

DRUK WANG ALLOYS LTD

BOARD OF DIRECTORS' REPORT FOR THE YEAR 2009

To,
The Shareholders,
Druk Wang Alloys Limited,

Dear Shareholders,

On behalf of the Board of Directors and on my own behalf, I would like to extend a warm welcome to all the Shareholders of Druk Wang Alloys Limited to the 5th Annual General Meeting of the Company.

I would like to present before you the Annual Report of the Company.

1. FINANCIAL REPORT

(Nu. In million)

Financial Performance	2009	2008
Authorized Share Capital	250.00	250.00
Issued/subscribed & Paid-up equity	194.00	194.00
Gross Income	481.75	NOTE:- The company being in trail run phase from 03.08.2008 to 31.12.2008, the profit & loss of the company for the year – 2008, was not drawn.
Gross Expenditure	505.744	
Profit /Loss before tax	(23.99)	
Profit/Loss after tax	(23.99)	
Provision for Corporate tax	(NIL)	

PLANT OPERATION

The Company has produced 9703.100 MT of total Ferro Silicon during the year 2009, with an average plant capacity utilization of 67%. The total downtime analysis from 1st January 2009 till 31st December 2009 was 546.75 hrs due to various reasons.

SALES AND COLLECTION PERFORMANCE

The Company has sold 10,711.80 MT of Ferro Silicon and achieved sales turn over of Nu. 505.00 millions for the year ended 31st December, 2009. The monthly average sales were 892.65 MT with Nu. 42.08 millions and monthly average collection was Nu. 39.04 millions in the year 2009.

PROJECTION FOR 2010

The Management of your Company has proposed production and sales of 13200 mt of Ferro Silicon for the year 2010 at 92% of plant capacity. The management appraises the members that an ambitious target of production & sales more than this could not be set since the operation is being carried out at the optimum achievable level.

HUMAN RESOURCE MANAGEMENT

Human Resource and Development has always been accorded priority by your Company in accordance with the policy of the Royal Government and in keeping close pace with rapidly changing global economic scenario in all respect, persists to focus on growth and development of human resources. The management has trained a commendable number of nationals in different fields by way of in-house training and deputing the personnel for short-term training initiated by various Institutes or Ministries. As on 31st December 2009, we have 106 regulars and 76 muster roll employees, in total we have 182 employees, out of that 23 number are non-national and 159 numbers are national employee, 12.63% and 87.37% respectively. The Management continues to provide appropriate guidance and motivation to all workers towards enhancing their productivity.

The Employees of the Company are administered in compliance to the Service Rules of the Company amended time to time, as per the requirements of Labour and Employment Act of the Royal government of Bhutan, 2007.

DIRECTORATE

The following are the directors of your Company after the conduct of 04th AGM held on 14th April 2009.

Aum Naki Dorji, Chairperson
Dasho Dorji Norbu, Director
Mr. Samdrup Norbu, Director
Mr. Dawa Penjore, Director
Mr. Leki Dorji Norbu, Director
Mr. Sonam Tobgay, Director
Mr. Chimi Dorji Norbu, Managing Director

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance to the Company Act of Kingdom of Bhutan 2000, you directors confirm the following with regard to Annual Accounts, Accounting Policies, maintenance of accounting records etc:-

- i. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year 2009 and of the profit or loss of the company for that period;
- iii. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act of the Kingdom of Bhutan, 2000, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. That the directors had prepared the annual accounts on a going concern basis.

RETIREMENT /APPOINTMENT OF DIRECTORS IN THE BOARD

Your directors deliberated that in compliance to the Companies Act of the Kingdom of Bhutan 2000, one-third of the directors have to retire every year.

In keeping with the rotation systems, the following directors likely to retire from the Board of Director and eligible for reappointed at the AGM:

Aum Naki Dorji, Chairman
Dasho Dorji Norbu, Director
Mr. Dawa Penjore, Director

The Board deliberated that the above directors would be reappointed and confirmed in this AGM of the company.

It is put up to the AGM to note/approve the retirement/appointment of the directors of the company.

APPOINTMENT OF STATUTORY AUDITORS OF THE COMPANY FOR THE YEAR 2010.

The 04th AGM had approved the appointment of M/s KGGT & Associates, Chartered Accountants which were appearing in the Royal Audit Authority empanelment as Auditors of the Company for the financial year 2009 and auditor's has given a clean audit report for the financial year-2009. They have applied for the reappointment for the financial year-2010. Your Board of Director recommends the appointment of KGGT &

Associates as statutory auditor for the financial year-2010 also, in view of their long association with Bhutan and company.

FUTURE PLANS AND PROSPECTS

With your company efforts focused on providing excellent customer service, optimizing staff productivity and increasing better operational environment, your company is well prepared to handle the good market opportunities which is likely to arise from the year, 2010 due to global increase in demand for steel.

ENVIRONMENT & POLLUTION CONTROL

Your company has adopted an environment friendly policy and has complied with all the necessary standards set by the NEC. The company is running pollution control system successfully and is operating it on a continuous basis as per the requirements of the National Environment Commission. The reports are submitted to the commission as required and are verified from time to time by the environment monitoring team from Ministry of Economic Affairs.

CONCLUSION

In conclusion, I take it as my great privilege and honor to record the sincere gratitude of the Board and Management for your unstinted support and the financial institutions for their support and encouragement to your company.

The shareholders, the Board and I would like to acknowledge the exemplary effort rendered by the Managing Director, Executives, Staff and Workers of the Company to come out successfully in this global financial crisis and unstable market. I am confident that the Management of DWAL will lead the Company to yet another successful year.

Tashi Delek!

Date: 21st April 2010

**For and on behalf of Board of Director of
Druk Wang Alloys Limited**

CHAIRPERSON