



Annual Report 2004

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 in the Stock Exchange of Thailand. The Company was classified within the Resources group (Energy and Utilities sector). The Company has changed the name to Lanna Resources Public Company Limited since May 17, 2001.

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

Registered and Paid-up Capital

350,000,000 ordinary shares at a par value of Baht 1 per share, for a total paid registered capital of Baht 350,000,000.

Type of Business

- Domestic and Overseas Coal Production and Distribution (Core Business)
- Ocean Freight Shipping Business
- Production and Distribution of Ethanol-for-Fuel (99.5% Pure Alcohol)

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

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 Rd., 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

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 of the Company for the past year 2004, which was considered rather satisfactory. The Company and its affiliated companies had the revenues of Baht 2,491 million with a net profit of Baht 172.41 million. In comparison with year 2003, the revenues increased by Baht 743.77 million or an increase of 42.56 percent and the net profit increased by Baht 114.36 million or an increase of 197 percent, respectively. This was due to the fact that the Company was able to increase its coal sale volumes from year 2003 by 27.89 percent, as well as the global prices of coal have significantly increased. The coal consumption and coal prices are expected to remain high in line with increasing oil prices, with more operators interested in diverting to utilize more coals which are less expensive than oil, in order to reduce impact from increasing oil prices.

The Company had satisfactory financial status and liquidity with liquidity ratio or current ratio at end of year 2004 at 2.12:1, but the total debt to total assets ratio was only at 43.32 percent, and the total debt to equity ratio was only at 76.43 percent. However, if the Company requires additional capital for future investments, the Company would seek for appropriate financial resources, considering current economic conditions and financial market situation.

For the investment in year 2004, Lanna (Singapore) Pte. Ltd. (a wholly-owned subsidiary company of Lanna Resources Public Company Limited registered in Singapore) had invested 55 percent in PT Citra Harita Mineral, with a registered capital of Indonesian Rupiah 1,000,000,000 or around Baht 4,400,000, to undertake the exploration and coal mining activities in the Company's second coalmine in Indonesia within the concession area of CV. Cahaya Tiara covering two coal deposit areas with a total area of 1,680.80 hectares, located in Samarinda Regency, East Kalimantan. The concession period consists of a 2-year exploration period which can be extended three times for one year each and a 10-year exploitation period which can be extended two times for five years each. According to the preliminary survey, the coal reserve is estimated at 10 million tons. The coal production and distribution from this coalmine is scheduled around the middle of year 2005 with a production capacity at more than 500,000 tons per annum.

The construction progress of the ethanol-for-fuel (99.5% pure alcohol) production and distribution plant of Thai Agro Energy Company Limited (a 75-percent subsidiary company of Lanna Resources Public Company Limited registered in Thailand), located in Dan Chang District, Suphanburi Province, with 150,000 liter-per-day ethanol production capacity, using molasses as the raw material; has been completed with plant construction and equipment installation since the end of year 2004. Testing and commissioning of the ethanol production have commenced since the end of January 2005, which should increase the Company's revenues and profits for the following years.

The Board of Directors shall manage the business prudently and carefully in order to develop Company's long-term progress with excellence and stability, adhering to the principles of good corporate governance, putting emphasis on the transparency in the operation and management, which can be audited, as well as providing appropriate, secured and efficient internal control and audit system, and risk management system, by considering the responsibilities for the rights and equitable treatment to the shareholders and stakeholders.

The Board of Directors wishes to report to the shareholders on the operating results for the past year 2004. The Company's net profit totaled Baht 172.41 million or a net profit of Baht 0.49 per share, based on the number of issued and paid-up shares of 350 million shares at a par value of Baht 1 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.

Details of Appropriation (Unit: Baht)	BOI-Promoted Activities	Non-BOI-Promoted Activities	Total
Retained Earnings (Loss) from previous year	339,083,006.60	(99,173,431.68)	239,909,574.92
<u>Plus</u> Net Earnings (Loss) of Year 2004	50,735,410.96	121,673,575.35	172,408,986.31
Retained Earnings (Loss) which have not been appropriated	389,818,417.56	22,500,143.67	412,318,561.23
<u>Less</u> Net Earnings (Loss) of Subsidiary and Associated Companies which have not been allocated	-	14,430,680.31	14,430,680.31
Retained Earnings (Loss) for Appropriations for Year 2004	389,818,417.56	8,069,463.36	397,887,880.92
<u>Less</u> • Appropriations for Interim Dividend Payment No. 1/2004 at Baht 0.20 per share paid on September 15, 2004	70,000,000.00	-	70,000,000.00
• Appropriations for Interim Dividend Payment No. 2/2004 at Baht 0.75 per share paid on January 19, 2005	262,500,000.00	-	262,500,000.00
• Appropriations for Interim Dividend Payment No. 3/2004 at Baht 0.16 per share paid on March 21, 2005	56,000,000.00	-	56,000,000.00
Earnings (Loss) Carried Forward	1,318,417.56	8,069,463.36	9,387,880.92

The Shareholders shall receive the dividend payment appropriated from the net earnings derived from BOI-promoted activities in year 2004 at Baht 0.11 per share. Accordingly, the Board of Directors has already approved for the interim dividend payment to the shareholders on September 15, 2004 at Baht 0.20 per share; on January 19, 2005 at Baht 0.75 per share; and on March 21, 2005 at Baht 0.16 per share; totaling three interim dividend payments of Baht 1.11 per share. Therefore, there will be no additional dividend payment to the shareholders. The above dividend payments received by the shareholders are subject to income tax exemption due to the Investment Promotion ACT B.E. 2520.

The Board of Directors wishes to express its thanks to all the shareholders for continuing to support in the Company's operation, contributing to the Company's current success and development.



Mr. Somkiart Limsong
Chairman

THE BOARD OF DIRECTORS
Lanna Resources Public Company Limited



Mr. Somkiart Limsong
Chairman/Independent Director



Mr. Padoong Techasarintr
Independent Director/Audit Committee Chairman



Mr. Paul Heinz Hugentobler
Director



Mr. Sommai Mesaplak
Independent Director/Audit Committee Member



Mr. Adul Tantharatana
Independent Director/Audit Committee Member



Mr. Kraisi Sirirungsi
Director/Executive Chairman



Mr. Anun Siripong
Director



Mr. Suroj Subhasavasdikul
Director/Executive Director



Mr. Vanchai Tosomboon
Director



Mr. Visit Tantisunthorn
Director/Executive Director



Mr. Tanon Tantisunthorn
Director



Mr. Pilas Puntakosol
Director/Executive Director

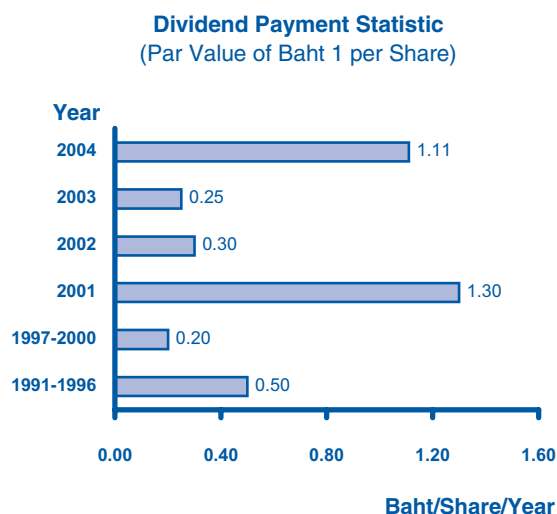


Mr. Anun Louharanoo
Director/Executive Director/Secretary

DIVIDEND PAYMENT POLICY

- **The Company's dividend payment policy to the shareholders:** In the case that no additional investment is required and there are no outstanding loans, the Company's dividend payment policy is not less than 60 percent of its yearly net profit after deduction of legal provisions and 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 2004 was at Baht 172.41 million or Baht 0.49 per share. The Board of Directors has proposed for the appropriation of earnings derived from the BOI-promoted activities for the purpose of dividend payment to the shareholders at Baht 1.11 per share or 226.53 percent of the net profit, which is considered quite satisfactory.



- **The dividend payment policy of the subsidiary companies to the Company:** In the case that the subsidiary company has no additional investment and no outstanding loans, the subsidiary's dividend policy payment is not less than 60 percent of its yearly net profit after deduction of legal provisions and the net loss carried forward (if any).

FINANCIAL INFORMATION

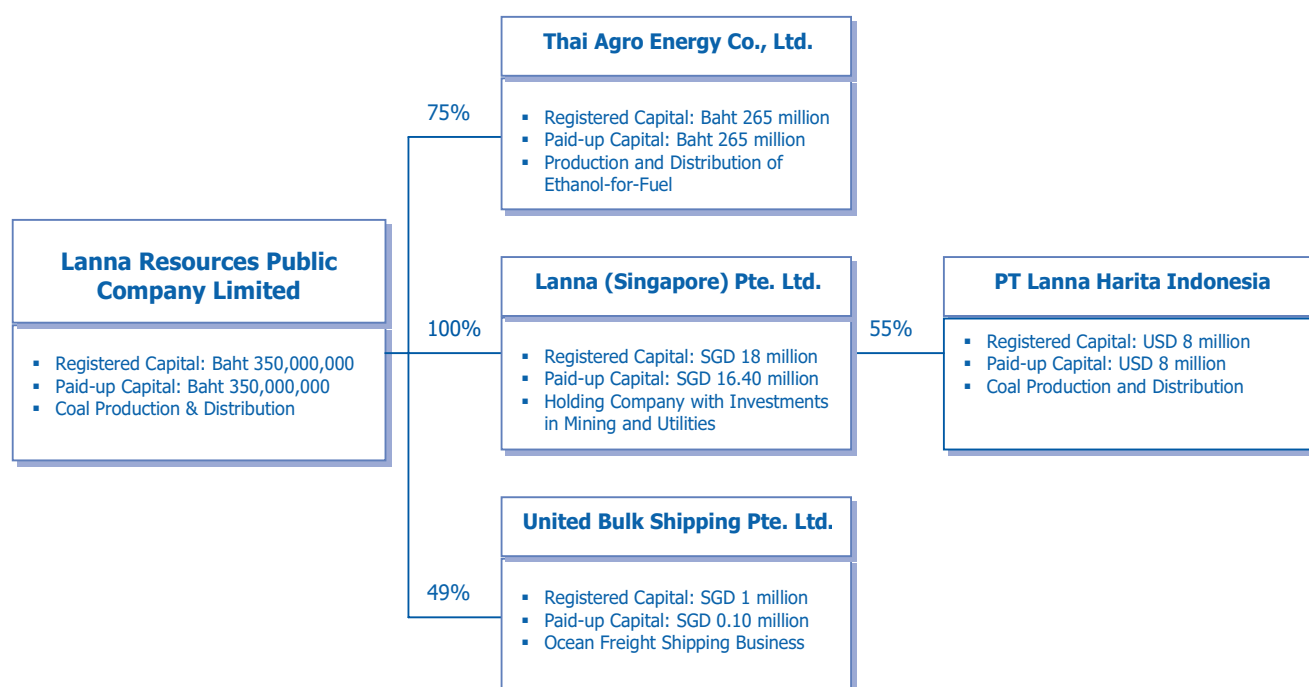
Description (Unit: Million Baht)	Financial Information of Past 5 Years				
	2000	2001	2002	2003	2004
Financial Status					
Total Assets	1,760	2,276	1,954	1,953	2,735
Total Liabilities	125	496	253	254	1,185
Issued and Paid-up Capital	350	350	350	350	350
Total Shareholders' Equity	1,635	1,780	1,701	1,698	1,550
Book Value per Share (Baht per share)	4.67	5.09	4.86	4.85	3.70
Operating Result					
Sales Revenue	905	911	1,619	1,719	2,471
Total Revenue	924	1,386	1,666	1,747	2,491
Gross Profit	249	246	240	239	505
EBITDA (Earnings before interest, tax, depreciation, and amortization)	330	857	670	607	886
Net Profit (Loss)	(6)	534	94	58	172
Earnings (Loss) Per Share (Baht per share)	(0.02)	1.53	0.27	0.17	0.49
Dividend per Share (Baht per share)	0.20	1.30	0.30	0.25	1.11

Remark: The book value per share, earnings (loss) per share and dividend per share; have been adjusted in line with the reduction of the par value to Baht 1.00 per share.

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 2004
		Number of Shares	Price per Share			Total Value	Direct	
THAI AGRO ENERGY CO., LTD.								
888/114 11 th Floor, Mahathun Plaza Building, Ploenchit, Lumpini Bangkok, Thailand 10330 Tel.: 0-2627-3890 - 94 Fax: 0-2627-3889	Production and Distribution of Ethanol-for-Fuel	26,500,000	Baht 10	Baht 265,000,000	19,875,000	75	75	-
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	16,400,000	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	8,000	USD 1,000	USD 8,000,000	4,400	-	55	-
UNITED BULK SHIPPING PTE LTD.								
33 Tuas Crescent, Singapore 638722 Tel.: (65) 862-1188 Fax: (65) 861-2254	Ocean Freight Shipping Business	1,000,000	SGD 1	SGD 1,000,000	49,000	49	49	-
Remarks: SG:D = Singapore Dollar, USD = United States Dollar								

INVESTMENT STRUCTURE



BUSINESS ACTIVITIES

The Company's core business is in the domestic and overseas coal production and distribution. The Company has also invested in the ocean freight shipping business and in the production and distribution of ethanol-for-fuel (99.5 percent pure alcohol), emphasizing on long term excellent and sustainable growth and development.

Domestic Coal Business

The Company produces and supplies coals from its own domestic coal reserve and also procures imported coal for domestic distribution. The Company currently operates its own domestic coalmine at Ban Pa Kha in Lumphun Province with remaining coal reserve estimated at 70,000 tons, in which coal production and distribution should be completed within 2005.

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 imports coals from the joint-venture coalmine in Indonesia and from other sources for domestic consumption as substitution for the depleting indigenous coal resources, through either direct shipments to customers or stock the imported coals at the Ayutthaya Coal Distribution Center for distribution to customers. The Company has also considered establishing additional coal distribution centers in order to expand the market in the future, as well as distribute coals from its coalmines in Indonesia to other markets especially in the Asia region, such as Japan, South Korea, Taiwan and Hong Kong.

Overseas Coal Business

Lanna (Singapore) Pte. Ltd. (LS), a wholly-owned subsidiary of Lanna Resources Public Company Limited, has been established and registered in Singapore as a holding company with investment in the overseas coal mining and utility project.

PT. Lanna Harita Indonesia (LHI), a subsidiary company registered in Indonesia, with LS holding 55% of the paid up capital, operates coal mining business in 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 28 million tons.

LHI Shareholders	Number of Shares	Shareholding
Lanna (Singapore) Pte. Ltd.	4,400 Shares	55%
PT. Harita Mahakam Mining	2,800 Shares	35%
Pan-United Investments Pte. Ltd.	800 Shares	10%
Total	8,000 Shares	100%

Shipping Business

United Bulk Shipping Pte. Ltd. (UBS), an associated company registered in Singapore, is established to undertake business in ocean freight shipping and ship chartering services. UBS effectively manages coal-shipping services for Lanna Resources Public Company Limited on imported coal into Thailand and coal distribution to other countries at reasonable costs.

UBS Shareholders	Number of Shares	Shareholding
Lanna Resources Plc.	49,000 Shares	49%
Pan-United Corporation Ltd.	51,000 Shares	51%
Total	100,000 Shares	100%

Production and Distribution of Ethanol-for-Fuel Business

Thai Agro Energy Company Limited, a subsidiary company registered in Thailand, is 75 percent owned by Lanna Resources Public Company Limited, conducting business in the production and distribution of ethanol-for-fuel (99.5 percent pure alcohol). The National Ethanol Committee has granted a license for Thai Agro Energy Company Limited to invest in the construction of the ethanol production and distribution plant for fuel purpose, at Dan Chang District, Suphanburi Province, with a production capacity of 150,000 liters per day, using molasses as the raw material. Ethanol is blended with the benzene gasoline to become Gasohol fuel, suitable for benzene gasoline replacement. This project is fully encouraged and supported by the Government, having BOI investment promotion. Besides helping to reduce the pollution which adversely impact health and environment, the Project also helps reduce the import of gasoline fuel and octane-booster additive, MTBE or Methyl Tertiary Butyl Ether, saving the country's foreign currency and trade deficit as a whole.

REVENUE STRUCTURE

Revenue Structure of the Company

PRODUCT (Unit: Million Baht)	2002		2003		2004	
	Revenue	%	Revenue	%	Revenue	%
Main Revenues						
Domestic Coal	464.71	27.89	252.67	14.46	355.94	14.29
Imported Coal	1,151.54	69.12	1,466.82	83.94	2,115.11	84.91
Granite	2.66	0.16	-	-	-	-
Total Main Revenues	1,618.91	97.17	1,719.49	98.40	2,471.05	99.20
Other Revenues						
Foreign Exchange Gain	4.48	0.27	-	-	-	-
Interest income	15.37	0.92	4.79	0.28	5.76	0.23
Others	24.54	1.48	19.27	1.10	12.07	0.48
Total Other Revenues	44.39	2.67	24.06	1.38	17.83	0.71
Share of Profit from Investments accounted for by equity method	2.77	0.16	3.84	0.22	2.28	0.09
Grand Total	1,666.07	100.00	1,747.39	100.00	2,491.16	100.00

Revenue Structure of the Affiliated Companies

COMPANY (Unit: Million Baht)	Shareholding (Direct & Indirect)	2002		2003		2004	
		Revenue	%	Revenue	%	Revenue	%
Products and Services	%	Revenue	%	Revenue	%	Revenue	%
Thai Agro Energy Co., Ltd.	75						
(Recent Investment in 2003)							
Other Incomes (e.g. interest income)		-	-	0.42	100.00	0.17	100.00
Total Revenues		-	-	0.42	100.00	0.17	100.00
Lanna (Singapore) Pte Ltd.	100						
Coal Sales		743.42	98.72	993.57	99.94	1,507.90	99.85
Other Incomes (e.g. interest income)		9.62	1.28	0.60	0.06	2.34	0.15
Total Revenues		753.04	100.00	994.17	100.00	1,510.24	100.00
PT Lanna Harita Indonesia	55						
Coal Sales		725.84	98.69	972.71	99.94	1,468.72	99.87
Other Incomes (e.g. interest income)		9.62	1.31	0.59	0.06	1.96	0.13
Total Revenues		753.46	100.00	973.30	100.00	1,093.66	100.00
United Bulk Shipping Pte Ltd.	49						
Shipping		133.07	96.58	172.16	99.92	130.42	99.88
Other Incomes (e.g. interest income)		1.91	1.42	0.13	0.08	0.16	0.12
Total Revenues		134.98	100.00	172.29	100.00	175.73	100.00

SIGNIFICANT CHANGES IN THE PAST YEAR

Domestic Coal Business

In 2004, the Company produced coals from its domestic mine, Pa Kha Mine, for a total of approximately 0.49 million tons, a decrease from 2003 by about 9.69 percent. The coal sales from the domestic mine were approximately 0.60 million tons, an increase from 2003 of about 43.21 percent. The coal sales from the overseas coalmines and procurement for sales were approximately 1.84 million tons, an increase from 2003 of about 23.58 percent. Thus, the total coal sales were approximately 2.44 million tons, an increase from 2003 of about 27.89 percent, with a domestic coal market share of about 8 percent, as the Company focused more on overseas sales having higher coal prices. Nevertheless, the Company has set target to increase the domestic coal market share to 10 -15 percent in the following years (see also Financial Analysis and Operating Results on page 58-61)

Overseas Coal Business

In 2004, PT. Lanna Harita Indonesia (LHI), a subsidiary company with the coal mining concession or Coal Contract of Work from the Indonesian Government, located at Tanah Merah mine in Samarinda and Kutai Regency in East Kalimantan, produced approximately 1.66 million tons of coals in total, an increase from 2003 of about 43.10 percent, with 1.62 million tons sold or an increase from 2003 of about 37.72 percent. The total revenues in 2004 were at USD 37.72 million with a net profit of USD 3.50 million, or a net profit of USD 437.55 per share. The share book value at the end of 2004 was at USD 1,380.07 (the share par value is at USD 1,000 per share). (See also Financial Information on page 62)

Lanna (Singapore) Pte Ltd. (LS) is a holding company with only investment in LHI, holding 55 percent of the paid up capital. Therefore, the consolidated financial statements for year 2004 of LS are basically obtained from the financial status and operating results of LHI which is the main subsidiary company. (See also Financial Information on page 62).

Shipping Business

In 2004, United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, had the total revenues of SGD 5.47 million with a net profit SGD 0.19 million, or a net profit of SGD 1.93 per share. In comparison with 2003, this represented a revenue decrease of SGD 1.93 million and a net profit decrease of SGD 0.14 million or SGD 1.36 per share. The share book value at the end of 2004 was at SGD 10.69 per share (the share par value is at SGD 1.00 per share). (See also Financial Information on page 62)

Production and Distribution of Ethanol-for-Fuel Business

Thai Agro Energy Company Limited, a subsidiary company, having invested in the construction of the production and distribution of ethanol-for-fuel plant (99.5 percent dehydrated alcohol), located at Dan Chang District, Suphanburi Province. The plant has the ethanol production capacity of 150,000 liters of per day and is scheduled to commence its ethanol production and distribution from the end of January 2005. Therefore, there was no revenue obtained from this business during 2004. (See also Financial Information on page 62)

COAL BUSINESS

Coal Characteristics

Coal is a fossil fuel, consisting of volatile matter, inherent moisture and important combustible mixture of carbon. After the combustion with the volatile matter and inherent moisture evaporated, small percentage of coal ash remains.

Coal is found in various forms or grades based on the contents of heating or calorific value, volatile matter and fixed carbon, representing in descending order of quality from anthracite, bituminous, sub-bituminous, and lignite. The indigenous coal deposits that have been explored and extensively developed for domestic industries are generally of lignite grade. Imported coals are mostly of bituminous grade which contains higher calorific value than the coals from the indigenous sources.

The price of coal is usually determined based on the quality of coal, consisting of calorific value, moisture, volatile matter, fixed carbon, ash, sulfur and size.

Coal Production

Coal is formed in several stages from plant remains that have been compacted, hardened, chemically altered and metamorphosed by heat and pressure over millions of years. Therefore, in order to develop a coalmine, coal exploration works are required for the collection and interpretation of geological data in order to learn about the thickness of coal seams, boundary areas of the coal resource, chemical content and quality, and economic reserve estimation. The development of coal deposit is generally based on the information and data obtained from these exploration programs. Accordingly, the production of coal consists of following three major steps:

1) Exploration: The exploration program begins with the preliminary collection and analysis of the land surface and geological data at the target areas. Subsequently, fieldwork includes scout drilling to study the formation and type of soil and rock, and geological structure of the target areas to ascertain that there exists the coal deposit. After coal deposits have been identified, survey and drilling activities are performed to assess coal quality and reserve estimation for economic analysis to facilitate a decision for the development of the coalmine.

2) Coal Mining: Before proceeding with coal mining operation, more detail drilling activities are required to collect and interpret necessary information and data of the mining areas; such as, coal reserves and quality for each of the coal seam formations including soil layers. The collected data and information will be used to determine the mine master plan which includes the analysis of mining costs and mining methods, as well as the quantity and areas for overburden removal and coal winning logistics, and also selection of suitable mining equipment and machinery.

3) Coal Dressing: In order to attain the quality as required by the users or customers, coals extracted from the coalmining operation need to go through coal dressing process which includes crushing, sizing, sorting or washing to remove any contaminations.

Mine Site Rehabilitation

The Company shall carry out mine site rehabilitation after mining operations have been completed to improve environmental surroundings and ecosystem and return to its useful state. Therefore, mining operation must be performed concurrently with the mine site rehabilitation, corresponding to the mine plan, in order to minimize its impact to the area. During the past years of mine planning and operation, the Company has conducted mine site rehabilitation by plantation of trees and utilization of land for several activities including agriculture, water reservoirs, residence,

etc., of which environmental impacts from the mining operations have been within the standard established by the relevant authorities. In fact, the Company has never experienced any complaints from nearby local residence and communities on any trouble or annoyance occurred or any damages on public property from the mining operations of the Company.

Domestic Coal Trading

Coal Pricing Policy: Coal price is usually determined by the heating value, similar to other type of fuels. Coal sale price for each customer varies depending on certain factors such as the order quantity, coal specifications such as calorific value, credit term and other conditions specified by the customer. These factors shall be used to determine the coal price provided for and similarly with all the customers. The Company has no policy to treat any customer differently. The price of domestic coal is normally based on the ex-mine price, with customers responsible for coal shipment and transportation. For imported coals, the price is based on the agreement with each customer which can either be on FOB or CIF basis, or price as delivered to the customer's factory.

Coal Distribution: The coal distribution in the domestic market, the Company directly sells coals directly to customers without going through agent. As for the overseas market, coals are sold directly to the customers or through coal trading agents, mostly on the credit term basis, of which the Company carefully provides credit terms only for the long time customers with stable financial status. For new customer, the Company protects the risk through the letter of credit (L/C) opened by the customer. Since the start of operation in 1985, the Company has yet to experience any bad debt from the sales of coals.

Marketing Strategy: The Company focuses mainly on the service and quality control of the coals as its marketing strategy rather than relying on pricing strategy. In addition, the Company has continually developed ways to produce high quality coals by bringing in modern technology for the improvement of coal production and operation.

Competitions: The domestic coal mining industry has been recognized as an oligopoly market with few numbers of operators. The Company competes with Banpu Public Co., Ltd. for large industrial customers. For medium and small industrial customers, Unique Mining Services Public Co., Ltd. and few other small companies, about 3-4 companies, are the main competitors. It is viewed that the companies that have their own coal deposits and operations, particularly of high quality with sizeable mineable reserves, should have more competitive advantage and readily be able to increase their market shares in the future.

Industrial Trend: Coals can be used as a substituted fuel for almost every kind of fuel, depending mainly on the convenience of utilization and demand on heating energy. It is anticipated that the consumption and prices of coals in 2005 will remain high in line with increasing oil prices. More operators will be interested to change for the use of more coals in order to lessen the impact from higher oil price and also the cost per unit heat of coals is still

DOMESTIC COAL MARKET (Unit: Thousand Tons)			
Coal Trading Volume	2002	2003	2004
Domestic Coal	4,930	2,547	3,909
Imported Coal	5,026	6,730	7,289
Total	9,956	9,277	11,198

considerably cheaper than that of the oil fuel.

The consumption of coals in 2004 are mostly in the cement industry at about 60 percent of the total coal consumption, with electricity and other industries accounting for the remaining 40 percent. Should the country's economy in 2005 continue to expand from the previous year, the demand for cement and electricity will definitely be increased. The domestic coal consumption is expected to increase at about 10-15 percent.

International Coal Trading

In 2004, the international coal trade totaled 665 million tons, an increase of 40 million tons or 6 percent from the previous year 2003.

The major coal exporters in 2004 were Australia at 224 million tons, an increase of 8 million tons or 4 percent from year 2003; Indonesia at 98 million tons, an increase of 9 million tons or 10 percent from year 2003; Russia at 70 million tons, an increase of 18 million tons or 35 percent from year 2003; and Columbia at 51 million tons, an increase of 7 million tons or 16 percent from year 2003. Whereas China and South Africa exported less coals in 2004 with China exported 87 million tons, a decrease of 7 million tons or 7 percent from year 2003; and South Africa exported 67 million tons, a decrease of 4 million tons or 6 percent from year 2003.

The major coal importers in 2004 consisted of a group of European countries importing about 195 million tons, a slight increase of 3 million tons or 1.5 percent; while Japan, South Korea and Taiwan imported considerably more coals in 2004, with Japan imported 179 million tons, an increase of 13 million tons or 8 percent from year 2003; South Korea imported 80 million tons, an increase of 8 million tons or 11 percent from year 2003; and Taiwan imported 65 million tons, an increase of 10 million tons or 18 percent from year 2003.

Starting from the end of 2003, world coal prices have significantly increased with FOB price of coal, based on the calorific value of 6,700 kcal/kg, Australia coal spot price, increased from USD 25 per ton in 2003 to USD 50 per ton during March 2004 or an increase of over 100 percent, and reached as high as USD 60 per ton around June and July 2004 before coming down to USD 50 per ton level at end of 2004. As for long term contract prices of Australian coals, destined for major coal importers such as Japan, South Korea and Taiwan, had considerably increased from USD 26.75 per ton to the level of USD 40-50 per ton, or over 50 percent increase. It is expected that coal prices in 2005 will remain high during the first half of the year and slightly lower around the second half of year 2005.

PT Lanna Harita Indonesia (LHI), a subsidiary company of Lanna Resources Public Company Limited and a coal mining joint-venture operation in Indonesia, produced a total of 1.62 million tons of coals. About 1.35 million tons were sold to Asian countries; namely Japan, South Korea, Taiwan and Hong Kong or about 84 percent. About 0.2 million tons or about 12 percent were imported into Thailand. The remaining coals of about 0.07 million tons or about 4 percent were distributed in Indonesia. It is expected that in 2005, LHI will produce about 2 million tons of coals, an increase of about 25 percent, which will be distributed around the Asian region countries and also into Thailand as replacement for the depleted indigenous coal resources. Lanna Resources Public Company Limited acts as coal trader or broker for LHI whom sells coals at FOB prices, with cargo ships being arranged by the customers. The pricing of coals are in line and varied according to the global coal prices.

ETHANOL BUSINESS

Background

In 1985, H.M. the King, through his royal contemplation, initiated a study on the production of ethanol from sugarcane for use as a substituted energy. The development of substituted energy from plants had been gradually undertaken and improved since until ethanol was proven to be suitable fuel for vehicles.

In 1994, ethanol-blended fuel, Gasohol, was used and tested in the vehicles in one of H.M. the King's six Royal Projects initiated in the celebration of his 50-year accession to the throne.

In 1996, the first Gasohol fuel station was opened by the Petroleum Authority of Thailand (PTT) to provide services for the vehicles of the royal projects.

In 1997, Suan Chitralada Royal Project together with PTT and Institute of Science and Technology had improved the quality of ethanol for vehicles through distillation and dehydration process to produce 99.5 percent pure alcohol and blend it with gasoline to become the Gasohol.

Ethanol Properties

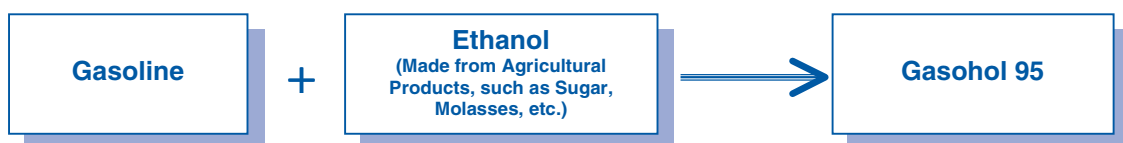
Ethanol or ethyl alcohol is derived from digestion and fermentation of agricultural products of starch and sugar crops, such as cassava, sugarcane, molasses, and corn; and followed by distillation and dehydration to produce 99.5% pure alcohol.

The molecular formula of ethanol is C_2H_5OH with a boiling point at approximately $78^{\circ}C$. In general, its properties are transparent liquid, colorless, flammable, and high octane fuel. Since ethanol contains up to 35 percent of oxygen, it can be blended with gasoline at an appropriate amount to produce a clean and complete combustible fuel with less formation of carbon monoxide (CO) which should benefit the environment.

The gasoline octane 95 used today contains MTBE (Methyl Tertiary Butyl Ether), a fuel additive to increase the octane value of gasoline octane 91 to become gasoline octane 95. Nonetheless, MTBE is also harmful for causing carbon monoxide in the earth atmosphere and contamination to underground water supplies. In addition, Thailand has to import MTBE, spending more than Baht 3,000 million per year.



The Government policy during the initial stage specifies that ethanol be blended within the benzene gasoline at 10 percent to become Gasohol 95, substituting the imported fuel additive MTBE. Gasohol 95 can be used in the automobiles as effectively and efficiently as gasoline 95 in all aspects but cheaper in price by Baht 0.75 per liter, also with clean and complete combustion of the engine.



In the following phase, the ethanol may be blended in the gasoline 91 at 10 percent as well, which should further reduce the import of gasoline and fuel additive MTBE, saving tens of thousands million baht per year.

Effects on the Engine

The production of Gasohol 95 by blending ethanol with gasoline octane 91 at a ratio of 10% ethanol, according to the standard established by the National Ethanol Committee, shall not have any adverse impact on the engine. All models of automobiles with fuel injection system can use Gasohol 95 without any engine modifications. The fuel used on the engine can also be switched between the Gasohol 95 and regular benzene 95. In fact, Gasohol is widely used in the United States of America, Canada, and Europe, especially in Brazil which has been using gasohol for over 25 years with higher blending ratio of ethanol or alcohol than in Thailand. In Thailand, Gasohol has been tested in the royal project at Suan Chitralada and project of the Thailand Institute of Scientific and Technological Research for over 10 years without any problem. Therefore, in order to build consumers' confidence, the Energy Ministry has issued the announcement specifying the properties and quality of Gasohol, effective since July 1, 2004, ensuring that the Gasohol produced can be used in the existing engines without any problem.

Ethanol Production for Fuel

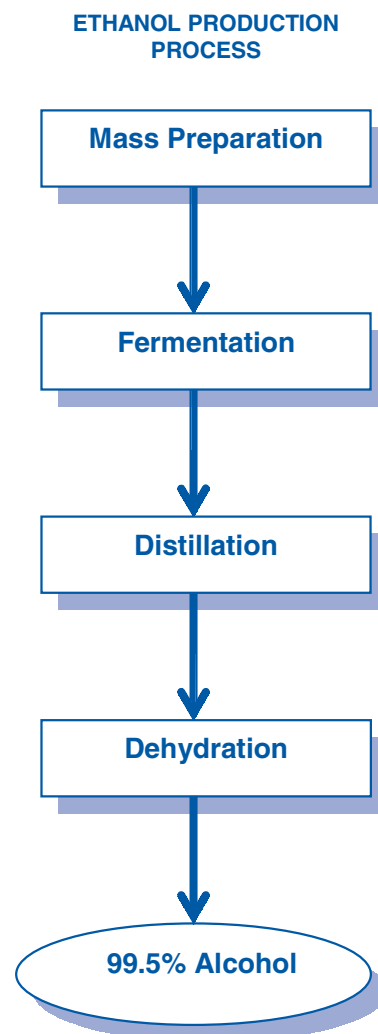
The production of ethanol for fuel, using molasses as the raw material, consists of four main stages as follows:

1) Mash Preparation: Preparation of molasses before fermentation by dilution with water for suitable concentration and added with acidic additive such as sulfuric acid, causing organic substance or salt to settle from the molasses solvent.

2) Fermentation: Molasses solvent from the first stage is fed to fermentation tanks with yeast being added to convert sugar into alcohol.

3) Distillation: Fermentation mash from the second stage is fed to the distillation column to separate certain amount of mash and water producing about 96 percent pure alcohol which is the maximum concentration that can be achieved through this normal fermentation process. The remaining 4 percent of water shall be removed by the final stage.

4) Dehydration: The water removal process for producing the dehydrated alcohol from the distillation process into 99.5 percent pure alcohol. Water content is absorbed by zeolite molecular sieves in two dehydration units. The dehydrated alcohol shall then be distilled and cooled down before being stored for further distribution.



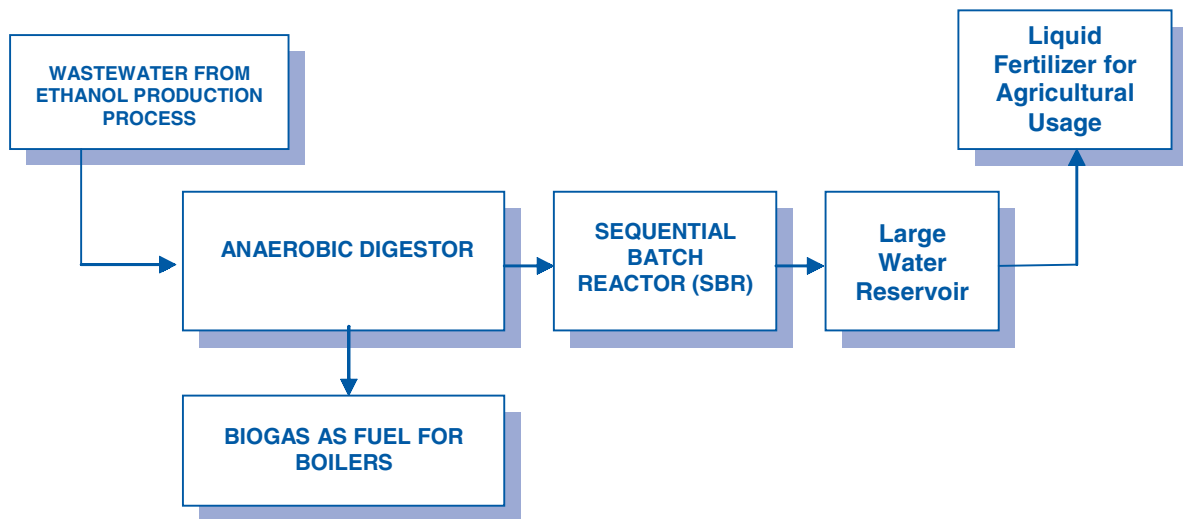
Treatment of Effluents from Ethanol Production Process

- Stillage or sludge from ethanol-for-fuel production process will be blended and processed with filter cake, an effluent from the sugar production process from the nearby sugar plant, to become compost or fertilizer for agricultural usage, especially for the sugarcane plantations nearby.

- Large amount of wastewater is generated by the ethanol-for-fuel production, which will be treated in two main process as follows:

- 1) The main wastewater treatment process is through the use of anaerobic digester; which does not only serve as the wastewater treatment system but also a biogas production system. The biogas shall be used as a fuel substitution for the bunker fuel oil used in the boilers, a significant fuel cost saving and also friendly to the environment.

Wastewater Treatment Process



- 2) In the second step, treated wastewater from the first process will be passing through a sequential batch reactor (SBR) or biological waste treatment process, capable of reducing a considerable amount of water contamination. Subsequently, the treated wastewater from this process will be contained in a large water reservoir and can eventually be used as liquid fertilizer for agricultural purpose, especially for the nearby sugarcane plantation areas.

Ethanol-for-Fuel Plant Construction Permits

• On April 27, 2001, the National Ethanol Committee issued an announcement and invitation for ethanol-for-fuel projects, including appointment of the committee to consider granting permits, including announcement of terms and conditions for the consideration of the ethanol production plant projects for fuel purposes. Subsequently, the National Ethanol Committee has reviewed and considered documents submitted by 24 operators and proposed to the National Energy Policy Council for its consideration; of which the following 24 projects have been approved for the construction of ethanol production and distribution plants for fuel purposes.

Operator	Location	Raw Material	Production Capacity (Liter/Day)	Completion Schedule
1. Pornvilai International Group Trading Co., Ltd.	Ayutthaya	Molasses	25,000	Completed
2. Thai Alcohol Public Co., Ltd.	Nakhon Pratom	Molasses	100,000	Completed
3. Thai Agro Energy Co., Ltd.	Suphanburi	Molasses	150,000	Completed
4. Thaiguan Ethanol Co., Ltd.	Khon Kaen	Cassava	130,000	2005
5. Internal Gasohol Corporation Co., Ltd.	Rayong	Cassava	500,000	2005
6. Khon Kaen Alcohol Co., Ltd.	Khon Kaen	Cane/Molasses	85,000	2005
7. Rerm Udom Sugar Factory Co., Ltd.	Nongbua Lumpoo	Cane/Molasses	200,000	2006
8. Thai Sugar Ethanol Co., Ltd.	Kanchanaburi	Cane/Molasses	200,000	2006
9. Mitr Phol Sugar Co., Ltd.	Suphanburi	Cane/Molasses	200,000	2006
10. United Farmer and Industry Co., Ltd.	Chaiyapoom	Cane/Molasses	200,000	2006
11. Thai Roong Ruang Energy Co., Ltd.	Saraburi	Cane/Molasses	120,000	2006
12. Thai Roong Ruang Energy Co., Ltd.	Petchaboon	Cane/Molasses	120,000	2006
13. Easter Sugar and Cane Co., Ltd.	Sra Kaew	Cane/Molasses	100,000	2006
14. N.Y. Sugar Co., Ltd.	Nakhon Ratchasrima	Cane/Molasses	150,000	2006
15. Rajburi Ethanol Co., Ltd.	Rachaburi	Cane/Molasses	100,000	2006
16. Korach Industry Co., Ltd.	Nakhon Ratchasrima	Cane/Molasses	100,000	2006
17. Pranburi Sugar Industry Co., Ltd.	Prachuab Kirikhan	Cane/Molasses	50,000	2006
18. Angvian Industry Co., Ltd.	Nakhon Rachasriam	Cane/Molasses	160,000	2006
19. Thai Sugar Ethanol Co., Ltd.	Ratchaburi	Cane/Molasses	100,000	2006
20. Somdet (1991) Co., Ltd.	Udon Thani	Cane/Molasses	100,000	2006
21. Fah Kwan Thip Co., Ltd.	Prachinburi	Cassava	120,000	2006
22. Siam Ethanol Co., Ltd.	Chaiyapoom	Cassava	100,000	2006
23. Picnic Ethanol Co., Ltd.	Nakhon Ratchasrima/ Udon Thani	Cassava	500,000	2006
24. Boon Anek Co., Ltd.	Nakhon Ratchasrima/ Udon Thani	Cassava	500,000	2006

- The total ethanol-for-fuel production capacity from the 24 licensed projects above is 4,110,000 liters per day or approximately 1,500,150,000 liters per year, which should be sufficient for the demand of ethanol for blending in the gasoline octane 95 to become the gasohol. Also, additional ethanol-for-fuel production capacities of 2 million liters per day or 660 million liters per year have been approved to support ethanol demand in the future for blending in both gasoline octane 95 and gasoline octane 91.

- The operator granted with the permits to construct the ethanol-for-fuel production and distribution plant must adhere to the terms of reference submitted by the operator in accordance with the announcement by the National Ethanol Committee, dated July 20, 2001, as well as comply with the following terms and conditions.

A) Ethanol Production Plant Establishment

- 1) The construction of the ethanol-for-fuel production plant must be completed within 2 years after the date of approval.

- 2) Procurement of land and preparation of plant site areas must be started within 90 days after the date of approval.

- 3) Contractors for Major equipment and machinery must be secured within 90 days after the date of approval.

- 4) Application with complete supporting documentation for the Factory Operation Permit to the Industry Department within 180 days after the date of approval.

- 5) Purchase agreements for the main machinery and equipment for ethanol production must be executed within 90 days after the Factory Operation Permit has been granted from the Industry Department.

- 6) Commencement of plant construction must be started within 90 days after the Factory Operation Permit has been granted from the Industry Department.

B) Ethanol Production Plant Supervision

- 1) Project progress must be reported to the National Ethanol Committee every 90 days after the date of approval until the commencement of ethanol production.

- 2) All the terms and conditions with regard to the production and distribution of ethanol-for-fuel established by the National Ethanol Committee must be followed.

- 3) In the case where licensed operator does not comply with the terms of reference, or terms and conditions stated in the approval letter, the National Ethanol Committee reserves the right to revoke the granted license or to carry out the matter as appropriate.

- 4) Title transfer or changes of the granted license is prohibited unless approved by the National Ethanol Committee.

Government's Supports on the Ethanol-for-Fuel Production and Distribution

- The Government Cabinet has approved for the exemption of excise tax on ethanol at factory and excise tax on the blended ethanol in the Gasohol.

- Reduce contribution from Gasohol to the Fuel Oil Fund and the Energy Conservation Fund.

- Establish sale price of Gasohol 95 to be lower than the benzene 95 by approximately Baht 0.75 per liter.

- Establish blending percentage of ethanol in the Gasohol 95 to be no less than 9 percent and not exceeding 10 percent.
- Ban the use of MTBE additive in benzene octane 95 through market mechanism by setting Gasohol 95 sale price lower than benzene 95 and will completely ban the use of MTBE additive in benzene 95 within year 2006.
- Promote and encourage the use of ethanol as fuel and make campaign for public knowledge and understanding for using ethanol-blended fuels.
- Establish quick measures for the use of ethanol-blended fuel in the Government units' and State Enterprises' vehicles for marketing promotion and building confidence for the investors and consumers of Gasohol 95.
- Encourage and support the automobile industrial sector and oil refinery industrial sector to be readily prepared for the production and ethanol-blended fuel consumption.
- Encourage and support for the establishment of ethanol production plants by small and medium business enterprises with strong organization or institution of agriculture which have potential, in order to achieve wider production and distribution of fuels made from agricultural products in the country.

Distribution of Ethanol-for-Fuel

Ethanol products are distributed to several oil trading firms for blending with the base oil or gasoline at 10 percent to become Gasohol. The Government Cabinet has approved for the exemption of excise tax on ethanol at factory and excise tax on the blended ethanol in the Gasohol. The oil trading companies that already have Gasohol distribution stations are PTT Public Co., Ltd., Bangchak Petroleum Public Co., Ltd., and Shell Thailand Co., Ltd.; which are mostly located in Bangkok and perimeter areas, and also on the main roads around and within major provinces.

Benefits from the Use of Ethanol as Fuel

- Used as alternative fuel produced from agricultural products within the country and as substitution for the imported MTBE fuel additive, help saving over Baht 3,000 million per annum.
- Saving on limited source of fuel by using ethanol-blended fuel, in turn help reducing domestic fuel consumption by approximately 10 percent or about 25 million liters per month.
- Thai farmers enjoy higher income and better living standard from ethanol being produced from agricultural products.
- Reduce air pollution with about 20-25 percent reduction of hydrocarbon and carbon monoxide (CO), and also reduction of carbon dioxide, which is a major cause of the green house effect, as well as black smokes, aromatics, and benzene substance.
- Help promoting for the diversity of investments in the agricultural and industrial sectors, and also distribution of investments and employments to the rural areas.

RISK FACTORS

The Company has continuously emphasized and recognized the importance of the risk management system. During year 2004, the Risk Management Committee held 11 meetings altogether in order to consider and devise ideas in order to protect and minimize any risks associated with the business of the Company by focusing on effective and appropriate risk management for the current business operation, which can be summarized below.

Risk in Mining Business

Coal Business Development Risk: Coal business development possesses certain risks similar to other businesses, depending on the knowledge and experience applied to minimize the risk factors concerning with each investment. The risks associated with coal business development are basically on the coal reserves and quality assessment, form or type of the granted concession of the target areas, laws and regulations, political climate of the concerning country, market situation, and the return on investment; as well as, location of the coal deposits, competitiveness, etc. Accordingly, the Company shall conduct a feasibility study for each of the project investments and consider all the associated risk factors in details before making the investment decision for each project.

Coal Reserves Assessment Risk: The ability to explore and accurately assess the coal deposits is vital to any coal mining company since the information pertaining to the exploration results such as the amount of coal reserves, coal's quality, coal thickness and the abundance of the coal resources will be used to evaluate the return on investment before making decision to invest in the coal production and distribution. The Company recognizes its importance, thus has put emphasis on the working units responsible for exploration and assessment of coal resources, supporting these units with personnel resources and modern technology. Owing to extensive experience and genuine development of exploration technology, the Company has gained long success in the exploration of coal resources, both domestically and overseas. Nevertheless, there are limited numbers of domestic coal deposits, and also their qualities are inferior to the coal deposits outside the country, especially those in Indonesia. Accordingly, the Company has started the coal production and operation in Indonesia by obtaining the Coal Contract of Work from the Government of Indonesia for a period of 30 years or until year 2031, with coal production capacity of around 1.5-2 million tons per year. In addition, the Company has jointly invested in a development of another high-quality coal deposit in Indonesia in 2004, which is expected to commence coal production within year 2005. Furthermore, there are also several coalmining projects under consideration in order to obtain additional coal reserves and expand its future coal production and distribution capabilities.

Coal Mining Operation Risk: With proper exploration and assessment activities of the coal deposits in accordance to the international principles and standards, the risks associated with the coal mining operation should be minimized accordingly. Except for the risk from natural occurrences, that could have an adverse impact to the production and delivery of coals. Therefore, the Company has established a policy for the coal operation departments to adequately keep inventory of the finished coals for distribution at the amount of no less than one month of the average annual sales projection.

Marketing Risk: The domestic coal market is considered having lower risk than that of the international market with regard to the demand and price fluctuations because domestic coals still have lower prices per unit heat than the imported coals and the local demand much exceeds the domestic coal production capacity. Furthermore, the fact that the major customer is both a Company's major shareholder and a large-scale, strong industrial company that have long been the Company's customer. The international coal market is exposed to more pricing fluctuations. Therefore, in order to minimize the risks associated with the international market, the Company has set a policy for the joint-venture company in Indonesia to engage in the forward sales contracts for approximately 50 percent of the coal production plan of the following year, especially during period of increasing coal prices.

Accounts Payable Risk: Due to the fact the domestic customers that the Company offers credit terms for the coal purchase orders, are mostly large-scale industrial companies with strong financial status and also a longtime customer of over 10 years; therefore, the Company is confident that no bad debt will occur in the future. As for the sales of coals to overseas customers, letter of credit or L/C must be opened before coal delivery; therefore, the Company has no risk in the coal sales to the overseas market.

Fuel Product Substitutes Risk: Although coal prices have risen considerably during the last quarter of 2003 until present; however, when comparing the price per unit heat to other substituted fuels, such as fuel oil, diesel oil and natural gas, the price per heat unit of coal is still much lower. Therefore, the risk from the fuel product alternatives is still considered insignificant.

Risk in Ethanol Business

Thai Agro Energy Co., Ltd, a subsidiary company, has invested in the construction of ethanol-for-fuel (99.5 percent pure alcohol) production and distribution plant at Dan Chang District, Suphanburi Province, with a production capacity of 150,000 liters per day using molasses as its raw material. Ethanol can be blended with the gasoline at 10 percent to become the Gasohol, suitable for benzene gasoline replacement. The plant construction and equipment and machinery installation have been completed since the end of 2004, with plant commissioning and ethanol production to be commenced from the end of January 2005. Risk factors associated with this business are described below.

1) This ethanol-for-fuel business is considered relatively new in Thailand and therefore, there are certain risks concerning with the laws and regulations established by the authorities which are still unclear, creating obstacles with the business operation and burdens to the operators, increasing the cost of production. Currently, the ethanol producers have been in discussions with the relevant authorities to promptly resolve all the concerning issues and problems.

2) The marketing risk occurs as the oil companies are not fully ready to purchase all the ethanol produced from the ethanol operators; therefore, the ethanol plants cannot operate at their full production capacities. In addition, the storage capacities of the ethanol tanks are limited, forcing the ethanol plant to be operated intermittently, which could increase the production costs and incur operating loss. The authorities and concerning parties have been in discussions in order to quickly resolve these issues and obstacles.

3) The risk concerning the current established sale price of ethanol by the Government at Baht 12.75 per liter at the ethanol plant, which is not really in line with the costs of production, causing operating losses to the ethanol producers. Consequently, the ethanol producers have been in discussions with the concerning authorities in order to establish the ethanol sale price to be corresponding to actual production costs; as well as advocate for the establishment of ethanol pricing fund to maintain and stabilize the ethanol prices in the future.

4) The risk concerning with the supply and pricing of the raw material which is the molasses due to the fact that the Government has recently encouraged the sugar industry operators to establish more ethanol production plants using sugar juice as the raw material. This endeavor may affect the supply and pricing of the molasses in the future as molasses supply shortages and higher molasses prices may occur, causing higher production costs. However, Thai Agro Energy Co., Ltd. has solved this issue by signing a long term molasses supply and pricing contract for about 60 percent of the annual molasses demand.

Financial Risk

Interest Rate-Related Risk: Presently, the Company and its subsidiary companies are currently debt-free; thus, the Company should have no risk relating to the interest rate. Except for Thai Agro Energy Co., Ltd., a subsidiary company with the Company holding 75 percent of the paid-up registered capital, with a long-term loan in Baht currency from a commercial bank for 8-year term of Baht 480 million, used for investment in the construction of ethanol-for-fuel production plant. The loan contract specifies a fixed interest payment of 5 percent for the first 3 years and floating interest rate at MLR – 1 after 3rd to 8th year, which may be affected by future fluctuations of interest. The Company shall closely monitor the direction of interest rate; as well as utilize necessary financial instruments in order to minimize risk from floating interest rate; such as converting debt to fixed interest rate, depending on the economy and financial market situation.

Foreign Exchange Risk: The Company has 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 reserves for payments of coals or future investments, protecting from possible future foreign exchange risk. The Company's assets and liabilities in foreign currencies at end of 2004 are as follows:

1) The Company's assets at end of 2004 that are in cash deposits and account receivables from foreign currency trading were at USD 10,709,437.84. The Company's liabilities at end of 2004 that are trade account payables from coal sales were at USD 6,663,934.78. No forward exchange contracts had been made to protect from foreign currency risk because the Company was able to pay for the coal purchases with the received foreign currency or made deposits as cash reserves for future payments, reducing the risk from the currency exchange fluctuation.

2) The Company had investments in Lanna (Singapore) Pte. Ltd. and United Bulk Shipping Pte. Ltd. at end of 2004, totaling SGD 16,449,000. These are considered long-term investments in the subsidiary and associated companies with no exact time of termination; 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 can 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 and subsidiary companies have commitments and contingent liabilities at end of 2004 that may occur in the future as follows:

- 1) The Company and subsidiary companies have commitments in respect of rental and service contracts for office building, land and weighing equipment, payable in the future of approximately Baht 16 million and construction contracts of approximately Baht 87 million.

- 2) The Company has outstanding bank guarantees of approximately Baht 52 million in respect of certain performance bonds required in the ordinary course of the Company's business.

- 3) The Company and subsidiary companies have contingent liabilities in respect of litigations at end of 2004 as follows:

- 3.1) Since 1997, the Company had a civil case as 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 percent per annum. The Civil Court, at the end of 2002, judged that the Company, together with the co-defendant, was liable for the payment of approximately Baht 7.1 million plus interest of 7.5 percent p.a. to the plaintiff. At present, the Company has appealed the court's verdict. However, in order to be prudent, the Company has set aside a provision for liabilities from lawsuit in its accounts for approximately Baht 11.30 million as at December 31, 2004.

- 3.2) Pt Lanna Harita Indonesia (LHI), a subsidiary company in Indonesia, has contingent liabilities in respect of eight lawsuits brought upon by outside parties in relation to rights over land used by LHI for mining, claiming for damages totaling approximately Baht 1,299.61 million. However, LHI has won all the litigation cases as decided by the appeal court of Indonesia. Subsequently, six cases have been brought to the supreme court for a total claims of Baht 130.37 million. The other two cases, with a total claims of approximately Baht 1,169.24, have not been brought up to the supreme court within specified time; therefore, the decisions on these cases are considered final. Nonetheless, LHI's management and its solicitor believe that LHI will not suffer any losses as a result of the above litigations and therefore have not made any provision against the lawsuits in its accounts.

Apart from the above-mentioned commitments and liabilities, there is no unusual event related to the management and/or employees, which will have any impact on the financial status and operating results of the Company.

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

The consolidated financial statements year 2004 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 the financial statements, complying with 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 by having established a correct and complete keeping of the financial records. 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.

Accordingly, the Board of Directors has appointed the Audit Committee, comprising of independent and non-executive directors with complete qualifications as established by the Stock Exchange of Thailand, to review the financial statements for compliance with the accounting standard; to review the internal control and internal audit system for appropriateness and efficiency; to review that the business operation has been conducted in accordance with the Company's regulations and relevant laws and regulations, and without any conflict of interests; as well as to consider and propose for the appointment of the Company's auditors. The Audit Committee has also submitted the Report of the Audit Committee included within the Annual Report 2004.

21 March 2005

On behalf of the Board of Directors of Lanna Resources Public Company Limited



(Mr. Somkiart Limsong)
Chairman



(Mr. Kraisi Sirirungsi)
Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has worked according to the roles and responsibilities assigned by the company's Board of Directors which consist of the following key tasks such as reviewing the financial statements, observing that there is a proper and efficient internal control system, ascertaining that the company operates according to the principles of good corporate governance, ensuring that there would be no conflict of interests, and proposing an appointment of the external auditor.

During the year 2004, the Audit Committee had 13 meetings of which the main points can be summarized as follows:

1. Review the company's quarterly and annually financial statements for the year 2004 which were prepared according to the accounting standards and the announcements of the Securities and Exchange Commission and the Stock Exchange of Thailand including complete and sufficient disclosure at the appropriate times.

2. Review and adapt the internal audit plans to be in accordance with the company's policies and operational plans as well as amend the Audit Committee charter to enhance their scope of responsibilities compliant with the new government's regulations.

3. Review the assessment of the risk management and their preventive measures. It was found that the company has continually paid attention and given priority for the risk management. The risk assessments have been suitably conducted based on the nature of the company's business.

4. Review the disclosure of the related transactions including all the transactions which could cause conflict of interests. It was found that all transactions were conducted based on the usual business practice which have been sufficiently disclosed and followed the regulations of the Stock Exchange of Thailand.

5. The company essentially operated based on the principles of good corporate governance by satisfactorily adhering to the guidelines in order to enhance the transparency and confidence of the stockholders as well as all the relevant parties.

6. Review the internal control system in order to assess its efficiency and sufficiency of the operating system. It was found that they were appropriate for effectively operating the business.

7. Review the operations in compliance with the announcement of the Security Exchange Commission and the Stock Exchange of Thailand as well as other relevant laws.

8. Observe the operations and the processes in closing the Nong Yah Plong mining in Petchburi province and the Ban Pahka mining in Lumpoon province to ensure that they have been carried out according to the agreements and to the government's regulations.

The Audit Committee has independently conducted their assignments and has been receiving good cooperation from the Management. They had meetings with the external auditors to discuss and to seek comments regarding to the financial statements and accounting internal control. There were no irregularities and significant errors.

The Audit Committee reviewed and proposed to the Board of Directors the appointment of Mr. Narong Puntawong, Mr. Ruth Chaowanagawi or Mrs. Saifon Inkaew of Ernst & Young Co., Ltd. as the company's external auditors for the year 2005 to be further approved at the General Meeting of the Shareholders.

February 21, 2005

On behalf of the Audit Committee



(Mr. Padoong Techasarintr)

Chairman of the Audit Committee

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 2004 and 2003 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 period. 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 did not audit the financial statements as at and for the year ended 31 December 2004 of two overseas subsidiary companies which sold most of their inventories to the Company, as included in the consolidated financial statements. These subsidiary companies have the total assets as at 31 December 2004 of approximately Baht 352 million, representing 13 percent of the consolidated total and total revenues for the year then ended of approximately Baht 39 million, representing 2 percent of the consolidated total (2003 : total assets of approximately Baht 206 million, representing 11 percent of the consolidated total and total revenue for the year then ended of approximately Baht 47 million, representing 3 percent of the consolidated total). The financial statements of the subsidiary companies have been audited by other auditors and I have obtained their audit reports. Therefore, my report related to any amounts and particulars of these subsidiary companies as included in the consolidated financial statements, are based solely upon the audit reports of those auditors.

In addition, I did not audit the financial statements as at and for the year then ended 31 December 2004 of a subsidiary company in Thailand, as included in the consolidated financial statements. This subsidiary company, which is preparing for production and distribution of ethanol, has the total assets as at 31 December 2004 of approximately Baht 566 million, representing 21 percent of the consolidated total and total revenues for the year then ended of approximately Baht 0.2 million, representing less than 1 percent of the consolidated total (2003 : total assets of approximately Baht 65 million, representing 3 percent of the consolidated total and total revenue for the year then ended of approximately Baht 0.4 million, representing less than 1 percent of the consolidated total). The financial statements of the subsidiary company have been audited by other auditor and I have obtained his audit reports. Therefore, my report related to any amounts and particulars of this subsidiary company as included in the consolidated financial statements, is based solely upon the audit report of that auditor.

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, based on my audits and the reports of the other auditors, 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 2004 and 2003 and the results of their operations and cash flows for the years then ended in accordance with generally accepted accounting principles.



Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

Ernst & Young Office Limited
Bangkok : 4 February 2005

LANNA RESOURCES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES
BALANCE SHEETS
AS AT 31 DECEMBER 2004 AND 2003

(Unit: Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2004	2003	2004	2003
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		323,815,774	270,442,815	277,649,090	197,621,741
Short-term investments - Investments in open-end fund and unit trust		385,698,803	339,210,281	290,241,203	339,210,281
Trade accounts receivable	4				
Related parties	6	246,970,382	77,722,975	246,970,382	77,722,975
Others		213,367,043	120,831,257	210,873,450	120,831,257
Total trade accounts receivable		460,337,425	198,554,232	457,843,832	198,554,232
Amounts due from related party	6	-	-	82,955,006	-
Inventories	5	154,892,812	209,064,364	77,144,759	197,287,626
Other current assets					
Input tax refundable		58,847,030	30,252,009	-	7,668,405
Advance payments		134,238,859	-	-	-
Others		11,522,318	12,921,078	4,202,542	5,449,830
Total other current assets		204,608,207	43,173,087	4,202,542	13,118,235
TOTAL CURRENT ASSETS		1,529,353,021	1,060,444,779	1,190,036,432	945,792,115
NON-CURRENT ASSETS					
Investments					
Investments in subsidiary and associated companies accounted for under equity method	7	11,387,140	9,115,061	594,866,542	533,874,808
Investments in unit trust and debenture		1,000,000	1,000,000	1,000,000	1,000,000
Total investments		12,387,140	10,115,061	595,866,542	534,874,808
Property, plant and equipment - net	8	863,856,523	405,604,762	77,818,833	92,104,092
Non-operating fixed assets - net	9	30,157,881	30,274,595	30,157,881	30,274,595
Other non-current assets	10	299,064,681	446,120,875	5,472,624	78,918,982
TOTAL NON-CURRENT ASSETS		1,205,466,225	892,115,293	709,315,880	736,172,477
TOTAL ASSETS		2,734,819,246	1,952,560,072	1,899,352,312	1,681,964,592

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 2004 AND 2003

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2004	2003	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Trade accounts payable					
Related parties	6	5,755,172	9,859,598	251,051,573	92,563,684
Others		122,251,978	93,072,224	27,982,487	13,876,444
Total trade accounts payable		128,007,150	102,931,822	279,034,060	106,440,128
Current portion of long-term loans	11	30,944,121	-	-	-
Other current liabilities					
Dividend payable		266,648,165	56,637,381	266,648,165	56,637,381
Accrued expenses		208,371,597	66,563,300	31,049,145	9,305,400
Corporate income tax payable		63,113,223	-	12,359,144	-
Others		24,036,351	17,217,044	5,130,215	8,188,693
Total other current liabilities		562,169,336	140,417,725	315,186,669	74,131,474
TOTAL CURRENT LIABILITIES		721,120,607	243,349,547	594,220,729	180,571,602
NON-CURRENT LIABILITIES					
Long-term loans - net of current portion	11	452,300,000	-	-	-
Provision for liabilities from lawsuit	22.1	11,345,868	10,814,688	11,345,868	10,814,688
TOTAL NON-CURRENT LIABILITIES		463,645,868	10,814,688	11,345,868	10,814,688
TOTAL LIABILITIES		1,184,766,475	254,164,235	605,566,597	191,386,290
SHAREHOLDERS' EQUITY					
Share capital					
Registered, issued and fully paid up					
350,000,000 ordinary shares of Baht 1 each	12	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		(12,432,846)	(10,731,273)	(12,432,846)	(10,731,273)
Retained earnings					
Appropriated					
Statutory reserve	14	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		79,818,561	274,909,575	79,818,561	274,909,575
EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS		1,293,785,715	1,490,578,302	1,293,785,715	1,490,578,302
MINORITY INTERESTS - EQUITY ATTRIBUTABLE					
TO MINORITY SHAREHOLDERS OF SUBSIDIARY					
		256,267,056	207,817,535	-	-
TOTAL SHAREHOLDERS' EQUITY		1,550,052,771	1,698,395,837	1,293,785,715	1,490,578,302
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,734,819,246	1,952,560,072	1,899,352,312	1,681,964,592

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 2004 AND 2003

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2004	2003	2004	2003
REVENUES					
Sales	6, 16	2,471,053,503	1,719,486,059	2,433,954,855	1,673,232,827
Other income					
Interest income		5,760,831	4,795,205	4,251,704	3,759,705
Others		12,070,079	19,271,769	14,202,673	19,271,769
Total other income		17,830,910	24,066,974	18,454,377	23,031,474
Share of profit from investments accounted for under equity method		2,272,079	3,835,710	61,535,435	-
TOTAL REVENUES		2,491,156,492	1,747,388,743	2,513,944,667	1,696,264,301
EXPENSES					
Cost of sales	6	1,966,207,687	1,480,306,158	2,216,833,109	1,519,165,215
Selling and administrative expenses	6	192,877,419	185,566,387	101,617,267	97,119,253
Directors' remuneration	15	15,157,198	9,173,000	9,200,000	8,949,000
Loss on exchange rate		6,895,900	11,358,536	1,486,063	7,186,277
Share of loss from investments accounted for under equity method		-	-	-	5,791,559
TOTAL EXPENSES		2,181,138,204	1,686,404,081	2,329,136,439	1,638,211,304
EARNINGS BEFORE INTEREST EXPENSES AND INCOME TAX		310,018,288	60,984,662	184,808,228	58,052,997
INTEREST EXPENSES		(3,677,624)	-	-	-
CORPORATE INCOME TAX		(71,068,152)	(1,986,914)	(12,399,242)	-
EARNINGS BEFORE MINORITY INTERESTS		235,272,512	58,997,748	172,408,986	58,052,997
EARNINGS IN RESPECT OF MINORITY INTERESTS		(62,863,526)	(944,751)	-	-
NET EARNINGS FOR THE YEAR	16	172,408,986	58,052,997	172,408,986	58,052,997
BASIC EARNINGS PER SHARE					
Net earnings		0.49	0.17	0.49	0.17

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 2004 AND 2003

(Unit : Baht)

	Issued and fully paid share capital	Share premium	Translation adjustments	Statutory reserve	Retained earnings			Minority Interests	Total
					General reserve	Unappropriated			
Balance - beginning of year 2003	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	
Translation adjustments	-	-	(28,251,529)	-	-	-	-	(28,251,529)	
Unrealised transactions in earnings statements	350,000,000	680,400,000	(10,731,273)	35,000,000	161,000,000	304,356,578	152,840,354	1,672,865,659	
Minority interests	-	-	-	-	-	-	54,977,181	54,977,181	
Net earnings for the year 2003	-	-	-	-	-	58,052,997	-	58,052,997	
Dividend paid (Note 18)	-	-	-	-	-	(87,500,000)	-	(87,500,000)	
Balance - end of year 2003	350,000,000	680,400,000	(10,731,273)	35,000,000	161,000,000	274,909,575	207,817,535	1,698,395,837	
Translation adjustments	-	-	(1,701,573)	-	-	-	-	(1,701,573)	
Unrealised transactions in earnings statements	350,000,000	680,400,000	(12,432,846)	35,000,000	161,000,000	274,909,575	207,817,535	1,696,694,264	
Minority interests	-	-	-	-	-	-	48,449,521	48,449,521	
Net earnings for the year 2004	-	-	-	-	-	172,408,986	-	172,408,986	
Dividend paid (Note 18)	-	-	-	-	-	(367,500,000)	-	(367,500,000)	
Balance - end of year 2004	350,000,000	680,400,000	(12,432,846)	35,000,000	161,000,000	79,818,561	256,267,056	1,550,052,771	

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 2004 AND 2003

(Unit : Baht)

	THE COMPANY ONLY						
	Issued and fully paid share capital	Share premium	Translation adjustments	Statutory reserve	General reserve	Unappropriated	Total
Balance - beginning of year 2003	350,000,000	680,400,000	17,520,256	35,000,000	161,000,000	304,356,578	1,548,276,834
Translation adjustments	-	-	(28,251,529)	-	-	-	(28,251,529)
Unrealised transactions in earnings statements	350,000,000	680,400,000	(10,731,273)	35,000,000	161,000,000	304,356,578	1,520,025,305
Net earnings for the year 2003	-	-	-	-	-	58,052,997	58,052,997
Dividend paid (Note 18)	-	-	-	-	-	(87,500,000)	(87,500,000)
Balance - end of year 2003	350,000,000	680,400,000	(10,731,273)	35,000,000	161,000,000	274,909,575	1,490,578,302
Translation adjustments	-	-	(1,701,573)	-	-	-	(1,701,573)
Unrealised transactions in earnings statements	350,000,000	680,400,000	(12,432,846)	35,000,000	161,000,000	274,909,575	1,488,876,729
Net earnings for the year 2004	-	-	-	-	-	172,408,986	172,408,986
Dividend paid (Note 18)	-	-	-	-	-	(367,500,000)	(367,500,000)
Balance - end of year 2004	350,000,000	680,400,000	(12,432,846)	35,000,000	161,000,000	79,818,561	1,293,785,715

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 2004 AND 2003

(Unit : Baht)

	<u>CONSOLIDATED</u>		<u>THE COMPANY ONLY</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Cash flows from operating activities :				
Net earnings	172,408,986	58,052,997	172,408,986	58,052,997
Adjustment to reconcile net earnings to net cash provided by (used in) operating activities :-				
Depreciation and amortisation	639,289,626	548,851,625	110,650,127	238,665,241
Share of loss (profit) from investments accounted for under equity method	(2,272,079)	(3,835,710)	(61,535,435)	5,791,559
Provision (reversal of provision) for impairment of fixed assets	(190,308)	12,113,858	(190,308)	(8,320,320)
Reversal of provision for diminution in market value of inventories	-	(844,494)	-	(844,494)
Loss (gain) from disposal of fixed assets	(2,383,224)	8,949,313	(1,362,676)	8,949,313
Loss (gain) on revaluation of open-end fund	1,096,291	(955,437)	1,096,291	(955,437)
Minority interests in net gain (loss) for the year of subsidiary	62,863,526	(944,751)	-	-
	<u>870,812,818</u>	<u>621,387,401</u>	<u>221,066,985</u>	<u>301,338,859</u>
Decrease (increase) in operating assets				
Trade accounts receivable	(261,783,193)	66,647,749	(259,289,600)	66,647,749
Amounts due from related parties	-	6,513,263	(82,955,006)	53,055,539
Inventories	54,171,552	(37,754,672)	120,142,867	(118,224,708)
Other current assets	(161,435,120)	58,291,504	8,915,692	6,162,570
Increase (decrease) in operating liabilities				
Trade accounts payable	25,075,329	(28,404,004)	172,593,932	68,613,842
Amounts due to related parties	-	(359,086)	-	(359,086)
Other current liabilities	211,751,611	(23,458,647)	31,055,196	5,152,807
Provision for liabilities from lawsuit	531,180	529,729	531,180	529,729
Net cash from operating activities	<u>739,124,177</u>	<u>663,393,237</u>	<u>212,061,246</u>	<u>382,917,301</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 2004 AND 2003

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2004	2003	2004	2003
Cash flows from investing activities :				
Decrease (increase) in short-term investments	(48,457,600)	84,000,000	47,000,000	84,000,000
Increase in investments in subsidiary	-	-	(1,157,872)	(198,750,000)
Increase in investments in unit trust and debenture	-	(1,000,000)	-	(1,000,000)
Proceeds from disposal of fixed assets	13,645,638	4,180,815	2,580,189	4,180,815
Increase in fixed assets	(504,847,014)	(188,156,239)	(8,409,180)	(8,386,552)
Increase in other non-current assets	(455,720,785)	(358,435,789)	(14,547,034)	(78,274,208)
Translation adjustments	(1,701,573)	(28,251,529)	-	-
Net cash from (used in) investing activities	<u>(997,081,334)</u>	<u>(487,662,742)</u>	<u>25,466,103</u>	<u>(198,229,945)</u>
Cash flows from financing activities :				
Long-term loan	483,244,121	-	-	-
Dividend paid	(157,500,000)	(35,000,000)	(157,500,000)	(35,000,000)
Minority interests increase (decrease)	(14,414,005)	55,921,933	-	-
Net cash used in financing activities	<u>311,330,116</u>	<u>20,921,933</u>	<u>(157,500,000)</u>	<u>(35,000,000)</u>
Net increase in cash and cash equivalents	53,372,959	196,652,428	80,027,349	149,687,356
Cash and cash equivalents at beginning of year	270,442,815	73,790,387	197,621,741	47,934,385
Cash and cash equivalents at end of year	<u>323,815,774</u>	<u>270,442,815</u>	<u>277,649,090</u>	<u>197,621,741</u>
Supplemental cash flows informations :-				
Cash paid during the year for :-				
Interest paid	18,957,747	-	-	-
Corporate income tax	7,485,886	80,495	40,097	80,495

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 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.

During 2003, the Company invested in ordinary shares of Thai Agro Energy Company Limited, a company incorporated in Thailand, the principal activity of which is production and distribution of ethanol.

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 :-

	Country of incorporation	Percentage of shareholding		Subsidiary's total assets as a percentage to the consolidated total		Subsidiary's total revenues as a percentage to the consolidated total	
		2004	2003	2004	2003	2004	2003
Held by the Company							
Lanna (Singapore) Pte Ltd.	Singapore	100	100	13	11	2	3
Thai Agro Energy Co., Ltd.	Thai	75	75	21	3	-	-
Held by a subsidiary company							
PT. Lanna Harita Indonesia	Indonesia	55	63	-	-	-	-

- 2.2 The balance sheets and the earnings statements of the two 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 coal 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.

3.3 Accounts receivable and allowance for doubtful accounts

Accounts receivable is stated at net realizable value.

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).

The Company and its subsidiaries review the impairment of assets for property, plant and equipment when there is an indication that the carrying value of an asset exceeds its recoverable amount (the higher of net selling price or value in use). The review is made for individual assets or for the cash generating unit, as the case may be.

In case of the carrying value of asset is more than its recoverable amount, the Company and its subsidiaries will recognise loss from impairment in the earnings statements. The Company and its subsidiaries will reverse loss from impairment when the indication of impairment no longer exists or impairment decreases.

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 coal reserves.

Deferred overburden removal costs and other deferred expenses are charged to operations in accordance with the proportion of units produced to total coal 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 company 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 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.

3.10 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

4. TRADE ACCOUNTS RECEIVABLE

The aging of outstanding balance of trade accounts receivable as at 31 December 2004 and 2003 were as follows :-

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Related parties :				
Not yet due	246,970,382	77,722,975	246,970,382	77,722,975
Total	<u>246,970,382</u>	<u>77,722,975</u>	<u>246,970,382</u>	<u>77,722,975</u>
Other parties :				
Not yet due	213,367,043	120,831,257	210,873,450	120,831,257
Total	<u>213,367,043</u>	<u>120,831,257</u>	<u>210,873,450</u>	<u>120,831,257</u>
Total trade accounts receivable	<u>460,337,425</u>	<u>198,554,232</u>	<u>457,843,832</u>	<u>198,554,232</u>

5. INVENTORIES

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Coal	118,410,492	137,715,921	66,405,011	126,434,548
Coal – work in process (ROM)	35,481,273	70,062,950	10,356,455	70,062,950
Spare parts	1,001,047	1,285,493	383,293	790,128
Total inventories	<u>154,892,812</u>	<u>209,064,364</u>	<u>77,144,759</u>	<u>197,287,626</u>

6. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its subsidiary and 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	
	2004	2003	2004	2003
Sales of coal	668,432,444	673,625,707	668,432,444	673,625,707
Sales of machineries	1,108,340	-	1,187,117	214,953
Freight income	-	35,241,795	-	35,241,795
Purchase of coal	16,257,362	5,903,594	1,491,112,409	970,461,180
Service fee paid	18,317,639	90,891,489	18,317,639	90,891,489
Freight charge	137,398,656	145,995,609	137,398,656	145,995,609

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
Freight income	Price comparable to freight charged to third parties
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 :-

(Unit : Baht)

	Relationship	Consolidated		The Company Only	
		2004	2003	2004	2003
Trade accounts receivable - related parties :					
Siam City Cement (Public) Co., Ltd.	Major shareholders and common directors	174,343,172	76,846,505	174,343,172	76,846,505
Banpu Singapore Pte Ltd.	Common shareholders	-	876,470	-	876,470
Banpu International Ltd.	Common shareholders	72,627,210	-	72,627,210	-
Total trade accounts receivable - related parties		<u>246,970,382</u>	<u>77,722,975</u>	<u>246,970,382</u>	<u>77,722,975</u>
Amounts due from related party :					
PT. Lanna Harita Indonesia	Indirect holding and common directors	-	-	82,955,006	-
Total amounts due from related party		<u>-</u>	<u>-</u>	<u>82,955,006</u>	<u>-</u>
Trade accounts payable - related parties :					
PT. Lanna Harita Indonesia	Indirect holding and common directors	-	-	245,296,401	82,704,086
Banpu Mineral Co., Ltd.	Common shareholders	4,090,981	-	4,090,981	-
United Bulk Shipping Pte Ltd.	Direct holding and common directors	1,664,191	1,919,676	1,664,191	1,919,676
Pan United Shipping Pte Ltd.	Common shareholders in associated company	-	5,865,145	-	5,865,145
Prempracha Engineering Ltd. Part.	Common shareholders and common directors	-	2,074,777	-	2,074,777
Total trade accounts payable - related parties		<u>5,755,172</u>	<u>9,859,598</u>	<u>251,051,573</u>	<u>92,563,684</u>

7. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES ACCOUNTED FOR UNDER EQUITY METHOD

As at 31 December 2004 and 2003, investments in subsidiary and associated companies represent investment in ordinary shares of the following companies :-

Company's name	Principal activity	Relationship	Paid-up Capital		Percentage of Shareholding		Investment				Dividend	
			2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
					%	%	Cost method	Equity method	Cost method	Equity method	Baht	Baht
Subsidiary company :												
Lanna (Singapore) Pte Ltd. (incorporated in Singapore)	Investment in foreign projects	Direct holding and common directors	SGD 16.40 million	SGD 16.35 Million	100	100	393,228,029	392,070,157	402,458,837	330,778,631	-	-
Thai Agro Energy Co., Ltd.	Production and distribution of ethanol	Direct holding and common directors	Baht 265 million	Baht 265 million	75	75	198,750,000	198,750,000	181,020,565	193,981,116	-	-
Total subsidiary company							591,978,029	590,820,157	583,479,402	524,759,747	-	-
Associated company :												
United Bulk Shipping Pte Ltd. (incorporated in Singapore)	Shipping Business	Direct holding and common directors	SGD 0.1 million	SGD 0.1 Million	49	49	890,679	890,679	11,387,140	9,115,061	-	-
Total associated company							890,679	890,679	11,387,140	9,115,061	-	-
Total investments accounted for under equity method												
- consolidated (associated company)									11,387,140	9,115,061	-	-
- the Company only (subsidiary and associated companies)									594,866,542	533,874,808	-	-

During 2004, the Company purchased 50,000 ordinary shares, or all of the additionally issued capital of Lanna Singapore Pte Ltd., at par value of SGD 1 per share, or equivalent to Baht 1.16 million.

On 16 August 2004, the meeting of the Company's Board of Directors passed a resolution to approve PT. Lanna Harita Indonesia, the subsidiary located in Indonesia and held by Lanna (Singapore) Pte Ltd., to dissolve the resolution for capital increase amounting to USD 2.5 million by re-payment to shareholders subscribing for the shares with carrying cost at the rate of 5% per annum. This caused the decrease in paid up capital of such subsidiary from USD 10.5 million to USD 8.0 million. As a result, the percentage of shareholding of Lanna (Singapore) Pte Ltd., in such subsidiary has decreased from 63.33 percent to 55 percent.

8. PROPERTY, PLANT AND EQUIPMENT

Consolidated

	(Unit : Baht)								
	Land	One	Land improvement	Building and amenities	Machinery and equipment	Office equipment	Vehicles	Construction in progress	Total
Cost									
31 December 2003	102,009,509	137,392,078	37,100,798	6,282,590	324,214,531	43,130,550	26,419,518	154,420,240	830,969,814
Purchase/transfer-in	4,708,014	-	-	-	2,977,007	5,456,941	2,752,009	490,985,062	506,879,033
Transfer from non-operating fixed assets	-	-	-	-	72,128	-	-	-	72,128
Disposal	(30,161,821)	-	-	-	(5,087,770)	(2,673,905)	(2,025,635)	-	(39,949,131)
Translation adjustments	(597,562)	-	(336,532)	-	(1,537,097)	(203,893)	-	(37,385)	(2,712,469)
31 December 2004	75,958,140	137,392,078	36,764,266	6,282,590	320,638,799	45,709,693	27,145,892	645,367,917	1,295,259,375
Accumulated depreciation/amortisation									
31 December 2003	-	136,171,338	19,307,902	3,859,597	197,911,885	30,347,393	17,332,758	-	404,930,873
Depreciation of the disposed assets	-	-	-	-	(4,169,696)	(2,548,672)	(1,863,175)	-	(8,581,543)
Depreciation/Amortisation for the year	-	1,220,740	3,068,377	307,957	21,834,259	5,339,516	3,577,700	-	35,348,549
Depreciation of those transferred from Non-operating fixed assets	-	-	-	-	49,317	-	-	-	49,317
Translation adjustments	-	-	(74,926)	-	(157,199)	(112,219)	-	-	(344,344)
31 December 2004	-	137,392,078	22,301,353	4,167,554	215,468,566	33,026,018	19,047,283	-	431,402,852
Allowance for impairment									
31 December 2003	20,434,179	-	-	-	-	-	-	-	20,434,179
Reversal of provision for loss on impairment of fixed assets	(20,434,179)	-	-	-	-	-	-	-	(20,434,179)
31 December 2004	-	-	-	-	-	-	-	-	-
Net book value									
31 December 2003	81,575,330	1,220,740	17,792,896	2,422,993	126,302,646	12,783,157	9,086,760	154,420,240	405,604,762
31 December 2004	75,958,140	-	14,462,913	2,115,036	105,170,233	12,683,675	8,098,609	645,367,917	863,856,523
Depreciation and amortisation charge (included in earnings statements) for the year :									
2003									36,088,137
2004									35,348,549

The Company Only

(Unit : Baht)

Cost	Land	Ore	Land Improvement	Building and amenities	Machinery and Equipment	Office equipment	Vehicle	Total
31 December 2003	34,974,462	137,392,078	16,196,136	6,282,590	228,733,332	27,636,691	23,881,633	475,096,942
Purchase	4,708,014	-	-	-	-	949,157	2,752,009	8,409,180
Disposal	(11,700)	-	-	-	(5,087,770)	(2,673,905)	(2,025,635)	(9,799,010)
Transfer from non-operating fixed assets	-	-	-	-	72,128	-	-	72,128
31 December 2004	39,670,776	137,392,078	16,196,136	6,282,590	223,717,690	25,911,943	24,608,027	473,779,240
Accumulated depreciation/amortisation								
31 December 2003	-	136,171,338	14,653,627	3,859,596	188,147,031	23,084,680	17,076,578	382,992,850
Depreciation of the disposed assets	-	-	-	-	(4,169,696)	(2,548,672)	(1,863,175)	(8,581,543)
Depreciation / Amortisation for the year	-	1,220,740	497,560	307,957	14,133,847	2,270,260	3,069,619	21,499,783
Depreciation of those transferred from non-operating fixed assets	-	-	-	-	49,317	-	-	49,317
31 December 2004	-	137,392,078	15,150,987	4,167,553	198,160,499	22,806,268	18,283,022	395,960,407
Net book value								
31 December 2003	34,974,462	1,220,740	1,542,509	2,422,994	40,586,301	4,552,011	6,805,075	92,104,092
31 December 2004	39,670,776	-	1,045,149	2,115,037	25,557,191	3,105,675	6,325,005	77,818,833
Depreciation and amortisation charge (included in earnings statement) for the year :								
2003								23,713,387
2004								21,499,783

Property, plant and equipment include the land with a cost of Baht 2.5 million (2003 : Baht 5.9 million), of which the title has yet to be transferred to the Company.

Property, plant and part of machinery of Thai Agro Energy Co., Ltd., a subsidiary company, have been mortgaged and pledged as collateral for long-term loan as discussed in Note 11.

As at 31 December 2004, certain equipment items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 48.4 million (2003 : Baht 73.7 million).

9. NON-OPERATING FIXED ASSETS

(Unit : Baht)

	Consolidated and The Company Only	
	2004	2003
Non-operating fixed assets – cost	34,992,239	35,167,027
Less : Accumulated depreciation	(2,414,725)	(2,282,491)
	<u>32,577,514</u>	<u>32,884,536</u>
Less : Provision for loss on impairment of fixed assets	(2,419,633)	(2,609,941)
Non-operating fixed assets – net	<u>30,157,881</u>	<u>30,274,595</u>
Depreciation for the year	<u>284,165</u>	<u>1,449,696</u>

As at 31 December 2004 and 2003, the Company had non-operating fixed assets which mostly are land and land improvement of Nong Ya Pong mine with an aggregate net book value of approximately Baht 33 million (2003 : Baht 33 million). The Company is considering selling all such assets to other parties. The Company has considered their net realisable value and set up provision of Baht 2 million (2003 : Baht 3 million) for loss on impairment of such assets in the accounts.

10. OTHER NON-CURRENT ASSETS

Other non-current assets as at 31 December 2004 and 2003 consist of the followings and have been shown net of related accumulated amortisation :-

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Research and survey expenses	-	77,643	-	77,643
Deferred overburden removal expenses	23,744,276	132,090,446	-	72,188,952
Land-related expenses	-	866,169	-	866,169
Village relocation project expenses	-	1,430,838	-	1,430,838
Deferred expenses - coal mine project	-	469,297	-	469,297
Deferred expenses – Indonesia coal mine project	153,149,736	198,831,377	-	-
Excess of cost of investment over net book value of the subsidiary	71,918,343	82,685,903	-	-
Others	50,252,326	29,669,202	5,472,624	3,886,083
Total other non-current assets	299,064,681	446,120,875	5,472,624	78,918,982
Amortisation for the year	602,776,978	506,778,729	87,993,392	208,967,106

11. LONG-TERM LOAN

(Unit : Baht)

	2004	2003
Long-term loans	483,244,121	-
Less : Current portion of long-term loans	(30,944,121)	-
Long-term loans – net of current portion	452,300,000	-

A long-term loan from bank of Thai Agro Energy Co., Ltd., a subsidiary company, is a Baht loan under the credit facility of Baht 480 million which carries interest at the fixed rates of 5% for the first 3 years and MLR (Minimum Loan Rate) less 1% per annum during fourth to eighth year. The loan is secured by the mortgage and pledge of the subsidiary's property, plant and part of its machinery.

12. SHARE CAPITAL

On 21 April 2003, the Annual General Meeting of the Company's shareholders passed a resolution to approve the change of the par value of the Company's ordinary shares from Baht 10 per share to Baht 1 per share, by splitting its 35 million ordinary shares into 350 million ordinary shares. The Company registered the change in the par value of the Company's ordinary shares with the Ministry of Commerce in April 2003.

13. STAFF PROVIDENT FUND

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 salaries 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 2004 amounted to Baht 2.9 million (2003 : Baht 2.9 million).

14. 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.

15. 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.

16. PROMOTIONAL PRIVILEGES

The Company has been granted tax promotional privileges by the Board of Investment under the Investment Promotion Act B.E. 2520 for lignite mining. 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 expire in 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.

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

(Unit : Million Baht)

	2004	2003
Sales		
BOI promoted activities	351	245
Non - BOI promoted activities	2,083	1,428
Total	<u>2,434</u>	<u>1,673</u>

17. NUMBER OF EMPLOYEES AND RELATED COST

	Consolidated		The Company Only	
	2004	2003	2004	2003
Number of employees at end of year (persons)	360	375	134	203
Employee costs for the year (Thousand Baht)	110,915	83,837	53,733	49,590

18. DIVIDEND

During 2004 and 2003, the Company's Annual General Meeting of Shareholders passed resolutions approving the payment of a dividend 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)

	Approved by	Date of dividend payment	Total dividends	Dividend per share
Final dividend on 2002 earnings	Annual General Meeting of the shareholders on 21 April 2003	6 May 2003	35,000,000	0.10
Interim dividend on 2003 earnings	Board of Directors' meeting on 15 December 2003	15 January 2004	52,500,000	0.15
Total for 2003			<u>87,500,000</u>	<u>0.25</u>
Final dividend on 2003 earnings	Annual General Meeting of the shareholders on 26 April 2004	26 May 2004	35,000,000	0.10
Interim dividend on 2004 earnings	Board of Directors' meeting on 16 August 2004	15 September 2004	70,000,000	0.20
Interim dividend on 2004 earnings	Board of Directors' meeting on 20 December 2004	19 January 2005	262,500,000	0.75
Total for 2004			<u>367,500,000</u>	<u>1.05</u>

20. SIGNIFICANT CONTRACTS AND AGREEMENTS

20.1 The Company has entered into an agreement with the Department of Alternative Energy Development and Efficiency to mine and distribute coal 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 Alternative Energy Development and Efficiency, 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 coal 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 Alternative Energy Development and Efficiency 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.

20.2 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.

20.3 On 18 October 2004, the meeting of the Company's Board of Directors passed a resolution to approve Lanna (Singapore) Pte Ltd. to sign a Joint Venture Agreement and Deed of Shares Sale and Purchase and Subscription Agreement which are jointly executed by 3 parties, Lanna (Singapore) Pte Ltd., Pan-United Investments Pte Ltd. and PT. Harita Jayaraya, to invest in PT. Citra Harita Mineral, which has a registered capital of 1,000 shares at the par value of 1 million rupiahs, totally amounting to 1,000 million rupiahs (equivalent to Baht 4.4 million). This company has signed the Coal Mining Cooperation Agreement with CV. Cahaya Tiara dated 15 June 2004 to have KP license to conduct exploration and produce coals in Indonesia. This license has the 2-year exploration period and can be extended 3 times for 1 year each time and also produce coals for 10 years and can be extended 2 times, for 5 years each time. The Joint Venture Agreement and Deed of Shares Sale and Purchase and Subscription Agreement have the significant matters as follows : -

20.3.1 Joint Venture Agreement dated 22 September 2004

These 3 parties agreed the proportion of investment in the shares of PT. Citra Harita Mineral whereby Lanna (Singapore) Pte Ltd., Pan-United Investments Pte Ltd. and PT. Harita Jayaraya will hold 550 shares, 100 shares and 350 shares, representing 55%, 10% and 35% of registered capital of such company.

20.3.2 Deed of Shares Sale and Purchase and Subscription Agreement dated 22 September 2004

The current shareholders which held 300 shares of the paid-up capital amounting to 300 million rupiahs will sell their shares at par value of 1 million rupiahs per share and then PT. Citra Harita Mineral will increase its share capital for 700 shares and sell to shareholders at the par value of 1 million rupiahs and the proportion of percentage held for these three parties will be the same.

21. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2004, the Company and subsidiary had the following commitments and contingent liabilities :-

- 21.1 The Company and subsidiary had commitments in respect of rental of office building, land, motor vehicles and scale payable within 2005 - 2007 of approximately Baht 16 million (2003 : Baht 8 million).
- 21.2 A subsidiary company had commitments in respect of construction contract amounting to approximately Baht 87 million.
- 21.3 The Company had bank guarantees of approximately Baht 52 million (2003 : Baht 61 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.

22. LITIGATION

- 22.1 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 2004, the Company has set aside a provision for liabilities from lawsuit including accrued interest in its accounts for a total of Baht 11.30 million (2003 : Baht 10.8 million).

22.2 The subsidiary company in Indonesia had contingent liabilities in respect of eight lawsuits brought by outside parties in relation to rights over land used by the subsidiary for mining. Appeal court had judged in favor of the subsidiary for all cases. At present, two cases had been finally judged and other six cases are currently being submitted a petition by the plaintiffs and considered by the Supreme courts, claiming for damages totalling equivalent to approximately Baht 130 million. However, the subsidiary company's management and its solicitor believe that the subsidiary will not suffer any significant losses as a result of the above litigation and the subsidiary has therefore not made any loss provision against the lawsuits in its accounts.

23. CHANGES IN ACCOUNTING ESTIMATE

As at 1 January 2004, the Company has changed the amortisation rate of the deferred overburden removal cost at the Pha Kha mine. Such change has increased the cost of lignite produced from this mine and has resulted in a decrease of approximately Baht 5.9 million in the balance of total assets as at 31 December 2004 and a decrease in the net earnings for the year ended 31 December 2004 of approximately Baht 9.1 million or less than Baht 0.03 per share.

During 2004, an overseas subsidiary has changed its estimate of its coal reserves with retroactive effect starting on 1 January 2004 and during the second quarter of 2004, it has changed the amortisation rate of the deferred overburden removal expense with retroactive effect starting on 1 June 2004. The change has resulted in an increase in the balance of total assets as at 31 December 2004 of approximately Baht 12.9 million and a decrease in the net earnings for the year ended 31 December 2004 by approximately Baht 59.7 million or Baht 0.17 per share.

24. 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 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.

As at 31 December 2004, all of the Company's assets and liabilities in foreign currency which have not been hedged are as follow :-

Foreign currency	Assets	Liabilities	Exchange rate as at 31 December 2004	
			Buying rate	Selling rate
(Baht per unit of foreign currency)				
US dollar	10,709,438	6,663,935	39.0147	39.2025
Singapore dollar	17,810,148	-	23.7092	24.0196

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/or 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.

25. PRESENTATION

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

26. APPROVAL OF FINANCIAL STATEMENTS

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

**AUDIT FEES OF THE COMPANY AND SUBSIDIARY COMPANIES
FINANCIAL YEAR ENDING DECEMBER 31, 2004**

Audit Fee

(Unit: Baht)

Company Name	Auditor's Name	Audit Fee
Lanna Resources Public Co., Ltd.	Mrs. Saifon Inkaew of Ernst & Young Office Limited	780,000.00
Thai Agro Energy Co., Ltd.	Mr. Prasert Trunganont	50,000.00
Lanna (Singapore) Pte Ltd.	Ms. Kristin Kim Yoon Sook from Nexia Tan & Sitoh	167,050.80
PT Lanna Harita Indonesia	Mr. Justinus A. Sidharta from Drs Johan, Malonda & Rekan	292,414.30

Non-Audit Fee

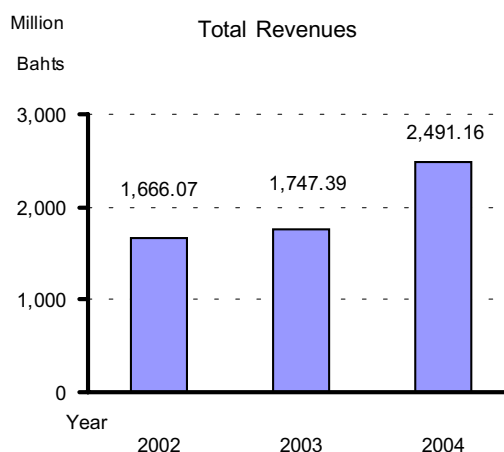
(Unit: Baht)

Company Name	Non-Audit Service	Service Provider	Non-Audit Fee	
			Payment during Financial Year	Future Payment
Lanna (Singapore) Pte Ltd.	Tax Agent	Nexia Tan & Sitoh	0	47,728.802

FINANCIAL ANALYSIS AND OPERATING RESULTS (BASED ON THE CONSOLIDATED FINANCIAL STATEMENTS YEAR 2004)

Earning Ability

Sale Revenues: The Company's coal sale revenues for year 2004 was Baht 2,471.05 million, an increase from year 2003 by about Baht 751.56 million or 43.71 percent. This was due to a 27.89 percent increase in coal sale volumes from year 2003 and coal prices have significantly increased during the past year 2004. The coal consumption and coal prices in 2005 are expected to remain high in the direction of increasing fuel prices; and more operators will be interested in switching to utilize more coals, which is still a cheaper fuel source, to reduce impact from higher fuel prices.



Total Revenues: The Company's total revenues for year 2004 was about Baht 2,491.16 million, an increase from year 2003 of about Baht 743.77 million or an increase of 42.56 percent due to higher coal sales as described above.

Description (Unit : Million Baht)	2004	2003	Increase/(Decrease)	
			Amount	%
Coal Sale Revenues	2,471.05	1,719.49	751.56	43.71
Other Revenues	20.11	27.90	(7.79)	(27.92)
Total Revenues	2,491.16	1,747.39	743.77	42.56

Profitability

Gross Profit: The Company's gross profit for year 2004 was Baht 504.84 million, having a gross profit margin of 20.43 percent. In comparison with year 2003 with a gross profit of Baht 239.18 million, or a gross profit margin of 13.91 percent, the gross profit margin was increased. Due to a higher coal sale price, the gross profit margin of year 2004 was significantly increased.

Description	2004	2003
Revenue from Sale	2,471.05	1,719.49
<u>Less</u> Cost of Sale	1,966.21	1,480.31
Gross Profit	504.84	239.18
Gross Profit Margin (%)	20.43	13.91

Net Profit: The Company's net profit for year 2004 was about Baht 172.41 million or 6.92 percent of the total revenues. In comparison with year 2003 with the net profit of Baht 58.05 million or 3.32 percent of the total revenues, the net profit increased by about Baht 114.36 million or a increase of 197.00 percent, due to the increase in coal sale volumes from year 2003 by 27.89 percent, as well as the significant increase in coal sale price during the past year 2004.

Description (Unit : Million Baht)	2004	2003	Increase/(Decrease)	
			Amount	%
Profit from Core Business	152.30	30.15	122.15	405.14
Plus Other Revenues	17.83	24.06	(6.23)	(25.89)
Profit from Company's Operations	170.13	54.21	115.92	213.84
Plus Share of Profit from Affiliated Companies	2.28	3.84	(1.56)	(40.63)
Net Profit	172.41	58.05	114.36	197.00
Net Profit Per Share-Baht per Share	0.49	0.17	0.32	188.24

Earnings per Share: The Company's net earnings per share in 2004 were about Baht 0.49 per share. In comparison with year 2003 with the net earnings per share of Baht 0.17 per share, the net profit per share increased from 3.32 percent to 6.92 percent, due to an increase of net profit in 2004 as described above. The return on equity was at an average of 12.38 percent.

Financial Ratio	2002	2003	2004
Net Profit (Loss) Margin (%)	5.64	3.32	6.92
Return on Equity (%)	5.91	3.82	12.38

Earning Efficiency: The Company's return on total assets and return on fixed assets in 2004 were 7.36 percent and 31.29 percent, respectively, of which were higher than in 2003. This was due to the higher net profit and the assets turnover ratio of 1.06 times, which were slightly higher than 2003.

Financial Ratio	2002	2003	2004
Return on Total Assets (%)	4.44	2.97	7.36
Return on Fixed Assets (%)	39.97	25.61	31.29
Assets Turnover Ratio (%)	0.79	0.89	1.06

Financial Status

Descriptions (Unit : Million Baht)	As at December 31st , 2004	As at December 31st , 2003	Increase/(Decrease)	
			Amount	%
Total Assets	2,734.82	1,952.56	782.26	40.06
Total Liabilities	1,184.77	254.16	930.61	366.15
Total Shareholders' Equity	1,550.05	1,698.40	(148.35)	(8.73)
Book Value – Baht per Share	3.70	4.26	(0.56)	(13.15)

Total Assets: The Company's total assets at December 31, 2004 increased from year 2003 by Baht 782.26 million or an increase of 40.06 percent. This was due to an increase in current assets (such as cash, short-term investment, trade account receivable, etc.) of Baht 468.91 million and an increase in non-current assets by Baht 313.35 million, which were mainly the assets in the ethanol-for-fuel production plant project of the subsidiary company.

Total Liabilities: The Company's total liabilities at December 31, 2004 increased from year 2003 by Baht 930.61 million or an increase of 366.15 percent, due to the Board of Directors' approval of interim dividend payment for year 2004 of Baht 0.75 per share on January 19, 2005, resulting in the increased accrued dividend payment at end of year 2004 of Baht 210.01 million, in addition to an increase in current liabilities (such as trade account payable, accrued expenses, corporate income tax, etc.) of Baht 237.36 million. Also there were long-term loans for investment in the ethanol production plant of the subsidiary companies of Baht 483.24 million.

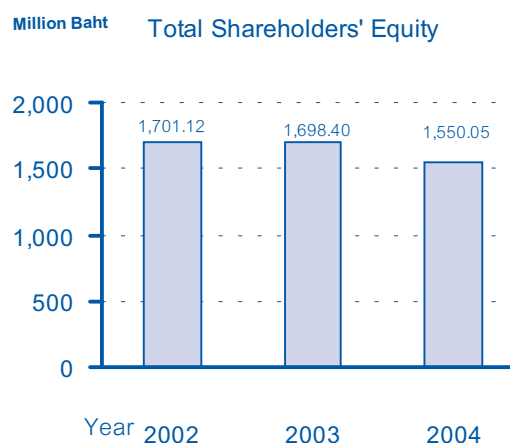
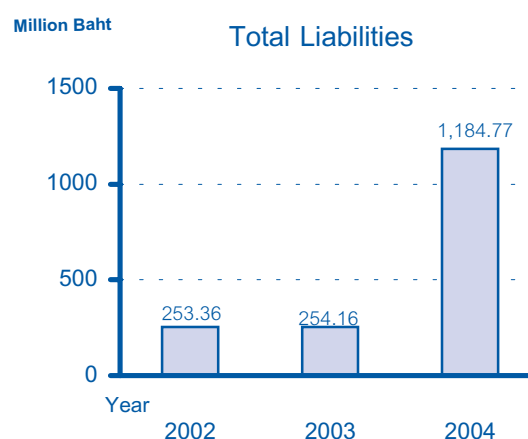
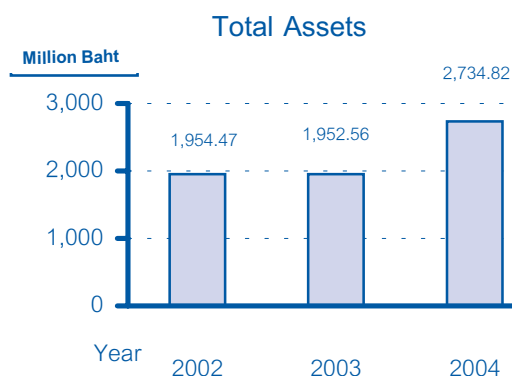
Total Shareholders' Equity: The Company's total shareholders' equity at December 31, 2004 decreased from year 2003 by Baht 148.35 million or a decrease of 8.73 percent. This was due to the payment of dividend during year 2004, totaling Baht 367.50 million. However, there were increases in net profit and other transactions of Baht 219.15 million.

Book Value per Share: The Company's book value per share at end of 2004 decreased from Baht 4.26 per share in 2003 to Baht 3.70 per share due to lower shareholders' equity as described above.

Borrowing Capability and Loan Repayment Ability

- The Company's debt service coverage ratio (cash basis) in 2004 was 4.61 times which is considered substantial. Thus contingent liabilities should be met without any problem.

- The Company's total debt to equity ratio at end of year 2003 was as low as 0.76:1. Therefore, the borrowing capacity remained high should additional funding be required for project investment in the future.



Financial Ratio	2002	2003	2004
Debt to Equity Ratio (times)	0.15	0.15	0.76
Interest Coverage Ratio (times)	2,720.81	N/A	84.30
Debt Service Coverage Ratio (Cash Basis) (times)	0.98	7.58	4.61

Liquidity

- The Company's overall liquidity was considered in good standing with its current ratio as at end of year 2004 at 2.12:1, of which most of the current assets were in cash, bank deposits and quick assets, with a quick ratio and a cash flow liquidity ratio at 1.62:1 and 1.53:1, respectively.

Financial Ratio	2002	2003	2004
Current Ratio (%)	3.78	4.36	2.12
Quick Ratio (%)	2.65	3.32	1.62
Cash Flow Liquidity Ratio (%)	1.41	2.73	1.53
Accounts Receivable Turnover (times)	7.71	7.42	7.50
Collection Period (days)	47	49	48
Inventory Turnover (times)	10.55	7.80	10.80
Accounts Payable Turnover (times)	11.00	12.64	17.03
Cash Cycle (days)	48	67	60

- The Company's cash cycle during year 2004 was 60 days, a decrease from year 2003 by 7 days. The Company offered average credit term and sales period of 48 days and 33 days, respectively, a decrease from year 2003 by 1 day and 13 days, respectively. However, the average period receivable in year 2004 was 21 days, a decrease from year 2003 by an average of 7 days.

Cash Flows

- The Company's cash flow from operating activities for year 2004 was at Baht 739.13 million, a difference of Baht 566.72 million from the net profit of year 2003. 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 639.29 million but there were net increases in other current assets and other liabilities of Baht 72.57 million.

Descriptions (Unit : Million Baht)	2004	2003
Cash Flows from Operating Activities	739.13	663.39
Cash Flows from Investing Activities	(997.08)	(487.66)
Cash Flows from Financing Activities	311.33	20.97
Net Increase (Decrease) in Cash	53.38	196.65
Cash at the beginning of the period	270.44	73.79
Cash at the end of the period	323.82	270.44

- The Company's net cash used in investment activities for year 2004 was at Baht 997.08 million, due to the investment in the construction of the ethanol-for-fuel production and distribution plant, resulting in an increase of assets by Baht 504.85 million and the net increase in other transaction of assets of Baht 492.23 million.

- The Company's net cash from in financing activities for year 2004 was at Baht 311.33 million, due to an increase in long-term loans for the construction of the ethanol-for-fuel production and distribution plant of Baht 483.24 million and increase in the shareholders' equity of minority of Baht 14.41 million. Also, the Company had a dividend payment of Baht 157.50 million.

- In summary, the Company's main sources of cash were from the coal sales with its ability to collect bills on time. The net cash flow return on equity for year 2004 was 43.52 percent.

Financial Information of Affiliated Companies for Year 2004

Description	UNITED BULK SHIPPING PTE. LTD.		LANNA (SINGAPORE) PTE. LTD.		PT. LANNA HARITA INDONESIA		THAI AGRO ENERGY CO., LTD.	
	Singapore Dollars	Baht	Singapore Dollars	Baht	US Dollars	Baht	US Dollars	Baht
Investment and Shareholding								
Registered Capital	1,000,000.00	23,864,400.00	30,000,000.00	715,932,000.00	8,000,000.00	311,955,440.00	8,000,000.00	265,000,000.00
Issued and Paid-up Capital	100,000.00	2,386,440.00	16,400,000.00	391,376,160.00	8,000,000.00	311,955,440.00	8,000,000.00	265,000,000.00
Par Value per Share	1.00	23.86	1.00	23.86	1,000.00	38,994.43	1,000.00	10.00
Direct & Indirect Shareholding (%)	49	49	100	100	55	55	55	75
Operating Results of Year 2004								
Total Revenues	5,471,818.28	130,581,660.16	63,284,268.64	1,510,241,100.53	37,715,007.72	1,470,675,228.49	37,715,007.72	173,458.15
Net Profit (Loss)	193,137.14	4,609,101.96	2,902,285.35	69,261,298.51	3,500,433.84	136,497,422.34	3,500,433.84	(17,252,882.79)
Retained Earnings (Loss)	969,241.53	23,130,367.57	979,541.07	23,376,159.91	3,040,523.55	118,563,482.73	3,040,523.55	(23,908,319.58)
Earnings (Loss) per share	1.93	46.06	0.18	4.30	437.55	17,062.01	437.55	(0.65)
Financial Status as at Dec. 31, 2004								
Total Assets	1,676,849.77	40,017,013.65	41,963,228.57	1,001,427,271.89	21,267,750.37	829,323,803.06	21,267,750.37	747,148,320.19
Total Liabilities	607,608.24	14,500,206.08	16,818,002.75	401,351,544.83	10,227,226.82	398,804,880.33	10,227,226.82	506,056,639.77
Shareholders' Equity of Majority	-	-	8,118,096.95	193,733,512.85	-	-	-	241,091,680.42
Shareholders' Equity of Minority	1,069,241.53	25,516,807.57	17,027,128.87	406,342,214.21	11,040,523.55	430,518,922.73	11,040,523.55	241,091,680.42
Total Shareholders' Equity	1,069,241.53	25,516,807.57	25,145,225.82	600,075,727.06	11,040,523.55	430,518,922.73	11,040,523.55	241,091,680.42
Book Value per share	10.69	255.11	1.53	36.51	1,380.07	53,815.04	1,380.07	9.10
Financial Ratio								
Current Ratio (times)		2.76		1.44		1.20		1.61
Debt to Equity Ratio (times)		0.57		0.67		0.93		2.10
Return on Total Assets (%)		11.52		6.92		16.46		(2.31)
Return on Equity (%)		18.06		11.54		31.71		(7.16)
Manpower		-		-		169		57
Exchange Rate Used		1 Singapore Dollar = 23.8644 Baht		1 Singapore Dollar = 23.8644 Baht		1 US Dollar = 38.99443 Baht		-

INVESTMENT POLICY AND DIRECTION

Due to the increasing demand of coals as the fuel source that costs less than the fuel oil or natural gas, the Company thus focuses on the expansion of its core business or the coal business domestically and overseas. Additional evaluations of coal projects are constantly conducted with the aim to add more deposits from other mine locations. Other coal-related logistic activities, especially in sea transports and additional coal distribution centers, have continued to gain exceptional attention in order to expand and support the coal market as the domestic coal deposits have nearly been fully depleted. In addition to the coal business, the Company is also interested in other energy-related businesses in order to assure long-lasting revenue growth and strong return on investment, which could be elaborated below.

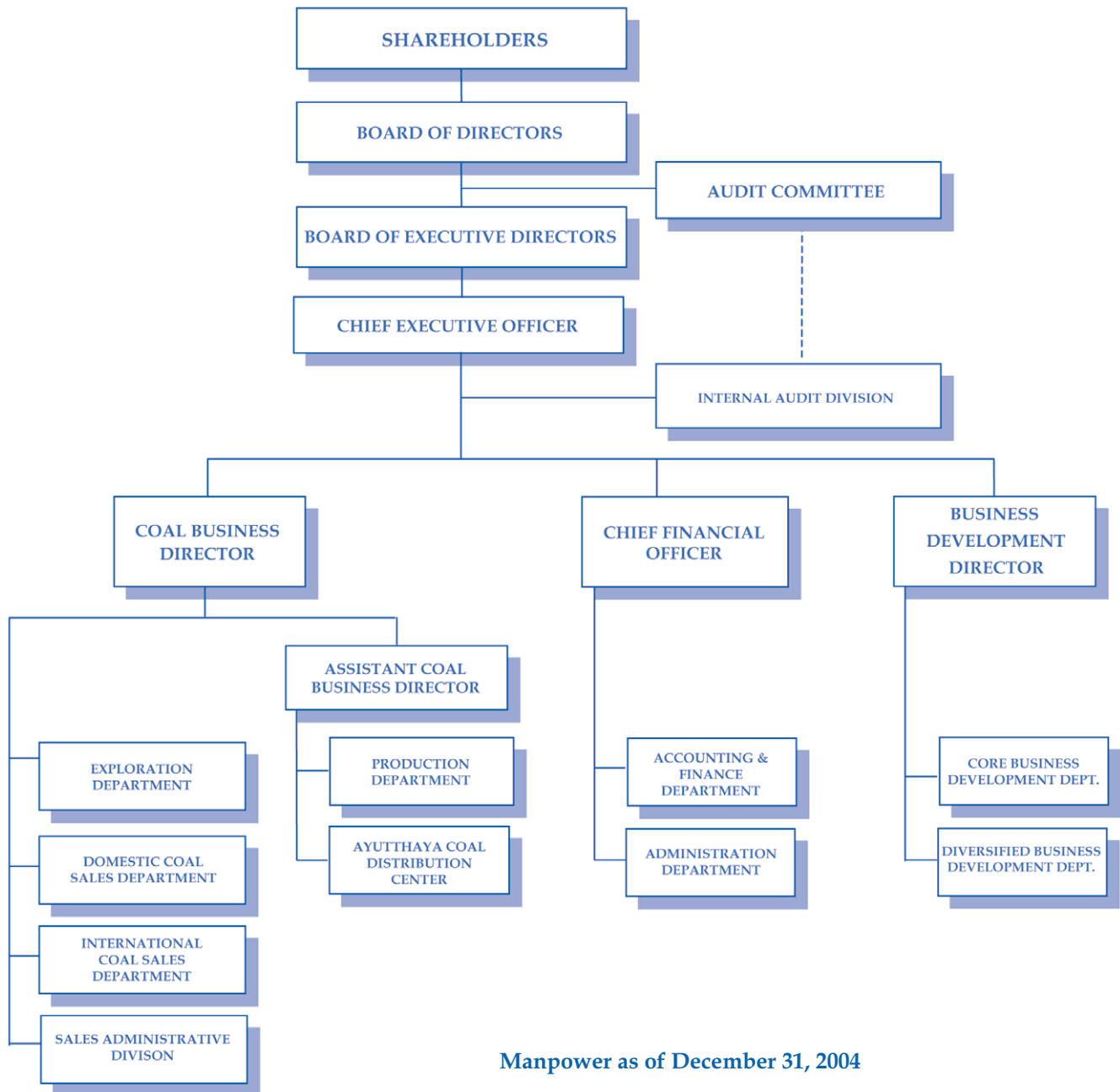
(1) In 2003, the Company has invested in the acquisition of ordinary shares in Thai Agro Energy Company Limited for 19.875 million shares at Baht 10 per share, totaling Baht 198.75 million, or 75 percent of the fully paid-up registered capital. The investment was for the production and distribution plant of ethanol-for-fuel (99.5 percent pure alcohol) at Dan Chang District, Suphanburi Province, with 150,000 liter-per-day of ethanol production capacity, using molasses as the raw material. The 10 percent of ethanol can be blended with 90 percent of benzene octane 91 to become the gasohol, which can be effectively used as the normal gasoline 95. The plant construction and equipment installation have been completed since the end of 2004, with ethanol production and distribution expected to be commencing from the end of January 2005; which should bring the Company more revenues and profits for the following years.

The Government has established a policy to gradually reduce the import of fuel and octane-booster additive called MTBE (Methyl Tertiary Butyl Ether) and eventually ban its import, the Company, therefore, is interested in the expansion of ethanol-for-fuel production capacity in the future by requesting for additional ethanol production capacity for Thai Agro Energy Co., Ltd. and/or jointly investing with the other companies having license for the production and distribution of ethanol; in order to expand our ethanol production and distribution potentials in long term. The Company is also interested in joint investment in related business on the blending of ethanol and gasoline to produce and distribute the gasohol, providing more variety of products, increasing revenues and profits in long term.

(2) In 2004, Lanna (Singapore) Pte. Ltd. (a wholly-owned subsidiary company of Lanna Resources Public Company Limited registered in Singapore) had invested 55 percent in PT Citra Harita Mineral, with a registered capital of Indonesian Rupiah 1,000,000,000 or around Baht 4,400,000, to undertake the exploration and coal mining activities in the Company's second coalmine in Indonesia within the concession area of CV. Cahaya Tiara covering two coal deposit areas with the total area of around 1,680.80 hectares, located in the Samarinda Regency, East Kalimantan. The concession period consists of a 2-year exploration period which can be extended three times for one year each and a 10-year exploitation period which can be extended two times for five years each. According to the preliminary survey, the coal reserves were estimated at about 10 million tons. The coal production and distribution from this coalmine is scheduled around the middle of year 2005 with a production capacity of more than 500,000 tons per annum.

SHAREHOLDING STRUCTURE AND MANAGEMENT

Organization Structure



Manpower as of December 31, 2004

Permanent Employees	91 persons
Temporary Employees	<u>43</u> persons
Total Employees	<u>134</u> persons

Major Shareholders and Shareholding Proportion

The followings are the groups of ten largest shareholders and their respective shareholding percentages, at the closing of share registry on January 4, 2005.

1) Siam City Cement Public Co., Ltd., is the largest shareholder with 157,449,320 shares or 44.99 percent of the paid-up registered capital, having two representing directors; namely, Mr. Paul Heinz Hugentobler and Mr. Vanchai Tosomboon, whom are non-executives and non-authorized directors.

2) Banpu Public Co., Ltd., is the second largest shareholder with 35,258,000 shares or 10.07 percent of the paid-up registered capital, having one representing director; namely, Mr. Anun Siripong, whom is a non-executive and non-authorized director.

3) The group of Mr. Kraisi Sirirungsi is the third largest shareholder, comprising of Mrs. Vassana Sirirungsi and Mr. Kraisi Sirirungsi, together holding a total of 28,100,000 shares or 8.03 percent of the paid-up registered capital, having one representing director; namely, Mr. Kraisi Sirirungsi, whom is the Executive Chairman and Company's authorized person.

4) The "Tantisunthorn" group is the fourth largest shareholder, comprising of Mr. Rak Tantisunthorn, Mr. Tawee Tantisunthorn, Mr. Visit Tantisunthorn, Mr. Tanat Tantisunthorn, Mr. Prawat Tantisunthorn, Mrs. Puangpen Tissayakorn, Mr. Boonlieng Tantisunthorn, Mrs. Mullika Intusuth, Mrs. Nalinee Rattanaavadi, Ms. Wallapa Tantisunthorn, Mrs. Malee Tantisunthorn, Ms. Wanida Tantisunthorn, Mrs. Sumruay Tantisunthorn and Ms. Siriphan Tissayakorn, together having a total of 22,437,760 shares or 6.41 percent of the paid-up registered capital, having two representing two directors; namely, Mr. Visit Tantisunthorn, whom is the executive director but non-authorized director, and Mr. Tanon Tantisunthorn, whom is a non-executive and non-authorized director.

5) The group of Mr. Somkiart Limsong is the fifth largest shareholder, comprising of Mr. Somkiart Limsong, holding 17,195,240 shares and Ms. Somsri Limsong, holding 92,000 shares, for a total of 17,287,240 shares or 4.94 percent of the paid-up registered capital, having one representing director; namely Mr. Somkiart Limsong, whom is the Chairman of the Board and independent director having no relationship with the management.

6) The group of Mr. Sommai Mesaplak is the sixth largest shareholder, comprising of Mr. Sommai Mesaplak, holding 10,250,000 shares and Mr. Kiartisak Mesaplak, holding 100,560 shares, for a total of 10,330,560 shares or 2.96 percent of the paid-up registered capital, having one representing director; namely Mr. Sommai Mesaplak, whom is an independent director and the audit committee member having no relationship with the management.

7) Kim Eng Securities (Thailand) Public Co., Ltd. is the seventh largest shareholder, having 6,132,800 shares or 1.75 percent of the paid-up registered capital.

8) Raffles Nominees Pte. Ltd. is the eighth largest holder, having 3,050,000 shares or 0.87 of the paid-up registered capital.

9) Gypsum Industry Co., Ltd. is the ninth largest holder, having 2,900,000 shares or 0.83 percent of the paid-up registered capital.

10) American International Assurance Co., Ltd. (AIA-1) is the tenth largest shareholder, having 2,750,000 shares or 0.79 percent of the paid-up registered capital.

Structure of the Directors

- The structure of the directors of the Company consists of the board of directors and 3 committees; namely, the executive board of directors, audit committee, and risk management committee (see also Corporate Governance Section 12).

- The board of directors consists of 13 directors, including 5 executive directors, 5 non-executive directors and 3 audit committee members; having name, title, and picture for each of the directors as shown on Page 4-5 of this Annual Report.

The Company has a chairman of the board and audit committee members, whom are independent, for a total of 4 members, approximately one-third of the total number of directors. The independent directors possess the following qualifications.

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

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

- 3) Being a director who has no direct or indirect benefit or interest in finance and management of the Company, affiliated company, associated company or majority shareholder of the Company. Being a director who has no benefit or interest of the said nature during the period of 1 year before his appointment as an independent director.

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

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

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

- The board of directors has the authority, duties and responsibilities in the management of the Company by conducting its duties honestly, in compliance with all laws, the objects and the articles of association of the Company, and the resolutions of any shareholder meetings in good faith, and with care to preserve the interests of the Company. In summary, the main functions and responsibilities are as follows:

- 1) The board of directors has adopted the Company's direction, objectives, business plan and budget, as well as monitor and supervise over the management to operate efficiently and effectively in accordance with the established business plan and budget, in order to maximize economic value of the business and shareholders' wealth and stability, having important details summarized as follows:

1.1) Approval of annual business plan and budget within 30 days prior to the end of the year for the management to be approved by the board of directors and managed accordingly each and every year.

1.2) Approval of investment projects or joint-venture projects, as well as business expansion and/or reduction of business operation, which are deemed most beneficial for the Company's operation in both long-term and short-term.

1.3) Approval of financial plans of the Company, as well as the plan for securing loan and credit facilities sufficiently and appropriately for the operation of the Company occasionally.

1.4) Consideration of various matters proposed for approval by the shareholders' meeting, including dividend payment, capital increase, capital reduction, issuance of debenture, sale or transfer of business, purchase, acquisition, or merger of business, etc.

1.5) Consideration of policies and other matters deemed important or having significant impact on the financial position and operation of the Company at present or in the future.

2) 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 above matters by the board of directors periodically, which can be summarized as follows:

2.1) The chief executive officer must report the operating results and financial status monthly with comparison to the budget plan approved by the board of directors, to the board of executive directors and report to the board of directors at least once every quarter.

2.2) The chief executive officer must report on the progress of investment projects, as well as problems and obstacles encountered, if any, to the board of executive directors and the board of directors at every meeting.

2.3) The chief executive officer must periodically report on the litigation cases concerning with the Company, including its compliance with relevant laws and contractual terms to the board of directors and board of executive directors.

3) The board of directors has duties to clearly establish and separate roles and responsibilities between the board of directors, committees, and the management, as well as having routine communications to the board of directors, committees, management and employees of the Company, which are summarized below.

3.1) The board of directors has appointed and assigned the board of executive directors (details in Corporate Governance Section 12A) to manage daily operations of the Company in accordance with the policy, business plan and budget, established by the board of directors. The board of executive directors in turn assigns duties to the chief executive officer within authorities assigned by the board of directors.

3.2) The chief executive officer assigns and establishes duties to each employee level in decreasing order within the authorities assigned by the board of executive directors, by establishing audit and control system in order to have effective work coordination and achieve short-term and long-term objectives.

3.3) The management regularly arranges individual meetings or specific purpose meetings among employees and managers in order to be informed on the operating results and work progress, as well as for consideration of the problems and obstacles encountered, if any.

3.4) The management has issued announcement, establishing procedures for carrying out important tasks, for employees to understand and utilize as work guidelines in order to achieve systematic and well-coordinated operation.

3.5) The management has organized for all the business units to participate in the preparation of the annual business plan and budget by having management level staff from each of the departments jointly prepares the annual business plan and budget for effective operation and efficient control of expenses, as well as achieving the policy and objectives established by the board of directors. The chief executive officer also attends the meeting, participating in the consideration of the annual business plan and budget before proposing to the board of executive directors for its consideration, and then to the board of directors for its consideration and approval. The business plan and budget will then be implemented and monthly evaluated to see whether it meets the established policies and objectives. The business plan and budget may be appropriately adjusted according to the changing circumstances.

3.6) The board of directors has established internal audit division to oversee and review the operations of the Company to be in accordance with the established internal control system, and also to coordinate and support the audit committee for good corporate governance.

3.7) The board of directors has established the audit committee in accordance with the rules and regulations established by the Stock Exchange of Thailand (details in Corporate Governance Section 12B) with duties and responsibilities to oversee that the operations are trustworthy and beneficial to all related parties.

3.8) The board of directors has established the risk management committee (details in Corporate Governance Section 12C) with duties and responsibilities to consider any problems and risk factors which may affect Company's operation and seek measures to mitigate or minimize the risks.

3.9) The board of directors may occasionally seek consultants or experts in particular fields such as legal or financial advisors to give opinions concerning certain matters in consideration as appropriately and necessary.

3.10) The board of directors has appointed a Company secretary and staff to take care of directors' and shareholders' activities in accordance with the relevant laws and related regulations.

Directors and Executives

No.	Name-Position	Age (Year)	Education	Share Holding %	Family Relationship	Executives
1	Mr. Somkiart Limsong Chairman Independent Director	64	<ul style="list-style-type: none"> M.B.A., Harvard Business School Certificate: Thai Institute of Directors Association (IOD); Director Accreditation Program-Class 5/2003 (DAP 5/2003) 	4.91	-	1994-2001: Chairman, Gulf Electric Plc. 1968-1999: Last Position: Vice-Chairman of the Board, President, Executive Chairman and Managing Director, Siam City Cement Plc.
2	Mr. Kraisi Sirirungsri Director Executive Chairman Chief Executive Officer Authorized Director	55	<ul style="list-style-type: none"> Bachelor of Engineering (Mining Engineering and Mining Geology), Chulalongkorn University 	8.03	-	1994-2001: Director and Executive Director, Gulf Electric Plc. 1996-2001: Director, Gulf Power Generation Co., Ltd.
3	Mr. Paul Heinz Hugentobler Director	56	<ul style="list-style-type: none"> Harvard Business School, International Senior Management Program Graduate School of Economics and Business of St. Gall Lic. Oec. HSG Swiss Federal Institute of Technology, Zurich, B.SC in Civil Engineering 	-	-	2001-Present: Member of the Holcim Executive Committee, Holcim Ltd. 1994-2001: Senior Vice President and Area Manager Far East (Responsible for Northern ASEAN Countries and South Asia), Holcim Ltd. (Formerly, "Holderbank" Financiere Glaris Ltd.) 1999-2000: Managing Director and Chairman of Executive Committee Siam City Cement Plc. Bangkok 1984-1993: Vice President Management Services "Holderbank" Management and Consulting Ltd., Holderbank
4	Mr. Padoong Techarintri Independent Director Audit Committee Chairman	65	<ul style="list-style-type: none"> B.A. (Accounting) and B.A. (Commerce), Thammasat University Certificate: Thai Institute of Directors Association (IOD); Director Accreditation Program-Class 3/2003 (DAP 3/2003) 	-	-	1987-1997: Last position, Managing Director, Siam City Bank Plc. 1979-1987: Last position, Deputy General Manager, Industrial Finance Corporation of Thailand

No.	Name-Position	Age (Year)	Education	Share Holding %	Family Relationship	Executives
5	Mr. Sommai Mesaplak Independent Director Audit Committee Member	69	<ul style="list-style-type: none"> Bachelor of Engineering (Mining Engineering and Mining Geology), Chulalongkorn University Certificate: Directors Accreditation Program of Thai Institute of Directors Association (IOD), DAP 4/2003 	2.93	-	1985-Present: Chairman, Asia Business Holding Co., Ltd. 1965-1981: Production Manager, Thailand Smelting and Refining Co., Ltd.
6	Mr. Adul Tantharatana Independent Director Audit Committee Member	65	<ul style="list-style-type: none"> Bachelor of Engineering (Mechanical Engineering), Chulalongkorn University Certificates: Thai Institute of Directors Association (IOD) - Director Accreditation Program - Class DAP 3/2003 - Director Certification Program - Class DCP 38/2003 	-	-	2002-Present: Director, Siam Gypsum Industry Co., Ltd. 1997-2004: Managing Director, Lafarge Prestia Co., Ltd. 1989-1999: Director, Sakchaisith Co., Ltd. 1988-1996: Managing Director, Siam Industrial Corporation Co., Ltd. 1985-1988: Vice President (Operation Division), Padaeng Industry Plc. 1982-1985: Executive Vice President, Sinothai Engineering & Construction Co., Ltd.
7	Mr. Suroj Subhasavasdikul Director Executive Director Authorized Director	63	<ul style="list-style-type: none"> Ph.D. in Chemical Engineering, The Institute Du Genie Chimique, France 	-	-	1992-Present: Director, Royal Porcelain Plc. 1997-2002: Executive Chairman, Karat Sanitaryware Public Co., Ltd. 1994-2001: Director, Gulf Electric Plc. 1969-1999: Last Position, Executive Director and Deputy Managing Director (Project and Engineering Division), Siam City Cement Plc.
8	Mr. Anun Siripong Director	61	<ul style="list-style-type: none"> M.E.S. Lamar State College of Technology, Beaumont, USA M.Ch.E. Louisiana State University, Baton Rouge, Louisiana, USA Certificate: Directors Certification Program of Thai Institute of Directors Association (IOD), DCP 23/2003 	-	-	1998-Present: Director, Aromatics (Thailand) Plc. 1990-Present: Advisor, Banpu Plc. 1994-2000: Director and Executive Director, MTP Cogeneration Co., Ltd. 1993-2000: Director and Executive Director, The Cogeneration Plc. 1993-2000: Director and Executive Director, Thai Cogeneration Co., Ltd.

No.	Name-Position	Age (Year)	Education	Share Holding %	Family Relationship % of Experience	Executives
9	Mr. Vanchai Tosomboon Director	56	<ul style="list-style-type: none"> • MBA, Asian Institute of Management • LL.B., Thammasat University • Training: "Breakthrough Program for Senior Executives", Institute of Management Development (IMD), Switzerland • Training: "Managing Corporate Resources", Institute of Management Development (IMD), Switzerland • Certificate: Directors Certification Program of Thai Institute of Directors Association (IOD), DCP 7/2001 	0.0006	-	<p>2004-Present: Director and Executive Vice President (Saraburi Operations), Siam City Cement Plc.</p> <p>2004-Present: Chairman of Executive Board, Royal Porcelain Plc.</p> <p>1999-2004: Managing Director and Executive Chairman, Royal Porcelain Plc.</p> <p>2002-Present: Director, Conwood Co., Ltd.</p> <p>1999-Present: Director, Lanna Resources Plc.</p> <p>1999-Present: Director, Karat Faucet Co., Ltd.</p> <p>1999-2004: Executive Vice President (Subsidiaries), Siam City Cement Plc.</p>
10	Mr. Visit Tantisunthorn Director Executive Director	46	<ul style="list-style-type: none"> • MBA University of Wisconsin-Madison • Certificate: Directors Certification Program of Thai Institute of Directors Association (IOD), DCP 17/2001 	1.22	Cousin of Mr. Tanon Tantisun-thorn	<p>2001-Present: Secretary General Government Pension Fund</p> <p>2001-Present: Chairman, Fitch Rating (Thailand) Co., Ltd.</p> <p>2001-Present: Director, Tippaya Insurance Plc.</p> <p>1998 - 2000: Last position, Deputy Chairman, Grammy Entertainment Plc.</p> <p>1992-1998: Senior Vice President, Regional Director, American International Assurance Co., Ltd.</p> <p>1984-1992: Director-Loan Department, Tisco Finance Plc.</p>
11	Mr. Pilas Puntakosol Director Executive Director Coal Business Director Authorized Director	53	<ul style="list-style-type: none"> • M.S. Finance West Coast University, USA. • B.S.I.E. New Mexico State University, USA. 	0.04	-	<p>1984-2001: Director and Executive Director, Gulf Electric Plc.</p> <p>1982-2001: Director, Chiang Muan Mining Co., Ltd.</p> <p>1979-1985: Last position, Managing Director, Universal Exploration Co., Ltd.</p>
12	Mr. Tanon Tantisunthorn Director	33	<ul style="list-style-type: none"> • Master of Science (Management), New York University • MBA (Finance), American University • Bachelor of Engineering (Sanitary), Chulalongkorn University 	-	Cousin of Mr. Visit Tantisun-thorn	<p>2001-2004: Member of Parliament (Tak Province)</p> <p>1997-2000: Economist, Fiscal Policy Office, Ministry of Finance</p>

No.	Name-Position	Age (Year)	Education	Share Holding %	Family Relationship	Executives
13	Mr. Anun Louharanoo Director Executive Director Chief Financial Officer Secretary to the Board Authorized Director	52	<ul style="list-style-type: none"> B.A. (Accounting) and B.A. (Law) Thammasat University Certificates: Thai Institute of Directors Association (IOD) - Director Accreditation Program - Class DAP 1/2003 - Director Certification Program - Class DCP 29/2003 - Audit Committee Program - Class ACP 2/2004 	0.17	-	2003-Present: Independent Director, Audit Committee Member, Royal Porcelain Plc. 1999-2002: Director, Karat Sanitaryware Plc. 1996-2000: Director, Gulf Electric Plc. 1975-1995: Last position: Secretary to the Board of Directors, and Financial & Accounting Manager, Siam City Cement Plc.
14	Mr. Srihasak Aitrachakaran Business Development Director	46	<ul style="list-style-type: none"> 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.
15	Mr. Pongtom Kachareon Assistant Coal Business Director (Resigned: October 16, 2004)	45	<ul style="list-style-type: none"> Bachelor of Engineering (Mining Engineering and Mining Geology), Chulalongkorn University 	-	-	2001-Present: Managing Director, PT. Lanna Harita Indonesia 1992-1996: Last Position: Mining Operation Manager, Lanna Resources Plc.

Shareholding by Directors and Executives

Number of Shareholding in Lanna Resources Public Company Limited as at December 31, 2004						
No.	Directors and/or Executives	By Directors and/or Executives	By Spouse and Children (Minors)	Total	Shareholding %	Increase (+) or Decrease (-) in 2004
1	Mr. Somkiart Limsong	17,195,240	-	17,195,240	4.91	-
2	Mr. Sommai Mesaplak	10,250,000	-	10,250,000	2.93	-
3	Mr. Kraisi Sirirungsi	6,100,000	22,000,000	28,100,000	8.03	-
4	Mr. Visit Tanitsunthorn	4,287,000	-	4,287,000	1.22	-
5	Mr. Anun Louharanoo	590,550	-	590,550	0.17	-
6	Mr. Pilas Puntakosol	150,000	-	150,000	0.04	-
7	Mr. Vanchai Tosomboon	2,000	-	2,000	0.0006	-
As at December 31, 2004, Directors and Executives of Lanna Resources Public Company Limited have no shares in the subsidiary and associated companies of the Company.						

**Titles of the Company's Executives
In the Subsidiary, Associated and Other Related Companies**

Executive Name	Lanna Resources Public Co., Ltd.	Subsidiary Company			Associated Company	Other Related Companies	
		1	2	3		1	2
1. Mr. Somkiart Limsong	X	-	-	-	-	-	-
2. Mr. Padoong Techasarintr	/,XXX	-	-	/	-	-	-
3. Mr. Sommai Mesaplak	/,///	-	-	-	-	-	-
4. Mr. Adul Tantharatana	/,///	-	-	-	-	-	-
5. Mr. Paul Heinz Hugentobler	/	-	-	-	-	/	-
6. Mr. Anun Siripong	/	-	-	-	-	-	-
7. Mr. Vanchai Tosomboon	/	-	-	-	-	-	-
8. Mr. Kraisi Sirirungsi	/, XX	/, X	/	/, XX	/	-	-
9. Mr. Suroj Subhasavasdikul	/, //	/	-	/	/	-	-
10. Mr. Visit Tantisunthorn	/, //	-	-	-	-	-	-
11. Mr. Pilas Puntakosol	/, //	/	XX	-	/	-	-
12. Mr. Tanon Tantisunthorn	/	-	-	-	-	-	-
13. Mr. Anun Louharanoo	/, //	/	//	/, //	-	-	-
14. Mr. Srihasak Arirachakaran	-	-	/	/, //	-	-	-
15. Mr. Pongtorn Kachareon	-	-	//	-	-	-	-

<i>Subsidiary Company</i>	<i>Associated Company</i>	<i>Other Related Companies</i>
1 = Lanna (Singapore) Pte. Ltd.	United Bulk Shipping Pte., Ltd.	1 = Siam City Cement Public Company Limited (Holding 44.99% of paid-up registered in Lanna Resources Public Company Limited)
2 = PT. Lanna Harita Indonesia		2 = Banpu Public Company Limited (Holding 10.07% of paid-up registered capital in Lanna Resources Public Company Limited)
3 = Thai Agro Energy Co., Ltd.		

Remarks : X = Chairman of the Board XX = Executive Chairman XXX = Audit Committee Chairman
/ = Director // = Executive Director /// = Audit Committee Member

Information on the Subsidiary and Associated Companies

Director's Name	Subsidiary Company			Associated Company
	Lanna (Singapore) Pte. Ltd.	PT. Lanna Harita Indonesia	Thai Agro Energy Co., Ltd.	United Bulk Shipping Pte. Ltd.
1. Mr. Vira Susangkarakan	-	-	X	-
2. Mr. Visith Noiphan	-	-	/	-
3. Mr. Somchit Limwathanagura	-	-	//	-
4. Mr. Padoong Techasarintr	-	-	/	-
5. Mr. Kraisi Sirirungsi	X	/	/, XX	/
6. Mr. Suroj Subhasavasdikul	/	-	/	/
7. Mr. Somchai Lovisuth	-	-	//	-
8. Mr. Pilas Puntakosol	/	XX	-	/
9. Mr. Anun Louharanoo	/	//	/, //	-
10. Mr. Srihasak Arirachakaran	-	/	/, //	-
11. Mr. Pongtorn Kachareon	-	//	-	-
12. Mr. Udom Chaisomboon	-	/	-	-
13. Mr. Saharat Vatanatumrak	-	/	-	-
14. Mr. Panot Charoensuk	-	//	-	-
15. MR. Lim Gunawan Hariyanto	-	//	-	-
16. MR. Lim Hariyanto Wijaya Sarwono	-	X	-	-
17. MR. Lim Gunardi Hariyanto	-	//	-	-
18. MR. Parasian Simanungkalit, SH	-	/	-	-
19. MR. Ng Han Whatt Henry	-	/	-	X
20. MR. Lee Boon Wah	/	//	-	/
21. MR. Patrick Ng Bee Soon	-	-	-	/
22. MR. Ng Bee Bee	-	-	-	/

Remarks : / = Director // = Executive Director X = Chairman of the Board XX = Executive Chairman

Remuneration for the Directors and Executives

1) Explicit Remuneration

A) In 2004, the Company had paid a total of Baht 8,360,000 as remunerations for 13 directors, having details as follows:

Director's Name	Position	Unit: Baht per Year		
		Monthly Remuneration	Annual Remuneration	Total
1) Mr. Somkiart Limsong	Chairman	720,000.00	400,000.00	1,120,000.00
2) Mr. Kraisi Sirirungsi	Director	360,000.00	300,000.00	660,000.00
3) Mr. Paul Heinz Hugentobler	Director	360,000.00	200,000.00	560,000.00
4) Mr. Padoong Techasarintr	Director	360,000.00	200,000.00	740,000.00
	Audit Committee Chairman	180,000.00	-	
5) Mr. Sommai Mesaplak	Director	360,000.00	200,000.00	680,000.00
	Audit Committee Member	120,000.00	-	
6) Mr. Adul Tantharatana	Director	360,000.00	200,000.00	680,000.00
	Audit Committee Member	120,000.00	-	
7) Mr. Suroj Subhasavasdikul	Director	360,000.00	200,000.00	560,000.00
8) Mr. Anun Siripong	Director	360,000.00	200,000.00	560,000.00
9) Mr. Vanchai Tosomboon	Director	360,000.00	200,000.00	560,000.00
10) Mr. Visit Tantisunthorn	Director	360,000.00	200,000.00	560,000.00
11) Mr. Pilas Puntakosol	Director	360,000.00	200,000.00	560,000.00
12) Mr. Tanon Tantisunthorn	Director	360,000.00	200,000.00	560,000.00
13) Mr. Anun Louharanoo	Director	360,000.00	200,000.00	560,000.00
Total		5,460,000.00	2,900,000.00	8,360,000.00

B) The total remuneration for seven executives in 2004 was at Baht 18,010,477, comprising of monthly wages or monthly remunerations and annual reward (bonuses), varying based on the Company's operating results.

2) Other Remunerations

- In 2004, the Company contributed a total of Baht 760,414.29 into the provident fund for four executives as employees of the Company, and provided company's cars for six executives.

- In 2004, the Company did not issue any shares, debentures, and convertible securities or offer any other privileges to the directors and executives.

CORPORATE GOVERNANCE

The Company has complied with the code of best practice directors of listed companies, as well as the 15 principles of good corporate governance, established by the Stock Exchange of Thailand, which 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.

1) Rights and equitable treatment to shareholders and various groups of stakeholders are implemented.

2) 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.

3) The business operation and management are transparent and may be audited, and adequate information disclosure is performed.

4) Business risks are always considered in the operation and the risk management system has been appropriately established.

5) Business ethics have been established for directors and employees to follow.

2) Shareholders' Rights

The Company held the Shareholders' Annual General Meeting Year 2004 at the Gallery Room, Plaza Athenee Hotel at 10 Soi Ruamruedee, Lumpini, Pathumwan, Bangkok on April 26, 2004, in which the Company had forwarded the meeting invitation, including information on each of the meeting agenda, to the shareholders 19 days (or approximately 10 working days, excluding holidays) prior to the meeting date, exceeding the period required by law, in order for the shareholders to review the information in details beforehand. Accordingly, the opinion of the board of directors for each of the meeting agendas had also been provided. The minutes of the meeting was correctly and completely recorded for review by the shareholders.

The Company has added another 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 have also been improved to contain more detailed information for the shareholder, as the Company recognizes the importance of shareholders' rights for complete and adequate access of information of the Company.

3) Rights of Stakeholders

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

- Employees: The Company treats employees equally and with fairness, and provides appropriate remuneration.

- Suppliers: Purchases and services from suppliers are in accordance with 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.
- Customers: The Company treats customers with care and responsibility by producing good quality and standard goods, maintains customers' confidentiality and employing work unit or employee responsible for customers' complaints for quick and timely service.
- 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 related rules in order to ensure that the rights of the stakeholders are protected and properly treated.

4) Shareholders' Meeting

- At the Annual Shareholders' Meeting of Year 2004, all 13 directors attended the meeting, including 3 members from the audit committee and chairman from every committee. The chairman of the meeting invited the shareholders, providing all with 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.

- For every call on the shareholders' meeting, the board of directors prepares the invitation letter, stating the date, time and venue of the meeting, including the meeting agenda with detailed information, including opinions of the board of directors for each proposed agenda. The invitation letter and documents are forwarded to the shareholders and the registrar in advance no less than 7 days before the meeting. The meeting invitation is also published in the newspaper at least 3 days prior to the meeting.

- For every call on the shareholders' meeting, the board of directors, not only complies with the rules and regulations established in the Company's Articles of Association, but also adheres to the best practice guidelines for convening the shareholders' meeting of the listed companies, established by the Stock Exchange of Thailand. The rules and practices of attendance, grant of proxies for presence and votes at the meeting are always forwarded to shareholders along with the invitation letter.

- The Company secretary and staff have been assigned to prepare and complete the minutes of the shareholders' meeting within 14 days after the meeting, in accordance with the relevant laws, at which the shareholders have the right to review the minutes, accompanying documents and other related documents at all time.

5) Leadership and Vision

- The board of directors has adopted Company's direction, objectives, business plan and budget; monitors and supervises the management to efficiently and effectively operates according to the business plan and budget; however, excluding items which require approval from the shareholders, according to the regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand, in order to maximize economic value of the business and shareholders' wealth and stability.

- 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 above matters by the board of directors.

- The board of directors has duties to clearly establish and separate roles and responsibilities between the board of directors, committees, and the management, as well as having routine communications of such roles and responsibilities to the board of directors, committees, management and employees of the Company.

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:

1) 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 Annual Registration Statements (Form 56-1) accordingly.

2) The Control on the Use of Internal Information

- Executives are required to report the changes in the shareholding to the Securities and Exchange Commission, according to Section 59 of the Securities and Stock Exchange Act B.E. 2535.
- 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 and 3 audit committee members.

The Company has the chairman of the board and audit committee members, all of whom are independent, for a total of 4 members, approximately one-third of the total number of directors.

9) Aggregation or Segregation of Positions

- The chairman of the board is independent, having no relationship with the management.
- 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.
- The Company has established clear limit of authority, roles and responsibilities for each level and line of management in writing, by separating and decreasing roles and responsibilities.

10) Remuneration for Directors and the Management

- The Company has established clear and transparent remunerations for the directors, at the level comparable to the general practice in the industry. Furthermore, the remunerations have been

approved by the shareholders' meeting; with appropriate remuneration increase for the audit committee members, having additional duties and responsibilities.

- The remunerations for the executives are in accordance with the principles and policy, established by the board of directors.

- In 2004, the Company had paid the remunerations to the directors and executives as disclosed in the Annual Report (Form 56-2) and Annual Registration Statements (Form 56-1).

11) Board of Director's Meeting

- Every director can express opinions independently. In the event that the number of votes are equal during voting by the board of directors, the chairman, a non-executive member, has the right to cast the deciding vote.

- 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 review the information before the meeting. Accordingly, the management would clarify and answer all concerning issues for the directors' understanding to properly consider the matter. The minutes of the meetings have been recorded in writing and the approved minutes from the board of directors have been kept completely and in order, readily available for review by the board of directors and related parties.

- The board of directors' meeting is regularly scheduled at least once every 2 months (one meeting every other month) and the extraordinary meeting is scheduled as necessary. The meeting agenda are clearly established in advance, having regular agenda for consideration of the operating results. Each meeting normally takes approximately 1 to 3 hours, depending on the extent of the meeting agenda considered during the meeting.

- In 2004, the board of directors held 6 regular meetings and 1 extraordinary meeting, or 7 meetings altogether, of which the attendance are 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	1/1	7/7
Mr. Paul Heinz Hugentobler	Director	0/6	1/1	1/7
Mr. Sommai Mesaplak	Director	6/6	1/1	7/7
Mr. Padoong Techasarintr	Director	6/6	1/1	7/7
Mr. Adul Tantharatana	Director	6/6	1/1	7/7
Mr. Suroj Subhasavasdikul	Director	6/6	1/1	7/7
Mr. Kraisi Sirirungsi	Director	6/6	1/1	7/7
Mr. Anun Siripong	Director	5/6	0/1	5/7
Mr. Vanchai Tosomboon	Director	6/6	1/1	7/7
Mr. Visit Tantisunthorn	Director	6/6	1/1	7/7
Mr. Pilas Puntakosol	Director	6/6	1/1	7/7
Mr. Anun Louharanoo	Director	6/6	1/1	7/7
Mr. Tanon Tantisunthorn	Director	6/6	1/0	7/7

12) Committees

The board of directors appoints special committees to alleviate burden of the board of directors in order to closely and timely assist in the corporate governance of the Company.

A) The Board of Executive Directors

- The board of executive directors consists of the following 5 directors, appointed by the board of directors.

- | | |
|------------------------------|----------------------------------|
| 1) Mr. Kraisi Sirirungsi | Executive Chairman |
| 2) Mr. Suroj Subhasavasdikul | Executive Director |
| 3) Mr. Visit Tantisunthorn | Executive Director |
| 4) Mr. Pilas Puntakosol | Executive Director |
| 5) Mr. Anun Louharano | Executive Director and Secretary |

- The board of directors has assigned the duties and responsibilities of the board of executive directors, as described below.

- 1) 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 short and long-term period.

- 2) 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.

- 3) To manage the Company according to the policy 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.

- 4) 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.

- 5) 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.

- 6) To undertake or carry out certain individual tasks as assigned by the board of directors.

- The board of executive directors' meeting is normally held once a month with extraordinary meeting occasionally arranged for urgent matters. In 2004, the board of executive directors had held 13 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:

- **Composition and Qualification:**

The Audit Committee consists 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 executive positions. At least 1 director must have financial and accounting expertise. The Audit Committee shall appoint appropriate person for Secretary to the Audit Committee. The Audit Committee consists of the following members:

- | | |
|-----------------------------|--------------------------|
| 1) Mr. Padoong Techasarintr | Audit Committee Chairman |
| 2) Mr. Sommai Mesaplak | Audit Committee Member |
| 3) Mr. Adul Tantharatana | Audit Committee Member |
| 4) Mrs. Wanna Chomkokkrud | Secretary |

- **Office Term:**

The member of the Audit Committee (including the Audit Committee Chairman) has a 3-year term each. The member of the Audit Committee who is retired by rotation may be re-appointed.

- **Duties and Responsibilities of the Audit Committee:**

1) 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.

2) To review Company's internal control and internal audit system for the appropriateness and effectiveness.

3) To consider and recommend for the appointment of Company's auditor and its remuneration for each year.

4) 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.

5) 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.

6) To prepare the report of the Audit Committee's control and operation and disclose it in the Company's annual report, with authorization by the Audit Committee Chairman.

7) To performed any other tasks delegated by the Board of Directors and approved by the Audit Committee.

8) To periodically report on the Audit Committee's activities to the Board of Directors at least once every quarter or at least 4 times a year.

- The Audit Committee may audit the concerning persons and matters within the authorities of the Audit Committee and may seek independent professional counsel when it is deemed necessary and appropriate

- The Audit Committee normally holds the meeting at least once every month. In 2004, there were 13 meetings altogether.

C) Risk Management Committee

• The Risk Management Committee consists of executives from all departments of the Company, and appointed by the board of directors, as follows:

(1)	Mr. Pilas Puntakosol	Coal Business Director	Chairman
(2)	Mr. Anun Louharanoo	Chief Financial Officer	Member
(3)	Mr. Srihasak Arirachakaran	Business Development Director	Member
(4)	Mr. Thanu Tejawarongkha	Exploration Dept. Manager	Member
(5)	Mr. Vacharachai Nachailert	Manager-Domestic Coal Sales	Member
(6)	Mr. Prasert Promdech	Sr. Manager-Int'l Coal Sales	Member
(7)	Mrs. Petcharat Chayanon	Accounting & Finance Dept. Manager	Member
(8)	Mr. Sudusit Ounsangchan	Core Business Development Manager	Member
(9)	Mr. Saharat Vatanatumrak	Diversified Business Development Mgr.	Member
(10)	Mr. Sommart Jaroernsaksakul	Assistant Production Manager	Member
(11)	Mrs. Wanna Chomkokkruad	Internal Audit Division Head	Member and Secretary

• The Risk Management Committee has the following duties:

1) To consider possible risk factors which may impact the operation of the Company and find ways to reduce or minimize the risks.

2) To periodically report on the risk management for each issue to the board of executive directors and the board of directors at least once every quarter.

• The Risk Management Committee normally holds meeting at least once a month. In 2004, there were 11 meetings altogether.

D) The Company has not established the remuneration committee due to uncomplicated organization structure with small number of executives. Although without having the remuneration committee, the Company has appropriate procedure for consideration of the remuneration by comparing with information from other companies within the same industry, as well as considering the size and operating results of the business.

The Company has a policy to appoint special committees from time to time for future business operation, when it is deemed necessary, to consider important issues with significant impact on the operation.

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 and management system, considering risk factors that have impact on the operation of the Company, as shown in the Annual Report (Form 56-2) and Annual Registration Statements (Form 56-1), with compliance control according to the relevant laws and regulations.

- The Board of Directors' Meeting No. 2/2005, dated March 21, 2005, including 3 audit committee members attended in the meeting, have reviewed the internal control of the Company and its subsidiaries on 5 items, including: (1) satisfactory control environment; (2) appropriate risk management measures; (3) satisfactory control activities; (4) satisfactory information and communication system; and (5) satisfactory monitoring and evaluation system. The board of directors found the internal control system of the Company and its subsidiaries to be adequate and appropriate during year 2004; of which, the Audit Committee also shared 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 prudent 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 (Form 56-2) and Annual Registration Statements (Form 56-1).

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 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 2004, there were no direct interests or related transactions between the Company, subsidiaries and associated companies with the directors and/or the management.
- During 2004, the Company had significant business transactions with its related companies, related by way of shareholding, common shareholders and/or common directors. These transactions, with term and basis concluded under the normal course of business, are summarized as follows:

Juristic Person and Relationship (Unit: Baht)	Type of Transaction	Occurring in Year 2004		Pricing Policy	Reasons and Necessities of the Related Transactions
		Total Amount	Balance as of Dec. 31, 2004		
(1) PT Lanna Harita Indonesia					
<ul style="list-style-type: none"> • Lanna Resources Public Co., Ltd. indirectly owns 55% of registered capital, represented by the following directors; <ul style="list-style-type: none"> - Board of Commissioners, having four representatives; namely, Mr. Kraisi Sirirungsri, Mr. Srihasak Arirachakaran, Mr. Udom Chaisomboon, and Mr. Saharat Vatanatumrak. - Board of Directors, having four representatives; namely, Mr. Pitas Puntakosol, Mr. Anun Louharanoo, Mr. Pongtorn Kachareon, and Mr. Panot Charoensuk. 	<ul style="list-style-type: none"> Coal Purchase/Sales 	1,474,855,046.75	162,341,394.88	Price comparable to price purchased from third parties	The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. Since the coal business is the Company's core business; therefore, the tendency for future transactions between the parties should continue.
(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 Sirirungsri, Mr. Suroj Subhasavasdikul and Mr. Pitas Puntakosol 	<ul style="list-style-type: none"> Coal Freight Shipping 	137,398,655.50	1,644,191.21	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 of the other party. Since the Company has the policy to continue the sales and distribution of imported coals from overseas; therefore, the tendency for future transactions between the parties should continue.
(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 44.99% of registered capital, having 2 representatives being directors of Lanna Resources Public Co., Ltd., namely Mr. Paul Heinz Hugenboller, and Mr. Vanchai Tosomboon 	<ul style="list-style-type: none"> Coal Purchase/Sales 	569,836,511.31	174,343,172.09	Market price at which equivalent quality of coal is sold to same industry.	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 fuel; therefore, future sales and purchase transactions should continue through the future.

Juristic Person and Relationship (Unit: Baht)	Occurring in Year 2004		Pricing Policy	Reasons and Necessities of the Related Transactions
	Type of Transaction	Total Amount		
(4) Prempracha Engineering Ltd., Part.				
<ul style="list-style-type: none"> Mr. Kraisi Sirirungsri, authorized partner, is a director and shareholder of Lanna Resources Public Co., Ltd., with 8.03% of registered capital (including shareholding by a spouse). 	Overburden Removal and Coal Winning	17,698,054.56	Price comparable to service fees and/or rental fees paid to third parties.	The transactions were considered under normal course of business with general commercial terms and basis. The related transactions should cease as the Company will stop coal mining operation at Ban Pa Kha mine in 2005 as lignite coal production has been exhausted.
	Equipment Rental	619,584.13		
(5) Laemthong Lignite Co., Ltd.				
<ul style="list-style-type: none"> Mr. Kraisi Sirirungsri, authorized partner, is a director and shareholder of Lanna Resources Public Co., Ltd., with 8.03% of registered capital (including shareholding by a spouse). 	Coal Purchase/Sales	3,220,926.50	Market price at equivalent coal quality	The transactions were under normal business practice with general commercial terms and basis, having each authorized party independent of the other party. This type of transaction between the parties may occur occasionally as appropriate and necessary.
(6) 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 Siripong as representative being director of Lanna Resources Public Co., Ltd. 	Sale/Purchase of Assets (Used Mining Equipment)	1,108,304.00	Book value plus gross profit with comparison of offers	The transactions were under normal business practice with each authorized party independent of the other party. This type of transaction between the parties may occur occasionally as appropriate and necessary.
(7) Banpu Mineral Co., 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. 	Coal Purchase/Sales	13,036,435.50	Market price at equivalent coal quality	The transactions were under normal business practice with general commercial terms and basis, having each authorized party independent of the other party. This type of transaction between the parties may occur occasionally as appropriate and necessary.
(8) 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. 	Coal Purchase/Sales	72,896,760.25	Market price at which equivalent quality of coal is sold to same industry.	The transactions were under normal business practice with general commercial terms and basis, having each authorized party independent of the other party. This type of transaction between the parties may occur occasionally as appropriate and necessary.

Opinion of the Audit Committee on the Related Transactions

February 21, 2005

Att.: Chairman of the Board of Directors
Lanna Resources Public Company Limited

In accordance with the review of related transactions between Lanna Resources Public Company Limited, its subsidiaries, associated companies and related parties or connected persons during the year 2004, ending December 31, 2004, the Audit Committee has examined and reviewed the related transactions between Lanna Resources Public Company Limited, its subsidiaries, associated companies and related parties or connected persons in order to express opinions as well as to disclose information in accordance with the guidelines established by the Stock Exchange of Thailand of which can be summarized as follows:

1) The Company purchased imported coals for further reselling from PT Harita Indonesia, a subsidiary company registered in Indonesia, at the price and conditions as agreed in the contract which was based on the coal's quality and comparable to the rates generally offered by the external suppliers.

2) The Company sold its assets (used mining equipment) to PT. Lanna Harita Indonesia, a subsidiary company registered in Indonesia, at the price based on the condition of the assets and was higher than the assets' book values.

3) The Company engaged United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, to transport imported coals from Indonesia to Thailand at the price and conditions as agreed in the contract which was based on comparable market rates paid to external vendors.

4) The Company sold domestically produced coals and imported coals to Siam City Cement Public Company Limited, both a Company's customer and a major shareholder, at the price and conditions as agreed in the contract which was based on the coal's quality and comparable to the market rates generally offered to other customers or external parties.

5) The Company hired Prempracha Engineering Limited Partnership, for rendering the overburden removal, lignite coal winning, and other related services at Ban Pa Kha Mining, Lumphun province, at the rate and conditions as agreed in the contract which was not higher than the normal market rate.

6) The Company purchased coals from Laemthong Lignite Co., Ltd. for blending with the Company's coals for further selling, at the price and conditions as agreed in the contract which was based on the coal's quality and comparable to the rates generally offered by the external suppliers.

7) The Company sold its assets (used mining equipment) to Banpu Public Co., Ltd., a major shareholder of the Company, at the book values of the assets at time of sale plus gross profit, by offering and comparing prices with other buyers, of which Banpu Public Co., Ltd. had offered the highest price.

8) The Company purchased coals for blending and distribution from Banpu Mineral Co., Ltd., a subsidiary company of Banpu Public Co., Ltd., which is a major shareholder of the Company, at the price and conditions as agreed in the contract which was based on the coal's quality and comparable to the rates generally offered by external suppliers.

9) The Company sold coals from PT. Lanna Harita Indonesia, a subsidiary company registered in Indonesia, to Banpu International Limited, a subsidiary company of Banpu Public Co., Ltd., which is a Company's major shareholder, at the price and conditions as agreed in the contract which was based on the coal's quality and comparable to the market rates normally offered to other customers or external parties.

(Mr. Padoong Techasarintr)
Audit Committee Chairman

(Mr. Adul Tantharatana)
Audit Committee Member

(Mr. Sommai Mesaplak)
Audit Committee Member



 **LANNA**
RESOURCES



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