

Ref. No. 0557/47E

May 14, 2014

Subject: Notification of the submission for the interim financial statements for three-month periods ended March 31, 2014 of Thai Agro Energy Public company Limited

Attention: Director and Manager
The Stock Exchange of Thailand

The Company would like to inform that the Board of Directors' Meeting of Thai Agro Energy Public Company Limited ("TAE") No. 7/2014 held on May 12, 2014 has approved the interim financial statements for three-month periods ended March 31, 2014 of TAE. The Company also attached the interim financial statements for three-month periods ended March 31, 2014 of TAE with this notification. The investors who wish to subscribe for ordinary shares of TAE can study such financial statement before making decision to invest.

Please be informed accordingly,

Yours faithfully,

For and on behalf of Lanna Resources Public Company Limited

(Mr. Anun Louharanoo)

Executive Director

Thai Agro Energy Public Company Limited
Report and interim financial statements
For the three-month period ended
31 March 2014

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Thai Agro Energy Public Company Limited

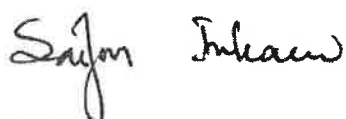
I have reviewed the accompanying statement of financial position of Thai Agro Energy Public Company Limited as at 31 March 2014, the related statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.



Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

EY Office Limited

(Formerly known as Ernst & Young Office Limited)

Bangkok: 7 May 2014

Thai Agro Energy Public Company Limited

Statement of financial position

(Unit: Thousand Baht)

	As at	As at
Note	31 March 2014	31 December 2013
	(Unaudited but reviewed)	(Audited)
Assets		
Current assets		
Cash and cash equivalents	37,472	11,989
Trade accounts receivable	238,937	176,815
Inventories	259,796	84,150
Advance payments for purchase of goods	189,044	366,883
Other current assets	8,078	17,146
Total current assets	<u>733,327</u>	<u>656,983</u>
Non-current assets		
Property, plant and equipment	2,251,959	2,206,747
Intangible assets	1,876	1,960
Deferred tax assets	21,335	21,906
Other non-current assets	457	457
Total non-current assets	<u>2,275,627</u>	<u>2,231,070</u>
Total assets	<u><u>3,008,954</u></u>	<u><u>2,888,053</u></u>

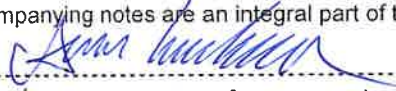
The accompanying notes are an integral part of the financial statements.

Thai Agro Energy Public Company Limited
Statement of financial position (continued)


(Unit: Thousand Baht)

	Note	As at 31 March 2014 (Unaudited but reviewed)	As at 31 December 2013 (Audited)
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	5	773,474	744,683
Trade and other payables		185,920	187,266
Current portion of long-term loan	6	180,000	180,000
Provision for short-term employee benefits		829	3,111
Other current liabilities		5,661	12,334
Total current liabilities		1,145,884	1,127,394
Non-current liabilities			
Long-term loan - net of current portion	6	657,757	657,757
Provision for long-term employee benefits		2,048	1,834
Total non-current liabilities		659,805	659,591
Total liabilities		1,805,689	1,786,985
Shareholders' equity			
Share capital			
Registered			
1,000,000,000 ordinary shares of Baht 1 each		1,000,000	1,000,000
Issued and fully paid up			
800,000,000 ordinary shares of Baht 1 each		800,000	800,000
Capital reserve for share-based payment transactions		556	556
Retained earnings			
Appropriated - statutory reserve		100,000	100,000
Unappropriated		302,709	200,512
Total shareholders' equity		1,203,265	1,101,068
Total liabilities and shareholders' equity		3,008,954	2,888,053

The accompanying notes are an integral part of the financial statements.



(Mr. Anun Louharanoo)



(Mr. Somchai Lovisuth)

Directors



(Unaudited but reviewed)

Thai Agro Energy Public Company Limited
Statement of comprehensive income
For the three-month period ended 31 March 2014

(Unit: Thousand Baht except
earnings per share expressed in Baht)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Profit or loss:			
Revenues			
Sales		631,105	406,395
Other income		519	200
Total revenues		<u>631,624</u>	<u>406,595</u>
Expenses			
Cost of sales		503,974	333,937
Selling expenses		2,319	3,433
Administrative expenses		7,133	16,411
Total expenses		<u>513,426</u>	<u>353,781</u>
Profit before finance cost and income tax		118,198	52,814
Finance cost		<u>(15,430)</u>	<u>(13,161)</u>
Profit before income tax		102,768	39,653
Income tax revenue (expenses)	7	<u>(571)</u>	<u>1,102</u>
Profit for the period		<u>102,197</u>	<u>40,755</u>
Other comprehensive income:			
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>102,197</u>	<u>40,755</u>
Earnings per share	8		
Basic earnings per share			
Profit		<u>0.13</u>	<u>0.05</u>
Weighted average number of ordinary shares (Thousand shares)		<u>800,000</u>	<u>800,000</u>

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Thai Agro Energy Public Company Limited

Statements of changes in shareholders' equity

For the three-month period ended 31 March 2014

(Unit: Thousand Baht)

	Issued and fully paid-up share capital	Capital reserve for share-based payment transactions	Retained earnings		Total
			Appropriated - statutory reserve	Unappropriated	
Balance as at 31 December 2012	800,000	556	65,100	221,734	1,087,390
Total comprehensive income for the period	-	-	-	40,755	40,755
Balance as at 31 March 2013	800,000	556	65,100	262,489	1,128,145
Balance as at 31 December 2013	800,000	556	100,000	200,512	1,101,068
Total comprehensive income for the period	-	-	-	102,197	102,197
Balance as at 31 March 2014	800,000	556	100,000	302,709	1,203,265

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Thai Agro Energy Public Company Limited

Cash flow statement

For the three-month period ended 31 March 2014

(Unit: Thousand Baht)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Profit before tax	102,768	39,653
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	25,758	24,807
Reversal of inventories to net realisable value	-	(9,703)
Provision for long-term employee benefits	214	213
Interest income	(73)	(55)
Interest expenses	15,414	13,153
Profit from operating activities before changes in operating assets and liabilities	144,081	68,068
Operating assets (increase) decrease		
Trade accounts receivable	(62,122)	(39,552)
Inventories	(175,646)	(10,808)
Advance payments for purchase of goods	177,839	13,968
Other current assets	9,141	(994)
Operating liabilities increase (decrease)		
Trade and other payables	83,793	69,569
Other current liabilities	(3,405)	(5,943)
Provision for long-term employee benefits	(2,282)	(1,059)
Cash from operating activities	171,399	93,249
Cash paid for interest expenses	(18,682)	(13,368)
Net cash from operating activities	<u>152,717</u>	<u>79,881</u>

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Thai Agro Energy Public Company Limited

Cash flow statement (continued)

For the three-month period ended 31 March 2014

(Unit: Thousand Baht)

	<u>2014</u>	<u>2013</u>
Cash flows from investing activities		
Acquisitions of plant and equipment	(75,962)	(15,877)
Acquisitions of intangible assets	(63)	(20)
Cash received from government grants	-	6,000
Net cash used in investing activities	<u>(76,025)</u>	<u>(9,897)</u>
Cash flows from financing activities		
Cash received from short-term loans from financial institutions	28,791	19,000
Repayment of long-term loan	-	(90,000)
Cash paid for dividend	(80,000)	-
Net cash used in financing activities	<u>(51,209)</u>	<u>(71,000)</u>
Net increase (decrease) in cash and cash equivalents	25,483	(1,016)
Cash and cash equivalents at beginning of period	<u>11,989</u>	<u>5,646</u>
Cash and cash equivalents at end of period	<u><u>37,472</u></u>	<u><u>4,630</u></u>
 Supplementary cash flows information		
Non-cash related transaction from investing activities		
Increase in accounts payable from purchases of equipment and intangible assets	5,139	5,493

The accompanying notes are an integral part of the financial statements.

Thai Agro Energy Public Company Limited
Notes to interim financial statements
For the three-month period ended 31 March 2014

1. General information

1.1 Corporate information

Thai Agro Energy Public Company Limited ("the Company") was incorporated as a limited company and domiciled in Thailand and was transformed to be a public limited company under Thai laws on 18 October 2007. Its parent company is Lanna Resources Public Co., Ltd, which is a public limited company incorporated in Thailand. The Company operates in Thailand and is principally engaged in production and distribution of ethanol for fuel. The registered office of the Company is at 888/114, Ploenchit Road, Lumpini, Pathumwan, Bangkok.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2012) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

These interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language interim financial statements.

1.3 New accounting standards

(a) Accounting standards that became effective in the current accounting year

The Company disclosed the accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations that are effective for fiscal years beginning on or after 1 January 2014, in the notes to financial statements for the year ended 31 December 2013.

(Unaudited but reviewed)

The Company's management has assessed the effects of the above accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations, and believes that they are not relevant to the business of the Company or do not have a significant impact.

(b) Accounting standards that will become effective in the future

The Company has disclosed the financial reporting standard that will be effective in the future in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effect of this financial reporting standard and believes that it is not relevant to the business of the Company.

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2013.

2. Related party transactions

Directors and management's benefits

During the three-month periods ended 31 March 2014 and 2013, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)	
	<u>2014</u>	<u>2013</u>
Short-term employee benefits	4,844	3,941
Post-employment benefits	85	163
Total	<u>4,929</u>	<u>4,104</u>

3. Trade accounts receivable

All outstanding balances of trade accounts receivable as at 31 March 2014 and 31 December 2013 are not due.

(Unaudited but reviewed)

4. Property, plant and equipment

Movements in the property, plant and equipment account during the three-month period ended 31 March 2014 are summarised below.

(Unit: Thousand Baht)

Net book value as at 31 December 2013	2,206,747
Acquisitions during the period - at cost	70,796
Depreciation for the period	<u>(25,584)</u>
Net book value as at 31 March 2014	<u>2,251,959</u>

The Company has mortgaged part of its land and construction thereon and machinery with net book value as at 31 March 2014 amounting to approximately Baht 1,205.4 million (31 December 2013: Baht 1,198.7 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 5 and 6.

5. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate			
	(percent per annum)			
	31 March	31 December	31 March	31 December
	2014	2013	2014	2013
Short-term loans from financial institutions	3.70 - 4.10	3.70 - 4.10	773,474	604,684
Trust receipts	-	3.70	<u>-</u>	<u>139,999</u>
Total			<u>773,474</u>	<u>744,683</u>

Short-term loans from financial institutions is secured by the mortgage of part of the Company's land and construction thereon and machinery as discussed in Note 4.

(Unaudited but reviewed)

6. Long-term loan

	(Unit: Thousand Baht)	
	31 March	31 December
	2014	2013
Long-term loan	837,757	837,757
Less: Current portion	(180,000)	(180,000)
Long-term loan - net of current portion	657,757	657,757

Movements in the long-term loan account during the three-month period ended 31 March 2014 are summarised below.

	(Unit: Thousand Baht)
Balance as at 31 December 2013	837,757
Less: Repayment during the period	-
Balance as at 31 March 2014	837,757

On 6 November 2013, the Company entered into long-term loan agreement with a local bank, obtaining loan facilities of Baht 845 million, for the debt refinance with an another local bank. On 18 December 2013, the Company withdrew the loan for the debt refinance and repaid all of short-term and long-term loans to that local bank totaling Baht 837.8 million. The loan initially carries interest rate at THBFIX reference rate plus 1.75 percent per annum for the first year, and the interest rate increases by 0.05 percent per annum from the second to fifth year. The loan is repayable within 5 years in 10 semi-annually installments of Baht 90 million during the first to ninth year, and remaining balance is repayable in the tenth year. The repayment period is from June 2014 to December 2018. The loan is secured by the mortgage of a part of the Company's land and construction thereon and machinery as discussed in Note 4.

Subsequently, on 7 March 2014, the Company executed a memorandum attached to the long-term loan agreement made with the bank to revise certain conditions and debt service coverage ratios.

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios according to the agreement such as debt to equity and debt service coverage ratios.

As at 31 March 2014, the Company could maintain certain financial ratios as specified in the loan agreement (31 December 2013: the Company could not maintain certain financial ratios as specified in the loan agreement, however, the Company had negotiated with the bank, and had obtained a waiver letter for the condition to maintain certain financial ratios for the year ended 31 December 2013 from that bank on 27 December 2013).

(Unaudited but reviewed)

7. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month periods ended 31 March 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2014</u>	<u>2013</u>
Current income tax:		
Interim corporate income tax charge	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>571</u>	<u>(1,102)</u>
Income tax expenses (revenue) reported in the statements of comprehensive income	<u>571</u>	<u>(1,102)</u>

8. Earnings per share

Basic earnings per share is calculated by dividing profit for the period (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

9. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The one main reportable operating segment of the Company is production and distribution of ethanol-for-fuel and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

10. Commitments and contingent liabilities

10.1 Capital commitments

As at 31 March 2014, the Company had capital commitments of approximately Baht 165.9 million, relating to the construction of Biogas systems and construction of molasses tanks and the acquisitions of machinery and equipment (31 December 2013: the construction of Biogas systems and the second ethanol production plant and the acquisitions of machinery and equipment of approximately Baht 176.3 million).

10.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of office building space, vehicles and other services. The terms of the agreements are generally between 1 and 5 years.

Future minimum lease and other service payments under these operating lease and service contracts were as follows:

	(Unit: Million Baht)	
	31 March 2014	31 December 2013
Payable:		
in up to 1 year	5.2	3.1

10.3 Long-term service and purchase commitments

- a) The Company entered into a power supply agreement with the Provincial Electricity Authority for a period of one year, commencing 21 December 2010 to 20 December 2011, and being automatically renewed for every one-year period. The Company shall pay power supply at the rate as stipulated in the agreement.
- b) The Company had commitments under the purchase of molasses agreement with 15 year duration under which the price is to be determined every 5 years commencing the first year in 2005. The price for the first three years is that stipulated in the agreement and for the fourth and fifth year, using the average actual market price of the first three years for comparison and the quantity to purchase and sales of molasses are those stipulated in the agreement. In addition, the Company had additional two commitments under the purchase of molasses agreements with 5-years duration under which the price is to be determined before shipment in the next period and the quantity to purchase of molasses are those stipulated in the agreement.

(Unaudited but reviewed)

- c) As at 31 March 2014, the Company had commitments under service agreement with regard to the legal consulting of Baht 0.7 million (31 December 2013: Baht 0.7 million).
- d) The Company had commitments under service agreements with advisory companies with regards to the consulting and financial advisory service and legal service for the Company to list on the Stock Exchange of Thailand. The service fees are to be paid as stipulated in the agreement.

10.4 Guarantees

As at 31 March 2014, there were outstanding bank guarantees of approximately Baht 11.1 million (31 December 2013: Baht 11.1 million) issued by the bank on behalf of the Company to guarantee contractual performance under the license for production and distribution of ethanol-for-fuel from the Excise Department and Biogas Technologic promotion project 2012 (Year 5) of the Energy Policy and Planning Office Ministry of Energy, and to guarantee contracted performance under the license for using of electric to Provincial Electricity Authority.

11. Litigation

In September 2011, the Company was sued by a company for its non-compliance with the cassava chip purchase agreement dated 21 January 2011 and memorandum dated 29 April 2011, claiming a compensation for damage of Baht 186.9 million. On 8 November 2011, the Company submitted the testimony to sue back that company, claiming a compensation for damage of Baht 82.4 million. As at 31 March 2014, the case is still being considered by the Civil Court. The Company's lawyer opined that the Company had not breached the above agreement, and the Company's management believes that the case will be settled in the favour of the Company, without any significant losses. Therefore, the Company has not made any provision for loss from the lawsuit in its accounts.

12. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 7 May 2014.