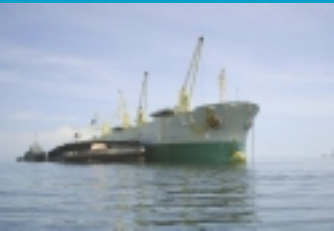


รายงานประจำปี 2545
ANNUAL REPORT 2002



บริษัท ลานนาเรซอร์สเซส จำกัด (มหาชน)
LANNA RESOURCES Public Company Limited

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COMPANY PROFILE



Background

Lanna Resources Public Company Limited, formerly Lanna Lignite Public Company Limited, was initially established as a registered company on the October 4, 1985 and later converted to a public company limited on December 29, 1992. On July 12, 1994, the Company was given permission by the Ministry of Finance to register its ordinary shares for trading with the Stock Exchange of Thailand. The Company was classified within the energy sector. The Company changed the name to Lanna Resources Public Company Limited on May 17, 2001.

The management of the Company is mainly under supervision of the Board of Directors and Board of Executive Directors.

Type of Business

Domestic and Overseas Coal Production and Distribution

Registered and Paid-up Capital

35,000,000 ordinary shares at a par value of Baht 10 per share, for a total paid registered capital of Baht 350,000,000.

Registrar

Thailand Securities Depository Co., Ltd.
62 Stock Exchange of Thailand Building,
Rajadapisek Road, Klongtoey, Bangkok
10110 Tel.: 0-2229-2000, Fax: 0-2654-
5649

Head Office

888/99, 9th Floor, Mahathun Plaza
Building, Ploenchit Road, Lumpini,
Pathumwan, Bangkok 10330

Tel.: 0-2253-8080, 0-2253-6820,
Fax: 0-2253-6822, 0-2253-5014

Website: www.lannar.com
E-Mail: lanna@lannar.com

Branch Offices

Pa Kha Mine: P.O. Box 1, Li District,
Lumphun Province 51110,
Tel.: 053-599021, Fax: 053-599228

Ayutthaya Coal Distribution Center:
108 Moo 1, Klong Sakae Sub-district,
Nakhonluang District, Ayutthaya Province
Tel.: 035-724158, Fax: 035-724158

Auditor

Ernst & Young Office Limited,
represented by Mr. Narong Puntawong,
certified public accountant no. 3315; or
Mr. Ruth Chaowanagawi, certified public
accountant no. 3247; or Mrs. Saifon
Inkaew, certified public accountant no.
4434, with address at 193/136-137 New
Rajadapisek Road, Bangkok 10110, Tel.:
0-2264-0777, Fax: 0-2264-0789-90

Legal Advisor

Dharmniti International Co., Ltd.
2/4 Nai Lert Tower, Wireless Road,
Lumpini, Pathumwan, Bangkok 10330,
Tel.: 0-2252-1260, Fax: 0-2252-1104

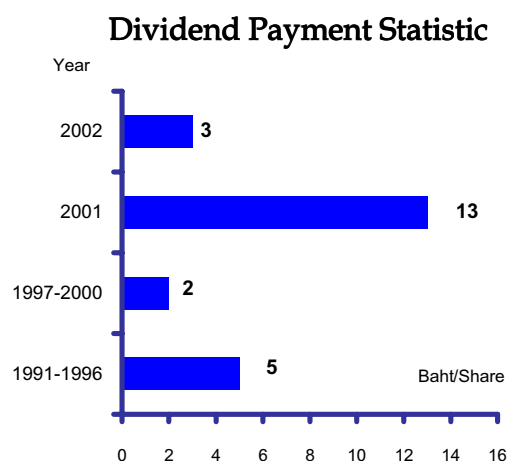
FINANCIAL INFORMATION

Financial Status	1998	1999	2000	2001	2002
Total Assets	2,218	1,925	1,760	2,276	1,954
Total Liabilities	634	266	125	496	253
Issued and Paid-up Capital	350	350	350	350	350
Total Shareholders' Equity	1,584	1,659	1,635	1,780	1,701
Book Value Per Share (Baht per share)	45.27	47.39	46.71	50.87	48.60
Operating Result					
Total Revenues	1,433	1,202	924	1,386	1,666
Sales	948	1,193	905	911	1,619
Gross Profit	443	370	249	246	240
EBITDA (Earnings before interest, tax, depreciation, and amortization)	949	507	330	857	670
Net Profit (Loss)	563	82	(6)	534	94
Earnings (Loss) Per Share (Baht per share)	16.07	2.33	(0.18)	15.25	2.68
Dividend Per Share (Baht per share)	2.00	2.00	2.00	13.00	3.00

DIVIDEND PAYMENT POLICY

In the case that no additional investment is required and there is no outstanding loan, the Company's dividend payment is approximately 60 percent of its yearly net profit after deducting the net loss carried forward (if any).

The Company has been capable of paying dividend to the shareholders throughout the past since 1991. The net profit in 2002 was at Baht 93.89 million or Baht 2.68 per share. The Board of Directors, therefore, proposed for the appropriation of earnings derived from the BOI-promoted activities for the purpose of dividend payment to the shareholders at Baht 3.00 per share or 111.83 percent of the net profit. Accordingly, the interim dividend of Baht 2.00 per share had already been paid on the 20th of November 2002; therefore, the remaining dividend shall be at Baht 1 per share, which is considered satisfactory.



REPORT OF THE BOARD OF DIRECTORS

On behalf of the Board of Directors of Lanna Resources Public Company Limited, I would like to take this opportunity to report to the shareholders on the financial status and operating results for the past year 2002, which was still considered rather satisfactory, despite a lower net profit than in the year 2001.

During the past year 2002, the total revenue and net profit of the Company and its subsidiary companies were Baht 1,666.07 million and Baht 93.89 million, respectively. In comparison with year 2001, the revenue increased by Baht 280.28 million, while the net profit decreased by Baht 439.79 million. The main reason for the revenue increase, particularly in the coal sales, was due to fact that the Company's subsidiary in Indonesia had started its coal production and distribution near the end of 2001. The significant decrease in the net profit in 2002 as compared to 2001, was due to the considerable amount of profit gained in 2001 from the sale of ordinary shares in Gulf Electric Public Company Limited and Chiang Muan Mining Company Limited, totaling Baht 412.41 million, which should be considered an extraordinary event. Although the Company's revenue from coal sales in 2002 was higher than 2001, the profit from the coal sales was lower as a result of lower coal sales from the domestic coalmines. In spite of increasing coal sales from the joint-venture coal mining project in Indonesia, the subsidiary company had not yet operated at full capacity, coupled with the reduction in the international coal pricing during the second half of 2002, an increase in the Company's profit could not be achieved.

The Company currently enjoys a loan-free status, having relatively strong financial status and liquidity. The Company's current ratio and total debt to equity ratio at end of year 2002 were at 3.78:1 and 0.15:1, respectively. The Company still has sufficient working capital that may be utilized for investment in the current project developments. For future investment, the Company shall seek appropriate financing sources by considering the economic conditions and financial market situation. The issuance of shares for the capital increase from the shareholders would be considered as a last resort for obtaining future financial resources.

The Company shall progress and build on excellence by focusing on its core business, which is the coal business, utilizing its expertise and technology, and by considering the responsibilities to the shareholders, related parties, society and environment overall, in order to earn decent and sustainable revenue and profit into the future. The Company shall follow the principles of good corporate governance, putting emphasis on the transparency in the operation and management, which can be audited, and also provide an appropriate risk management system.

In the past year 2002, concerning with the stipulation established by the Stock Exchange of Thailand for the listed company to maintain certain distribution of minor shareholding, the Company had maintained the distribution of minor shareholding of less than 15 percent of the paid-up capital, resulting in a lack of trading liquidity. Therefore, in order to increase the number of shares and liquidity in the trading activities of the Company's securities, and being as one of the factors in increasing the shareholders' wealth, the Board of Directors has proposed for the shareholders to consider and approve for the reduction of the Company's share value from the current par value of Baht 10.00 (Ten Baht) per share to Baht 1.00 (One Baht) per share. The shareholders are expected to approve the matter as proposed above by the Board of Directors.

The Board of Directors wishes to report to the shareholders on the operating results for the past year 2002. The Company's net profit totaled Baht 93.89 million or a net profit of Baht 2.68 per share, based on the number of issued and paid-up shares of 35 million shares at a par value of Baht 10 per share. Accordingly, the Board of Directors would like to propose the following appropriation of earnings for the purpose of dividend payment to the shareholders.

(Unit: Baht)

Details of Appropriation	BOI Promoted Activities	Non-BOI Promoted Activities	Total
Retained earnings (loss) brought forward from previous year	387,478,621.91	(107,011,386.59)	280,467,235.32
<u>Plus</u> Net profit (loss) of year 2002	81,717,653.22	12,171,689.44	93,889,342.66
Retained earnings (loss) for appropriation for year 2002	469,196,275.13	(94,839,637.15)	374,356,577.98
<u>Less</u> Appropriation for dividend payment of year 2002			
• Approved interim dividend payment of Baht 2 per share on Nov. 20, 2001	70,000,000.00	-	70,000,000.00
• Dividend payment being approved at this time at Baht 1 per share	35,000,000.00	-	35,000,000.00
Retained earnings (loss) not yet appropriated, carried forward	364,196,275.13	(94,839,697.15)	269,356,577.98

The Shareholders shall receive the dividend appropriated from net profit derived from BOI promoted activities in year 2002 at Baht 3 per share. Accordingly, the interim dividend of Baht 2 per share had been paid already on the 20th of November 2002; therefore, the remaining dividend of Baht 1 per share shall be paid to the shareholders on May 6, 2003. The shareholders, whose names appear in share registry book on March 31, 2003 at 12.00 hrs., are entitled to the dividend payment, which is subject to income tax exemption due to the Investment Promotion ACT B.E. 2520.

The Board of Directors therefore, wishes to express an appreciation to all the shareholders for the continuing supports to the company's operation that have contributed to the company's success and development.



Mr. Somkiart Limsong
Chairman

BUSINESS ACTIVITIES

The Company's core business is in the domestic and overseas coal production and distribution, having the overseas shipping business as the supporting business. The Company is focused on a development on excellence, fully utilizing its expertise and technology, with the aim of earning decent and sustainable revenue and profit in the future.

Domestic Coal Business

The Company produces and supplies coals from its own domestic coal reserve and also procures imported coal for distribution domestically. The Company currently operates its own domestic coalmine at Ban Pa Kha in Lumphun Province with the remaining coal reserve estimated at 1.13 million tons, in which coal production and distribution should continue until year 2004.

The majority of the imported coals for domestic consumption are of the bituminous coal type, which contains relatively higher calorific value than the locally produced coal. The Company plans to import coal from the joint-venture coalmine in Indonesia, as well as from other sources, for the domestic markets for substitution of the depleting indigenous coal resources. In order to facilitate this objective, the Company has set up the Ayutthaya Coal Distribution Center since October 2002, importing coals for distribution to several coal users in the country. The Company also produces and exports coals from the coalmine in Indonesia to other countries, expanding its coal distribution into the world market, especially in the Asia region.

Overseas Coal Business

Lanna (Singapore) Pte. Ltd., a wholly-owned subsidiary of Lanna Resources Public Company Limited, has been established and registered in Singapore for investment in overseas coal mining and utility projects.

PT. Lanna Harita Indonesia (LHI), a registered company in Indonesia, was established to jointly invest in coal mining project in

LHI Shareholders	Number of Shares	Shareholding
Lanna (Singapore) Pte. Ltd.	6,650 Shares	63.33%
PT. Harita Mahakam Mining	2,800 Shares	26.67%
Pan-United Corporation	1,050 Shares	10.00%
Total	10,500 Shares	100.00%

Tanah Merah, Samarinda, East Kalimantan, under a 30-year mining concession (from 2001-2031) or the Coal Contract of Work from the Indonesian Government. The remaining mineable coal reserve is estimated at 30.93 million tons. The project has started its coal production and distribution since the end of 2001.

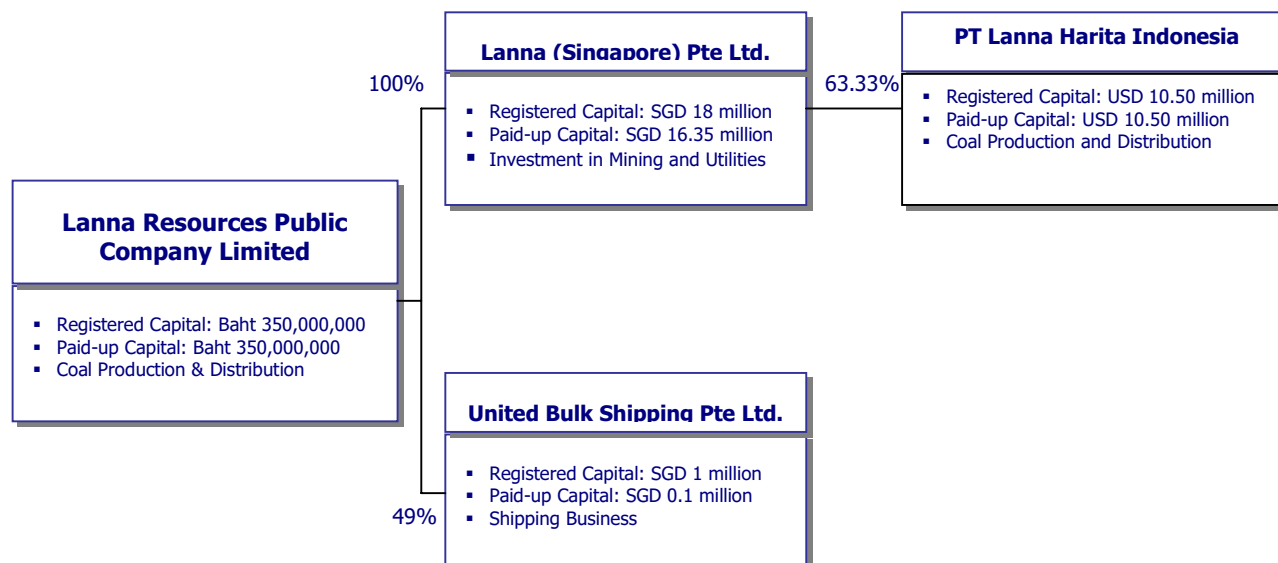
Shipping Business

United Bulk Shipping Pte. Ltd. (UBS), an associated company registered in Singapore, has been established to undertake business in shipping and ship chartering services. Besides chartering ships for general clients, UBS effectively manages coal-shipping services for

UBS Shareholders	Number of Shares	Shareholding
Lanna Resources Public Company Limited	49,000 Shares	49%
Pan-United Corporation	51,000 Shares	51%
Total	100,000 Shares	100%

Lanna Resources Public Company Limited on imported coal into Thailand and coal distribution to other countries at reasonable costs.

INVESTMENT STRUCTURE



SUBSIDIARY AND ASSOCIATED COMPANIES

Company & Location	Type of Business	Registered Capital (Ordinary Shares)			Number of Issued Shares	Number of Shareholding	Shareholding (%)		Dividend per Share Year 2002
		Number of Shares	Price per Share	Total Value			Direct	Direct and Indirect	
LANNA (SINGAPORE) PTE LTD. 10 Collyer Quay # 19-07 Ocean Building, Singapore 049315 Tel.: (65) 862-1188 Fax: (65) 861-2254	Investment in Mining and Utilities	18,000,000	SGD 1	SGD 18,000,000	16,350,000	16,350,000	100	100	-
PT LANNA HARITA INDONESIA Panin Bank Building 2 nd Floor JL. Jend Sudiman – Senayan Jakarta 10270 Indonesia Tel.: (6221) 572-2926 Fax: (6221) 572-2925	Coal Production and Distribution	10,500	USD 1,000	USD 10,500,000	10,500	6,650	-	63.33	-
UNITED BULK SHIPPING PTE LTD. 33 Tuas Crescent, Singapore 638722 Tel.: (65) 862-1188 Fax: (65) 861-2254	Shipping Business	1,000,000	SGD 1	SGD 1,000,000	100,000	49,000	49	49	SGD 5.07

Domestic Coal Trading

The domestic coal mining industry has been recognized as an oligopoly market with small number of coal producers and limited indigenous coal resources. Coal is generally considered the most economical fuel compared with other types of fuel, based on the pricing per unit heat. Thus, coal producers compete on providing product quality and service rather than on the pricing strategy.

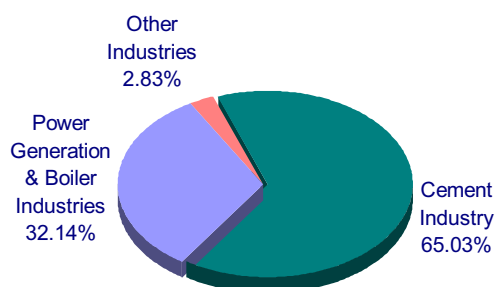
In the near future, after the indigenous coal reserves have been exhausted, more competitive market situation for imported coal is anticipated, therefore coal importers having their own coal supply reserves, especially with high-grade coal, should probably have advantage in capturing higher market share. The Company has fully been aware of the situation; therefore, it continues to invest in the exploration and development of the high-quality coal reserves overseas, especially in Indonesia, in order to increase its coal reserves and expand further in its production and distribution capability. The Company has also established the Ayutthaya Coal Distribution Center at the end of year 2002, for inventory and distribution of imported coal for domestic coal consumers, maintaining and expanding its coal market share in anticipation for the depleted domestic coal reserve in year 2004.



The domestic coal demand in 2002, excluding the actual coal production for consumption by the Electricity Generating Authority of Thailand, was at 10.54 million tons, 1.38 million tons higher than the previous year 2001 or an increase of 15.04 percent. The consumption from the domestic coal supply was increased by

approximately 0.38 million tons or an increase of 8.86 percent, and the imported coal was increased by 1.00 million tons or an increase of 20.37 percent. The increase in coal consumption was due to a recovering economy, resulting in an increase in production capacity. With brighter economic outlook anticipated, the coal consumption is expected to grow steadily thereafter.

Domestic Coal Consumption in 2002



International Coal Trading

The world coal production in 2001 reached 4,500 million tons (Mt), with China as the world's largest coal producer, mining over 1,091 Mt of coal, followed by USA at 1,015 Mt, Australia at 330 Mt, India at 316 Mt, and Russia at 269 Mt. Besides China and India, Indonesia and Vietnam are also major coal producers in Asia; with the coal production in 2001 estimated at 95 Mt and 13 Mt, respectively.

The amount of coal trading in the international markets is small, compared with the world coal consumption, with several countries with their own coal reserves having to supply to the domestic markets. The world coal trade was at 589.4 Mt in 2000, and was estimated at 629.5 Mt for 2001, an increase of 40.1 Mt or 6.8 percent. Australia was the world's top coal exporter with 194 Mt figure, followed by China at 86 Mt, South Africa at 69 Mt, Indonesia at 66 Mt, and USA at 44 Mt.



Major world coal importers in 2001 were Japan at 155 Mt, South Korea at 67 Mt, Taiwan at 49 Mt, United Kingdom at 36 Mt, and Germany at 28 Mt. For the Asia region, India and Hong Kong were the other major coal importing countries at 20 Mt and 8 Mt in 2001, respectively. China and India are the major users of coal in Asia, mainly for the energy utilization. With expanding economy, an increase in the coal consumption is projected. Japan, South Korea, and Taiwan import coal mainly for the power and other

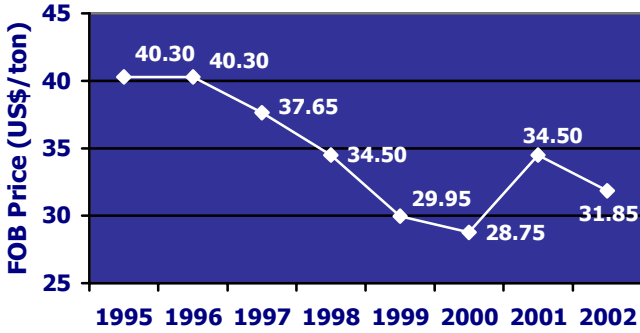
industries such as iron & steel and metallurgical industries. Coal imports by other developing Asia countries, including Malaysia, Philippines, and Thailand are also expected to rise substantially to satisfy demand for new coal-fired power plants. In 2001, Asia region accounted for over 50 percent of the world coal imports, compared with 35 percent for Europe region, 5 percent for the Middle East and Africa and 10 percent for America region.



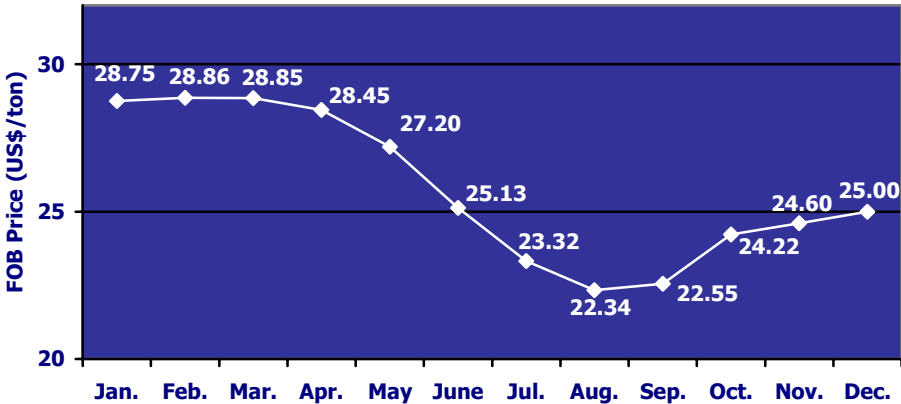
The coal pricing for this region is normally referred to the Japanese benchmark price (JBP) index, a reference price annually negotiated between Australian suppliers and Japan's utilities as major coal consumers. After a few years of drop in the JBP reference price from 1997 to 2000, year 2001 saw a significant increase in the price index up to USD 34.50 per ton, which was due to the increase in coal demand partly used as fuel substitutes from rising oil prices and limited supplies of coal exports available. The JBP price index in 2002 fell 7.7 percent from a year earlier to USD 31.85 per ton, due to significant increases in coal production from major coal exporters, in addition to China's emergence as a key coal supplier. China exported 86 Mt of coal in 2001, an increase of 27 Mt or 46 percent over year 2000. In 2002, around 86 Mt of coal were also exported from China.

Besides the JBP coal price index, another established coal pricing reference used by the coal producers and traders is the Barlow Jonker spot price index (BJI), issued weekly by the leading Australian energy resources and mining consultant company. The spot coal pricing in 2002 started on a positive note with relatively good pricing until the 2nd quarter when it started to decline to the lowest level in August 2002. Nevertheless, the spot coal prices have risen gradually since then.

**Japanese Benchmark Price
(6,700 kcal/kg GAD Base)**



**Barlow Jonker Spot Price Index
Year 2002**



PT Lanna Harita Indonesia, the Company's coal mining project in East Kalimantan, Indonesia, has started its coal production before the end of 2001. The annual production of high-grade coal was initially planned at 1.5 to 2 Mt, with approximately 50 to 60 percent of the produced coals earmarked for Thailand, replacing the depleting domestic coal reserves that could be fulfilled by the Company's high-grade sub-bituminous, low-sulfur coal. The remaining coals are to be exported to other countries in the Asia region, including Japan, Taiwan and India. These markets should be readily accessible due to a relatively small proportion of the coal produced from this coalmine, coupled with the increasing demand for imported coal in the region. In fact, approximately 36 percent of the coals produced from the PT Lanna Harita Indonesia have already been distributed to these Asian markets in 2002, gaining a considerable profit margin.

REVENUE STRUCTURE

Revenue Structure of the Company

(Unit: Million Baht)

Product	2000		2001		2002	
	Revenue	%	Revenue	%	Revenue	%
Main Revenues						
Domestic Coal	782.17	84.66	656.87	47.40	464.71	27.89
Imported Coal	113.27	12.26	249.36	17.99	1,151.54	69.12
Granite	9.11	0.98	5.04	0.37	2.66	0.16
Total Main Revenues	904.55	97.90	911.27	65.76	1,618.91	97.17
Other Revenues						
Gain on Sales of Investments	-	-	412.41	29.76	-	-
Foreign Exchange Gain	8.74	0.95	3.65	0.26	4.48	0.27
Interest income	2.37	0.25	3.58	0.26	15.37	0.92
Others	8.27	0.90	7.23	0.52	24.54	1.48
Total Other Revenues	19.38	2.10	426.87	30.80	44.39	2.67
Share of Profit from Investment accounted for by equity method	-	-	47.65	3.44	2.77	0.16
Grand Total	923.93	100.00	1,385.79	100.00	1,666.07	100.00

Revenue Structure of the Affiliated Companies

(Unit: Million Baht)

The Company	Share- holding (Direct & Indirect)	2000		2001		2002	
		Revenue	%	Revenue	%	Revenue	%
Products and Services	%	Revenue	%	Revenue	%	Revenue	%
United Bulk Shipping Pte Ltd.	49						
Shipping		107.65	99.62	31.06	94.38	126.41	96.63
Other Incomes (e.g. interest income)		0.41	0.38	1.85	5.62	4.41	3.37
Total Revenues		108.06	100.00	32.91	100.00	130.82	100.00
Lanna (Singapore) Pte Ltd. (Consolidated statements)	100						
Coal Sales		-	-	82.66	99.30	197.56	98.72
Other Incomes (e.g. interest income)		0.88	100.00	0.59	0.70	9.03	1.28
Total Revenues		0.88	100.00	83.25	100.00	706.59	100.00
PT Lanna Harita Indonesia	63.33						
Coal Sales		-	-	82.66	99.35	697.56	98.70
Other Incomes (e.g. interest income)		0.82	100.00	0.54	0.65	9.18	1.30
Total Revenues		0.82	100.00	83.20	100.00	706.74	100.00

Domestic Coal Business

- The total coal production capacity in 2002 from the Company's domestic coal reserve was approximately 0.68 million tons, a decrease from year 2001 by 0.31 million tons or 31.01 percent. However, the coal sales were approximately 1.78 million tons, an increase of 0.56 million tons from year 2001 or 46.30 percent, due to the sales of imported coals. The Company's market share in 2002 was 17 percent, representing an increase from 13 percent market share in year 2001.
- The Company ceased its production and distribution of coal from the Nong Ya Plong Mine in Petchaburi Province in October 2002, as its coal reserve had been exhausted. Presently, the only remaining coal reserve is at the Ban Pa Kha Mine in Lumphun Province.
- The Company has established the Coal Distribution Center – Ayutthaya in October 2002, with the purpose of imported coal inventory and distribution to domestic customers, maintaining and expanding its coal market share in anticipation of the depleted domestic coal reserve in 2004.

Shipping Business

- In 2002, United Bulk Shipping Pte. Ltd., the associated company registered in Singapore, had a total revenue of SGD 5.43 million with a net profit SGD 0.23 million, or a net profit per share of SGD 2.35. In comparison with 2001, this represented a revenue increase of SGD 3.90 million and a net profit increase of SGD 0.22 million or SGD 2.16 per share. The interim dividend was paid at SGD 5.07 per share. The share book value at the end of 2002 was at SGD 5.46 per share (the share par value is at SGD 1.00 per share).

Overseas Coal Business

- In 2002, PT. Lanna Harita Indonesia (LHI), the subsidiary company with a 30-year coal mining concession or Coal Contract of Work at Tanah Merah mine in Samarinda and Kutai Regency in East Kalimantan, had produced a total of 0.95 million tons of coal, with 0.83 million tons distributed. The coal production is projected at around 1.5-2 million tons annually.
- LHI's total revenue in 2002 was at USD 17.02 million with a net profit of USD 0.34 million, or a net profit per share of USD 32.34. The share book value at the end of 2002 was at USD 921.58 (the share par value is at USD 1,000).
- In the middle of year 2001, Lanna (Singapore) Pte Ltd. (LS), a subsidiary company registered in Singapore, had entered into a joint-venture agreement to invest in the coalmine in Indonesia with PT. Kaltim Batumanunggal (KBM), having a 13-year mining rights from the Indonesian Government for mining coals on an area of 1,000 hectares in Kutai Regency in East Kalimantan. A joint-venture company, PT Lanna Mining, was to be established; however, KBM requested for amendments of the executed contracts and the negotiations between parties could not be settled. Currently, LS has assigned a legal advisor to terminate the joint-venture contract with KBM, in compliance with the law of Indonesia. The contract termination would not adversely affect the operation of the Company and affiliates due to the fact that the joint-venture company and project development had not yet been undertaken.

RISK FACTORS

The Company has considered several risk factors in the business and attempts to manage and minimize those risks as much as possible, of which details can be described as follow.

Risk in Mining Business

- With limited indigenous coal resources, problems and obstacles associated with coal mining business are the difficulties in securing new good-quality coal deposits large enough to be economically viable. The Company is fully aware of the situation; therefore, it has continued to explore additional coal resources in the neighboring countries for the past several years.

The joint venture coal mining project in Indonesia has started coal production and distribution since the end of 2001. The Project was granted a 30-year coal mining concession or the Coal Contract of Work from the Government of Indonesia or until year 2031. The remaining mineable reserve is estimated at 30.93 million tons, of which could be considered as a substitute for the Company's domestic coal reserve to be exhausted in 2004.

Furthermore, the Company is actively seeking for additional coal resources for development in order to increase its coal reserves and expand its future production and distribution capability.

- The Company has closely monitored the economic crisis and political situation in Indonesia, as well as protests and riots in many areas around the country. However, the joint venture coal mining investment and development in Indonesia have not been greatly affected because the incidents are not nearby the project area. With a negative view, should the disturbances develop into the project area, the problems should only be temporary and possibly be brought under control by the Indonesian government.

In addition, Indonesia is under an economic recovery process, which depends significantly on foreign investment. The Company expects that the political changes should not affect the foreign investment and on the contrary, Indonesian government should provide more support and favorably promote more foreign investment in order to accelerate its economic recovery process.

- Main customers are also the major shareholder of the Company, namely Siam City Cement Public Company Limited, and several other large industrial companies, such as Thai Acrylic Fiber Co., Ltd., Thai Kraft Paper Industry Co., Ltd., and Thai Fermentation Industry Co., Ltd. Therefore, There should not be much risk for these customers not being able to meet their payments.
- Risk from substitute products (such as fuel oil and natural gas) should also be minimal. When considering the price per unit heat, coal is still the most economical source of energy compared to other type of fuels.

Financial Risk

- **Interest Rate-Related Risk:** The Company is currently in a loan-free status; thus, the Company should have no risk relating to the interest rate.
- **Foreign Exchange Risk:** The Company is no longer burdened with foreign exchange risk, having no outstanding foreign loans. As for the imported coal and investments in the overseas subsidiaries involving with foreign currency, the Company's general policy in dealing with the foreign exchange risk is to enter into forward exchange contracts or deposit of foreign currency received from coal sales to the Company's bank account as cash reserve for payment of coal or investment in the future, protecting from possible future foreign exchange risk.

The Company's assets and liabilities in foreign currency at end of 2002 are as follows:

- 1) The Company's assets and liabilities in foreign currency at end of 2002, of which mostly are account receivables and trade account payables from coal sales and purchases, were at USD 3,060,282 and USD 83,353, respectively. No forward exchange contracts had been made to protect from foreign currency risk because the Company was able to make payments of the coal purchases from the received foreign currency or made deposits as reserve for future payments, reducing the risk from the currency exchange fluctuation.
 - 2) The Company had investment in Lanna (Singapore) Pte. Ltd. and United Bulk Shipping Pte. Ltd. at end of 2002, totaling SGD 15,028,467. These are considered long-term investment in the subsidiary and associated companies and no exact schedule for the cancellation of the investment; therefore, no contract for foreign exchange risk protection had been undertaken.
- **Risk Associated with Depreciation of Assets:** The Company has adequately established accounts for depreciation and provision for impairment of fixed assets, in accordance with a generally accepted accounting standard established by the Institute of Certified Accountants and Auditors of Thailand, effective under the Accounting Act B.E. 2543. Therefore, it could be stated that the assets values shown in the Company's accounts are reasonable and do reflect the actual values of the assets.

Commitments and Contingent Liabilities

- The Company has no present or future commitments to issue shares, warrants, convertible securities, debentures or other types of derivatives.
- The Company is free of loan, having the total liabilities to total assets at 12.96 percent and the total liabilities to total equity was only 14.89 percent. The Company had an outstanding liabilities at end of 2002 for a total amount of Baht 253.36 million, of which mostly are account payables from ordinary course of Company's business without any guarantees.
- The Company only has contingent liabilities as stated and disclosed by the auditor in the auditor's notes to financial statements year 2002, No. 19 and 20 (refer to pages 41-42).
- Apart from the above-mentioned commitments and liabilities, there is no unusual event related to the management and/or employees, which will have an impact on the financial status and operating results of the Company.

INVESTMENT POLICY AND DIRECTIONS

During 2002, all project developments undertaken were in early study and feasibility review stages, thus were not quite ready for investment considerations. Nevertheless, investment objectives and development directions have been clearly identified for the year 2003 onwards as follow:

1. Core Business Development

The core business development, in general, includes additional evaluations of coal projects, both domestic and overseas, as part of the ongoing strengthening of the Company's main operations, and with the aim to add more deposits from other mine locations. Other coal-related logistic activities, especially in sea transports, have continued to gain exceptional attention, with the aims to further improve the efficiency of the imported coal operations and to accommodate customers' requirements on a wider basis. These would assure long-lasting revenue growth, with the emphasis on the strong return on investment, and could be elaborated below.

- a. The Company continues reviewing technical data on domestic coal deposit potentials, which could be further developed commercially. Ample exploration budgets have been set aside for these activities in 2003.
- b. The Company maintains the exploration efforts and proceeds with reviewing and securing additional coal deposits and licenses of various medium-size coal concessions in Indonesia, where good coal qualities, abundant supplies and satisfactory logistics still make the country a competitive place for mineral resource development for East and Southeast Asia markets. Due to complications in geological structures, as well as the ever-changing legal framework and investment climate in Indonesia, the Company has adopted the cautious and fairly conservative policy in the process, where all risks are carefully measured and weighed against the investment and commercial returns. Normal procedures consist of:
 - Establishing a Memorandum of Understanding (MOU) with the potential local joint venture partner or concessionaire, prior to carrying out the required exploration activities to ascertain, to a certain level, coal deposit volumes, qualities and possible market studies. Such MOU could be terminated if the initial results prove to be discouraging.
 - Upon successful exploration results for a commercial viable project, negotiating and entering into a comprehensive Joint Venture Agreement (JVA).
 - The JVA would provide the outlines and frameworks for all activities to successfully develop the resources commercially for the life of the concession.
- c. The Company has also continued its study on the possibility of owning a bulk vessel for coal transport, as the imported volume is forecasted to increase many folds for 2003 onwards. Owning a bulk coal transport vessel would allow more flexibility in scheduling to meet expected increase in demand on the supply side, as compared with chartering the vessels in the present.

2. Non-Core Business Development

The Company has largely concentrated its non-core business development in energy-related projects, where the Company's long expertise in the Energy Sector would give additional comfort and understanding to the investment, aiming to enhance shareholder's values in the long run.

At the present, the Company has carried out the study for a possible joint venture investment in the Ethanol-for-Fuel producing plants, which have gained full supports by the Government. 99.5% dehydrated ethanol, to be mixed with gasoline, would not only reduce toxic chemicals for a cleaner environment, but would also provide the substitute for MTBE, presently imported as a gasoline additive for octane booster. The latter, in turn, would result in the saving of foreign currency for the country, and less trade deficit as a whole.

The Company has reserved capital investment funds for various projects mentioned in the amount of 500 million Baht. However, since the Company is debt-free, if more capitals are required for these projects, the Company could raise debts, or increase its own equity through issuance of new shares in the future.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee, appointed and entrusted by the Board of Directors of the Company, has performed its duties with main responsibilities by conforming to the good corporate governance as recommended by the Stock Exchange of Thailand. The main responsibilities are to review the financial statements in accordance with the accounting standard; to review the internal control system for its appropriateness and efficiency; to ensure that the Company's operation is transparent and in accordance with its rules and regulations, conforming to all relevant laws and regulations; as well as to monitor Company's activities to eliminate any conflict of interest; and to recommend for an appointment of the Company's auditor.

During the fiscal year 2002, the Audit Committee had reviewed and approved the Company's quarterly financial statements and the yearly financial statements for year 2002. These financial statements were prepared in accordance with the accounting standard, and fully and adequately disclosed. The related transactions were found to be of normal business practice and were fully disclosed. Both external and internal auditors could directly contact the top management and the Audit Committee regarding their duties independently without any limitation.

The Company's internal control system was generally in good standing without having any significant deficiencies, and appropriate for the current business operation.

The Audit Committee had proposed to the Company's Board of Directors for the appointment of Mr. Narong Puntawong or Mr. Ruth Chaowanagawi or Mrs. Saifon Inkaew of Ernst & Young Office Limited as the Company's auditors for the year 2003, before recommending for approval by the shareholders' meeting.

17 March 2003

On behalf of the Audit Committee



(Mr. Padoong Techasarintr)
Chairman of the Audit Committee

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES TO THE FINANCIAL REPORT

The consolidated financial statements year 2002 of Lanna Resources Public Company Limited and its subsidiary companies have been prepared in accordance with the Notification of the Commercial Registration Department, regarding to the condensed transactions of financial statements B.E. 2544 dated September 14, 2001, empowered under the Accounting Act B.E. 2543. These financial statements have been conducted in accordance to the accounting standard established by the Institute of Certified Accountants and Auditors of Thailand, effective under the Accounting Act B.E. 2543.

The Board of Directors is responsible for the preparation of the financial report of Lanna Resources Public Company Limited and its subsidiaries, assuring that the report of the consolidated financial status, operating results, and cash flows are presented in truth and fairness. The Company has established a correct and complete keeping of the financial records for maintaining the Company's assets and also protecting against any frauds or irregularities. These financial statements have been prepared in accordance to the generally accepted accounting standard by using accounting policies that are appropriate and corresponding to the business operation, which are undertaken on a regular basis. The company also considers and maintains adequate provisions for uncertainty items or items that may have significant effect on the future operation, by disclosing important information in the Notes to Financial Statements with certified accountant's opinions in the Report of Independent Auditor.



(Mr. Somkiart Limsong)
Chairman



(Mr. Kraisi Sirirungsi)
Chief Executive Officer

Report of Independent Auditor

To The Board of Directors and Shareholders of
Lanna Resources Public Company Limited

I have audited the consolidated balance sheets of Lanna Resources Public Company Limited and its subsidiaries as at 31 December 2002 and 2001 and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Lanna Resources Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lanna Resources Public Company Limited and its subsidiaries and of Lanna Resources Public Company Limited as at 31 December 2002 and 2001 and the results of their operations and cash flows for the years then ended in accordance with generally accepted accounting principles.



Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited

Bangkok : 31 January 2003

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS

AS AT 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		73,790,387	697,073,847	47,934,385	678,943,424
Short-term investments					
Promissory notes from banks and the financial institutions					
which mature over 3 months		150,000,000	400,000,000	150,000,000	400,000,000
Investments in open-end fund		150,382,057	-	150,382,057	-
Total short term investments		300,382,057	400,000,000	300,382,057	400,000,000
Trade accounts receivable	4				
Related parties	6	148,489,345	120,470,922	148,489,345	120,470,922
Others		116,712,636	34,326,632	116,712,636	34,326,632
Total trade accounts receivable		265,201,981	154,797,554	265,201,981	154,797,554
Amounts due from related parties	6	6,544,713	-	53,086,989	4,373,780
Inventories	5	171,309,692	90,003,772	79,062,919	87,938,809
Less : Provision for diminution in market value		-844,494	-8,005,283	-844,494	-8,005,283
Inventories - net		170,465,198	81,998,489	78,218,425	79,933,526
Other current assets					
Input tax refundable		90,020,862	16,041,059	9,973,739	12,768,354
Accounts receivable - machinery		4,438,754	11,941,910	4,438,754	11,941,910
Others		6,973,525	18,460,422	4,836,860	15,786,222
Total other current assets		101,433,141	46,443,391	19,249,353	40,496,486
TOTAL CURRENT ASSETS		917,817,477	1,380,313,281	764,073,190	1,358,544,770
NON-CURRENT ASSETS					
Investments					
Investments in subsidiary and associated companies					
accounted for under equity method	7	5,279,352	8,596,287	369,167,896	370,181,969
Investments in unit trust		126,407,839	22,394,549	126,407,839	22,394,549
Total investments		131,687,191	30,990,836	495,575,735	392,576,518
Property, plant and equipment - net	8	275,098,160	324,607,061	108,558,238	176,870,310
Non-operating fixed assets - net	9	35,406,787	633,584	35,406,787	633,584
Other non-current assets	10	594,463,815	539,241,069	209,611,880	127,570,316
TOTAL NON-CURRENT ASSETS		1,036,655,953	895,472,550	849,152,640	697,650,728
TOTAL ASSETS		1,954,473,430	2,275,785,831	1,613,225,830	2,056,195,498

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

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2002 AND 2001

19

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Trade accounts payable					
Related parties	6	19,671,214	18,574,401	19,671,214	32,253,227
Others		111,664,612	99,952,473	18,155,072	24,886,306
Total trade accounts payable		131,335,826	118,526,874	37,826,286	57,139,533
Amounts due to related party	6	359,085	-	359,085	-
Other current liabilities					
Dividend payable		3,848,780	352,842,024	3,848,780	352,842,024
Accrued expenses		92,764,793	10,464,438	9,508,484	10,464,438
Others		14,762,799	9,599,523	3,121,402	2,667,082
Total other current liabilities		111,376,372	372,905,985	16,478,666	365,973,544
TOTAL CURRENT LIABILITIES		243,071,283	491,432,859	54,664,037	423,113,077
NON-CURRENT LIABILITIES					
Staff saving fund	11	-	4,049,406	-	4,049,406
Provision for liabilities from lawsuit	20.1	10,284,959	-	10,284,959	-
TOTAL NON-CURRENT LIABILITIES		10,284,959	4,049,406	10,284,959	4,049,406
TOTAL LIABILITIES		253,356,242	495,482,265	64,948,996	427,162,483
SHAREHOLDERS' EQUITY					
Share capital					
Registered, issued and fully paid up					
35,000,000 ordinary shares of Baht 10 each		350,000,000	350,000,000	350,000,000	350,000,000
Share premium		680,400,000	680,400,000	680,400,000	680,400,000
Translation adjustments		17,520,256	17,165,780	17,520,256	17,165,780
Retained earnings					
Appropriated					
Statutory reserve	12	35,000,000	35,000,000	35,000,000	35,000,000
General reserve		161,000,000	161,000,000	161,000,000	161,000,000
Unappropriated		304,356,578	385,467,235	304,356,578	385,467,235
EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS		1,548,276,834	1,629,033,015	1,548,276,834	1,629,033,015
MINORITY INTERESTS - EQUITY ATTRIBUTABLE					
TO MINORITY SHAREHOLDERS OF SUBSIDIARY		152,840,354	151,270,551	-	-
TOTAL SHAREHOLDERS' EQUITY		1,701,117,188	1,780,303,566	1,548,276,834	1,629,033,015
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,954,473,430	2,275,785,831	1,613,225,830	2,056,195,498
		0	0	0	0

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

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF EARNINGS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
REVENUES					
Sales	6, 14	1,618,911,868	911,266,843	1,618,911,868	911,266,843
Others income					
Gain on sales of investments	7	-	412,411,647	-	412,411,647
Gain on exchange rate		4,477,546	3,654,544	-	4,538,347
Interest income		15,363,049	3,573,850	14,917,224	2,997,838
Others		24,541,587	7,231,596	22,822,609	7,229,157
Total others income		44,382,182	426,871,637	37,739,833	427,176,989
Share of profit from investments accounted for under equity method		2,774,419	47,653,295	-	33,934,526
TOTAL REVENUES		1,666,068,469	1,385,791,775	1,656,651,701	1,372,378,358
EXPENSES					
Cost of sales	6	1,378,905,657	665,318,286	1,437,549,765	672,645,521
Selling and administrative expenses		179,374,279	177,258,751	103,312,301	152,932,085
Loss on disposal of the project		-	2,770,699	-	2,770,699
Directors' remuneration	13	9,332,258	8,300,000	9,332,258	8,300,000
Loss on exchange rate		-	-	2,641,937	-
Share of loss from investments accounted for under equity method		-	-	9,891,576	-
TOTAL EXPENSES		1,567,612,194	853,647,736	1,562,727,837	836,648,305
EARNINGS BEFORE INTEREST EXPENSES		98,456,275	532,144,039	93,923,864	535,730,053
INTEREST EXPENSES		-34,521	-2,049,512	-34,521	-2,049,512
EARNINGS BEFORE MINORITY INTERESTS		98,421,754	530,094,527	93,889,343	533,680,541
LOSS (EARNINGS) IN RESPECT OF MINORITY INTERESTS		-4,532,411	3,586,014	-	-
NET EARNINGS FOR THE YEAR	14	93,889,343	533,680,541	93,889,343	533,680,541
BASIC EARNINGS PER SHARE					
Net earnings		2.68	15.25	2.68	15.25

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

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	CONSOLIDATED							
	Issued and fully paid share capital	Share premium	Translation adjustments	Retained earnings			Minority Interests	Total
				Statutory reserve	General reserve	Unappropriated		
Balance - beginning of year 2001	350,000,000	680,400,000	16,720,880	35,000,000	161,000,000	271,786,694	1,20,076,235	1,634,983,809
Translation adjustments	-	-	444,900	-	-	-	-	444,900
Unrealised transactions in earnings statements	350,000,000	680,400,000	17,165,780	35,000,000	161,000,000	271,786,694	120,076,235	1,635,428,709
Minority interests	-	-	-	-	-	-	31,194,316	31,194,316
Net earnings for the year 2001	-	-	-	-	-	533,680,541	-	533,680,541
Dividend paid (Note 16)	-	-	-	-	-	-420,000,000	-	-420,000,000
Balance - end of year 2001	350,000,000	680,400,000	17,165,780	35,000,000	161,000,000	385,467,235	151,270,551	1,780,303,566
Translation adjustments	-	-	354,476	-	-	-	-	354,476
Unrealised transactions in earnings statements	350,000,000	680,400,000	17,520,256	35,000,000	161,000,000	385,467,235	151,270,551	1,780,658,042
Minority interests	-	-	-	-	-	-	1,569,803	1,569,803
Net earnings for the year 2002	-	-	-	-	-	93,889,343	-	93,889,343
Dividend paid (Note 16)	-	-	-	-	-	-175,000,000	-	-175,000,000
Balance - end of year 2002	350,000,000	680,400,000	17,520,256	35,000,000	161,000,000	304,356,578	152,840,354	1,701,117,188

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

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	THE COMPANY ONLY						
	Issued and fully paid share capital	Share premium	Translation adjustments	Statutory reserve	Retained earnings		Total
General reserve					Unappropriated		
Balance - beginning of year 2001	350,000,000	680,400,000	16,720,880	35,000,000	161,000,000	271,786,694	1,514,907,574
Translation adjustments	-	-	444,900	-	-	-	444,900
Unrealised transactions in earnings statements	350,000,000	680,400,000	17,165,780	35,000,000	161,000,000	271,786,694	1,515,352,474
Net earnings for the year 2001	-	-	-	-	-	533,680,541	533,680,541
Dividend paid (Note 16)	-	-	-	-	-	-420,000,000	-420,000,000
Balance - end of year 2001	350,000,000	680,400,000	17,165,780	35,000,000	161,000,000	385,467,235	1,629,033,015
Translation adjustments	-	-	354,476	-	-	-	354,476
Unrealised transactions in earnings statements	350,000,000	680,400,000	17,520,256	35,000,000	161,000,000	385,467,235	1,629,387,491
Net earnings for the year 2002	-	-	-	-	-	93,889,343	93,889,343
Dividend paid (Note 16)	-	-	-	-	-	-175,000,000	-175,000,000
Balance - end of year 2002	350,000,000	680,400,000	17,520,256	35,000,000	161,000,000	304,356,578	1,548,276,834

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

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Cash flows from operating activities :				
Net earnings	93,889,343	533,680,541	93,889,343	533,680,541
Adjustment to reconcile net earnings to net cash provided by (used in) operating activities :-				
Depreciation and amortisation	571,271,644	325,618,080	205,545,066	293,769,853
Share of loss (profit) from investments accounted for under equity method	-2,774,419	-47,653,295	9,891,575	-33,934,527
Provision for impairment of fixed assets	7,176,289	3,176,967	7,176,289	3,176,967
Unrealised gain from the change of exchange rate	-	-268,091	-	-268,091
Provision (reversal of provision) for diminution in market value of inventories	-7,160,789	908,831	-7,160,789	908,831
Loss from disposal of the project	-	2,770,699	-	2,770,699
Loss (gain) from disposal of fixed assets	-5,680,311	28,397,729	-5,680,311	28,390,701
Gain on sales of investments in associated companies	-	-412,411,647	-	-412,411,647
Gain on revaluation of open-end fund	-382,057	-	-382,057	-
Premium on forward contracts	-	26,677	-	26,677
Minority interests in net loss (gain) for the year of subsidiary	-4,532,411	3,586,014	-	-
	<u>651,807,289</u>	<u>437,832,505</u>	<u>303,279,116</u>	<u>416,110,004</u>
Decrease (increase) in operating assets				
Trade accounts receivable	-110,404,427	-62,983,061	-110,404,427	-62,983,061
Amounts due from related parties	-453,358	-	-42,621,854	-4,373,780
Inventories	-81,305,920	19,157,889	8,875,890	21,222,852
Other current assets	-50,550,996	-26,347,207	25,685,887	-24,416,805
Increase (decrease) in operating liabilities				
Trade accounts payable	12,808,952	15,453,512	-19,313,245	-45,933,830
Amounts due to related parties	359,085	-	359,085	-
Other current liabilities	88,470,387	4,148,378	505,121	-2,406,284
Staff saving fund	-4,049,406	-445,578	-4,049,406	-445,578
Provision for liabilities from lawsuit	10,284,959	-	10,284,959	-
Net cash from operating activities	<u>516,966,565</u>	<u>386,816,438</u>	<u>172,601,126</u>	<u>296,773,518</u>

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

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Cash flows from investing activities :				
Decrease (increase) in short-term investments	100,000,000	-400,000,000	100,000,000	-400,000,000
Increase in investments in related parties	-	-75,000,070	-14,614,381	-209,363,463
Increase in investments in unit trust	-108,010,430	-21,394,549	-108,010,430	-21,394,549
Proceeds from sales of investments	-	1,297,500,000	-	1,297,500,000
Proceeds from disposal of fixed assets	6,169,345	26,253,514	6,169,345	26,231,282
Decrease (increase) in fixed assets	-30,534,267	-57,788,420	-4,719,556	12,580,079
Increase in other non-current assets	-589,331,363	-508,513,066	-257,435,143	-329,843,586
Translation adjustments	354,476	444,900	-	-
Net cash from (used in) investing activities	<u>-621,352,239</u>	<u>261,502,309</u>	<u>-278,610,165</u>	<u>375,709,763</u>
Cash flows from financing activities :				
Dividend paid	-525,000,000	-70,000,000	-525,000,000	-70,000,000
Minority interests increase	6,102,214	27,608,303	-	-
Net cash used in financing activities	<u>-518,897,786</u>	<u>-42,391,697</u>	<u>-525,000,000</u>	<u>-70,000,000</u>
Net increase (decrease) in cash and cash equivalents	-623,283,460	605,927,050	-631,009,039	602,483,281
Cash and cash equivalents at beginning of year	697,073,847	91,146,797	678,943,424	76,460,143
Cash and cash equivalents at end of year	<u>73,790,387</u>	<u>697,073,847</u>	<u>47,934,385</u>	<u>678,943,424</u>
Supplemental cash flows informations :-				
Cash paid during the year for :-				
Interest paid	34,521	2,049,512	34,521	2,049,512
Corporate income tax	165,967	174,240	165,967	174,240

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

LANNA RESOURCES PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated under the law of Thailand and had transformed to be a public company under the Public Limited Companies Act on 29 December 1992. The Company currently operates in Thailand and its principal activity is lignite mining. Its registered address is at 888/99 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

In 1997, the Company set up Lanna (Singapore) Pte Ltd., a company incorporated and existing under the law of Singapore, for the purpose of holding a majority interest in PT. Lanna Harita Indonesia, a company incorporated in Indonesia, the principal activity of which is coal mining in Indonesia.

2. BASIS OF CONSOLIDATION

2.1 The consolidated financial statements include the financial statements of Lanna Resources Public Company Limited (hereinafter called “the Company”) and the subsidiary companies (hereinafter called “the subsidiary companies”) as follows :-

	Percentage of		Country of	Subsidiary’s total		Subsidiary’s total	
	shareholding			assets as a percentage		revenues as a percentage	
	2002	2001	incorporation	to the consolidated total		to the consolidated total	
				2002	2001	2002	2001
<u>Held by the Company</u>							
Lanna (Singapore) Pte Ltd.	100	100	Singapore	5	5	1	-
<u>Held by a subsidiary company</u>							
PT. Lanna Harita Indonesia	63	63	Indonesia	33	22	1	-

2.2 The balance sheets and the earnings statements of the overseas subsidiary companies have been translated into Thai Baht at the closing exchange rates as to assets and liabilities and at the average exchange rate as to revenues and expenses. The difference arising from such translation has been shown under the caption of “Translation adjustments” in the shareholders’ equity.

- 2.3 Material intercompany balances and transactions, the Company's investments in subsidiary companies and the share capital of the subsidiary companies have been eliminated from the consolidated financial statements.
- 2.4 The excess of the cost of investment in a subsidiary company over its net book value as at the investment date has been shown under "Excess of cost of investment over net book value of subsidiary" as included in other assets in the consolidated balance sheets and is subject to amortisation when that subsidiary company commences its trading activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand which are effective under the Accounting Act B.E. 2543.

Significant accounting policies adopted by the Company and its subsidiaries are summarized below.

3.1 Revenue Recognition

a) Sales

Sales are the invoiced value of goods delivered, excluding value added tax. Income from lignite sales is recorded according to the weight as recorded at the mine site. Adjustment of the sales price due to quality and weight considerations are recognised in the month in which notification is received from customers.

b) Interest income

Interest income is recognised on an accrual basis.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposit with financial institutions with an original maturity of 3 months or less and free from commitments.

During 2002, the Company redefined cash and cash equivalents whereby previously these were defined to include cash in hand and at bank and deposit with financial institution with an original maturity of 1 year or less and free from commitments, they are now defined as cash and cash equivalents include cash in hand and at bank and deposit with financial institution with an original maturity of 3 months or less and free from commitments. Certain amounts in the cash and cash equivalents account as at 31 December 2001 have been reclassified to more appropriately present the liquidity of assets, with no effect to the Company's previously reported results of operation and shareholders' equity.

3.3 Allowance for doubtful accounts

Allowance for doubtful accounts is provided for on the basis of collection experience and payment ability of the accounts receivable at the end of the year, taking into account overdue balance of each debtor. Bad debts will be written off for the accounts considered uncollectible.

3.4 Inventories

Inventories are valued at the lower of cost (weighted average method) and net realisable value.

3.5 Depreciation and amortisation

Property are stated at cost. Plant and equipment are stated at cost less accumulated depreciation and provision for impairment (if any). Depreciation of plant and equipment are calculated by reference to their costs on a straight-line basis over the estimated useful lives as follows :-

Land improvement	- 5 - 10 years
Building and amenities	- 20 years
Washing plant and crushing plants	- 15 years
Machinery and equipment	- 4 - 10 years
Furniture and office equipment	- 4 - 10 years
Vehicles	- 5 - 10 years

No depreciation is provided for construction in progress and land, except for mining land which is depleted in accordance with the difference between its purchase cost and fair value and on the basis of units produced in proportion to the total lignite reserves.

Deferred overburden removal costs and other deferred expenses are charged to operations in accordance with the proportion of units produced to total lignite reserves. Provision for overburden removal costs is recorded as a liability in the balance sheets whenever the amortisation of the overburden removal costs on the above basis exceeds the overburden removal costs that have been deferred.

Amortisation of the development expenses of the various projects commences upon the start of production. In cases when the future benefit of these assets is in doubt, they are written off to period expenses immediately.

3.6 Investments

Investments in open-end funds and unit trusts are stated at fair value. Gains or losses arising from changes in value of short-term investments are included in determining earnings.

Investments in subsidiary companies (in the financial statements of the Company) and associated companies are stated under the equity method.

3.7 Excess of cost of investment over net book value of the subsidiary

The excess of the cost of investment in a subsidiary company over its net book value, is included in other non-current assets in the consolidated balance sheets, and will be amortised to expenses on a straight-line basis over a period of ten years when that subsidiary company commences its trading activities.

3.8 Foreign currencies

Foreign currency transactions incurred during the year are translated into Baht at the rates ruling on the transaction dates. Assets and liabilities in foreign currency outstanding on the balance sheet date are translated into Baht at the rates ruling on the balance sheet date, with the exception of those covered by forward exchange contracts which are translated into Baht at contracted rates.

Exchange gains and losses are included in determining earnings.

3.9 Forward contract

Exchange gains and losses arising from the change of exchange rate of forward contract are included in determining earnings.

Premium and discount on forward contract are deferred and amortised over the forward contract period.

3.10 Earnings per share

Earnings per share as presented in the earnings statements is the basic earnings per share, which is determined by dividing net earnings for the year by the number of ordinary shares in issue during the year.

3.11 Use of accounting estimates

Preparation of financial statements in accordance with generally accepted accounting principles in certain circumstances requires management to make estimates and assumptions that affect amounts reported in the accompanying financial statements and notes thereto. Actual results could differ from these estimates.

4. TRADE ACCOUNTS RECEIVABLE

The aging of outstanding balance of trade accounts receivable as at 31 December 2002 and 2001 were as follows :-

	(Unit : Baht)			
	Consolidated		The Company Only	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
<u>Related parties :</u>				
Not yet due	148,489,345	120,470,922	148,489,345	120,470,922
Total	<u>148,489,345</u>	<u>120,470,922</u>	<u>148,489,345</u>	<u>120,470,922</u>
<u>Other parties :</u>				
Not yet due	116,711,321	34,324,196	116,711,321	34,324,196
1 - 3 months	1,315	2,264	1,315	2,264
Over 3 months	-	172	-	172
Total	<u>116,712,636</u>	<u>34,326,632</u>	<u>116,712,636</u>	<u>34,326,632</u>
Total trade accounts receivable	<u><u>265,201,981</u></u>	<u><u>154,797,554</u></u>	<u><u>265,201,981</u></u>	<u><u>154,797,554</u></u>

5. INVENTORIES

(Unit : Baht)

	Consolidated		The Company Only	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Coal	94,145,792	23,501,410	2,315,087	21,436,447
Granite	-	5,764,745	-	5,764,745
Coal in transit and imported coal	75,116,441	54,562,637	75,116,441	54,562,637
Spare parts	2,047,459	6,174,980	1,631,391	6,174,980
	171,309,692	90,003,772	79,062,919	87,938,809
Less : Provision for diminution in market value	(844,494)	(8,005,283)	(844,494)	(8,005,283)
Total inventories – net	<u>170,465,198</u>	<u>81,998,489</u>	<u>78,218,425</u>	<u>79,933,526</u>

6. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its related companies (related by way of shareholding, common shareholders and/or common directors) in respect of sales and purchase of coal, sales of machineries, and service and transportation charges. Such transactions, which have been concluded on the terms and basis as determined by the Company and those companies and in the normal course of business, are summarised below :-

(Unit : Baht)

	Consolidated		The Company Only	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Sales of coal	1,011,705,999	623,026,515	1,011,705,999	623,026,515
Sales of machineries	6,380,049	-	8,605,414	14,594,077
Purchase of coal	10,353,942	-	730,491,818	79,920,140
Service fee paid	218,371,854	257,034,856	218,371,854	257,034,856
Freight charge	134,358,634	8,863,439	134,358,634	8,863,439

Pricing Policy

Sales of coal	Market price at which equivalent quality coal is sold to that industry.
Sales of machineries	Net book value plus profit margin.
Purchase of coal	Market price for equivalent quality coal
Service fee paid	Price comparable to service fees paid to third parties.
Freight charge	Price comparable to freight charges paid to third parties.

The outstanding balances of the above transactions have been separately shown in the balance sheets as follows :-

	Relationship	(Unit : Baht)			
		Consolidated		The Company Only	
		2002	2001	2002	2001
<u>Trade accounts receivable - related parties :</u>					
Siam City Cement (Public) Co., Ltd.	Major shareholders and common directors	88,961,674	120,470,922	88,961,674	120,470,922
Banpu International Ltd.	Common shareholders	59,527,671	-	59,527,671	-
Total trade accounts receivable - related parties		<u>148,489,345</u>	<u>120,470,922</u>	<u>148,489,345</u>	<u>120,470,922</u>
<u>Amounts due from related parties :</u>					
PT. Lanna Harita Indonesia	Indirect holding and common directors	-	-	46,542,276	4,373,780
United Bulk Shipping Pte Ltd.	Direct holding and common directors	6,544,713	-	6,544,713	-
Total amounts due from related parties		<u>6,544,713</u>	<u>-</u>	<u>53,086,989</u>	<u>4,373,780</u>
<u>Trade accounts payable - related parties :</u>					
Prempracha Engineering Ltd. Part.	Common shareholders and common directors	16,801,566	18,574,401	16,801,566	18,574,401
United Bulk Shipping Pte Ltd.	Direct holding and common directors	2,869,648	-	2,869,648	-
PT. Lanna Harita Indonesia	Indirect holding and common directors	-	-	-	13,678,826
Total trade accounts payable - related parties		<u>19,671,214</u>	<u>18,574,401</u>	<u>19,671,214</u>	<u>32,253,227</u>
<u>Amounts due to related party :</u>					
Siam City Cement (Public) Co., Ltd.	Major shareholder and common directors	359,085	-	359,085	-

8. PROPERTY, PLANT AND EQUIPMENT

Consolidated

	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Office equipment	Vehicles	Construction in progress	Total
	(Unit : Baht)								
<u>Cost</u>									
31 December 2001	106,587,295	138,094,918	16,527,686	10,111,444	275,472,656	47,086,822	27,608,466	102,330,089	723,819,376
Purchase	197,280	-	-	-	1,121,312	5,895,673	2,955,350	24,382,500	34,552,115
Transfer in (out)	-	-	25,060,410	-	44,292,233	-	-	(69,352,643)	-
Disposal	(2,747)	(2,008)	-	-	(27,950,800)	(11,831,295)	(4,176,833)	-	(43,963,683)
Transfer to non-operating fixed assets	(30,135,775)	-	(331,550)	(3,828,854)	(19,791,845)	(1,175,270)	-	-	(55,263,294)
Translation adjustments	(949,279)	-	(1,327,773)	-	(776,465)	(296,413)	-	(1,165,984)	(4,515,914)
31 December 2002	75,696,774	138,092,910	39,928,773	6,282,590	272,367,091	39,679,517	26,386,983	56,193,962	654,628,600
<u>Accumulated depreciation/amortisation</u>									
31 December 2001	-	129,491,372	13,815,406	4,241,573	196,827,713	35,719,342	19,116,909	-	399,212,315
Depreciation of the disposed assets	-	(2,008)	-	-	(24,328,108)	(11,814,034)	(4,093,530)	-	(40,237,680)
Depreciation/Amortisation for the year	-	3,358,356	2,756,498	307,956	17,334,668	4,197,114	2,616,265	-	30,570,857
Depreciation of those transferred to non-operating fixed assets	-	-	(210,012)	(997,889)	(8,094,071)	(632,949)	-	-	(9,934,921)
Translation adjustments	-	-	(1,493)	-	7,665	(86,303)	-	-	(80,131)
31 December 2002	-	132,847,720	16,360,399	3,551,640	181,747,867	27,383,170	17,639,644	-	379,530,440
<u>Net book value</u>									
31 December 2001	106,587,295	8,603,546	2,712,280	5,869,871	78,644,943	11,367,480	8,491,557	102,330,089	324,607,061
31 December 2002	75,696,774	5,245,190	23,568,374	2,730,950	90,619,224	12,296,347	8,747,339	56,193,962	275,098,160

Depreciation and amortisation charge (included in earnings statements) for the year :

2001	25,663,666
2002	30,570,857

The Company Only

(Unit : Baht)

<u>Cost</u>	Land	Ore	Land improvement	Building and amenities	Machinery and equipment	Office equipment	Vehicle	Total
31 December 2001	65,166,549	138,094,918	16,527,686	10,111,444	275,472,655	39,605,432	27,608,466	572,587,150
Purchase	197,280	-	-	-	-	1,575,786	2,955,350	4,728,416
Disposal	(2,747)	(2,008)	-	-	(27,950,800)	(12,258,090)	(4,176,833)	(44,390,478)
Transfer to non-operating fixed assets	(30,135,775)	-	(331,550)	(3,828,854)	(19,791,845)	(1,175,270)	-	(55,263,294)
31 December 2002	35,225,307	138,092,910	16,196,136	6,282,590	227,730,010	27,747,858	26,386,983	477,661,794
<u>Accumulated depreciation/amortisation</u>								
31 December 2001	-	129,491,372	13,815,406	4,241,573	196,827,712	32,223,868	19,116,909	395,716,840
Depreciation of the disposed assets	-	(2,008)	-	-	(24,328,108)	(11,814,034)	(4,093,530)	(40,237,680)
Depreciation / Amortisation for the year	-	3,358,356	529,486	307,956	14,377,394	2,369,860	2,616,265	23,559,317
Depreciation of those transferred to non-operating fixed assets	-	-	(210,012)	(997,889)	(8,094,071)	(632,949)	-	(9,934,921)
31 December 2002	-	132,847,720	14,134,880	3,551,640	178,782,927	22,146,745	17,639,644	369,103,556
<u>Net book value</u>								
31 December 2001	65,166,549	8,603,546	2,712,280	5,869,871	78,644,943	7,381,564	8,491,557	176,870,310
31 December 2002	35,225,307	5,245,190	2,061,256	2,730,950	48,947,083	5,601,113	8,747,339	108,558,238
Depreciation and amortisation charge (included in earnings statement) for the year :								
2001								24,673,957
2002								23,559,317

Property, plant and equipment include the land with a cost of Baht 5.9 million, of which the title has yet to be transferred to the Company.

9. NON-OPERATING FIXED ASSETS

	(Unit : Baht)			
	Consolidated		The Company Only	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Non-operating fixed assets - cost	60,544,027	7,517,952	60,544,027	7,517,952
Less : Accumulated depreciation	(14,206,978)	(3,130,396)	(14,206,978)	(3,130,396)
	46,337,049	4,387,556	46,337,049	4,387,556
Less : Provision for loss on impairment of fixed assets	(10,930,262)	(3,753,972)	(10,930,262)	(3,753,972)
Non-operating fixed assets - net	<u>35,406,787</u>	<u>633,584</u>	<u>35,406,787</u>	<u>633,584</u>
Depreciation for the year	<u>2,595,030</u>	<u>10,835,764</u>	<u>2,595,030</u>	<u>10,835,764</u>

During 2001, the Company sold most of its non-operating fixed assets to the subsidiary and other parties. As the result of the sales of these assets, the Company recorded total net losses of Baht 28.4 million, which were included in the earnings statement.

As at 31 December 2002, the Company had non-operating fixed assets (i.e. land, land improvement, building, and machinery and equipment) of Nong Ya Pong mine and underground project with an aggregate net book value of approximately Baht 46 million. The Company is considering making use and/or selling all such assets to other parties. The Company has considered their net realisable value and set up provision of Baht 11 million for loss on impairment of such assets in the accounts.

10. OTHER NON-CURRENT ASSETS

Other non-current assets as at 31 December 2002 and 2001 consist of the followings and have been shown net of related accumulated amortisation :-

	(Unit : Baht)			
	Consolidated		The Company Only	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Research and survey expenses	339,186	528,367	339,186	528,367
Deferred overburden removal expenses	254,699,446	206,499,835	193,349,174	103,896,890
Land-related expenses	3,746,660	5,827,977	3,746,660	5,827,977
Village relocation project expenses	6,195,326	9,637,830	6,195,326	9,637,830
Deferred expenses - coal mine project	2,037,479	3,995,254	2,037,479	3,995,254
Deferred expenses – Indonesia coal mine project	208,716,946	199,360,359	-	-
Excess of cost of investment over net book value of the subsidiary	99,618,791	106,729,561	-	-
Others	19,109,981	6,661,886	3,944,055	3,683,998
Total other non-current assets	<u>594,463,815</u>	<u>539,241,069</u>	<u>209,611,880</u>	<u>127,570,316</u>
Amortisation for the year	<u>534,108,616</u>	<u>289,118,742</u>	<u>175,393,578</u>	<u>258,260,133</u>

11. STAFF SAVING FUND/STAFF PROVIDENT FUND

The Company set up a staff saving fund in accordance with the Company regulations. The fund was contributed by the employees each month at the stipulated rates and by the Company in accordance with the Company regulations. The fund plus interest is to be paid to the employees upon termination in accordance with the rules of the savings fund set up by the Company. The Company and its employees ceased making contributions to this fund in 1998 and all Baht 4.0 million of the fund was paid to the Company's employees in 2002.

In 1998, the Company and its employees jointly established a provident fund as approved by the Ministry of Finance, in accordance with the Provident Fund Act B.E. 2530. The fund is contributed by employees at a rate of 5% of their basic salary and the Company also contributes a certain amount. The fund is managed by the Bank of Ayudhaya Public Co., Ltd.. Total contributions of the Company for the year ended 31 December 2002 amounted to Baht 2.6 million (2001 : Baht 2.5 million).

12. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act, the Company is required to set aside a statutory reserve of at least 5% of its net profit until such reserve reaches 10% of the registered share capital.

13. DIRECTORS' REMUNERATION

Director's remuneration represents the benefits paid to the Company directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

14. PROMOTIONAL PRIVILEGES

The Company has been granted tax promotional privileges by the Board of Investment under the Investment Promotion Act B.E. 2520 for the activity of lignite. Subject to certain imposed conditions, the tax privileges include the following : -

- Exemption of import duty on imported machinery and equipment as approved by the Board.
- Exemption of corporate income tax on profit from the promoted activities for a period of eight years commencing as from the date of earning operating income (this privilege will be expired in 2003 to 2005).

In case that there are losses incurred during the corporate income tax exemption period, the Company is allowed to utilize the losses as a deduction against net earnings of future years after the expiry of the tax exemption period but with a time limit of five years after that period.

- Exemption of income tax on dividends paid to the shareholders from the profit of the promoted operation during the period in which the corporate income tax is exempted.
- Corporate income tax reduction on the net profit from investment at the rate of fifty percent of normal rate for a period of five years after expiry period of corporate income tax exemption.
- Permission to double costs of transportation, electricity and water supply for corporate income tax purpose for a period of ten years commencing as from the date of earning operating income.
- Permission to deduct cost of utilities installation and construction at the rate of twenty five percent of investment cost in addition to normal depreciation charges.

All sales of the Company are local sales and could be segregated between promoted and non-promoted activities as follows :-

	(Unit : Million Baht)					
	2002			2001		
	Lignite	Granite	Total	Lignite	Granite	Total
Sales						
BOI promoted	460	-	460	627	1	628
Non - BOI promoted	1,156	3	1,159	279	4	283
Total	1,616	3	1,619	906	5	911

15. NUMBER OF EMPLOYEES AND RELATED COST

	Consolidated		The Company Only	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Number of employees at end of year (persons)	368	240	207	225
Employee costs for the year (Thousand Baht)	75,170	60,547	49,277	52,270

16. DIVIDEND

During 2002 and 2001, the Company's Annual General Meeting of Shareholders passed resolutions approving the payment of a dividend paid in respect of prior year's earnings and the Company's Board of Directors Meeting passed resolutions approving the payment of an interim dividend from net earnings of promoted activities to the Company's shareholders, as follows :-

(Unit : Baht)

	2002		2001	
	Interim dividend	Dividend on prior year's earnings	Interim dividend	Dividend on prior year's earnings
Dividend per share	2	3	10	2
Total dividend	70,000,000	105,000,000	350,000,000	70,000,000
Date of dividend payment	20 November 2002	30 April 2002	17 January 2002	25 May 2001

17. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries' current main operations involve coal mining, which is carried on in Thailand and Indonesia. Information of the Company and its subsidiaries by business and geographical segment is as follows :-

(Unit : Baht)

	Consolidated for the years ended 31 December									
	Domestic coal business		Oversea coal business		Others		Elimination		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Net sales	1,616,250,483	906,226,432	720,728,010	79,176,626	2,661,385	5,040,411	(720,728,010)	(79,176,626)	1,618,911,868	911,266,843
Other revenues	-	-	-	-	39,904,636	423,217,093	-	-	39,904,636	423,217,093
	1,616,250,483	906,226,432	720,728,010	79,176,626	42,566,021	428,257,504	(720,728,010)	(79,176,626)	1,658,816,504	1,334,483,936
Operating earnings (loss)	184,187,105	240,892,024	53,657,278	14,512,372	37,079,634	420,946,390	4,986,830	(7,185,136)	279,910,847	669,165,650
Gain on exchange rate									4,477,546	3,654,544
Share of profit from associated companies									2,774,419	47,653,295
General corporate expenses									(188,706,537)	(188,329,450)
Interest expenses									(34,521)	(2,049,512)
Loss (earnings) in respect of minority interests									(4,532,411)	3,586,014
Net earnings									93,889,343	533,680,541

(Unit : Baht)

	Domestic coal business		Oversea coal business		Others		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
Assets employed	411,708,014	306,974,958	531,052,219	506,764,668	2,303,357	6,049,283	945,063,589	819,788,908
General corporate assets							1,009,409,841	1,455,996,923
Total assets							1,954,473,430	2,275,785,831

18. SIGNIFICANT CONTRACTS AND AGREEMENTS

18.1 The Company has entered into an agreement with the Department of Energy Promotion and Development to mine and distribute lignite at Pha Kha Mine, Li District, Lumphoon Province under a 20-year concession commencing 11 November 1985. The Company is obliged to pay compensation in the form of lump sum and annual payments for the concession and survey costs and to comply with various terms and conditions specified in the agreement.

In 2000, the Company received notification from the Department of Energy Promotion and Development, stating that it was unable to pay the assessed value of the land used for the Company's mining operations, approximately Baht 32 million, in accordance with the mining and lignite distribution contract, as the Company had failed to arrange for the purchase of the land in accordance with the specifications laid down in the contract. However, under this contract the Company is not committed to sell the land only to the Department of Energy Promotion and Development and the Company's management believes that this land can be sold to other parties at a price which will not be lower than the above assessed value.

18.2 In 1998 PT. Lanna Harita Indonesia has been granted the right under a Coal Contract of Work ("CCOW") from the Indonesian government to explore for and exploit coal for a period of thirty years in a total survey area of 30,018 hectares in Tanah Merah in Samarinda and Kutai, East Kalimantan, Indonesia. The subsidiary has a continuing obligation to pay a fee and compensation under the contract.

18.3 On 24 June 2001, Lanna (Singapore) Pte Ltd. signed agreements with PT Kaltim Batumanunggal (KBM) which will receive the right from the Indonesian government for coal mining for a period of thirteen years in a total survey area of 1,000 hectares in Kutai, East Kalimantan, Indonesia. Under the agreement, a joint venture company, PT Lanna Mining is to be established to operate the mine, and will have a continuing obligation to pay a fee and compensation. However, the Company has assigned its legal consultant to prepare a letter notifying the cancellation of the above agreement, in accordance with Indonesian law. The Company believes that no damages will result from such agreement cancellation.

19. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2002, the Company had the following commitments and contingent liabilities :-

- 19.1 The Company had commitments in respect of office building and data communication service payable in the future of approximately Baht 11 million (2001 : Baht 9 million).
- 19.2 The Company had outstanding bank guarantees of approximately Baht 57 million (2001 : Baht 63 million) issued by banks on behalf of the Company in respect of certain performance bonds required in the ordinary course of the Company's business.

20. LITIGATION

- 20.1 Since 1997, the Company had a civil case as a consequence of the tort of an employee to a shareholder, who claimed compensation of Baht 40.6 million from the Company, together with interest at the rate of 15% p.a..

During 2002, Civil Court judged that the Company, together with co-defendant, was liable for the payment of approximately Baht 7.1 million plus interest to the plaintiff. At present, the Company is in the process of appealing the court's verdict. However, for a prudent reason, as at 31 December 2002, the Company has set aside a provision for liabilities from lawsuit in its accounts a total of Baht 10.3 million.

- 20.2 The subsidiary company in Indonesia had contingent liabilities in respect of three lawsuits brought by outside parties in relation to rights over land used by the subsidiary for mining, claiming for damages totalling approximately Baht 1,365 million. However, the district court/high court of Indonesia have dismissed the lawsuits brought by two of the plaintiffs, who had claimed damages totalling Baht 1,361 million. All of the cases are currently being appealed by the plaintiffs and considered by the courts. The subsidiary company's management and its solicitor believe that the subsidiary will not suffer any losses as a result of the above litigation and the subsidiary has therefore not made any loss provision against the lawsuits in its accounts.

21. CHANGES IN ACCOUNTING ESTIMATE

As at 1 July 2002, the Company has changed the estimate of its lignite reserve at the Pha Kha mine and the related amortisation rate of the deferred overburden removal cost has been adjusted in line with this change. Such change has increased the cost of lignite produced from this mine and has resulted in an increase of approximately Baht 0.1 million in the balance of total assets as at 31 December 2002 and a decrease of approximately Baht 3.5 million in the net earnings for year ended 31 December 2002, or Baht 0.10 per share.

In 2001, the Company has changed the estimate of its lignite reserve at the Nong Ya Plong mine and the related amortisation rate of the deferred overburden removal cost has been adjusted in line with this change. Such change has decreased the cost of lignite produced from this mine and has resulted in an increase of approximately Baht 22.9 million in the net earnings for the year ended 31 December 2001 or Baht 0.65 per share.

In addition, during the second quarter of 2002, an overseas subsidiary changed its estimate of its lignite reserves, together with and the amortisation rate of the deferred overburden removal expense to accord with the current estimate of reserves, with retroactive effect to 1 January 2002. The change has resulted in an increase of approximately Baht 19.5 million in the balance of total assets as at 31 December 2002 and a decrease of approximately Baht 55.1 million in net earnings for the year ended 31 December 2002, or Baht 1.57 per share.

22. FINANCIAL INSTRUMENTS

Financial risk management and policies

The Company and its subsidiaries are exposed to risk arising from changes in market interest rates and in currency exchange rates, and from nonperformance of contractual obligations by counterparties in the future. The Company and its subsidiaries use derivative instruments, as and when they considers appropriate, to manage such risks. They do not hold or issue derivative financial instruments for speculative or trading purposes.

Interest rate risk

The interest rate risk is risk whereby future movement in market interest rates will affect the results of the Company and its subsidiaries' operations and their cash flows. The Company's and its subsidiaries' exposure to the interest rate risk relates primarily to deposits with banks and financial institutions. However, deposits with banks and financial institutions carry interest at floating rates and mature within one year. The Company and its subsidiaries do not use derivative financial instruments to hedge such risk.

Foreign currency risk

The Company's and its subsidiary's exposure to foreign currency risk arises from purchases of coal and the Company's investment in its subsidiary company which are denominated in foreign currencies. The Company and the subsidiary company primarily utilize forward exchange contracts made with commercial banks, with maturities of less than one year, to hedge such financial assets and liabilities.

As at 31 December 2002, all of the Company's assets and liabilities in foreign currency which have not been hedged are as follow :-

<u>Currency</u>	<u>Assets</u>	<u>Liabilities</u>
US dollar	3,060,282	83,353
Singapore dollar	15,028,467	-

The Company has not utilised instruments hedge these assets and liabilities, as those in US dollars are due within three months while most of the assets in Singapore dollars are long-term investments in its foreign subsidiary and associated companies, on which there is no certainty as to when such investments will be liquidated.

Credit risk

The Company and its subsidiaries are exposed to credit risk with respect to trade accounts receivable since the majority of coal sales are supplied to a limited number of customers. However, these customers are the Company's shareholder and companies with a secure financial position. The Company's management therefore believes that there will be no material losses from its debt collection.

Fair value

As the majority of financial assets and liabilities are short-term, their carrying value does not materially differ from their fair value.

23. PRESENTATION

The presentation of the financial statements has been made in compliance with the stipulations of the notification of the Commercial Registration Department dated 14 September 2001, as empowered under the Accounting Act B.E. 2543.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's directors.

FINANCIAL ANALYSIS AND OPERATING RESULTS

(Information from the Consolidated Financial Statements Year 2002)

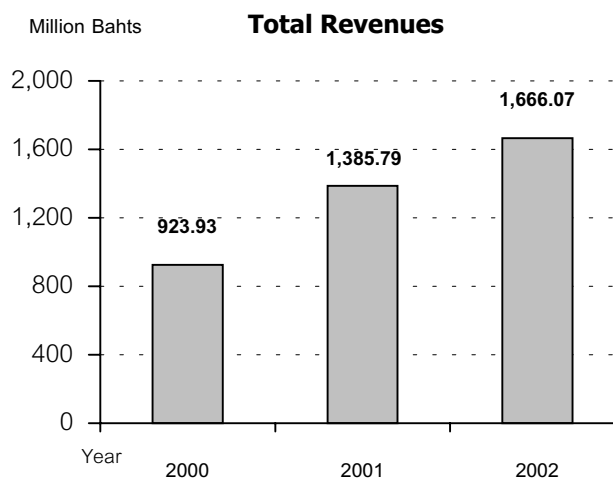
Earning Ability

Sales Revenue: In 2002, the Company's sale revenue from domestic coals was lower but sales of imported coal were higher. The Company's total sales revenue was Baht 1,618.91 million, an increase of Baht 707.64 million from year 2001, or an increase of 77.65 percent.

Details (Unit: Million Baht)	2002	2001	Increase/(Decrease)	
			Amount	%
Sales Revenue	1,618.91	911.27	707.64	77.65
Other Revenues	47.16	474.52	(427.36)	(90.06)
Total Revenues	1,666.07	1,385.79	280.28	20.23

This was due to the fact that the Company's subsidiary company in Indonesia, which had started its coal production and distribution since the end of 2001 and continued throughout year 2002.

Total Revenues: The Company's total revenues in 2002 were Baht 1,666.07 million, an increase of Baht 280.28 million from year 2001, or 20.23 percent increase, due to the increase in other revenues in 2001, which was the profit gained from the sales of ordinary shares in Gulf Electric Public Company Limited and Chiang Muan Mining Company Limited for a total of Baht 412.41 million, which should be considered as extraordinary event that occurred only for year 2001.



Profitability

Gross Profit: The Company's gross profit in 2002 was Baht 240.00 million with a gross profit margin of 14.83 percent, compared to 2001 with the gross profit of Baht 245.95 million and a gross profit margin of 26.99 percent. Although the sales were higher in 2002 than 2001, the gross profit margin was decreased, due to lower domestic coal sales and higher imported coal sales. The gross profit margin of imported coal was a lower than the gross profit margin of the domestically produced coals. Also, the coal pricing in the world market had been reduced during the second half of the year 2002, resulting in the lower gross profit margin.

Description (Unit: Million Baht)	Year	Year
	2002	2001
Sales Revenues	1,618.91	911.27
Less Cost of Sales	1,378.91	665.32
Gross Profit	240.00	245.95
Gross Profit Margin (%)	14.83	26.99

Net Profit: The Company's net profit from its operation in year 2002 was Baht 93.89 million or 5.64 percent of total revenues. In comparison, the net profit in 2001 was Baht 533.68 million or 38.51 percent of total revenues, representing a net profit decrease of Baht 439.79 million or a decrease of 82.41 percent. The main reasons are as follows:

1) The Company had a small decrease in profit from its core business of Baht 6.53 million or 9 percent, due to a decrease in revenues from the domestic coal sales, while the sale revenues from the Indonesian coal mine increased. However, the profit margin for the Indonesian coal sales was lower than the domestic coal sales.

Description (Unit: Million Baht)	Year 2002	Year 2001	Increase/(Decrease)	
			Amount	%
Profit from Core Business	66.04	72.57	(6.53)	(9.00)
Plus Other revenues	37.74	427.18	(389.44)	(91.17)
Profit from Company's Operation	103.78	499.75	(395.97)	(79.23)
Plus Undistributed net profit (loss) of affiliated companies by equity method	(9.89)	33.93	(43.82)	(129.15)
Net Profit	93.89	533.68	(439.79)	(82.41)
Net Profit per Share – Baht/Share	2.68	15.25	(12.57)	(82.41)

2) The Company's other revenues in year 2002 decreased by Baht 389.44 million or 91.17 percent. This was due to the profit gained from the sale of ordinary shares in Gulf Electric Public Company Limited and Chiang Muan Mining Company Limited, totaling Baht 412.41 million in 2001, of which was considered an extraordinary case occurred only in the year 2001.

3) The Company had a decrease in share of loss from the affiliated companies in year 2002 by Baht 43.82 million. This was because the Company had a share of profit from the power industry business in 2001 mostly resulting from unrealized foreign exchange gains. However, the Company had sold all of the above investment already since the end of 2001. Moreover, the Company's subsidiary in Indonesia had not been in full operation of its coal production and plus the fact that the world coal price in the second half of year 2002 had reduced, preventing the subsidiary company to increase its profit from the year 2001.

Earning per Share: The Company's earning from operation in 2002 was Baht 2.68 per share, compared to a net profit in 2001 of Baht 15.25 per share. The net profit margin was decreased due to the decrease in the net profit in 2002 as described above. The return on equity was averaged at 5.39 percent.

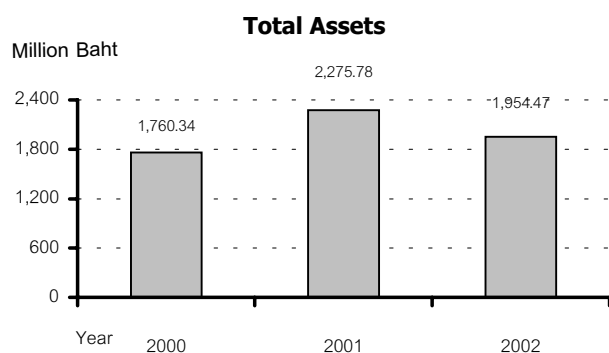
Financial Ratio	2000	2001	2002
Net Profit (Loss) Margin (%)	(0.68)	38.51	5.64
Return on Equity (%)	(0.38)	31.25	5.39

Earning Efficiency: The Company's return on total assets and return on fixed assets in year 2002 were 4.44 percent and 39.97 percent, respectively, of which were lower than year 2001. This was due to the lower net profit but higher assets turnover ratio of 0.79 times, which was slightly higher than year 2001.

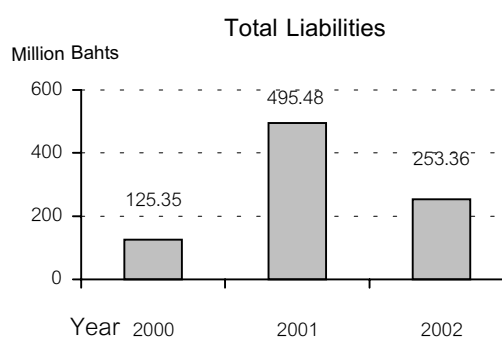
Financial Ratio	2000	2001	2002
Return on Total Assets (%)	(0.34)	26.44	4.44
Return on Fixed Assets (%)	11.71	166.22	39.97
Assets Turnover Ratio (%)	0.50	0.69	0.79

Financial Status

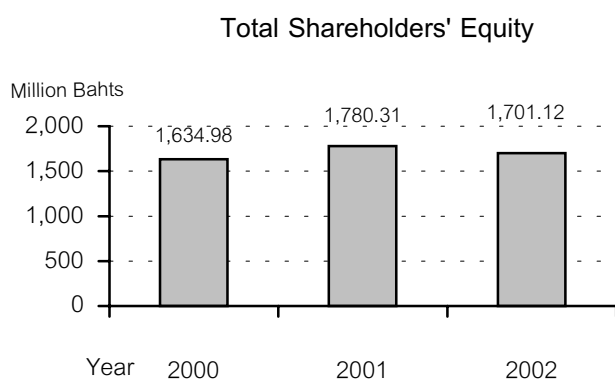
Description (Unit: Million Baht)	As at December	As at December	Increase/(Decrease)	
	31 st , 2002	31 st , 2001	Amount	%
Total Assets	1,954.47	2,275.78	(321.31)	(14.12)
Total Liabilities	253.35	495.48	(242.13)	(48.87)
Total Shareholders' Equity	1,701.12	1,780.30	(79.18)	(4.45)
Book Value – Baht per Share	48.60	50.87	(2.27)	(4.46)



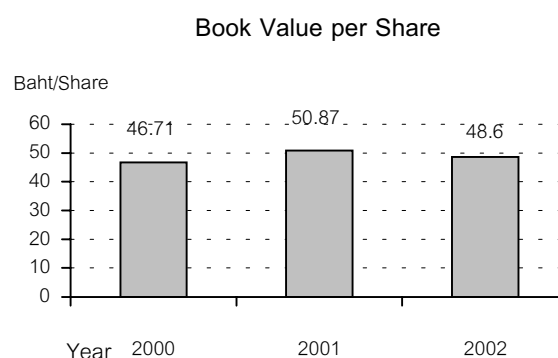
Total Assets: The Company's total assets at end of 2002 decreased from 2001 by Baht 321.31 million or a decrease of 14.12 percent, due to the cash dividend payment in year 2002, totaling Baht 525 million, but having an increase in assets such as investment in unit trusts and other transactions totaling Baht 203.69 million.



Total Liabilities: The Company's total liabilities at end of 2002 decreased from 2001 by Baht 242.13 million or a decrease of 48.87 percent, due to the decrease in the dividend payable at end of 2002 of Baht 348.99 million, but having an increase in liabilities such as trade account payables and other transactions totaling Baht 106.86 million.



Total Shareholders' Equity: The Company's total shareholders' equity at end of 2002 decreased from 2001 by Baht 79.18 million or a decrease of 4.45 percent, due to the dividend payment announcement during year 2001 for Baht 175 million, but having an increase in net profit and other transactions totaling Baht 95.82 million.



Book Value Per Share: The Company's book value per share at end of 2002 decreased from Baht 50.87 per share in 2001 to Baht 48.60 per share, due to the decrease in shareholder's equity as described above.

Cash Flows

▪ The Company's cash flow from operating activities in the year 2002 was at Baht 516.97 million, a difference from the net profit of Baht 423.08 million. This was due to the fact that the Company had transactions that did not affect the cash, such as the depreciation and amortization of Baht 571.27 million. In addition, the net current asset increased by Baht 134.84 million.

Descriptions (Unit: Million Baht)	Year 2002	Year 2001
Cash Flows from Operating Activities	516.97	386.81
Cash Flows from Investment Activities	(621.35)	261.51
Cash Flows from Financing Activities	(518.90)	(42.39)
Net Increase (Decrease) in Cash	(623.28)	605.93
Cash at the beginning of the period	697.07	91.14
Cash at the ending of the period	73.79	697.07

▪ The Company's net cash used in investment activities in the year 2002 was at Baht 621.35 million, due to an increase in investment of unit trusts of Baht 108.01 million. The Company also had an increase in other assets of Baht 513.34 million.

▪ The Company's net cash used in financing activities in the year 2002 totaled Baht 518.90 million, due to the cash dividend payment of Baht 525 million and an increase in the shareholders' equity of minority of Baht 6.10 million.

▪ In summary, the Company's main sources of cash were from the coal sales and its ability to collect bills on time. The net cash flow return on equity in year 2002 was 29.04 percent. The Company was expected to have sufficient working capital for its investments in current project development.

Liquidity

▪ The Company's overall liquidity was considered in good standing with its current ratio as at end of 2002 at 3.78:1. Majority of the current assets were in cash, bank deposits and quick assets, with a quick ratio and cash flow liquidity ratio at 2.65:1 and 1.41:1, respectively.

Financial Ratio	2000	2001	2002
Current Ratio (%)	2.52	2.81	3.78
Quick Ratio (%)	1.51	2.55	2.65
Cash Flow Liquidity Ratio (%)	4.02	1.26	1.41
Accounts Receivable Turnover (times)	7.30	7.39	7.71
Collection Period (days)	49	49	47
Inventory Turnover (times)	6.76	6.68	10.55
Accounts Payable Turnover (times)	7.91	6.00	11.00
Cash Cycle (days)	56	43	48

▪ The Company's cash cycle in 2002 was 48 days, an increase of 5 days from year 2001. The Company offered average credit term of 47 days, a decrease by 2 days from the previous year, but the average days inventory outstanding and average days receivable in 2002 were 34 days and 33 days, respectively, decreasing from year 2001 by an average of 20 days and 27 days, respectively.

Borrowing Capacity and Loan Repayment Ability

▪ The Company's debt service coverage ratio (cash basis) in 2002 was 0.98 times. This was due to the cash dividend payment in

year 2002 for a total amount of Baht 525 million, which included the dividend payable of year 2001 at Baht 350 million. The debt service coverage ratio (cash basis) should be at 2.95 times, which would be considered high, if the dividend payable of year 2001 of Baht 350 million was not included in the calculation. Therefore, future commitments and liabilities should be met without much problem.

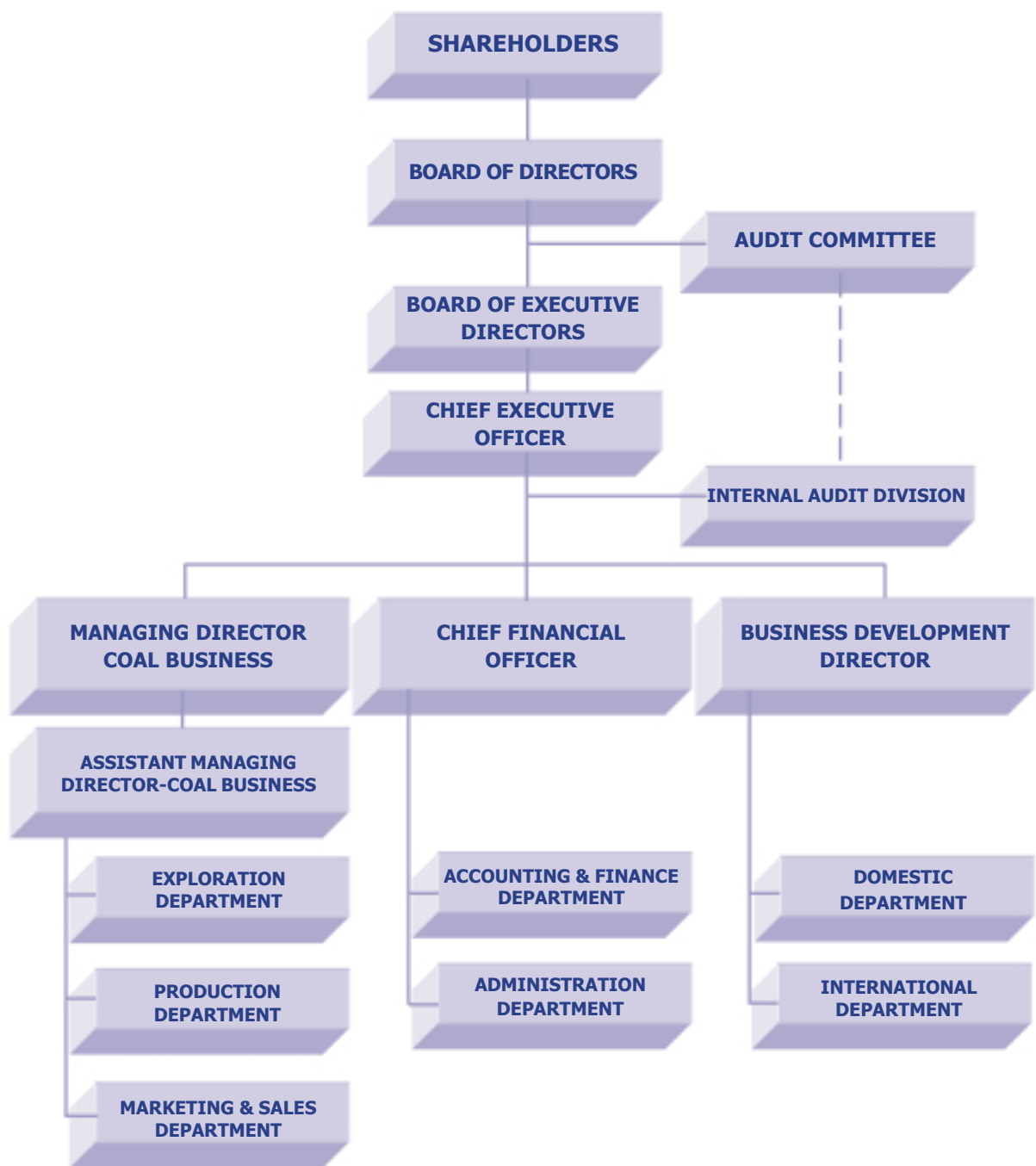
▪ The Company's total debt to equity ratio at end of 2002 was as low as 0.15:1. In addition, the Company was free of loan, thus, borrowing capacity remained high should additional funding be required in the future for project investments.

Financial Ratio	2000	2001	2002
Debt to Equity Ratio (times)	0.08	0.28	0.15
Interest Coverage Ratio (times)	N/A	261.39	2,720.81
Debt Service Coverage Ratio (Cash Basis) (times)	6.91	5.40	0.98

Financial Information of Affiliated Companies for Year 2002

Descriptions	UNITED BULK SHIPPING PTE. LTD (SGD-Singapore Dollars)	LANNA (SINGAPORE) PTE. LTD. (SGD-Singapore Dollars)	PT. LANNA HARITA INDONESIA (USD-US Dollars)
Investment and Shareholding			
Registered Capital	1,000,000	18,000,000	10,500,000
Issued and Paid-up Capital	100,000	16,350,000	10,500,000
Par Value per Share	1	1	1,000
Direct & Indirect Shareholding (%)	49	100	63.33
Operating Results			
Total Revenues	5,428,846	30,287,650	17,020,169
Net Profit (Loss)	234,970	(758,183)	339,554
Earning (Loss) per share	2.35	(0.05)	32.34
Dividend Per Share	5.07	-	-
Financial Status			
Total Assets	730,351	30,323,718	15,112,320
Total Liabilities	183,639	9,457,287	5,435,680
Shareholders' Equity of Minority	-	6,167,162	-
Shareholders' Equity of Majority	546,712	14,699,269	9,676,640
Book Value per share	5.46	0.90	921.58
FINANCIAL RAITO			
Current Ratio (times)	3.97	0.86	0.86
Debt to Equity Ratio (times)	0.34	0.45	0.56
Return on Total Assets (%)	32.17	(2.50)	2.25
Return on Equity (%)	42.98	(3.63)	3.51

Organization Structure



Manpower as of December 31, 2002

Permanent Employees	140	persons
Temporary Employees	<u>67</u>	persons
Total Employees	<u>207</u>	persons

Board of Directors

Mr. Somkiart Limsong	Chairman
Mr. Rak Tantisunthorn	Director
Mr. Paul Heinz Hugentobler	Director
Mr. Sommai Mesaplak	Director
Mr. Padoong Techasarintr	Director
Mr. Adul Tantharatana	Director
Mr. Kraisi Sirirungsi	Director
Mr. Suroj Subhasavasdikul	Director
Mr. Anun Siriphong	Director
Mr. Visit Tantisunthorn	Director
Mr. Pilas Puntakosol	Director
Mr. Vanchai Tosomboon	Director
Mr. Anun Louharanoo	Director and Secretary

Remark: Mr. Rak Tantisunthorn has resigned from the directorship, effectively since March 1, 2003

Board of Executive Directors

Mr. Kraisi Sirirungsi	Executive Chairman
Mr. Suroj Subhasavasdikul	Executive Director
Mr. Visit Tantisunthorn	Executive Director
Mr. Pilas Puntakosol	Executive Director
Mr. Anun Louharanoo	Executive Director and Secretary

Audit Committee

Mr. Padoong Techasarintr	Audit Committee Chairman
Mr. Sommai Mesaplak	Audit Committee Member
Mr. Adul Tantharatana	Audit Committee Member
Mrs. Wanna Chomkokkruad	Secretary

Major Shareholders and Shareholding

Major Shareholders (At Closing Date of Share Registry: November 4, 2002)		No. of Shares	Shareholding (%)
1.	Siam City Cement Public Company Limited	15,196,272	43.42
2.	Banpu Public Company Limited	3,525,800	10.07
3.	Mrs. Vassana Sirirungsi	2,200,000	6.29
4.	Mr. Somkiart Limsong	1,719,524	4.91
5.	Mr. Tanat Tantisunthorn	1,423,031	4.07
6.	Mrs. Nalinee Ratanavadi	1,034,980	2.96
7.	Mr. Sommai Mesaplak	1,025,000	2.93
8.	Mr. Kraisi Sirirungsi	610,000	1.74
9.	Mr. Seree Louharanoo	593,640	1.70
10.	Mr. Visit Tantisunthorn	468,700	1.34
11.	Mr. Prawat Tantisunthorn	440,179	1.26
12.	American International Assurance Co., Ltd.	378,800	1.08
13.	Mr. Udorn Tantisunthorn	364,649	1.04
14.	Other Shareholders (less than 1% shareholding)	6,019,425	17.19
Total		35,000,000	100.00

Shareholding by Directors and Executives

Directors and Executives with Shares in Lanna Resources Public Company Limited	No. of Shares as at Dec. 31, 2002	Changes in Shareholding Increase (+) or Decrease (-) in 2002
1. Mr. Somkiart Limsong	1,719,524	-
2. Mr. Rak Tantisunthorn (Resignation effective March 1, 2003)	200,000	-
3. Mr. Sommai Mesaplak	1,025,000	-
4. Mr. Kraisi Sirirungsi	610,000	-
5. Mr. Visit Tantisunthorn	468,700	-
6. Mr. Anun Louharanoo	59,055	+2,100
7. Mr. Pilas Puntakosol	15,000	-
8. Mr. Vanchai Tosomboon	60,200	+34,000

Directors and Executives of Lanna Resources Public Company Limited had no shares in the Company's subsidiaries and associated companies.

Directors and Executives

Name-Surname Current Position Age	Education	Experience	Share- Holding %
Mr. Somkiart Limsong Chairman, (Authorized Director) Age 62 years	MBA., Harvard Business School	1994 – 2001: Chairman Gulf Electric Public Co., Ltd. 1968 – Feb.1999: Last Position Vice-Chairman of the Board, President, Executive Chairman and Managing Director of Siam City Cement Public Co., Ltd.	4.91
Mr. Rak Tantisunthorn Director Age 67 years	B.A. Political Science, Sukothaithammathiraj University	2000-2001: Deputy Minister, Ministry of Commerce 1985-2000: Executive Chairman and Director of Lanna Resources Public Co., Ltd.	0.57
Mr. Paul Heinz Hugentobler Director Age 54 years	Swiss Federal Institute of Technology, Zurich Degree In Civil Engineering Harvard Business School International Senior Management Program Graduate School of Economics and Business of St. Gall Lic. Oec. HSG	2000-Present: Deputy Chairman Siam City Cement Public Co., Ltd. 1998 – 2000: Managing Director Siam City Cement Public Co., Ltd. 1994-Present: Executive Committee Holcim Ltd (Formerly, "Holderbank" Financiere Glaris Ltd.) 1984 – 1993: Vice President Management Services, "Holderbank" Management and Consulting Ltd.	-
Mr. Sommai Mesaplak Director and Audit Committee Member Age 67 years	Bachelor of Engineering (Mining Engineering and Mining Geology), Chulalongkorn University	1985 – Present: Chairman Asia Business Holding Co., Ltd. 1965 – 1981: Production Manager Thailand Smelting and Refining Co., Ltd.	2.93
Mr. Padoong Techasarintr Director and Audit Committee Chairman Age 63 years	B.A. (Accounting), Thammasat University B.A. (Commerce), Thammasat University	1987 – 1997: Last position, Managing Director, Siam City Bank Public Co., Ltd. 1979 – 1987: Last position, Deputy General Manager, Industrial Finance Corporation of Thailand	-
Mr. Kraisi Sirirungsi Director, Executive Chairman, Chief Executive Officer (Authorized Director) Age 53 years	Bachelor of Engineering (Mining Engineering and Mining Geology), Chulalongkorn University	1994 – 2001: Director and Executive Director, Gulf Electric Public Co., Ltd. 1996 – 2001: Director, Gulf Power Generation Co., Ltd.	8.03

Name-Surname Current Position Age	Education	Experience	Share- Holding %
Mr. Pilas Puntakosol Director, Executive Director and Managing Director (Coal Business), (Authorized Director) Age 51 years	M.S. Finance West Coast University, USA. B.S.I.E. New Mexico State University, USA.	1994 – 2001: Director and Executive Director, Gulf Electric Public Co., Ltd. 1992 – 2001: Director, Chiang Muan Mining Co., Ltd. 1979-1985: Last position, Managing Director, Universal Exploration Co., Ltd.	0.04
Mr. Adul Tantharatana Director and Audit Committee Member Age 63 years	Bachelor of Engineering (Mechanical Engineering), Chulalongkorn University	1997 – Present: Managing Director Lafarge Prestia Co., Ltd. 1989 – 1999: Director Sakchaisith Co., Ltd. 1988 – 1996: Managing Director Siam Industrial Corporation Co., Ltd. 1985 – 1988: Deputy Managing Director (Operation Division) Padaeng Industry Public Co., Ltd. 1982 – 1985: Deputy Managing Director Sinothai Engineering & Construction Co., Ltd.	-
Mr. Suroj Subhasavasdikul Director and Executive Director, (Authorized Director) Age 61 years	Ph.D. in Chemical Engineering, The Institute Du Genie Chimique, France	1992-Present: Director Royal Porcelain Public Co., Ltd. 1997 – 2002: Executive Chairman, Karat Sanitaryware Public Co., Ltd. 1994 – 2001: Director, Gulf Electric Public Co., Ltd. 1969 – 1999 Last Position, Executive Director and Deputy Managing Director (Project and Engineering Division) Siam City Cement Public Co., Ltd.	-
Mr. Anun Siriphong Director Age 59 years	M.E.S. Lammar State College of Technology, Beaumont, USA M.Ch.E. Louisiana State University, Baton Rouge, Louisiana, USA	1998-Present: Director, Aromatics (Thailand) Public Co., Ltd. 1994-2000: Director and Executive Director, MTP Cogeneration Co., Ltd. 1993-2000: Director and Executive Director, The Cogeneration Public Co., Ltd. 1993-2000: Director and Executive Director, Thai Cogeneration Co., Ltd. 1990-Present: Advisor, Banpu Public Co., Ltd.	-

Name-Surname Current Position Age	Education	Experience	Share- Holding %
Mr. Anun Louharanoo Director, Executive Director, and Chief Financial Officer (Authorized Director) Age 50 years	B.A. (Accounting), Thammasat University B.A. (Law), Thammasat University	1999-2002: Director, Karat Sanitaryware Public Co., Ltd. 1996 – 2000: Director, Gulf Electric Public Co., Ltd. 1975 – 1995 Last position, Secretary to the Board of Directors, and Financial & Accounting Manager Siam City Cement Public Co., Ltd.	0.17
Mr. Vanchai Tosomboon Director Age 54 years	B.A. (Law), Thammasat University MBA, Asian Institute of Management	2002-Present: Managing Director Conwood Co., Ltd. 1999 – Present: Executive Vice President, Siam City Cement Public Co., Ltd. 1999 – Present: Managing Director and Executive Chairman, Royal Porcelain Public Co., Ltd. 1999-Present: Director Diamond Roof Tiles Co., Ltd. 1999-Present: Director Karat Faucet Co., Ltd. 1997 – 1999: Managing Director (Management Division) Karat Sanitaryware Public Co., Ltd. 1982-1986: Marketing Manager and Secretary to the Board, Thai-German Ceramic Industry Public Co., Ltd.	0.17
Mr. Visit Tantisunthorn Director, Executive Director Age 44 years	MBA University of Wisconsin-Madison	2001 – Present: Secretary General Government Pension Fund 2001-Present: Chairman Fitch Rating (Thailand) Co., Ltd. 2001-Present: Director Tippaya Insurance Public Co., Ltd. 1998 – 2000: Last position, Deputy Chairman, Grammy Entertainment Public Co., Ltd. 1992 – 1998: Senior Vice President, Regional Director, American International Assurance Co., Ltd. 1984-1992: Director-Loan Department Tisco Finance Public Co., Ltd.	1.34

Name-Surname Current Position Age	Education	Experience	Share- Holding %
Mr. Srihasak Arirachakaran Business Development Director Age 44 years	Ph.D. Petroleum Engineering, University of Tulsa Oklahoma, USA	1999-2000: General Director, Dinh Vu Development JVC, Haiphong, Vietnam 1997-1999: Managing Director, Asian Infrastructure Development Co., Ltd.	-
Mr. Pongtorn Kachareon Assistant Managing Director (Coal Business) Age 43 years	Bachelor of Engineering (Mining Engineering and Mining Geology), Chulalongkorn University	2001-Present: Managing Director, PT. Lanna Harita Indonesia 1992 – 1996: Mining Operation Manager Lanna Resources Public Co., Ltd. 1990-1991: Ban Pa Kha Mine Manager Lanna Resources Public Co., Ltd.	-

- Remarks:**
1. Shareholding percentage includes shareholding of spouse and children whom are still minor (under legal age).
 2. Mr. Rak Tantisunthorn has resigned from directorship, effectively since March 1, 2003.

Remuneration of the Directors and Executives

Explicit Remuneration

A) The remuneration of the Company's 13 directors in 2002 was Baht 7,940,000 in total, comprising of monthly compensation (Chairman received monthly remuneration of Baht 60,000 and Director each received monthly remuneration of Baht 30,000) and annual remuneration, which had to be approved only from the Shareholders' Meeting, varying based on the Company's operating results (the Company paid a total of Baht 2,900,000 for the remuneration for the directors in 2002).

B) The Company paid a total of Baht 420,000 in 2002 as monthly remuneration for 3 audit committee members (Audit Committee Chairman received monthly remuneration of Baht 15,000 and Audit Committee member each received monthly remuneration of Baht 10,000).

C) The total remuneration of the Company's 7 executives in 2001 was Baht 14,154,450, comprising of monthly wages or monthly compensation and annual reward (bonuses), varying based on the Company's operating results.

Other Remuneration

During 2002, the Company did not issue any shares, debentures, and convertible securities or offer any other benefits to the directors and executives.

Staff Provident Fund

In 2002, the Company had contributed into the staff provident fund of 4 executives, totaling Baht 686,471.

The Company has complied with the best practice guidelines for the directors of the Listed Company, as well as the 15 principles of good corporate governance, established by the Stock Exchange of Thailand, of which details can be summarized as follows:

1) Policy on Corporate Governance

The board of directors recognizes the importance of good corporate governance in order to promote transparency and strengthen confidence of the shareholders, investors and other related parties. Therefore, the policy on corporate governance has been established, comprising of the following major principles.

- Rights and equitable treatment to shareholders and various groups of stakeholders are implemented.
- The board of directors aims to add value to the business in long-term; manages the business with prudence and care; be responsible to its duties with adequate expertise and efficiency, maximizing shareholders' benefit; monitors activities to prevent any conflict of interest; and be accountable for its decision and action.
- The business operation and management are transparent and may be audited, and adequate information disclosure is performed.
- Business risks are always considered in the operation and risk management system has been appropriately established.
- Business ethics have been established for directors and employees to follow.



2) Shareholders' Rights

The Company held the Shareholders' Annual General Meeting Year 2002 at the Hilton International Bangkok Hotel at Nai Lert Park on April 18, 2002, in which the Company had forwarded the meeting invitation, including information on each of the meeting agenda, to the shareholders 14 days (or approximately 7 working days, excluding holidays) prior the meeting date. Accordingly, the opinion of the board of directors on each meeting agenda had been provided. The minutes of the meeting was correctly and completely recorded for review by the shareholders.

In 2003, the Company added option for the shareholder by allowing the independent director to become proxy holder for the shareholder in the event that the shareholder could not attend the meeting. The documents for the shareholders' meeting shall be also be improved to contain more information and details for the shareholder, due to the fact that the Company recognizes the importance of shareholders' rights for access the Company's information.

3) Rights of Stakeholders

The Company puts emphasis on the importance of rights of various groups of stakeholders, which details can be summarized as follows:

- Employees: The Company treats employees equally and with fairness, and offers appropriate remuneration.
- Suppliers: Purchases and services from the suppliers are in accordance with the commercial terms, including compliance with the contractual agreement with the suppliers.
- Creditors: The Company has always complied with the terms and conditions of the loan agreements.
- Competitors: The Company's conduct with regard to the competitors is well maintained within the rule and boundary of competition norm, avoiding dishonest act in order to destroy the competitors.
- Communities: The Company is accountable for the overall environment of the communities and society.

Accordingly, the Company shall adhere to the relevant laws and rules in order to ensure that the rights of stakeholders are protected and properly treated.

4) Shareholders' Meeting

At the Shareholders' Meeting in year 2002, twelve directors attended the meeting, including the Audit Committee Chairman. The Chairman of the meeting invited the shareholders, giving them equal rights, to review the operation of the Company, to inquire and make opinions and recommendations. Important issues, discussions and suggestions were also recorded in the minutes of the meeting.

5) Leadership and Vision

The board of directors has adopted the Company's direction, objectives, business plan and budget, as well as monitoring and supervising over the management to operate efficiently and effectively in accordance with the established business plan and budget, in order to increase economic value of the business and stability to the shareholders.

The board of directors has established an effective internal control system, internal audit and risk management system for the Company, as well as having regular monitoring and review of the above matters by the board of directors at least once every quarter.

The board of directors has duties to clearly establish and separate roles and responsibilities between the board of directors, committees, and the management, with details provided in section 9 and section 12, as well as having routine communications of established roles, duties and responsibilities to the board of directors, committees, management and employees of the Company.

The board of directors oversees the board of executive directors' operation in keeping with the established policy, by granting the board of executive directors authorization for approval of investment and expenses, in line with the approved budget; excluding, however, the transactions requiring approval by the shareholders in accordance with the regulations of the Securities and Stock Exchange Commission (SEC) and the Stock Exchange of Thailand.

6) Conflict of Interest

The board of directors carefully considers the transactions with possible conflict interests and oversees that no executives or related parties exploit the Company's internal information for their own personal benefits, as follows:

- The board of directors has acknowledged the transactions with conflict of interests and related transactions in accordance with the regulations of the Stock Exchange of Thailand, and has disclosed the detailed information in the Annual Report (Form 56-2) and Form 56-1 accordingly.
- The Control on the Use of Internal Information
 - a) Executives are required to report the changes in the shareholding to the Securities and Stock Exchange Commission, according to Section 59 of the Securities and Stock Exchange Act B.E. 2535.
 - b) Executives or employees with knowledge of the internal information are prohibited to disclose the information to the third parties or any person with no business concerned, and are also prohibited from trading the Company's securities within one month prior to the disclosure of financial statements to the public.

7) Business Ethics

The Company has established the Code of Ethics for the board of directors, the management and employees to follow as guidelines for business conduct of the Company with loyalty, honesty, and justice, including the code of conduct to the Company, every group of stakeholders, public and society. The Code of Ethics has been announced to all related parties for acknowledgement. Monitoring of the code of conduct is maintained, including provision for the disciplinary action.

8) Balance of Power for Non-Executive Directors

The board of directors consists of 13 directors, including 5 executive directors and 5 non-executive directors (having 3 representatives from the major shareholders, including 2 representatives from Siam City Cement Public Company Limited holding 43.42 percent of the paid-up capital and 1 representative from Banpu Public Company Limited holding 10.07 percent of the paid-up capital) and 3 audit committee members.

Therefore, the Company's board of directors comprises of 3 independent directors, or 23.08 percent of the total number of directors. Nevertheless, the Company shall consider adjusting the number of independent directors to be no less than one-third of the total directors in following years.

9) Aggregation or Segregation of Positions

- The chairman of the board is independent and has no relation with the executives.
- The chairman of the board is not the same person as the chief executive officer or managing director, in order to separate roles of establishing corporate governance and day-to-day business management.

10) Remuneration for Directors and the Management

- The Company has clearly and transparently established the remuneration for the directors, at the level comparable to the general practice in the industry. Furthermore, the remunerations have been approved from the shareholders' meeting, with appropriately higher remuneration for the audit committee members having been assigned with extra work.
- The remuneration for the executives is in accordance with the principles and policy established by the board of directors.
- In 2002, the Company had paid the remunerations to the directors and executives as disclosed in the Annual Report (Form 56-2) and Form 56-1.

11) Board of Director's Meeting

The board of directors' meeting is regularly scheduled once every two months (one meeting every other month) and the extraordinary meeting is scheduled as necessary. The meeting agenda are clearly established in advance, normally with the agenda for consideration of the operating results. The Company's secretary prepares the meeting invitation 7 days in advance. Included with the meeting invitation are the meeting agenda and documents, so as to provide sufficient time for the board of directors to study the information before attending the meeting. Normally, each meeting takes 1 to 3 hours, depending on the extent of the matter being considered in the meeting. During this past 2002, the board of directors had held six normal meetings and two extraordinary meetings, or eight meetings altogether, of which attendance can be summarized as follows:

Director's Name	Position	Attendance (times)/Total Meetings (times)		
		Normal Meeting	Extraordinary Meeting	Total
Mr. Somkiart Limsong	Chairman of the Board	6/6	1/2	7/8
Mr. Rak Tantisunthorn	Director	5/6	2/2	7/8
Mr. Paul Heinz Hugentobler	Director	1/6	0/2	1/8
Mr. Sommai Mesaplak	Director	6/6	1/2	7/8
Mr. Padoong Techasarintr	Director	6/6	2/2	8/8
Mr. Adul Tantharatana	Director	5/6	1/2	6/8
Mr. Suroj Subhasavasdikul	Director	6/6	2/2	8/8
Mr. Kraisi Sirirungsi	Director	6/6	2/2	8/8
Mr. Anun Siriphong	Director	6/6	1/2	7/8
Mr. Vanchai Tosomboon	Director	4/6	1/2	5/8
Mr. Visit Tantisunthorn	Director	4/6	2/2	6/8
Mr. Pilas Puntakosol	Director	6/6	2/2	8/8
Mr. Anun Louharanoo	Director	6/6	2/2	8/8

Remark: Mr. Rak Tantisunthorn has resigned from the directorship effectively since March 1, 2003.

The minutes of the meetings had been recorded in writing and approved minutes from the board of directors have been kept in order and complete, readily available for review by the board of directors and related parties.

12) Committees

The board of directors has appointed the following committees in order to assist in the corporate governance of the Company.

a) The Board of Executive Directors

The board of executive directors consists of 5 directors (refer to Page 51 and Pages 53-55 for the name list, including education and experience), appointed by the board of directors with duties and responsibilities in the day-to-day management, as described below.

- To effectively control, monitor and supervise the day-to-day management of the Company, in accordance with the Company's objectives and articles of association so as to maximize Company's benefits for immediate and long-term period.
- To prepare the annual corporate plan and budget including earnings and expenses, manpower, employees' expenses, and investment budget to be proposed annually to the board of directors for approval annually within 30 days before the end of the year.
- To manage the Company according to the policies and corporate plan established by the board of directors, and according to the earnings and expenses and investment budget approved by the board of directors.
- To report the Company's operating results to the board of directors at least once every quarter.
- To function under the relevant laws concerning with the Company, as well as follow the Company's contractual commitments with the government authorities, creditors and the third parties.
- To manage Company's finance in accordance with the financial plan approved by the board of directors, as well as Company's contractual commitments to every creditor.
- To undertake or carry out certain individual tasks as assigned by the board of directors.

The board of executive directors' meeting is normally held twice a month with extraordinary meeting occasionally arranged for urgent matters. In 2002, the board of executive directors had held 24 meetings altogether.

b) The Audit Committee

The board of directors has appointed the Audit Committee to have duties and responsibilities in compliance with regulations established by the board of directors, which can be summarized as follows:

1) Composition and Qualification:

The Audit Committee shall consist of at least 3 members, comprising of 1 Audit Committee Chairman, and at least 2 Audit Committee members, all of whom are independent directors, not holding the executive director positions. At least one director must have financial and accounting expertise. The Audit Committee shall appoint appropriate person for Secretary to the Audit Committee (refer to list of names of Audit Committee members and their education background and experience on Page 51 and Pages 53-54). The Audit Committee shall appoint a qualified person to be the secretary to the Audit Committee.

2) Office Term:

The member of the Audit Committee (including the Audit Committee Chairman) shall have a 2-year term. The member of the Audit Committee who is retired by rotation may be re-appointed.

3) Duties and Responsibilities of the Audit Committee:

- To review the preparation process and disclosure of Company's financial reports for their correctness, completeness and reliability, by coordinating with independent auditor and executives responsible for the preparation of Company's quarterly and annual financial reports.
- To review Company's internal control and internal audit system for the appropriateness and effectiveness.
- To consider and recommend for the appointment of Company's auditor and its fee of each year.
- To review that the Company abides by the law and regulations of the Securities and Stock Exchange, regulations of the Stock Exchange of Thailand, and relevant law concerning the business and operation of the Company.
- To consider for disclosures of Company's information to be correct and complete in the case of connected transactions or transactions with possible conflict of interest.
- To prepare the report of the Audit Committee's control and operation to be disclosed in the Company's annual report and to be authorized by the Audit Committee Chairman.
- To undertake any other tasks as assigned by the Board of Directors and agreed by the Audit Committee.
- To periodically report on the Audit Committee's activities to the Board of Directors at least once every quarter or at least four times a year.

The Audit Committee normally holds the meeting at least once every month. In 2002, there were 13 meetings altogether.

c) Remuneration Committee

The Company has not appointed the Remuneration Committee, as the Company only has small number of executives, but maintained appropriate process for remuneration determination.

13) Controlling System and Internal Audit

The Company has put emphasis on the effective internal controlling system on both the management level and operation level; therefore, duties and authorities of the staffs and executives are clearly specified in writing. There exists supervision and control on the use of Company's assets for benefit. Also, Separate units have been set up to handle different activities in order to balance the authorities and have appropriate audit between each other. The Company has the Internal Audit Division to conduct internal audit to ensure that the main operation and important financial operations of the Company are conducted according to the established directions with effectiveness, as well as review of compliance with the relevant laws and regulations.

The board of directors recognizes importance of risk management by establishing the risk assessment process, risk protection measures and risk management system, including risks having impact on the operation of the Company, as shown in the Form 56-1, with compliance control according to the relevant laws and regulations.

The Board of Directors' Meeting No. 2/2003, dated March 17, 2003, with one audit committee member attended in the meeting (the Audit Committee consists of 3 members; however, one audit committee member went abroad on a business trip and another audit committee member was suddenly ill; therefore, only one audit committee member was able to attend the meeting) and have reviewed the internal control of the Company and its subsidiaries and found the internal control system of the Company and its subsidiaries to be adequate and appropriate over 2002. The Company's business objectives are clearly established and can be monitored. The organization structure has been set up for effective management. There exists a secured payment control system. The accounting records and documents are completely kept and categorized in accordance with the generally accepted accounting standard and policy. The management pays attention and put higher emphasis on prevention and distribution of risk. The information management system is appropriately and timely established. The monitoring of operation of the subsidiary companies is closely managed and careful and routine supervision over the operation of the Company and its subsidiaries to comply with the laws and regulations of the state agencies, with the Audit Committee having the same opinion.

14) Director's Reporting

The board of directors is responsible to the consolidated financial statements of the Company and its subsidiaries and the financial report appearing in the Annual Report. The financial statements have been prepared in accordance with the generally accepted accounting standard by using appropriate accounting policy, which is undertaken on a regular basis. Also, most careful judgment and best estimates have been undertaken in the preparation, including having adequate disclosure of information in the Notes to Financial Statements.

The board of directors has established and maintained effective internal control system to ensure that the financial accounts and records are correct and complete, and adequate for the maintenance of assets, and also recognizing weak points in order to protect from any frauds and significant irregularities.

For this matter, the board of directors has appointed the audit committee, comprising of non-executive directors, to oversee the quality of financial reports and internal control system and to provide opinion of the audit committee concerning the matter as provided in the report of the audit committee included in this Annual Report.

15) Relations with Investors

The Company's board of directors recognizes that all the information of the Company concerning with financial and non-financial aspects, have influence on the decision of the investors and stakeholders of the Company. Therefore, the management of the Company is required to disclose important information fully, correctly, transparently, and timely, in which the management has always stressed the importance and adhered to this matter accordingly. In addition, the Investor Relations Division has been established to represent the Company in communication with investors, shareholders, as well as stock analysts and state agencies concerned. Investors can contact the Company for information by telephone at 02-253 8080 or via website: www.lannar.com or email address: lanna@lannar.com.

RELATED TRANSACTIONS

Related Parties and Transactions

- During 2002, there were no direct interest or related transactions between the Company, subsidiaries and associated companies with the directors and/or the management.
- During 2002, the Company had significant business transactions with its related companies, related by way of shareholding, common shareholders and/or common directors. Such transactions, which have been concluded on the terms and basis as determined by the Company and those companies and in normal course of business, are summarized below:

(Unit: Baht)

Item	Related Parties	Type of Transaction	Occurring in Year 2002		Pricing Policy
			Total Amount	Balance as of Dec. 31, 2002	
1	PT Lanna Harita Indonesia <ul style="list-style-type: none"> ▪ Lanna Resources Public Co., Ltd. indirectly owns 63.33% of registered capital, having 4 representing directors, namely, Mr. Kraisi Sirirungsi, Mr. Pilas Puntakosol, Mr. Anun Louharanoo and Mr. Pongtorn Kachareon 	Purchase/Sales of Machineries	2,225,365.02	-	Net book value plus profit margin
		Purchase/Sales of Coal	720,137,876.15	46,542,276.00	Price comparable to purchase price from third parties
2	United Bulk Shipping Pte Ltd. <ul style="list-style-type: none"> ▪ Lanna Resources Public Co., Ltd. owns 49% of registered capital, having 3 representing directors, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul and Mr. Pilas Puntakosol 	Shipping/Freight	134,358,633.99	2,461,876.42	Price comparable to freight charges paid to third parties
		Purchase/Sales of Machineries	6,380,049.17	-	Net book value plus profit margin
3	Siam City Cement Public Company Limited <ul style="list-style-type: none"> ▪ Siam City Cement Public Co., Ltd. is a shareholder of Lanna Resources Public Co., Ltd., with 43.42% of registered capital, having 2 representatives being directors of Lanna Resources Public Co., Ltd., namely Mr. Paul Heinz Hugentobler, and Mr. Vanchai Tosomboon 	Purchase/Sale of Coal	791,412,720.31	88,602,589	Market price at which equivalent quality coal is sold to that industry.

Item	Related Parties	Type of Transaction	Occurring in Year 2002		Pricing Policy
			Total Amount	Balance as of Dec. 31, 2002	
4	Prempracha Engineering Ltd., Part. <ul style="list-style-type: none"> Mr. Kraisi Sirirungsi, authorized partner, is a director and shareholder of Lanna Resources Public Co., Ltd., with 8.03% of registered capital (including spouse) in Lanna Resources Public Co., Ltd. 	Overburden Removal and Coal Winning	217,568,542.71	16,727,872.35	Price comparable to service fees paid to third parties.
		Equipment Rental	803,310.90	73,693.84	Price comparable to rental fees paid to third parties.
5	Banpu Public Company Limited <ul style="list-style-type: none"> Banpu Public Company Limited is a shareholder in Lanna Resources Public Co., Ltd. with 10.07% of registered capital, having Mr. Anun Siriphong as representative being director of Lanna Resources Public Co., Ltd. 	Purchase/Sale of Coal	10,353,942.12	-	Market price at which equivalent quality coal is sold to that industry.
6	Banpu Singapore Pte. Ltd. <ul style="list-style-type: none"> Banpu Public Company Limited is a shareholder in Lanna Resources Public Co., Ltd. and Banpu Singapore Pte. Ltd., with 10.07% and 99.99% of registered capital, respectively. 	Purchase/Sale of Coal	43,104,853.52	-	Market price at which equivalent quality coal is sold to that industry.
7	Banpu International Ltd. <ul style="list-style-type: none"> Banpu Public Company Limited is a shareholder in Lanna Resources Public Co., Ltd. and Banpu Singapore Pte. Ltd., with 10.07% and 99.99% of registered capital, respectively. 	Purchase/Sale of Coal	177,188,425.33	59,527,670.96	Market price at which equivalent quality coal is sold to that industry.

Reasons and Necessities of the Related Transactions in 2002

- The Company had sold the used coalmining machinery and equipment that were no longer in use to PT Harita Indonesia, a subsidiary company, for a joint-venture coalmining project in Indonesia. Both sides mutually agreed on fair and reasonable market pricing according to the condition, which were considered as normal course of business with general commercial terms and basis. The transactions between the parties occurred occasionally as appropriate and necessary.

- The Company had purchased imported coals from PT Harita Indonesia for re-sales, at price comparable to purchase price from the third parties, based on the quality of coal. The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent from the other party. Since the Company's main objective is in the production and distribution of coals over a long period; therefore, the tendency for future transactions between the parties should continue.
- The Company had contracted the United Bulk Shipping Pte. Ltd, an associated company, to transport coals from Indonesia to Thailand at price comparable to freight charges paid to third parties. The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent from the other party. Since the Company has the policy to continue on the sales and distribution of imported coals from overseas; therefore, the tendency for future transactions between the parties should continue.
- The Company had assigned United Bulk Shipping Pte. Ltd. to sell used machines and equipment that were no longer in use, at fair and reasonable market selling price according to their conditions. The transactions were considered under normal course of business with general commercial terms and basis. The transactions between the parties should occur occasionally as appropriate and necessary.
- The Company sold the domestic and imported coal to the Siam City Cement Public Company Limited, whom is both a customer and a major shareholder. The sales prices were comparable to sales price to third parties, not lower than the market price for equivalent quality coal. The transactions were considered under normal course of business with general commercial terms and basis. The Siam City Cement Public Co., Ltd. uses coal as its primary source of energy; therefore, future sales and purchase transactions should continue well into the future.
- The Company had given the overburden removal and coal mining contract to the Prampracha Engineering Limited Partnership for Ban Pa Kha coal mining activities in Lumphun province since the contractor has the expertise, competent work force and suitable equipment. The contract price was comparable to service fees paid to third parties. The transactions were considered under normal course of business with general commercial terms and basis. The related transactions should continue until the closing Ban Pa Kha mine in 2004.
- The Company had purchased coals from Banpu Public Company Limited for re-sales. The purchase prices were comparable to others in the market based on the specifications of coal. The transactions were under normal business practice with each authorized party independent from the other party. The transactions between the parties should occur occasionally as appropriate and necessary.
- The Company had sold imported coals to Banpu Singapore Pte. Ltd. and Banpu International Limited. The sales prices were comparable to sales price to the third parties for equivalent quality coal. The transactions were under normal business practice with each authorized party independent from the other party. The transactions between the parties should occur occasionally as appropriate and necessary.

Opinion of the Independent Directors

March 17, 2003

Att.: Chief Executive Officer
Lanna Resources Public Company Limited

We have examined the related transactions between the Lanna Resources Public Company Limited, its subsidiaries, associated companies and related parties during year 2002, ending December 31, 2002. We have analyzed and reviewed the following related transactions between the Lanna Resources Public Company Limited and its subsidiaries, associated companies and related parties, only to express our opinions concerning with the fair market value or fair price as per contractual agreement.

- 1) The Company had sold the used coalmining machinery and equipment that were no longer in-use to PT Harita Indonesia, a subsidiary company registered in Indonesia, for the joint-venture coalmining project in Indonesia, at fair and reasonable market price based on their conditions.
- 2) The Company had purchased imported coals for re-sales from PT Harita Indonesia, a subsidiary company registered in Indonesia, at the negotiated and agreed price based on the coal quality and comparable to the purchase price from third parties, in accordance with the contractual agreement.
- 3) The Company had contracted United Bulk Shipping Pte Ltd, an associated company registered in Singapore, for shipping of coals from Indonesia to Thailand at price comparable to freight charges paid to third parties and market pricing, in accordance with the contractual agreement.
- 4) The Company had assigned United Bulk Shipping Pte. Ltd. to sell used machines and equipment that were no longer in use, at fair and reasonable market pricing, based on their conditions.
- 5) The Company sold the domestic and imported coals to the Siam City Cement Public Company Limited, both a customer and a major shareholder, at price comparable to sales price to third parties and market pricing for equivalent quality coal, in accordance with the contractual agreement.
- 6) The Company had contracted Prempracha Engineering Limited Partnership, for overburden removal and lignite coal winning, and other related services at Ban Pa Kha Mine, Lumphun province, at price not higher than the market price, in accordance with the contractual agreement.
- 7) The Company had purchased coals for re-sales coals from Banpu Public Company Limited, a major shareholder in the Company at the negotiated and agreed price based on the coal quality and comparable to the purchase price from third parties, in accordance with the contractual agreement.
- 8) The Company had sold imported coals to Banpu Singapore Pte. Ltd. and Banpu International Limited, subsidiary companies of Banpu Public Company Limited, a major shareholder of the Company. The negotiated and agreed price was based on the coal quality and comparable to the sales price to third parties, in accordance with the contractual agreement.



(Mr. Adul Tantharatana)
Audit Committee Member



(Mr. Sommai Mesaplak)
Audit Committee Member



(Mr. Padoong Techasarintr)
Audit Committee Chairman

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