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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 with regard to the financial status and operating results of the Company and affiliated companies for the past year 2012, which were considered good and satisfactory, having a good net income despite the falling coal prices and global economic crisis. According to the consolidated financial statements, the Company and its affiliated companies had total revenue of Baht 13,449.29 million with net income of Baht 915.80 million or net earnings per share of Baht 2.62. In comparison with year 2011, the revenue increased by Baht 292.54 million or an increase of 2.22 percent and the net income decreased by Baht 127.60 million or a decrease of 12.23 percent. The revenue proportion from sales of coal and ethanol accounted for 89.90 percent and 10.10 percent, respectively, with net income proportion from the coal business and the ethanol business accounting for 85.90 percent and 14.10 percent, respectively. Due to its strong and continuous growth and profitability, the Company has won two honorary awards in 2012, namely; the Best Company Performance Awards for listed companies in the Stock Exchange of Thailand (SET) with market capitalization of Baht 10 billion or less, 1st Group, on November 22, 2012; and one of the best 200 listed companies in Asia-Pacific and one of six listed companies in Thailand with no more than USD 1 billion in sales to receive the Best Under a Billion Award from the Forbes Asia Magazine on November 29, 2012.

For the coal business which is the Company's core business, the total revenue in 2012 was Baht 12,010.26 million, an increase from the previous year by Baht 111.12 million or 0.93 percent, and the net income was Baht 1,207.31 million, a decrease of Baht 590.32 million from the previous year or a decrease of 32.84 percent due to a falling coal sale price of 21.38 percent. The Company currently owns and operates a total of two coal mine concessions in Indonesia with total coal production capacity of 5.5 million metric tons per year. The remaining concession periods for the first and second coal concession are approximately 18 years and 26 years, respectively. Nonetheless, the Company has planned to increase its coal production capacity to 10 million metric tons per year within year 2015 and is also actively seeking additional coal concession projects in order to enhance its coal business potential in the future.

For the ethanol business which is the Company's second core business, the total revenue in 2012 was Baht 1,349.86 million, or an increase from the previous year by Baht 251.65 million or 22.91 percent, having a net income of Baht 165.50 million, an increase from the previous year by Baht 208.40 million, with an increase in ethanol sales volume of 45.98 percent and a decrease in ethanol selling price of 10.94 percent. This was due to the fact that the price of molasses, which is the major cost of ethanol production, decreased by 30.95 percent. The ethanol plant, which is located in Dan Chang District, Suphanburi Province, currently has two production lines, with ethanol production capacity of 150,000 liters per day for the Production Line No. 1 and 200,000 liters per day for the Production Line No. 2, totaling 350,000 liters per day, using molasses and cassava as the main raw materials. Both ethanol production lines have been granted special investment promotion privileges according to the Investment Promotion Act, B.E. 2520 (1977). In order to add value in the future, the Company has been studying the feasibility of using the ethanol as a raw material for downstream industries.

The Company's overall financial status and liquidity were still considered satisfactory. The current ratio was at 1.74 times, but the total debt to total assets ratio was only 40.66 percent and the debt to equity ratio was only 68.53 percent.

The Company's Board of Directors has endeavored to manage the business and resolve any problem with prudence by adhering to the principles of good corporate governance, which has enabled the Company to overcome obstacles and achieve good operating results continuously with the abovementioned awards received. Accordingly, the Board of Directors shall cautiously and carefully consider the Company's investments and business development to achieve long term sustainable and stable development.



Mr. Somkiart Limsong
Chairman of the Board

Vision

To be one of the coal
business leaders in Asia

Core Value

Production and distribution
of high-quality coal
entrusted by its customers

MISSION

- Aim to attain business operation excellence through insisting on building customer satisfaction by paying attention to recommendations as well as making self-assessment and review in order to continually develop and create the best products for a sustainable development of the Company in the future.
- Develop excellent products and services, create new innovation to continue adding values to products and services and find new ways that are utmost beneficial for the customers.
- Develop skillful human resources and acquire modern technology in order to maintain high quality and standard of products and services.
- Take into consideration the corporate social responsibility to the overall community and society including environmental conservation by taking part in the creation and support of development that are sustainable and beneficial to the overall society, consistent with status of the Company.
- Become aware of the importance of good corporate governance by adhering to the principles of fairness and integrity, accountability, responsibility and transparency, and promoting equitable treatment, as well as gaining faith from all the stakeholders.

Awards and Recognitions

Mr. Kittiratt Na-Ranong, Deputy Prime Minister and Finance Minister, presented the Best Company Performance Awards for listed companies of 1st Group with market capitalization under Baht 10 billion to Lanna Resources Public Company Limited. Mr. Kraisi Sirirungsi, Chief Executive Officer, accepted the award of honor on November 22, 2012.



Lanna Resources Public Company Limited was nominated as the winner of the Outstanding Company Performance Award for listed companies of 1st Group with market capitalization under Baht 10 billion at the SET Awards 2012. SET Awards are national standard awards with intense selecting and judging process based on overall information including statistic and performance aspects. The recipients of the awards are all excellent and should be commended and honored.



Mr. Srihasak Arirachakaran, Business Development and Marketing Director, accepted the outstanding company award on behalf of Lanna Resources Public Company Limited from Forbes Asia Magazine on November 29, 2012.



Lanna Resources Public Company Limited is one of the two hundred companies in Asia Pacific and one of the six listed companies in Thailand with sales revenue under one billion US dollars that were awarded with the outstanding award in year 2012 (The Best Under A Billion Award 2012) from the Forbes Asia Magazine as the Company having stable and continuous growth and probability.



BOARD OF DIRECTORS
Lanna Resources Public Company Limited



Mr. Somkiart Limsong
Chairman of the Board



Mr. Paul Heinz Hugentobler
Director



Mr. Philippe Paul Alexandre Arto
Director



Mr. Vanchai Tosomboon
Director



Mr. Tanon Tantisunthorn
Director



Mr. Kraisi Sirungsi
Director / Executive Chairman



Mr. Suroj Subhasavasdikul
Director / Executive Director



Mr. Visit Tantisunthorn
Director / Executive Director



Mr. Pilas Puntakosol
Director / Executive Director



Mr. Anun Louharanoo
Director / Executive Director / Secretary



Mr. Padoong Techasarintr

Independent Director / Audit Committee Chairman



Mr. Adul Tantharatana

Independent Director / Audit Committee Member



Mrs. Duangkamol Suchato

Independent Director / Audit Committee Member



Mr. Anan Siripong

Independent Director



Ms. Nopporn Tirawattanagool

Independent Director / Audit committee Member

(Resigned on February 1, 2012)

COMPANY PROFILE

Background: Lanna Resources Public Company Limited, Registration No. 0107535000397 (formerly Bor.Mor.Jor. 72), 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 is listed in the Resources Group (Energy and Utilities sector). The Company has registered and changed its 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 Office: Ayutthaya Coal Distribution Center: 108 Moo 1, Klong Sakae Sub-district, Nakhonluang District, Ayutthaya Province, Tel.: 035-724158; Fax: 035-724158

Type of Business: The Company operates two following main businesses:

- (1) **Solid Fuel:** Core business in the coal production and distribution domestically and overseas
- (2) **Liquid Bio-Fuel:** Secondary business in the ethanol production and distribution for bio-fuel purposes.

REGISTERED AND PAID-UP CAPITAL: 350,000,000 ordinary shares at a par value of Baht 1.00 per share, for a total paid-up registered capital of Baht 350,000,000.

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

AUDITOR : Ernst & Young Office Limited, represented by Ms. Kamontip Lertwitworatep, certified public accountant no. 4377; and/or Mrs. Saifon Inkaew, certified public accountants no. 4434; and/or Mr. Wichart Lokatekrawee, certified public accountant no. 4451, 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

FINANCIAL INFORMATION

According to the Consolidated Financial Statements	Year 2010	Year 2011	Year 2012
Financial Status (Unit: Million Baht)			
Total Assets	5,883	7,218	7,560
Total Liabilities	2,699	3,139	3,074
Issued and Paid-up Capital	350	350	350
Total Shareholders' Equity	3,184	4,079	4,486
Operating Results (Unit: Million Baht)			
Total Revenue	8,934	13,157	13,449
Sales Revenue	8,777	12,997	13,360
Gross Earnings	3,567	5,152	4,734
EBITDA (Earnings before interest, tax, depreciation, & amortization)	2,008	2,991	2,273
Net Earnings	675	1,043	916
Share Information (Unit: Baht per Share)			
Book Value per Share	7.50	9.35	10.32
Net Earnings per Share	1.93	2.98	2.62
Dividend per Share	1.05	1.80	1.50
Liquidity Ratio			
Current Ratio (times)	1.44	1.23	1.74
Quick Current Ratio (times)	0.90	0.80	1.08
Cash Flow Liquidity Ratio (times)	0.92	0.71	0.74
Accounts Receivable Turnover Ratio (times)	13.95	12.70	13.03
Average Debt Collection Period (days)	26	29	28
Inventory Turnover Ratio (times)	14.82	29.04	22.29
Average Selling Period (days)	25	13	16
Accounts Payable Turnover Ratio (times)	18.22	22.92	16.35
Average Debt Payment Period (days)	20	16	22
Cash Cycle (days)	31	26	22
Profitability Ratio			
Gross Profit Margin (%)	40.63	39.64	35.43
EBITDA Margin (%)	22.47	22.74	16.90
Net Profit Margin (%)	13.02	13.34	10.21
Return on Equity (%)	26.81	35.40	26.61
Efficiency Ratio			
Return on Total Assets (%)	22.74	26.79	18.58
Return on Fixed Assets (%)	63.69	70.84	53.64
Assets Turnover Ratio (times)	1.75	2.01	1.82
Financial Policy Ratio			
Debt to Equity Ratio (times)	0.85	0.77	0.69
Interest Coverage Ratio (times)	88.64	101.06	41.98
Debt Service Coverage Ratio (Cash Basis) (times)	0.77	0.69	0.94
Dividend Payment Ratio according to separate financial statements (%)	98.22	91.33	74.24

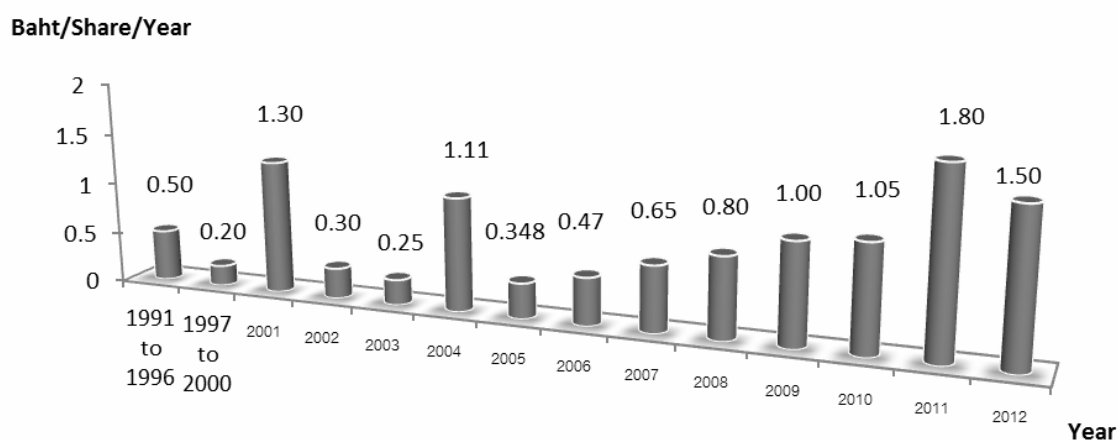
DIVIDEND PAYMENT POLICY

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 net income according to the separate financial statements for each financial period after deduction of legal provisions and the net loss carried forward (if any). For the dividend payment of the subsidiary company with Company holding more than 50 percent shares, the dividend payment policy and capital requirement of the Company and the subsidiary will be considered to facilitate the Company for payment of dividend according to above policy.

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 net income according to the separate financial statements for each financial period after deduction of legal provisions and the net loss carried forward (if any). The dividend payments of the subsidiary companies in year 2012 have been shown in details for each of the companies on Page 13 of this Annual Report.

DIVIDEND PAYMENT RECORD

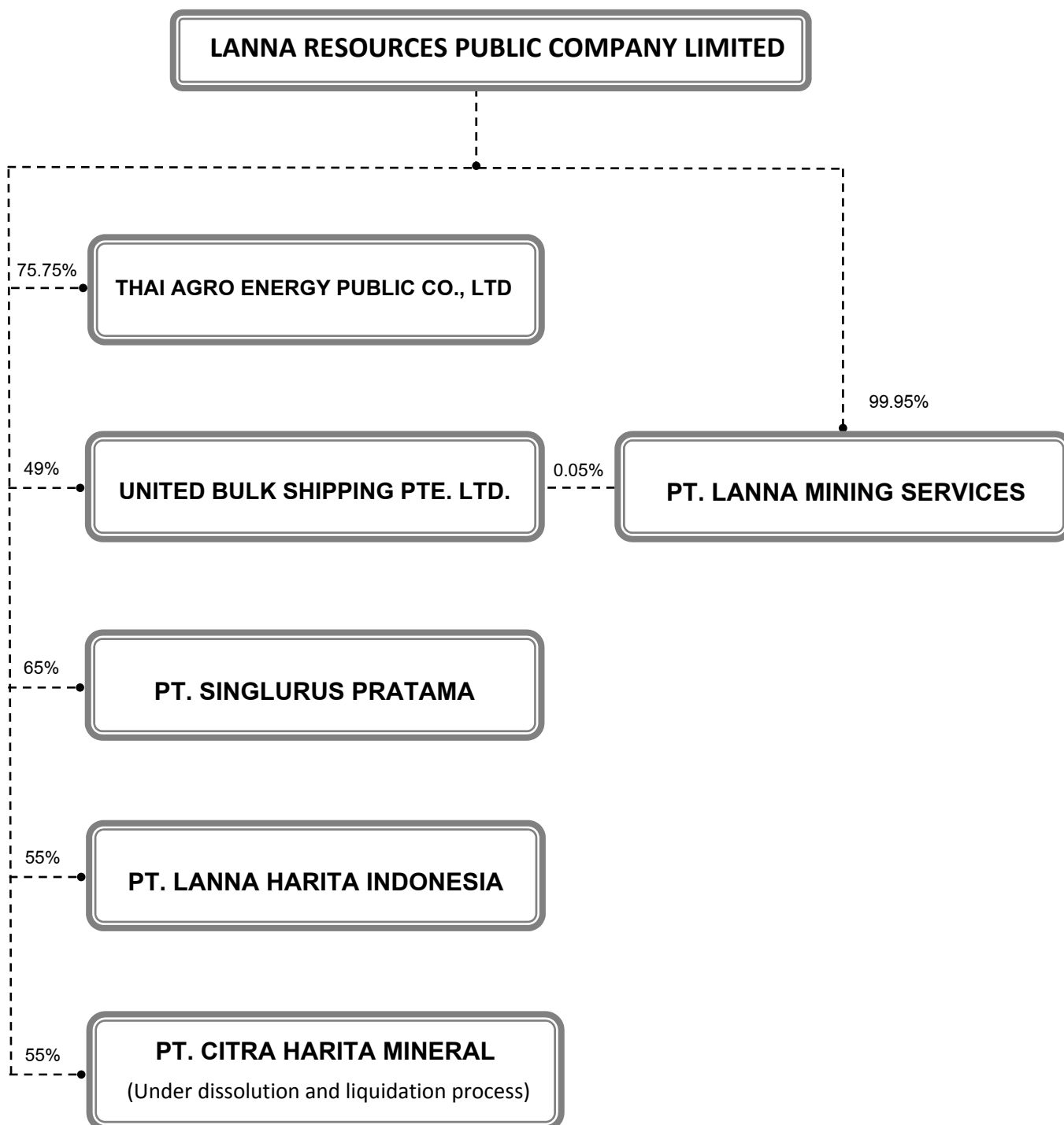
(Par Value of Baht 1.00 per Share)



Dividend Payment in Year 2012: The Company's net income according to the separate financial statements was at Baht 679.69 million or Baht 1.94 per share. The Board of Directors has proposed for the appropriation of earnings for the purpose of dividend payment to the shareholders at Baht 1.50 per share or 77.24 percent of the net income according to the separate financial statements, which is in line with the Company's dividend payment policy above and lower than the dividend payment ratio of the previous year by 18.24 percent.

INVESTMENT IN THE SUBSIDIARY AND ASSOCIATED COMPANIES

The Company has invested in five subsidiary companies (both direct and indirect shareholding exceeding 50 percent of the paid-up capital) and in one associated company (direct shareholding of less than 50 percent of the paid-up capital), according to the investment structure and profile of each company below.



THAI AGRO ENERGY PUBLIC CO., LTD. (REGISTERED IN THAILAND)

Location:	888/114 Mahathun Plaza Bldg., 11 th Floor, Ploenchit Rd., Pathumwan, Bangkok 10330, Tel.: 02-627-3890-94, Fax: 02-627-3888-89
Type of Business:	Production and Distribution of Ethanol-for-Fuel (99.5% Anhydrous Alcohol)
Registered Capital:	800,000,000 ordinary shares at Baht 1 per share totaling Baht 800,000,000
Paid-up Capital:	800,000,000 ordinary shares at Baht 1 per share totaling Baht 800,000,000
Company's Shareholding:	606,037,733 ordinary shares at Baht 1 per share totaling Baht 606,037,733, a direct shareholding of 75.75 percent of the paid-up capital

PT. LANNA MINING SERVICES (REGISTERED IN INDONESIA)

Location:	Kawasan Bisnis Granadha, 8 th Floor Jl. Jend Sudirman Kav. 50, Jakarta 12930, Indonesia Tel.: 62(21) 2553-9313, Fax: 62(21) 2553-9314
Type of Business:	Coal Trading
Registered Capital:	21,000 ordinary shares at USD 100 per share totaling USD 2,100,000
Paid-up Capital:	21,000 ordinary shares at USD 100 per share totaling USD 2,100,000
Company's Shareholding:	20,999,900 ordinary shares at USD 100 per share totaling USD 2,099,000, a direct and indirect shareholding of 99.975 percent of the paid-up capital

PT. SINGLURUS PRATAMA (REGISTERED IN INDONESIA)

Location:	Kawasan Bisnis Granadha, 8 th Floor, Jl. Jend Sudirman Kav. 50, Jakarta 12930, Indonesia Tel.: 62(21) 2553-5036/37; 2553 9876, Fax: 62(21) 2553-9821
Type of Business:	Coal Production and Distribution
Registered Capital:	7,950 ordinary shares at Indonesian Rupiah 1,000,000 per share totaling Indonesian Rupiah 7,950,000,000
Paid-up Capital:	7,950 ordinary shares at Rp. 1,000,000 per share totaling Indonesian Rupiah 7,950,000,000
Company's Shareholding:	5,168 ordinary shares at Indonesian Rupiah 1,000,000 per share totaling Indonesian Rupiah 5,168,000,000, a direct shareholding of 65 percent of the paid-up capital

PT. LANNA HARITA INDONESIA (REGISTERED IN INDONESIA)

Location: Kawasan Bisnis Granadha, 8th Floor Jl. Jend Sudirman Kav. 50, Jakarta 12930, Indonesia Tel.: 62(21) 2553-9313, Fax: 62(21) 2553-9314

Type of Business: Coal Production and Distribution

Registered Capital: 10,500 ordinary shares at USD 1,000 per share totaling USD 10,500,000

Paid-up Capital: 8,000 ordinary shares at USD 1,000 per share totaling USD 8,000,000

Company's Shareholding: 4,400 ordinary shares at USD 1,000 per share totaling USD 4,400,000, a direct shareholding of 55 percent of the paid-up capital

PT. CITRA HARITA MINERAL (REGISTERED IN INDONESIA)

Location: Kawasan Bisnis Granadha, 8th Floor Jl. Jend Sudirman Kav. 50, Jakarta 12930, Indonesia Tel.: 62(21) 2553-9313, Fax: 62(21) 2553-9314

Registered Capital: 1,000 ordinary shares at USD 107.64262 per share totaling USD 107,642.62

Paid-up Capital: 1,000 ordinary shares at USD 107.64262 per share totaling USD 107,642.62

Company's Shareholding: 550 ordinary shares at USD 107.64262 per share totaling USD 59,203.44, a direct shareholding of 55 percent of the paid-up capital

Status: Currently under dissolution and liquidation process

UNITED BULK SHIPPING PTE. LTD. (REGISTERED IN SINGAPORE)

Location: 50 Raffles Place # 32-01, Singapore Land Tower, Singapore 049623, Tel.: (65) 6536-5355, Fax: (65) 6536-2402

Type of Business: Ocean Freight Shipping

Registered Capital: 1,000,000 ordinary shares at USD 0.71429 per share totaling USD 714,290

Paid-up Capital: 100,000 ordinary shares at USD 0.71429 per share totaling USD 71,429

Company's Shareholding: 49,000 ordinary shares at USD 0.71429 per share totaling USD 35,000, a direct shareholding of 49 percent of the paid-up capital

FINANCIAL INFORMATION OF THE SUBSIDIARY AND ASSOCIATED COMPANIES FOR YEAR 2012

DESCRIPTION	THAI AGRO ENERGY PUBLIC CO., LTD.	UNITED BULK SHIPPING PTE. LTD.	PT. LANNA HARITA INDONESIA	PT. SINGLURUS PRATAMA	PT. CITRA HARITA MINERAL	PT. LANNA MINING SERVICES
	Thai Baht	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar
Investment						
Registered Capital	800,000,000	714,290	10,500,000	1,172,879.67	107,642.62	2,100,000
Issued and Paid-up Capital	800,000,000	71,429	8,000,000	1,172,879.67	107,642.62	2,100,000
Par Value per Share	1.00	0.71	1,000.00	147.53	107.64	100
Direct and Indirect Shareholding (%)	75.75	49	55	65	55	99.975
Operating Results Year 2012						
Total Revenue	1,350,872,037.62	39,256,083.51	143,367,751.24	151,415,558.21	1,416,863.96	37,273,203.09
Net Earnings (Loss)	165,500,944.27	1,217,439.71	16,858,807.38	17,476,015.52	392,733.48	1,104,526.18
Retained Earnings (Loss)	204,420,309.20	2,024,127.69	14,523,993.87	35,021,268.01	344,507.80	4,641,183.70
Net Earnings (Loss) per Share	0.21	12.17	2,107.35	2,198.24	392.73	52.60
Financial Status as at December 31, 2012						
Total Assets	2,402,872,402.60	5,366,579.82	49,662,043.75	63,801,889.72	114,531.42	7,242,903.33
Total Liabilities	1,333,352,093.40	3,271,023.13	25,538,049.88	27,373,166.11	-	529,287.51
Total Shareholders' Equity	1,069,520,309.20	2,095,556.69	24,123,993.87	36,428,723.61	114,531.42	6,713,615.82
Book Value per Share	1.34	20.96	3,015.50	4,582.23	114.53	319.70
Dividend Payment in Year 2012						
Dividend per Share	-	5.00	1,250.00	2,000.00	4,000.00	-
Dividend Payment Amount	-	500,000.00	10,000,000.00	15,900,000.00	4,000,000.00	-
Dividend Payment Ratio (%)	-	41.07	59.32	90.98	1,018.50	-

Note: PT. CITRA HARITA MINERAL is in the midst of filing for dissolution and is currently under liquidation to return capital to the shareholder.

BUSINESS ACTIVITIES

The Company's business operation consists of 2 major categories as follows:

(1) Solid Fuel: Company's core business is in the coal production and distribution domestically and overseas, having coal mine projects located in Indonesia as its base for coal production and distribution activities. In addition, the Company has ocean freight transport service business in Singapore to effectively support and manage coal transport for distribution in the Country or delivery to other countries.

(2) Liquid Bio-Fuel: Company's secondary core business is the ethanol production and distribution used for bio-fuel purpose in the Country. The production and distribution base is located in Dan Chang District, Suphanburi.

The Company continues to focus on investments that will foster long-term excellent and sustainable growth and development.

Domestic Coal Business

The Company imports coal from the joint venture coal mining projects in Indonesia and from other sources for distribution in the domestic market by either direct delivery or for inventory and processing before delivery to the customers. Coal inventory and processing are operated at Ayutthaya Coal Center, located in Nakornluang District, Ayutthaya Province on an area of 31 rai and 29 square wah, which can support over 200,000 tons of coal inventory. The Company's domestic coal market share in 2012 was approximately 3.76 percent.

The majority of domestic coal consumption in 2012 was mainly by the cement industry at around 35.56 percent with remaining 64.44 percent by electricity production and other industries. It is expected that the consumption of coal, with lower cost per heat unit than other types of fuel, will continue to increase in the future. Especially with the rising price of oil, more industrial operators will turn to utilize coal as the source of energy for their production activities.

Overseas Coal Business

For more than ten years, the Company has invested in joint venture coal mining projects in Indonesia, of which coal is imported for distribution to the domestic customers and exported to other countries especially in the Asia region market, such as India, Japan, South Korea, Taiwan and Hong Kong, etc. Coal produced by the Company has good quality with reputable brand and trusted by both domestic and overseas customers. The Company is one highly regarded and reliable coal company in the Asia region.

PT. Lanna Harita Indonesia, a subsidiary company registered in Indonesia with Lanna Resource Public Co., Ltd. holding shares at 55 percent of the paid-up capital, conducts coal mining business operation (the 1st Mine) in Samarinda district, Kutai Regency, in East Kalimantan, having received the coal mining concession (Coal Contract of Work) from the Indonesian Government for coal production and distribution for a period of 30 years (from 2001 to 2031). According to the Australasian Code for Reporting Mineral Resources Standards, or "JORC Code", the assessment reveals that the proven and probable coal reserves are estimated at 67 million tons. Currently, the production capacity is of 3 million tons per year, which will be increased to 4 million tons per year by 2015.

PT. Citra Harita Mineral, a subsidiary company registered in Indonesia with Lanna Resources Public Co., Ltd. holding shares at 55 percent of the paid-up capital, had conducted its business in coal mining (the 2nd Mine) in Samarinda district in East Kalimantan, by entering into the cooperation agreement within the KP License concession areas of PT. Cahaya Tiara (formerly CV. Cahaya Tiara). However, mining operation at this coal mine has been stopped since the middle of year 2008 due to a revocation of KP License by the order of the Supreme Court of Indonesia resulting from a dispute between the government sector and previous owner of the KP License. Currently, PT. Citra Harita Mineral is in the process of filing for dissolution and under liquidation to return capital to shareholders according to the investment restructuring plan for maximum efficiency. PT. Citra Harita Mineral has transferred assets, such as machinery and equipment, to PT. Lanna Harita Indonesia for future expansion in its coal production.

PT. Singlurus Pratama, a subsidiary company registered in Indonesia, with Lanna Resources Public Co., Ltd. holding shares at 65 percent of the paid-up capital, conducts coal mining business operation (the 3rd Mine) in Kutai Regency, East Kalimantan, having received the coal mining concession (Coal Contract of Work) from the Indonesian Government for coal production and distribution for a period of 30 years (from 2009 to 2039). Mineable coal reserves have been estimated at the minimum of 49 million tons. Currently, the full coverage assessment is being carried out according to the Australasian Code for Reporting Mineral Resources Standards, or "JORC Code." Current production capacity is of 2.50 million tons per year, which will be increased to 6 million tons per year by 2015.

PT. Lanna Mining Services, a subsidiary company registered in Indonesia with Lanna Resources Public Co., Ltd. holding shares directly and indirectly at 99.975 percent of the paid-up capital, has been assigned to develop the above-mentioned Coal Mine Project No. 3. After the development of this coal mine project has been completed in the middle of 2009, PT. Lanna Mining Services has turned into coal trading business, sourcing coal from other coal resources in Indonesia. The company plans to invest other coal concession in the future.

Ocean Freight Transport Service

United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, with Lanna Resources Public Co., Ltd. holding 49 percent of the paid-up capital, has been established to undertake business in ocean freight transport and ship chartering services, which has effectively managed coal transport services for imported coal into Thailand and coal distribution to other countries at reasonable costs.

Ethanol Business for Bio-Fuel Purpose

Thai Agro Energy Public Company Limited, a subsidiary company registered in Thailand, is 75.75 percent owned by Lanna Resources Public Company Limited, conducts business in the production and distribution of ethanol (99.5 percent by volume) for bio-fuel purpose. Thai Agro Energy Public Co., has two ethanol production plants operating in Dan Chang District, Suphanburi Province – with a production capacity of 150,000 liters per day (Production Line No. 1) and with a production capacity of 200,000 liters per day (Production Line No. 2), totaling 350,000 liters per day, utilizing molasses and cassava as raw materials. Both ethanol plants have received investment privileges under the Investment Promotion Act B.E. 2520. Ethanol is a clean fuel used for blending with gasoline at 10, 20 and 85 percent to become gasohol, namely E10, E20 and E85, that can be used by automobiles in general. Besides helping to reduce the pollution with adverse impact to health and environment, the ethanol as bio-fuel can also help to reduce import of gasoline and octane-booster additive, MTBE or Methyl Tertiary Butyl Ether, saving the Country's foreign currency and reducing Country's trade deficit as a whole.

REVENUE STRUCTURE

Company's Revenue Structure	Year 2010		Year 2011		Year 2012	
	Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Revenues from Coal Sales	8,017.21	89.74	11,899.14	90.44	12,010.26	89.30
Revenues from Ethanol Sales	760.23	8.51	1,098.21	8.35	1,349.86	10.04
Other Revenues	156.79	1.75	159.40	1.21	89.17	0.66
Total Revenue	8,934.23	100.00	13,156.75	100.00	13,449.29	100.00

Revenue Structure of Subsidiary and Associated Companies	Share-holding	Year 2010		Year 2011		Year 2012	
		%	Million Baht	%	Million Baht	%	Million Baht
Thai Agro Energy Co., Ltd.	75.75						
Ethanol Sales Revenue		760.23	99.97	1,098.21	99.95	1,349.86	99.93
Other Revenues		0.21	0.03	0.60	0.05	1.01	0.07
Total Revenue		760.44	100.00	1,098.81	100.00	1,350.87	100.00
PT. Singlurus Pratama	65						
Coal Sales Revenue		2,491.13	99.99	4,995.23	99.95	4,635.48	99.94
Other Revenues		0.31	0.01	2.40	0.05	2.62	0.06
Total Revenue		2,491.44	100.00	4,997.63	100.00	4,638.10	100.00
PT. Lanna Harita Indonesia	55						
Coal Sales Revenue		3,438.82	99.20	4,431.91	99.33	4,374.49	99.61
Other Revenues		27.73	0.80	29.89	0.67	17.10	0.39
Total Revenue		3,466.55	100.00	4,461.80	100.00	4,391.59	100.00
PT. Lanna Mining Services	99.975						
Coal Sales Revenue		939.05	98.72	1,860.01	99.07	1,126.19	98.64
Other Revenues		16.49	1.73	17.49	0.93	15.55	1.36
Total Revenue		955.54	100.00	1,877.50	100.00	1,141.74	100.00
PT. Citra Harita Mineral	55						
Coal Sales Revenue		102.90	84.66	122.79	98.24	25.74	59.33
Other Revenues		18.64	15.34	2.20	1.76	17.65	40.67
Total Revenue		121.54	100.00	124.99	100.00	43.40	100.00
United Bulk Shipping Pte. Ltd.	49						
Ocean Freight Shipping Revenue		109.46	60.95	99.02	65.39	1,202.43	99.99
Other Revenues		70.12	39.05	52.42	34.61	0.05	0.01
Total Revenue		179.58	100.00	151.44	100.00	1,202.48	100.00

Note: PT. Citra Harita Mineral is currently under the dissolution and liquidation to return capital to the shareholders.

COAL BUSINESS

Coal Characteristics

Coal is a fossil fuel, consisting of volatile matter, inherent moisture and important combustible mixture of carbon. After combustion with the volatile matter and inherent moisture driven out, small portion 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 in 4 groups from (1) anthracite, (2) bituminous, (3) sub-bituminous, and (4) lignite. The indigenous coal deposits in that have been explored and extensively developed for local industries in Thailand are generally of lignite grade. Imported coal is mostly of bituminous grade which contains higher calorific value than lignite coal produced in Thailand.

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 3 major steps:

(1) Coal 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 with further assessment of coal quality and reserve estimation for economic analysis to facilitate a decision for further 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, coal extracted from the coalmining operation need to go through coal dressing process which includes crushing, sizing, sorting or washing to remove any contaminations, etc.

Coal Pricing Policy

Coal pricing is mainly determined by its heating value, similar to other type of fuels. Coal sale price for each customer varies depending on certain factors such as order volume, 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 fairly and similarly with all the customers. The price for imported coal is based on the agreement with each customer which can either be priced on FOB or CIF basis, or priced as delivered to the customer's factory, etc.

Coal Distribution

For coal distribution in the domestic market, the Company directly sells coal directly to customers without going through agent. As for the overseas market, coal 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 customers, the Company protects the risk by having a letter of credit (L/C) opened by the customer. Since the start of operation in 1985, the Company has encountered very few bad debts from the sales of coal.

Competitive Strategy

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

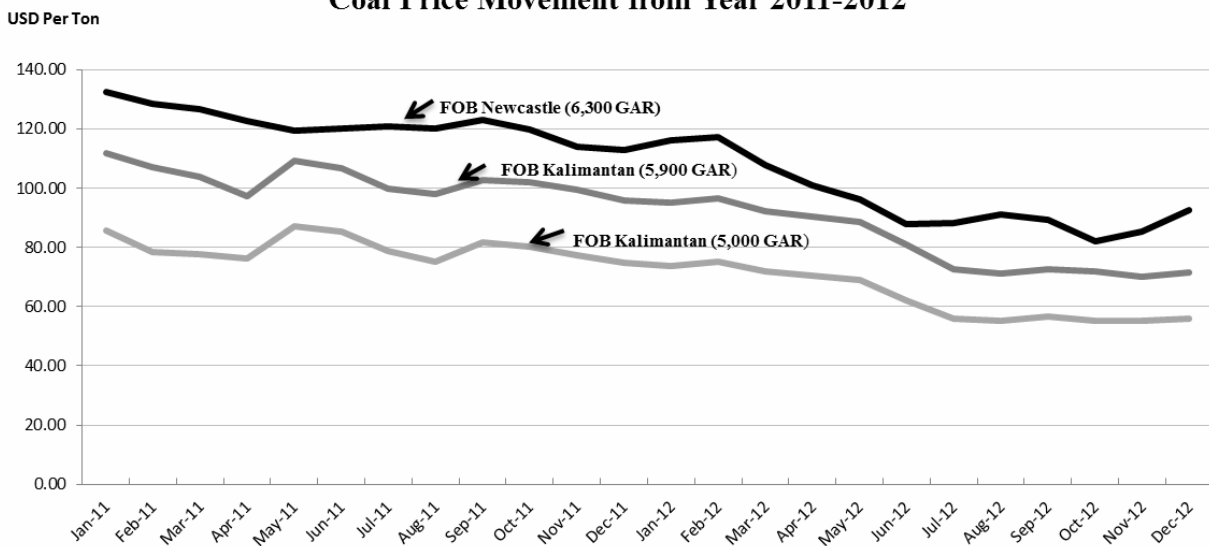
Competition

The domestic coal distribution business has been recognized as an oligopoly market with only a few numbers of operators, having group of large industrial customers. Major competitor for the group of large industrial customers is Banpu Public Co., Ltd. As for the medium and small industrial customers, Unique Mining Services Public Co., Ltd., Asia Green Energy Public Co., Ltd., and Energy Earth Public Co., Ltd. are the main competitors. Since the Company has its own coal deposits with high quality coal and decades of mineable reserves, the Company therefore possesses sufficient competitive advantage and potential.

Industrial Trend

Coal can be used as a substitute for almost every kind of fuel, depending mainly on the convenience of utilization and demand on heating energy. The trend of coal consumption in the following years will grow continually as the price of oil and other sources of fuel are still significantly more costly than coal. In 2012, price of coal has dropped substantially and it is anticipated that the coal price will start to increase during the latter half of 2013 correlating to global economy that is anticipated to improve gradually.

Coal Price Movement from Year 2011-2012



ETHANOL BUSINESS

Ethanol Characteristics

Ethanol or ethyl alcohol is derived from digestion of starch to sugar (in case of starch raw material), and fermentation to convert sugar to alcohol; and then followed by distillation and dehydration to produce alcohol at the desired purity, up to 99.5% by volume. The raw materials of this process are agricultural products of starch and sugar crops, such as cassava, sugar cane, molasses and corn. The molecular formula of ethanol is C_2H_5OH with a boiling point at around $78^{\circ}C$. 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 and reduce air pollution with less formation of hydrocarbon compound, carbon monoxide (CO) and carbon dioxide (CO_2), which is the main cause of green house effect, including reduction of black smoke, aromatics and benzene compound, which should be beneficial to the environment.

Ethanol is used to replace MTBE (Methyl Tertiary Butyl Ether), a fuel additive to increase the octane value of gasoline. Nonetheless, MTBE is also harmful for causing carbon monoxide in the earth atmosphere and contamination to the underground water supply, of which has been banned by several countries since it has an impact on air pollution and importantly, Thailand has to spend several billion Baht for the import of MTBE.

Production of Ethanol for Fuel

The ethanol production process varies depending on the type of raw materials and required specifications of ethanol. Three different types of raw materials can be categorized as follows:

Starch-based feedstock: derived from agricultural products of grain type such as rice, wheat, corn, sorghum, and root or tuber plant type like cassava, and potato, etc.

(1) Sugar-based feedstock: derived from sugar cane, molasses, and beet roots, etc.

(2) Fiber-based feedstock: mostly derived from agricultural products such as rice husk, bagasse, corn husk, including effluents from industrial plants such as pulp and paper factories, etc.

Thai Agro Energy Co., Ltd. produces ethanol for fuel by using molasses and cassava as its main raw material. The ethanol production process consists of four main stages as follows:

(1) Mash Preparation: each type of raw material requires different processes as follows:

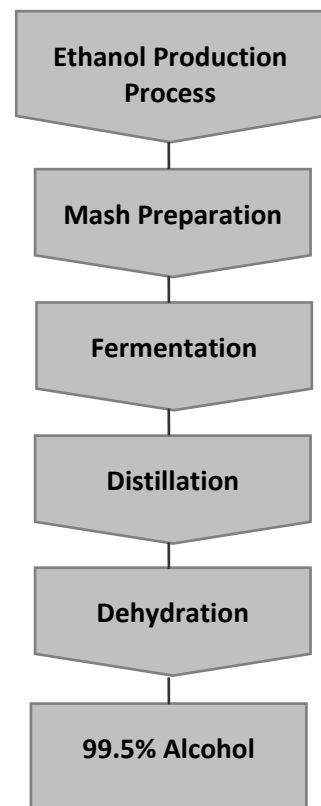
(a) Molasses: Preparation of molasses before fermentation by dilution with water for suitable concentration and added with acidic additive, causing organic substance or salt to settle from the molasses solvent.

(b) Cassavas: Prior fermentation, cassavas are cleaned to eliminate contaminants including metal and dirt. Subsequently, clean cassavas are mashed and mixed with water to make starch paste, then to be digested with enzyme, converting starch to sugar, before proceeding to fermentation.

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

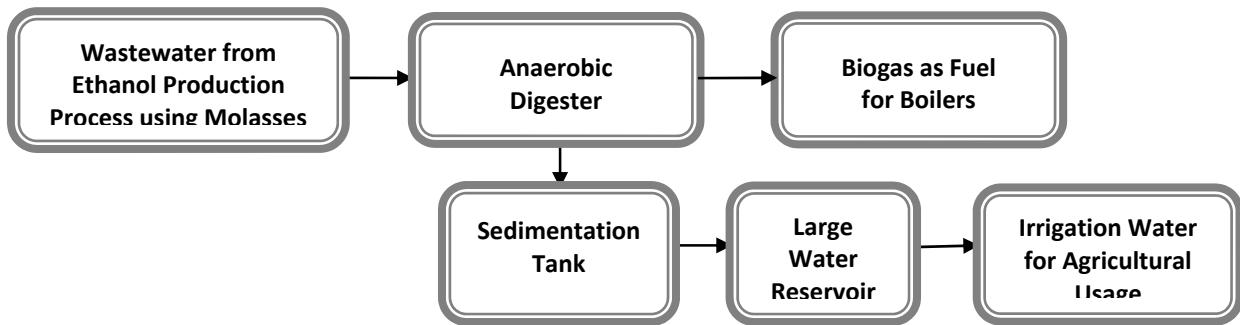
(3) Distillation: Fermentation mash from the second stage is fed to the distillation column to separate contaminants and water producing about 96 percent pure alcohol which is the maximum concentration that can be achieved through this normal fermentation process. The remaining 4 percent of water shall 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 zeolites molecular sieves in two dehydration units. The dehydrated alcohol will then be distilled and cooled down before being stored for further distribution.

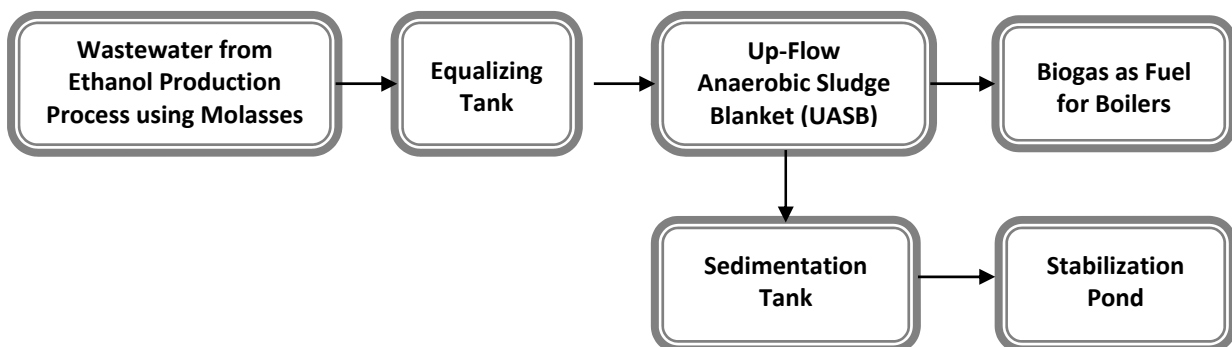


Treatment of Effluents from Ethanol Production

(a) Wastewater from the production process using molasses is treated by anaerobic digester system; 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. Subsequently, treated wastewater passes through a sedimentation tank to reduce suspended solid in the treated wastewater. The treated wastewater from this process is then contained in a large water reservoir and can eventually be used as irrigation water for agricultural purpose, such as for the sugar cane and cassava plantations.



(b) Wastewater from the production process using cassava is sent to biogas production system. Firstly, temperature of the wastewater is reduced by heat exchanger system, and then it proceeds to the equalizing tank. Subsequently, the wastewater from the equalizing tank passes through the Up-Flow Anaerobic Sludge Blanket Treatment System (UASB) to produce biogas used as fuel substitution for bunker fuel oil used in boilers. This significantly saves the fuel cost and is environmentally friendly. The treated wastewater from UASB then passes through a sedimentation tank and is subsequently contained in a stabilization pond



Ethanol Pricing Policy

Ethanol pricing is negotiated and agreed between buyers and the sellers, with the Energy Policy and Planning Office (EPPO) setting a reference pricing to be used in the price negotiation between the parties. In 2013, structure for reference ethanol pricing is based on volume-weighted average price and the actual selling price in the market. Nonetheless, Government has set policy for Ministry of Energy to promote more production of ethanol from cassavas. EPPO assigned Ethanol production ratio of cassavas to molasses to be sixty two percent to thirty eight percent from eighty percent to twenty percent respectively. This new structure for reference ethanol pricing shall be used from January to December 2013.

$$\bar{P}_{\text{Eth}} = (0.62 \times P_{\text{mol}}) + (0.38 \times P_{\text{cas}})$$

\bar{P}_{Eth} is the Reference Ethanol Pricing (Baht per liter) which is announced on 1st of every month

P_{mol} is the price of ethanol produced from molasses (Baht per liter) which producers sell to oil companies accordingly to section 7 of Fuel Trade Act

P_{cas} is the price of ethanol produced from cassavas in (Baht per liter) which producers sell to oil companies accordingly to section 7 of Fuel Trade Act

Ethanol Distribution

In compliance with tax exemption regulation of the Excise Department, the ethanol product sold to oil companies must undergo denaturation process, in which ethanol of 99.5 percent by volume is mixed with 91 RON gasoline of 0.5 percent by volume. The denatured ethanol purchased by the oil companies is then blended with gasoline at 10, 20 or 85 percent to become the Gasohol E10, E20 or E85. While most customers are responsible for the transportation of ethanol, the Company is responsible for the transportation to the storages of a few other customers. Most of the sales are on credit term basis, and the customers are large oil companies with stable financial status. Therefore, the risk of bad debt is minimal.

Competitive Strategy

Priorities are to given to service and quality control of the products which have earned customers' trust, making it possible to retain majority of the market share.

Competition

In 2012, there was an excess supply of ethanol since the average demand of ethanol for domestic consumption was around 1.4 million liters per day or 43 percent of the total supply of the whole industry causing excess supply of ethanol in the market. Some operators resolved the problem by exporting ethanol overseas. The ethanol export volume in 2012 was two times higher than that of 2011 which had exported approximately 140 million liters.

Ethanol produced to the market in 2012 was from 19 plants, with the total production capacity of 3.24 million liters per day. In 2013, it is anticipated that five more plants will start operating. Most of these will use cassava as raw material, with total capacity of 1.34 million liters per day, pushing the net domestic ethanol production capacity at 4.58 million liters per day. Nevertheless, the actual production volume largely depends on the demand and the price.

Industrial Trend

It is anticipated that in 2013, the demand of ethanol for gasohol production will continue to rise at minimum of 400,000 liters per day or a total demand of ethanol of 1,800,000 to 2,000,000 liters per day. The prominent factor is the Government's approval of the termination of 91 RON gasoline distributions in order to promote Gasohol consumption, starting from January 1, 2013 onwards.

It is expected that the price of ethanol in 2013 will continue to increase alongside with rising demand and increasing prices of raw materials namely cassavas and molasses. Especially, the price of molasses is anticipated to increase due to anticipated lower yield of sugarcane as compared to year 2012, which will result in a lower volume and higher price of Molasses since it is a by-product from sugarcane production. For cassava, Government has policy to implement pledge scheme for market intervention which will affect cassava price to rise as well.

Ethanol Producers	Ethanol Production Capacity (Liters/Day)
Ethanol Producers in 2012	
(1) Thai Agro Energy Public Co., Ltd.(Production Line No.1)	150,000
(2) Thai Alcohol Public Co., Ltd.	200,000
(3) Thaiguan Ethanol Co., Ltd.	130,000
(4) Khon Kaen Alcohol Co., Ltd.	150,000
(5) Petrogreen Co., Ltd. (Chaiyaphum Province)	230,000
(6) Thai Sugar Ethanol Co., Ltd.	100,000
(7) K.I. Ethanol Co., Ltd.	100,000
(8) Petrogreen Co., Ltd. (Kalasin Province)	230,000
(9) Ekarat Pattana Co., Ltd.	230,000
(10) Thai Rungrueng Energy Co., Ltd.	120,000
(11) Rajburi Ethanol Co., Ltd.	150,000
(12) E.S. Power Co., Ltd.	150,000
(13) Maesod Clean Energy Co., Ltd.	200,000
(14) Sapthip Co., Ltd.	200,000
(15) P.S.C. Starch Products Public Co., Ltd.	150,000
(16) Taiping Ethanol Co., Ltd.	150,000
(17) Petrogreen Co., Ltd. (Suphanburi Province)	200,000
(18) Khon Kaen Alcohol Co., Ltd. (Kanchanaburi Province)	200,000
(19) Thai Agro Energy Public Co., Ltd.(Production Line No.2)	200,000
Total Ethanol Production Capacity at end of 2012	3,240,000
Additional Ethanol Producers in 2013	
(1) T.P.K. Ethanol Co., Ltd. (Phase 1)	340,000
(2) Double A Ethanol Co., Ltd.	250,000
(3) Sima Inter Product Co., Ltd.	150,000
(4) Impress Technology Co., Ltd	200,000
(5) Ubon Bio Ethanol Co., Ltd.	400,000
Total Increase in Ethanol Production Capacity in 2013	1,340,000
Total Ethanol Production Capacity at end of 2013	4,580,000
Source: The Department of Alternative Energy Development and Efficiency, Ministry of Energy	

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Lanna Resources Public Co., Ltd. and its affiliated companies have never neglected the principles and responsibilities to the society, communities and environment. As for the coal mining business, the subsidiary companies must operate according to the mine plan and conduct environmental impact analysis and study that must be approved by relevant. The mine site rehabilitation and improvement are also carried out are completed in order to improve environmental surroundings and ecosystem and return to its useful state. The Company has undertaken mine site rehabilitation and improvement by carrying out plantation of trees with conservational value, and land utilization and improvement for several activities including agriculture, water reservoirs, residence, etc.

PT. Lanna Harita Indonesia (LHI), and PT. Singlurus Pratama (SPG) subsidiary companies registered in Indonesia conducting coal mining business operation in Indonesia, have been awarded environmental recognition in 2012 as follows.



- In June 2012, LHI was awarded the Green Certificate for Excellent Environmental Management from the Governor of East Kalimantan, Indonesia, since LHI had exceeded the regulation on environmental management.
- In June 2012, LHI was awarded the Plaque of Sustainable Environment Management in Coal Mining Sector from the Mayor of Samarinda City as LHI had conducted continuous excellent environmental management.



- In November 2012, LHI was awarded the Blue Rank Certificate for Excellent Environmental Management from the Ministry of Environment of Indonesia since LHI had conducted environmental management well according to the regulation.
- In November 2012, SGP was awarded the Pratama Category for Mining Environmental management from the Ministry of Energy and Mineral Resource of Indonesia since LHI had conducted environmental management well according to the regulation.

PT. Lanna Harita Indonesia (LHI) and PT Singlurus Pratama (SGP) subsidiary companies registered in Indonesia emphasize on the community, social, and environmental development in the area of coal concession and nearby. In 2012, LHI and SGP spent Indonesian Rupiah 2,621,825,557 and Rupiah 5,852,675,030 respectively for this purpose.

Education and Sports

- LHI donated 4 computers, worth Indonesian Rupiah 19,200,000, to a junior high school in Sungai Siring in Samarinda City, Indonesia.
- LHI granted supporting fund to the Committee of National Sport for various sporting activities support in East Kalimantan, Indonesia, totaling Indonesian Rupiah 200,000,000.
- SGP granted supporting fund for the National Multi-Sport Event Celebration in the Tradition of Thee Pon-XVII in Indonesia, totaling Indonesian Rupiah 200,000,000.
- SGP granted supporting fund for construction of Madrasah Diniyah Kindergarten in Kutai Regency, Indonesia, totaling Indonesia Rupiah 73,465,000.
- SGP granted supporting fund for the purchase of inflatable rescue boats for Mulawarman University, Indonesia, totaling Indonesian Rupiah 62,500,000.
- SGP granted supporting fund for high school education of Salok Api Village, Kutai Regency, Indonesia, totaling Indonesian Rupiah 24,000,000.
- LHI granted supporting fund for renovation of Pampang Village’s kindergarten, Samarinda City, Indonesia, totaling Indonesian Rupiah 8,000,000.
- LHI granted supporting fund for construction of kindergarten fences at Sidomulyo Village’s kindergarten, Kutai Regency, Indonesia, totaling Indonesian Rupiah 11,400,000.



Community and Agricultural Development

- LHI granted supporting fund to develop and produce Indonesian local food called “Tempe and Tofu”, totaling Indonesian Rupiah 25,000,000.

- LHI granted supporting fund to Sidomulyo Village community for development and production of biogas for household usage, totaling Indonesia Rupiah 25,500,000.

- LHI granted supporting fund to the Committee of Religious totaling Indonesian Rupiah 30,000,000 for use in religious ceremonies and Indonesian Rupiah 14,421,750 for distribution of food to fire victims in Samarinda City, Indonesia.

- SGP donated Indonesian Rupiah 175,000,000 to help victims of bridge collapse and flood in Kutai Regency, Indonesia.

- SGP granted supporting fund of Indonesian Rupiah 61,071,000 for the construction of Margomulyo Village’s laboratory and Indonesian Rupiah 16,750,000 for training of sewing crafts for women of Sungai Merdeka Village, Kutai Regency, Indonesia.

Infrastructure

- LHI donated Indonesian Rupiah 79,835,625 for restoration and construction of road to Tanah Datar Village, Kutai Regency, Indonesia.

- SGP donated Indonesian Rupiah 98,571,000 for construction of roads to 2 villages in Ambarawang Lout-Samboja, Kutai Regency, Indonesia.

- SGP granted supporting fund for development of clean water reservoir for community in Mentawir Village, Penajam Pasia Utara Regency, Indonesia, totaling Indonesian Rupiah 75,000,000.

Public Health

- LHI donated Indonesian Rupiah 49,545,000 for health checkup and treatment for community of children and youth in Sidomulyo Village, Kampung Baru Village and Putra Lembah Village in Kutai Regency, Indonesia.



As for the ethanol as bio-fuel business of Thai Agro Energy Public Co., Ltd., a subsidiary company, the plan has been established for solving the problem of wastewater from the ethanol production process which may have impact on the environment by using wastewater from the ethanol production process, which still consists of nutrients beneficial to crops and plants. The wastewater will be used for agricultural purpose after it has been passed the treatment process and biogas production system. In addition, under the concept of “zero discharge”, wastewater from the ethanol production process will not be released into the environment.

In 2012, Thai Agro Energy Public Co., Ltd. has been continuously supporting various activities for the development of the community and environment, totaling Thai Baht 630,000.

Religious and Traditional Activities

- Thai Agro Energy Public Co., Ltd. participated in Kathina Ceremony for construction of church, chapel and sermon hall at Wat Wang Nam Jone, Wat Chai Hiran, Wat Chaeng Ngam, Wat Sa Bua Kam, Wat Dong Cheuk Pan Chareun, Suphanburi Province.

Education and Sports

- Thai Agro Energy Public Co., Ltd granted supporting fund for scholarships and sporting activities to Sa Bua Kum School, Jang Ngam School and Dong Cheuk Pan Chareun, Suphanburi Province.

Public Health

- Thai Agro Energy Public Co., Ltd granted supporting fund to Jang Ngam Sub-District Health Promoting Hospital for providing public health service and health check-up to the community of Jang Ngam Sub-District, Nong Ya Sai District, Suphanburi Province.

Community and Environmental Development

- Thai Agro Energy Public.Co., Ltd granted supporting fund for construction of public road to Dong Au Thong Village, Dan Chang District, Suphanburi Province.

- Thai Agro Energy Public Co., Ltd granted supporting fund to central fund for development of Nong Ya Sai Village, Nong Ya Sai Sub-District, Suphanburi Province.

- Thai Agro Energy Public Co., Ltd granted supporting fund for renovation of Dan Chang Police Station, Suphanburi Province.

- Thai Agro Energy Public Co., Ltd. sponsored local food festival in Dan Chang District, Suphanburi Province.



In 2012, Lanna Resources Public Co., Ltd. has been continuously supporting various activities for the development of the community, society and environment, granting total Baht 1,097,082.15 for this purpose.

Religious and Traditional Activities

- Ayutthaya Coal Center granted supporting fund for various activities during Songkran Festival 2012, including water blessing of the elderly, at Klong Sakae Subdistrict.
- Ayutthaya Coal Center granted supporting fund for religious activities during Wisakha Bucha Day 2012 at Wat Thong Song Tham and Wat Sadet.
- Ayutthaya Coal Center participated in the Buddhist Lent Candle procession during the Buddhist Lent at Wat Tanod, Wat Maha Phol, Wat Preeda Ram, Wat Lai, and Wat Chan in Ayutthaya Province.
- Ayutthaya Coal Center lent its equipment for and the employees volunteered in cleaning of the temple hall of Wat Thong Song Tham in preparation of activities at the end of the Rainy Retreats.

Education and Sports

- Ayutthaya Coal Center granted supporting fund for hiring of teachers of Wat Thong Song Tham School, Ayutthaya Province.
- Ayutthaya Coal Center granted scholarships to students of Wat Lamut School and jointly held certificate presentation ceremony for primary school students, at Pak Chan Subdistrict, Ayutthaya Province.
- Ayutthaya Coal Center granted televisions and DVD players to Ban Kluay Small Children Center, in Ayutthaya Province.
- Lanna Resource Public Co., Ltd. granted supporting fund for Chulalongkorn University-Parrot Sport Badminton Open 2012.
- Ayutthaya Coal Center granted scholarships to students of Wat Thong Song Tham School, commemorating 80-year anniversary of the school. Scholarships were also granted to students of Wat Sadet School, Ayutthaya Province.
- Ayutthaya Coal Center volunteered its employees to help teach basic computer-related skills to primary school students at Wat Thong Song Tham, Ayutthaya Province.
- Ayutthaya Coal Center gave Indian Fir tree cultivar and planted the saplings with the teachers and students of Wat Thong Song Tham School, Ayutthaya Province.



Community and Environmental Development

- Ayutthaya Coal Center provided machinery for cleaning of Bor Phong-Nakhon Luang road and its vicinity in order to reduce dusts and pollution on the roadway.

- Ayutthaya Coal Center participated in a flood relieve program in Sena District, Ayutthaya, called “Return School to Children – Community Relations”, organized by the Stock Exchange of Thailand together with members of the Thai Listed Company Association.

- Ayutthaya Coal Center provided machinery and volunteered for the construction of a steel bridge for local pedestrian commute across agricultural irrigation, in Klong Sakae District, Ayutthaya Province.

- Lanna Resources Public Co., Ltd. granted supporting fund for the charitable concert “Museum of Love”, held by Faculty of Commerce and Accountancy, Thammasat University. The fund raised was to be granted to Pathumthani Baby Home.

- Ayutthaya Coal Center supported and participated in a tree planting activity commemorating Her Majesty the Queen birthday, in Bang Rakum Sub-district, Nakhon Luang District, Ayutthaya Province.



Public Health

- Ayutthaya Coal Center and its employees participated in blood donation activity called “Share the kindness – Save Lives”, commemorating Her Majesty the Queen birthday.

- Ayutthaya Coal Center donated bicycles to be used as prizes in the Red Cross Fair 2012 in Ayutthaya.

- Ayutthaya Coal Center and its employees participated in the elderly care program at Klong Sakae Sub-district Hospital and provided sporting equipment for the program.

- Lanna Resources Public Co., Ltd. granted supporting fund for a charitable bowling competition, raising fund for the purchase of medical equipment for the military hospital and other charitable activities.

- Lanna Resources Public Co., Ltd. donated fund for Dharma for Life of Thailand, supporting children with mother-to-child HIV infection.



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

The consolidated financial statements year 2012 of Lanna Resources Public Company Limited and its subsidiary companies have been prepared in accordance with the Notification of the Department of Business Development, regarding to the condensed transactions of the financial statements, effective under the Accounting Act B.E. 2543 and in compliance with the accounting standard established in the Accounting Profession Act B.E. 2547.

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 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 Securities and Exchange Commission (SEC), 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 to oversee that there are no conflict of interest; as well as to consider and propose for the appointment of the Company's auditors. The opinions of the Audit Committee are expressed in the Report of the Audit Committee which has been included within the Annual Report 2012.

4 March 2013

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



(Mr. Somkiart Limsong)
Chairman of the Board



(Mr. Kraisi Sirirungsri)
Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

The Company's Board of Directors appointed the Audit Committee consisting of the three independent non-executive directors and assigned them with duties and responsibilities according to the Audit Committee Charter in accordance with the announcement of the Stock Exchange of Thailand.

During the year 2012 the Audit Committee had 10 meetings with the presence of all the committee members throughout the period. The Audit Committee regularly reported the operating results to the Company's Board of Directors every quarter. The key points could be summarized as follows:

1. Review of Financial Statements: The Audit Committee in cooperation with the Management of Accounting and External Auditors reviewed the quarterly and annually financial statements for the year 2012 of the Company and its subsidiaries to ensure that the above mentioned statements were correctly prepared in conformity with the generally accepted accounting standards with sufficient disclosure of information, complete, transparent, reliable and regularly carried out taking into account the impact from the changes in accounting standards.

2. Internal Control System: The Company had a system to review the plan for assessing the sufficiency of the internal control system in order to maintain the appropriateness and efficiency of the auditing mechanism covering the accounting and finance, assets management, operations and works in compliance with the laws, regulations as well as the relevant procedures. The Audit Committee reviewed and approved the auditing scope and the plan of year 2012 by putting more emphasis on and giving priority to the audit of the subsidiaries abroad. The operations of each unit of the subsidiary companies abroad were monitored and the progresses of the implementation of the remedial actions for mistakes were followed up. Additional suggestions were provided for effective internal control systems which are concrete and sustainable as well as to enhance the integration and the harmonization. This was a key factor to support the growth of the business. The Audit Committee had an opinion that the Company had sufficient internal control system which properly corresponding for the situation. There was no significant weakness.

3. Review of Related Transactions: The Audit Committee reviewed business transactions among the Company, its subsidiaries and the related parties including all the transactions which might cause conflict of interests during year 2012. This was to ensure that they were conducted according to their normal business nature adhering to the best interest of the Company. The Company has been practicing in accordance with the good corporate governance principles. No benefits were siphoned off. The information was sufficiently disclosed. Moreover the operations were monitored to ascertain that it worked in accordance with the regulations of the Securities and Exchange Commission.

4. Overseeing the Risk Management: The Company had a policy in managing organizational risks of which the management and the Employees must emphasize and properly work in compliance with the risk management policy. There was a Risk Management Committee consisting of the Management Executives from various departments who had duties in overseeing the management of risks of the whole corporation systematically. The Audit Committee regularly reviewed the reports of the work performed by the Risk Management Committee every quarter as assigned by the company's Board of Directors. This was to assure that the critical risks were managed to the appropriate level. Additionally the company has already included the detail of the risk management system in the annual report.

5. Compliance with the Laws and the Government's Regulations: The Audit Committee oversaw the Company's operations to ensure that they were in compliance with the Securities and Exchange Act, the regulations of the Stock Exchange of Thailand and the Securities and Exchange Committee, all the accounting standards and other laws which are relevant to the Company's business. There was no significant error found.

6. Good Corporate Governance: The Company puts emphasis on rigorously and continuously managing the works according to the good corporate governance principles. There was a customer complaints handling system. All employees were encouraged to work according to the procedures, the regulations and the code of conduct for transparency. As a result, the Company was considered as having good corporate governance; therefore, it enhanced the confidence of the shareholders, the business partners, the customers and the relevant parties.

7. Appointment of the Auditors and the Audit Fee: The Audit Committee reviewed the qualifications of the auditors, their working standard, their expertise and their independence in carrying out their duty. The Auditors have been delivering good quality works. Their performances were at satisfactory level. On the basis of comparing the work load and the fees it was proposed to the Company's Board of Directors for further approval at the General Meeting of Shareholders for the appointment of Mrs. Saifon Inkaew, certified public accountant 4434, and/or Mr. Wichart Lokatekrawee, certified public accountant 4451, and/or Ms. Siriwan Suratopin certified public accountant 4604, of Ernst & Young Co., Ltd., who are qualified as the auditors for public companies according to the regulations of the Securities and Exchange Commission as the Company's auditors for year 2013. The agreed audit fee for year 2013 was Baht 1,050,000, an increase of Baht 50,000 or 5 percent as last year and still considered reasonable.

The Audit Committee circumspectly carried out their works. They had entire freedom, were able to frankly express their express their opinions, being transparency and auditability in compliance with the good corporate governance principles for the Company's best interest. Taking into account the review and consideration in various matters carried out by the Audit Committee throughout the year 2012; the Audit Committee had the opinion that the Company prepared the financial statements in conformity with the generally accepted accounting standards. There were internal control system, risk management and internal auditing which were sufficient and appropriate. Moreover, all works were executed in accordance with announcements, procedures, regulations and relevant laws. No significant loopholes were found.

February 21, 2013
On behalf of the Audit Committee



(Padoong Techasarintr)
Chairman of the Audit Committee

Independent Auditor's Report

To the Shareholders of Lanna Resources Public Company Limited

I have audited the accompanying consolidated financial statements of Lanna Resources Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Lanna Resources Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

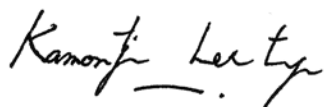
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lanna Resources Public Company Limited and its subsidiaries and of Lanna Resources Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Kamontip Lertwitworatep

Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited

Bangkok: 21 February 2013

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Assets					
Current assets					
Cash and cash equivalents	7	1,152,588,131	1,212,390,580	197,144,040	381,840,160
Current investments	8	439,000,000	-	439,000,000	-
Trade and other receivables	6, 9	865,838,067	1,197,934,596	142,438,812	199,828,808
Inventories	10	502,317,830	266,030,527	203,612,736	27,321,366
Cassava and sugar cane plantation costs		-	5,723,506	-	-
Input tax refundable		558,442,414	699,612,441	1,850,360	-
Prepaid income tax		321,703,093	103,558,079	132,178	18,265,829
Advance payments for goods	6, 29.2	78,423,478	170,906,117	5,663,058	109,613,269
Other current assets		35,354,536	68,908,721	1,428,937	1,336,501
Total current assets		3,953,667,549	3,725,064,567	991,270,121	738,205,933
Non-current assets					
Restricted bank deposits	7	66,377,364	51,541,193	-	-
Investments in subsidiaries	11	-	-	852,763,211	1,068,589,476
Investment in associated company	12	34,560,855	23,714,804	890,679	890,679
Long-term loans to related party	6	-	-	-	45,000,998
Investment properties	13	34,726,037	36,529,742	34,726,037	36,529,742
Property, plant and equipment	14	2,847,833,083	2,716,090,829	217,272,790	214,934,536
Goodwill		185,999,788	185,999,788	-	-
Intangible assets	15	3,945,583	3,503,932	1,514,587	1,765,261
Other non-current assets	16	433,204,529	475,122,264	79,804,959	95,158,831
Total non-current assets		3,606,647,239	3,492,502,552	1,186,972,263	1,462,869,523
Total assets		7,560,314,788	7,217,567,119	2,178,242,384	2,201,075,456

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institution	17	513,000,000	563,000,000	-	-
Trade and other payables	6, 18	751,146,728	377,585,721	66,999,754	230,400,190
Current portion of long-term loan from financial institution	19	180,000,000	900,000,000	-	-
Accrued expenses		614,090,205	581,366,295	16,655,822	26,515,787
Income tax payable		26,528,222	408,515,697	-	-
Other current liabilities		187,839,518	168,838,188	5,818,306	10,653,881
Total current liabilities		2,272,604,673	2,999,305,901	89,473,882	267,569,858
Non-current liabilities					
Long-term loan from financial institution - net of current portion	19	540,000,000	-	-	-
Provision for long-term employee benefits	20	176,265,497	122,556,463	22,741,583	22,165,420
Provision for mine reclamation and decommissioning costs	21	85,426,274	17,010,575	-	-
Total non-current liabilities		801,691,771	139,567,038	22,741,583	22,165,420
Total liabilities		3,074,296,444	3,138,872,939	112,215,465	289,735,278
Shareholders' equity					
Share capital					
Registered, issued and fully paid up					
350,000,000 ordinary shares of Baht 1 each		350,000,000	350,000,000	350,000,000	350,000,000
Share premium		680,400,000	680,400,000	680,400,000	680,400,000
Retained earnings					
Appropriated - Statutory reserve	23	35,000,000	35,000,000	35,000,000	35,000,000
Appropriated - General reserve		495,900,000	436,000,000	495,900,000	436,000,000
Unappropriated		2,197,856,699	1,891,579,408	504,726,919	409,940,178
Other components of shareholders' equity		(146,016,079)	(122,135,142)	-	-
Equity attributable to owners of the Company		3,613,140,620	3,270,844,266	2,066,026,919	1,911,340,178
Non-controlling interests of the subsidiaries		872,877,724	807,849,914	-	-
Total shareholders' equity		4,486,018,344	4,078,694,180	2,066,026,919	1,911,340,178
Total liabilities and shareholders' equity		7,560,314,788	7,217,567,119	2,178,242,384	2,201,075,456

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

Lanna Resources Public Company Limited and its subsidiaries

Income statements

For the year ended 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Revenues					
Sales	6	13,360,120,520	12,997,353,851	1,739,509,550	1,777,049,611
Commission and marketing service income	6	-	-	174,679,454	120,698,429
Other income					
Dividend income	6, 11, 12	-	-	568,802,185	771,465,580
Service income	6	-	-	53,769,923	39,077,376
Gain on exchange		-	-	2,833,801	9,512,894
Interest income	6	16,508,157	9,716,793	12,080,591	7,543,106
Others		72,663,167	149,678,318	35,879,715	6,250,175
Total other income		89,171,324	159,395,111	673,366,215	833,849,131
Total revenues		13,449,291,844	13,156,748,962	2,587,555,219	2,731,597,171
Expenses					
Cost of sales	6	8,626,457,709	7,845,545,225	1,486,919,150	1,607,865,838
Selling and distribution expenses		2,200,320,598	1,967,471,146	159,978,196	164,195,049
Administrative expenses		555,630,711	609,787,053	137,006,675	145,803,170
Loss on exchange		54,383,945	7,361,472	-	-
Total expenses	24	11,436,792,963	10,430,164,896	1,783,904,021	1,917,864,057
Profit before share of profit from investment, finance cost and income tax expenses		2,012,498,881	2,726,584,066	803,651,198	813,733,114
Share of profit from investment in associated company	12	18,532,191	5,903,773	-	-
Profit before finance cost and income tax expenses		2,031,031,072	2,732,487,839	803,651,198	813,733,114
Finance cost		(54,147,681)	(29,603,580)	-	(403,540)
Profit before income tax expenses		1,976,883,391	2,702,884,259	803,651,198	813,329,574
Withholding tax deducted at source		(121,709,287)	(123,553,771)	(121,709,287)	(123,553,771)
Income tax expenses		(482,364,953)	(824,601,310)	(2,255,170)	-
Profit for the year		1,372,809,151	1,754,729,178	679,686,741	689,775,803
Profit attributable to:					
Equity holders of the Company		915,804,278	1,043,398,752	679,686,741	689,775,803
Non-controlling interests of the subsidiaries		457,004,873	711,330,426		
		<u>1,372,809,151</u>	<u>1,754,729,178</u>		
Basic earnings per share					
Profit attributable to equity holders of the Company	26	2.62	2.98	1.94	1.97

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

Lanna Resources Public Company Limited and its subsidiaries
Statements of comprehensive income
For the year ended 31 December 2012

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Profit for the year	<u>1,372,809,151</u>	<u>1,754,729,178</u>	<u>679,686,741</u>	<u>689,775,803</u>
Other comprehensive income:				
Exchange differences on translation of financial statements in foreign currency	<u>(70,657,073)</u>	<u>106,117,487</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year	<u>(70,657,073)</u>	<u>106,117,487</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>1,302,152,078</u></u>	<u><u>1,860,846,665</u></u>	<u><u>679,686,741</u></u>	<u><u>689,775,803</u></u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u>867,302,666</u>	<u>1,118,971,054</u>	<u><u>679,686,741</u></u>	<u><u>689,775,803</u></u>
Non-controlling interests of the subsidiaries	<u>434,849,412</u>	<u>741,869,611</u>		
	<u><u>1,302,152,078</u></u>	<u><u>1,860,846,665</u></u>		

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

Lanna Resources Public Company Limited and its subsidiaries
Statements of changes in shareholders' equity
For the year ended 31 December 2012

(Unit: Baht)

		Consolidated financial statements								
		Equity attributable to owners of the Company				Other component of equity				
	Note	Issued and paid-up share capital	Share premium	Statutory reserve	Retained earnings		Total other component of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
					Appropriated	Unappropriated				
					General reserve					
Balance as at 1 January 2011		350,000,000	680,400,000	35,000,000	429,000,000	1,327,680,656	(197,713,444)	2,624,367,212	559,516,931	3,183,884,143
Dividend paid	27	-	-	-	-	(472,500,000)	-	(472,500,000)	-	(472,500,000)
Unappropriated retained earnings transferred to general reserve	27	-	-	-	7,000,000	(7,000,000)	-	-	-	-
Total comprehensive income for the year		-	-	-	-	1,043,398,752	75,578,302	1,118,977,054	741,869,611	1,860,846,665
Decrease in non-controlling interest of the subsidiaries from dividend payments of subsidiaries		-	-	-	-	-	-	-	(542,027,195)	(542,027,195)
Increase in non-controlling interests from increase in share capital of the subsidiary		-	-	-	-	-	-	-	48,490,567	48,490,567
Balance as at 31 December 2011		350,000,000	680,400,000	35,000,000	436,000,000	1,891,579,408	(122,135,142)	3,270,844,266	807,849,914	4,078,694,180

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

Lanna Resources Public Company Limited and its subsidiaries
 Statements of changes in shareholders' equity (continued)
 For the year ended 31 December 2012

(Unit: Baht)

		Consolidated financial statements											
		Equity attributable to owners of the Company						Other component of equity					
		Retained earnings			Unappropriated			Total other component of shareholders' equity			Equity attributable to non-controlling interests of the subsidiaries		Total shareholders' equity
		Appropriated		General reserve		Unappropriated		Total other component of shareholders' equity			Equity attributable to owners of the Company		Total shareholders' equity
		Statutory reserve	General reserve	General reserve	Unappropriated	financial statements in foreign currency	Other comprehensive income	Exchange differences on translation of financial statements	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity		
Note	Issued and paid-up share capital	Share premium	Statutory reserve	General reserve	Unappropriated	financial statements in foreign currency	Other comprehensive income	Exchange differences on translation of financial statements	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity		
	350,000,000	680,400,000	35,000,000	436,000,000	1,891,579,408	(122,135,142)			3,270,844,266	807,849,914	4,078,694,180		
27	-	-	-	-	(525,000,000)	-			(525,000,000)	-	(525,000,000)		
	-	-	-	59,900,000	(59,900,000)	-			-	-	-		
	-	-	-	-	915,804,278	(48,501,612)			867,302,666	434,849,412	1,302,152,078		
	-	-	-	-	(24,626,987)	24,620,675			(6,312)	-	(6,312)		
	-	-	-	-	-	-			-	(369,851,997)	(369,851,997)		
	-	-	-	-	-	-			-	30,395	30,395		
	350,000,000	680,400,000	35,000,000	495,900,000	2,197,856,699	(146,016,079)			3,613,140,620	872,877,724	4,486,018,344		
	Balance as at 1 January 2012												
	Dividend paid												
	Unappropriated retained earnings transferred to general reserve												
	Total comprehensive income for the year												
	Effect of liquidation of the subsidiary												
	Decrease in non-controlling interests of the subsidiaries from dividend payments of subsidiaries												
	Increase in non-controlling interests from disposal of investment in subsidiary												
	Balance as at 31 December 2012												

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

Lanna Resources Public Company Limited and its subsidiaries
Statements of changes in shareholders' equity (continued)
For the year ended 31 December 2012

(Unit: Baht)

	Note	Separate financial statements						
		Issued and paid-up share capital	Share premium	Retained earnings			Total	
				Statutory reserve	General reserve	Unappropriated		
Balance as at 1 January 2011		350,000,000	680,400,000	35,000,000	429,000,000	199,664,375	1,694,064,375	
Dividend paid	27	-	-	-	-	(472,500,000)	(472,500,000)	
Unappropriated retained earnings transferred to general reserve	27	-	-	-	7,000,000	(7,000,000)	-	
Total comprehensive income for the year		-	-	-	-	689,775,803	689,775,803	
Balance as at 31 December 2011		350,000,000	680,400,000	35,000,000	436,000,000	409,940,178	1,911,340,178	
Balance as at 1 January 2012		350,000,000	680,400,000	35,000,000	436,000,000	409,940,178	1,911,340,178	
Dividend paid	27	-	-	-	-	(525,000,000)	(525,000,000)	
Unappropriated retained earnings transferred to general reserve	27	-	-	-	59,900,000	(59,900,000)	-	
Total comprehensive income for the year		-	-	-	-	679,686,741	679,686,741	
Balance as at 31 December 2012		350,000,000	680,400,000	35,000,000	495,900,000	504,726,919	2,066,026,919	

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

Lanna Resources Public Company Limited and its subsidiaries

Cash flow statements

For the year ended 31 December 2012

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities				
Profit before tax	1,976,883,391	2,702,884,259	803,651,198	813,329,574
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	242,217,430	258,957,638	36,343,094	32,540,849
Reduction of inventory to net realisable value (reversal)	3,566,782	(7,168,235)	-	-
Write-off prepaid corporate income tax	-	17,822,450	-	-
Share of profit from investment in associated company	(18,532,191)	(5,903,773)	-	-
Gain from return on investment and disposal of investment in subsidiary	-	-	(5,606,521)	-
Gain on disposal of equipment and investment properties	(1,942,235)	(4,209,782)	(1,601,487)	(4,320,422)
Loss on write-off of inventories, equipment and intangible assets	8,484,163	29,716,264	48	29,669,937
Dividend income	-	-	(568,802,185)	(771,465,580)
Reversal of provision for liabilities from lawsuit	-	(17,402,198)	-	(17,402,198)
Provision for long-term employee benefits	72,075,007	34,202,739	2,343,013	4,006,686
Provision for mine reclamation and decommissioning costs	83,219,237	4,481,706	-	-
Unrealised loss (gain) on exchange	371,639	(1,541,186)	371,639	2,303,255
Interest income	(16,508,157)	(9,716,793)	(12,080,591)	(7,543,106)
Interest expenses	54,147,681	29,603,580	-	403,540
Profit from operating activities before changes in operating assets and liabilities	2,403,982,747	3,031,726,669	254,618,208	81,522,535
Operating assets (increase) decrease				
Trade and other receivables	333,213,475	(331,090,355)	58,820,942	13,634,750
Inventories	(239,854,085)	(35,017,158)	(176,291,370)	73,929,575
Cassava and sugar cane plantation costs	5,723,506	9,482,675	-	-
Input tax refundable	141,170,027	(323,057,561)	(1,850,360)	-
Advance payments for goods	92,284,841	(40,940,974)	103,752,413	(91,564,319)
Other current assets	33,554,185	(7,344,509)	(92,436)	449,439
Operating liabilities increase (decrease)				
Trade and other payables	382,795,923	(666,274)	(163,540,938)	(82,766,939)
Accrued expenses	32,561,839	177,865,902	(9,859,965)	4,260,873
Other current liabilities	19,001,330	108,568,060	(4,835,575)	4,161,575
Provision for long-term employee benefits	(7,409,478)	(394,363)	(1,766,850)	(58,500)
Provision for mine reclamation and decommissioning costs	(27,214,400)	(6,097,323)	-	-
Cash from operating activities	3,169,809,910	2,583,034,789	58,954,069	3,568,989
Interest income	15,391,211	9,207,706	10,649,645	7,296,790
Cash paid for interest expenses	(53,985,610)	(29,383,475)	-	(403,540)
Refund of corporate income tax	18,006,716	38,987,361	18,006,716	12,173,757
Cash paid for withholding tax deducted at source	(121,709,287)	(123,553,771)	(121,709,287)	(123,553,771)
Cash paid for corporate income tax	(1,100,504,158)	(738,042,613)	(2,128,235)	(36,501)
Net cash from (used in) operating activities	1,927,008,782	1,740,249,997	(36,227,092)	(100,954,276)

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

Lanna Resources Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash flows from investing activities				
Increase in current investments	(439,000,000)	-	(439,000,000)	-
Increase in restricted bank deposits	(16,559,458)	(21,023,711)	-	-
Cash received from repayment of long-term loans to related party	-	-	45,000,998	158,999,002
Dividend received from subsidiaries and associated company	7,686,140	-	568,802,185	771,465,580
Cash received from return on investment and disposal of investment in subsidiaries	-	-	221,432,786	-
Proceeds from disposals of equipment and investment properties	4,511,043	6,424,093	3,429,034	5,366,437
Cash received from government grants	9,577,360	15,000,000	-	-
Acquisitions of property, plant and equipment	(245,252,283)	(502,400,659)	(19,745,716)	(6,126,185)
Acquisitions of computer software	(384,851)	(791,656)	(228,711)	(622,756)
Increase in other non-current assets	<u>(123,677,056)</u>	<u>(133,679,227)</u>	<u>(2,985,763)</u>	<u>(958,838)</u>
Net cash from (used in) investing activities	<u>(803,099,105)</u>	<u>(636,471,160)</u>	<u>376,704,813</u>	<u>928,123,240</u>
Cash flows from financing activities				
Increase (decrease) in short-term loans from financial institutions	(50,000,000)	54,000,000	-	-
Cash receipt from long-term loan from financial institution	-	155,262,318	-	-
Repayment of long-term loans from financial institutions	(180,000,000)	-	-	-
Dividend paid	(894,851,997)	(1,014,527,195)	(525,000,000)	(472,500,000)
Increase (decrease) in non-controlling interests of the subsidiaries	<u>(22,125,066)</u>	<u>34,137,278</u>	<u>-</u>	<u>-</u>
Net cash used in financing activities	<u>(1,146,977,063)</u>	<u>(771,127,599)</u>	<u>(525,000,000)</u>	<u>(472,500,000)</u>
Increase (decrease) in translation adjustments	<u>(36,561,222)</u>	<u>49,688,684</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(59,628,608)</u>	<u>382,339,922</u>	<u>(184,522,279)</u>	<u>354,668,964</u>
Cash and cash equivalents at beginning of year	1,212,390,580	829,222,524	381,840,160	26,343,062
Effect of change in foreign exchange rate on cash at bank balance	<u>(173,841)</u>	<u>828,134</u>	<u>(173,841)</u>	<u>828,134</u>
Cash and cash equivalents at end of year (Note 7)	<u>1,152,588,131</u>	<u>1,212,390,580</u>	<u>197,144,040</u>	<u>381,840,160</u>
Supplemental cash flows information:				
Non-cash transactions				
Increase (decrease) in accounts payable from purchases of plant, equipment and intangible assets	(9,234,916)	(117,446,625)	140,502	589,645
Transferred property, plant, and equipment to intangible assets	1,262,424	-	-	-
Transferred property, plant, and equipment to other non-current assets	5,005,173	-	-	-
Increase in property, plant, and equipment from recording of commissioning costs	12,979,613	-	-	-
Transferred advance payment for purchase of machineries to equipment	59,747,420	-	-	-
Transferred advance payment for purchase of investment to investment in subsidiary company	-	-	-	151,509,433
Transferred share subscriptions received in advance of subsidiary to non-controlling interests of the subsidiaries	-	44,892,474	-	-

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

Lanna Resources Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2012

1. General information

Lanna Resources Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Siam City Cement Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of lignite. The registered office of the Company is at 888/99 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Lanna Resources Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Relationship	Country of incorporation	Percentage of shareholding	
				2012 Percent	2011 Percent
<u>Held by the Company</u>					
PT. Lanna Mining Services	Coal distribution	Direct holding and common directors	Indonesia	99.95	99.995
Thai Agro Energy Public Co., Ltd.	Ethanol production and distribution	Direct holding and common directors	Thailand	75.75	75.75
PT. Singlurus Pratama	Coal production and distribution	Direct holding and common directors	Indonesia	65.00	65.00
PT. Lanna Harita Indonesia	Coal production and distribution	Direct holding and common directors	Indonesia	55.00	55.00
PT. Citra Harita Mineral	Service in coal production and port and jetty service	Direct holding and common directors	Indonesia	55.00	55.00
Lanna (Singapore) Pte. Ltd.	Investment in foreign projects	Direct holding and common directors	Singapore	-	100.00

Company's name	Nature of business	Relationship	Country of incorporation	Percentage of shareholding	
				<u>2012</u> Percent	<u>2011</u> Percent
<u>Held by associated company</u>					
PT. Lanna Mining Services	Coal distribution	Direct holding	Indonesia	0.05	0.005

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the shareholders' equity.
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- g) The excess of the cost of investment in a subsidiary company over the Company's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired as at the investment date has been shown as "Goodwill" and separately presented as non-current asset in the consolidated statement of financial position and is measured at cost less any accumulated impairment losses (if any).

2.3 The separate financial statements, which present investments in subsidiaries and associated company under the cost method, have been prepared solely for the benefit of the public.

3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12 Income Taxes

TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of
Government Assistance

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

Financial Reporting Standard:

TFRS 8 Operating Segments

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines. The management of the Company expects the adoption of this accounting standard to have the effect of increasing the Company and its subsidiaries' brought-forward retained earnings of the year 2013 by approximately Baht 71 million (the Company only: increasing by approximately Baht 30 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

		<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets		1 January 2013
Accounting Standard Interpretation:		
SIC 29	Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of these standards and believes that accounting treatment guidance and accounting standard interpretations are not relevant to the business of the Company and its subsidiaries.

4. Significant accounting policies

4.1 Revenue Recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Income from coal sales are recorded according to the weight as recorded at the Company’s site or the customer’s site. Adjustments of the sales price due to quality and weight considerations are recognised in the month in which notification is received from customers.

Commission and marketing service income

Commission and marketing service income are recognised on an accrual basis when oversea subsidiary companies sell coal to the buyer who the Company provides to subsidiary companies.

Service income

Service income is recognised on an accrual basis when a subsidiary company sells coal which is produced from its concession area to the buyer.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

4.4 Inventories

Inventories are valued at the lower of average cost and net realisable value. Cost of finished goods and work in process include cost of material, labour and overheads.

Supplies are value at the lower of average cost and net realisable and are charged to production costs whenever consumed.

Allowance for diminution in inventory value is provided for the excess of cost over the net realisable value of inventories and for slow moving or deteriorated inventories.

Net realisable value is selling price in normal course of business less other costs incurred to sell the goods.

4.5 Cassava plantation costs

Cassava plantation costs consist of costs and expenses which are directly related to cassava plant and plantation activities and are incurred before the production period. Cassava plantation costs are stated at cost and are amortised when cassava plants are ready for harvest over the harvest period between 8 and 10 months.

4.6 Sugar cane plantation costs

Sugar cane plantation costs consist of costs and expenses which are directly related to sugar cane plant and plantation activities and are incurred before the production period. Sugar cane plantation costs are stated at cost and are amortised when sugar cane plants are ready for harvest over the harvest period of 10 to 13 months.

4.7 Investments

- a) Investment in associated company is accounted for in the consolidated financial statements using the equity method.
- b) Investments in subsidiaries and associated company are accounted for in the separate financial statements using the cost method.

4.8 Investment properties

Investment properties, which are plots of land, are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less allowance for loss on impairment (if any).

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

4.9 Property, plant and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

The cost of property, plant and equipment also includes the initial estimate of the cost of dismantling and removing an item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Land improvement	5 - 10 years
Buildings and amenities	16 - 30 years
Crushing plants	15 years
Machinery and equipment	4 - 30 years
Furniture and office equipment	3 - 10 years
Vehicles	5 - 10 years

Depreciation is included in determining income.

No depreciation is provided on assets under construction and installation, land improvement of a local subsidiary company 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.11 Intangible assets

Intangible assets are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible asset with finite useful lives, which is computer software, has useful lives of 3 - 5 years.

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

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

4.12 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in the profit or loss.

Goodwill is carried at cost less any accumulated impairment losses (if any). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

4.13 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

4.14 Long-term leases

Leases of assets which do not transfer substantially all the significant risk and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

4.15 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

4.16 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company also carries out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.17 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Company, a subsidiary and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and the subsidiary. The fund's assets are held in a separate trust fund and the Company's and the subsidiary's contributions are recognised as expenses when incurred.

Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by professionally qualified independent actuaries based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, immediately as an expense in profit or loss for the year 2011.

4.18 Government grants related to assets

Government grants are recognised when there is reasonable assurance that the grants will be received and all attached conditions will be complied with. Government grants related to assets are presented as a deducting to the value of the related assets and are recognised in profit or loss over the useful life of the assets as a reduced depreciation expense.

4.19 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.20 Provision for mine reclamation

The subsidiaries recognise a provision for mine reclamation where an obligation exists. The estimated amount of the eventual costs relating to the site restoration and reclamation is discounted to its present value. Such costs are included in profit or loss based on the unit-of-production method on the total estimated reclamation costs over the total proven reserves.

4.21 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

4.22 Derivatives

Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrealised gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in inventory value

In determining an allowance for diminution in inventory value, the management needs to make judgment in estimating loss from slow moving and deteriorated inventories including the effect from declining in net realisable value of inventories.

Property, plant and equipment and depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Goodwill and intangible assets

The initial recognition and measurement of goodwill and other intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Provision for mine reclamation

The majority of the decommissioning and reclamation costs is incurred at the end of a mine's life. In determining a provision for such costs, the management needs to make judgment regarding the expected future costs to be incurred, the timing of these expected future costs, largely dependent on the life of the mine, and the estimated future level of inflation.

Litigation

The subsidiary has contingent liabilities as a result of litigation. The management has used judgment to assess the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the end of reporting period.

6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Purchase of coal	-	-	-	796,767,110
Dividend income	-	-	561,116,045	771,465,580
Commission and marketing service income	-	-	174,679,454	120,698,429
Service income	-	-	53,769,923	39,077,376
Interest income	-	-	904,139	3,491,400
<u>Transactions with major shareholder</u>				
Sales of coal	1,077,962,057	1,054,227,801	1,077,962,057	1,054,227,801
<u>Transactions with associated company</u>				
Purchase of coal	1,030,616,076	72,877,565	1,030,616,076	72,877,565
Freight charge	195,854,483	56,420,545	195,854,483	56,420,545
Dividend income	7,686,140	-	7,686,140	-
<u>Transfer pricing policy</u>				
Sales of coal	Market price at which equivalent quality coal is sold to the same industry			
Purchase of coal	Market price for equivalent quality coal			
Commission and marketing service income	At the price agreed between the parties which is general price for the same business			
Service income	At the agreed price as stipulated in the agreement			
Dividend income	At the declared rate			
Interest income	LIBOR + 3% per annum			
Freight charge	Price comparable to freight charges paid to third parties			

As at 31 December 2012 and 2011, the balances of the accounts between the Company and those related parties are as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Trade and other receivables - related parties (Note 9)</u>				
Major shareholder	72,435,686	66,024,871	72,435,686	66,024,871
Subsidiaries	-	-	28,093,867	19,411,544
Total trade and other receivables - related parties	<u>72,435,686</u>	<u>66,024,871</u>	<u>100,529,553</u>	<u>85,436,415</u>
<u>Advance payments for goods - related party</u>				
Associated company	-	87,030,477	-	87,030,477
Total advance payment for goods - related party	-	<u>87,030,477</u>	-	<u>87,030,477</u>
<u>Long-term loans to related party</u>				
Subsidiary	-	-	-	45,000,998
Total long-term loans to related party	-	-	-	<u>45,000,998</u>
<u>Trade and other payables - related parties (Note 18)</u>				
Subsidiaries	-	-	-	205,589,726
Associated company	841,672	799,920	841,672	799,920
Total trade and other payables - related parties	<u>841,672</u>	<u>799,920</u>	<u>841,672</u>	<u>206,389,646</u>

As at 31 December 2012 and 2011, the balances of long-term loans between the Company and those related companies and the movement are as follows:

	(Unit: Baht)		
	Balance as at		Balance as at
	31 December	Decrease	31 December
	<u>2011</u>	<u>during the year</u>	<u>2012</u>
<u>Long-term loans to subsidiary company</u>			
PT. Lanna Mining Services	45,000,998	(45,000,998)	-

The long-term loans to related party represent loans granted to PT. Lanna Mining Services. The loans are unsecured, with a term not exceeding 3 years, and carry interest rate at LIBOR + 3% per annum.

Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Short-term employee benefits	171,761,766	171,006,076	59,115,730	58,369,479
Post-employment benefits	19,217,766	10,220,403	1,682,063	2,448,119
Total	<u>190,979,532</u>	<u>181,226,479</u>	<u>60,797,793</u>	<u>60,817,598</u>

Employee Joint Investment Program

On 17 October 2011, the meeting of the Company's Board of Directors passed a resolution approving the Employee Joint Investment Program of the Company, for a period of 5 years commencing 1 January 2012. The details and conditions in relation to such program depend on the determination of the Company's Board of Directors. The Company obtained an approval from the Securities and Exchange Commission of Thailand on 16 November 2011.

7. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	Cash	196,134	235,470	40,000
Bank deposits	1,180,769,361	984,696,303	159,104,040	102,800,160
Investments in bill of exchange and bond of the Bank of Thailand	38,000,000	279,000,000	38,000,000	279,000,000
Total	<u>1,218,965,495</u>	<u>1,263,931,773</u>	<u>197,144,040</u>	<u>381,840,160</u>
Less: Restricted bank deposits	<u>(66,377,364)</u>	<u>(51,541,193)</u>	-	-
Total	<u>1,152,588,131</u>	<u>1,212,390,580</u>	<u>197,144,040</u>	<u>381,840,160</u>

As at 31 December 2012, bank deposits in savings accounts, fixed deposits and short-term investments carried interests between 0.1 and 3 percent per annum (2011: between 0.05 and 6.5 percent per annum).

As at 31 December 2012, the overseas subsidiaries have restricted bank deposits of approximately Baht 66 million (2011: Baht 52 million) to secure bank guarantees issued by banks on behalf of the subsidiaries as discussed in Note 30.4.

8. Current investments

As at 31 December 2012, the Company had current investments in the form of bills of exchange amounting to Baht 439 million carrying interests at the rate of 3.1 - 3.5 percent per annum and due for redemption during January to June 2013.

9. Trade and other receivables

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Trade receivables - related parties</u>				
Age on the basis of due dates				
Not yet due	72,435,686	66,024,871	93,537,697	80,268,618
Total trade receivables - related parties	<u>72,435,686</u>	<u>66,024,871</u>	<u>93,537,697</u>	<u>80,268,618</u>
<u>Trade receivables - unrelated parties</u>				
Age on the basis of due dates				
Not yet due	789,436,267	1,122,974,899	39,882,124	112,528,986
Total trade receivable - unrelated parties	<u>789,436,267</u>	<u>1,122,974,899</u>	<u>39,882,124</u>	<u>112,528,986</u>
Total trade receivables	<u>861,871,953</u>	<u>1,188,999,770</u>	<u>133,419,821</u>	<u>192,797,604</u>
<u>Other receivables</u>				
Other receivable - related parties	-	-	6,991,856	5,167,797
Other receivable - unrelated parties	1,939,903	7,740,922	924	983,503
Advances	347,246	631,885	347,246	631,885
Interest receivable	1,678,965	562,019	1,678,965	248,019
Total other receivables	<u>3,966,114</u>	<u>8,934,826</u>	<u>9,018,991</u>	<u>7,031,204</u>
Total trade and other receivables	<u><u>865,838,067</u></u>	<u><u>1,197,934,596</u></u>	<u><u>142,438,812</u></u>	<u><u>199,828,808</u></u>

10. Inventories

(Unit: Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
	Coal and work in process	420,198,720	151,408,078	-	-	420,198,720
Finished goods - Ethanol	8,213,699	31,080,344	-	-	8,213,699	31,080,344
Work in process - Ethanol	20,467,375	7,097,086	-	-	20,467,375	7,097,086
Raw materials - Molasses	30,877,418	29,040,479	-	-	30,877,418	29,040,479
Raw materials - Cassava chips	18,868,326	45,479,802	(9,702,516)	(6,135,734)	9,165,810	39,344,068
Supplies	12,815,231	7,515,339	-	-	12,815,231	7,515,339
Spare parts	579,577	545,133	-	-	579,577	545,133
Total	512,020,346	272,166,261	(9,702,516)	(6,135,734)	502,317,830	266,030,527

(Unit: Baht)

Separated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
	Coal	203,612,736	27,321,366	-	-	203,612,736
Total	203,612,736	27,321,366	-	-	203,612,736	27,321,366

11. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2012	2011	2012 (%)	2011 (%)	2012	2011	2012	2011
PT. Lanna Mining Services (Incorporated in Indonesia)	USD 2.1 million	USD 2.1 million	99.95	99.995	70,888,512	70,918,908	-	-
Thai Agro Energy Public Co., Ltd.	Baht 800 million	Baht 800 million	75.75	75.75	606,037,733	606,037,733	-	-
PT. Singlurus Pratama (Incorporated in Indonesia)	Rp 7,950 million	Rp 7,950 million	65.00	65.00	18,626,118	18,626,118	318,873,869	318,620,055
PT. Lanna Harita Indonesia (Incorporated in Indonesia)	USD 8 million	USD 8 million	55.00	55.00	155,023,565	155,023,565	172,922,090	443,028,322
PT. Citra Harita Mineral (Incorporated in Indonesia)	Rp 1,000 million	Rp 1,000 million	55.00	55.00	2,187,283	2,187,283	69,320,086	9,817,203
Lanna (Singapore) Pte. Ltd. (Incorporated in Singapore)	-	SGD 9 million	-	100.00	-	215,795,869	-	-
Total					852,763,211	1,068,589,476	561,116,045	771,465,580

(Unit: Baht)

Oversea subsidiaries

Lanna (Singapore) Pte. Ltd.

On 21 June 2010, the meeting of the Board of Directors of the Company passed a resolution approving the dissolution and liquidation of Lanna (Singapore) Pte. Ltd.

In March 2012, the Company received its return on investment of Baht 221.4 million from Lanna (Singapore) Pte. Ltd. and recognised gain from return on investment of Baht 5.6 million in the income statement for the year ended 31 December 2012.

On 28 June 2012, Lanna (Singapore) Pte. Ltd. had completed its liquidation and had submitted the related documents to the Regulatory Authority on 4 July 2012.

PT. Lanna Mining Services

On 20 June 2011, the meeting of the Company's Board of Directors passed a resolution to sell 9 ordinary shares of PT. Lanna Mining Services to United Bulk Shipping Pte. Ltd., an associated company, at USD 219.81 per share, totalling USD 1,978 or equivalent to Baht 0.06 million. As a result, the shareholding percentage of the Company in that subsidiary decreased from 99.995 percent to 99.95 percent. This is to comply with the regulation of the Board of Investment of Indonesia, which stipulates that a shareholder in PT. Lanna Mining Services must hold shares worth a minimum of USD 1,000.

In January 2012, the Company already sold such ordinary shares of the subsidiary to United Bulk Shipping Pte. Ltd.

PT. Citra Harita Mineral

On 17 April 2012, the meeting of the Board of Directors of the Company passed a resolution approving the dissolution and liquidation of PT. Citra Harita Mineral, which is a subsidiary incorporated in Indonesia. The dissolution and liquidation of this subsidiary is expected to be completed within 2013.

12. Investment in associated company

12.1 Detail of associated company

Company's name	Paid-up capital		Shareholding percentage		Consolidated financial statements		Separate financial statements	
	2012	2011	2012 (%)	2011 (%)	Carrying amounts based on equity method		Cost	
United Bulk Shipping Pte. Ltd. (Incorporated in Singapore)	SGD 0.1 million	SGD 0.1 million	49	49	34,560,855	23,714,804	890,679	890,679
Total					34,560,855	23,714,804	890,679	890,679

(Unit: Baht)

12.2 Share of profit and dividend received

During the years, the Company recognised its share of profit from investment in associated company in the consolidated financial statements and dividend income in the separate financial statements as follows:

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit from investment in associate for the years ended 31 December		Dividend received for the years ended 31 December	
United Bulk Shipping Pte. Ltd.	2012	2011	2012	2011
	18,532,191	5,903,773	7,686,140	-

(Unit: Baht)

Share of profit from United Bulk Shipping Pte. Ltd. for the years ended 31 December 2012 and 2011 had been calculated from the financial statements prepared by the management of the associated company and not being audited by its auditor.

The Company's management believes that the management accounts of the associated company would not be significantly different from the account audited by its auditor.

12.3 Summarised financial information of associated company

Financial information of the associated company is summarised below.

Company's name	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues		Profit for the years	
	31 December	2011	31 December	2011	31 December	2011	for the years ended	2011	ended 31 December	2011
United Bulk Shipping Pte. Ltd.	SGD 0.1	SGD 0.1	164	134	100	90	1,219	151	38	12
	million	million								

13. Investment properties

	(Unit: Baht)	
	Consolidated and Separate financial statements	
	<u>2012</u>	<u>2011</u>
Cost	37,496,182	39,299,887
Less: Accumulated depreciation	(1,200,293)	(1,200,293)
Less: Allowance for diminution in value	(1,569,852)	(1,569,852)
Net book value	<u>34,726,037</u>	<u>36,529,742</u>

A reconciliation of the net book value of investment properties for the years 2012 and 2011 is presented below.

	(Unit: Baht)	
	Consolidated and Separate financial statements	
	<u>2012</u>	<u>2011</u>
Net book value at beginning of year	36,529,742	37,552,650
Disposals - net book value on disposal date	(1,803,705)	(1,022,908)
Net book value at end of year	<u>34,726,037</u>	<u>36,529,742</u>

As at 31 December 2012, the Company had investment properties, which mainly are plots of land of Paka mine, with an aggregate net book value of approximately Baht 34.7 million (2011: Baht 36.5 million). The Company is considering making use and/or selling such assets to other parties. However, for some plots of land and land improvement which the Company had considered their net realisable value to be less than the net book value, the Company had set up allowance for impairment of such assets of Baht 1.6 million (2011: Baht 1.6 million).

The fair value of the investment properties as at 31 December 2012 is Baht 48.8 million (2011: Baht 51.3 million), which is determined based on the price appraised by the Department of Land.

14. Property, plant and equipment

Consolidated financial statements

(Unit: Baht)

Cost	Land	Ore	Land improvement	Buildings and amenities	Machinery and equipment	Office equipment	Vehicles	Assets under construction and installation	Total
	1 January 2011	339,983,404	71,683,073	78,326,592	93,744,759	1,106,200,683	68,535,220	65,118,791	1,190,253,070
Additions	-	-	188,551	1,458,581	30,253,165	14,311,309	2,992,573	304,402,102	353,606,281
Disposals/write-off	-	(2,843,631)	-	-	(12,701,803)	(4,130,905)	(14,951,368)	(493,709)	(35,121,416)
Transfer in (transfer out)	(5,747,461)	-	5,747,461	171,167,044	13,131,517	3,968,854	-	(188,267,415)	-
Capitalised interest	-	-	-	-	-	-	-	31,347,753	31,347,753
Cash received from government grants	-	-	-	-	-	-	-	(15,000,000)	(15,000,000)
Translation adjustments	251,618	-	812,241	668,216	15,676,228	1,777,296	619,498	1,304,966	21,110,063
31 December 2011	334,487,561	68,839,442	85,074,845	267,038,600	1,152,559,790	84,461,774	53,779,494	1,323,546,767	3,369,788,273
Additions	3,269,365	-	12,324,397	15,142,676	21,509,128	10,795,200	811,100	235,048,808	298,900,674
Disposals/write-off	-	(3,794,379)	-	(1,685,174)	(18,207,033)	(4,392,234)	(3,275,551)	(6,188,223)	(37,542,594)
Transfer in (transfer out)	8,851,274	-	4,225,222	36,247,736	1,018,188,970	2,475,116	119,500	(1,076,375,415)	(6,267,597)
Capitalised interest	-	-	-	-	-	-	-	9,639,142	9,639,142
Cash received from government grants	-	-	-	-	-	-	-	(9,577,360)	(9,577,360)
Translation adjustments	(173,137)	-	(558,900)	(797,322)	(8,991,500)	(1,386,391)	(459,559)	(4,425,397)	(16,792,206)
31 December 2012	346,435,063	65,045,063	101,065,564	315,946,516	2,165,059,355	91,953,465	50,974,984	471,668,322	3,608,148,332

(Unit: Baht)

	Land	Ore	Land improvement	Buildings and amenities	Machinery and equipment	Office equipment	Vehicles	Assets under construction and installation	Total
Accumulated depreciation									
1 January 2011	-	71,683,073	19,475,717	20,133,221	377,482,312	47,534,150	43,300,563	-	579,609,036
Depreciation for the year	-	-	2,354,178	10,772,376	68,870,167	10,599,563	5,916,696	-	98,512,980
Accumulated depreciation of the disposed assets/write-off	-	(2,843,631)	-	-	(12,244,963)	(3,917,342)	(14,761,277)	-	(33,767,213)
Transfer in (transfer out)	-	-	-	-	581,713	(581,713)	-	-	-
Translation adjustments	-	-	812,241	188,060	7,157,876	1,099,585	84,879	-	9,342,641
31 December 2011	-	68,839,442	22,642,136	31,093,657	441,847,105	54,734,243	34,540,861	-	653,697,444
Depreciation for the year	-	-	2,577,234	12,130,072	108,315,954	12,782,493	4,842,891	-	140,648,644
Accumulated depreciation of the disposed assets/write-off	-	(3,794,379)	-	(207,872)	(17,298,790)	(4,138,046)	(2,856,138)	-	(28,295,225)
Transfer in (transfer out)	-	-	-	11,581	(6,386)	(5,195)	-	-	-
Translation adjustments	-	-	(558,900)	(162,958)	(4,163,274)	(754,873)	(95,609)	-	(5,735,614)
31 December 2012	-	65,045,063	24,660,470	42,864,480	528,694,609	62,618,622	36,432,005	-	760,315,249
Net book value									
31 December 2011	334,487,561	-	62,432,709	235,944,943	710,712,685	29,727,531	19,238,633	1,323,546,767	2,716,090,829
31 December 2012	346,435,063	-	76,405,094	273,082,036	1,636,364,746	29,334,843	14,542,979	471,668,322	2,847,833,083

Depreciation for the year

2011 (Baht 59 million included in manufacturing cost, and the balance in selling and administrative expenses)

2012 (Baht 104 million included in manufacturing cost, and the balance in selling and administrative expenses)

98,512,980

140,648,644

Separate financial statements

	Land	Ore	Land improvement	Buildings and amenities	Machinery and equipment	Office equipment	Vehicles	Assets under construction and installation	Total
Cost									
1 January 2011	180,000,000	71,683,073	15,609,693	4,120,000	88,890,477	21,622,193	28,296,399	781,835	411,003,670
Additions	-	-	188,551	835,716	1,700,085	3,832,751	6,727	152,000	6,715,830
Disposal/write-off	-	(2,843,631)	-	-	(645,141)	(1,548,035)	(14,158,000)	-	(19,194,807)
Transfer in (transfer out)	-	-	-	-	-	781,835	-	(781,835)	-
31 December 2011	180,000,000	68,839,442	15,798,244	4,955,716	89,945,421	24,688,744	14,145,126	152,000	398,524,693
Additions	-	-	12,324,398	388,852	93,064	3,138,548	-	3,736,772	19,681,634
Disposal/write-off	-	(3,794,379)	-	-	(10,146,125)	(1,385,373)	(2,046,598)	-	(17,372,475)
Transfer in (transfer out)	-	-	-	-	152,000	-	-	(152,000)	-
31 December 2012	180,000,000	65,045,063	28,122,642	5,344,568	80,044,360	26,441,919	12,098,528	3,736,772	400,833,852
Accumulated depreciation									
1 January 2011	-	71,683,073	3,572,012	606,180	63,714,885	17,683,996	26,912,673	-	184,172,819
Depreciation for the year	-	-	2,354,178	230,499	12,430,535	2,166,523	1,290,830	-	18,472,565
Accumulated depreciation of the disposed assets/write-off	-	(2,843,631)	-	-	(641,510)	(1,412,098)	(14,157,988)	-	(19,055,227)
31 December 2011	-	68,839,442	5,926,190	836,679	75,503,910	18,438,421	14,045,515	-	183,590,157
Depreciation for the year	-	-	2,577,235	252,673	11,730,077	2,677,751	81,802	-	17,319,538
Accumulated depreciation of the disposed assets/write-off	-	(3,794,379)	-	-	(10,146,109)	(1,361,549)	(2,046,596)	-	(17,348,633)
31 December 2012	-	65,045,063	8,503,425	1,089,352	77,087,878	19,754,623	12,080,721	-	183,561,062
Net book value									
31 December 2011	180,000,000	-	9,872,054	4,119,037	14,441,511	6,250,323	99,611	152,000	214,934,536
31 December 2012	180,000,000	-	19,619,217	4,255,216	2,956,482	6,687,296	17,807	3,736,772	217,272,790
Depreciation for the year									
2011 (included in selling and administrative expenses)									18,472,565
2012 (included in selling and administrative expenses)									17,319,538

A subsidiary has mortgaged part of its land and construction thereon and machinery of the second ethanol production plant with net book value as at 31 December 2012 amounting to approximately Baht 1,175.9 million (2011: Baht 9.2 million) as collateral for short-term loans, long-term loans and credit facilities granted by a commercial bank as discussed in Note 17 and 19.

A subsidiary had capitalised interest expenses as part of costs of assets under construction and installation with the capitalisation rate as follows:

	<u>2012</u>	<u>2011</u>
Interest expenses capitalised as assets under construction and installation (Baht)	9,639,142	31,347,753
Capitalisation rate (percent per annum)	4.31	3.53

During 2011, a subsidiary company received the subsidy of Baht 15 million, representing 75 percent of total subsidy, under the subsidy agreement made with the Energy Conservation Promotion Fund under "Biogas Technology for Industry Project". During the year 2012, the subsidiary received the last 25 percent subsidy of Baht 5 million.

On 4 April 2012, a subsidiary entered into an additional subsidy agreement with the Energy Conservation Promotion Fund under "Biogas Technology for Industry Project", obtaining financial subsidy of Baht 15.3 million for the construction of Biogas system. During the year 2012, the subsidiary received the first 30 percent subsidy of Baht 4.6 million.

On 22 November 2012, a subsidiary entered into an additional subsidy agreement with the Energy Conservation Promotion Fund under "Biogas Technology for Industry Project", obtaining financial subsidy of Baht 20 million for the construction of Biogas system. Subsequently on 29 January 2013, the subsidiary received the first 30 percent subsidy of Baht 6 million.

However, the subsidiary is required to comply with the terms under the aforementioned agreements.

As at 31 December 2012, the Company and subsidiaries have certain plant and equipment which have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation, of those assets amounted to Baht 135 million (2011: Baht 131 million) (the Company only: Baht 49 million, 2011: Baht 56 million).

15. Intangible assets

Details of intangible assets which are computer software are as follows:

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
Cost		
1 January 2011	8,862,740	3,485,131
Additions	791,656	622,756
Write-off	(9,250)	(9,250)
Translation adjustments	65,114	-
31 December 2011	9,710,260	4,098,637
Additions	589,435	433,295
Transfer in	1,262,424	-
Write-off	(1,735,618)	(410,093)
Translation adjustments	(20,768)	-
31 December 2012	9,805,733	4,121,839
Accumulated amortisation		
1 January 2011	4,948,908	1,781,183
Amortisation for the year	1,201,555	561,442
Accumulated amortisation of the write-off assets	(9,249)	(9,249)
Translation adjustments	65,114	-
31 December 2011	6,206,328	2,333,376
Amortisation for the year	1,408,311	683,921
Accumulated amortisation of the write-off assets	(1,733,721)	(410,045)
Translation adjustments	(20,768)	-
31 December 2012	5,860,150	2,607,252
Net book value		
31 December 2011	3,503,932	1,765,261
31 December 2012	3,945,583	1,514,587

16. Other non-current assets

Other non-current assets as at 31 December 2012 and 2011 consist of the following and have been shown net of related accumulated amortisation.

(Unit: Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Deferred expenses -				
Indonesia coal mine project	323,812,576	298,394,403	-	-
Deferred overburden removal expenses	13,952,831	19,209,561	-	-
Deferred transferred service fees according to contract	73,435,362	91,774,997	73,435,362	91,774,997
Advance payment from purchases of machineries	-	59,747,420	-	-
Others	<u>22,003,760</u>	<u>5,995,883</u>	<u>6,369,597</u>	<u>3,383,834</u>
Total other non-current assets	<u>433,204,529</u>	<u>475,122,264</u>	<u>79,804,959</u>	<u>95,158,831</u>
Amortisation expenses for the year	<u>100,160,475</u>	<u>159,243,103</u>	<u>18,339,635</u>	<u>13,506,842</u>

Agreement of transferring service fees provided by PT. Indocoal Pratama Jaya

On 6 March 2008, the Company and PT. Indocoal Pratama Jaya ("IPJ") entered into agreement of transferring service fees for service provided to the concession area of PT. Singlurus Pratama (SGP) for the first 15 million tons of coal produced and distributed at a price of USD 0.75 per ton, in accordance with the Service Agreement, which stipulate that IPJ is to receive a fee of USD 0.75 per ton of coal produced and distributed from SGP.

IPJ has an agreement with a creditor who provided it with financial support, whereby IPJ agreed to pay the creditor the fees it receives at a rate of USD 0.75 per ton for the first 15 million tons of coal produced and distributed from the SGP concession.

That creditor agreed to transfer such fees to the Company at a negotiated price of USD 3.75 million, or equivalent to Baht 118.3 million, with the Company making a lump sum payment. Such fees will be amortised according to the quantity of coal sold from SGP and the Company had already started amortising the fee since July 2009.

17. Short-term loans from financial institution

As at 31 December 2012, a subsidiary had short-term loans from financial institution of Baht 513 million (2011: Baht 563 million) in the form of promissory notes, which are repayable within 3 months. The loans bear interest at the rate of 3.95 - 4.85 percent per annum (2011: 3.8 - 6.63 percent per annum). The loan amounting to Baht 150 million (2011: Baht 150 million) is secured by the mortgage of part of the subsidiary's land and construction thereon as discussed in Note 14.

18. Trade and other payables

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Trade payables - related parties	841,672	799,920	841,672	799,920
Trade payables - unrelated parties	711,903,236	341,398,119	62,774,927	21,053,121
Other payables - related parties	-	-	-	205,589,726
Other payables - unrelated parties	17,136,298	15,518,577	1,976,435	2,329,332
Payable for purchases of plant and equipment	1,341,342	10,780,842	525,563	589,645
Retention payable	19,924,180	9,088,263	881,157	38,446
Total trade and other payables	<u>751,146,728</u>	<u>377,585,721</u>	<u>66,999,754</u>	<u>230,400,190</u>

19. Long-term loan from financial institution

	(Unit: Baht)	
	Consolidated	financial
	statements	
	<u>2012</u>	<u>2011</u>
Long-term loan from financial institution	720,000,000	900,000,000
Less: Current portion	<u>(180,000,000)</u>	<u>(900,000,000)</u>
Long-term loan from financial institution - net of current portion	<u>540,000,000</u>	<u>-</u>

On 16 September 2009, a subsidiary entered into a loan agreement with a local bank, obtaining loan facilities of Baht 900 million for the construction of the second ethanol production plant and the purchase of machinery for this plant. The loan initially carries interest at a fixed rate of 3.8 percent per annum for the first 2 years, and THBFIX reference rate plus 2.1 percent per annum during the third to seventh year. The loan is repayable within 7 years with grace period of 30 months and then to be repaid in 10 semi-annually installments of Baht 90 million each from March 2012 to October 2016. The loan is secured by the mortgage of part of the subsidiary's land and construction thereon as discussed in Note 14.

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

On 19 October 2011, the Company, as a major shareholder of the subsidiary, sent a letter to the bank to notify its intention to provide attributable financial support on the subsidiary's debt obligations in case the subsidiary is unable to maintain the financial ratios as stipulated in the loan agreement.

On 15 February 2012, the bank has reduced the interest rate during March to December 2012 from THBFIX reference rate plus 2.1 percent per annum to THBFIX reference rate plus 1.85 percent per annum, and has requested the subsidiary to increase the collateral by mortgaging land of approximately Baht 50 million. Subsequently on 14 January 2013, the bank had reduced the interest rate during January to December 2013 from THBFIX reference rate plus 2.1 percent per annum to THBFIX reference rate plus 1.95 percent per annum.

As at 31 December 2012 and 2011, the subsidiary could not maintain certain financial ratio as specified in the loan agreement. However, the subsidiary had negotiated with the bank, and had obtained a waiver letter for the condition to maintain certain financial ratios for the years ended 31 December 2012 and 2011 from that bank on 27 December 2012 and 7 February 2012, respectively. As at 31 December 2011, the subsidiary classified the whole amount of loan as current portion of long-term loan since it received the waiver letter from the bank after the end of the reporting period.

20. Provision for long-term employee benefits

Provision for long-term employee benefits, which are compensations on employees' retirement, was as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Defined benefit obligation at beginning of year	122,556,463	84,701,109	22,165,420	18,217,234
Current service cost	36,851,703	20,270,037	1,860,563	1,609,685
Interest cost	7,381,305	6,313,185	797,955	724,265
Benefits paid during the year	(7,409,478)	(394,363)	(1,766,850)	(58,500)
Actuarial (gain) loss	27,841,999	7,467,744	(315,505)	1,757,914
Transitional (assets) liabilities	-	151,773	-	(85,178)
Translation adjustment	(10,956,495)	4,046,978	-	-
Defined benefit obligation at end of year	<u>176,265,497</u>	<u>122,556,463</u>	<u>22,741,583</u>	<u>22,165,420</u>

Long-term employee benefit expenses included in the profit or loss was as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current service cost	36,851,703	20,270,037	1,860,563	1,609,685
Interest cost	7,381,305	6,313,185	797,955	724,265
Actuarial (gain) loss recognised during the year	27,841,999	7,467,744	(315,505)	1,757,914
Transitional (assets) liabilities recognised during the year	-	151,773	-	(85,178)
Total expenses recognised in profit or loss	<u>72,075,007</u>	<u>34,202,739</u>	<u>2,343,013</u>	<u>4,006,686</u>

Line items under which such expenses are included in profit or loss

Cost of sales	490,139	422,495	-	-
Selling and administrative expenses	71,584,868	33,780,244	2,343,013	4,006,686

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.6 - 6	3.6 - 7	3.6	3.6
Future salary increase rate (depending on age)	6 - 9	6 - 9	6 - 7	6 - 7
Staff turnover rate	0 - 22	0 - 10	0 - 10	0 - 10

Amounts of defined benefit obligation for the current and previous two periods are as follows:

	(Unit: Baht)			
	Defined benefit obligation		Experience adjustments arising on the plan liabilities	
	Consolidated	Separate	Consolidated	Separate
	financial statements	financial statements	financial statements	financial statements
Year 2012	176,265,497	22,741,583	2,184,033	-
Year 2011	122,556,463	22,165,420	756,184	1,757,914
Year 2010	84,701,109	18,217,234	755,350	-

21. Provision for mine reclamation and decommissioning costs

	(Unit: Baht)		
	Consolidated financial statements		
	Provision for	Provision for	
	mine reclamation	decommissioning costs	Total
As at 1 January 2011	17,721,125	-	17,721,125
Increase during the year	4,481,706	-	4,481,706
Decrease from actual paid	(6,097,323)	-	(6,097,323)
Translation adjustment	905,067	-	905,067
As at 31 December 2011	17,010,575	-	17,010,575
Increase during the year	83,219,237	12,979,613	96,198,850
Decrease from actual paid	(27,214,400)	-	(27,214,400)
Translation adjustment	(568,751)	-	(568,751)
As at 31 December 2012	72,446,661	12,979,613	85,426,274

22. Provident fund

The Company and a subsidiary and their 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 and the subsidiary also contribute a certain amount. The fund is managed by the Bank of Ayudhaya Public Co., Ltd. will be paid to employee upon termination in accordance with the fund rules of the Company and its subsidiary. Total contributions of the Company and the subsidiary during the year 2012 amounted to Baht 5.9 million, and of the Company amounted to Baht 4.2 million (2011: Baht 5.6 million, the Company only: Baht 4 million).

23. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

24. Expenses by nature

Significant expenses by nature are as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Purchase of finished goods	2,636,177,345	2,770,039,993	1,663,210,520	1,504,382,800
Raw materials and consumables used	824,400,195	839,859,285	-	-
Changes in inventories of finished goods and work in process (increase) decrease	(259,294,286)	53,904,766	(176,291,370)	103,483,038
Overburden removal expenses	4,156,869,323	2,293,293,148	-	-
Royalty fee	1,106,398,862	1,133,618,030	-	-
Freight and transportation of goods expenses	869,365,728	756,581,292	100,915,112	103,743,228
Depreciation and amortisation expenses	242,217,430	258,957,638	36,343,094	32,540,849
Salary, wages and other employee benefits	218,395,346	217,464,260	35,929,110	34,762,483
Management benefit expenses	190,979,532	181,226,479	60,797,793	60,817,598
Electricity and fuel expenses	129,080,534	145,077,179	6,719,058	6,208,890
Repair and maintenance expenses	119,686,413	48,644,431	6,054,063	8,651,274
Loss on exchange	54,383,945	7,361,472	-	-
Loss on write-off of inventories, fixed assets and intangible assets	8,484,163	29,716,264	48	29,669,937
Write-off prepaid corporate income tax	-	17,822,450	-	-

25. Promotional privileges

Thai Agro Energy Public Company Limited, a subsidiary, has been granted the promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment as follows:

Certificate No.	1760(2)/2546	2078(9)/2551
Date	26 December 2003	19 November 2008
1. Promotional privileges for	Manufacture of alcohol	Manufacture of ethanol (99.5%)
2. Significant privileges		
2.1 Exemption from corporate income tax on income derived from the promoted operations (commencing from the date of earning operating income) and exemption from income tax on dividend paid from the income of the promoted operations throughout the period in which the corporate income tax is exempted	8 years (will expire on 30 January 2013)	8 years (will expire on 1 April 2020)
2.2 Allowance to carry-forward the annual loss from promoted operations incurred during the corporate income tax exemption period to offset with net income incurred thereafter (after exemption period in 2.1)	5 years	5 years
2.3 Exemption from import duty on raw and essential materials or products used for manufacture for export commencing from the first import date.	1 year	1 year
3. Date of first earning operating income	31 January 2005	2 April 2012

As a promoted company, the subsidiary has to comply with certain conditions and restrictions provided for in the promotional certificate.

The subsidiary's operating revenues for the years were domestic sales, which were divided according to promoted and non-promoted operations as follows:

	(Unit: Baht)	
	<u>2012</u>	<u>2011</u>
Revenues from sales		
Promoted operations	1,330,432,416	1,017,161,766
Non-promoted operations	19,432,209	81,052,164
Total	<u>1,349,864,625</u>	<u>1,098,213,930</u>

26. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

The following table sets forth the computation of basic earnings per share:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Profit attributable to equity holders				
of the Company (Baht)	915,804,278	1,043,398,752	679,686,741	689,775,803
Weighted average number of				
ordinary shares (shares)	350,000,000	350,000,000	350,000,000	350,000,000
Basic earnings per share (Baht)	2.62	2.98	1.94	1.97

27. Dividend paid

Dividends paid by the Company and its subsidiaries for the years ended 31 December 2012 and 2011 are as follows:

The Company

(Unit: Baht)				
<u>Dividends</u>	<u>Approved by</u>	<u>Total Dividends</u>	<u>Dividend per share</u>	<u>Paid on</u>
<u>2012</u>				
Final dividends for 2011	Annual General Meeting of the shareholders on 17 April 2012	350,000,000	1.00	2 May 2012
Interim dividends for 2012	Board of Directors' meeting on 15 October 2012	175,000,000	0.50	14 November 2012
Total		<u>525,000,000</u>	<u>1.50</u>	
<u>2011</u>				
Final dividends for 2010	Annual General Meeting of the shareholders on 18 April 2011	192,500,000	0.55	4 May 2011
Interim dividends for 2011	Board of Directors' meeting on 14 October 2011	280,000,000	0.80	16 November 2011
Total		<u>472,500,000</u>	<u>1.35</u>	

In addition, the Annual General Meeting of the Company's shareholders approved to set aside a general reserve of Baht 59.9 million (2011: Baht 7 million).

Oversea subsidiaries

PT. Singlurus Pratama

(Unit: US Dollar)

Dividends	Approved by	Total Dividends	Dividend per share	Paid on
<u>2012</u>				
The second interim dividends for 2011	Board of Directors' meeting on 19 January 2012	7,950,000	1,000	26 January 2012
The third interim dividends for 2011	Board of Directors' meeting on 6 June 2012	3,975,000	500	26 November 2012
The first interim dividends for 2012	Board of Directors' meeting on 13 December 2012	3,975,000	500	27 December 2012
Total		15,900,000	2,000	
<u>2011</u>				
Final dividends for 2010	Annual General Meeting of the shareholders on 16 June 2011	7,950,000	1,000	28 June 2011 and 22 July 2011
The first interim dividends for 2011	Board of Directors' meeting on 23 December 2011	7,950,000	1,000	27 December 2011
Total		15,900,000	2,000	

In the current year, the Company received dividend income at 65 percent for a total of USD 10.3 million or equivalent to Baht 318.9 million. The Company had been withheld the withholding tax deducted at source of Baht 63.8 million (2011: dividend income of USD 10.3 million or equivalent to Baht 318.6 million and withholding tax of Baht 63.7 million).

PT. Lanna Harita Indonesia

(Unit: US Dollar)

<u>Dividends</u>	<u>Approved by</u>	<u>Total Dividends</u>	<u>Dividend per share</u>	<u>Paid on</u>
<u>2012</u>				
Final dividends for 2011	Annual General Meeting of the shareholders on 7 June 2012	5,600,000	700	25 June 2012
The first interim dividends for 2012	Board of Directors' meeting on 7 June 2012	2,400,000	300	25 June 2012
The second interim dividends for 2012	Board of Directors' meeting on 13 December 2012	2,000,000	250	21 December 2012
Total		<u>10,000,000</u>	<u>1,250</u>	
<u>2011</u>				
The fourth interim dividends for 2010	Board of Directors' meeting on 19 January 2011	6,400,000	800	24 January 2011
The first interim dividends for 2011	Board of Directors' meeting on 10 March 2011	1,600,000	200	14 March 2011
The second interim dividends for 2011	Board of Directors' meeting on 27 May 2011	6,400,000	800	6 June 2011
The third interim dividends for 2011	Board of Directors' meeting on 16 September 2011	6,000,000	750	21 September 2011
The fourth interim dividends for 2011	Board of Directors' meeting on 13 December 2011	6,000,000	750	14 December 2011
Total		<u>26,400,000</u>	<u>3,300</u>	

In the current year, the Company received dividend income at 55 percent for a total of USD 5.5 million or equivalent to Baht 172.9 million. The Company had been withheld the withholding tax deducted at source of Baht 13 million (2011: dividend income of USD 14.5 million or equivalent to Baht 443 million. The Company had been withheld the withholding tax deducted at source of Baht 33.2 million).

PT. Citra Harita Mineral

(Unit: US Dollar)

<u>Dividends</u>	<u>Approved by</u>	<u>Total Dividends</u>	<u>Dividend per share</u>	<u>Paid on</u>
<u>2012</u>				
The first interim dividends for 2011	Extraordinary meeting of the shareholders on 28 May 2012	2,000,000	2,000	1 June 2012
The second interim dividends for 2011	Extraordinary meeting of the shareholders on 22 June 2012	1,600,000	1,600	26 July 2012
The first interim dividends for 2012	Extraordinary meeting of the shareholders on 6 September 2012	400,000	400	9 October 2012
Total		<u>4,000,000</u>	<u>4,000</u>	
<u>2011</u>				
Final dividends for 2010	Annual general meeting of the shareholders on 15 June 2011	600,000	600	19 August 2011
Total		<u>600,000</u>	<u>600</u>	

In the current year, the Company received dividend income at 55 percent for a total of USD 2.2 million or equivalent to Baht 69.3 million. The Company had been withheld the withholding tax deducted at source of Baht 13.9 million (2011: dividend income of USD 0.3 million or equivalent to Baht 9.8 million and withholding tax of Baht 2 million).

28. Segment information

The Company and its subsidiaries' current main operations involve coal mining and manufacture of ethanol, which are carried on in Thailand and Indonesia. Information of the Company and its subsidiaries for the years ended 31 December 2012 and 2011 by business and geographical segment is as follows:

(Unit: Baht)

	Consolidated income statements for the years ended 31 December									
	Domestic coal business		Overseas coal business		Ethanol business		Elimination of inter-segment transactions		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues from external customers	1,739,509,550	1,777,049,611	10,270,746,345	10,122,090,310	1,349,864,625	1,098,213,930	-	-	13,360,120,520	12,997,353,851
Intersegment revenues	228,449,377	159,775,805	-	796,767,110	-	-	(228,449,377)	(956,542,915)	-	-
Total revenues	1,967,958,927	1,936,825,416	10,270,746,345	10,918,857,420	1,349,864,625	1,098,213,930	(228,449,377)	(956,542,915)	13,360,120,520	12,997,353,851
Operating income	481,039,777	328,959,578	4,191,866,919	4,932,600,343	279,449,348	36,400,024	(218,693,233)	(146,151,319)	4,733,662,811	5,151,808,626
Unallocated income (expenses)										
Other income									89,171,324	159,395,111
Share of profit from investment in associated company									18,532,191	5,903,773
Selling and distribution expenses									(2,200,320,598)	(1,967,471,146)
Administrative expenses									(555,630,711)	(609,787,053)
Loss on exchange									(54,383,945)	(7,361,472)
Finance cost									(54,147,681)	(29,603,580)
Withholding tax deducted at source									(121,709,287)	(123,553,771)
Income tax expenses									(482,364,953)	(824,601,310)
Non-controlling interests of the subsidiaries									(457,004,873)	(711,330,426)
Profit for the year									915,804,278	1,043,398,752

Consolidated statements of financial position as at 31 December

	Consolidated statements of financial position as at 31 December											
	Domestic coal business		Overseas coal business		Ethanol business		Others		Elimination of inter-segment transactions		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Assets employed	451,640,280	271,166,789	1,060,861,690	771,235,408	2,292,391,208	2,314,188,019	4,818,849	4,818,849	-	-	3,809,712,027	3,361,409,065
General corporate assets	1,726,602,104	1,929,907,667	2,598,171,495	2,739,624,891	110,481,194	102,302,348	-	225,348,137	(684,652,032)	(1,141,024,989)	3,750,602,761	3,856,158,054
Total assets	2,178,242,384	2,201,074,456	3,659,033,185	3,510,860,299	2,402,872,402	2,416,490,367	4,818,849	230,166,986	(684,652,032)	(1,141,024,989)	7,560,314,788	7,217,567,119

Transfer prices between business segments are as set out in Note 6 to the financial statements.

29. Significant contracts and agreements

- 29.1 In 1998, PT. Lanna Harita Indonesia had 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.
- 29.2 On 25 April 2008, the Company and Saraburi Resources Pte. Ltd., which was incorporated in Singapore (which received the right to sell coal from PT. Saraburi Batu Hitum in Indonesia) entered into the Agreement for Sale and Purchase of Steam Coal of 2 million metric tons, whereby the Company is to take delivery of coal for a term of about 2 years, and is to make advance payment amounting to USD 4 million to Saraburi Resources Pte. Ltd. On 6 May 2008, the Company made advance payment amounting to USD 2 million, or equivalent to Baht 63 million. Saraburi Resources Pte. Ltd. will refund the advance payment in the form of a deduction from the price of coal delivered to the Company, at a rate of USD 2 per ton, until the advance has been covered. Other conditions are specified in the agreements. PT. Saraburi Batu Hitum and two directors of Saraburi Resources Pte. Ltd. are guarantors for performance in accordance with the agreement, and a shareholder of PT. Saraburi Batu Hitum has pledged 3,000 shares of PT. Saraburi Batu Hitum and the shareholders of Saraburi Resources Pte. Ltd. have pledged 10,000 shares as share charge to guarantee performance bonds as required under the agreement.

Saraburi Resources Pte. Ltd. was obliged to start delivering coal within January 2009 but it was unable to comply with the agreement. The Company had sued Saraburi Resource Pte. Ltd. and guarantors, and on 23 May 2011, the arbitrator of SIAC ordered Saraburi Resources Pte. Ltd. to pay advance for purchase of coal of USD 2 million, together with interest and other expenses, to the Company. Subsequently on 13 August 2012, the Supreme Court of Singapore ordered the guarantors to pay advance for purchase of coal of USD 2 million with interest at SIBOR+3.5% per annum and other expenses to the Company. However, for a prudent reason, the Company has still set full allowance for doubtful account for this advance payment.

29.3 In 1997, PT. Singlurus Pratama was 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 beginning at the commencement of the first mining operation in a total survey area of 24,760 hectares in Kutai, East Kalimantan, Indonesia. The subsidiary has a continuing obligation to pay a fee and compensation under the contract.

In February 2009, the subsidiary received the consent from Indonesian government to start the production activities.

29.4 On 20 May 2009, PT. Singlurus Pratama entered into the marketing and technical service agreements with the Company and entered into assistance service agreement with a company in Indonesia. The service fees are charged on the basis and at the rates as stipulated in the agreements.

30. Commitments and contingent liabilities

30.1 Capital commitments

As at 31 December 2012, the Company and a subsidiary had capital commitments of approximately Baht 109.2 million and Euro 0.4 million, totaling approximately Baht 125.8 million, relating to the construction of the Company’s jetty and the subsidiary’s the Biogas system and the second ethanol production plant, and the acquisitions of machinery and equipment (2011: Baht 45.5 million and Euro 0.6 million, totaling approximately Baht 70.4 million).

30.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of office building space, vehicles and other services. The terms of the agreements are generally between 1 and 5 years. Future minimum payment under these lease and service agreements are as follows:

Payable within	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	As at 31 December		As at 31 December	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Less than 1 year	44	29	10	10
1 to 5 years	35	31	14	23

30.3 Long-term service and purchase commitments

- a) The Company and its subsidiaries had commitments under several service agreements in respect of the security service, car maintenance service and other services. The terms of the agreements are generally between 1 and 5 years. Future minimum payments under these agreements are as follows:

(Unit: Million Baht)

Payable within	Consolidated		Separate	
	financial statements		financial statements	
	As at 31 December		As at 31 December	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Less than 1 year	2	2	2	2
1 to 5 years	3	4	3	4

- b) The Company and its subsidiaries had commitments under service agreements with regard to the legal consulting, the consulting for mining, environment and safety and other consulting of Baht 1.6 million (2011: Baht 1.7 million) and the Company only of Baht 0.5 million (2011: Baht 0.5 million).
- c) The Company had commitments under the coal purchase agreement with an oversea company which the price, coal quality and quantity to purchase are stipulated in the agreement.
- d) The local subsidiary entered into a power supply agreement with the Provincial Electricity Authority for a period of one year, commencing 21 December 2010 to 20 December 2011, and being automatically renewed for every one-year period. The subsidiary shall pay power supply at the rate as stipulated in the agreement.
- e) The local subsidiary had commitments under the purchase of molasses agreement with 15-year duration under which the price is to be determined every 5 years commencing the first year in 2005. The price for the first three years is that stipulated in the agreement and for the fourth and fifth year, using the average actual market price of the first three years for comparison and the quantity to purchase and sales of molasses are those stipulated in the agreement.
- f) The local subsidiary had commitments under service agreement with regard to the consulting for the construction of the second ethanol production plant of Baht 2.7 million (2011: Baht 2.7 million).

30.4 Guarantees

As at 31 December 2012, the Company and its subsidiaries had bank guarantees of approximately Baht 16.9 million and Rupiah 18,337.8 million and the Company had Baht 0.4 million (2011: Baht 5.5 million, USD 1.2 million and Rupiah 3,693 million and the Company had Baht 0.4 million) issued by banks on behalf of the Company and its subsidiaries in respect of mine reclamation of the overseas subsidiaries to the government, guarantee for a local subsidiary's contractual performance under the license for production and distribution of ethanol-for-fuel from the Excise Department, Biogas Technologic promotion project 2012 (Year 5) of the Energy Policy and Planning Office Ministry of Energy, and to guarantee contractual performance under the license for electricity use to Provincial Electricity Authority.

31. Litigation

31.1 In 2008, a company sued the Company in the US court claiming that the Company did not comply with the sea coal transportation agreement dated 2 September 2008 for coal transportation from a harbor in Indonesia to Thailand. This company claimed a damage of USD 1.1 million or equivalent to Baht 34.5 million. The Court froze cash of the Company which was to be paid to and received from the related companies for services, totaling USD 0.5 million or equivalent to Baht 17.4 million. Later, the US court cancelled the freezing of the cash of the Company and returned it to the Company in January 2010. However, as at 31 December 2010, the Company remained provision for litigation loss which approximates the amount placed with the Court until the case is finalised. Later, on 28 February 2011, the Court ordered dismissal of the case. The Company therefore reversed the provision for litigation loss of Baht 17.4 million to profit or loss for the year ended 31 December 2011.

31.2 In September 2011, a subsidiary company was sued by a company for its non-compliance with the cassava chip purchase agreement dated 21 January 2011 and memorandum dated 29 April 2011, claiming a compensation for damage of Baht 186.9 million. On 8 November 2011, the subsidiary submitted the testimony to sue back that company, claiming a compensation for damage of Baht 82.4 million. As at 31 December 2012, the case is still being considered by the Civil Court. The subsidiary's lawyer opined that the subsidiary had not breached the above agreement, and the subsidiary's management believes that the case will be settled in the favour of the subsidiary, without any significant losses. Therefore, the subsidiary has not made any provision for loss from the lawsuit in its accounts.

32. Financial instruments

32.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, loans, investments, trade and other payables, and short-term and long-term borrowings. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statements of financial position.

Interest rate risk

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, interest bearing loans and short-term and long-term borrowings. However, since most of financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements

As at 31 December 2012

	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
Financial assets					
Cash and cash equivalents	38	1,115	-	1,153	0.1 - 3
Current investments	439	-	-	439	3.1 - 3.5
Trade and other receivables	-	-	866	866	-
	<u>477</u>	<u>1,115</u>	<u>866</u>	<u>2,458</u>	
Financial liabilities					
Short-term loans from financial institutions	513	-	-	513	3.95 - 4.85
Trade and other payables	-	-	751	751	-
	<u>513</u>	<u>-</u>	<u>751</u>	<u>1,264</u>	

(Unit: Million Baht)

Consolidated financial statements

As at 31 December 2011

	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
Financial assets					
Cash and cash equivalents	279	933	-	1,212	0.05 - 6.5
Trade and other receivables	-	-	1,198	1,198	-
	<u>279</u>	<u>933</u>	<u>1,198</u>	<u>2,410</u>	
Financial liabilities					
Short-term loans from financial institutions	563	-	-	563	3.8 - 6.63
Trade and other payables	-	-	378	378	-
	<u>563</u>	<u>-</u>	<u>378</u>	<u>941</u>	

Long-term loan from financial institution of Baht 720 million (2011: Baht 900 million) carries interest at a fixed rate of 3.8 percent per annum for the first 2 years, and THBFIX reference rate plus 2.1 percent per annum during the third to seventh year. On 15 February 2012, the bank had reduced the interest rate during March to December 2012 from THBFIX reference rate plus 2.1 percent per annum to THBFIX reference rate plus 1.85 percent per annum.

(Unit: Million Baht)

Separate financial statements

As at 31 December 2012

	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
Financial assets					
Cash and cash equivalents	38	159	-	197	0.1 - 3
Current investments	439	-	-	439	3.1 - 3.5
Trade and other receivables	-	-	142	142	-
	<u>477</u>	<u>159</u>	<u>142</u>	<u>778</u>	
Financial liabilities					
Trade and other payables	-	-	67	67	-
	<u>-</u>	<u>-</u>	<u>67</u>	<u>67</u>	

(Unit: Million Baht)

Separate financial statements

As at 31 December 2011

	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
Financial assets					
Cash and cash equivalents	279	103	-	382	0.05 - 3.2
Trade and other receivables	-	-	200	200	-
Long-term loans to related party	-	45	-	45	LIBOR+3
	<u>279</u>	<u>148</u>	<u>200</u>	<u>627</u>	
Financial liabilities					
Trade and other payables	-	-	230	230	-
	<u>-</u>	<u>-</u>	<u>230</u>	<u>230</u>	

Foreign currency risk

The Company's and its subsidiaries' exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts mature within one year.

The Company and local subsidiary had balances of financial assets and liabilities denominated in foreign currencies as follows:

Foreign currency	As at 31 December 2012		Exchange rate	
	Financial assets	Financial liabilities	as at 31 December 2012	
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	8.1	1.3	30.4857	30.7775

Foreign currency	As at 31 December 2011		Exchange rate	
	Financial assets	Financial liabilities	as at 31 December 2011	
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	8.8	0.1	31.5505	31.8319
SG dollar	-	3.6	24.1566	24.6141
Euro	-	0.6	40.7150	41.3397

As at 31 December 2012 and 2011, the Company and its subsidiaries had no outstanding forward exchange contract.

32.2 Fair values of financial instruments

Since the majority of the Company's and its subsidiaries' financial assets and liabilities are short-term in nature or bear floating interest rates or fixed interest rates which are close to the market rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

33. Capital management

The primary objective of the Company's and its subsidiaries' capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2012, the Company and its subsidiaries' debt-to-equity ratio was 0.69:1 (2011: 0.77:1) and the Company's was 0.05:1 (2011: 0.15:1).

34. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 21 February 2013.

**AUDIT FEES OF THE COMPANY AND SUBSIDIARIES
FOR THE ACCOUNTING YEAR ENDED DECEMBER 31, 2012**

AUDIT FEE IN 2012		
Companies Paying the Fees	Auditors	Audit Fee
(1) LANNA RESOURCES PUBLIC CO., LTD.	MS. KAMONTIP LERTWITWORATEP ERNST & YOUNG OFFICE LIMITED	Baht 1,000,000.00
(2) THAI AGRO ENERGY PUBLIC CO., LTD.	MS. KAMONTIP LERTWITWORATEP ERNST & YOUNG OFFICE LIMITED	Baht 975,000.00
(3) PT. LANNA HARITA INDONESIA	MR. PETER SURJA FROM ERNST & YOUNG PURWANTONO, SUHERMAN & SURJA	Baht 1,050,663.88 (Equivalent to USD 34,300)
(4) PT. SINGLURUS PRATAMA	MR. PETER SURJA FROM ERNST & YOUNG PURWANTONO, SUHERMAN & SURJA	Baht 733,626.82 (Equivalent to USD 23,950)
(5) PT. LANNA MINING SERVICES	MR. PETER SURJA FROM ERNST & YOUNG PURWANTONO, SUHERMAN & SURJA	Baht 536,053.00 (Equivalent to USD 17,500)
Remarks:	(1) Above audit fees do not include reimbursements from actual incurred expenses such as transportation charges, photocopies and facsimile charges. (2) The Company and its subsidiary companies did not hire nor pay non-audited fee to auditors in 2012. (3) Exchange Rate: USD 1 = Baht 30.6316	

FINANCIAL ANALYSIS AND OPERATING RESULTS

(According to the Consolidated Financial Statements of Year 2012)

REVENUES	Year 2012		Year 2011		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales Revenue from Coal	12,010.26	89.30	11,899.14	90.44	111.12	0.93
Sales Revenue from Ethanol	1,349.86	10.04	1,098.21	8.35	251.65	22.91
Other Revenue	89.17	0.66	159.40	1.21	(70.23)	(44.06)
Total Revenues	13,449.29	100.00	13,156.75	100.00	292.54	2.22

REVENUES: The Company's total revenues in 2012 totaled Baht 13,449.29 million, which increased from the previous year by Baht 292.54 million or an increase of 2.22 percent, due to the following reasons.

(1) Revenue from coal business in 2012 totaled Baht 12,010.26 million or 89.30 percent of the total revenues, which increased from the previous year by Baht 111.12 million or an increase of 0.93 percent. This was due to an increase in the coal sales volume from the previous year by 28.38 percent but the average coal sales price decreased by 21.38 percent.

(2) Revenue from ethanol business in 2012 totaled Baht 1,349.86 million or 10.04 percent of the total revenues, which increased from the previous year by Baht 251.65 million or an increase of 22.91 percent. This was due to an increase in ethanol sales volume from previous year by 45.98 percent but the average ethanol sale price decreased by 10.94 percent.

(3) Other revenue in 2012 totaled Baht 89.17 million or 0.66 percent of the total revenues, which decreased from the previous year by Baht 70.23 million or a decrease of 44.06 percent. This was due to the dissolution of one of the subsidiary companies, and thus there was no revenue from coal transport, loading port and jetty facilities services in this quarter.

EXPENSES	Year 2012		Year 2011		Increase (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	% of Sales
Coal Business						
Cost of sales	7,556.05	62.91	6,783.72	57.01	772.33	11.39
Selling and administrative expenses	2,749.11	22.89	2,533.31	21.29	215.80	8.52
Financial cost	0.42	0.00	1.02	0.01	(0.60)	(58.82)
Corporate income tax	604.07	5.03	948.16	7.97	(344.09)	(36.29)
Ethanol Business						
Cost of sales	1,070.41	79.30	1,061.82	96.69	8.59	0.81
Selling and administrative expenses	61.23	4.54	51.31	4.67	9.92	19.33
Financial cost	53.73	3.98	28.58	2.60	25.15	88.00

EXPENSES FROM COAL BUSINESS: Expenses from coal business in 2012 increased from the previous year by Baht 643.44 million or an increase of 6.27 percent due to the following reasons.

(1) Cost of coal sales in 2012 increased from the previous year by Baht 772.33 million or an increase of 11.39 percent. This was due to an increase in coal sales volume of 28.38 percent, but the average coal sales cost per ton decreased by 13.24 percent.

(2) Selling and administrative expenses in 2012 increased from the previous year by Baht 215.80 million or an increase of 8.52 percent according to an increase in coal sales volume.

(3) Financial cost in 2012 decreased from the previous year by Baht 0.60 million or a decrease of 58.82 percent as there was no loan used in the coal business.

(4) Corporate income tax in 2012 decreased from the previous year by Baht 344.09 million or a decrease of 36.29 percent due to the decrease in net profit and corporate income tax.

EXPENSES FROM ETHANOL BUSINESS: Expenses from ethanol business in 2012 increased from the previous year by Baht 43.66 million or an increase of 3.82 percent due to the following reasons.

(1) Cost of ethanol sales in 2012 increased from the previous year by Baht 8.59 million or an increase of 0.81 percent. This was due to the increase in ethanol sales volume of 45.98 percent, but the average ethanol sales cost per liter decreased by 25.35 percent due to the price of raw material, molasses, which is a major cost, decreased from the previous year by 44.82 percent.

(2) Selling and administrative expenses in 2012 increased from the previous year by Baht 9.92 million or an increase of 19.33 percent according to an increase in ethanol sales volume.

(3) Financial expenses in 2012 increased from the previous year by Baht 25.15 million or an increase of 88.00 percent due to an increase in loan interest from the construction of ethanol production line no. 2.

(4) There was no corporate income tax on the earnings from the ethanol business, having received the Board of Investment Promotion.

GROSS PROFIT	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
Year 2012						
Revenues from Sales	12,010.26	100.00	1,349.86	100.00	13,360.12	100.00
Less Cost of Sales	7,556.05	62.61	1,070.41	79.30	8,626.46	64.57
Gross Profit	4,454.21	37.09	279.45	20.70	4,733.66	35.43
Year 2011						
Revenues from Sales	11,899.14	100.00	1,098.21	100.00	12,997.35	100.00
Less Cost of Sales	6,783.72	57.01	1,061.82	96.69	7,845.54	60.36
Gross Profit	5,115.42	42.99	36.39	3.31	5,151.81	39.64

GROSS PROFIT: The Company's overall gross profit in 2012 was Baht 4,733.66 million, or a gross profit margin of 35.43 percent of the sales revenue. When compared with the gross profit of the previous year of Baht 5,151.81 million or gross profit margin of 39.64 percent of sales revenue, the gross profit margin decreased due to the following reasons.

(1) Gross profit margin from the coal business in 2012 was 37.09 percent of the sales revenue, which decreased from the previous year with the gross profit margin of 42.99 percent of the sales revenue. This was due to the decrease in average coal sales price per ton as described above.

(2) Gross profit margin from the ethanol business in 2012 was 20.70 percent of the sales revenue which increased from the previous year with the gross profit margin of 3.31 percent. This was due to the decrease in the price of raw material, molasses, which is considered a major cost as described above.

NET PROFIT	Year 2012		Year 2011		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business	683.74	74.66	911.20	87.33	(227.46)	(24.96)
Profit (Loss) from Ethanol Business	124.36	13.58	(33.10)	(3.17)	157.46	475.71
Share of income from investment in the associate company and other revenues	107.70	11.76	165.30	15.84	(57.60)	(34.85)
Net Profit	915.80	100.00	1,043.40	100.00	(127.60)	(12.23)
Net Earnings per Share-Baht per Share	2.62		2.98		(0.36)	(12.23)

Remark: Registered par value of Baht 1 per share

NET PROFIT: The Company's net profit in 2012 was Baht 915.80 million (net earnings of Baht 2.62 per share). When compared with the previous year with the net profit of Baht 1,043.40 million (net earnings per share of Baht 2.98), the net profit decreased by Baht 127.60 million (a decrease of net earnings per share of Baht 0.36) or a decrease of 12.23 percent due to the following reasons.

(1) Net profit from coal business in 2012 was Baht 683.74 million or 74.66 percent of the total net profit, which decreased from the previous year by Baht 227.46 million or a decrease of 24.96 percent, due to the decrease in average cost of coal sales per ton as described above.

(2) Net profit from ethanol business in 2012 was Baht 124.36 million or 13.58 percent of the total net profit, which increased from the previous year by Baht 157.46 million or an increase of 475.71 percent, due to the increase in ethanol sales volume and a decrease in ethanol sales cost due to the decrease in price of raw material, molasses, which is a major cost, as described above.

(3) Net share of income from investment in the associated companies and other revenue in 2012 were Baht 107.70 million or 11.76 percent of the total net profit, which decreased from the previous year by Baht 57.60 million or a decrease of 34.85 percent, as there was no revenue from coal transport, loading port and jetty services as described above.

EBITDA AND EBITDA MARGIN

(1) The Company's EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) in 2012 was Baht 2,273.24 million. When compared with the previous year with EBITDA of Baht 2,991.44 million, the EBITDA decreased by Baht 718.20 million or a decrease of 24.01 percent.

(2) The Company's EBITDA margin in 2012 was at 16.90 percent of the total revenues. When compared with the previous year with EBITDA margin at 22.74 percent of the total revenues, it decreased by 25.66 percent.

EARNINGS EFFICIENCY

(1) The Company's net profit margin in 2012 was 10.21 percent of the total revenues. When compared with the previous year with the net profit margin of 13.34 percent of the total revenues, the net profit margin decreased by 23.47 percent.

(2) The Company's return on equity (ROE) in 2012 was 26.61 percent. When compared with the previous year with the average return on equity of 35.40 percent, it decreased by 24.84 percent.

(3) The Company's return on total assets and return on fixed assets in 2012 were at 18.58 percent and 53.64 percent, respectively. When compared with the previous year with the return on total assets and return on fixed assets of 26.79 percent and 70.84 percent, they decreased by 30.65 percent and 24.28 percent, respectively. The asset turnover ratio was at 1.82 times, which was lower than the previous year with the asset turnover ratio of 2.01 times.

Description	Unit : Million Baht		Increase (Decrease)	
	As at December 31, 2012	As at December 31, 2011	Million Baht	%
Total Assets	7,560.31	7,217.57	342.74	4.75
Total Liabilities	3,074.29	3,138.87	(64.58)	(2.06)
Total Shareholders' Equity	4,486.02	4,078.70	407.32	9.99
Book Value-Baht per Share	10.32	9.35	0.97	10.37
Remark: Registered par value of Baht 1 per share				

ASSETS: The Company's total assets as at end of 2012 increased from the end of 2011 by Baht 342.74 million or an increase of 4.75 percent, consisting of:

(1) Current assets increased from the end of 2011 by Baht 228.61 million or an increase of 6.14 percent, due to (A) cash and cash equivalent increased from the end of 2011 by Baht 379.20 million or an increase of 31.28 percent. (B) Trade accounts receivable and other accounts receivable decreased from the end of 2011 by Baht 332.09 million or a decrease of 27.72 percent. (C) Inventories increased from the end of 2011 by Baht 230.57 million or an increase of 84.85 percent due to an increase in coal stockpile and (D) Other current assets decreased from the end of 2011 by Baht 49.07 million or a decrease of 4.70 percent.

(2) Non-current assets increased from the end of 2011 by Baht 114.13 million or an increase of 3.27 percent, most of which were the cost of development of coal mine project of subsidiary company in Indonesia.

LIABILITIES: The Company's total liabilities as at end of 2012 decreased from the end of 2011 by Baht 64.58 million or a decrease of 2.06 percent, consisting of:

(1) Trade accounts payable and other accounts payable increased from the end of 2011 by Baht 373.55 million or an increase of 98.93 percent.

(2) Short term and long term loans decreased from the end of 2011 by Baht 230 million or a decrease of 15.72 percent.

(3) Other liabilities decreased from the end of 2011 by Baht 208.13 million or a decrease of 16.03 percent, most of which were due to a decrease in accrued corporate income tax.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at the end of 2012 increased from the end of 2011 by Baht 407.32 million or an increase of 9.99 percent, resulting in an increase of the share's book value from Baht 9.35 per share to Baht 10.32 per share. This was due to the increase in net profit of Baht 915.80 million, dividend payment of Baht 525.00 million, the decrease in adjustment of retained earnings and translation adjustment in financial statement of Baht 48.51 million, and the increase of minority shareholders' equity of Baht 65.03 million.

CASH FLOWS	(Unit : Million Baht)	
	Year 2012	Year 2011
Cash Flows from (used in) Operating Activities	1,927.01	1,740.25
Cash Flows from (used in) Investing Activities	(803.10)	(636.47)
Cash Flows from (used in) Financing Activities	(1,146.98)	(771.13)
Translation Adjustments in Financial Statements (Decrease)	(36.73)	50.52
Net Increase (Decrease) in Cash	(59.80)	383.17
Cash at the beginning of the period	1,212.39	829.22
Cash at the end of the period	1,152.59	1,212.39

CASH FLOWS

(1) The Company's net cash from operating activities in 2012 was at Baht 1,927.01 million, consisting of: (A) income before corporate income tax and interest payment of Baht 1,976.88 million; (B) transactions that did not affect the cash such as the depreciation and amortization of assets of Baht 427.10 million, most of which were transactions concerning coal mining operations of the subsidiary companies in Indonesia; (C) operating assets decreased by Baht 366.09 million due to a decrease in trade accounts receivable; (D) operating liabilities increased by Baht 399.74 million due to an increase in trade accounts payable and other payables; and (E) interest income increased by Baht 15.39 million but with an increase in interest expenses and taxes of Baht 1,258.19 million.

(2) The Company's net cash used in investment activities in 2012 was Baht 803.10 million, consisting of: (A) property, plants and equipment of Baht 241.12 million, most of which were for the construction of ethanol production line no. 2 of the subsidiary company; (B) expenses of coal mine projects of subsidiary company in Indonesia, which increased by Baht 123.68 million; and (C) short-term cash deposit and other items which increased by a total of Baht 438.30 million.

(3) The Company's net cash used in financing activities in 2012 was Baht 1,146.98 million, including (A) the net decrease in loan of Baht 230.00 million, (B) dividend payment of Baht 894.85 million, and (C) the decrease in minority shareholders equity of Baht 22.13 million.

LIQUIDITY

(1) The Company's current ratio and quick ratio in 2012 were at 1.74 times and 1.08 times, respectively. Accordingly, the Company and its subsidiary companies still have adequate credit line for working capital in the future.

(2) The Company's cash cycle in 2012 was at 22 days, a decrease from the previous year by 4 days. The average debt collection period was at 28 days, a decrease from the previous year by 1 day. The average inventory turnover was at 16 days, an increase from the previous year by 3 days. However, the average debt payment period was at 22 days, or an increase from the previous year by 6 days.

BORROWING AND DEBT PAYMENT CAPABILITY

The Company's total debt to equity ratio in the end of 2012 was as low as 0.69 to 1. Therefore, the Company's borrowing capacity remains high should additional funding be required for project investment in the future, having the interest coverage ratio in the end of 2012 at 41.98 times, which was considered quite a high ratio and therefore should have no problem concerning with default of interest payment.

FUTURE OUTLOOK

It is expected that the coal price in the first 6-month period of 2013 will remain low, continuing from the last 6-month period of 2012. In the last 6-month period of 2013, the coal price should gradually climb up according to the recovering global economy. Nevertheless, the Company will try to manage and resolve any problems and impacts with caution to ensure continuous good operating results in 2013.

REPORT OF THE RISK MANAGEMENT COMMITTEE

The Board of Directors has established the Risk Management Committee comprising of nine executives from all the departments whom are authorized to consider problems or risk factors that may possibly impact the operations of the Company and its subsidiary companies and find ways to mitigate or minimize the impact from the risks and periodically report the results to the Board of Directors at least once every quarter.

During year 2012, the Risk Management Committee held 12 meetings altogether in order to carry out tasks as assigned by the Board of Directors, to consider and assess possible risks that may occur and establish risk prevention and risk mitigation measures by focusing on effective risk management suitable with the economic, social and environmental situations which may affect current and future business operations of the Company. The report can be summarized as follows:

- (1) Consideration of the process and risk management plan in order to ensure that the risk management is efficient and sufficient for the risk level that is acceptable and in line with the operations of the Company and its subsidiary companies.
- (2) Consideration of the risk factors, including monitoring and supervision of the risk management in all aspects of the Company and its subsidiary companies by convening the Risk Management Committee's Meeting once every month, to encourage efficiency of the risk management process, as well as providing suggestions which are beneficial to the risk management presently and for the future.
- (3) Preparation of a summary report of the Risk Management Committee for presentation to the Board of Directors for its acknowledgement once every quarter.
- (4) Risk management policy and significant risk management of the Company and its subsidiary companies have been disclosed in details within the Annual Report 2012.

In the past year, due to the operation of the Risk Management Committee, the risks were able to be controlled to the level which incurred no impact to the operations of the Company and its subsidiary companies. The Committee supervises the risk management responsibly and carefully for the benefits of the Company, shareholders, and all stakeholders.

February 21, 2013

On behalf of the Risk Management Committee



(Mr. Pilas Puntakosol)

Chairman of the Risk Management Committee

RISK FACTORS

Risk Management Policy

(1) The executives and employees recognize the importance of risk management and are encouraged to take part in risk management development of the Company. Responsibilities regarding various aspects of the risk management are well understood.

(2) According to the good corporate governance, effective risk management procedures are established for every aspect of the operations in order to minimize the risks and mitigate their impacts, decrease unpredictability of the overall operations, and promote success.

(3) The success of the risk management in the Company and its subsidiary companies as a whole is ensured by effective use of resources for indication, evaluation, and appropriate risk management according to the ever-changing circumstances.

Significant Risk Management

In 2012, Lanna Resources Public Co., Ltd. and its subsidiary companies conducted risk evaluation and management to prevent and mitigate possible impact as follows.

Risks in Coal Mining Business

(1) Coal Mining Operation and Coal Procurement Risk: The Company thoroughly conducts proper exploration and assessment activities of the coal deposits to ensure adequate coal reserves for mining. The results of such exploration and assessment are the basis for designing of pit design and mine master plan in accordance with the international principles and standards prior to investment and commencement of coal mining activities. Therefore, risks associated with coal mining operation are mainly from natural occurrences, particularly for the coal deposits in Indonesia which experience heavy rain each year, hampering and delaying coal production and delivery. Accordingly, in order to mitigate such risks, the Company has established policy for the coal operation departments to adequately keep inventory of the finished coals for distribution at the quantity of no less than one to two months of the average annual sales volume projection, according to the obligations from advance coal sale agreements.

As for the procurement of coal import for domestic sales that may require partial advance payment, in order to prevent the risk from such case where the seller fails to deliver coal as contracted, the Company has established that it will only select and procure coal from the sellers who have sound financial status and operating results. In case of consecutive coal procurements, performance guarantee shall be required from each seller for each case, as well as establishment of allowance for doubtful account to avoid significant impact to the financial statements and the operations in the future.

(2) Coal Price Fluctuation Risk: Coal prices tend to fluctuate similarly to oil prices and other types of fuel, depending on market demand and supply, with several factors affecting the coal prices. In order to alleviate the potential impact, a certain portion of coal sales is sold in advance to reduce fluctuation in coal business operation. Also, both short-term and mid-term production and coal sales plans are regularly updated in order to minimize any potential negative impact in case of higher production cost. The market and coal price trend are also evaluated regularly in order to determine an appropriate timing of coal price negotiation with customers, either for fixed price and index link, to ensure preferable sale price and certain revenue.

(3) Risk in Coal Deliveries: The risk is mostly from unforeseen incidents, for example, heavy rain preventing coal production according to the plan which results in inadequate coal to be delivered to the customers and demurrage incurred. Nevertheless, the damage from this risk can be limited by utilizing information tracking system in order to determine the production capacity, quality, and stock of coal at all times, allowing preemptive change of production and delivery plans. Moreover, the subsidiary companies in Indonesia have increased their production and stock area; the stock has increased by approximately 120,000 tons, thus increasing coal inventory and minimizing the risk regarding coal deliveries.

(4) Risk from being Dependent on Coal Sales to the Major Customers: In 2012, a large portion of the Company's revenue is from coal sales of the subsidiary companies in Indonesia. In the past year, the subsidiary companies in Indonesia have been able to find new customers with an aim not to depend on any one customer for more than 30 percent of the sale volume. Additionally, with price of coal lower than other types of fuel, many industrial operators increasingly switches to coal as their source of energy every year, creating supply of new customers.

(5) Accounts Receivable Risk: For the majority of the coal sales of the Company and its subsidiary companies, credit terms are normally extended to quality customers. Nonetheless, the Company has established a Credit Committee for consideration of credit terms for the customers to carefully screen any credit sales. Furthermore, the Company has also set aside a provision for loss from doubtful debt in its accounts by considering the quality and period of outstanding debt in order to avoid any impact to the financial statements in the future for the case of bad debt.

(6) Fuel Product Substitutes Risk: Although coal prices during 2012 fluctuated quite considerably; however, when comparing the price per heat unit with other substituted fuels, such as fuel oil, diesel oil and natural gas, the price per heat unit of coal is still significantly lower. Therefore, the risk from fuel product substitutes is still considered very low.

(7) Coal Reserve Variation Risk: In order to mitigate the risk concerning coal reserve depletion, the Company has established a policy for the continuous acquisition of additional coal deposits to compensate the amount of coal extracted each year. Moreover, the Company has hired a mining and ore reserve assessing consultant to assess the coal reserves and perform operational audit with the subsidiary companies. This is to warrant appropriate design and production processes for the geographic regions and ore orientation, ensuring that every process of the production is of international standards and highly efficient and allowing complete commercial utilization of coal reserves.

(8) Risk from Mining Contractors' Operation: The subsidiary companies hire mining contractors for coal winning and therefore, if the mining contractors could not perform their operation as planned, there would be adverse impact to the coal production and distribution of the Company and the subsidiary companies. Therefore, in order to prevent such risk, only reliable and experienced mining contractors with good work performance history are hired. The mining contracts entered with more than one contractor and are at least with three-year term to ensure that the contractors have sufficient work for their capital acquisition for machinery purchase and working capital.

(9) Risk from policy and regulation changes in the Country in which the Company invested: The Company and its subsidiary companies recognize the risk from changes in regulation and policy from the government of Indonesia which can affect future operation. In the past 2 to 3 years, the government of Indonesia has issued new mining law that may result in new legislation regarding to tariff or changes to terms in coal contract of work. This might bring higher cost to coal producers in the future. Moreover, the government of Indonesia has introduced law regarding domestic market obligation (DMO) which requires all domestic coal producers to sell a part of their coal to meet the

domestic demand and imposes coal selling price benchmark for both domestic and overseas coal sales to prevent coal producers from selling coal at too low price, which would result in a lower royalty fee for the government. Nevertheless, these measures have not had significant impact to the Company and the subsidiary companies.

Risks in Ethanol Business

Thai Agro Energy Public Co., Ltd. (“TAE”), a subsidiary company in Thailand, conducts its business in the production and distribution of ethanol-for-fuel for blending with the gasoline at different proportions to become the Gasohol for use in automobiles, namely, E10, E20, and E85. The risks being evaluated and managed in order to prevent and mitigate the impact are as follows:

(1) Risk from the Government Policy: The government policy has demonstrated lack of continuity and tendency to change with any new government. This can affect the operators who are unable to promptly adjust to the changing situation. Currently, the government has introduced measures to increase ethanol demand according to the 15-year Renewable Energy Development Plan, most importantly is the termination of Gasoline 91 sales since January 1, 2013. At the same time, the government also has a policy for the Ministry of Energy to promote ethanol produced from cassava in order to increase the demand of cassava and sustain the price of cassava, supporting cassava pledge scheme and market intervention program of the government. Accordingly, the Energy Policy and Planning Office has determined the proportion of the usage of ethanol produced from molasses and cassava at 62 to 38 percent from previous 80 to 20 percent, not allowing free market competition in which the oil producers can freely choose ethanol produced from either raw material. Thus, the ethanol producers who use molasses as raw material cannot increase the market and their sale volume. As a result, TAE has to manage its production and sales of ethanol accordingly in order to survive in this business.

(2) Risk from Ethanol Pricing: The ethanol consumption in 2012 was still relatively low at 43 percent of ethanol production capacity of the whole industry, resulting in excess supply of ethanol with some ethanol producers elected to export ethanol instead. In 2012, ethanol export was double from 2011 of 140 million liters. In 2013, it is expected that the demand of ethanol will increase significantly from the termination of Gasoline 91 sales policy of the government as mentioned above. However, with large excess supply of ethanol and the establishment of raw material ratio – molasses to cassava – of 62 to 38 percent, competition of selling price among producers who use the same raw material will be fiercer. Regardless, TAE needs to sell ethanol at optimal price for its profit and survival in the business.

(3) Risk related to Raw Materials: TAE needs to use molasses and cassava as main raw materials, both of which have highly fluctuated supply and price since they are agricultural product affected by seasonal climates each year; the price would drop if there were high supply, and vice versa. As a result, TAE has modified its production process to be able to use raw materials derived from either starch or sugar, enabling flexible raw material management. Also, long-term purchase contracts are also negotiated with many producers to minimize the risk related to raw material in long term.

Financial Risk

(1) Loan-Related Risk: Lanna Resources Public Co., Ltd. had no loan in year 2012, and therefore, has no risk related to loan. Thai Agro Energy Public Co., Ltd. is the only subsidiary company which has loans for its operation. The loans are managed as follows:

(1) TAE has had short-term credit with several commercial banks, having outstanding short term loan of Baht 513 million as at end of 2012, which were mostly borrowed for working capital in procurement of raw materials. The loans were promissory notes, each not exceeding three months term with fixed interest at 3.95 - 4.85 p.a. Therefore, there is no significant risk due to the change of interest rate in the future as the loan is short term with interest at the market rate.

(2) TAE has entered into a long term loan agreement with certain local commercial bank. The loan was intended for investment in the construction of the ethanol plant, Production Line No. 2, with 200,000 liters per day production capacity. As at the end of 2012, the remaining outstanding long term loan was Baht 720 million, with the period of principal loan repayment of 4 more years with two installments per year, Baht 90 million each, from 2013 to 2019, at THBFIX 3-month plus 2.10 percent. In the past year, TAE never breached the loan agreement. The risks involved are managed as follows:

(2.1) TAE has requested the lender bank to decrease the interest rate in line with the changing financial situation. Accordingly, the bank has decreased the interest rate of the long-term loan as follows: from the standard rate of THBFIX 3-month plus 2.10 percent to THBFIX 3-month plus 1.80 percent until December 31, 2012; and to THBFIX 3-month plus 1.95 percent until December 31, 2013. The trend of interest rates needs to be closely monitored and financial instruments are used to minimize the risk from the change of interest rates in the future.

(2.2) TAE is required to maintain its debt to equity ratio (DE) at less than 1.5 to 1 and its debt service coverage ratio (DSCR) at more than 1.5 to 1. In case of failure to maintain the DE and DSCR according to the criteria above, TAE needs to increase its registered capital as a reserve for the principal loan and interests, otherwise TAE would breach the agreement and the liquidity and financial status of the Company and TAE could be affected. However, TAE has been allowed to waive the maintenance of DSCR according to the criteria above in 2012. In the past year, there was not any issue regarding breach of the loan agreement.

(2) Overseas Investment Risk: Lanna Resources Public Co., Ltd. has investments in the subsidiary and associated companies overseas in several currencies including Singapore Dollars, US Dollars and Indonesian Rupiahs, of which are long term investments without definite term period, and therefore, there is currently no risk mitigation in place. If the time of project termination was known, this risk could be managed promptly and appropriately.

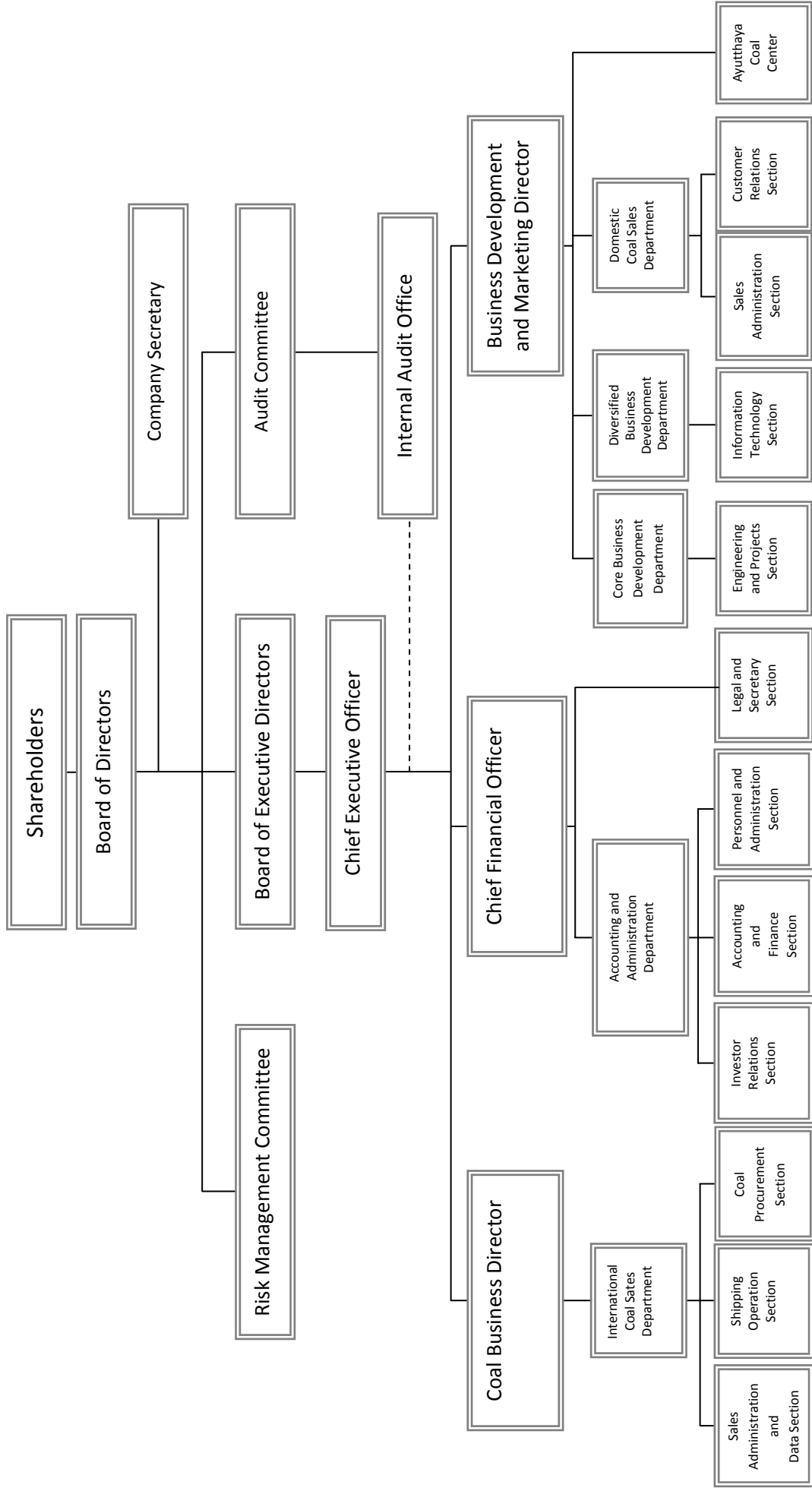
(3) Foreign Exchange Risk: Lanna Resources Public Co., Ltd. has revenues from coal sales in Thai Baht currency and coal procurements for sales are done in US Dollar currency. While the revenues for coal sales of the subsidiary companies in Indonesia are in US Dollar but their operating expenses are paid in US Dollar and Indonesian Rupiah. As for the associated company in Singapore, the revenues are in US Dollar; however, the operating expenses are paid in US Dollar and Singapore Dollar. As a result, the Company and its affiliates possess foreign exchange related risk from changes of the aforementioned currency values. Accordingly, the Company mitigates the risk related to foreign exchange by entering into forward exchange contracts or deposit of foreign currencies received from coal sales to the Company's various bank accounts as cash reserves for payments of coals or future investments, protecting from possible future foreign exchange risk. In the past year, the foreign exchange is managed satisfactory, and there was no significant impact to the Company and its subsidiary companies.

Other Factors Having Impact on Investment

Apart from the aforementioned transactions, the Company and its subsidiary companies have no commitments or obligations regarding issued shares, warrants, convertible securities, debentures or other types of derivatives currently or in the future, as well as there are no unusual or serious event or important incident that might significantly affect financial status and operating results of the Company and its subsidiary companies.

SHAREHOLDING STRUCTURE AND MANAGEMENT

ORGANIZATION STRUCTURE



Major Shareholders and Shareholding Proportion

Major shareholders and their respective shareholding percentages as at October 30, 2012, which was the date for listing the names of shareholders having right to receive the interim dividend, are as follows:

	List of Shareholders	Number of Shares	Proportion (%)
(1)	Siam City Cement Public Co., Ltd. Group	158,549,420	45.30
(2)	Sirirungsi Group	28,160,567	8.05
(3)	Limsong Group	22,249,640	6.36
(4)	Tantisunthorn Group	21,683,684	6.19
(5)	Thai NVDR Co., Ltd.	13,438,412	3.84
(6)	Krungsri Dividend Stock Long Term Equity Fund	7,386,600	2.11
(7)	Lertpanichayakul Group	4,127,000	1.18
(8)	Bank of Ayudhya Public Co., Ltd. via Krungsri Asset Management Co., Ltd.	3,698,500	1.06
(9)	Chase Nominee Limited 75	3,188,806	0.91
(10)	Mr. Kittipat Suthisamphat	2,500,000	0.71
(11)	Other Shareholders	85,017,371	24.29
	Total	350,000,000	100.00

- The group of “Siam City Cement Public Co., Ltd.” and its executives is the largest shareholder, comprising of Siam City Cement Public Co., Ltd., Mr. Paul Heinz Hugentobler and Mr. Vanchai Tosomboon, holding a total of 158,549,420 shares or 45.30 percent of the paid-up capital and all shares with voting right, having three representing directors; namely, Mr. Paul Heinz Hugentobler, Mr. Philippe Paul Alexandre Arto, and Mr. Vanchai Tosomboon, whom are non-executives and non-authorized Directors.

- The “Sirirungsi” group is the second largest shareholder, comprising of Mr. Kraisi Sirirungsi and Mrs. Vassana Sirirungsi, holding a total of 28,160,567 shares or 8.05 percent of the paid-up capital and all shares with voting right, having one representing director; namely, Mr. Kraisi Sirirungsi, whom is the Executive Chairman and Company’s authorized Director.

- The “Limsong” group is the third largest shareholder, comprising of Mr. Somkiart Limsong, Gypsum Industry Co., Ltd., and Ms. Somsri Limsong, holding a total of 22,249,640 shares or 6.36 percent of the paid-up capital and all shares with voting right, having one representing director; namely Mr. Somkiart Limsong, whom is the Chairman of the Board and has no relationship with the management.

- The “Tantisunthorn” group is the fourth largest shareholder, comprising of Mr. Tawee Tantisunthorn, Mr. Visit Tantisunthorn, Mr. Tanat Tantisunthorn, Mrs. Puangpen Tissayakorn, Mr. Boonlieng Tantisunthorn, Mrs. Mullika Intusuth, Mrs. Nalinee Rattavadi, Mrs. Malee Tantisunthorn, Ms. Wanida Tantisunthorn, Mrs. Sumruay Tantisunthorn, and Ms. Siriphan Tissayakorn, holding a total of 21,683,684 shares or 6.19 percent of the paid-up capital and all shares with voting right, 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.

- The “Lertpanichayakul” group is the seventh largest shareholder, comprising of Mrs. Phrapai Lertpanichayakul and Ms. Chotinich Lertpanichayakul, holding a total of 4,127,000 shares or 1.18 percent of the paid-up capital and all shares with voting right, having no representative as the director and/or executive.

The investors may look at the current information on the major shareholders and shareholding proportion (which is the list of shareholders having right to attend the Annual General Meeting of Shareholders Year 2013) from the Company’s website, www.lannar.com, prior to the Annual General Meeting of Shareholders Year 2013.

Management Structure

- The Management structure of the Company comprises of the Board of Directors, Committees, Executives and Corporate Secretary. The Company has three committees comprising of the Board of Executive Directors, Audit Committee and Risk Management Committee.

The Board of Directors

- The Board of Directors consists of 15 Directors, including five Executive Directors, five Non-Executive Directors and five Independent Directors and Audit Committee Members, accounting for one third of the total number of the Board of Directors. However, one Independent Director has resigned mid-term during last year, having four Independent Directors remaining with an additional director being nominated and appointed. The name, position and photograph of each Director are shown on Page 4-6 of this Annual Report.

- The Company has established the qualifications of the Independent Directors the same as the minimum requirements of the Securities and Exchange Commission (SEC) regarding the shareholding in the Company such that the Independent Director must not hold more than 1 percent of total voting shares of the Company. Accordingly, the Independent Director must possess the following qualifications.

- (1) Holding shares not more than one percent of all shares with voting rights of the Company, holding company, subsidiary company, associated company, major shareholder or controlling person of the Company, which shall be inclusive of the shares held by related persons of the particular Audit Committee Member.

- (2) Not being or used to be the director who takes part in the management of the Company, employee, staff member, advisor who receives a regular salary, or a controlling person of the Company, holding company, subsidiary company, associated company, subsidiary company of the same level, major shareholder, or controlling person of the Company, except having been out of the above position for at least two years prior to the appointment. Nevertheless, such prohibited characteristic does not include the case where the independent director who used to be a civil servant or an advisor to the Government which is the major shareholder or controlling person of the Company.

- (3) Not being a person who is related by blood or by law as a parent, spouse, sibling and child including a child's spouse, to any management member, major shareholder, controlling person or the person whom has been proposed to become the management member or controlling person of the company or subsidiary company.

- (4) Not having or used to have business relationship with the Company, holding company, subsidiary company, associated company, major shareholder or controlling person of the Company, in a way which may prevent independent judgment, as well as not being or used to be the significant shareholder or controlling person of the entity having business relationship with the Company, holding company, subsidiary company, associated company, major shareholder or controlling person of the Company, except having been out of the above position for at least two years prior to the appointment.

- (5) Not being or used to be the auditor of the Company, holding company, subsidiary company, associated company, major shareholder or controlling person of the Company, and not being significant shareholder, controlling person or managing partner of the audit firm with staff being the auditor of the Company, holding company, subsidiary company, associated company, major shareholder or controlling person of the Company in the firm, except having been out of the above position for at least two years prior to the appointment.

- (6) Not being or used to be the service provider in any professions including legal advisor or financial advisor receiving the service fee exceeding Baht two million per year from the Company, holding company, subsidiary company, associated company, major shareholder, or controlling person of the Company, and not being significant shareholder, controlling person or partner of the such professional service provider, except having been out of the above position for at least two years prior to the appointment.

- (7) Not being the director who has been appointed as the representative of the Company, major shareholder or shareholder whom is related to the major shareholder of the company.

- (8) Not being an entrepreneur in any business similar to or material competing with the Company or its subsidiary company or not being the material partner in partnership, executive director, employee, staff, advisor who receives salary or holds more than one percent of total number of shares with voting right of the company similar to or material competing with the Company or its subsidiary company.

(9) Having no other characteristic which may prevent from giving independent opinions concerning with the business operation of the Company.

After having been appointed as the Independent Director with qualifications in paragraph (1) to (9), the Independent Director may be assigned by the Board of Directors to make decision in the business operation of the Company, holding company, subsidiary company, associated company, subsidiary of the same level, major shareholder or controlling person of the Company, based on a collective decision.

In the event that the person appointed by the Company as the independent director is the person whom has or used to have business relationship or is a provider of professional service with service fee exceeding the amount under the first paragraph of (4) or (6), the Board of Directors may consider for the allowance if it is deemed that the appointment of such person has no impact on the performance of duties and independence of opinions, and the Company has disclosed the following information within the invitation to the shareholders' meeting in the agenda concerning the consideration of the appointment of independent director.

(A) Characteristics of the business relationship or professional service, which have made such person to have the qualification not conforming to the established criteria.

(B) Reason and necessity for maintaining or appointing such person as the independent director.

(C) Opinions of the board of directors for proposing for the appointment of such person as the independent director.

- Name list and number of Directors who have been authorized to sign on behalf of the Company are Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, two out of four Directors sign affixed with the Company's seal.

- The term for the directorship position is in accordance with the Public Limited Companies Act B.E. 2535 and the Company does not establish the maximum number of consecutive terms of directorship position.

- Normally, the Board of Directors holds meeting at least once for every two months (one meeting every other month) and will occasionally hold extraordinary meeting in case of important or urgent matter. In 2012, there were six meetings altogether.

Director's Name	Position	Meeting Attendance in 2012
(1) Mr. Somkiart Limsong	Chairman of the Board	6 out of 6
(2) Mr. Paul Heinz Hugentobler	Director	1 out of 6
(3) Mr. Philippe Paul Alexandre Arto	Director	6 out of 6
(4) Mr. Vanchai Tosomboon	Director	6 out of 6
(5) Mr. Anan Siripong	Independent Director	6 out of 6
(6) Mr. Tanon Tantisunthorn	Director	5 out of 6
(7) Mr. Padoong Techasarintr	Independent Director/Audit Committee Chairman	6 out of 6
(8) Mrs. Duangkamol Suchato	Independent Director/Audit Committee Member	6 out of 6
(9) Mr. Adul Tantharatana	Independent Director/Audit Committee Member	6 out of 6
(10) Mr. Kraisi Sirirungsi	Director/Executive Chairman	6 out of 6
(11) Mr. Suroj Subhasavasdikul	Director/Executive Director	5 out of 6
(12) Mr. Visit Tantisunthorn	Director/Executive Director	4 out of 6
(13) Mr. Pilas Puntakosol	Director/Executive Director	5 out of 6
(14) Mr. Anun Louharanoo	Director/Executive Director/Secretary	6 out of 6

- 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 authorization 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 supervises 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) Establishment of Company's organization structure to have the management and operation system that are highly effective and efficient.

(1.2) 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.

(1.3) 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, not including transactions that need approval from the Shareholders according to the regulations established by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand.

(1.4) 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.

(1.5) Arrangement for preparation of balance sheets and statement of income at end of the Company's accounting period in order for a review and verification by the auditor appointed by the shareholders before presenting the matter for approval by the shareholders' meeting.

(1.6) 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.

(1.7) Consideration for the establishment of Company's policies, direction, objectives, vision, mission and values and other important matters that may impact Company's financial status and operating results presently or in the future.

(2) 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.

(2.1) The Board of Directors has appointed and assigned the Board of Executive Directors 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.

(2.2) The Chief Executive Officer shall assign and establish duties to each department and employee level in descending 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 both short term and long term objectives.

(2.3) The management shall arrange 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 considering problems and obstacles encountered in the operation (if any) from time to time.

(2.4) 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.

(2.5) 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 changing circumstances.

(2.6) 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.

(2.7) The Board of Directors has established the Audit Committee in accordance with the rules and regulations established by the Stock Exchange of Thailand with duties and responsibilities to oversee that the operations are trustworthy and beneficial to all related parties.

(2.8) The Board of Directors has established the Risk Management Committee with duties and responsibilities to consider any problems and risk factors which may impact Company's operation and seek measures to mitigate or minimize the risks.

(2.9) 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.

(2.10) The Board of Directors has appointed a Company secretary including working team with responsibilities to oversee activities of the directors and shareholders in accordance with the relevant laws and related regulations.

(3) 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:

(3.1) 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.

(3.2) 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.

(3.3) 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.

(4) Arrangement of the Annual General Meeting of Shareholders within 4 months after the end of accounting period of the Company and convene extraordinary shareholders' meeting as necessary for the operation.

(5) Must become aware of the importance of good corporate governance by adhering to the principles of fairness and integrity, accountability, responsibility and transparency, and promoting equitable treatment, as well as gaining faith from all the stakeholders, focusing on building value to the business and persons sharing the benefit in long term in order for sustainable growth and development of the Company.

In addition, the Board of Directors also has scope of authorities and duties to oversee that the Company operates in compliance with the Securities and Exchange laws, including announcements and/or regulations of the Stock Exchange of Thailand such as connected transactions, acquisition or disposition of important assets, etc., as well as complying with all relevant laws concerning the business of the Company.

(6) The Board of Directors of the Company may assign duties and responsibilities to the Committees, individual or several Directors or other persons to perform certain matter on behalf of the Board of Directors under supervision of the Board of Directors according to terms and time period deemed appropriate and necessary for Company's business operation. The Board of Directors may cancel, revoke or change the authorized person or such authority when deemed appropriate.

Such assignment of authority in above paragraph must not be in the way of granting authority which will enable the Committee or authorized person to approve transaction that may have any interest or conflict of interest with the Company or affiliated companies, except for the approval of transactions which are in accordance with the policy and criteria that the Board of Directors has already approved.

(7) The meeting of the Board of Directors must be held at least once every three months and there must be an annual assessment on the performance of the Board of Directors.

(8) In addition, each director must adhere to and practice as follows:

(A) must not operate the business that is of the same nature and in competition with the business of the Company or become a partner in ordinary partnership limited or unlimited partner in the partnership limited or be a director of a private company or other juristic company operating in the same nature and in competition with the Company, regardless of doing it for the benefit of oneself or for the others in the way of having stake or receiving financial or management benefit.

(B) must inform the Company without delay if there is any interest, whether direct or indirect, in the contract that the Company or affiliated company engage in, or holding more or less shares or other securities in the Company or affiliated company.

The Board of Executive Directors

• The Board of Executive Directors consists of five persons whom have been appointed by the Board of Directors, having list of names and position as follows:

Executive Director's Name	Position	Meeting Attendance in 2012
1) Mr. Kraisi Sirirungsi	Executive Chairman	12 out of 12
2) Mr. Suroj Subhasavasdikul	Executive Director	12 out of 12
3) Mr. Visit Tantisunthorn	Executive Director	7 out of 12
4) Mr. Pilas Puntakosol	Executive Director	10 out of 12
5) Mr. Anun Louharanoo	Executive Director and Secretary	11 out of 12

• Normally, the Board of Executive Directors holds at least one meeting every month and occasionally holds extraordinary meeting in the case of important or urgent matters. In 2012, there were 12 meetings altogether.

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

(1) Duties and Responsibilities

(1.1) To effectively control, monitor and supervise the day-to-day management of the Company, in accordance with the resolutions of the shareholders' meeting/Board of Directors and the Company's objectives and articles of association so as to maximize Company's benefits for short and long-term period.

(1.2) 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 within 30 days before the end of the year.

(1.3) 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.

(1.4) To report operating results to the Board of Directors once every quarter.

(1.5) 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.

(1.6) 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.

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

(2) Financial Authorities

(2.1) Having authority to approve daily and normal expenses according to the expenses and manpower budget plan as approved by the Board of Directors, including expenses obligated by the contracts between the Company and authorities and external parties and/or expenses as stipulated by the laws.

(2.2) Having authority to purchase/hire for fixed assets and/or transactions which are not considered normal business operation according to the budget plan as approved by the Board of Directors within Baht 5 million each time per one transaction.

(2.3) Having authority to obtain a loan for the business of the Company within the credit amount and under conditions and terms which have been approved by the Board of Directors. In the case that the assets of the Company must be used for loan guarantee, the matter must be approved by the Board of Directors every time, except for the following matters that are considered normal transaction, having authority in every case.

(2.3.1) Opening of Letter of Credit (L/C) including Trust Receipt and Shipping Guarantee for the purchase/hire of item from overseas.

(2.3.2) Obtaining bank guarantee of commercial bank and/or financial institution as guarantee for contractual obligation of the Company with the authorities and external parties.

(2.3.3) Execution of risk protection contracts on foreign currencies such as forward exchange contracts, etc. but only in the case that the Company has contractual obligation that must make payment in foreign currencies.

(2.4) Approving of advance payment for the employee for use in the Company's business as follows:

(2.4.1) For expenses according to contractual obligation or by laws and/or as already approved by the Board of Directors for the advance to actual payment such as land cost, electricity tariff and other utilities' expenses, royalties and taxes, etc.

(2.4.2) For items other than in (2.4.1), can approve at not more than Baht 1,000,000 (one million Baht) each time or per item.

(2.5) Having authority to set provision and/or write off bad debt of the Company at not more than Baht 100,000 (one hundred thousand Baht) each time or per item during each financial year, not exceeding Baht 1,000,000 (one million Baht) overall in the financial year, and report the matter to the Board of Directors once every quarter.

(2.6) Having authority to write off inventory and/or damaged or lost assets, including sale and/or make compensation at not more than Baht 100,000 (one hundred thousand Baht) each time and not more than Baht 1,000,000 (one million Baht) overall in a financial year, and report the matter to the Board of Directors once every quarter.

(3) Production Authorities

(3.1) To establish production target and plan for each year according to market requirement and as obligated by the contract with every customer, in order to present the matter for consideration and approval by the Board of Directors every year within 30 days before the end of year.

(3.2) To plan and perform production in accordance with the plan and target as approved by the Board of Directors at the lowest cost. In the case that it is different than the approved plan and target, the matter is to be proposed to the Board of Directors for approval before execution or at the first opportunity.

(3.3) To establish target and strategy for additional exploration or acquisition of coal deposits or other minerals that have commercial benefits in order to increase production and distribution potential of the Company in the future and for Company's business expansion and long term and sustainable growth.

(4) Marketing Authorities

(4.1) To establish target, plan and strategy for the marketing of products for each year according to market requirement and as obligated by the contract with every customer, in order to present the matter for consideration and approval by the Board of Directors every year within 30 days before the end of year.

(4.2) To plan and distribute products in accordance with the plan and target as approved by the Board of Directors in order for the Company to maintain or increase its market share, as well as to increase and maximize the revenue and profit. In the case that it is different than the approved plan and target, the matter is to be proposed to the Board of Directors for approval before execution or at the first opportunity.

(4.3) Having authority to establish pricing and conditions for the sales and services of the Company.

(4.4) Having authority to purchase/hire for production and/or to import products for selling in order for the Company to maintain or increase its market share, as well as increase and maximize the revenue and profit.

(4.5) Having authority to sell products and service both domestically and overseas by entering into contractual obligation of not more than five years, including appointment of sales representative of not more than two years each time.

(5) Employment Authorities

(5.1) Having authority to establish suitable number of manpower or employees in line with the Company's business operation, as well as, to set salaries and wages, compensations and bonuses for every employee at every level according to the manpower and budget as approved by the Board of Directors.

(5.2) Having authority to employ, appoint, transfer, remove and terminate every employee and every level, **except** for the position of Chief Executive Officer, whom may be appointed and removed by the Board of Directors.

(5.3) Having authority to establish job regulations and benefits for the employees of the Company following the criteria, conditions and budget as approved by the Board of Directors.

(6) Authorities concerning Legal Case and Contract

(6.1) Having authority to execute only the contract that is considered normal daily business operation according to the budget approved by the Board of Directors, not more than three years each time.

(6.2) Having authority to file a legal case and put up a defense for the benefit of the Company by reporting to the Board of Directors for acknowledgement at every meeting and when the legal case occurs.

(7) Authorities concerning Projects

(7.1) To consider and perform preliminary feasibility study of the project that is deemed beneficial to the Company's business operation in the future and/or providing satisfactory return in long term.

(7.2) To consider hiring consultants for the projects within the budget approved by the Board of Directors.

(7.3) If the project is found to be feasible after the project's feasibility study, detailed information of the project is to be presented to the Board of Directors for consideration and approval before execution.

(7.4) For the approved project, the scope of authorities are as follows:

(7.4.1) To establish operation plan, budget and target in order to achieve objectives or internal rate of return as expected.

(7.4.2) Having authority to contact, negotiate and execute a memorandum of understanding concerning with the joint venture, with term period of not more than one year.

(7.4.3) Shareholders' Agreement and establishment of a joint venture company must be approved by the Board of Directors before execution.

(7.5) To report on the progress of the approved projects to the Board of Directors for acknowledgement at every meeting.

(8) Other Matters

(8.1) Meeting quorum and discussions including voting in the Board of Executive Directors are to be adapted from the procedures of the Board of Directors.

(8.2) Matters that exceed the scope of duties and authorities of the Board of Executive Directors above are to be proposed to the Board of Directors for consideration and approval.

(8.3) The Board of Executive Directors has authority to appoint representative or assign the Executive Director and any employee of the Company, any position or anyone to act on behalf of the Board of Executive Directors, within the scope of duties and responsibilities which deemed appropriate on a case by case basis.

The Audit Committee

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

(1) Qualifications

(A) Must be Independent Director of the Company

(B) Must not be the Director assigned by the Board to make business operation decision of the Company, holding company, subsidiary company, associated company, subsidiary of the same level, or corporate with possible conflict, except that the decision is made based on a collective decision.

(C) Must not be the Director of the holding company, subsidiary company or subsidiary of the same level for only the listed company.

(D) Possesses sufficient knowledge and expertise to perform duties as the Audit Committee Member. Nonetheless, at least one member of the Audit Committee must have sufficient knowledge and expertise to perform and review a reliability of the financial statements.

(2) Composition

The Audit Committee, as approved by the Board of Directors, consists of at least three members, comprising of one Audit Committee Chairman, and at least two Audit Committee members, having the qualifications as stated in (1) above. The Audit Committee shall appoint appropriate person for Secretary to the Audit Committee. The Audit Committee consists of the following members:

Audit Committee	Position	Meeting Attendance in 2012
(1) Mr. Padoong Techasarintr	Audit Committee Chairman	10 out of 10
(2) Mr. Adul Tantharatana	Audit Committee Member	10 out of 10
(3) Mrs. Duangkamol Suchato	Audit Committee Member	10 out of 10
(4) Mrs. Wanna Chomkhokkrud	Secretary	10 out of 10

Remarks: Audit Committee Member No. (1) and (3) above possess knowledge and expertise to perform and review the reliability of the financial statements.

Normally, the Audit Committee holds at least one meeting every month and occasionally holds extraordinary meeting when there are important or urgent matters. In 2012, there were 10 meetings altogether.

(3) 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.

(4) Duties and Responsibilities of the Audit Committee

(A) To review that the disclosure of information in the Company's financial reports are correct and adequate.

(B) To review that the Company has established appropriate and effective internal control system and internal audit system and observe the independence of the internal audit unit, as well as to approve the appointment, transfer and dismissal of the head of the internal audit unit or any other units responsible for the internal audit.

(C) To review that the Company abides by the law and regulations of the Securities and Exchange and the regulations of the Stock Exchange of Thailand, or any relevant laws governing the Company's business.

(D) To select and propose for appointment of the Company's auditor and the audit fee based on the trustworthiness, adequacy of the resources and audit work amount by the audit firm, as well as work experience of the personnel assigned to perform the financial audit of the Company; and to attend a meeting with the auditor without the presence of the management for at least once a year.

(E) To consider the connected transactions or transactions that may involve conflict of interest in accordance with the laws and regulations of the Stock Exchange of Thailand to ensure that such transactions are appropriate and most beneficial to the Company.

(F) To prepare the Report of the Audit Committee and disclose the report in the Company's Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2). The Report of the Audit Committee must be signed by the Chairman of the Audit Committee and must at least contain the following information.

(1) Opinions concerning with the correctness, completeness and trustworthiness of the financial reports of the Company.

(2) Opinions concerning with the adequacy of the Company's internal control system.

(3) Opinions concerning with the Company's compliance with the law and regulations of the Securities and Exchange and regulations of the Stock Exchange of Thailand, or any law governing the Company's business.

(4) Opinions concerning with the appropriateness of the auditor.

(5) Opinions concerning with the transactions that may involve conflict of interest.

(6) The number of the Audit Committee's Meetings and attendance record for each of the Audit Committee Members.

(7) Opinions or overall observation that the Audit Committee has received by performing according to the Charter of the Audit Committee.

(8) Other reports which should be acknowledged by the shareholders and general investors under the duties and responsibilities assigned from the Board of Directors of the Company.

(G) To periodically present the Report of the Audit Committee to the Company's Board of Directors for at least once every quarter.

(H) To perform other activities as delegated by the Company's Board of Directors with consent from the Audit Committee.

(5) Within the duties performed by the Audit Committee, should any of the following transactions or actions be found or suspected to have significant impact to the Company's financial status and operating results, the Audit Committee shall report to the Company's Board of Directors so that the matter may be resolved within the time period that the Audit Committee deem appropriate.

(A) Transaction having conflict of interest

(B) Illegal conduct or irregularity or significant deficiency in the internal control system.

(C) Violation of laws relating to the Securities and Exchange, regulations of the Stock Exchange of Thailand or laws relating to Company's business.

Should the Company's Board of Directors or executives did not resolve the matter within the established time period, any one of the Audit Committee members may report of the said transaction or action to the Securities and Exchange Commission or the Stock Exchange of Thailand.

(6) 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 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:

Risk Management Committee	Position	Meeting Attendance in 2012
(1) Mr. Pilas Puntakosol	Chairman	12 out of 12
(2) Mr. Anun Louharanoo	Member	10 out of 12
(3) Mr. Srihasak Arirachakaran	Member	7 out of 12
(4) Mr. Vacharachai Nachailert	Member	10 out of 12
(5) Mr. Prasert Promdech	Member	12 out of 12
(6) Mrs. Petcharat Chayanon	Member	11 out of 12
(7) Mr. Saharat Vatanatumrak	Member	10 out of 12
(8) Mr. Sudusit Ounsangchan	Member	12 out of 12
(9) Mrs. Wanna Chomkhokruad	Member and Secretary	11 out of 12

• Normally, the Risk Management Committee holds at least one meeting every month and occasionally holds extraordinary meeting. In 2012, there were 12 meetings altogether.

• 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 Executives of the Company

• The Executives of the Company includes Chief Executive Officer and first four persons in management positions below Chief Executive Officer and also include all those persons who are in the equivalent positions as management level four and persons who are in the management level involving accounting and finance from manager level up or equivalent. The Company's executives consist of 10 persons with names and position as follows.

Executive	Position
(1) Mr. Kraisi Sirirungsi	Chief Executive Officer
(2) Mr. Pilas Puntakosol	Coal Business Director
(3) Mr. Anun Louharanoo	Chief Financial Officer
(4) Mr. Srihasak Arirachakaran	Business Development and Marketing Director
(5) Mrs. Petcharat Chayanon	Senior Manager-Accounting and Administration
(6) Mr. Prasert Promdech	Senior Manager-International Coal Sales
(7) Mr. Vacharachai Nachailert	Senior Manager-Domestic Coal Sales
(8) Mr. Tanat Tantisunthorn	Senior Manager-Market Development
(9) Mr. Sudusit Ounsangchan	Senior Manager-Core Business Development
(10) Mr. Saharat Vatanatumrak	Senior Manager-Diversified Business Development

- **The Chief Executive Officer** has the following scope of duties and responsibilities:

(1) Duties and Responsibilities

(1.1) To effectively control, monitor and supervise the day-to-day management of the Company, in accordance with the resolutions of the Shareholders' Meeting/Board of Directors/Board of Executive Directors and Company's objectives and articles of association so as to maximize Company's benefits for short and long-term period.

(1.2) 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 within 30 days before the end of the year.

(1.3) 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.

(1.4) To report operating results to the Board of Executive Directors once every month and prepare summary report for the Board of Directors once every quarter.

(1.5) 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.

(1.6) 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.

(1.7) To undertake or carry out certain individual tasks as assigned by the Board of Directors/Board of Executive Directors on a case by case basis.

(2) Financial Authorities

(2.1) Having authority to approve daily and normal expenses according to the expenses and manpower budget plan as approved by the Board of Directors, including expenses obligated by the contracts between the Company and authorities and external parties and/or expenses as stipulated by the laws.

(2.2) Having authority to purchase/hire for fixed assets and/or transactions which are not considered normal business operation according to the budget plant as approved by the Board of Directors within Baht 2 million each time per one transaction.

(2.3) Having authority to obtain a loan for the business of the Company within the credit amount and under conditions and terms which have been approved by the Board of Directors. In the case that the assets of the Company must be used for loan guarantee, the matter must be approved by the Board of Directors every time, **except** for the following matters that are considered normal transaction, having authority in every case.

(2.3.1) Opening of Letter of Credit (L/C) including Trust Receipt and Shipping Guarantee for the purchase/hire of item from overseas.

(2.3.2) Obtaining bank guarantee of commercial bank and/or financial institution as guarantee for contractual obligation of the Company with the authorities and external parties.

(2.3.3) Execution of risk protection contracts on foreign currencies such as forward exchange contracts, etc., but only in the case that the Company has contractual obligation that must make payment in foreign currencies.

(2.4) Approving of advance for the employee for use in the Company's business as follows:

(2.4.1) For expenses according to contractual obligation or by laws and/or as already approved by the Board of Directors for the advance to actual payment such as land cost, electricity tariff and other utilities' expenses, royalties and taxes, etc.

(2.4.2) For other items besides (2.4.1), can approve for not more than Baht 500,000 (five hundred thousand Baht) each time or per item.

(2.5) Having authority to set provision and/or write off bad debt of the Company at not more than Baht 50,000 (fifty thousand Baht) each time or per item during each financial year, and not exceeding Baht 1,000,000 (one million Baht) overall in the financial year, and report the matter to the Board of Executive Directors once every month.

(2.6) Having authority to write off inventory and/or damaged or lost assets, including sale and/or make compensation at not more than Baht 50,000 (fifty thousand Baht) each time and not more than Baht 1,000,000 (one million Baht) overall in a financial year, and report the matter to the Board of Executive Directors once every month.

(3) Production Authorities

(3.1) To establish production target and plan for each year according to market requirement and as obligated by the contract with every customer, in order to present the matter for consideration and approval by the Board of Directors every year within 30 days before the end of year.

(3.2) To plan and perform production in accordance with the plan and target as approved by the Board of Directors at the lowest cost. In the case that it is different than the approved plan and target, the matter is to be proposed to the Board of Directors for approval before execution or at the first opportunity.

(3.3) To establish target and strategy for additional exploration or acquisition of coal deposits or other minerals that have commercial benefits in order to increase production and distribution potential of the Company in the future and for Company's business expansion and long term and sustainable growth, as established by the Board of Executive Directors.

(4) Marketing Authorities

(4.1) To establish target, plan and strategy for the marketing the products for each year according to market requirement and as obligated by the contract with every customer, in order to present the matter for consideration and approval by the Board of Directors every year within 30 days before the end of year.

(4.2) To plan and distribute products in accordance with the plan and target as approved by the Board of Directors in order for the Company to maintain or increase its market share, as well as to increase and maximize the revenue and profit. In the case that it is different than the approved plan and target, the matter is to be proposed to the Board of Directors for approval before execution or at the first opportunity.

(4.3) Having authority to establish pricing and conditions for the sales and service of the Company as established by the Board of Executive Directors and/or according to the contractual obligation with every customer.

(4.4) Having authority to purchase/hire for production and/or to import products for selling in order for the Company to maintain or increase its market share, as well as increase and maximize the revenue and profit, after the approval by the Board of Executive Directors.

(4.5) Having authority to sell products and service both domestically and overseas by entering into contractual obligation of not more than three years, including appointment of sales representative of not more than one year each time.

(5) Employment Authorities

(5.1) Having authority to establish suitable number of manpower or employees in line with the Company's business operation, as well as, to set salaries and wages, compensations and bonuses for every employee at every level according to the manpower and budget as approved by the Board of Directors, **except** for employee of director level and above which must be approved by the Board of Executive Directors first.

(5.2) Having authority to employ, appoint, transfer, remove and terminate every employee and every level, except for employee of director level and above which must be approved by the Board of Executive Directors first.

(5.3) Having authority to establish job regulations and benefits for the employees of the Company following the criteria, conditions and budget as approved by the Board of Directors.

(6) Authorities concerning Legal Case and Contract

(6.1) Having authority to execute only the contract that is considered normal daily business operation according to the budget approved by the Board of Directors, not more than one year each time.

(6.2) Having authority to file a legal case and put up a defense for the benefit of the Company by reporting to the Board of Directors for acknowledgement at every meeting and when the legal case occurs.

(7) Authorities concerning Projects

(7.1) To consider and perform preliminary feasibility study of the project that is deemed beneficial to the Company's business operation in the future and/or providing satisfactory return in long term.

(7.2) To consider hiring consultants for the projects within the budget approved by the Board of Directors.

(7.3) If the project is found to be feasible after the project's feasibility study, detailed information of the project is to be presented to the Board of Directors for consideration and approval before execution.

(7.4) For the approved project, the scope of authorities are as follows:

(7.4.1) To establish operation plan, budget and target in order to achieve objectives or internal rate of return as expected.

(7.4.2) Having authority to contact, negotiate and execute a memorandum of understanding concerning with the joint venture, with term period of not more than one year.

(7.4.3) Shareholders Agreement and establishment of a joint venture company must be approved by the Board of Directors before execution.

(7.5) To report on the progress of the approved projects to the Board of Directors for acknowledgement at every meeting.

(8) Other Matters

(8.1) Any matters that must be proposed for approval and/or to obtain approval from the Board of Directors, Chief Executive Officer will propose to the Board of Executive Directors for consideration before proposing to the Board of Directors.

(8.2) Matters that exceed the scope of duties and authorities of the Chief Executive Officer above are to be proposed to the Board of Executive Directors consideration and approval before execution.

(8.3) The Chief Executive Officer may give authorities any employee of the Company, any position or anyone to act on behalf within the scope of duties and responsibilities which deemed appropriate on a case by case basis.

Company Secretary

The Board of Directors has appointed Mr. Anun Louharanoo as the Company Secretary having the scope of duties and responsibilities of the Company Secretary as follows:

(1) Provide initial suggestions to the Directors concerning with rules, regulations and regulations of the Company and monitor the operation for compliance including report of any significant changes.

(2) Arrange the Shareholder's Meeting and Board of Directors' Meeting according to laws and regulations as well as relevant laws of the authorities.

(3) Prepare the minutes of the Shareholders' Meeting and Board of Directors' Meeting, including monitor that the resolutions from the Shareholders' Meeting and Board of Directors' Meeting are followed.

(4) Supervise on the disclosure of information and report within scope of responsibilities according rules and regulations established by the Stock Exchange of Thailand and Securities and Exchange Commission.

(5) Prepare and Safekeeping of the following documents:

(5.1) Directors' Register

(5.2) Board of Directors' Meeting Invitations and Minutes

(5.3) Shareholders' Meeting Invitations and Minutes

(5.4) Company's Annual Reports

(6) Safekeeping of the reports of stake/interest which are reported by the Directors and Executives.

(7) Supervise the activities of the Board of Directors and perform other matters according to laws or assigned by the Board of Directors.

Information on Employees

In 2012, the Company and its affiliated companies have the following number of employees and employees-related expenses.

Description	Year 2012		
	Company Only	Affiliated Companies	Total
Number of Employees as at End of Year (Persons)	68	756	824
Employees-Related Expenses per Year (Million Baht)	71.85	224.15	296

Remunerations paid to the employees in 2012 comprises of monthly salaries, wages, bonuses or annual remunerations, provident fund contributions and other welfares, which may be both paid on a monthly fixed basis and vary according to the operating results and performance.

The Company and the affiliated companies give priorities to the development and improvement of personnel, modern technology system for the operation corresponding to the changing conditions to sustain long term growth with quality and stability.

The Board of Directors of Lanna Resources Public Co., Ltd. has established regulations concerning training and development of employees and has enrolled the executives in the Master of Business Administration Program and other courses at reputable universities. In addition, the Company has established various personnel development and training programs and activities such as workshops in order to develop the executives, reinforcement of knowledge and relationship within the working teams, as well as making plans and improvement of strategies to develop the Company for higher efficiency. Moreover, the Company has made investments overseas, especially in the coal mining business in Indonesia—the core business—and therefore, English and Indonesian Bahasa language training courses have been provided including knowledge on the basic laws and regulations, the traditions and culture for the employees who must travel to work in such country to have correct understanding and follow the laws and regulations correctly, preventing issues and difficulties while working in the country.

In addition, the Company has established health-promoting activities for its employees, as healthy individuals can bring about good quality and effective performance. Various health fitness activities are provided by the Company for the employees to choose from, as well as providing knowledge, consultation and protection on health risk factors both physically and mentally by inviting medical doctors of specialized fields from reputable hospitals, including arrangement of annual health checkup for the employees for their knowledge and understanding of good health.



The Annual Plan Meeting of the executives of Lanna Resources Public Co., Ltd. and its subsidiary companies to consider and establish business plan and budget for year 2013 was held on November 2, 2012 at Plaza Athenee Bangkok, A Royal Meridien Hotel, 61 Wireless Road, Lumpini, Pathumwan, Bangkok.



Training workshop on the “General Awareness in Leadership Competencies Program” was organized for the senior executives of Lanna Resources Public Co., Ltd. and its subsidiary companies during April 20-24, 2012 at the Dasada Flower Es’Senses Resort, 179 Moo 12, Tambon Noenhom, Amphur Muang, Prachinburi.

Employment Joint Investment Program

The Company's Board of Directors has approved the Employment Joint Investment Program (EJIP) for the employees of Lanna Resources Public Co., Ltd., having details as follows.

(1) Program Objectives

(1.1) This program is one type of welfare established especially for the employees of Lanna Resources Public Co., Ltd. to encourage the employees who are willing to join the joint investment program by purchasing the ordinary shares in Lanna Resources Public Co., Ltd. through trading system of the Stock Exchange of Thailand, which must be carried out in compliance with relevant laws and regulations.

(1.2) This program shall promote the employees to have a sense of business ownership and think in same course as the Company's shareholders, to build motivation of the employees to work efficiently and effectively, pushing the Company forward for sustainable growth and meet the business plan and targets in the future as anticipated.

(2) Program Period

This Program has commenced from January 1, 2012 until December 31, 2016 totaling 5 years period.

(3) Eligible Employees

Every salaried or permanent employee of the Company has the right to join the program except for those employees under work probation period. The program is on a voluntary basis with eligible employees accepting to comply strictly with the terms and conditions of the program and other related regulations. However, the directors and advisors of the Company are not included.

(4) Program Format

(4.1) The Company shall appoint SICCO Securities Public Co., Ltd. to manage the program by taking the program fund to purchase ordinary shares of Lanna Resources Public Co., Ltd. in the Stock Exchange of Thailand within the payroll date (last Friday of the month) or the date as specified by the Company of every month and every time the bonus is paid. The sources of program investment fund are as follows.

(4.1.1) The Company shall deduct 5 percent but not less than Baht 500 from the base salary of the eligible employee who volunteers to participate in the program, plus the annual bonus which the employee has notified his/her wish to include in the program with maximum amount not more than one month salary until the end of the program.

(4.1.2) The Company shall contribute its portion for the participating employee at 100 percent of the money paid in by the employee each time.

(4.1.3) The Company's investment ratio to the employee is 50 percent to 50 percent or 1:1.

(4.2) The employee who is a member of the program must open a separate securities trading account for this program and must pay the commission fee on the securities trading related to this program.

(4.3) The money contributed by the Company for the employee is regarded as income of each employee who has duty and responsibility to pay tax on a cash basis according to the Revenue Code or specified law for the money received.

(5) Silent Period

(5.1) Participating employee must strictly comply with the conditions concerning the silent period as follows.

(5.1.1) Within the first two years of the program (January 1, 2012 to December 31, 2013), the participating employee is not allowed to sell the invested shares.

(5.1.2) From the third year of the program (from January 1, 2014 onwards), the participating employee is allowed to sell shares accumulated in the first two years (January 1, 2012 to December 31, 2013) directly in the Stock Exchange of Thailand.

(5.1.3) From the fourth year of the program (from January 1, 2015 onwards), the participating employee is allowed to sell shares accumulated in the first three years (January 1, 2012 to December 31, 2014) directly in the Stock Exchange of Thailand.

(5.1.4) From the fifth year of the program (from January 1, 2016 onwards), the participating employee is allowed to sell shares accumulated in the first four years (January 1, 2012 to December 31, 2015) directly in the Stock Exchange of Thailand.

(5.1.5) At the end of the program period (from January 1, 2017 onwards), the participating employee is allowed to sell all the remaining shares.

(5.2) When the participating employee is no longer the Company's employee, retired, passed away or requests to withdraw from the program, the program status of such employee shall immediately end according to the conditions of the agreement between the Company and participating employee, which shall automatically result in the termination of the conditions of silent period in Item (5.1) above.

(6) Program Withdrawal

(6.1) Participating employee who once withdrawn from the program or the program status has been terminated are not eligible for re-enrollment.

(6.2) Participating employee can request for program termination or withdraw from the program prior to ending period but such participating employee must notify the Company at least one month in advance, having conditions concerning the termination request or withdrawal from the program prior to ending period or end of program participating status as follows.

(6.2.1) Employee who participates in the program or withdraws from the program within the first two years according to the silent period condition as specified above is required to return Company's contribution in full amount.

(6.2.2) Employee who participates or stays in the program for more than two years according to the silent period conditions as specified above is not required to return Company's contribution.

(6.2.3) Employee, who is retired, handicapped, pass away or laid off according to Company's condition or approval, is not required to return Company's contribution.

(7) This Program has already been endorsed from the Securities and Exchange Commission (SEC) on November 16, 2011; thereby the Company's executives are not required to report the change of shareholding in the Company according to the Form 59-2 from the acquisition of ordinary shares in this abovementioned Program.

INFORMATION ON DIRECTORS AND EXECUTIVES

Mr. Somkiart Limsong

Positions: Chairman of the Board

Age: 71 years

Nationality: Thai

Education:

- MBA., Harvard Business School
- Certificate: Thai Institute of Directors Association Director Accreditation Program (DAP) Class 5/2003



Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 19,041,640 shares in Lanna Resources Plc. or 5.44 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

Family Relationship with Executives: None

Past 5-Year Experiences:

1997-Present: Chairman, Limsong Co., Ltd.

1994-2001: Chairman, Gulf Electric Plc.

1968-1999: Last Position: Vice-Chairman of the Board, President, Executive Chairman and Managing Director of Siam City Cement Public Co., Ltd.

Mr. Paul Heinz Hugentobler

Positions: Director

Age: 63 years

Nationality: Swiss

Education:

- Harvard Business School International Senior Management Program
- Graduate School of Economics and Business of St. Gallen, Switzerland Lic. Oec. HSG (Master Degree)
- Swiss Federal Institute of Technology, Zurich B.Sc. in Civil Engineering



Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 269,400 shares in Lanna Resources Plc. or 0.077 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

Family Relationship with Executives: None

Past 5-Year Experiences:

2004-Present: Director, Holcim Participations Ltd.

2001-Present: Member of the Executive Committee, Holcim Ltd.

1999-Present: Director, Siam City Cement Public Co., Ltd.

1998-Present: Director, Holcim Capital (Thailand) Ltd.

1998-Present: Director, Thai Roc-Cem Ltd.

Mr. Philippe Paul Alexandre Arto

Positions: Director

Age: 56 years

Nationality: French

Education:

- Master of Public Administration, Harvard Kennedy School, Harvard University, Boston, USA
- Master of Civil Engineering, Ecole Nationale des Ponts et Chaussees, Paris, France
- Bachelors' Degree Science and Engineering, Ecole Polytechnique, Paris, France



Shareholding in Company and Affiliates as at December 31, 2012: None

Family Relationship with Executives: None

Past 5-Year Experiences:

2009-Present: Managing Director, Chairman of the Executive Committee Siam City Cement Public Company Limited / Cement Producer

2009-Present: Chairman, Siam City Concrete Company Limited (Subsidiary) / Ready-mixed concrete and aggregates

2009-Present: Chairman, Conwood Company Limited (Subsidiary) / Construction Material

2009-2012: Director, Eagle Cement Holding Company Limited (Subsidiary)/Holding

2003-2008: President and Chief of Executive Officer, ST.Lawrence Cement, Holcim Group, Canada/ Cement Producer

2002-2003: Managing Director, Queensland Cement Limited, Holcim Group, Australia/Cement Producer

1999-2001: General Manager, French Market Obourg-Origny, Holcim Group, French-Benelux/Cement Producer

Mr. Kraisi Sirirungsi

Positions: Director, Executive Chairman, Chief Executive Officer, Authorized Director

Age: 62 years

Nationality: Thai

Education:

- Bachelor of Engineering (Mining Engineering and Mining Geology) Chulalongkorn University
- Certificate: Thai Institute of Directors Association Director Accreditation Program (DAP) Class 39/2005
- The National Defence Course for the Joint State-Private Sectors. Thailand National Defence College Year 1999, Class 4212

Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 6,167,363 shares under his name and 22,000,000 shares under spouse's name, totaling 28,167,363 shares in Lanna Resources Pcl. or 8.05 percent of all shares with voting right
- Holding 41,500,000 shares or 5.19 percent of all shares with voting right in Thai Agro Energy Pcl., (subsidiary)

Family Relationship with Executives: None

Past 5-Year Experiences:

2008-Present: Commissioner, PT. Singlurus Pratama, (Subsidiary)

2007-Present: Vice Chairman, Thai Agro Energy Pcl. (Subsidiary)

2006-Present: President Commissioner, PT. Lanna Mining Services, (Subsidiary)

2004-Present: Commissioner, PT. Citra Harita Mineral, (Subsidiary)

2003-Present: Commissioner, PT. Lanna Harita Indonesia, (Subsidiary)

1996-Present: Director, United Bulk Shipping Pte.Ltd. (Associated Company)



Mr. Suroj Subhasavasdikul

Positions: Director, Executive Director, Authorized Director

Age: 70 years

Nationality: Thai

Education:

- Ph.D. in Chemical Engineering Institute Du Genie Chimique, France
- Certificate: Thai Institute of Directors Association
Director Accreditation Program (DAP) Class 39/2005



Shareholding in Company and Affiliates as at December 31, 2012: None

Family Relationship with Executives: None

Past 5-Year Experiences:

2006-Present: Vice Chairman, Thai Agro Energy Public Co., Ltd.

1996-Present: Director, United Bulk Shipping Pte. Ltd. (Associated Company)

2004-2011: Independent Director, Royal Porcelain Public Co., Ltd.

Mr. Visit Tantisunthorn

Positions: Director, Executive Director

Age: 53 years

Nationality: Thai

Education:

- B.A. (Statistics), Chulalongkorn University
- MBA, University of Wisconsin-Madison
- Certificate: Thai Institute of Directors Association
Director Certification Program (DCP) Class 17/2001
- The National Defence Course for the Joint State-Private Sectors.
Thailand National Defence College Year 2004
- Capital Market Academy Course Class 3
- King Prajadhipok's Institute Course Class 5



Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 4,287,000 shares in Lanna Resources Plc. or 1.22 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

Family Relationship with Executives:

- Cousin of Mr. Tanon Tantisunthorn, Company's Director
- Cousin of Mr. Tanat Tantisunthorn, Company's Senior Manager-Market Development

Past 5-Year Experiences:

2006-2009: Director, IRPC Plc.

2005-2009: Chairman, Royal Porcelain Public Co., Ltd.

2001-2009: Director, Tippaya Insurance Public Co., Ltd.

2001-2009: Secretary General, Government Pension Fund

Mr. Padoong Techasarintr

Positions: Audit Committee Chairman, Independent Director

Age: 72 years

Nationality: Thai

Education:

- Bachelor Degree : Science in Accounting and Commerce, Thammasat University
- Certificate: Thai Institute of Directors Association
The Role of Chairman Program (RCM) Class 6/2002
Director Accreditation Program (DAP) Class 3/2003
Director Certification Program (DCP) Class 55/2005



Shareholding in Company and Affiliates as at December 31, 2012: None

Family Relationship with Executives: None

Past 5-Year Experiences:

2000-Present: Independent Director/Audit Committee Member, Kulthorn Kirby Public Co., Ltd.

1999-Present: Independent Director/Audit Committee Member, C.P. All Pcl.

1999-Present: Independent Director/Audit Committee Chairman, Textile Prestige Public Co., Ltd.

1994-Present: Independent Director/Audit Committee Chairman, Thanulux Public Co., Ltd.

1991-Present: Independent Director/Audit Committee Member, Thai Nam Plastic Public Co., Ltd.

1988-Present: Director, Than Tao Mahaprom Foundation Erawan Hotel

Mr. Adul Tantharatana

Positions: Independent Director, Audit Committee Member

Age: 72 years

Nationality: Thai

Education:

- Bachelor of Engineering (Mechanical), Chulalongkorn University
- Certificate: Thai Institute of Directors Association
Director Accreditation Program (DAP) Class 3/2003
Director Certification Program (DCP) Class 38/2003
Audit Committee Program (ACP) Class 4/2005
Finance for Non-Finance Director (FN) Class 7/2003
DCP Refresher Course (RE DCP) Class 1/2008



Shareholding in Company and Affiliates as at December 31, 2012: None

Family Relationship with Executives: None

Past 5-Year Experiences:

2003-2005: Director, Siam Gypsum Industry Co., Ltd.

1997-2004: Director, Lafarge Prestia Co., Ltd.

1989-1999: Director, Sakdi Chaiyasit Co., Ltd.

1988-1996: President, Siam Industrial Corporation Ltd.

Mrs. Duangkamol Suchato

Positions: Independent Director, Audit Committee Member

Age: 66 years

Nationality: Thai

Education:

- B.A. (Accounting), Thammasat University
- Certificate: Thai Institute of Directors Association
Director Certification Program (DCP) Class 91/2007
Director Accreditation Program (DAP) Class 64/2007
Audit Committee Program (ACP) Class 71/2007

Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 120,000 shares in Lanna Resources Plc. or 0.03 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

Family Relationship with Executives: None

Past 5-Year Experiences:

2007-2011: Independent Director, Royal Porcelain Public Co., Ltd.

2007-2009: Audit Committee Member, Royal Porcelain Public Co., Ltd.

1999-2002: Independent Director and Audit Committee Member, Karat Sanitaryware Public Co., Ltd.



Mr. Anan Siripong

Positions: Independent Director

Age: 69 years

Nationality: Thai

Education:

- M.Ch.E. Louisiana State University, Baton Rouge, Louisiana, USA
- M.E.S. Lamar State College of Technology, Beaumont Texas, USA
- B.Sc Technical Technology in Chemical Engineering Chulalongkorn University, Thailand
- Certificate: Thai Institute of Directors Association
Director Certification Program (DP) Class 23/2003
- Advance Training on Industrial Management Delf University-Netherlands 1977

Shareholding in Company and Affiliates as at December 31, 2012: None

Family Relationship with Executives: None

Past 5-Year Experiences:

1990-2008: Advisor, Banpu Public Co., Ltd.

2005-2008: Director, BLCP Power Limited

1997-2006: Director, Aromatics (Thailand) Public Co., Ltd.



Mr. Pilas Puntakosol

Positions: Director, Executive Director, Coal Business Director, Authorized Director

Age: 60 years

Nationality: Thai

Education:

- M.S. Finance, West Coast University U.S.A
- B.S.I.E., New Mexico State University U.S.A
- Certificate: Thai Institute of Directors Association
Director Accreditation Program (DAP) Class 39/2005



Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 204,538 shares in Lanna Resources Plc. or 0.06 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

Family Relationship with Executives: None

Past 5-Year Experiences:

2008-Present: President Director, PT. Singlurus Pratama (Subsidiary)
2006-Present: President Director, PT. Lanna Mining Services (Subsidiary)
2004-Present: President Director, PT. Citra Harita Mineral (Subsidiary)
2003-Present: President Director, PT. Lanna Harita Indonesia (Subsidiary)
1996-Present: Director, United Bulk Shipping Pte. Ltd. (Associated Company)

Mr. Tanon Tantisunthorn

Positions: Director

Age: 40 years

Nationality: Thai

Education:

- Master of Science (Management), New York University
- MBA Finance, American University
- Bachelor of Engineering (Sanitary), Chulalongkorn University
- Certificate: Thai Institute of Directors Association
Director Certification Program (DCP) Class 56/2005



Shareholding in Company and Affiliates as at December 31, 2012: None

Family Relationship with Executives:

- Cousin of Mr. Visit Tantisunthorn, Company's Director and Executive Director
- Younger Brother of Mr. Tanat Tantisunthorn, Company's Senior Manager-Market Development

Past 5-Year Experiences:

2007-Present: Business Development Director, Gulf J.P. Holding Co., Ltd.
2006-2007: Assistant secretary to Finance Minister, Ministry of Finance
2005-2006: Business Development Manager, Gulf Electric Public Co., Ltd.
2001-2005: Member of the House of Representative, Tak Province

Mr. Vanchai Tosomboon

Positions: Director

Age: 63 years

Nationality: Thai

Education:

- Master in Business Management, Asian Institute of Management
- Bachelor of Law, Thammasat University
- Certificate “Senior Management Program, Institute of Management Development (IMD), Switzerland Year 2006
- Certificate “Breakthrough Program for Senior Executives”, Institute of Management Development (IMD), Switzerland Year 2002
- Certificate: Thai Institute of Directors Association
Director Accreditation Program (DAP) Class 7/2004
Director Certification Program (DCP) Class 7/2001



Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 830,700 shares in Lanna Resources Plc. or 0.24 percent of all shares with voting right
- No shareholding in Subsidiary and Associated Companies

Family Relationship with Executives: None

Past 5-Year Experiences:

2004-Present: Director, Siam City Cement Public Co., Ltd.

2002-Present: Director, Conwood Co., Ltd.

1999-Present: Director, Royal Porcelain Public Co., Ltd.

2004-2012: Director, Eagle Cement Holding Co., Ltd.

2004-2005: Chairman of the Board, Karat Faucet Co., Ltd.

1999-2004: Managing Director, Diamond Building Products Public Co., Ltd.
(Formerly “Diamond Roofing Tiles Public Co., Ltd.)

Mr. Anun Louharanoo

Positions: Director, Executive Director, Chief Financial Officer, Authorized Director

Age: 59 years

Nationality: Thai



Education:

- B.A. (Accounting), Thammasat University
- B.A. (Law), Thammasat University
- Certificate: Thai Institute of Directors Association
Director Accreditation Program (DAP) Class 1/2003
Director Certification Program (DCP) Class 29/2003
Audit Committee Program (ACP) Class 2/2004
DCP Refresh Course (RE DCP) 2/2006
Improving the Quality of Financial Reporting (QFR) Class 2/2006
Monitoring the Internal Audit Function (MIA) Class 1/2007
Monitoring the System of Internal Control and Risk Management (MIR) Class 1/2007
Role of Compensation Committee Program (RCC) Class 7/2008
Corporate Governance Workshop Board Performance Evaluation Year 2007

Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 634,680 shares in Lanna Resources Public Co., Ltd. or 0.18 percent of all shares with voting right
- Holding 4,550,000 shares or 0.57 percent of all shares with voting right in Thai Agro Energy Pcl., a subsidiary

Family Relationship with Executives: None

Past 5-Year Experiences:

April 2012-Present: Independent Director and Audit Committee Member, Thailand Carpet Manufacturing Public Co., Ltd.

2008-Present: Director, PT. Singlurus Pratama (Subsidiary)

2006-Present: Commissioner, PT. Lanna Mining Services (Subsidiary)

2005-Present: Independent Director and Audit Committee Member, Diamond Roofing Tiles Public Co., Ltd.

2004-Present: Commissioner, PT. Citra Harita Mineral

2003-Present: Director, Thai Agro Energy Public Co., Ltd. (Subsidiary)

1998-Present: Director, PT. Lanna Harita Indonesia (Subsidiary)

Mr. Srihasak Arirachakaran

Positions: Business Development and Marketing Director

Age: 53 years

Nationality: Thai

Education:

- Ph.D., Petroleum Engineering, University of Tulsa, Oklahoma, U.S.A
- M.Sc., Petroleum Engineering, University of Tulsa, Oklahoma, U.S.A
- B.Sc., Petroleum Engineering (with honor) University of Tulsa, Oklahoma, U.S.A

Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 45,331 shares in Lanna Resources Public Co., Ltd. or 0.013 percent of all shares with voting right
- No shareholding in subsidiary and associated companies

Family Relationship with Executives: None

Past 5-Year Experiences:

2008-Present: Director, PT. Singlurus Pratama (Subsidiary)

2006-Present: Director, PT. Lanna Mining Services (Subsidiary)

2004-Present: Commissioner, PT. Citra Harita Mineral (Subsidiary)

2003-Present: Director, Thai Agro Energy Public Co., Ltd. (Subsidiary)

2002-Present: Commissioner, PT. Lanna Harita Indonesia (Subsidiary)



Mr. Tanat Tantisunthorn

Positions: Senior Manager - Market Development

Age: 44 years

Nationality: Thai

Education:

- MBA, Mount Vernon College, Washington DC, USA
- BA, Marymount University, Virginia, USA

Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 11,432,073 shares in Lanna Resources Plc. or 3.27 percent of all shares with voting right
- No shareholding in subsidiary and associated companies

Family Relationship with Executives:

- Cousin of Mr. Visit Tantisunthorn, Company's Director and Executive Director
- Older brother of Mr. Tanon Tantisunthorn, Company's Director

Past 5-Year Experiences:

2001-2003: Senior Manager-International Sales, Lanna Resources Public Co., Ltd.

1997-2001: Business Development Manager, Gulf Electric Public Co., Ltd.

1996-1997: Equity Sales Officer, SCB Securities Public Co., Ltd.



Mr. Saharat Vatanatumrak

Positions: Senior Manager - Diversified Business Development

Age: 48 years

Nationality: Thai

Education:

- Bachelor of Engineering (Electrical Engineering), University of California, Los Angeles (UCLA), USA
- Corporate Secretary Development Program 2004, Chulalongkorn University
- Biomass and Waste Conversion Technologies Course 2008, King Mongkut's Institute of Technology North Bangkok

Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 15,457 shares in Lanna Resources Plc. or 0.004 percent of all shares with voting right
- No shareholding in subsidiary and associated companies

Family Relationship with Executives: None

Past 5-Year Experiences:

June 2010-Present: Commissioner, PT. Lanna Mining Services (Subsidiary)

2008-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)

2004-Present: Commissioner, PT. Lanna Harita Indonesia (Subsidiary)

2004-Present: Commissioner, PT. Citra Harita Mineral (Subsidiary)



Mrs. Petcharat Chayanon

Positions: Senior Manager - Accounting and Administration

Age: 45 years

Nationality: Thai

Education: B.A. (Accounting), Thammasat University

Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 12,534 shares in Lanna Resources Plc. or 0.004 percent of all shares with voting right
- No shareholding in subsidiary and associated companies

Family Relationship with Executives: None

Past 5-Year Experiences:

October 2010-Present: Director, PT. Lanna Mining Services (Subsidiary)

2009-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)

2004-Present: Director, PT. Citra Harita Mineral (Subsidiary)



Mr. Prasert Promdech

Positions: Senior Manager - International Coal Sales

Age: 44 years

Nationality: Thai

Education:

- Bachelor of Engineering (Mining Engineering), Chulalongkorn University
- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University

Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 17,367 shares in Lanna Resources Plc. or 0.005 percent of all shares with voting right
- No shareholding in subsidiary and associated companies

Family Relationship with Executives: None

Past 5-Year Experiences:

June 2010-Present: Director, PT. Lanna Mining Services (Subsidiary)

2008-Present: Commissioner, PT. Singlurus Pratama (Subsidiary)

2000-2004: Chief Coal Transshipment, PT. Lanna Harita Indonesia (Subsidiary)



Mr. Vacharachai Nachailert

Positions: Senior Manager - Domestic Coal Sales

Age: 50 years

Nationality: Thai

Education: B.A. (Political Science), Ramkhamhaeng University

Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 13,877 shares in Lanna Resources Plc. or 0.004 percent of all shares with voting right
- No shareholding in subsidiary and associated companies

Family Relationship with Executives: None

Past 5-Year Experiences:

1996-2007: Manager-Domestic Coal Sales, Lanna Resources Public Co., Ltd.

1992-1996: Section Head-Coal Sales, Lanna Resources Public Co., Ltd.



Mr. Sudusit Ounsangchan

Positions: Senior Manager – Core Business Development

Age: 48 years

Nationality: Thai

Education: Major-Mining, Faculty of Engineering, Chulalongkorn University

Shareholding in Company and Affiliates as at December 31, 2012:

- Holding 15,513 shares in Lanna Resources Plc. or 0.004 percent of all shares with voting right
- No shareholding in subsidiary and associated companies

Family Relationship with Executives: None

Past 5-Year Experiences:

2003-2008: Senior Manager - Core Business Development, Lanna Resources Public Co., Ltd.

1997-2002: Manager-Planning, Lanna Resources Public Co., Ltd.

1987-1996: Mining Engineer, Sahakol Engineering Co., Ltd.



**Positions of the Company's Executives
in the Subsidiary, Associated and Related Companies**

Executive Name	Lanna Resources Public Co., Ltd.	Subsidiary Companies					Associated Company	Other Related Companies
		1	2	3	4	5		
1. Mr. Somkiart Limsong	X	-	-	-	-	-	-	-
2. Mr. Paul Heinz Hugentobler	/	-	-	/	-	-	-	/
3. Mr. Philippe Paul Alexandre Arto	/	-	-	-	-	-	-	/
4. Mr. Vanchai Tosomboon	/	-	-	-	-	-	-	/
5. Mr. Tanon Tantisunthorn	/	-	-	-	-	-	-	-
6. Mr. Padoong Techasarintr	/, XXX	-	-	-	-	-	-	-
7. Mrs. Duangkamol Suchato	/, ///	-	-	-	-	-	-	-
8. Mr. Adul Tantharatana	/, ///	-	-	-	-	-	-	-
9. Mr. Anan Siripong	/	-	-	-	-	-	-	-
10. Mr. Kraisi Sirirungsi	/, XX	/	/	X	/	/X	/	-
11. Mr. Suroj Subhasavasdikul	/, //	-	-	-	-	/X	/	-
12. Mr. Visit Tantisunthorn	/, //	-	-	-	-	-	-	-
13. Mr. Pilas Puntakosol	/, //	XX	XX	XX	XX	-	/	-
14. Mr. Anun Louharanoo	/, //	//	/	/	//	/, ///	-	-
15. Mr. Srihasak Arirachakaran	-	/	/	/	//	/	-	-
16. Mrs. Petcharat Chayanon	-	-	//	//	/	-	-	-
17. Mr. Tanat Tantisunthorn	-	-	-	-	-	-	-	-
18. Mr. Prasert Promdech	-	-	-	//	/	-	-	-
29. Mr. Sudusit Ounsangchan	-	-	-	-	-	-	-	-
20. Mr. Vacharachai Nachailert	-	-	-	-	-	-	-	-
21. Mr. Saharat Vatanatumrak	-	/	/	/	/	-	-	-
Subsidiary Companies	1 = PT. Lanna Harita Indonesia 2 = PT. Citra Harita Mineral 3 = PT. Lanna Mining Services 4. = PT. Singlurus Pratama 5 = Thai Agro Energy Public Co., Ltd.							
Associated Company	United Bulk Shipping Pte. Ltd.							
Related Company	Siam City Cement Public Company Limited, holding 44.99% of paid-up capital in Lanna Resources Public Company Limited.							
Remarks	: X = Chairman of the Board, /X = Vice Chairman, / = Director (Commissioner for Indonesian companies) XX = Executive Chairman, // = Executive Director (Director for Indonesian companies) XXX = Audit Committee Chairman, /// = Audit Committee Member							

Information on Directors of the Subsidiary and Associated Companies

Director's Name	Subsidiary Companies					Associated Company
	1	2	3	4	5	
1. Mr. Visith Noiphan	-	-	-	-	X	-
2. Mr. Somchit Limwathanagura	-	-	-	-	/	-
3. Mr. Padetpai Meekun-iam	-	-	-	-	/, XXX	-
4. Mr. Kraisi Sirirungsi	/	/	X	/	/X	/
5. Mr. Paul Heinz Hugentobler	-	-	/	-	-	-
6. Mr. Suroj Subhasavasdikul	-	-	-	-	/X	/
7. Mr. Somchai Lovisuth	-	-	-	-	/	-
8. Mr. Pilas Puntakosol	XX	XX	XX	XX	-	/
9. Mr. Anun Louharano	//	/	/	//	/	-
10. Mr. Srihasak Arirachakaran	/	/	//	//	/	-
11. Mr. Winyoo Boonkamol	//	-	-	-	-	-
12. Mr. Arkom Laoharano	/	-	//	-	-	-
13. Mrs. Petcharat Chayanon	-	//	//	/	-	-
14. Mr. Saharat Vatanatumrak	/	/	/	/	-	-
15. Mr. Panot Charoensuk	-	//	/	//	-	-
16. Mr. Thamrong Angsakul	//	-	-	-	-	-
17. Mr. Nattapon Ngamphol	-	//	-	-	-	-
18. Mr. Prasert Promdech	-	-	//	/	-	-
19. Mr. Ludi Prasetyo Hartono	-	-	-	//	-	-
20. Mrs. Yocke Kaseger	-	-	-	X	-	-
21. Mr. Sonny Susanto	-	-	-	//	-	-
22. Mr. Toto Iman Dewanto	-	-	-	/	-	-
23. Mr. Lim Hariyanto Wijaya Sarwono	X	X	-	-	-	-
24. Mr. Lim Gunawan Hariyanto	//	//	-	-	-	-
25. Mr. Lim Gunardi Hariyanto	//	//	-	-	-	-
26. Mrs. Rita Indriawati	-	/	-	-	-	-
27. Mr. Parasian Simanungkalit, SH	/	-	-	-	-	-
28. Mr. Ng Han Whatt Henry	/	/	-	-	-	X
29. Mr. Lee Boon Wah	//	//	-	-	-	/
30. Mr. Patrick Ng Bee Soon	-	-	-	-	-	/
31. Mr. Ng Bee Bee	-	-	-	-	-	/
Subsidiary Companies				Associated Company		
1 = PT. Lanna Harita Indonesia		4 = PT. Singlurus Pratama		United Bulk Shipping Pte. Ltd.		
2 = PT. Citra Harita Mineral		5 = Thai Agro Energy Public Co., Ltd.				
3 = PT. Lanna Mining Services						
Remarks : X = Chairman of the Board, /X = Vice Chairman, / = Director (Commissioner for Indonesian companies) XX = Executive Chairman, // = Executive Director (Director for Indonesian companies) XXX = Audit Committee Chairman, /// = Audit Committee Member						

Remuneration of Directors and Executives

Explicit Remuneration

- In 2012, the Company had paid remunerations for the Directors in the form of monthly salary and annual remuneration (bonus) as follows:

Director's Name	Position in Company	Remuneration from Company			Remuneration from Subsidiary & Affiliated Companies			
		Salary	Bonus	Total	Thai Agro Energy Public Co., Ltd.	PT. Lanna Harita Indonesia	PT. Citra Harita Mineral	United Bulk Shipping Pte. Ltd.
(1) Mr. Somkiart Limsong	Chairman	720,000.00	1,145,454.00	1,865,454.00	-	-	-	-
(2) Mr. Kraisi Sirirungsri	Director	360,000.00	859,095.00	1,219,095.00	360,000.00	933,375.48	905,531.36	73,558.72
(3) Mr. Paul Heinz Hugentobler	Director	360,000.00	572,727.00	932,727.00	-	-	-	-
(4) Mr. Philippe Paul Alexandre Arto	Director	360,000.00	572,727.00	932,727.00	-	-	-	-
(5) Mr. Suroj Subhasavasdikul	Director	360,000.00	572,727.00	932,727.00	360,000.00	-	-	73,558.72
(6) Mr. Anan Siripong	Independent Director	360,000.00	572,727.00	932,727.00	-	-	-	-
(7) Mr. Vanchai Tosomboon	Director	360,000.00	572,727.00	932,727.00	-	-	-	-
(8) Mr. Visit Tantisuinthorn	Director	360,000.00	572,727.00	932,727.00	-	-	-	-
(9) Mr. Pijal Puntakosol	Director	360,000.00	572,727.00	932,727.00	-	3,173,433.76	2,100,163.76	73,558.72
(10) Mr. Tanon Tantisuinthorn	Director	360,000.00	572,727.00	932,727.00	-	-	-	-
(11) Mr. Anun Louharanoo	Director	360,000.00	572,727.00	932,727.00	480,000.00	1,978,801.36	1,303,742.16	-
(12) Mr. Padoong Techasarintr	Independent Director Audit Committee Chairman	360,000.00	572,727.00	1,112,727.00	-	-	-	-
(13) Mr. Adul Tantharatana	Independent Director Audit Committee Member	360,000.00	572,727.00	1,052,727.00	-	-	-	-
(14) Mrs. Duangkamol Suchato	Independent Director Audit Committee Member	360,000.00	572,727.00	1,052,727.00	-	-	-	-
(15) Ms. Nopporn Tirawattanagool (Resigned on February 1, 2012)	Independent Director Audit Committee Member	360,000.00	572,727.00	612,727.00	-	-	-	-

Remark: Exchange rate of USD 1 = Baht 30.6316

- The Company paid remunerations to the executives in the form of monthly salary and bonus which varies according to operating results of the Company as follows.

Executives' Remuneration	Year 2012		Year 2011	
	Number of Persons	Baht per Year	Number of Persons	Baht per Year
Monthly Salary	10	29,284,200	12	28,839,342
Annual Remuneration (Bonus)	10	7,898,550	12	14,253,451
Total Remuneration	10	37,182,750	12	43,092,793

Other Remunerations

- In 2012, the Company contributed a total of Baht 6,622,980 into the Provident Fund for 10 executives as employees of the Company (Baht 2,345,578.50 for 12 executives in 2011), and provided Company's vehicles for 4 executives.
- In 2012, the Company did not issue any shares, debentures, and convertible securities or offer any other privileges to the directors and executives.

Shareholding by the Directors and Executives in 2012

Directors and/or Executives	Shareholding in Lanna Resources Public Co., Ltd.				Shares Increase (+)/Decrease(-) in 2011
	By Directors and/or Executives	By Spouse or Child under Legal Age	Total	Proportion (%)	
(1) Mr. Somkiart Limsong	19,041,640	-	19,041,640	5.44	-
(2) Mr. Paul Heinz Hugentobler	269,400	-	269,400	0.08	-
(3) Mr. Kraisi Sirirungsi	6,167,363	22,000,000	28,167,363	8.05	+ 67,363
(4) Mr. Visit Tantisunthorn	4,287,000	-	4,287,000	1.22	-
(5) Mr. Anun Louharanoo	634,680	-	634,680	0.18	+ 44,130
(6) Mr. Pilas Puntakosol	204,538	-	204,538	0.06	+ 54,538
(7) Mr. Vanchai Tosomboon	830,700	-	830,700	0.24	+ 70,000
(8) Mrs. Duangkamol Suchato	120,000	-	120,000	0.03	-
(9) Mr. Tanat Tantisunthorn	11,432,073	-	11,432,073	3.27	+ 2,011,363
(10) Mr. Srihasak Arirachakaran	45,331	-	45,331	0.013	+ 45,331
(11) Mrs. Petcharat Chayanon	12,534	-	12,534	0.004	+ 12,534
(12) Mr. Prasert Promdech	17,367	-	17,367	0.005	+ 17,367
(13) Mr. Vacharachai Nachailert	13,877	-	13,877	0.004	+ 13,877
(14) Mr. Sudusit Ounsangchan	15,513	-	15,513	0.004	+ 15,513
(15) Mr. Saharat Vatanatumrak	15,457	-	15,457	0.004	+ 15,457

Directors and/or Executives	Shareholding in Thai Agro Energy Public Co., Ltd. (Subsidiary)				Shares Increase (+)/Decrease(-) in 2011
	By Directors and/or Executives	By Spouse or Child under Legal Age	Total	Proportion (%)	
(1) Mr. Kraisi Sirirungsi	41,500,000	-	41,500,000	5.19	-
(2) Mr. Anun Louharanoo	4,550,000	-	4,550,000	0.57	-
Remarks:	(1) Disclosed information only on the Directors and Executives with shareholding in Lanna Resources Public Co., Ltd. and its affiliated companies.				
	(2) Other Directors and Executives besides those above have no shareholding in Lanna Resources Public Co., Ltd. and its affiliated companies.				

CORPORATE GOVERNANCE

Right of Shareholders and Equitable Treatment of Shareholders

- The Board of Directors recognizes the importance of the right of shareholders as owners of the Company by adhering to the criteria established by the laws and encourages the shareholders to exercise basic rights of the laws. In 2012, the Company convened the Annual General Meeting of Shareholders on April 17, 2012 between 15.30 hrs. to 16.30 hrs. at the Grand Hall Room, 2nd Floor, Plaza Athenee Bangkok, a Royal Meridien Hotel, 61 Wireless Road, Lumpini, Pathumwan, Bangkok, which was at a convenient location for access and transportation. The meeting was attended by 13 Directors out of 14 Directors. The meeting was conducted according to guidelines within the AGM Checklist, prepared by the Securities and Exchange Commission (SEC) in corporation with the Thai Investors Association and Listed Companies Association. For two consecutive years, the Company has received 100 points out of 100 points total for the assessment result on the Annual General Meeting of Shareholders Year 2011 and Year 2012.

- The Company assigns Thailand Securities Depository Co., Ltd., Company's Share Registrar, to forward the invitation to the shareholders' meeting including relevant documents and information on each of the meeting agendas to the shareholders in advance by 21 days prior to the meeting date which exceeds the time period specified by the law, in order to provide opportunity for the shareholders to study the information in details. The same information has also been disseminated on the Company's website, both in Thai and English, 30 days prior to the meeting date, so that the shareholders may have access to the information quickly and conveniently.

- The Company does not infringe upon the right of shareholders in the studies of Company's information and shareholders' meeting attendance. For instance, the Company does not suddenly hand out additional important documents in the shareholder's meeting; does not add or revise important information on the meeting agenda without informing the shareholders in advance; does not limit the right to attend the meeting by shareholders who are late, etc.

- The Company provides opportunity for the minority shareholders to propose items for the agenda of the shareholders' meeting in advance and to nominate names of persons qualified to become the directors of the Company, in compliance with the criteria established by the Stock Exchange of Thailand by informing the shareholders of the established criteria through the channels of information distribution system of the Stock Exchange of Thailand and the Company's website.

- In summoning of the shareholders' meeting, the Board of Directors shall comply with the criteria established in the Company's Articles of Association and the AGM Checklist of SEC by notifying the rules and practices of attendance, grant of proxies for presence and votes at the meeting, as well as forward all 3 proxy forms as established by laws to the shareholders in advance including the meeting invitation by providing option for the shareholder to appoint the proxy from 3 Audit Committee Members and encouraging the shareholder to use the proxy form which comments may be specified for the voting.

- The Company has provided adequate information for each meeting agenda within the shareholders' meeting invitation, including the opinions from the Board of Directors, for decision making. The shareholders have also been provided with the opportunity to post questions in advance of the meeting date by sending the questions through Company's website or via facsimile.

- At the shareholders' meeting, voting and vote counting procedure shall be announced to the shareholders before commencement of the meeting agendas. Voting ballots shall be provided for voting during important agendas and for appointment of directors, which shall be voted individually. Meeting resolutions shall be recorded clearly, including the number of "approval", "disapproval" and "abstain" for every meeting agenda that requires voting.

- In addition to the voting right at the shareholders' meeting, the shareholders also have other basic rights such as right to receive the dividend payment, right to consider the remuneration of directors every year, etc., of which the Company has strictly complied with the established regulation and law already.

- In the shareholders' meeting, the Board of Directors and Executives, comprising of the Chairman, Chief Executive Officer, Chairman of each Committees, etc. shall attend the meeting to clarify and answer questions to the shareholders' meeting with the Chairman of the Meeting provides equal right and full opportunity for the shareholders to audit Company's operation by posting inquiries, making opinions, and/or offering recommendations, which important inquiries and recommendations shall be recorded in the meeting minutes.

- The Company's Secretary and the assigned working team has prepared the shareholders' meeting minutes to include all important matters and has forwarded the shareholders' meeting minutes to the Stock Exchange of Thailand and disseminated on the Company's website within 14 days after the meeting has been completed. The shareholder has the right to examine the meeting minutes, supporting documents and other important documents at all time.

- The Board of Directors has established protection measures for the Directors, executives and employees from using inside information of the Company for their own or others' benefits by notifying the above guidelines and policies to everyone in the organization for compliance and also disseminating the information within the Annual Report and Company's website. The operation and conduct are also routinely monitored.

- The Board of Directors has established guidelines for disclosure of information of stakeholders and protection measures to prohibit the stakeholders from involving in the decision process concerning connected transactions which are published within the Annual Report and Company's website.

Roles of Stakeholders

- The Board of Directors has established the fundamental policy on corporate governance for practices toward each group of stakeholders by recognizing the rights of stakeholders above in accordance with the laws or agreements with the Company without doing anything that would violate the rights of those stakeholders, by notifying the above policies to everyone in the organization for compliance and also disseminating the information within the Annual Report and Company's website.

- The Board of Directors has established measures or channels for involvement by the stakeholders by disclosing relevant information for acknowledgement by the stakeholders and providing opportunity for whistleblowing or complaints by the stakeholders via the Audit Committee without passing through the Company's executives, of which can be sent by mail or E-mail directly without having to disclose the name of the whistleblower or person who makes complaints, in order for the Audit Committee to study the information or find facts based on the information from the whistleblower and to directly present the matter to the Board of Directors for consideration of finding protection measures and appropriate compensation to the damaged person according to cause and impact on a case by case basis.

- The Company has established policies to care for the environmental and nearby communities that may be directly affected by business operation of the Company in order to gain trust from the relevant persons in the Company's operation, as well as promote and encourage every employee to get involved in overseeing and continuously carry out safety procedures concerning lives, society, communities and environment.

Disclosure and Transparency

- The Company has disclosed important information including financial information and other information accurately, completely, timely, transparently, and in accordance with the criteria established by SEC and the Stock Exchange of Thailand. During the past year, the Company has not been punished or acted upon concerning incorrect disclosure of information. The Company believes in the importance of information disclosures that affect the decision of investors and stakeholders equally and periodically performs assessment on the information disclosure process.

- The Company has disclosed its shareholding structure by explaining and showing details on major shareholders and shareholding proportion of the minority shareholders completely and clearly and disclosure of information of shareholding by the directors and executives within the Annual Registration Statements (Form 56-1) and Annual Report (Form 56-2).

- The Company has adequately and appropriately disclosed information within the Annual Registration Statements (Form 56-1) and Annual Report (Form 56-2) according to the regulations of SEC and Stock Exchange of Thailand.

- The Board of Directors is accountable for the financial statements and financial information, which is endorsed by the Chairman of the Board and Chief Executive Officer, as appeared in the Annual Registration Statements (Form 56-1) and Annual Report (Form 56-2), prepared in accordance with the generally accepted accounting standards by using accounting policies that are appropriate and corresponding to the business operation, taken on the regular basis with careful consideration. Important information are also adequately disclosed within the Notes to Financial Statements, which are supervised and responsible by the independent auditor and the Audit Committee on the quality of the said financial information.

- The Company has disclosed the financial information and other important information in both Thai and English on the Company's website and periodically updated the information so that they are up-to-date.

- The Company has established the Investor Relations Unit to be responsible for communications with the investors, shareholders, as well as analysts and relevant government sectors, of which can be contacted by telephone at 02-253-8080 or at Company's website, www.lannar.com or e-mail address: lanna@lannar.com.

Responsibilities of the Board of Directors

(1) Structure of the Board of Directors

- During 2012, the Board of Directors consisted of 15 directors, including 5 executive directors and 5 non-executive directors and 5 independent directors and Audit Committee members. However, one independent director has resigned mid-term, having 4 independent directors remaining with an additional director under nomination and appointment. The list of names, positions and photographs of each director are appeared on Page 4-6 of this Annual Report.

- The Nomination process for the Company's directorship positions did not go through the Nomination Committee as it has not yet been established. Nevertheless, the Board of Directors has provided opportunity for the minority shareholders to propose names of qualified persons for the directorship positions according to criteria or guidelines recommended by the Stock Exchange of Thailand, having notified the shareholders via the information dissemination of the Stock Exchange of Thailand and Company's website.

- The Board of Directors consists of persons possessing knowledge, capability, experience and expertise in various professions, which are deemed beneficial to the Company's operation, and with suitable qualifications to become the directors of the listed company according to the Company's regulations and established laws.

- The Chairman is independent having no relationship whatsoever with the Management and is not a chairman or member in any other boards or committees.

- The Chairman of the Board is not same person as the Chief Executive Officer or Managing Director in order to clearly separate the corporate governance policy making roles and the daily management role.

- During 2012, the Company had 5 independent directors, accounting for one-third of the total members of the Board of Directors. However, one independent director has resigned mid-term, having 4 independent directors remaining with an additional director under nomination and appointment. The Company has established description of the independent director of the Company equal the minimum qualifications established by the SEC and Stock Exchange of Thailand for the matter of shareholding in the Company; namely the independent director of the Company must not hold more than 1 per cent of all the number of shares with voting right.

- The Company has published within the Annual Report the information on the representing directors for each group, having directors on the Board, excluding independent director, not yet proportional to the shareholding for each group. Details can be found under the topic "Major Shareholders and Shareholding Proportion" in the Annual Registration Statements (Form 56-1) and the Annual Report 2012 (Form 56-2).

- The number of years for the directorship position for each office term is in accordance with the regulation in the Public Limited Company Act B.E. 2535 but there is no specification on the number of terms that the director can continuously be in the position.

- The number of years in each term for the Audit Committee Member is stated in the Charter of Audit Committee but there is no specification on the number of years that the Audit Committee Member can continuously be in the position.

- In order for the directors to dedicate time and effort for their duties, the Board of Directors has established the number of companies that each director may take up positions as follows:

(A) The Company's director should not hold directorship in the listed companies not exceeding the following number.

- The executive director or full time director may not take up directorship position at more than 4 companies.

- The non-executive director or professional director may not take up directorship position at more than 6 companies; and

- The Chairman of the Board may take up the Chairman of the Board position in only 1 listed company.

(B) In the case where a Company's director needs to hold directorship of more than 5 listed companies, reasons and impact to the directorship position must be explained to the shareholders and relevant parties within the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

(C) For the proposal of a person for the directorship position of the Company, sufficient information on directorship positions in other companies must be provided to the shareholders for consideration before the voting for the appointment.

- Top executives taking directorship position in the subsidiary company and affiliated company have been approved by the Board of Directors but the Board of Directors has not clearly established policy and procedures in writing on directorship positions of top executives in other companies.

- The Company has appointed a person, a permanent employee, to be responsible for the work of the Company Secretary and has clearly established scope of authorities and duties of the executives for each level of work organization by separating authorities, duties and responsibilities in each of the level in descending order.

(2) Sub-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. Currently, there are 3 committees; namely, the Board of Executive Directors, Audit Committee and Risk Management Committee. Details are shown under the topic “Management Structure” in the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

- The Company has no Nomination Committee and Remuneration Committee due to non-complicated structure of the Company having only a few executives. The Company has established appropriate process for consideration of the remuneration, which is also based on the size of the business and operating results of the Company.

- The Company has policy to occasionally appoint special committee as necessary for future business operation in order to consider important issues that the Board of Directors deems important and may have significant impact on the business operation.

(3) Roles of the Board of Directors

- The Board of Directors has adopted Company’s direction, objectives, business plan and budget, including monitoring and supervision on the approval and/or operation of the Board of Executive Directors and the Management in accordance with the established business plan and budget with efficiency and effectiveness.

- 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.

- 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.

(4) Corporate Governance Policy and Business Ethics

- The Board of Directors has approved of the Corporate Governance Policy in writing by notifying everyone in the organization for practices and periodically monitors and reviews its compliance with the said policy.

- The Board of Directors has approved of the Code of Conduct in writing by notifying everyone in the organization for practices and periodically monitors and performs assessment on the effectiveness of the Code of Conduct.

(5) Transactions with Possible Conflict of Interest

- The Board of Directors has established measures or procedures for transactions that have conflict of interest by having these transactions examined by the Audit Committee first without having the stakeholders with conflict of interest involved in the approval or decision of such transactions, of which the related or connected transactions have been disclosed within the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

(6) Internal Control and Risk Management

- The Company has placed 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 has placed emphasis on the risk management by appointing the Risk Management Committee comprising of executives from all the departments joining as members by conducting risk assessment of the business to cover the whole organization, having established the risk protection and mitigation measures, including risks that affect the operation of the Company, which have been specified within the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2). Compliance with relevant laws and regulations are constantly being monitored and supervised.

- The Board of Directors reviews the Company's internal control system and performs assessment on the risk management at least once every year. The Board of Directors' Meeting No. 1/2013 dated March 4, 2013, having Audit Committee Members in attendance, has reviewed all 5 compositions of the internal control system of the Company and its subsidiaries, including (1) Control Environment, (2) Risk Management, (3) Control Activities, (4) Information and Communication, and (5) Monitoring and Evaluation. The Board of Directors concluded that in 2012, the internal control system of the Company and its subsidiaries were sufficient and appropriate, by which the Audit Committee also shares the same opinion.

(7) Board of Directors' Meetings

- 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 Chairman and the Chief Executive Officer or the Managing Director together shall consider and choose the Board of Directors' meeting agenda and give opportunity for each of the directors to be able to propose matter for the meeting agenda.

- The Company Secretary prepares and forwards the meeting invitation seven to ten days in advance. Included with the meeting invitation are the meeting agenda and documents, so as to provide sufficient time for the Board of Directors to study and review the information for decision making and the Board of Directors may also request for additional information from the Company Secretary, having the Management and top executives attend the meeting to clarify any issues in order for the directors to have full understanding to properly consider and make decision on 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 meeting minutes cannot be revised without passing through the Board of Directors' Meeting.

- The Board of Directors' meeting is regularly scheduled at least once every two months (one meeting every other month). The meeting schedule, including date, time and venue, is proposed in advance for each year in order for the director to prepare his/her own schedule to attend the meeting. The extraordinary meeting is scheduled as necessary and appropriate with the business. Details of the board meeting attendance for the past year are shown under the topic "Management Structure" of the Annual Report (Form 56-2). 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.

- Non-executive directors shall occasionally hold meeting among themselves as deemed appropriate and necessary. The Company's Board of Directors has established the policy to hold the Non-Executive Directors' Meeting at least once a year, without the Management attending the meeting. The outcome of the meeting shall be forwarded to the Chief Executive Officer or Managing Director for acknowledgement, so that the opinions, remarks and suggestions may be considered and implemented accordingly.

(8) Assessment of the Board's Performance

- The Board of Directors has established criteria and arranged for the self-assessment on the performance of the Board of Directors as a whole at least once every year (no assessment on the performance of individual director). The aforementioned Self-Assessment Form requests that the assessor specify the strong points, weak points and matters that require improvements.
- The Board of Directors has jointly considered the results of the assessment and established guidelines for improvement of the Board's performance for the following years.

(9) Remuneration of Directors and Executives

- 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.
- In 2012, the Company had paid the remunerations to the directors and executives, having disclosed the information in the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).
- The Company has established the Employee Joint Investment Program (EJIP) for every executives and employees of the Company, encouraging them to voluntarily join the Program so that they could invest and save by buying ordinary shares in the Company through securities trading system of the Stock Exchange of Thailand, which must be carried out according to relevant laws and regulations. This Program has a 5-year term period starting from January 1, 2012 until December 31, 2016, which should promote the executives and employees to become joint owners of the business and have the same view and direction as the Company's shareholders, creating incentives for the executives and employees to work efficiently and effectively, pushing forward for sustainable growth and development of the Company with future business plan and targets successfully achieved as anticipated.
- Since the Company has not established the Remuneration Committee, the Board therefore has assigned the Chairman of the Board and Audit Committee Chairman to establish criteria and jointly assess the work performance of the Chief Executive Officer or Managing Director for each year and notify the assessment results to the Chief Executive Officer or Managing Director for acknowledgement.


(10) Development of Directors and Executives

- The Company has policy to continuously provide knowledge for the Directors by enrolling them in the training courses of the Thai Institute of Directors Association (IOD) and other training programs for understanding of the roles of Directors and knowledge in the Company's business.
- The Company encourages and provides knowledge and education for the executives and relevant people, such as the Company Secretary, Internal Audit personnel, etc. by regularly enrolling them in several training programs related to the operation in order to constantly increase the knowledge and new techniques.

(11) Succession Plans

- The Company has not established clear succession plans in writing; however, the Company has senior executives below from the Chief Executive Officer or Managing Director who can take up the role should the Chief Executive Officer or Managing Director could no longer perform their duties.
- The Board of Directors has established regulations concerning the employees training and development and has enrolled the executive in the master of business administration program and other courses at a reputable university.

Corporate Governance Assessment of Year 2012

The Thai Institute of Directors Association (IOD) has prepared the Corporate Governance Report of Thai Listed Companies Year 2012, of which Lanna Resources Public Co., Ltd. was placed with excellent assessment () with the average score of 87 percent.

FUNDAMENTAL POLICY ON CORPORATE GOVERNANCE

Lanna Resources Public Company Limited is fully aware of the importance of good corporate governance and adheres to the principles of fairness and integrity, accountability, responsibility and transparency, and promoting equitable treatment and gaining faith from all the stakeholders. The Company focuses on building values to the business and persons with associated interest in long term for sustainable growth and development of the Company in the future.

Accordingly, the Board of Directors has established its policy or basic principles of the corporate governance for use as guidelines for the business operation. The Company shall adhere to the following basic principles.

(1) Establish the management structure of the Company so that there are clear scope of authorities, duties and responsibilities for the Board, Committees and the Management for confidence and effective work performance.

(2) Operate in such manner to assure that various courses of action of the Company are effectively and efficiently performed under effective internal control system with appropriate balance of authorities as well as having transparent operation which can be audited and effective information disclosure procedures.

(3) Operate in such manner to assure that the financial reports reflect actual operating results and status, including having assessment and establish appropriate level of risk protection and mitigation measures.

(4) Proceed with the matters concerning conflict of interest cautiously and reasonably, taking the interest of the Company into consideration.

(5) Encourage moral principle and conscience among the executives and employees for good behaviors, honesty and discipline, and also be conscious of duties and responsibilities of own individual and to the working team, ready for better things and always be responsive to the changes.

(6) Aim to attain operational excellence by adhering to creating customers satisfaction by listening to comments, as well as performing self-assessment and review in order to continuously develop and create better things.

(7) Recognize and respect the ownership right of the shareholders, including the right stakeholders and treat them with justice and fairness, without being partial and provide opportunity for the stakeholders to express opinions and also provide channels for whistleblowing and filing complaints concerning any violation of law or deficiencies, as well as establishing measures for compensation in the case of stakeholders being damaged from such violation of the law.

(8) Conduct its business by considering its responsibility to the shareholders, stakeholders and overall community and society including conservation of environment by taking part in the creation and/or support of developments which are sustainable and beneficial to the overall society, at the level of the Company's status.

(9) Conduct its business with protection measures against anyone for using inside information of the Company dishonestly for their own benefit.

(10) Establish measures and procedures in reporting of fraudulent or suspecting a fraudulent and illegal conduct or other unusual activities which may cause significant damage to the Company's reputation and financial status, of which the incident must be reported immediately in order to correct the deficiencies or impacts without delay, including seeking protection measures to prevent such incident from happening again.

REGULATION CONCERNING PRINCIPLES OF GOOD CORPORATE GOVERNANCE

In order to achieve the objectives of good corporate governance, demonstrating that the Company has employed the management system that is effective, transparent and can be reviewed, to help foster confidence and trust for the stakeholders, the Board of Directors has established the regulations concerning with the principles of good corporate governance as follows.

REGULATION OF THE BOARD OF DIRECTORS

In order to demonstrate Company's intention and professionalism in the business management with transparency, morality, and accountability to all stakeholders, regulation for good practices of the Board of Directors has been established as the code of conduct as follows.

(1) Perform duties in accordance with the relevant laws and regulations, Company's regulation and resolutions of the Board of Directors' and shareholders' meetings.

(2) Strictly manage the business with honesty and unbiased position as well as be independent in the decision making and in other conducts.

(3) Authorize the executives for full control of management and daily operation without imposing inappropriate or unreasonable guidance.

(4) Have no direct or indirect interest in the business related with the Company and its affiliated companies or in the business that is in competition with the Company or its affiliated companies.

(5) Avoid having conflict of interest of oneself with the interest of the Company to achieve full efficiency and effectiveness in the business operation.

(6) Manage the business prudently without creating any obligations or commitments which might later be in conflict with the duties.

(7) Do not directly or indirectly seek unlawful benefit from work.

(8) Perform duties to the fullest capacity for the highest benefit of the organization.

(9) Do not execute anything that will destroy Company's interest or subserve interest to other individuals or juristic persons.

(10) Focus on the prevention and elimination of wrongful activities and consider that these matters must be dealt with promptly and decisively in order to create good values and image of the organization.

REGULATION OF THE EXECUTIVES AND STAFF

The Company is the producer and distribution of coal and other types of fuel, which can reasonably add values to the stakeholders. The Company is also aware of the overall balance of environment and interest of the society. Thus, in order for the Company to achieve such qualities with strength and sustainability in long term, the regulation for good practices of the executives and staff has been established as the code of conduct as follows.

(1) Perform duties with accountability, honesty, determination, dedication and in compliance with the law, regulation, policy and corporate culture with consideration on the best interest of the Company.

(2) Strictly maintain confidentiality of the customers, trading partners and the Company, overseeing and guardedly ensuring that no confidential documents or information leak or fall into the hands of unrelated individuals.

(3) Respect the individual right of the staff, avoid taking information or story of the staff, including work-related and personal matters for disclosure or comments in such manner that would cause damage to the staff or Company's image overall.

(4) Do not abuse or do anything that would lead to disharmony or damage within the Company or individuals relating to the Company.

(5) Maintain and jointly create harmony and unity among all staffs, be helpful and supportive of one another for the overall and utmost benefit to the Company.

(6) Conduct oneself toward colleagues with respect, generosity, good human relations, not concealing necessary information for the work from colleagues and adjust oneself to work well with the others, as well as be respectful to others by not taking credit for the work of the others.

(7) Be determined on becoming a good person and intellect by continuously developing oneself in the direction that is beneficial to oneself and the Company.

(8) Study and seek for knowledge and experience to reinforce the knowledge and skills for the work and constantly update oneself with modern technology.

(9) Adhere to virtue, morality and refrain from all vices by not conducting oneself in such manner that would ruin the reputation of oneself and the Company.

(10) Inform superiors in order of ranking or the Audit Committee, if witness any activities that might indicate any fraud or wrongdoing within the organization.

(11) Perform any tasks that protect the environment and work conditions as well as help the Company to develop and achieve its excellence.

(12) Avoid giving or receiving goods, reception or any other benefits from trading partners or individuals related to the Company's business unless it is in accordance with the regulation and mandate of the Company.

REGULATION CONCERNING HUMAN RESOURCE MANAGEMENT

The Company's human resource management is aimed to nominate, select, develop, promote and maintain the staffs that possess knowledge, capability and quality, as they are considered as the most important asset of the Company. Moreover, the Company promotes good appearance within the unit, in order to achieve its targets effectively and efficiently in long term. Accordingly, regulation concerning the human resource management has been established as follows.

(1) Every staff shall be treated fairly and worthy of one's dignity being part of the organization.

(2) The selection of individual for employment in any position shall be conducted with fairness by considering the qualifications, education, experience, health and other necessary specifications for such position.

(3) The Company shall consider fair compensation for the staff which is suitable for the condition and job characteristics and results of the work performance according to the knowledge and capability of each individual.

(4) The Company shall conduct assessment on the work performance for each staff every year having the superior in the chain of command as the assessor in accordance with the rule and practice as established by the Company.

(5) The Company shall oversee the welfare of the staff and maintain the workplace in safe and good sanitary conditions.

(6) The Company provides opportunity and encourages the staffs to express their own opinion with the staffs taking part in the improvement of efficiency in their work and the Company.

(7) The Company has policy to support training courses and seminars which is deemed important to the development and improvement of the staff for the knowledge, capability and quality.

The Company has established this policy in order for the staff to follow and practice to achieve order, unity, relations and good understanding among one another, as well as to promote safety and development of the staff. The Company believes that the superior in each chain of command is very important part, who shall be responsible for the business and personnel management, as well as promoting good relationship among the staffs of the Company. Accordingly, every staff also has a role in maintaining such good relationship.

REGULATION CONCERNING ACCOUNTING AND FINANCIAL TRANSACTIONS

The Company has established regulation concerning with the accounting and financial transactions by specifying that the transactions be recorded accurately and completely which can be reviewed, according to the regulation of the Company and related laws. Moreover, every staff must adhere to the principles of honesty and ethics in their work and duties as follows.

(1) Accuracy of the Records

(A) All business transactions of the Company must be recorded accurately and completely which can be reviewed without any limitation or exception.

(B) Recording of the accounting transaction and business record must be based on facts without distortion or making any false transaction record regardless of any objectives.

(C) The staff at every level must carry out business tasks in conformation and in accordance with the rules and regulations of the Company, including accurate and complete supporting evidence and documents of the business transaction records. Accordingly, the information must be adequately and promptly provided so that the responsible staff in charge of the record taking and preparation of all types of accounting and financial transactions of the Company can record such transactions with accurate and complete details.

(2) Accounting and Financial Reports

(A) Every staff must not distort any information or make false transaction record regardless of whether they are accounting and financial information or any other business information of the Company.

(B) Every staff must realize that the accuracy and completeness of the accounting and financial transaction are joint accountability of the directors, executives and staffs.

(C) Every staff has duty and responsibility to prepare and/or provide detailed information supporting the accounting and financial transaction accurately and completely in accordance with the facts.

(3) Legal Compliance

(A) Every staff at every level must comply with the rules and regulations in accordance with the relevant laws in the preparation and record of the accounting and financial transactions of the Company with accuracy and completeness.

(B) Every staff at every level must adhere to the principles of honesty without prejudice and with trustworthiness in recording and filing of the information, as well as not involving in any illegal and unethical activities.

REGULATION CONCERNING INTERNAL CONTROL

The Company has established corporate governance policy for every unit to carry out their work effectively and efficiently in accordance with the objectives and goals of the Company, having supervision over the maintenance and utilization of the assets economically and appropriately. Risk assessment and management are continuously undertaken with effectiveness and security. Moreover, each unit must establish the work system with standard and adequate internal control in order to control risks to within the appropriate level so not to have any significant impact to the Company's operation. Communications and development of staffs within the unit should be established so that the staffs have shared feeling to carry out work in accordance with the principle of good and appropriate practices, including relevant laws and regulations, and is readily available for evaluation and review. These guidelines have been established as follows.

(1) To establish adequate control environment by assigning duty and responsibility for the executive at every level to supervise and review the work system within the executive's own unit to achieve efficiency and effectiveness and in accordance with the working regulation of the Company, having internal control system that is secure, adequate and can be reviewed and every unit must prepare its own standard work manual.

(2) To establish adequate risk assessment and management process by having each unit perform its own risk assessment on their work and find ways to mitigate the risks or reduce opportunity for the occurrence of such risks. The Company expects that every staff at every level take part in the assessment and control management of the risk in order to prevent from damage that may occur.

(3) To establish adequate control activities in every duty and level according to acceptable level of risk by requiring each unit to have a standard work system with adequate internal control to control the risk to within the acceptable level that does not significantly affect the operation of the Company.

(4) To establish adequate information and communication system that are reliable and in time by improving and developing the information technology system to be effective and secure with adequate safety and protection of the information. This is to increase efficiency and effectiveness in the operation and management, to become dependable and that such information be used to communicate throughout the organization internally and to the outside. Moreover, there should be communication and development of staffs within the unit to foster shared feeling to carry out work in accordance with appropriate practices, including compliance with the relevant laws and regulations.

(5) To establish adequate monitoring and evaluation system by assigning duty and responsibility to the executive at every level to supervise and review the work system within the executive's own unit to achieve efficiency and effectiveness and in accordance with the working regulation. The Internal Audit Office shall support the executive of every unit in establishing the internal control system and conduct a review from time to time as deemed appropriate in order to ensure that every unit possesses efficient and effective internal control system and carry out matters according to the established procedure at all times, which will bring about overall improvement of various work systems of the organization to be more efficient and more effective overall.

(6) Guidelines for the review and evaluation shall be emphasized on creativity and work system improvement. The report that the Internal Audit Office has prepared and agreed by the unit employing such work system shall be considered and approved by the Audit Committee before implementation. Should there be any work system in any unit that needs improvement for better efficiency or more security, it is regarded as the duty of every related unit that to improve or revise the system immediately. The Company regards that such duty is part of the work of such unit which must be accountable and is also part of the annual assessment of the relevant staffs.

REGULATION CONCERNING THE USE OF INFORMATION TECHNOLOGY AND COMMUNICATION

Information technology and communication system is regarded as an important factor in promoting business operation and increase efficiency and effectiveness of the work. Accordingly, the Company has established a joint responsibility for every staff that must use the information technology and communication system in compliance with the laws, regulations, orders and standard as established by the Company, which are as follows.

(1) The Company has established safety management of the information system by having issued Company's regulation and order for the Company's staff to comply with the law regarding the use of such computer.

(2) Every staff of the Company has duty and must adhere to the following practices.

(A) Staff must comply with the copyright law, law on the use of computer, regulations and orders of the Company concerning with the use of the information system.

(B) Staff must not violate software copyright or intellectual property of the others.

(C) Staff must not take software program belonging to the Company for own personal use or give it to other individual whom is not a Company's staff for commercial use, copy, disseminate, or make revision of any kind without permission.

(D) Staff must not use the Company's email system on the account of oneself or the others to send or forward information or messages which are deemed harmful to the security of the Country, religion, and royal institution, personal messages, messages with falsehood content, uncreative, chain letters, threatening, computer virus content, to the outside or within the Company, and no falsification of any statement in the email messages of the Company without any exception.

(E) Staff must not use the Company's email system to disseminate news or information of the Company to the outsiders except for those authorized and having duty concerning with the public relations.

(F) Staff must not download any types of file without permission and must not use internal network for any entertainment so not to deteriorate the efficiency of others' email receiving and sending capacity.

(G) Staff must not use the computer network with intention to perform any illegal activities, go against peace, moral standard, and commerce, disclose confidential information or express personal comments.

(H) The use of computer or personal communication device which requires connection with the network of the Company must be approved by the Chief Executive Officer first.

(I) The use of computer in the Company or taking the notebook computer for use outside the Company is required that a password be installed and entered every time of use for security of the work. The password must be kept confidential and should be changed from time to time or at least every three months.

(J) Staff must not install a software program that can check or capture information from the network unless having been authorized from the Chief Executive Officer on a special case in order to comply with the relevant laws or regulations.

(K) Staff must maintain the computer and devices under responsibility in good care and use them properly.

(3) In order to safeguard the information system of the Company, the Company shall inspect, search, monitor, investigate and control the use of information system of the staff if it has been found that the staff has used the system inappropriately or might cause damage to the Company.

(4) If the Company finds that a staff has violated or has not complied with the regulations and orders of the Company, such staff may be subject to disciplinary action and/or punishment by law, depending on the severity of the case.

REGULATION CONCERNING THE PROCUREMENT

The Company has established a procurement unit to carry out any procurement matters in order to fulfill the purpose of every unit and in accordance with the established standard of quality. The related procedure and regulations are as follows.

(1) Every procurement transaction must emphasize on the benefit and quality for the Company by receiving package and product correctly as ordered on the quality, price, quantity, service period and promptness. The policy on quality, safety, health and environment of the Company must also be taken into consideration.

(2) Staff who is in charge of the procurement must plan ahead well to avoid unreasonable rush of procurement.

(3) The Company shall not take advantage of the trading partners by considering the benefit and damage that may occur in terms of reputation, image and perception of the Company with the outsiders.

(4) Staff who is in charge of the procurement must provide information that are correct, clear and complete to the trading partner, using disclosure method and providing equitable opportunity to the trading partners.

(5) Staff who is in charge should listen to comments and any suggestions that the trading partners complain or comment in order to improve and resolve problems that have occurred for better efficiency and effectiveness.

(6) Staff who is in charge must maintain the information received from each proposal or bidder as confidential and must not disclose the information to other parties.

(7) Invitation for the bidding process must be conducted in a competitive manner with fairness and impartiality to every trading partner.

(8) Negotiation should be based on business relations to both parties which are open and fair, having evidence that can be referred to.

(9) Maintain equitable business relationship with the trading partners without making demand, receiving goods or any other benefits directly or indirectly from the trading partner without any exception.

(10) The executive and/or authorized person in the procurement must employ impartial and fair discretion in providing advice, recommendations and listening to comments from the staff.

(11) The executive and/or authorized person on the procurement must control, check and supervise so that the task has been strictly undertaken in accordance with the code of conduct and if it is found that the code of conduct has been violated, investigation and disciplinary action or punishment must be strictly undertaken according to the established procedure.

(12) It is encouraged that the procurement is provided to the Thai operator and/or affiliated companies of the Company with important consideration on the receiving quality and benefit.

(13) The procurement should be conducted in a systematic manner and correct in principle having strict control which can always be improved in consistent with changing business situation.

REGULATION CONCERNING SAFETY, HEALTH AND ENVIRONMENT

The Company is concentrated in accident prevention and environmental protection by complying with relevant laws and regulations in order to ensure safety for the staff and to have good working environment, including continuing improvement on safety, health and environment.

“5S” Policy

“5S” activity is part of the duty involving every staff at all levels. The superior has duty to supervise, promote and recommend for the efficiency and effectiveness with continuing improvement of the program. The activity is aimed to promote good working environment and safety as well as to instill basic consciousness of increasing effectiveness in the operation.

The Company has established guidelines on the safety, health and environment as follows.

(1) Every executive and staff must operate with quality management system, safety, health and environment in order to reinforce the highest efficiency, effectiveness and values of the work for the Company.

(2) The executive and staff must strictly follow and operate in accordance with the laws, policy, regulations and standard in terms of quality, safety, health and environment.

(3) The Company shall employ every means to control and prevent all types of loss from accident, fire, injury or illness from the workplace, loss or damage to the assets, safety system violation, improper method of operation and all the errors, including protection of environment in the workplace and safety to all the staff. Accordingly, the report on any accident is the responsibility of the executive and staff by strictly follow the established procedure, regulation and order.

(4) The Company shall set up s prevention and control plan for emergency in every area of operation, including emergency and crisis management plan for the organization to be prepared for any emergency events that may occur and be ready for other crisis events which may halt the business operation, damage reputation and image of the organization.

(5) The Company shall arrange for the public relations and communication to build knowledge, understanding and dissemination of information to the staffs including all stakeholders to acknowledge and understand the policy, regulations, procedure and any cautions in terms of quality, safety, health and environment, to strictly follow for correct implementation without creating any hazard to the health, assets and environment.

(6) The Company shall promote and instill consciousness in the quality, safety, health and environment as part of daily routine of the staff.

(7) The Company shall train the staffs and increase role and duty of the supervisor in the control of operation so that it employs good safety system which is consistently followed.

(8) The Company shall improve on the safety and environmental standard to achieve international standard for good living quality and environment of the staffs.

(9) The Company shall seriously and continuously take part in social responsibilities in terms of quality, safety, health and environment, and in the best use of natural resources by realizing the importance of environment and safety of related stakeholders, as well as promoting social activities in the environmental protection and improvement of living quality in the communities according to sustainable development principle.

REGULATION CONCERNING THE REPORTING OF FRAUD OR ILLEGAL CONDUCT

The Company has established measures and procedure for the Company's executives to promptly report to the Company's Board of Directors and the Audit Committee in the event of frauds or suspecting of a fraudulent or illegal conduct or other unusual activities which may cause significant damage to the Company's reputation and financial status, which includes:

- (1) Transaction involving conflict of interest
- (2) Fraudulent or unusual activities or deficiency in the internal control system

(3) Violation of the laws and regulations regarding the Securities and Exchange, regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand or other laws concerning with Company's business operation.

Accordingly, the Board of Directors shall promptly correct the deficiency or its impact, including seeking protection measures to prevent such incident from happening again.

REGULATION CONCERNING THE WHISTLEBLOWING OR COMPLAINTS BY THE STAKEHOLDERS

The Company has established measures or channel for whistleblowing or complaints by the stakeholders as follows.

- (1) Provide opportunity for the stakeholder for whistleblowing or making complaints

Any stakeholder who wishes to contact the Board of Directors directly without going through the executive of the Company in order to offer any opinions concerning with the business operation including whistleblowing or complaints such as inappropriate action, fault, wrongdoing or mistake, illegal action or unethical behavior etc., it can be directly forwarded to the Audit Committee of the Company as follows:

- *By Mail*
Chairman of the Audit Committee
41/9 Rim Klong Bangsaka Road
Bangkor, Chomthong, Bangkok 10150
- *By E-Mail Address: wanna@lannar.com*

(2) Protection for the Whistleblower

The stakeholder who makes whistleblowing or complaints according to (1) above does not need to disclose his/her name.

(3) Procedure after Whistleblowing or Complaints

The Audit Committee is assigned to investigate the information or facts informed by the whistleblower according (1) above and directly presents the matter to the Board of Directors for acknowledgment and consideration.

(4) Correction Measures and Compensation

In case the stakeholder has been damaged from the violation of right according to the laws, the Company is willing to listen to opinion or complaint and will urgently correct the fault and impact without delay including finding measures to prevent recurrence of the event and will consider making appropriate compensation to the damaged person based on cause and effect on a case-by-case basis.

REGULATION CONCERNING THE USE OF COMPANY'S INSIDE INFORMATION

The Company has established measures and regulation concerning the protection against the use of Company's inside information, which has not been disclosed to the public, for the benefit of oneself or other persons as follows:

(1) The Company has notified the Directors and executives for acknowledgment of their duty to report the securities holding in the Company of oneself, spouse, minor child and nominee, including the report of changes in securities holding to the Securities and Exchange Commission (SEC) and acknowledgment of penalties according to the law on Securities and Exchange.

The word "Executive" is defined as manager or executive of the first four levels of high ranking executive position downward from the manager, any person who is in the position equivalent to the forth level of the said high ranking executive position, as well as the executive position in the line of accounting and finance or equivalent level.

(2) The director, executive, manager and employee who are aware of inside information of the Company are prohibited to disclose any inside information to any outside person or any person who has no relevant duties and are prohibited to trade the Company's securities during the 1-month period before the financial statements are disclosed to the public.

(3) The director, executive, manager and employee are prohibited to use the Company's inside information that have not been disclosed to the public which are significant to the change in the price of the Company's securities to seek benefit for oneself and/or for the trading of the Company's securities. Should anyone violate the above stipulation, the Company will proceed according to the relevant laws and severely punish such person based on facts and findings of the incident on a case-by-case basis.

(4) In case of director, executive, manager and employee being convicted in a criminal case according to the Securities and Exchange Law, the Company will severely punish such person according to one or several of the followings.

(A) Reduce the salary or compensation

(B) Terminate, fire or remove from the position of director, executive, manager or employee, alleging that the person has intentionally caused damage to the Company. Should the convicted person hold the directorship position in the Company, the matter will be proposed to the shareholders' meeting for its consideration of the punishment.

(C) Notify the incident to the Stock Exchange of Thailand and/or the SEC.

(D) Report the case for a legal prosecution.

(E) Carry out other matters according to the resolutions by the Board of Directors or shareholder's meeting of the Company.

(5) The Company expects that every director, executive, manager and employee at every level of the Company report in good faith to the superior of any misconduct or doubtful conduct in violation of the principles concerning the use of Company's inside information for the benefit of oneself. The superior is deemed to have duty in monitoring and supervising the subordinates on the use of Company's inside information for compliance with the established regulation.

REGULATION CONCERNING CONFIDENTIALITY

The Company has established measures and procedure concerning the protection of trade secrets which are deemed important to the Company's business operation and cannot be disclosed to the public as follows.

(1) Protection of Company's Confidential Information

(A) The Company's Board of Directors, executives and employees must protect the confidential information and documents that cannot be disclosed and/or trade secrets including formulas, inventions, and researches which the Company has the sole right.

(B) The persons holding position of Company's directors, executives, staffs and employees must not disclose confidential information and documents or trade secrets for another two years after leaving such position.

(C) The executives and staffs of the Company must acknowledge the procedure and measures in the safety protection of information, which must be strictly adhered to, in order to prevent from unintentional disclosure of confidential information.

(2) Level of Confidential Information

(A) The Company's trade secrets must be concealed and not leaked out, depending on the significance of the information such as information that can be disclosed, concealed information, secret information, top secret, etc.

(B) Using of internal information must only be in the assigned scope of duty and responsibility.

(3) Provision of Information to the Outsiders

(A) Director or executive assigned by the Company shall only be the person approving for the public disclosure of the information.

(B) Disclosure of information of other investors must be approved by such investors.

(C) In order to comply with the regulation of SET and/or other relevant laws regarding information disclosure of the listed companies, the Company has established that the person inquiring for news and information of the Company must contact the Investor Relations Office.

(4) Comments to the Outsiders

(A) Normally, the executive and/or staff of the Company must not disclose or express opinion to the outsider.

(B) The executive and/or staff must ask oneself first whether or not he/she has duty to answer such inquiries from the outsider. If not, he/she should politely refuse and recommend that the outsider directly make inquiry to the unit described above.

REGULATION CONCERNING APPROVAL OF TRANSACTIONS WITH CONFLICT OF INTEREST

The Company has established measures and procedure concerning the approval of transaction with conflict of interest; namely, connected transaction or transaction concerning acquisition or disposition of assets of the Company or its subsidiaries in order to comply with the regulation of SEC and SET as well as related laws, as follows.

(1) Directors, executives and employees of the Company are prohibited from conducting business which is similar in nature to or in competition with the business of the Company and shall avoid engaging in the connected transaction which may create conflict of interest with the Company.

(2) The stakeholder or person who may have conflict of interest may not approve the transaction that is connected to oneself.

(3) The establishment of price or compensation must be based on normal business and general commercial terms with consideration on the best interest of the Company.

(4) The Audit Committee has to consider and provide comments on the said transaction. Should the Audit Committee possesses no expertise in any matter, the Company must provide independent expert to advise the Audit Committee for consideration before proposing to the Board of Directors of the Company and/or the shareholders' meeting for consideration and approval.

(5) In such case that the transaction is a commercial agreement that reasonable person ought to do with any contract party in general under the same situation, having commercial bargaining power without influence from the position of director, executive or related person on a case-by-case basis, or a normal business transaction or supporting normal business transaction with general commercial terms, the Company must present such agreement to the Board of Directors of the Company for consideration and approval or approval in principle, before the execution of the agreement, in compliance with the law of the Securities and Exchange.

(6) The Company must disclose the information on such transaction in accordance with the regulation and procedure as established by SEC and SET, including information disclosure within the Company's Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2).

REGULATION CONCERNING REPORT ON INTEREST

The Company has established rules, procedures and details on the reporting on interest of the directors, executives and related persons, in accordance with the Securities and Exchange Law as follows:

(1) Objectives

(1.1) To comply with the Securities and Exchange Law which stipulates that the directors and executives must report to the Company on the interest or the related persons' interest in relation to management of the Company or the subsidiaries, in order for the Company to have such information to perform according to the regulations concerning with the connected transaction, which may result in a conflict of interest that may lead to the transfer of benefit of the Company and its subsidiaries.

(1.2) To comply with the Securities and Exchange Law which stipulates that in conducting the business of the company, the directors and an executives must perform their duty with responsibility, due care and loyalty (fiduciary duties), by making decision without interest whether directly or indirectly. Therefore, the aforementioned report on interest is beneficial to the monitoring and supervision of duties conducted by the directors and executives following the above principles.

(1.3) To comply with the Public Limited Company Law which stipulates that the director must notify the Company without delay for the following events:

- Having a direct or indirect interest in any contract which is made by the Company during an accounting year, by specifying the nature of the contract, names of the contracting party and interest of the director in the contract (if any);
- Holding shares or debentures of the Company and affiliated company, by specifying the total number of increasing or decreasing shares during the accounting year (if any).

(2) Procedures for Reporting on Interest

(2.1) The directors and executives are required to file a report with the Company on the interest or the related persons' interest in relation to management of the Company or the subsidiaries by notifying the company secretary using the form established by the Company.

(2.1.1) First time report must be filed within 7 (seven) days after the effective date of the announcement or from the date of appointment as the director or executive for the case of appointment after this announcement has become effective.

(2.1.2) Reporting of change in information on the conflict of interest after the first time reporting in (A) must be filed without delay within 3 (three) working days starting from the date of the change in such information on interest.

(2.2) The Company Secretary shall forward a copy of the submitted report on interest of the directors and executives under (2.1) to the chairman of the board of directors and audit committee chairman for their acknowledgement within 7 (seven) working days after the company has received such report and the company secretary shall keep record and maintain the submitted reports on interest of the directors and executives under (2.1) to be used by the Company for the above objectives.

(2.3) The Company shall disclose information on the submitted interest of the directors and executives under (2.1) above within the Annual Registration Statements (Form 56-1) and the Annual Report (Form 56-2) of the Company. However, only those items that are required by the established laws shall be disclosed.

REGULATION CONCERNING THE RIGHTS OF THE SHAREHOLDERS TO PROPOSE SHAREHOLDERS' MEETING AGENDA AND PROPOSAL FOR NOMINATION OF NEW DIRECTOR IN ADVANCE

The Company provides opportunity for an individual shareholder or combined number of shareholders with shareholding of no less than 1 percent of the total number of voting rights of the Company to have the right to propose matters for inclusion as the meeting agenda for the shareholders' meeting and to propose a nomination of new director in advance. The Company conducts this matter by receiving the proposal prior to the shareholders' meeting from October 1st through December 31st of every year with the shareholder having to propose such matter in writing and sending it by mail or by facsimile to the Company Secretary or sending it through the website to for initial notification before sending document to the Company Secretary.

- *By Mail to:*
Company Secretary of Lanna Resources Public Co., Ltd.
888/99 9th Floor, Mahathun Plaza Building, Ploenchit Road
Lumpini, Pathumwan, Bangkok 10330
- *By E-mail Address: anun@lannar.com*
Telephone: 02-2538080 Facsimile: 02-2536822

Accordingly, the consideration for inclusion of meeting agenda for the shareholders' meeting and proposal for nomination of the new director must follow the rule and procedure as established by the Company as earlier informed in advance.

BUSINESS ETHICS

The business ethics or code of conduct of the Company is the code of practices which the Company considers as appropriate guidelines for business ethics and practices, of which the Company believes that these practices have been traditionally followed for a long period of time and became faithful and acceptable in every circle to distinguish between what is "should" or "should not".

The Board of Directors therefore has established the business ethics or the code of conduct for the Company and fully wishes that all the executives and employees at every level will use as guidelines and strictly follow them for routine practice at all time.

Every executive and employee at every level recognizes the fiduciary duties towards the stakeholders and adheres to the following practices:

(1) Toward Company and Shareholders

(1.1) Perform duties with honesty and in accordance with the laws, as well as making any decision in good faith and fairness to the major and minority shareholders for the maximum benefits of the Company and shareholders overall.

(1.2) Manage the business with skills and knowledge with aim to attain strong and sustainable progress and growth of the Company with appropriate return to the shareholders.

(1.3) Protect Company's interest and look after the Company's assets as if a person responsible for his/her own assets; do not seek to gain personal interest fraudulently, either directly or indirectly.

(1.4) Report the Company's status and operating results accurately and completely based on truth at all times.

(1.5) Do not reveal Company's secret and do not use Company's information or secret to gain personal benefits or others or seek for other benefits dishonestly from work duties.

(1.6) Get rid of problems concerning conflict of interest cautiously and reasonably and disclose the information completely.

(1.7) Respect the ownership right and treat the shareholders equally.

(2) Toward Customers

(2.1) Treat the customers with honesty and fairness, as well as disclose and provide information on the products and services accurately and completely without distorting the information.

(2.2) Strictly comply with the terms and conditions provided to the customers, as well as offer services and treat the customers with kindness.

(2.3) Be attentive to the complaints from the customers and promptly and fairly take care of the matter to meet the demand of the customers.

(2.4) Maintain trade secret of the customers and do not use the information to dishonestly gain personal benefit and/or for other related parties.

(2.5) Constantly provide products and services with quality and standard in order to meet requirements of the customers and/or seek means for maximum benefit for the customers.

(2.6) Do not gain too much profit when compared with the product quality and services and avoid setting trading conditions that are unfair to the customers.

(3) Toward Employees

(3.1) Treat employees fairly and courteously while paying due respect to individuality and human dignity.

(3.2) Maintain work environment that is safe to employees' life and occupational health.

(3.3) Support, promote, practice, train and develop the skill and knowledge of the employees on equitable basis in order to build job security and provide opportunity for advancement according to capability of each employee.

(3.4) Encourage employees to take part in the establishment of direction, development and solution to problems of the Company as teamwork and professionally

(3.5) Provide fair remunerations, appropriate to the responsibilities, knowledge and capabilities and work performance of each employee.

(3.6) Carry out professional appointments, transfer, including rewards and disciplinary actions in good faith and based on competence, capability and suitability of such employee.

(3.7) Comply with all employee-related laws, rules and regulations.

(3.8) Avoid any unfair action to the employees and provide opportunity for employees to file grievances for unfair treatment or unjust processes in order to resolve such employees' grievances in a correct way.

(4) Toward Trading Partners and/or Creditors

(4.1) Do not demand, receive or pay any improper benefits to the trading partners and/or creditors and should it become known that corrupt demand, receipt or payment of any improper benefits occurs, full information will be disclosed to the trading partners and/or creditors and jointly resolve the problem on a fair and timely basis.

(4.2) Strictly comply with the all the terms and conditions agreed with the trading partners and/or creditors. In the case that any particular condition cannot be met, the Company will promptly inform the trading partners and/or creditors in advance in order to jointly seek for acceptable solution and to prevent from further damages.

(4.3) Report accurate and timely financial information to the trading partners and/or creditors on a regular basis.

(4.4) Build good relationship and understanding in a correct and transparent means.

(5) Toward Competitors

(5.1) Treat competitors within legal framework and promote fair competition.

(5.2) Will not fraudulently or inappropriately seek confidential information of the competitors such as paying bribery to the employee of the competitor.

(5.3) Will not damage competitors' reputation by abusive accusation without truth.

(6) Toward Community, Society and Environment

(6.1) Will not engage in business activities and any actions that could damage the reputation of the Country, natural resources and environmental condition and the overall society.

(6.2) Support activities that are beneficial to the community and society overall. Be conscious in the conservation of the environment and local culture.

(6.3) Encourage moral principles or conscience and responsibilities to the overall communities among the employees at every level seriously and on a regular basis. Enhance the quality and security of the overall community, society, and environment by its own initiative or participating with the government.

(6.4) Strictly comply with or supervise on compliance with all relevant laws.

(6.5) Will not cooperate or support any person involving in illegal business or dangerous to the society and security of the Country. Oppose to any forms of corruption.

(7) Toward International Human Rights

(7.1) The Company strictly abide by the human rights principle by providing knowledge and understanding in human rights to employees as part of the operation in the Company, as well as discouraging any business that violates human rights or illegal business.

(7.2) Employees at every level must thoroughly understand the law concerning with their duties and responsibilities and strictly comply with the governmental laws and regulations. Employees should consult with their supervisors and/or related law consultant on any law related concerns. Do not imply and proceed alone.

(7.3) Employees traveling to work overseas should study laws, traditions and culture of the country of destination prior to the trip in order to ensure that overseas business undertaking shall not be illegal or contrary to the traditions and culture of the country of destination.

(7.4) The Company shall uphold fairness and sincerity upon engaging in management related to salary, wages, benefits, and employment terms without favoritism. Forced labors and child labors are not tolerated. The Company shall support all employees with equal opportunity and provide appropriate and pleasant working environment. Additionally, the Company shall comply with the Labor Protection Act and Thai Labor Standards, including other related laws and regulations.

(8) Toward Political Neutrality

(8.1) The Company recognizes the importance of political neutrality. It shall not be involved and aligned with any political parties and political figures.

(8.2) The Company shall not give any monetary support or resources of the Company to any political parties and politicians, directly or indirectly.

(8.3) The Company shall not be involved in the promotion and advertisement of any political parties and politicians in the area of the Company, and resources and assets of the Company shall not be used for such purpose.

(8.4) The Company encourages all employees to exercise their rights on elections according to the Constitution. The Company does not have a policy of both direct and indirect monetary support in favor of any politicians and political parties.

(8.5) Employees at every level are able to exercise their just political rights as an individual. Employees shall not exploit their position in the Company and the name and the seal of the Company in convincing other people to give monetary and other supports to any politicians and political parties.

(8.6) The Company encourages all employees at every level uphold the principles of democracy and exercise their right to vote according to the Constitution.

EMPLOYEE CODE OF CONDUCT

The employees constantly follow and abide by the following Code of Conduct on a regular basis.

(1) Perform duties with honesty, discipline, accountability and awareness of assigned duties and with aim to attain advancement and security for themselves and the Company.

(2) Jointly create unity and harmony among the groups of employees; perform duties and resolve problems together and professionally with maximum effectiveness and efficiency; ready for better changes; able to respond to changes and use work skills to achieve maximum benefit.

(3) Be serious and attentive and perform duties diligently and patiently; aim to build and develop the Company to achieve its excellence.

(4) Use the Company's assets in the most efficient manner and protect the assets from improper depreciation or loss, and not to use the Company's assets for personal benefit and others or use the assets fraudulently or illegally.

(5) Must maintain confidential information of the customers, trading partners and the Company and must not disclose confidential information related to the business of the Company or use the inside information to dishonestly gain personal benefit and/or for other parties.

(6) Do not use work position to gain any personal benefit and/or others fraudulently, including the following:

(6.1) Employees are strictly prohibited from receiving cash or any other compensation from customers, trading partners or persons having connected business with the Company.

(6.2) Employees should avoid receiving gifts from the customers, trading partners or persons having connected business with the Company due to possible conflict of interest, except for accepting gifts during special or traditional occasions of which gifts must be of small and appropriate values, not excessive or unreasonable. Every employee can use own judgment whether it is appropriate to accept such gift. The employee should seek advice or recommendation from the supervisor if he/she feels uncertain about accepting the gift.

(7) Cooperate and assist in the work with every coworker for the interest of the Company and be respectful of other employees in the same organization.

(8) Be attentive and helpful in any activities for maintaining clean and safe working environment.

(9) Transfer knowledge and work experience to coworkers by considering best interest of the Company.

(10) Employees are prohibited from making accusation or abusive remarks to the Company, executives and coworkers without truth.

(11) Employees must strictly and regularly comply with the Company's regulations, Articles of Association and relevant laws, as well as support and cooperate in the practice of Company's business ethics or code of conduct for actual results.

(12) Notify the supervisor or relevant department of any wrongdoing or illegal activities.

(13) Avoid or do not do anything that may damage the overall image or reputation of oneself and the Company.

CODE OF CONDUCT WHEN PROBLEM OCCURS

The established Business Ethics and Code of Conduct for the employees may not cover all the possible cases that may occur; therefore, when problem arises in practice, the employee should consult and discuss with the supervisor according to level of authority for appropriate and suitable guidelines on a case by case basis.

RELATED TRANSACTIONS

- During 2012, there were no interests or related transactions between the Company, subsidiaries and associated companies with the directors and/or the executives.

- During 2012, the Company had significant business transactions with its related companies, related by way of shareholding, common shareholders and/or common directors. These transactions, with terms and basis concluded under the normal course of business, are summarized as follows:

(A) Coal Sale and Purchase

1	<p>Type of Transaction Coal Sale and Purchase</p> <p>Related Parties Seller: Lanna Resources Public Co., Ltd. ("Lanna") Buyer: Siam City Cement Public Co., Ltd. ("SCCC")</p> <p>Connected Relationship</p> <ul style="list-style-type: none"> • SCCC holds 44.99 percent of paid-up capital in Lanna, having three joint representatives being directors of Lanna, namely, Mr. Paul Heinz Hugentobler, Mr. Philippe Paul Alexandre Arto, and Mr. Vanchai Tosomboon. <p>Reasons and Necessities</p> <ul style="list-style-type: none"> • The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. SCCC uses coal as its primary source of fuel; therefore, future sales and purchase transactions should continue into the future. 	<p>Transactions during 2012</p> <ul style="list-style-type: none"> • Total Coal Volume: 476,229.69 tons • Total Value: Baht 1,077,962,057.39 • Balance Amount as at December 31, 2012: Baht 72,435,685.68 <p>Pricing Policy</p> <ul style="list-style-type: none"> • Market price for same industrial sector and at similar coal quality
2	<p>Type of Transaction Coal Sale and Purchase</p> <p>Related Parties Seller: United Bulk Shipping Pte. Ltd. ("UBS") Buyer: Lanna Resources Public Co., Ltd. ("Lanna")</p> <p>Connected Relationship</p> <ul style="list-style-type: none"> • Lanna directly holds 49 percent of paid-up capital in UBS, having three joint representatives being directors of UBS, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul and Mr. Pilas Puntakosol. <p>Reasons and Necessities</p> <ul style="list-style-type: none"> • 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 coal business is Lanna's core business; therefore, the tendency for future transactions between the parties should continue into the future. 	<p>Transactions during 2012</p> <ul style="list-style-type: none"> • Total Coal Volume: 644,167.73 tons • Total Value: of USD 32,947,668.21 or approximately Baht 1,030,616,075.71 • Balance Amount as at December 31, 2012: None <p>Pricing Policy</p> <ul style="list-style-type: none"> • Market price for similar coal quality

(B) Coal Freight Transport Services

1	<p>Type of Transaction Coal Freight Transport Services</p> <p>Related Parties Employer: Lanna Resources Public Co., Ltd. ("Lanna") Contractor: United Bulk Shipping Pte. Ltd. ("UBS")</p> <p>Connected Relationship</p> <ul style="list-style-type: none"> • Lanna directly holds 49 percent of paid-up capital in UBS having three representing directors, namely, Mr. Kraisi Sirirungsi, Mr. Suroj Subhasavasdikul, and Mr. Pilas Puntakosol <p>Reasons and Necessities</p> <ul style="list-style-type: none"> • 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 Lanna has the policy to continue importing coals from overseas for sales; therefore, the tendency for future coal freight transport transactions between the parties should continue into the future. 	<p>Transactions during 2012</p> <ul style="list-style-type: none"> • Coal Transport Volume: 684,751 tons Total Service Value: USD 6,277,133.70 or Baht 195,854,483.11 • Balance Amount as of December 31, 2012: USD 27,347 Or approximately Baht 837,682.37 • Exchange Rate: USD 1 = 30.6316 <p>Pricing Policy</p> <ul style="list-style-type: none"> • Comparable to general market freight rates paid to external vendors.
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(C) Coal Marketing and Distribution Services

<p>1 Type of Transaction Broker for Coal with Commission Fee</p> <p>Related Parties Broker: Lanna Resources Public Co., Ltd. ("Lanna") Service Receiver: PT. Lanna Harita Indonesia ("LHI")</p> <p>Connected Relationship</p> <ul style="list-style-type: none"> Lanna directly holds 55 percent of paid-up capital in LHI and is represented by the following commissioners and directors: <ul style="list-style-type: none"> (A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak (B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Winyoo Boonkamol and Mr. Thamrong Angsakul <p>Reasons and Necessities</p> <ul style="list-style-type: none"> 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 coal business is Lanna's core business; therefore, the tendency for future coal sales service transactions between the parties should continue into the future. 	<p>Transactions during 2012</p> <ul style="list-style-type: none"> Coal Volume: 2,901,723.325 tons Total Service Value: 2,176,292.50 or approximately Baht 67,139,606.42 Balance Amount as at December 31, 2012: USD 233,496.35 or approximately Baht 7,152,366.79 Exchange Rate: USD 1 = Baht 30.6316 <p>Pricing Policy</p> <ul style="list-style-type: none"> Comparable market service rates in general
<p>2 Type of Transaction Coal Marketing and Distribution Services</p> <p>Related Parties Service Provider: Lanna Resources Public Co., Ltd. ("Lanna") Service Receiver: PT. Singlurus Pratama ("SGP")</p> <p>Connected Relationship</p> <ul style="list-style-type: none"> Lanna directly holds 65 percent of paid-up capital in SGP, represented by following commissioners and directors: <ul style="list-style-type: none"> (A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, and Mrs. Petcharat Chayanon (B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Panot Charoensuk. <p>Reasons and Necessities</p> <ul style="list-style-type: none"> 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 coal business is Lanna's core business; therefore, the tendency for future coal sales service transactions between the parties should continue into the future. 	<p>Transactions during 2012</p> <ul style="list-style-type: none"> Coal Volume: 2,325,889.032 tons Total Service Value: USD 3,488,833.61 or approximately Baht 107,539,847.30 Balance Amount as at December 31, 2012: USD 458,697.41 or approximately Baht 14,050,635.58 Exchange Rate: USD 1 = Baht 30.6316 <p>Pricing Policy</p> <ul style="list-style-type: none"> Comparable market service rates in general
<p>3 Type of Transaction Service Fees</p> <p>Related Parties Fee Receiver: Lanna Resources Public Co., Ltd. ("Lanna") Fee Payer: PT. Singlurus Pratama ("SGP")</p> <p>Connected Relationship</p> <ul style="list-style-type: none"> Lanna directly holds 65 percent of paid-up capital in SGP, represented by the following commissioners and directors: <ul style="list-style-type: none"> (A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, and Mrs. Petcharat Chayanon (B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Panot Charoensuk. <p>Reasons and Necessities</p> <ul style="list-style-type: none"> Purchase of right to the service fee from other investor in such company 	<p>Transactions during 2012</p> <ul style="list-style-type: none"> Coal Volume: 2,325,889.032 tons Total Right to Fee Value: USD 1,744,416.78 or approximately Baht 53,769,922.84 Balance Amount as of December 31, 2012: USD 229,348.71 or approximately Baht 7,025,317.95 Exchange Rate: USD 1 = Baht 30.6316 <p>Pricing Policy</p> <ul style="list-style-type: none"> Comparable market service rates in general

(D) Management Service

<p>1 Type of Transaction Management Service</p> <p>Related Parties Service Provider: PT. Lanna Mining Services (“LMS”) Service Receiver: PT. Lanna Harita Indonesia (“LHI”)</p> <p>Connected Relationship Lanna directly and indirectly holds 99.975 percent of paid-up capital in LMS and is represented by the following commissioners and directors:</p> <ul style="list-style-type: none">(A) Board of Commissioners, having five representatives; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, Mr. Panot Charoensuk, and Mr. Saharat Vatanatumrak.(B) Board of Directors, having five representatives; namely, Mr. Pilas Puntakosol, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Arkom Laoharanoo. <p>• Lanna directly holds 55 percent of paid-up capital in LHI and is represented by the following commissioners and directors:</p> <ul style="list-style-type: none">(A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak(B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Winyoo Boonkamol and Mr. Thamrong Angsakul <p>Reasons and Necessities</p> <ul style="list-style-type: none">• The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The service rendering transactions between the parties should continue into the future as required in the business operation.	<p>Transactions during 2012</p> <ul style="list-style-type: none">• Total Service Value: USD 60,000 or approximately Baht 1,861,948.25• Balance Amount as of December 31, 2012: None <p>Pricing Policy</p> <ul style="list-style-type: none">• Comparable service rates paid to external vendors
<p>2 Type of Transaction Management Service</p> <p>Related Parties Service Provider: PT. Lanna Mining Services (“LMS”) Service Receiver: PT. Singlurus Pratama (“SGP”)</p> <p>Connected Relationship Lanna directly and indirectly holds 99.975 percent of paid-up capital in LMS and is represented by the following commissioners and directors:</p> <ul style="list-style-type: none">(A) Board of Commissioners, having five representatives; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, Mr. Panot Charoensuk, and Mr. Saharat Vatanatumrak.(B) Board of Directors, having five representatives; namely, Mr. Pilas Puntakosol, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Arkom Laoharanoo. <p>• Lanna directly holds 65 percent of paid-up capital in SGP and is represented by the following commissioners and directors:</p> <ul style="list-style-type: none">(A) Board of Commissioners, having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, Mrs. Petcharat Chayanon.(B) Board of Directors, having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Panot Charoensuk. <p>Reasons and Necessities</p> <ul style="list-style-type: none">• The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The service rendering transactions between the parties should continue into the future as required in the business operation.	<p>Transactions during 2012</p> <ul style="list-style-type: none">• Total Service Value: USD 60,000 or approximately Baht 1,861,948.25• Balance Amount as of December 31, 2012: None <p>Pricing Policy</p> <ul style="list-style-type: none">• Comparable service rates paid to external vendors

(E) Port and Coal Transport Route Service

1	<p>Type of Transaction Port and Transport Route Service for Exported Coal</p> <p>Related Parties Service Provider: PT. Lanna Harita Indonesia (“LHI”) Service Receiver: PT. Citra Harita Mineral (“CHM”)</p> <p>Connected Relationship</p> <ul style="list-style-type: none"> • Lanna directly holds 55 percent of paid-up capital in LHI and is represented by the following directors: <ul style="list-style-type: none"> (A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak. (B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Winyoo Boonkamol and Mr. Thamrong Angsakul • Lanna directly holds 55 percent of paid-up capital in CHM and is represented by the following directors: <ul style="list-style-type: none"> (A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Saharat Vatanatumrak. (B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Panot Charoensuk, Mr. Nattapon Ngamphol, and Mrs. Petcharat Chayanon. <p>Reasons and Necessities</p> <ul style="list-style-type: none"> • The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. There should be no transaction of this type again in the future as CHM has ended its business operation already and is in the process of dissolution and liquidation to return capital to shareholders. 	<p>Transactions during 2012</p> <ul style="list-style-type: none"> • Coal Volume: 141,785.30 tons • Total Service Value: USD 38,668.72 or approximately Baht 1,185,341.49 • Balance Amount as of December 31, 2012: None <p>Pricing Policy</p> <ul style="list-style-type: none"> • Comparable service rates paid to external vendors
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(F) Asset Rental Service

1	<p>Type of Transaction Asset Rental Service</p> <p>Related Parties Service Provider: PT. Lanna Mining Services (“LMS”) Service Receiver: PT. Singlurus Pratama (“SGP”)</p> <p>Connected Relationship</p> <ul style="list-style-type: none"> • Lanna directly and indirectly holds 99.975 percent of paid-up capital in LMS and is represented by the following commissioners and directors: <ul style="list-style-type: none"> (A) Board of Commissioners, having five representatives; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, Mr. Panot Charoensuk, and Mr. Saharat Vatanatumrak. (B) Board of Directors, having five representatives; namely, Mr. Pilas Puntakosol, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Arkom Laoharanoo. • Lanna directly holds 65 percent of paid-up capital in SGP and is represented by the following commissioners and directors: <ul style="list-style-type: none"> (A) Board of Commissioners, having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Prasert Promdech, Mr. Saharat Vatanatumrak, Mrs. Petcharat Chayanon. (B) Board of Directors, having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Panot Charoensuk. <p>Reasons and Necessities</p> <ul style="list-style-type: none"> • The transactions were considered under normal course of business with general commercial terms and basis, having each authorized party independent of the other party. The service rendering transactions between the parties should continue into the future as required in the business operation. 	<p>Transactions during 2012</p> <ul style="list-style-type: none"> • Total Service Value: USD 282,000 or approximately Baht 8,751,156.80 • Balance Amount as of December 31, 2012: USD 47,000 or approximately Baht 1,439,685.20 • Exchange Rate: USD 1 = Baht 30.6316 <p>Pricing Policy</p> <ul style="list-style-type: none"> • Comparable service rates paid to external vendors
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(G) Financial Assistance

1	<p>Type of Transaction Loan Transaction</p> <p>Related Parties Lender: Lanna Resources Public Co., Ltd. ("Lanna") Borrower: PT. Lanna Mining Services ("LMS")</p> <p>Connected Relationship</p> <ul style="list-style-type: none"> Lanna directly and indirectly holds 99.975 percent of paid-up capital in LMS and is represented by the following commissioners and directors: <ul style="list-style-type: none"> (A) Board of Commissioners: having five representatives; namely, Mr. Kraisi Sirirungsi, Mr. Paul Heinz Hugentobler, Mr. Anun Louharanoo, Mr. Panot Charoensuk, and Mr. Saharat Vatanatumrak. (B) Board of Directors: having five representatives; namely, Mr. Pilas Puntakosol, Mr. Srihasak Arirachakaran, Mrs. Petcharat Chayanon, Mr. Prasert Promdech and Mr. Arkom Laoharanoo. <p>Reasons and Necessities</p> <ul style="list-style-type: none"> Loan transactions without guarantee, given by Lanna to LMS, executed on December 21, 2010 for Baht 120 million for 3-year term period at interest of LIBOR+3% per annum for using as working capital. This transaction is qualified as the connected transaction but is exempted according to the announcement of the Stock Exchange of Thailand regarding the Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003, Clause 7(1). 	<p>Transactions during 2012</p> <ul style="list-style-type: none"> Loan repayment: Baht 45,000,997.87 Interest payment: Baht 904,139.15 Outstanding loan principal as at December 31, 2012: None <p>Interest Rate Policy</p> <ul style="list-style-type: none"> Comparable interest rates of financial institution
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(H) Assets Sale and Purchase

1	<p>Type of Transaction Sale and Purchase of Assets, namely building, machinery and office equipment, etc.</p> <p>Related Parties Service Provider: PT. Lanna Harita Indonesia ("LHI") Service Receiver: PT. Citra Harita Mineral ("CHM")</p> <p>Connected Relationship</p> <ul style="list-style-type: none"> Lanna directly holds 55 percent of paid-up capital in LHI and is represented by the following directors: <ul style="list-style-type: none"> (A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Srihasak Arirachakaran, Mr. Arkom Laoharanoo, and Mr. Saharat Vatanatumrak. (B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Anun Louharanoo, Mr. Winyoo Boonkamol and Mr. Thamrong Angsakul Lanna directly holds 55 percent of paid-up capital in CHM and is represented by the following directors: <ul style="list-style-type: none"> (A) Board of Commissioners: having four representatives; namely, Mr. Kraisi Sirirungsi, Mr. Anun Louharanoo, Mr. Srihasak Arirachakaran, and Mr. Saharat Vatanatumrak. (B) Board of Directors: having four representatives; namely, Mr. Pilas Puntakosol, Mr. Panot Charoensuk, Mr. Nattapon Ngamphol, and Mrs. Petcharat Chayanon. <p>Reasons and Necessities</p> <ul style="list-style-type: none"> Due to the dissolution of CHM, CHM has sold its assets to LHI, whose coal concession is connected to the vicinity of CHM, in order to support LHI expansion on its coal production and distribution in the future. This transaction is qualified as the connected transaction but is exempted according to the announcement of the Stock Exchange of Thailand regarding the Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transaction, 2003, Clause 7(2) and 7(5), in which both companies are subsidiary companies of Lanna with the same shareholding structure and proportion. 	<p>Transactions during 2012</p> <ul style="list-style-type: none"> Purchase Amount: USD 1,700,000 or approximately Baht 54,104,370 Balance Amount as of December 31, 2012: None <p>Pricing Policy</p> <ul style="list-style-type: none"> Fair price appraised by independent appraiser
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OPINION OF THE AUDIT COMMITTEE ON THE RELATED TRANSACTIONS

February 21, 2013

Attention: Chairman of the Board of Directors
Lanna Resources Public Company Limited

The Audit Committee has examined and reviewed the related transactions occurred during year 2012 among Lanna Resources Public Company Limited, its subsidiaries, associated companies, persons with associated interest or related persons, in order to express their opinions, including disclosure of information on the operation in accordance with the regulations established by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand, which can be summarized as follows.

(1) The Company has sold imported coal to Siam City Cement Public Co., Ltd., which is both a Company's customer and a major shareholder, with agreed trading price based on comparable quality of coal offered to other customers in the same industry and in accordance with general commercial terms.

(2) The Company has purchased imported coal for further selling from United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, with agreed trading price based on a market price for comparable quality of coal and in accordance with general commercial terms.

(3) United Bulk Shipping Pte. Ltd., an associated company registered in Singapore, has rendered service for sea transport of coal to the Company, with agreed freight rate based on comparable freight rates offered to external parties and in accordance with general commercial terms.

(4) The Company has rendered coal distribution services to PT. Lanna Harita Indonesia and PT. Singlurus Pratama, both of which are subsidiary companies registered in Indonesia, with agreed commission fees based on comparable service rates in general and in accordance with general commercial terms.

(5) The Company has received fees from the coal produced and distributed from PT. Singlurus Pratama, a subsidiary company registered in Indonesia, due to the Company's purchase of such right from the other investor in 2008, which was in accordance with general commercial terms.

(6) PT. Lanna Mining Services has rendered management services to PT. Lanna Harita Indonesia and PT. Singlurus Pratama, all three of which are subsidiary companies registered in Indonesia, with agreed service rates based on comparable service rates offered to external parties and in accordance with general commercial terms.

(7) PT. Lanna Harita Indonesia has rendered port and coal transport route services to PT. Citra Harita Mineral, both of which are subsidiary companies registered in Indonesia, with agreed service rates based on comparable service rates offered to external parties and in accordance with general commercial terms.

(8) PT. Lanna Mining Services has rendered asset rental services to PT. Singlurus Pratama, both of which are subsidiary companies registered in Indonesia, with agreed rental fees based on comparable rental rates offered to external parties and in accordance with general commercial terms.

(9) PT. Lanna Mining Services, a subsidiary companies registered in Indonesia, has repaid all outstanding loan to the Company of Baht 45 million, with interest rate paid based on comparable with interest rates of general financial institutions.

(10) PT. Citra Harita Mineral shall file its dissolution and as a result has sold its assets to PT. Lanna Harita Indonesia, which is situated in the connected vicinity, in order to support the expansion of coal production and distribution in the future. Both companies are subsidiary companies registered in Indonesia with the same shareholding structure and proportion. The selling prices of assets are fairly appraised by an independent appraiser.

(Mr. Padoong Techasarintr)
Chairman of the Audit Committee

(Mr. Adul Tantharatana)
Audit Committee Member

(Mrs. Duangkamol Suchato)
Audit Committee Member



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