,252,207
Total liabilities and shareholders' equity		6,967,583,790	6,912,861,299	6,231,991,259	6,132,586,607

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

Statements of Income

Padaeng Industry Public Company Limited

For the years ended 31 December 2010 and 2009

	Notes	Consolidated		Company	
		2010 Baht	2009 Baht	2010 Baht	2009 Baht
Sales and services		8,141,954,520	6,619,405,921	8,123,890,682	6,602,569,165
Cost of sales and services		(7,127,654,876)	(5,933,624,715)	(7,113,069,172)	(5,920,803,508)
Gross profit		1,014,299,644	685,781,206	1,010,821,510	681,765,657
Other operating income		10,752,298	16,254,283	12,457,499	11,939,045
Dividend income		-	1,795,428	-	1,795,428
Gain on exchange rate		110,703,003	50,923,242	111,853,580	51,728,898
Reversal of allowance for diminution of inventories		-	38,738,500	-	38,738,500
Total revenues		1,135,754,945	793,492,659	1,135,132,589	785,967,528
Selling expenses		(62,211,274)	(102,085,660)	(62,211,274)	(102,085,660)
Administrative expenses		(321,631,712)	(250,668,708)	(304,859,436)	(243,926,957)
Royalty expenses		(37,669,313)	(42,671,775)	(37,669,313)	(42,671,775)
Management costs		(58,525,115)	(55,542,400)	(58,525,115)	(55,542,400)
Total expenses		(480,037,414)	(450,968,543)	(463,265,138)	(444,226,792)
Operating profit		665,717,531	342,524,116	671,867,451	341,740,736
Share of loss of investment in jointly controlled entity on equity method		(62,037,682)	(45,348,440)	-	-
Profit before finance costs and corporate income tax		593,679,849	297,175,676	671,867,451	341,740,736
Finance costs-net	23	1,524,724	(233,023)	(672,646)	(2,582,446)
Profit before corporate income tax		595,204,573	296,942,653	671,194,805	339,158,290
Corporate income tax		(176,784,366)	(903,763)	(176,001,153)	-
Net profit		418,420,207	296,038,890	495,193,292	339,158,290
Attributable to:					
Equity holders of the Company		418,496,720	296,354,305	495,193,292	339,158,290
Minority Interest		(76,513)	(315,415)	-	-
		418,420,207	296,038,890	495,193,292	339,158,290
Earnings per share for profit attributable to the equity holders of the Company					
Basic earnings per share	24	1.85	1.31	2.19	1.50

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

Statements of Changes in Shareholders' Equity

Padaeng Industry Public Company Limited

For the years ended 31 December 2010 and 2009

	Notes	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			
				Baht	Baht	Baht	Baht	
Beginning balance as at 1 January 2010		2,260,000,000	602,413,600	202,961,801	1,404,316,926	4,469,692,327	215,563,347	4,685,255,674
Appropriated legal reserve	21	-	-	23,038,199	(23,038,199)	-	-	-
Net profit		-	-	-	418,496,720	418,496,720	(76,513)	418,420,207
Dividends paid	25	-	-	-	(207,914,222)	(207,914,222)	-	(207,914,222)
Ending balance as at 31 December 2010		2,260,000,000	602,413,600	226,000,000	1,591,861,225	4,680,274,825	215,486,834	4,895,761,659

	Notes	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	Unappropriated			
				legal reserve				
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 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
Dividends paid	25	-	-	-	(185,312,062)	(185,312,062)	-	(185,312,062)
Ending balance as at 31 December 2009		2,260,000,000	602,413,600	202,961,801	1,404,316,926	4,469,692,327	215,563,347	4,685,255,674

The notes to the consolidated and company financial statements 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 2010 and 2009

	Notes	Company				
		Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		Total Baht
				Appropriated legal reserve Baht	Unappropriated Baht	
Beginning balance as at 1 January 2010		2,260,000,000	602,413,600	202,961,801	1,328,876,806	4,394,252,207
Appropriated legal reserve	21	-	-	23,038,199	(23,038,199)	-
Net profit		-	-	-	495,193,292	495,193,292
Dividends paid	25	-	-	-	(207,914,222)	(207,914,222)
Ending balance as at 31 December 2010		2,260,000,000	602,413,600	226,000,000	1,593,117,677	4,681,531,277

	Notes	Company				
		Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		Total Baht
				Appropriated legal reserve Baht	Unappropriated 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
Dividends paid	25	-	-	-	(185,312,062)	(185,312,062)
Ending balance as at 31 December 2009		2,260,000,000	602,413,600	202,961,801	1,328,876,806	4,394,252,207

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

Statements of Cash Flows

Padaeng Industry Public Company Limited

For the years ended 31 December 2010 and 2009

		Consolidated		Company		
	Notes	2010 Baht	2009 Baht	2010 Baht	2009 Baht	
<u>Cash flows from operating activities</u>						
Profit before tax		595,204,573	296,942,653	671,194,805	339,158,290	
Adjustments for:						
Depreciation expenses		11	313,346,362	392,344,817	312,596,319	391,595,450
Other non-current assets amortisation expenses			36,180,138	24,445,043	27,896,892	21,582,479
Interest expenses		23	7,388,395	8,620,560	7,388,395	8,620,560
Interest income		23	(8,913,119)	(8,387,537)	(6,715,749)	(6,038,114)
Share of loss from jointly controlled entity			62,037,682	45,348,440	-	-
Cost of doubtful debts			-	-	77,074	55,362
Reversal of slow-moving and obsolete stocks			(5,554,352)	(1,312,259)	(5,554,352)	(1,312,259)
Reversal for cost of diminution of inventories			-	(38,738,500)	-	(38,738,500)
Provisions for employee retirement benefits		17	12,844,313	13,078,660	12,844,313	13,078,660
Provisions for annual leave			83,447	(463,953)	83,447	(463,953)
(Gain) loss on disposal of property, plant and equipment			(1,064,866)	8,973,208	(1,064,866)	8,973,208
Fixed assets written-off		11	140,662	33,801	140,662	33,801
Reversal of impairment of asset			(11,845)	-	(11,845)	-
Tax deducted at source written-off			-	151,603	-	151,603
Dividend income			-	(1,795,428)	-	(1,795,428)
Exploration costs written-down		12	37,412,911	533,440	37,412,911	533,440
Provisions for restoration expenses		16	23,037,406	42,400,444	23,037,406	42,400,444
Unrealised (gain) loss on foreign currency exchange			(5,883,594)	837,857	(5,883,594)	837,857

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

Statements of Cash Flows [Continued]

Padaeng Industry Public Company Limited

For the years ended 31 December 2010 and 2009

	Notes	Consolidated		Company	
		2010 Baht	2009 Baht	2010 Baht	2009 Baht
Changes in operating assets and liabilities					
Trade accounts receivable					
- other parties		(55,946,007)	19,982,443	(56,424,984)	21,157,184
Inventories		(499,775,555)	(1,118,989,995)	(499,775,555)	(1,118,989,995)
Value added tax receivables		(439,700)	(51,502,883)	(348,759)	(56,995,230)
Other receivables-related parties		3,920,025	(3,989,549)	(8,573,547)	(8,336,147)
Other current assets		24,867,936	156,262,316	25,929,469	152,021,376
Other non-current assets					
- deferred environmental rehabilitation expenses		7,853,497	-	7,853,497	-
- deferred environmental risk assurance expenses		3,531,341	-	3,531,341	-
- others		(3,813,168)	(563,545)	(3,894,084)	(1,641,557)
Trade accounts payable					
- other parties		(492,978,074)	662,056,571	(493,428,719)	661,209,651
Advances from other party		-	(3,632,851)	-	-
Accrued electricity expenses		(12,513,122)	(97,719,858)	(12,513,122)	(97,719,858)
Royalty payable		(522,081)	(41,728,898)	(522,081)	(41,728,898)
Other payable-related parties		-	-	248,153	(215,116)
Other current liabilities		(81,099,902)	40,566,505	(67,745,378)	99,202,418
Provisions for restoration expenses utilised	16	(44,992,733)	(58,772,849)	(44,992,733)	(58,772,849)
Provisions for employee retirement benefits expenses utilised	17	(5,295,798)	(7,261,750)	(5,295,798)	(7,261,750)
Cash generated from operation		(90,955,228)	277,718,506	(82,510,482)	320,602,129
Interest paid		(7,266,564)	(9,971,521)	(7,266,564)	(9,971,521)
Tax paid		(135,928,868)	(2,133,951)	(135,157,163)	(347,298)
Net cash provided by (used in) operating activities		(234,150,660)	265,613,034	(224,934,209)	310,283,310

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

Statements of Cash Flows [Continued]

Padaeng Industry Public Company Limited

For the years ended 31 December 2010 and 2009

		Consolidated		Company	
	Notes	2010 Baht	2009 Baht	2010 Baht	2009 Baht
<u>Cash flows from investing activities</u>					
Dividend received		-	-	-	1,599,752
Cash received for short-term loan to a related party		-	2,449,000	-	-
Prepayment to a related party		-	-	(24,205,000)	(15,679,000)
Interest received		8,840,493	8,576,066	6,682,490	6,239,188
Proceeds from returns of capital from a subsidiary		-	-	-	4,950,000
Cash paid for purchase of property, plant and equipment	11	(71,568,653)	(85,783,320)	(70,671,533)	(84,474,982)
Cash received from sales of property, plant and equipment		1,625,219	463,973	1,625,219	463,973
Cash paid for exploration	12	(61,976,096)	(114,862,616)	(2,032,403)	(5,472,475)
Cash paid for acquisition costs		(160,207)	(33,950,394)	-	-
Net cash used in investing activities		(123,239,244)	(223,107,291)	(88,601,227)	(92,373,544)
<u>Cash flows from financing activities</u>					
Proceeds (payment) on short-term loans from financial institutions		364,829,782	(397,047,241)	364,829,782	(397,047,241)
Proceeds from long-term loan from other party	26 (viii)	25,323,837	127,958,420	-	-
Dividends payment		(207,727,602)	(185,216,991)	(207,727,602)	(185,216,991)
Return of capital to minorities		-	(2,411,804)	-	-
Net cash provided by (used in) financing activities		182,426,017	(456,717,616)	157,102,180	(582,264,232)
Effects from changes in exchange rate for cash and cash equivalents		561,606	1,039,665	561,606	1,039,665
Net decrease in cash and cash equivalents		(174,402,281)	(413,172,208)	(155,871,650)	(363,314,801)
Cash and cash equivalents at beginning of the year		630,121,596	1,043,293,804	437,464,391	800,779,192
Cash and cash equivalents at end of the year		455,719,315	630,121,596	281,592,741	437,464,391

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

Notes to the Consolidated and Company Financial Statements

Padaeng Industry Public Company Limited

For the years ended 31 December 2010 and 2009

1. General information

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

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

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 22 February 2011.

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 the Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The consolidated and company financial statements have been prepared under the historical cost convention, except accounting for employee benefits as disclosed in Note 2.13 and financial instruments as disclosed in Note 2.17.

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 statutory financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

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

a) The amendment of accounting framework is effective on 26 May 2010.

b) The following new accounting standards and amendments to accounting standards are mandatory for the accounting periods beginning on or after 1 January 2011 and 1 January 2013.

Effective for the accounting periods beginning on or after 1 January 2011

TAS 1 (Revised 2009) Presentation of Financial Statements

TAS 2 (Revised 2009) Inventories

TAS 7 (Revised 2009) Statement of Cash Flows

TAS 8 (Revised 2009) Accounting Policies, Changes in Accounting Estimates and Errors

TAS 10 (Revised 2009) Events after the Reporting Period

TAS 16 (Revised 2009) Property, Plant and Equipment

TAS 18 (Revised 2009) Revenues

TAS 19 (Revised 2009) Employee Benefits

TAS 24 (Revised 2009) Related Party Disclosures

TAS 27 (Revised 2009) Consolidated and Separate Financial Statements

TAS 28 (Revised 2009) Investments in Associates

TAS 31 (Revised 2009) Interests in Joint Ventures

TAS 33 (Revised 2009) Earnings per Share

TAS 34 (Revised 2009) Interim Financial Reporting

TAS 36 (Revised 2009) Impairment of Assets

TAS 37 (Revised 2009) Provisions, Contingent Liabilities and Contingent Assets

TAS 38 (Revised 2009) Intangible Assets

TFRS 6 Exploration for and Evaluation of Mineral Resources

The Company will apply new accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (collectively “the accounting standards”) from 1 January 2011. The Company’s management assessed and determined that there are no significant impacts to financial statements being presented except the following accounting standards.

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

TAS 16 (Revised 2009) requires that the cost of an item of property, plant and equipment includes the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of installing the item. Each significant component of property, plant and equipment is required to be separately identified and depreciated if the useful life of each significant component differs from other components. In addition, useful lives and residual values of the property, plant and equipment are required to be reviewed and adjusted, if appropriate, at least annually. The Company will apply this standard from 1 January 2011 retrospectively with an expected adjustment to retained earnings. The management is currently assessing the impact of applying this standard.

c) Effective for the accounting periods beginning on or after 1 January 2013

TAS 12 Income taxes

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

The Company will apply new these accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (collectively “the accounting standards”) from 1 January 2013. The Group’s management is in the process of reviewing the impacts of those accounting standards.

TAS 12 prescribed the accounting treatment for income taxes, comprising current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or to be paid to the taxation authorities, using tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes are measured by based on the temporary difference between the tax base of an asset or liability and its carrying amount in the financial statements and using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. The Company will apply this standard from 1 January 2013 retrospectively with an expectation adjustment to the deferred tax account and changes in retained earnings and income tax expenses. The management is currently assessing the impact of applying this standard.

TAS 21 (Revised 2009) required an entity to determine its functional currency which is a currency of the primary economic environment in which the entity operates. Foreign currency transactions are required to be translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rate of monetary items denominated in foreign currency are recognised in profit or loss. In addition, the results and financial position of all the group entities that have a functional currency difference from the presentation currency are translated in the presentation currency as following; (a) assets and liabilities are translated at the closing rate at the date of that statement of financial position (b) income and expenses are translated at exchange rate at the date of the transactions and (c) all resulting exchange differences are recognised in other comprehensive income. The Company will apply this standard from 1 January 2013. The application of the standard will be accounted for retrospectively. The management is currently assessing the impact of applying this standard.

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 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 financial statements, interest in jointly controlled entities is reported using the cost method.

The Company’s principal jointly controlled entity is listed in Note 26 (i).

(3) Other investment

Investments other than investments in subsidiaries and associates of the Group is classified into general investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

General investments are non-marketable securities and carried at cost less impairment.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments. Cost of investment includes transaction costs.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the statement of income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of income.

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 balance sheet date. 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 balance sheet 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 administrative expenses.

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. Allowance is 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 equipment	8 - 20
Equipment, 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 in balance sheet 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 the 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 a provision is recognised for 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period in which they arise and accumulated in the statement of changes in shareholders' equity.

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.

3. 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.

3.1 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.

3.2 Exploration and evaluation expenditure

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions are met. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. These calculations and reviews require the use of assumptions and judgment.

3.3 Restoration provision

Significant judgment is required in determining the restoration provision as there are many transactions and factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability includes future development, changes in technology, commodity price changes and changes in interest rates.

3.4 Property and equipment and intangible assets

Management determines the carrying value of property, plant, and equipment and intangible assets based on estimates, assumptions, and judgments in respect of remaining useful lives and residual values of these assets. These estimates, assumptions, and judgments reflect both historical experience and expectations regarding future operations, utilisation, and performance.

3.5 Impairment of assets

Assets and intangible assets with a definite useful life are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets and using an appropriate discount rate.

4. 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.

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	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Cash on hand	640,000	640,000	480,000	480,000
Deposits held at call with banks	97,352,548	207,662,673	81,263,372	188,080,014
Cash and bank balances	97,992,548	208,302,673	81,743,372	188,560,014
Bill of exchange	357,726,767	421,818,923	199,849,369	248,904,377
Cash and cash equivalents	455,719,315	630,121,596	281,592,741	437,464,391

The average interest rates on deposits and short-term investments are in the range of 0.10% - 1.93% per annum (2009 : 0.10% - 1.07% per annum).

7. Trade accounts receivable-net

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Trade accounts receivable	374,751,863	318,813,177	373,534,762	317,117,099
<u>Less:</u> Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable-net	374,751,863	318,813,177	373,534,762	317,117,099

Outstanding trade accounts receivable as at 31 December 2010 and 2009 can be analysed as follows:

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Up to 3 months	374,751,863	318,813,177	373,534,762	317,117,099
3-6 months	-	-	-	-
6-12 months	-	-	-	-
Over 12 months	-	-	-	-
	374,751,863	318,813,177	373,534,762	317,117,099
<u>Less:</u> Allowance for doubtful accounts	-	-	-	-
	374,751,863	318,813,177	373,534,762	317,117,099

8. Inventories-net

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Raw materials	1,344,584,753	653,061,292	1,344,584,753	653,061,292
Spare parts and consumables	148,307,237	156,520,039	148,307,237	156,520,039
Goods in transit	740,535,407	1,096,846,801	740,535,407	1,096,846,801
Work in process	578,111,051	597,581,581	578,111,051	597,581,581
Finished goods	415,653,382	223,406,562	415,653,382	223,406,562
	3,227,191,830	2,727,416,275	3,227,191,830	2,727,416,275
<u>Less:</u> Allowance for slow moving and obsolete inventories	(14,382,998)	(19,937,350)	(14,382,998)	(19,937,350)
Inventories-net	3,212,808,832	2,707,478,925	3,212,808,832	2,707,478,925

9. Other current assets

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 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	5,661,622	31,385,236	5,661,622	31,385,236
Others	15,937,131	15,252,008	13,455,211	13,870,986
	67,802,796	92,841,287	65,320,876	91,460,265
<u>Less:</u> Allowance for doubtful accounts	(46,204,043)	(46,204,043)	(46,204,043)	(46,204,043)
Total	21,598,753	46,637,244	19,116,833	45,256,222

10. Investments in subsidiaries and jointly controlled entity

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Opening net book amount	167,309,172	212,657,612	469,255,123	474,205,123
Share of loss	(62,037,682)	(45,348,440)	-	-
Liquidate	-	-	-	(4,950,000)
Closing net book amount	105,271,490	167,309,172	469,255,123	469,255,123

In 2009, the Company received returns of capital investment of Baht 4.95 million from a subsidiary which has registered its dissolution with the Ministry of Commerce since 8 May 2008. The subsidiary completed its liquidation in the year 2009.

Investments in jointly controlled entity	Business	Country of incorporation	% Ownership interest	
			2010	2009
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 October 2010 and 2009 of the jointly controlled entity:

	31 October 2010 '000 Baht	31 October 2009 '000 Baht
Property, plant and equipment	2,019,093	2,164,639
Current assets	431,367	473,498
Non-current assets	14,765	12,138
Total assets	2,465,225	2,650,275
Long-term borrowing	1,260,000	1,350,000
Current liabilities	844,933	785,092
Total liabilities	2,104,933	2,135,092
Net assets	360,292	515,183
Revenues	701,368	301,548
Expenses	(856,269)	(390,250)
Net loss for the year	(154,901)	(88,702)

“Maesod Clean Energy Co., Ltd., (“Maesod”) has fiscal year that ends on 31 October. For the two months ended 31 December 2010, Maesod has net loss of Baht 62,220 thousand (31 December 2009 : net loss of Baht 39,870 thousand). The operating results of Maesod for the two months period as at 31 December 2010 included in the consolidated financial statements have been unaudited.

As at 31 December 2010, 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 improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Total 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
<u>Less:</u> 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	424,443,288	430,664,691	955,311,406	70,311,314	77,075,154	83,112,786	2,040,918,639
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)
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	403,761,875	349,996,606	848,515,293	51,417,351	63,068,522	8,259,927	1,725,019,574
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
<u>Less:</u> 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	403,761,875	349,996,606	848,515,293	51,417,351	63,068,522	8,259,927	1,725,019,574

	Consolidated						
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Total Baht
Year ended 31 December 2010							
Opening balance	403,761,875	349,996,606	848,515,293	51,417,351	63,068,522	8,259,927	1,725,019,574
Additions	-	-	-	626,015	-	70,942,638	71,568,653
Transfers	1,919,426	2,155,986	56,808,929	10,384,048	153,000	(71,421,389)	-
Disposals of property, plant and equipment	-	-	(54,202)	5,974	(500,280)	-	(548,508)
Write-off property, plant and equipment	-	-	-	(140,662)	-	-	(140,662)
Depreciation expense	(21,233,497)	(60,387,413)	(192,834,194)	(22,463,764)	(16,427,494)	-	(313,346,362)
Closing net book amount	384,447,804	291,765,179	712,435,826	39,828,962	46,293,748	7,781,176	1,482,552,695
At 31 December 2010							
Cost	721,318,405	1,656,087,815	5,135,150,738	451,147,840	234,185,589	7,781,176	8,205,671,563
<u>Less:</u> Accumulated depreciation	(333,561,857)	(1,358,015,844)	(4,260,928,194)	(409,962,980)	(187,539,843)	-	(6,550,008,718)
Accumulated provision for impairment	(3,308,744)	(6,306,792)	(161,786,718)	(1,355,898)	(351,998)	-	(173,110,150)
Net book amount	384,447,804	291,765,179	712,435,826	39,828,962	46,293,748	7,781,176	1,482,552,695

Fully depreciated property, plant and equipment still in use as at 31 December 2010 amount to Baht 3,228.2 million (2009: Baht 2,033.5 million).

	Company						
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Total 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
<u>Less:</u> 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	427,953,226	430,664,691	955,311,406	68,256,973	77,074,657	83,112,786	2,042,373,739
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)
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	407,271,813	349,996,606	848,515,293	49,134,596	63,068,027	8,259,927	1,726,246,262
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
<u>Less:</u> 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	407,271,813	349,996,606	848,515,293	49,134,596	63,068,027	8,259,927	1,726,246,262

	Company						
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Total Baht
Year ended 31 December 2010							
Opening balance	407,271,813	349,996,606	848,515,293	49,134,596	63,068,027	8,259,927	1,726,246,262
Additions	-	-	-	626,015	-	70,045,518	70,671,533
Transfers	1,919,426	2,155,986	56,808,929	9,486,928	153,000	(70,524,269)	-
Disposals of property, plant and equipment	-	-	(54,202)	5,974	(500,280)	-	(548,508)
Write-off property, plant and equipment	-	-	-	(140,662)	-	-	(140,662)
Depreciation expense	(21,233,497)	(60,387,413)	(192,834,194)	(21,713,721)	(16,427,494)	-	(312,596,319)
Closing net book amount	387,957,742	291,765,179	712,435,826	37,399,130	46,293,253	7,781,176	1,483,632,306
At 31 December 2010							
Cost	724,828,343	1,656,087,815	5,135,150,738	446,278,179	234,165,590	7,781,176	8,204,291,841
<u>Less:</u> Accumulated depreciation	(333,561,857)	(1,358,015,844)	(4,260,928,194)	(407,523,151)	(187,520,339)	-	(6,547,549,385)
Accumulated provision for impairment	(3,308,744)	(6,306,792)	(161,786,718)	(1,355,898)	(351,998)	-	(173,110,150)
Net book amount	387,957,742	291,765,179	712,435,826	37,399,130	46,293,253	7,781,176	1,483,632,306

Fully depreciated property, plant and equipment still in use as at 31 December 2010 amount to Baht 3,227.2 million (2009: Baht 2,033.0 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	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Opening balances	173,121,995	169,952,737	173,121,995	169,952,737
Provision for impairment	-	8,973,208	-	8,973,208
Reversal from disposals	-	(5,803,950)	-	(5,803,950)
Reversal from written-off	(11,845)	-	(11,845)	-
Ending balances	173,110,150	173,121,995	173,110,150	173,121,995

12. Exploration and acquisition costs

Exploration and acquisition costs as at 31 December 2010 and 2009 comprise:

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
<u>Exploration costs</u>				
Opening balance for the year	974,287,110	831,552,330	111,042,572	106,103,538
Expenditure incurred during the year	61,976,096	114,862,616	2,032,403	5,472,474
Deferred capitalised interest	19,907,975	28,405,604	-	-
Expenditure written-down	(37,412,911)	(533,440)	(37,412,911)	(533,440)
Ending balance for the year	1,018,758,270	974,287,110	75,662,064	111,042,572
<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
Accumulated depletion	(46,666,704)	(40,000,032)	(46,666,704)	(40,000,032)
Ending balance for the year	13,333,296	19,999,968	13,333,296	19,999,968
Land use compensation-net	26,983,108	32,846,459	26,983,108	32,846,459
Other capitalised expenditure-net	15,071,391	18,727,868	15,071,391	18,727,868
Ending balance for the year	55,387,795	71,574,295	55,387,795	71,574,295
Concession operating right				
Opening balance for the year	48,185,730	-	-	-
Expenditure incurred during the year	160,206	51,048,294	-	-
Accumulated amortisation	(8,230,254)	(2,862,564)	-	-
Ending balance for the year	40,115,682	48,185,730	-	-
Total mining acquisition costs	95,503,477	119,760,025	55,387,795	71,574,295
Total (Note 12 (i), (ii))	1,114,261,747	1,094,047,135	131,049,859	182,616,867

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.

During 2010, Baht 37 million in exploration costs were written-down as the Company does not expect significant development within five years even if the Company continues to hold the exploration rights.

Puthep Co., Ltd.

Since 21 August 2000, the Company and Puthep Co., Ltd. have entered into a Participation Agreement (the "Agreement") with PanAust Limited ("PanAust") and PNA (Puthep) Pty Ltd. of Australia (a wholly owned subsidiary of PanAust) to undertake exploration and mining of the Company's Puthep Copper Project in North-East Thailand. Under the Agreement, PanAust and the Company have agreed that subsequent to bearing certain feasibility costs PNA (Puthep) Pty Ltd. shall be entitled to earn a shareholding in Puthep Co., Ltd. As such, PNA

(Puthep) Pty Ltd. has the right to obtain a 51% working interest in the Puthep Project by completing a bankable feasibility study. The Agreement also includes further options for PNA (Puthep) Pty Ltd. to acquire a total interest of either 60% or 70% in Puthep Co., Ltd. As of 31 December 2010, PNA (Puthep) Co., Ltd. has earned 49% in Puthep Co., Ltd.

As of 31 December 2010, the capitalised exploration and acquisition costs incurred by Puthep Co., Ltd. amount to Baht 885.4 million. A feasibility study was not submitted by PNA (Puthep) Pty Ltd. to an independent expert by September 19, 2009 as required under the Participation Agreement. In April 2010 however, an independent expert has been appointed to review the feasibility study. He reported deficiencies of the feasibility study and suggested further work. PNA (Puthep) Pty Ltd. has affirmed its intention to undertake the additional actions identified by the independent expert. Puthep is now in the stage of preparing Environmental and Social Impact Assessment (ESIA) which is conducted by Kasetsart University.

Padaeng Industry (Laos) Co., Ltd.

In October 2006, the Company signed an exploration agreement with the Department of Mines and Geology of Lao PDR. The area currently under study covers 600 km² in the northern part of the Vientiane Province. The exploration activities are conducted through Padaeng Industry (Laos) Co., Ltd. At the date of this closing, a total amount of Baht 58.1 million in exploration costs have been capitalised on the consolidated balance sheet.

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 under the term of the Concession Operation Agreement and USD 0.5 million or Baht 15 million on 22 October 2010.

13. Other non-current assets

Other non-current assets as at 31 December 2010 and 2009 comprise:

i) Deferred environmental rehabilitation expenses-net

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Opening balance	32,540,631	34,981,178	32,540,631	34,981,178
Additions	(7,853,498)	-	(7,853,498)	-
Closing book amount	24,687,133	34,981,178	24,687,133	34,981,178
<u>Less:</u> Amortisation expense	(4,168,763)	(2,440,547)	(4,168,763)	(2,440,547)
Closing net book amount	20,518,370	32,540,631	20,518,370	32,540,631

ii) Deferred environmental risk assurance expenses-net

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Opening balance	28,681,950	30,833,096	28,681,950	30,833,096
Additions	(3,531,341)	-	(3,531,341)	-
Closing book amount	25,150,609	30,833,096	25,150,609	30,833,096
<u>Less:</u> Amortisation expense	(3,746,598)	(2,151,146)	(3,746,598)	(2,151,146)
Closing net book amount	21,404,011	28,681,950	21,404,011	28,681,950

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	
	2010 Baht	2009 Baht	2010 Baht	2009 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	4,948,555	7,031,536	4,763,543	6,344,810
Additions	3,910,330	1,683,709	3,897,245	1,671,559
Transfers	-	(441,004)	-	-
Closing book amount	8,858,885	8,274,241	8,660,788	8,016,369
<u>Less:</u> Amortisation expense	(3,851,186)	(3,325,686)	(3,798,193)	(3,252,826)
Closing net book amount	5,007,699	4,948,555	4,862,595	4,763,543
Deposits	970,911	1,064,911	719,311	719,311
Others	3,134,726	3,134,726	3,134,726	3,134,725
Total	9,113,336	9,148,192	8,716,632	8,617,579

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 general investments which are invested in third parties 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 2010 and 2009 comprise:

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Trust receipts	394,929,331	247,305,978	394,929,331	247,305,978
Promissory notes	323,939,808	111,581,478	323,939,808	111,581,478
Total	718,869,139	358,887,456	718,869,139	358,887,456

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 0.96% - 1.55% per annum.

Financing arrangements available to the Company

	Company	
	2010 Baht	2009 Baht
Bank overdraft	80,000,000	60,000,000
Short-term loans	2,783,889,000	3,836,222,400
Bank guarantee	1,051,666,700	1,449,336,000
Total	3,915,555,700	5,345,558,400

15. Bank guarantees

As at 31 December 2010, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 593.7 million (31 December 2009: Baht 444.0 million).

16. Provisions for restoration expenses

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Balance at the beginning of the year	70,660,152	87,032,557	70,660,152	87,032,557
Additional provisions charged to the statements of income	23,037,406	42,400,444	23,037,406	42,400,444
Amounts utilised	(44,992,732)	(58,772,849)	(44,992,732)	(58,772,849)
Balance at the end of the year	48,704,826	70,660,152	48,704,826	70,660,152

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

17. Provisions for employee retirement benefits

The amounts recognised in the balance sheet are determined as follows:

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Current portion of provision for retirement benefits	18,393,687	21,727,850	18,393,687	21,727,850
Long-term portion of provision for retirement benefits	104,300,552	93,417,874	104,300,552	93,417,874
Total provision for retirement benefits	122,694,239	115,145,724	122,694,239	115,145,724

The movement in the liability recognised in the balance sheet is as follows:

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Balance at the beginning of the year	115,145,724	113,790,600	115,145,724	113,790,600
Additional provisions charged to the statements of income	12,844,313	13,078,660	12,844,313	13,078,660
Amounts utilised	(5,295,798)	(7,261,750)	(5,295,798)	(7,261,750)
Actuarial (gain) recognised in equity	-	(4,461,786)	-	(4,461,786)
Balance at the end of the year	122,694,239	115,145,724	122,694,239	115,145,724

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

18. Other current liabilities

Other current liabilities as of 31 December 2010 and 2009 comprise:

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Social security and other taxes	11,059,528	9,469,202	8,660,782	8,333,703
Accrued expenses	109,252,728	91,433,635	106,812,736	67,011,626
Other payables	66,206,741	166,126,384	64,084,099	171,081,341
Total	186,518,997	267,029,221	179,557,617	246,426,670

19. Commitments

As at 31 December 2010 and 2009, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Not later than 1 year	153,568,339	64,452,021	153,568,339	64,452,021

As at 31 December 2010 and 2009, the Company has the following commitments for the purchase of inventories that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Not later than 1 year	224,751,537	310,836,753	224,751,537	310,836,753

In addition, as at 31 December 2010, the Company has contracted for the purchase of raw materials that contained zinc units approximately 17,047 tonnes (31 December 2009 : 21,986 tonnes).

20. Share capital and premium on share capital

For the years ended 31 December 2010	Number of shares	Ordinary shares Baht	Shares premium Baht	Total Baht
Opening balance	226,000,000	2,260,000,000	602,413,600	2,862,413,600
Movement during the period	-	-	-	-
Closing balance	226,000,000	2,260,000,000	602,413,600	2,862,413,600

As at 31 December 2010, the total authorised number of ordinary shares is 226,000,000 shares (2009: 226,000,000 shares) with a par value of Baht 10 per share (2009: Baht 10 per share). All issued shares are fully paid.

21. Legal reserve

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Balance at the beginning of the year	202,961,801	186,003,887	202,961,801	186,003,887
Appropriation during the year	23,038,199	16,957,914	23,038,199	16,957,914
Balance at the end of the year	226,000,000	202,961,801	226,000,000	202,961,801

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.

22. Expenses by nature

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

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Changes in inventories	(177,283,535)	(184,410,612)	(177,283,535)	(184,410,612)
Raw materials, spare parts and consumables used	4,306,955,245	3,014,022,144	4,306,955,245	3,014,022,144
Employee benefits expense	516,892,759	507,944,627	516,860,759	507,541,871
Utility expenses	1,377,543,467	1,448,818,592	1,377,389,681	1,448,612,881
Depreciation and amortisation expenses	348,874,377	416,092,669	340,493,210	413,177,931

23. Finance costs-net

Finance costs relate to the following:

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Interest income	8,913,119	8,387,537	6,715,749	6,038,114
Interest expense	(7,388,395)	(8,620,560)	(7,388,395)	(8,620,560)
Total finance costs-net	1,524,724	(233,023)	(672,646)	(2,582,446)

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	
	2010	2009	2010	2009
Net profit attributable to common shareholders (Baht)	418,420,207	296,038,890	495,193,292	339,158,290
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)	1.85	1.31	2.19	1.50

There are no potential dilutive ordinary shares in issue for the years ended 31 December 2010 and 2009.

25. Dividend

At their Annual Ordinary General Meeting held on 26 April 2010, the shareholders approved the payment of dividend for the year ended 31 December 2009 of Baht 0.92 per share (2008: Baht 0.82 per share) totalling Baht 207.9 million (2008: totalling Baht 185.3 million). The dividend was paid on 31 May 2010.

26. Related parties transactions

i) Investments in related parties-net

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

	Consolidated				Company			
	31 December 2010				31 December 2009			
	Equity	Paid-up	%	Cost	Equity	Paid-up	%	Cost
	Baht	capital	Ownership	Baht	Baht	capital	Ownership	Baht
		Baht	investment	Baht		Baht	investment	Baht
Subsidiaries								
Padaeng Propertie Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Puthep Co., Ltd.	-	285,589,732	51	145,650,772	-	285,589,732	51	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	27,569,653	100	27,569,653	-	27,569,653	100	27,569,653
Padaeng International Mining Co., Ltd.	-	100,000	100	100,000	-	100,000	100	100,000
Total	-			253,320,425	-			253,320,425
Less: Diminution								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(20,215,102)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
Investments in subsidiaries-net	-			233,005,323	-			233,005,323
All subsidiaries are incorporated in Thailand except Padaeng Industry (Laos) Co., Ltd.								
Jointly controlled entity								
Maesod Clean Energy Co., Ltd.	105,271,490	675,000,000	35	236,249,800	167,309,172	675,000,000	35	236,249,800

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Opening net book amount	167,309,172	212,657,612	469,255,123	474,205,123
Share of loss	(62,037,682)	(45,348,440)	-	-
Liquidation of a subsidiary	-	-	-	(4,950,000)
Closing net book amount	105,271,490	167,309,172	469,255,123	469,255,123

Subsidiaries

As at 31 December 2010, **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 2009 : Baht 7,354,551). The Company is aware that the balance of share capital of USD 476,000 will be called during 2011. In addition, the Company is aware that in year 2011, subject to the approval of its board of directors and shareholder, Padaeng Industry (Laos) Co., Ltd. will also increase its authorised capital to USD 2,500,000.

On 19 November 2009, the shareholders at the Extraordinary Shareholders' Meeting of **Puthep Co., Ltd.** passed a resolution to approve an increase in the authorised share capital of Puthep Co., Ltd. from 3,515,196 ordinary shares with a par value of Baht 62 per share to 4,606,286 ordinary shares. Puthep Co., Ltd. received a subscription of 1,091,090 additional shares at Baht 62 par value which were priced at Baht 124.70 per share. Accordingly, the paid-up share capital and premium on share capital increased by Baht 67,647,580 and Baht 68,428,424 respectively. On 1 December 2009, the company registered the increased share capital with the Ministry of Commerce. As at 31 December 2010, 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. As at 31 December 2010 and 2009, Maesod Clean Energy Co., Ltd. has 67,500,000 shares authorised and outstanding. Padaeng Industry Public Company Limited has subscribed to a total of 23,625,000 shares in this company.

ii) Sales of goods and services

For the years ended 31 December	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	943,200	979,200
Padaeng Industry (Laos) Co., Ltd.	-	-	463,066	3,819,939
Puthep Co., Ltd.	-	-	298,935	1,874,325
Maesod Clean Energy Co.,Ltd.	-	141,581	-	141,581

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

iii) Purchases of goods and services

For the years ended 31 December	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	5,054,510	2,760,815
Padaeng Industry (Laos) Co., Ltd.	-	-	12,182,104	-
Puthep Co., Ltd.	-	-	217,712	-
Maesod Clean Energy Co., Ltd.	-	-	433,081	-

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

iv) Other receivables-related parties-net

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Padaeng Properties Co., Ltd.	-	-	82,002	82,002
Padaeng Industry (Laos) Co., Ltd.	-	-	20,044,713	6,962,762
Puthep Co., Ltd.	-	-	1,326	609,279
Padaeng International Mining Co., Ltd.	-	-	118,846	99,272
Maesod Clean Energy Co., Ltd.	69,524	3,989,549	69,524	3,989,549
Total	69,524	3,989,549	20,316,411	11,742,864
<u>Less:</u> Allowance for doubtful accounts	-	-	(118,846)	(99,272)
Other receivables-related parties-net	69,524	3,989,549	20,197,565	11,643,592

v) Advance to related parties-net

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
For the years ended 31 December				
Padaeng Industry (Laos) Co., Ltd.	-	-	41,112,916	16,965,416
Padaeng International Mining Co., Ltd.	-	-	432,300	374,800
Total	-	-	41,545,216	17,340,216
<u>Less:</u> Allowance for doubtful accounts	-	-	(432,300)	(374,800)
Advance to related parties-net	-	-	41,112,916	16,965,416

Advance from the Company in the amount of Baht 41,112,916 represents an advance for share subscription payment in Padaeng Industry (Laos) Co., Ltd.

As at 31 December 2010, the above mentioned loans to Padaeng International Mining Co., Ltd. are carried at interest rates of MLR plus 1% per annum.

vi) Other payables-related parties

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
For the years ended 31 December				
Padaeng Properties Co., Ltd.	-	-	491,740	243,587
Total	-	-	491,740	243,587

vii) Advances from other party

For the years ended 31 December	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the year	-	451,168,863	-	-
Converted to share capital	-	(140,019,259)	-	-
Converted to long-term loan	-	(311,149,604)	-	-
Ending balance of the year	-	-	-	-

viii) Long-term loan 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 received from PNA (Puthep) Pty Ltd. Interest on principal amounts advanced under the Loan Agreement are calculated based on the best commercial rates available for PNA (Puthep) Pty Ltd. and is capitalised as part of exploration costs. Under the terms of the loan, interest expense will cease to accrue on the third anniversary of the earlier of the due date for delivery of the bankable feasibility study (19 September 2009) and the actual date that the feasibility study is completed. Puthep Co., Ltd. is not obliged to make loan repayments until such time as it has generated sufficient profits to commence making dividend payments at which time repayments will then commence to be equal to 35% of distributable net profit.

	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the year	439,108,024	-	-	-
Converted from advance	-	311,149,604	-	-
Loan increase during the year	25,323,837	127,958,420	-	-
Ending balance of the year	464,431,861	439,108,024	-	-
Accrued interest expenses	48,313,578	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 fluctuations in commodity prices. The Company currently engages only in transactional hedging with the purpose of mitigating price exposure from the difference in timing between purchased raw material and finished product sales. Any settlement gains or losses realized from hedging arrangements are recorded into operating profit or loss. As at 31 December 2010, the net purchases of

450 metric tons of zinc on the London Metal Exchange are outstanding. The change in fair value of these open positions amounts to USD 720,020 or Baht 21,708,603, is favourable. These fair values reflect the mark to market values of the contracts at the prevailing period end rates. These positions will be offset by committed and priced physical purchases and sales contracts. The operations carried out on the future markets for hedging transactional risks as described are not of a speculative nature.

In accordance with current Thai Generally Accepted Accounting Principles, the changes in fair value of outstanding hedging contracts are not recognized in these financial statements.

27.2 Fair values

The carrying amounts at the financial statements date of cash and cash equivalents, trade accounts receivable, short-term loans to related parties, value added tax receivables, other current assets, investments, certain other assets, loans from financial institutions, trade accounts payable, short-term loans and advances from other parties, accrued interest expenses, accrued electricity expenses, royalty payable, other current liabilities and 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 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 of these financial statements. The current increased level of activity is likely to generate higher level of exploration costs capitalised than in the previous years increasing the impact of the impairments. Regular assessments by the management, once sufficient reliable data have been collected and compiled, should lower both uncertainty and risk level related to the recoverability of these costs.

28. Litigation

As of 31 December 2010, the Company has been served notice of six complaints by 1,143 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 3,976 million from the Company alleging that it caused cadmium contamination in the Mae Sod district of the Tak province. The Company has filed answers to four of the claims as ordered by the Court, but is confident that its strict environmental measures are in line with the regulations and requirements of the authorities. Management intends to defend the case vigorously. At this stage, the outcome of the proceedings is unknown and no contingent liability has been recorded.

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

The Company objects to the legality of that order and lodged a Plaint by the Administrative Court in January 2011.

29. Subsequent events

South East Asia Metals Co., Ltd. (“SEAMET”), has entered into a service agreement related to a mining operation in the Union of Myanmar with Mali Mining & Metallurgy Pte. Ltd., (“Mali”). The shares are held by a senior management official of the Company. The Company has disclosed this transaction to the SET on 23 February 2011. Under the terms of the service agreement Mali will receive Baht 120 million for provision of mining related services to allow the Company to obtain raw material for its smelting operations. This transaction will be presented to the Company’s shareholders to approve.

On 22 February 2011, the Board of Directors decided to propose to the Annual Shareholders Meeting of April 2011 the payment of dividend of Baht 1.29 per share totalling Baht 291.5 million from the 2010 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 conducts in building confidence of the shareholders, investors and other related entities or persons. The 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 the 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 2010 the Company held one annual shareholder’s meeting on 26 April 2010 at the Queen Sirikit National Convention Centre. 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 the 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 meetings 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 2010 annual shareholders’ meeting, a total of 8 directors attended, including the Chairman of the 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’ meetings, if necessary, in the event that specific emergency agenda topics, which are vital to the shareholders’ interests or relate to by-laws or regulations that require the 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, the 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. Summary of company holdings by directors and executives is reviewed to 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 the 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 employees 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 since 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 the financial report, the annual statement (Form 56-1), and the annual report, are available on the Company's website.

The 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: 02-695 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 the 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, the 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.

The 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 31 December, 2010.

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 2010 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 the 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 the Audit Committee, the Strategic Committee and the Nomination and Remuneration Committee receive additional remuneration reflective of the additional work responsibility.

Remuneration for Top Executives - Remuneration for

top executives has been determined in accordance with the principles and policy set by the 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 the Nomination and Remuneration Committee before submitting to the Board.

Remuneration for Directors in 2010 is detailed in Section Remuneration for Executives.

Meetings of the Board of Directors

The 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 2010, the Board of Directors met 6 times with records of attendance as follows:

Name	Term appointed to office	No. of meetings	Excused	Attendance(times)
1. Mr. Arsa Sarasin	26 Apr.10-30 Apr.13	6	-	6
2. Mr. Paron Israsena	23 Apr.09-30 Apr.12	6	2	4
3. Mr. Aswin Kongsiri	26 Apr.10-30 Apr.13	6	-	6
4. Mr. Vinai Vamvanij	26 Apr.10-30 Apr.13	6	-	6
5. Mr. Pinit Vongmasa	23 Apr.09-30 Apr.12	6	-	6
6. Mrs. Sirinuj Bisonyabut	23 Apr.08-30 Apr.10	2	-	2
7. Mr. Surapol Supradit	11 May.10-30 Apr.11	4	-	4
8. Mr. Karel Vinck	23 Apr.08-30 Apr.11	6	3	3
9. Mr. Ahmad Bin Fahad	23 Apr.09-30 Apr.12	6	2	4
10. Mr. Madhu Koneru	23 Apr.08-30 Apr.11	6	5	1
11. Mr. Gable F. Gao	10 Nov.09-25 Apr.10	2	2	-
12. Mr. Ravi Gidwani	11 May.10-30 Apr.11	4	1	3
13. Mr. André R. van der Heyden	23 Apr.09-30 Apr.12	4	-	4
14. Mr. Vinij Ongnegnun	26 Apr.10-30 Apr.13	6	-	6

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.

Subcommittees

The Board of Directors has established the 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 the Audit Committee are written in the annual report. In addition the Company set up the Strategic Committee and the 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.

The Company Secretary

The Board, in the Board meeting No. 04-2551 on 13th May 2008, appointed Mr. Surin Tanticharoenkiat as the Company secretary responsible for organizing the meetings of the Board and shareholders. The Company secretary is also in charge of preparing the minutes of the Board's meetings and the minutes of Shareholders's meeting as well as filing documents as stipulated by law.

Shareholders and Management

Shareholders' structure

The Company's registered and paid-up capital amounts to 2,260,000,000 Baht issued as 226,000,000 ordinary shares at 10 Baht per share.

First 10 major shareholders of Padaeng Industry Public Company Limited as of 15 November 2010, 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	21.720
2.	Ministry of Finance	31,200,000	13.805
3.	Thai NVDR Ltd.	8,862,660	3.922
4.	Bangkok Bank Public Company Limited	7,301,070	3.231
5.	RAK Minerals & Metals Investments FZ-LLC	4,056,300	1.795
6.	Mrs. Nunta Rungnoppakunsi	2,218,300	0.982
7.	Mr. Songyot Auwattana	1,900,000	0.841
8.	Mrs. Supaporn Chanseriwittaya	1,800,000	0.796
9.	Mr. Supachai Suthipongchai	1,778,000	0.787
10.	Mr. Nawin Chaichewinlikit	1,650,750	0.730

Note: Investors can look up update shareholders information at www.padaeng.com before the 2011 Shareholders' Meeting.

Major shareholders

No.	Name	No. of shares	% of Total shares
1.	Bali Ventures Limited	49,087,200	21.720
2.	Ministry of Finance	31,200,000	13.805

Policy for payment of dividends

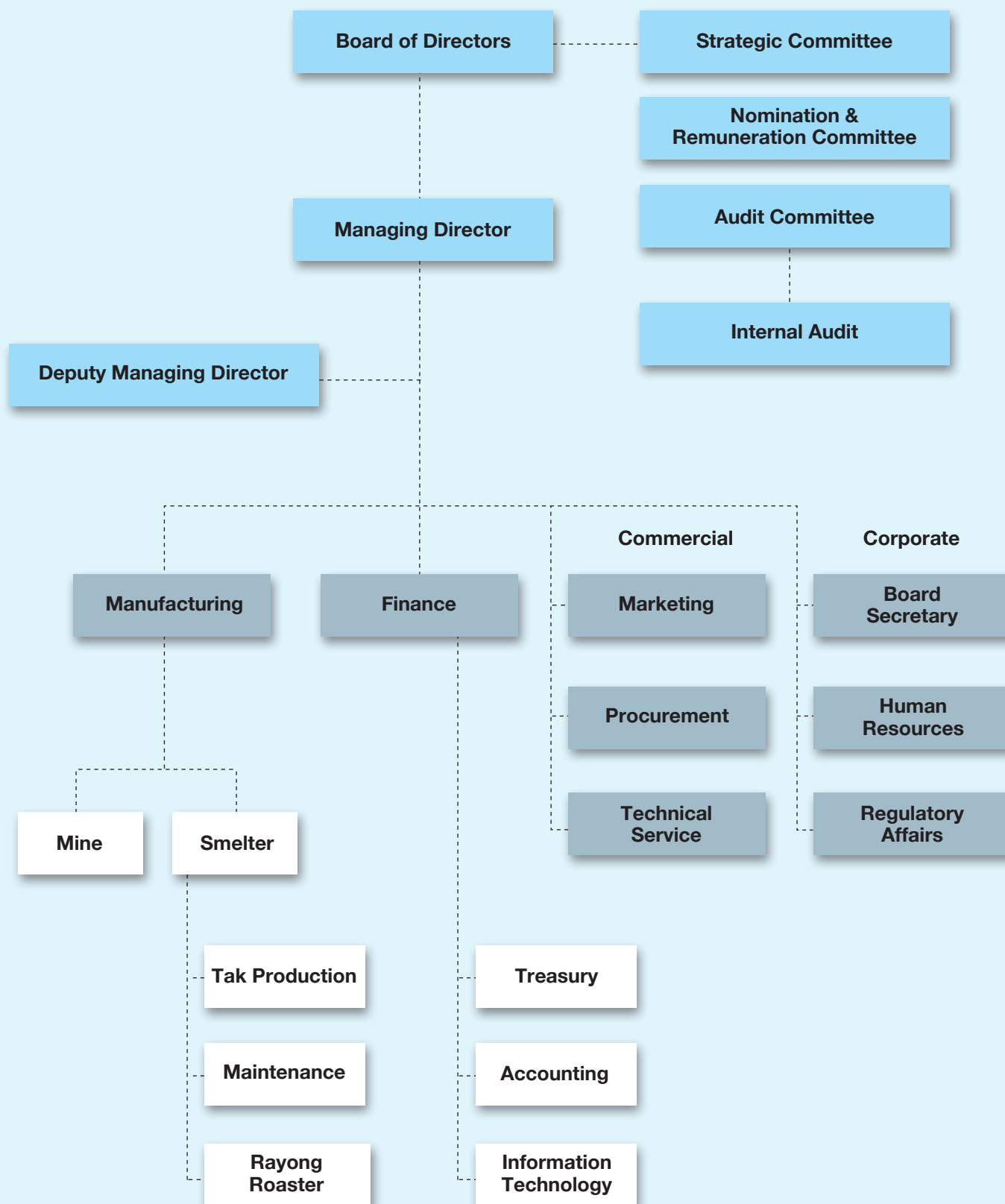
An amount of at least 5% of profits after corporate income taxes must be put in reserve, until the total amount in reserve equals 10% of the Company's authorized share capital. The Company will normally pay dividends up to 50% of profits after corporate income taxes, unless the Board determines that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

At the meeting of 26 April 2010, and after reviewing the financial statements of 31 December 2009, the Board proposed and the shareholders approved the payment

of a dividend for 2009 of 0.92 Baht per share, in excess of the by-laws guidelines.

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 the Strategic Committee.

In carrying out its duties and responsibilities, the 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.	Mr. Pinit Vongmasa	Director
6.	Mr. Surapol Supradit	Director
7.	Mr. Karel Vinck	Independent Director
8.	Mr. Ahmad Bin Fahad	Director
9.	Mr. Madhu Koneru	Director
10.	Mr. Ravi Gidwani	Director
11.	Mr. André R. van der Heyden	Managing Director
12.	Mr. Vinij Ongnegnun	Deputy Managing Director
and Dr. Surin Tanticharoenkiat		Company Secretary

The definition of Independent Director

1. Holding shares not more than 5% of the 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 shareholder 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 shareholder 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 the 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 shareholder of the Company.

5. Being a director whom is not appointed as a representative to safeguard the 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 the 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 Ongnegnun, two among three persons affix their signatures and seal of the Company.

2) Audit Committee

The 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 the Audit Committee

Mr. Vinai Vamvanij, Chairman of the 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 2010 the committee met quarterly. In addition there were the non-management meetings among the committee and the auditors and reported to the Board of Directors.

The Audit Committee's scope of authority is as follows:

1. The 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. The Audit Committee may seek independent professional advice as it considers necessary.
3. The Audit Committee will have no executive powers with regard to its findings and recommendations.

3) Strategic Committee

The 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 Ongnegrnun	Member
	and Dr. Surin Tanticharoenkiat	Secretary to the Strategic Committee

In 2010 the committee held 2 meetings and reported to the Board of Directors.

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

4) Nomination and Remuneration Committee

The 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. Pinit Vongmasa	Member
4.	Mr. Ahmad Bin Fahad	Member
	and Dr. Surin Tanticharoenkiat	Secretary to the Nomination and Remuneration Committee

In 2010 the committee held 4 meetings and reported to the Board of Directors.

The 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 the Board of Directors which are detailed in section Corporate Governance.

Executives (2010)

1. Arsa Sarasin

74 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 • Chairman of the Board of Governors, Amata Spring Country Club • Chairman, Maesod Clean Energy Company Limited • Chairman of Advisor, Thai-Lao Association • Vice Chairman, Thai Tapioca Development Institute • Director, Thai Pure Drinks Company Limited • 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 and Advisor, Bangkok Bank Public Company Limited • Director, Vinythai Public Company Limited • Chairman of the Thai-Laos Association

2. André R. van der Heyden

63 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

61 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 licence • Chartered Engineer, Mechanical Engineering, Council of Engineers (Kor Vor 567)

4. Chaiyan Roojnawate

62 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

49 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

57 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

54 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 the 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 the Board of Directors.

The selection of Independent Directors

The 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 2010 the Company paid a total of 6,166,663.74 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 2010 (Baht) ¹⁾
1. Mr. Arsa Sarasin	Chairman	-	- ²⁾
2. Mr. Paron Israsena	Independent Director	260,000.00	326,417.00
	Audit Committee Member	200,000.00	
	Nomination and Remuneration Committee Chairman	60,000.00	
3. Mr. Aswin Kongsiri	Independent Director	290,000.00	326,417.00
	Audit Committee Member	200,000.00	
	Nomination and Remuneration Committee Member	60,000.00	
4. Mr. Vinai Vamvanij	Independent Director	290,000.00	326,417.00
	Audit Committee Chairman	200,000.00	
	Strategic Committee Member	40,000.00	
5. Mr. Pinit Vongmasa	Director	290,000.00	326,417.00
	Nomination and Remuneration Committee Member	60,000.00	
6. Mrs. Sirinuj Bisonyabut (Until 30 April 2010)	Director	96,483.52	107,316.00
7. Mr. Surapol Supradit (Since 11 May 2010)	Director	188,021.98	210,160.00
8. Mr. Karel Vinck	Independent Director	245,000.00	326,417.00
9. Mr. Ahmad Bin Fahad	Director	260,000.00	326,417.00
	Nomination and Remuneration Committee Member	60,000.00	
10. Mr. Madhu Koneru	Director	215,000.00	326,417.00
	Strategic Committee Member	-	
11. Mr. Gable F. Gao (Until 25 April 2010)	Director	63,736.26	102,845.00
12. Mr. Ravi Gidwani (Since 11 May 2010)	Director	173,021.98	210,160.00
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	-	
		3,251,263.74	2,915,400.00

Note: 1) Director Bonus will be proposed to the 2011 Shareholders' Meeting for approval.

2) Executive Director's 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 58,100,300.00 Baht to the 7 executives in the year 2010, 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. Mr. Waykin Utharntharm
4. Mr. Suwit Uawanichkul

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. Mr. Waykin Utharntharm
3. Mr. Chaya Hasdiseve

South East Asia Metals Company Limited

1. Mr. Vinij Ongnegnun
2. Mr. Chaiyan Roojnowate
3. Mr. Chitchai Thaveepanich
4. Mr. Tianchai Singhakarn
5. Mr. Chaya Hasdiseve
6. Mr. Unnop Tungkananukulchai

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

Internal control is a crucial process in assisting the Company to achieve its goals. In this respect the Audit Committee is tasked to review the internal control systems, the internal audit activities, and risk management to ensure that they are strict and appropriate.

For year 2010, the Audit Committee has 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, Mr. Chanchai Chaiprasit, Certified Public Accountant (Thailand) No. 3760, 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 2010, 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 fair 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.

On February 22nd 2011, South East Asia Metals Co., Ltd. (“SEAMET”), the Company’s subsidiary, has entered into a service agreement related to a mining operation in the Union of Myanmar with Mali Mining & Metallurgy Pte. Ltd., (“Mali”). The shares are held by a senior management official of the Company. The Company has disclosed this transaction to the SET on 23 February 2011. Under the terms of the service agreement Mali will receive 120 million Baht for provision of mining related services to allow the Company to obtain raw material for its smelting operations. This transaction will be presented to the Company’s shareholders to approve.

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 totalling 3,815,000 Baht.

2. Non-audit fee

The Company and its subsidiaries have a general policy not to hire its auditors or other businesses related to them for non-audit services. However in 2010 the Company’s subsidiaries have engaged PwC for non audit work as follows:

a) South East Asia Metal Company Limited has engaged PwC for professional work for 580,000 Baht.

b) Padaeng Industry (Laos) Company limited has engaged PwC (Lao) as consultant in Laos for 1,891.20 USD.

Overall Business Operations of the Company, its Subsidiary Companies and its Affiliated Companies

The Company holds shares in the following groups of companies:

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 Industry (Laos) Company Limited	Mekong Apartment, Room 2221, Luangphabang road, Vientiane, Lao PDR.	Prospecting and mining for base metals in Laos (Inactive)	USD 1,273,000	USD 1,273,000	-	-	100.00
4. 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	1,000	100,000	100	1,000	100.00

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
5. South East Asia 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	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

Registrar	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Ratchadaphisek road, Khlong Toei, Bangkok 10110, Thailand Tel. +66 (0) 2229-2800 Fax +66 (0) 654-5427 Call Center : +66 (0) 2229-2888 Website: http://www.tsd.co.th E-mail: TSDCallCenter@set.or.th
Auditor	Mr. Chanchai Chaiprasit, Certified Public Accountant Registration No. 3760 PricewaterhouseCoopers ABAS Ltd. 15 th Floor, Bangkok City Tower, 179/74-80 South Sathorn road, Bangkok 10120, Thailand Tel. +66 (0) 2286-9999 Fax +66 (0) 2286-5050
Legal advisor	- None -
Advisor or contractor under management agreement	- None -

SEC Contents in Accordance with Form 56-2

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