

Lanna Resources Public Company Limited
and its subsidiaries
Report and interim financial statements
For the three-month and six-month periods ended
30 June 2011 and 2010

Review report of Independent Auditor

To the Shareholders of Lanna Resources Public Company Limited

I have reviewed the accompanying consolidated statements of financial position of Lanna Resources Public Company Limited and its subsidiaries as at 30 June 2011, the related consolidated statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2011 and 2010, the related consolidated statements of changes in shareholders' equity and cash flows for the six-month periods ended 30 June 2011 and 2010, and the separate financial statements of Lanna Resources Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to issue a report on these financial statements based on my reviews.

I did not review the financial statements as at 30 June 2011 and for the three-month and six-month periods then ended of an oversea subsidiary company (2010: one oversea subsidiary), as included in the consolidated financial statements. This subsidiary company has the total assets as at 30 June 2011 of approximately Baht 245 million, representing 3 percent of the consolidated total and total revenues for the three-month and six-month periods then ended of approximately Baht 339 million, representing 10 percent of the consolidated total, and Baht 615 million, representing 10 percent of the consolidated total, respectively (2010: total revenues for the three-month and six-month periods of approximately Baht 208 million, representing 10 percent of the consolidated total, and Baht 547 million, representing 12 percent of the consolidated total, respectively). The financial statements of the subsidiary company have been reviewed by other auditor and I have obtained the review report. Therefore, my report related to any amounts and particulars of the oversea subsidiary company as included in the consolidated financial statements are based solely upon the review report of that auditor.

I conducted my reviews in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my reviews and from the review report of the auditor of the subsidiary company, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

I have previously audited the consolidated financial statements of Lanna Resources Public Company Limited and its subsidiaries and the separate financial statements of Lanna Resources Public Company Limited for the year ended 31 December 2010 in accordance with generally accepted auditing standards and based on my audit and the report of the auditor of oversea subsidiary company, expressed an unqualified opinion on those financial statements under my report dated 24 February 2011. The consolidated and separate statements of financial position as at 31 December 2010, as presented herein for comparative purposes, formed an integral part of the financial statements which I audited and reported on. I have not performed any other audit procedures subsequent to the date of the above report. In addition, as described in Note 1.4 to the financial statements, during the current period, the Company adopted the revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of the interim financial statements.

Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited
Bangkok: 11 August 2011

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position

(Unit: Thousand Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		As at	As at	As at	As at
		<u>30 June 2011</u>	<u>31 December 2010</u>	<u>30 June 2011</u>	<u>31 December 2010</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Assets					
Current assets					
Cash and cash equivalents		1,120,448	829,223	171,758	26,343
Trade accounts receivable	4				
Related parties	3	96,386	89,054	106,819	107,481
Unrelated parties		867,379	769,350	81,329	94,804
Total trade accounts receivable		963,765	858,404	188,148	202,285
Amounts due from related party	3	-	-	2,977	6,991
Inventories - net	5	748,898	253,398	283,684	130,804
Cassava and sugar cane plantation costs		1,573	15,206	-	-
Other current assets					
Dividend receivable from related party	3	-	-	59,315	-
Input tax refundable		547,191	376,555	11,277	-
Prepaid corporate income tax		296,907	159,439	30,445	30,403
Advance payments - net	17.2	54,401	129,252	17,682	17,336
Others		84,251	69,495	8,688	5,727
Total other current assets		982,750	734,741	127,407	53,466
Total current assets		3,817,434	2,690,972	773,974	419,889
Non-current assets					
Investments					
Investments in subsidiary companies	6	-	-	1,068,589	917,080
Investment in associated company	7	19,904	17,811	891	891
Total investments		19,904	17,811	1,069,480	917,971
Advance payment for purchase of investment in subsidiary company	3	-	-	-	151,509
Long-term loans to related party	3	-	-	45,636	204,000
Property, plant and equipment - net	8	2,575,017	2,434,237	222,003	226,831
Investment properties - net	9	36,945	37,553	36,945	37,553
Goodwill		186,000	186,000	-	-
Intangible assets - net	10	3,558	3,914	1,575	1,704
Other non-current assets	11	521,866	512,129	106,911	107,707
Total non-current assets		3,343,290	3,191,644	1,482,550	1,647,275
Total assets		7,160,724	5,882,616	2,256,524	2,067,164

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position (continued)

(Unit: Thousand Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		As at	As at	As at	As at
		<u>30 June 2011</u>	<u>31 December 2010</u>	<u>30 June 2011</u>	<u>31 December 2010</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	12	595,355	509,000	-	-
Trade accounts payable					
Related parties	3	776	6,287	59,188	71,785
Unrelated parties		460,496	335,979	79,326	30,617
Total trade accounts payable		461,272	342,266	138,514	102,402
Amounts due to related party	3	-	-	207,796	201,745
Current portion of long-term loan from financial institution	13	90,000	-	-	-
Other current liabilities					
Dividend payable		35,502	4,093	3,425	4,093
Accrued expenses		673,895	421,001	8,869	22,255
Corporate income tax payable		430,989	321,028	-	-
Advance received from sales		312	18,610	312	158
Others		169,055	253,294	4,137	24,230
Total other current liabilities		1,309,753	1,018,026	16,743	50,736
Total current liabilities		2,456,380	1,869,292	363,053	354,883
Non-current liabilities					
Long-term loan from financial institution - net					
of current portion	13	810,000	744,738	-	-
Provision for long-term employee benefits		91,193	84,701	19,299	18,217
Total non-current liabilities		901,193	829,439	19,299	18,217
Total liabilities		3,357,573	2,698,731	382,352	373,100

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

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position (continued)

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	As at	As at	As at	As at
	<u>30 June 2011</u>	<u>31 December 2010</u>	<u>30 June 2011</u>	<u>31 December 2010</u>
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Shareholders' equity				
Share capital				
Registered, issued and fully paid up				
350,000,000 ordinary shares of Baht 1 each	350,000	350,000	350,000	350,000
Share premium	680,400	680,400	680,400	680,400
Retained earnings				
Appropriated - Statutory reserve	35,000	35,000	35,000	35,000
Appropriated - General reserve	436,000	429,000	436,000	429,000
Unappropriated	1,720,023	1,327,681	372,772	199,664
Other component of shareholders' equity	<u>(157,945)</u>	<u>(197,713)</u>	-	-
Equity attributable to owners of the Company	<u>3,063,478</u>	<u>2,624,368</u>	<u>1,874,172</u>	<u>1,694,064</u>
Non-controlling interests of the subsidiaries	<u>739,673</u>	<u>559,517</u>	-	-
Total shareholders' equity	<u>3,803,151</u>	<u>3,183,885</u>	<u>1,874,172</u>	<u>1,694,064</u>
Total liabilities and shareholders' equity	<u>7,160,724</u>	<u>5,882,616</u>	<u>2,256,524</u>	<u>2,067,164</u>
	-	-	-	-

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

Directors

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries**Income statements****For the three-month periods ended 30 June 2011 and 2010**

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

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues					
Sales	3	3,207,160	2,137,595	499,930	358,973
Commission and marketing service income	3	-	-	27,220	24,142
Other income					
Dividend income	3, 6, 7	-	-	264,829	96,501
Service income	3	-	-	8,083	7,006
Gain on exchange		10,491	12,344	-	4,677
Interest income	3	1,098	1,376	911	1,903
Others		40,739	14,728	3,075	737
Total other income		<u>52,328</u>	<u>28,448</u>	<u>276,898</u>	<u>110,824</u>
Total revenues		<u>3,259,488</u>	<u>2,166,043</u>	<u>804,048</u>	<u>493,939</u>
Expenses					
Cost of sales	3	1,839,018	1,162,548	459,467	332,161
Selling and distribution expenses	3	475,463	329,064	40,650	33,059
Administrative expenses		150,971	117,941	37,052	27,724
Loss on exchange		-	-	1,227	-
Total expenses		<u>2,465,452</u>	<u>1,609,553</u>	<u>538,396</u>	<u>392,944</u>
Profit before share of income from investment, finance cost and corporate income tax					
Share of income from investment in associated company	7	<u>1,635</u>	<u>837</u>	<u>-</u>	<u>-</u>
Profit before finance cost and corporate income tax		<u>795,671</u>	<u>557,327</u>	<u>265,652</u>	<u>100,995</u>
Finance cost		<u>(8,103)</u>	<u>(6,203)</u>	<u>(369)</u>	<u>(415)</u>
Profit before corporate income tax		<u>787,568</u>	<u>551,124</u>	<u>265,283</u>	<u>100,580</u>
Withholding tax deducted at source		<u>(33,767)</u>	<u>(14,983)</u>	<u>(33,767)</u>	<u>(14,983)</u>
Corporate income tax		<u>(235,977)</u>	<u>(180,141)</u>	<u>-</u>	<u>-</u>
Profit for the period		<u><u>517,824</u></u>	<u><u>356,000</u></u>	<u><u>231,516</u></u>	<u><u>85,597</u></u>
Profit attributable to:					
Equity holders of the Company		<u>298,483</u>	<u>199,592</u>	<u>231,516</u>	<u>85,597</u>
Non-controlling interest of the subsidiaries		<u>219,341</u>	<u>156,408</u>		
		<u><u>517,824</u></u>	<u><u>356,000</u></u>		
Basic earnings per share					
Profit attributable to equity holders of the Company (Baht)	15	<u><u>0.85</u></u>	<u><u>0.57</u></u>	<u><u>0.66</u></u>	<u><u>0.24</u></u>

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of comprehensive income

For the three-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Profit for the period	<u>517,824</u>	<u>356,000</u>	<u>231,516</u>	<u>85,597</u>
Other comprehensive income:				
Exchange differences on translation of financial statements in foreign currency	<u>33,755</u>	<u>2,723</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the period	<u>33,755</u>	<u>2,723</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u><u>551,579</u></u>	<u><u>358,723</u></u>	<u><u>231,516</u></u>	<u><u>85,597</u></u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u>323,484</u>	<u>201,604</u>	<u><u>231,516</u></u>	<u><u>85,597</u></u>
Non-controlling interests of the subsidiaries	<u>228,095</u>	<u>157,119</u>		
	<u><u>551,579</u></u>	<u><u>358,723</u></u>		

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries**Income statements****For the six-month periods ended 30 June 2011 and 2010**

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

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues					
Sales	3	5,907,403	4,484,023	906,001	601,461
Commission and marketing service income	3	-	-	54,799	53,082
Other income					
Dividend income	3, 6, 7	-	-	399,276	132,443
Service income	3	-	-	16,650	15,226
Gain on exchange		-	-	256	-
Interest income	3	3,154	2,002	2,513	3,828
Others		76,442	51,748	4,156	3,491
Total other income		<u>79,596</u>	<u>53,750</u>	<u>422,851</u>	<u>154,988</u>
Total revenues		<u>5,986,999</u>	<u>4,537,773</u>	<u>1,383,651</u>	<u>809,531</u>
Expenses					
Cost of sales	3	3,354,561	2,626,558	836,348	550,419
Selling and distribution expenses	3	918,200	692,304	73,583	57,667
Administrative expenses		230,418	211,451	50,308	53,891
Loss on exchange		855	2,910	-	8,668
Total expenses		<u>4,504,034</u>	<u>3,533,223</u>	<u>960,239</u>	<u>670,645</u>
Profit before share of income from investment, finance cost and corporate income tax		<u>1,482,965</u>	<u>1,004,550</u>	<u>423,412</u>	<u>138,886</u>
Share of income from investment in associated company	7	<u>2,093</u>	<u>3,022</u>	<u>-</u>	<u>-</u>
Profit before finance cost and corporate income tax		<u>1,485,058</u>	<u>1,007,572</u>	<u>423,412</u>	<u>138,886</u>
Finance cost		<u>(11,785)</u>	<u>(11,998)</u>	<u>(403)</u>	<u>(499)</u>
Profit before corporate income tax		<u>1,473,273</u>	<u>995,574</u>	<u>423,009</u>	<u>138,387</u>
Withholding tax deducted at source		<u>(50,401)</u>	<u>(19,411)</u>	<u>(50,401)</u>	<u>(19,411)</u>
Corporate income tax		<u>(427,584)</u>	<u>(310,296)</u>	<u>-</u>	<u>-</u>
Profit for the period		<u>995,288</u>	<u>665,867</u>	<u>372,608</u>	<u>118,976</u>
Profit attributable to:					
Equity holders of the Company		<u>591,842</u>	<u>395,416</u>	<u>372,608</u>	<u>118,976</u>
Non-controlling interest of the subsidiaries		<u>403,446</u>	<u>270,451</u>		
		<u>995,288</u>	<u>665,867</u>		
Basic earnings per share					
Profit attributable to equity holders of the Company (Baht)	15	<u>1.69</u>	<u>1.13</u>	<u>1.06</u>	<u>0.34</u>

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of comprehensive income

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Profit for the period	<u>995,288</u>	<u>665,867</u>	<u>372,608</u>	<u>118,976</u>
Other comprehensive income:				
Exchange differences on translation of financial statements in foreign currency	<u>50,224</u>	<u>(32,360)</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the period	<u>50,224</u>	<u>(32,360)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u><u>1,045,512</u></u>	<u><u>633,507</u></u>	<u><u>372,608</u></u>	<u><u>118,976</u></u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u>631,610</u>	<u>372,687</u>	<u><u>372,608</u></u>	<u><u>118,976</u></u>
Non-controlling interests of the subsidiaries	<u>413,902</u>	<u>260,820</u>		
	<u><u>1,045,512</u></u>	<u><u>633,507</u></u>		

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries**Statements of cash flows****For the six-month periods ended 30 June 2011 and 2010**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash flows from operating activities				
Profit before tax	1,473,273	995,574	423,009	138,387
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	105,850	98,932	15,259	14,372
Allowance for doubtful accounts	-	2,965	-	2,965
Allowance for diminution in inventory value (reversal)	(11,221)	(4,616)	2,083	(4,946)
Write-off prepaid corporate income tax	17,356	-	-	-
Share of income from investment in associated company	(2,093)	(3,022)	-	-
Reversal of impairment of assets	-	(120)	-	(120)
Gain from disposals of equipment and investment properties	(3,213)	(1,275)	(2,595)	(206)
Loss on write-off of fixed assets	6,310	24	30	22
Dividend income	-	-	(399,276)	(132,443)
Reversal of provision for liabilities from lawsuit	(17,402)	-	(17,402)	-
Provision for long-term employee benefits	5,219	5,337	1,082	-
Unrealised loss (gain) on exchange	(972)	(3,144)	5,079	2,327
Interest income	(3,154)	(2,002)	(2,513)	(3,828)
Interest expenses	11,785	11,998	403	499
Income from operating activities before changes in operating assets and liabilities	1,581,738	1,100,651	25,159	17,029
Operating assets (increase) decrease				
Trade accounts receivable	(105,361)	(274,698)	14,137	(51,342)
Amounts due from related party	-	-	4,014	(2,063)
Inventories	(484,279)	(143,061)	(154,963)	(75,995)
Cassava and sugar cane plantation costs	13,633	-	-	-
Other current assets	(110,128)	166,280	(14,160)	(7,474)
Operating liabilities increase (decrease)				
Trade accounts payable	119,006	124,370	36,112	88,548
Amounts due to related parties	-	(9,457)	-	115,269
Other current liabilities	285,225	(46,224)	(17,575)	(6,924)
Cash from (used in) operating activities	1,299,834	917,861	(107,276)	77,048
Interest income	3,087	2,001	2,435	3,828
Cash paid for interest expenses	(11,836)	(9,918)	(403)	(510)
Cash paid for withholding tax	(50,401)	(19,411)	(50,401)	(19,411)
Cash paid for corporate income tax	(475,175)	(151,885)	(42)	-
Net cash from (used in) operating activities	765,509	738,648	(155,687)	60,955

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries**Statements of cash flows (continued)**

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash flows from investing activities				
Cash received from repayment of loans to related party	-	-	158,364	29,899
Dividend received from subsidiary and associated companies	-	7,834	339,961	132,443
Proceeds from disposals of equipment and investment properties	4,508	4,536	3,226	225
Acquisitions of plant and equipment	(305,336)	(377,068)	(3,450)	(6,354)
Acquisitions of computer software	(220)	(470)	(140)	(326)
Increase in other non-current assets	(60,270)	(62,031)	(4,985)	(1,224)
Net cash from (used in) investing activities	(361,318)	(427,199)	492,976	154,663
Cash flows from financing activities				
Increase in bank overdrafts and short-term loans				
from financial institutions	595,355	158,700	-	133,000
Repayment of short-term loans from financial institutions	(509,000)	(28,000)	-	(28,000)
Cash received from long-term loans from financial institution	155,262	295,365	-	-
Dividend paid	(442,659)	(276,953)	(192,500)	(175,000)
Increase (decrease) in non-controlling interests of the subsidiaries	58,946	(9,627)	-	-
Net cash from (used in) financing activities	(142,096)	139,485	(192,500)	(70,000)
Increase (decrease) in exchange differences on translation				
of financial statements in foreign currency	28,504	(3,540)	-	-
Net increase in cash and cash equivalents	290,599	447,394	144,789	145,618
Cash and cash equivalents at beginning of period	829,223	489,587	26,343	32,464
Effect of change in foreign exchange rate				
on cash at bank balance	626	-	626	-
Cash and cash equivalents at end of period	1,120,448	936,981	171,758	178,082

Supplemental cash flows information:

Non-cash transactions

Increase (decrease) in accounts payable from purchases of

plant, equipment and intangible assets	(115,355)	28,738	984	-
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Transferred other non-current assets to property,

plant and equipment	-	18,314	-	-
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Transferred advance payment for purchase of

investment to investment in subsidiary company	-	-	151,509	-
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Dividend receivable from subsidiary company	-	-	59,315	-
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Dividend payable	32,077	-	-	-
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The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

Consolidated financial statements

Equity attributable to owners of the Company												
						Other component of equity						
						Other comprehensive income						
						Exchange differences on						
						translation of		Total other		Total equity	Equity attributable	
						financial		component of		attributable to	to non-controlling	Total
						statements in		shareholders'		owners of	interests of	shareholders'
						foreign currency		equity		the Company	the subsidiaries	equity
Note	Issued and paid-up share capital	Share premium	Retained earnings Appropriated		Unappropriated							
	Statutory reserve	General reserve										
Balance as at 31 December 2009	350,000	680,400	35,000	414,000	1,018,024	(89,301)	(89,301)	2,408,123	451,043	2,859,166		
Dividend paid	14	-	-	-	(175,000)	-	-	(175,000)	(101,953)	(276,953)		
Unappropriated retained earnings transferred to general reserve	14	-	-	15,000	(15,000)	-	-	-	-	-		
Total comprehensive income for the period	-	-	-	-	395,416	(22,729)	(22,729)	372,687	260,820	633,507		
Increase in non-controlling interest of the subsidiaries	-	-	-	-	-	-	-	-	4	4		
Balance as at 30 June 2010	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>429,000</u>	<u>1,223,440</u>	<u>(112,030)</u>	<u>(112,030)</u>	<u>2,605,810</u>	<u>609,914</u>	<u>3,215,724</u>		

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

Consolidated financial statements

Equity attributable to owners of the Company												
	Note	Issued and paid-up share capital	Share premium	Retained earnings			Exchange differences on translation of financial statements in foreign currency	Other comprehensive income	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	Statutory reserve	General reserve						
Balance as at 31 December 2010		350,000	680,400	35,000	429,000	1,327,681	(197,713)	(197,713)	2,624,368	559,517	3,183,885	
Dividend paid	14	-	-	-	-	(192,500)	-	-	(192,500)	(282,236)	(474,736)	
Unappropriated retained earnings transferred to general reserve	14	-	-	-	7,000	(7,000)	-	-	-	-	-	
Total comprehensive income for the period		-	-	-	-	591,842	39,768	39,768	631,610	413,902	1,045,512	
Increase in non-controlling interest from increase in share capital of the subsidiary		-	-	-	-	-	-	-	-	48,490	48,490	
Balance as at 30 June 2011		<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>436,000</u>	<u>1,720,023</u>	<u>(157,945)</u>	<u>(157,945)</u>	<u>3,063,478</u>	<u>739,673</u>	<u>3,803,151</u>	

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

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the six-month periods ended 30 June 2011 and 2010

(Unit: Thousand Baht)

Separate financial statements						
<hr/>						
Retained earnings						
<hr/>						
Appropriated						
<hr/>						
	Issued and paid-up	Share	Statutory	General		Total
	share capital	premium	reserve	reserve	Unappropriated	shareholders'
Note						equity
Balance as at 31 December 2009	350,000	680,400	35,000	414,000	190,517	1,669,917
Dividend paid	14	-	-	-	(175,000)	(175,000)
Unappropriated retained earnings transferred to general reserve	14	-	-	15,000	(15,000)	-
Total comprehensive income for the period		-	-	-	118,976	118,976
Balance as at 30 June 2010	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>429,000</u>	<u>119,493</u>	<u>1,613,893</u>
Balance as at 31 December 2010	350,000	680,400	35,000	429,000	199,664	1,694,064
Dividend paid	14	-	-	-	(192,500)	(192,500)
Unappropriated retained earnings transferred to general reserve	14	-	-	7,000	(7,000)	-
Total comprehensive income for the period		-	-	-	372,608	372,608
Balance as at 30 June 2011	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>436,000</u>	<u>372,772</u>	<u>1,874,172</u>

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

Lanna Resources Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month and six-month periods ended 30 June 2011 and 2010

1. General information

1.1 Corporate 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 coal. The registered office of the Company is at 888/99 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

1.2 Bases for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2009) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income statement, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

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

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

1.3 Basis of consolidation

These interim consolidated financial statements included the financial statements of Lanna Resources Public Company Limited and its subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2010. There have been no changes in the composition of the Group during the current period.

1.4 Application of new accounting standards during the period

During the current period, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Post-employment benefits (Defined benefit plans)

The Company and its subsidiaries have obligations in respect of the severance payments it 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. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates.

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, 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 expenses in profit or loss for the period.

Investment properties

Investment properties are measured initially 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.

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.

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.

2. New accounting standards issued during the period not yet effective

During the current period, the Federation of Accounting Professions issued the below listed new accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

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

3. Related party transactions

During the periods, 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: Thousand Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Purchase of coal	-	-	219,537	194,713
Dividend income	-	-	264,829	88,667
Commission and marketing service income	-	-	27,220	24,142
Service income	-	-	8,083	7,006
Interest income	-	-	736	1,870
<u>Transactions with major shareholder</u>				
Sales of coal	287,951	247,424	287,951	247,424
<u>Transactions with associated company</u>				
Purchase of coal	38,408	14,366	38,408	14,366
Freight charge	-	5,554	-	5,554
Dividend income	-	-	-	7,834

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the six-month periods ended 30 June

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Purchase of coal	-	-	466,279	234,165
Dividend income	-	-	399,276	124,609
Commission and marketing				
service income	-	-	54,799	53,082
Service income	-	-	16,650	15,226
Interest income	-	-	2,102	3,741
<u>Transactions with associated company</u>				
Sales of coal	526,174	413,762	526,174	413,762
<u>Transactions with associated company</u>				
Purchase of coal	72,878	98,032	72,878	98,032
Freight charge	5,763	22,348	5,763	22,348
Dividend income	-	-	-	7,834

Pricing policy

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

(Unaudited but reviewed)

As at 30 June 2011 and 31 December 2010, the balances of the accounts between the Company and those related parties are as follows:

		(Unit: Thousand Baht)			
Relationship		Consolidated financial statements		Separate financial statements	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010
<u>Trade accounts receivable</u>					
<u>- related parties</u>					
Major shareholder					
Siam City Cement Public Co., Ltd.	Major shareholder and common directors	96,386	89,054	96,386	89,054
Subsidiaries					
PT. Singlurus Pratama	Direct holding and common directors	-	-	5,954	13,982
PT. Lanna Harita Indonesia	Direct holding and common directors	-	-	4,479	4,445
Total trade accounts receivable - related parties		96,386	89,054	106,819	107,481
<u>Amounts due from related party</u>					
Subsidiary					
PT. Singlurus Pratama	Direct holding and common directors	-	-	2,977	6,991
Total amounts due from related party		-	-	2,977	6,991
<u>Dividend receivable from related party</u>					
Subsidiary					
PT. Singlurus Pratama	Direct holding and common directors	-	-	59,315	-
Total dividend receivable from related party		-	-	59,315	-
<u>Advance payment for purchase of investment in subsidiary company</u>					
Subsidiary					
Thai Agro Energy Public Co., Ltd.	Direct holding and common directors	-	-	-	151,509
Total advance payment for purchase of investment in subsidiary company		-	-	-	151,509
<u>Long-term loans to related party</u>					
Subsidiary					
PT. Lanna Mining Services	Direct holding and common directors	-	-	45,636	204,000
Total long-term loans to related party		-	-	45,636	204,000

(Unaudited but reviewed)

		(Unit: Thousand Baht)			
Relationship		Consolidated		Separate	
		financial statements		financial statements	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010
<u>Trade accounts payable - related parties</u>					
Subsidiaries					
PT. Lanna Harita Indonesia	Direct holding and common directors	-	-	58,412	48,574
PT. Singlurus Pratama	Direct holding and common directors	-	-	-	16,924
Associated company					
United Bulk Shipping Pte. Ltd.	Direct holding and common directors	776	6,287	776	6,287
Total trade accounts receivable - related parties		<u>776</u>	<u>6,287</u>	<u>59,188</u>	<u>71,785</u>
<u>Amounts due to related party</u>					
Subsidiary					
Lanna (Singapore) Pte. Ltd	Direct holding and common directors	-	-	207,796	201,745
Total amounts due to related party		<u>-</u>	<u>-</u>	<u>207,796</u>	<u>201,745</u>

During the six-month period ended 30 June 2011, movements of long-term loans to related party were as follows:

	(Unit: Thousand Baht)		
	31 December 2010	Decrease during the period	30 June 2011
<u>Long-term loans to subsidiary company</u>			
PT. Lanna Mining Services	204,000	(158,364)	45,636

The loans granted to PT. Lanna Mining Services are unsecured, with a term not exceeding 3 years and interest rate at LIBOR+3% per annum. The Company received the portion of loan settlement of Baht 158.4 million during the period.

In July 2011, the Company granted additional unsecured loan of Baht 45 million to PT. Lanna Mining Services, with a term not exceeding 3 months and interest rate at 6% per annum.

Directors' and management's remuneration

During three-month and six-month periods ended 30 June 2011, the Company and its subsidiaries had salaries, meeting allowances and other benefits of their directors and management recognised as expenses totaling Baht 46.7 million and Baht 76.2 million, respectively (2010: Baht 34.3 million and Baht 57.2 million, respectively) and the Company only of Baht 16.5 million and Baht 27.3 million, respectively (2010: Baht 13.6 million and Baht 22.8 million, respectively).

(Unaudited but reviewed)

4. Trade accounts receivable

The balances of trade accounts receivable as at 30 June 2011 and 31 December 2010, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
Age of receivables				
<u>Related parties</u>				
Not yet due	96,386	89,054	106,819	101,731
Over due				
1 - 3 months	-	-	-	5,750
Total	96,386	89,054	106,819	107,481
<u>Unrelated parties</u>				
Not yet due	867,379	769,350	81,329	94,804
Total	867,379	769,350	81,329	94,804
Total trade accounts receivable	963,765	858,404	188,148	202,285

The subsidiary company entered into the factoring agreements with 2 local financial institutions for total factoring facilities of Baht 100 million. In July 2011, the subsidiary company sold its trade accounts receivable of Baht 41.40 million at a discount, with full recourse guarantee obligations.

5. Allowance for diminution in inventory value

Movements in the allowance for diminution in inventory value account during the six-month period ended 30 June 2011 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial	financial
	statements	statements
Balance as at 31 December 2010	13,304	-
Add: Increase during the period	2,083	2,083
Less: Reversal during the period	(13,304)	-
Balance as at 30 June 2011	2,083	2,083

6. Investments in subsidiaries

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

Company	Nature of business	Separate financial statements							
		Paid-up capital		Percentage of shareholding		Cost		Dividend received for the six-month periods ended	
		30 June	31 December	30 June	31 December	30 June	31 December	30 June	30 June
		2011	2010	2011	2010	2011	2010	2011	2010
				(%)	(%)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
Lanna (Singapore) Pte. Ltd. (Incorporated in Singapore)	Investment in foreign projects	SGD 9 million	SGD 9 million	100.00	100.00	215,796	215,796	-	-
PT. Lanna Mining Services (Incorporated in Indonesia)	Coal distribution	USD 2.1 million	USD 2.1 million	99.995	99.995	70,919	70,919	-	-
Thai Agro Energy Public Co., Ltd.	Ethanol production and distribution	Baht 800 million	Baht 600 million	75.75	75.75	606,037	454,528	-	-
PT. Singlurus Pratama (Incorporated in Indonesia)	Coal production and distribution	Rp 7,950 million	Rp 7,950 million	65.00	65.00	18,626	18,626	158,803	-
PT. Lanna Harita Indonesia (Incorporated in Indonesia)	Coal production and distribution	USD 8 million	USD 8 million	55.00	55.00	155,024	155,024	240,473	106,876
PT. Citra Harita Mineral (Incorporated in Indonesia)	Service in coal production and port and jetty service	Rp 1,000 million	Rp 1,000 million	55.00	55.00	2,187	2,187	-	17,733
Total						1,068,589	917,080	399,276	124,609

Local subsidiary

Thai Agro Energy Public Co., Ltd.

On 28 October 2010, the Extraordinary General Meeting of shareholders of Thai Agro Energy Public Company Limited No. 1/2010 passed the following resolutions.

1. To decrease Thai Agro Energy Public Company Limited's registered share capital from Baht 800,000,000 (800,000,000 ordinary shares of Baht 1 each) to Baht 600,000,000 (600,000,000 ordinary shares of Baht 1 each) by decreasing the un-issued capital by 200,000,000 shares at the par value of Baht 1 each, in order to cancel the shares to be issued for the initial public offering.
2. To increase Thai Agro Energy Public Company Limited's registered share capital from Baht 600,000,000 (600,000,000 ordinary shares of Baht 1 each) to Baht 800,000,000 (800,000,000 ordinary shares of Baht 1 each) by issuing and offering 200,000,000 new ordinary shares at the par value of Baht 1 per share to the existing shareholders. The capital increase will be reserved for the construction of the second ethanol production plant.

As at 31 December 2010, the subsidiary received advance payments for the 196,401,907 shares of Baht 1 each, or a total of Baht 196,401,907. This included advance of the Company for purchase of 151,509,433 ordinary shares of Baht 1 per share of the subsidiary, or a total of Baht 151,509,433, to maintain its ownership interest in the subsidiary company.

In January 2011, the subsidiary had received additional advance payments for the 3,598,093 shares of Baht 1 each, or a total of Baht 3,598,093. The subsidiary registered the capital increase to be registered, issued and paid-up share capital of Baht 800,000,000 with the Ministry of Commerce on 4 February 2011.

On 18 April 2011, the meeting of the Company's Board of Directors passed a resolution to sell investment in Thai Agro Energy Public Company Limited, a subsidiary company, to The Bangchak Petroleum Public Company Limited. On 9 May 2011, the Company entered into the sale and purchase agreement to sell 246,037,733 ordinary shares of the subsidiary company at Baht 1.37 per share, totaling Baht 337,071,694. As a result, the Company's investment in such subsidiary is reduced from 75.75 percent to 45.00 percent. However, the sell and purchase of ordinary shares of such subsidiary is in the process.

Overseas subsidiaries

Lanna (Singapore) Pte. Ltd.

On 21 June 2010, the meeting of the Board of Directors of the Company passed a resolution to approve the change in investment structure of overseas subsidiaries by dissolution and liquidation of Lanna (Singapore) Pte. Ltd. after such subsidiary company sells an ordinary share in PT. Lanna Mining Services to United Bulk Shipping Pte. Ltd.

On 25 June 2010, Lanna (Singapore) Pte. Ltd. already sold an ordinary share in PT. Lanna Mining Services to United Bulk Shipping Pte. Ltd. Currently, Lanna (Singapore) Pte. Ltd. is in the process of dissolution and liquidation.

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 218.86 per share, totalling USD 1,970 or equivalent to Baht 0.06 million. As a result, the percentage of shareholding 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. The sell and purchase of ordinary shares in such subsidiary is expected to complete within the third quarter of 2011.

7. Investment in associated company

Company	Nature of business	Paid-up capital		Percentage of shareholding		Consolidated financial statements		Separate financial statements			
		30 June 2011	31 December 2010	30 June 2011 (%)	31 December 2010 (%)	Equity method		Cost method		Dividend received for the six-month periods ended	
						30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	30 June 2010
						(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
United Bulk Shipping Pte. Ltd. (Incorporated in Singapore)	Shipping business and coal distribution	SGD 0.1 million	SGD 0.1 million	49	49	19,904	17,811	891	891	-	7,834
Total						19,904	17,811	891	891	-	7,834

Share of income from United Bulk Shipping Pte. Ltd. for the three-month and six-month periods ended 30 June 2011 of approximately Baht 1.64 million and Baht 2.09 million, respectively (2010: Baht 0.84 million and 3.02 million, respectively) had been calculated from the financial statements prepared by the management of the associated company and not being reviewed by its auditor.

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

8. Property, plant and equipment

Movements in the property, plant and equipment account for the six-month period ended 30 June 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	<u> </u>	<u> </u>
Net book value as at 31 December 2010	2,434,237	226,831
Acquisitions during the period - cost	189,972	4,434
Disposals and write-off during the period - net book value on disposal/write-off date	(6,997)	(53)
Depreciation for the period	(46,748)	(9,209)
Translation adjustments	4,553	-
Net book value as at 30 June 2011	<u>2,575,017</u>	<u>222,003</u>

A subsidiary has mortgaged part of its land and construction thereon with net book value as at 30 June 2011 amounting to approximately Baht 9.22 million as collateral for short-term and long-term loans and credit facilities granted by commercial bank as discussed in Note 12 and 13.

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

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Interest expenses capitalised as costs of machinery and equipment (Thousand Baht)	6,683	2,270	14,678	3,458
Capitalisation rate (percent per annum)	2.98	3.80	3.38	3.80

9. Investment properties

As at 30 June 2011, the Company had investment properties, which mainly are plots of land of Paka mine, with an aggregate net book value of approximately Baht 36.95 million (31 December 2010: Baht 37.55 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 loss on impairment of such assets of Baht 1.57 million (31 December 2010: Baht 1.57 million).

10. Intangible assets

Movements of intangible assets, which are computer software, for the six-month period ended 30 June 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 31 December 2010	3,914	1,704
Acquisitions during the period - cost	229	140
Amortisation for the period	(585)	(269)
Net book value as at 30 June 2011	<u>3,558</u>	<u>1,575</u>

11. Other non-current assets

Other non-current assets consist of the following items and have been shown net of relevant accumulated amortisation.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Deferred overburden removal expenses	23,797	27,275	-	-
Deferred expenses - Indonesia coal mine project	328,739	336,346	-	-
Deferred transferred service fees according to contract	99,501	105,282	99,501	105,282
Others	69,829	43,226	7,410	2,425
Total other non-current assets	<u>521,866</u>	<u>512,129</u>	<u>106,911</u>	<u>107,707</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 118.28 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.

12. Bank overdrafts and short-term loans from financial institutions

As at 30 June 2011, a subsidiary had bank overdrafts, which bear interest at the rate of 7.15 percent per annum, and had short-term loans from bank in the form of promissory notes which are repayable within 3 months. The loans bear interest at the rate of 3.30 percent per annum. The loan amounting to Baht 150 million is secured by the mortgage of part of the subsidiary’s land and construction thereon as discussed in Note 8.

13. Long-term loan from financial institution

Movements of the long-term loan from financial institution for the six-month period ended 30 June 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	_____	_____
Balance as at 31 December 2010	744,738	-
Add: Additional loan withdrawn during the period	155,262	-
Balance as at 30 June 2011	900,000	-
Less: Current portion	(90,000)	-
Long-term loan from financial institution - net	<u>810,000</u>	<u>-</u>

On 16 June 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 3.80 percent per annum for the first 2 years, and THBFIX reference rate plus 2.10 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 8.

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.

As at 30 June 2011, the subsidiary could not maintain certain financial ratio as specified in the loan agreement. The subsidiary had negotiated with the bank, and had already obtained a waiver letter for the condition to maintain certain financial ratios for the period ended 30 June 2011 from that bank.

14. Dividend paid

Dividends paid by the Company and its subsidiaries during the six-month periods ended 30 June 2011 and 2010 are as follows:

The Company

Dividends	Approved by	Total Dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
<u>2011</u>				
Final dividends for 2010	Annual General Meeting of the shareholders on 18 April 2011	192,500	0.55	4 May 2011
Total		192,500	0.55	
<u>2010</u>				
Final dividends for 2009	Annual General Meeting of the shareholders on 19 April 2010	175,000	0.50	18 May 2010
Total		175,000	0.50	

In addition, the Annual General Meeting of the shareholders approved to set aside a general reserve of Baht 7 million (2010: Baht 15 million).

Overseas subsidiaries**PT. Singlurus Pratama**

Dividends	Approved by	Total dividends	Dividend per share	Paid on
		(Thousand US Dollar)	(US Dollar)	
<u>2011</u>				
Final dividends for 2010	Annual General Meeting of the shareholders on 16 June 2011	7,950	1,000	28 June 2011 and 22 July 2011
Total		7,950	1,000	

PT. Lanna Harita Indonesia

Dividends	Approved by	Total dividends	Dividend per share	Paid on
		(Thousand US Dollar)	(US Dollar)	
<u>2011</u>				
The fourth interim dividend for 2010	Board of Directors' meeting on 19 January 2011	6,400	800	24 January 2011
The first interim dividend for 2011	Board of Directors' meeting on 10 March 2011	1,600	200	14 March 2011
The second interim dividend for 2011	Board of Directors' meeting on 27 May 2011	6,400	800	6 June 2011
Total		14,400	1,800	
<u>2010</u>				
The third interim dividend for 2009	Board of Directors' meeting on 18 February 2010	2,000	250	2 March 2010
The fourth interim dividends for 2009	Board of Directors' meeting on 11 May 2010	4,000	500	24 May 2010
Total		6,000	750	

PT. Citra Harita Mineral

Dividends	Approved by	Total dividends (Thousand US Dollar)	Dividend per share (US Dollar)	Paid on
2010				
Interim dividends for 2009	Board of Directors' meeting on 11 May 2010	1,000	1,000	24 May 2010
Total		1,000	1,000	

15. Earnings per share

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

	For the three-month periods ended 30 June			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Profit for the period (Thousand Baht)	298,483	199,592	231,516	85,597
Weighted average number of ordinary shares (Thousand shares)	350,000	350,000	350,000	350,000
Earnings per share (Baht/share)	0.85	0.57	0.66	0.24
	For the six-month periods ended 30 June			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Profit for the period (Thousand Baht)	591,842	395,416	372,608	118,976
Weighted average number of ordinary shares (Thousand shares)	350,000	350,000	350,000	350,000
Earnings per share (Baht/share)	1.69	1.13	1.06	0.34

16. Financial information by segment

The Company's 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 by geographical and business segment is as follows:

(Unit: Thousand Baht)

	Consolidated income statements for the three-month periods ended 30 June									
	Domestic coal business		Oversea coal business		Ethanol business		Elimination of inter-segment revenues		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues from external customers	499,930	358,973	2,423,370	1,606,198	283,860	172,424	-	-	3,207,160	2,137,595
Inter-segment revenues	35,303	31,148	219,537	194,713	-	-	(254,840)	(225,861)	-	-
Total revenues	535,233	390,121	2,642,907	1,800,911	283,860	172,424	(254,840)	(225,861)	3,207,160	2,137,595
Operating income (loss)	75,766	57,960	1,302,923	964,700	24,407	(10,381)	(34,954)	(37,232)	1,368,142	975,047
Unallocated income (expenses)										
Other income									41,837	16,104
Share of income from investment in associated company									1,635	837
Gain on exchange									10,491	12,344
Selling and distribution expenses									(475,463)	(329,064)
Administrative expenses									(150,971)	(117,941)
Finance cost									(8,103)	(6,203)
Withholding tax deducted at source									(33,767)	(14,983)
Corporate income tax									(235,977)	(180,141)
Non-controlling interest of the subsidiaries									(219,341)	(156,408)
Profit for the period									298,483	199,592

(Unaudited but reviewed)

(Unit: Thousand Baht)

Consolidated income statements for the six-month periods ended 30 June

	Domestic coal		Oversea coal		Ethanol business		Elimination of inter-		Total	
	business		business				segment revenues			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues from external customers	906,001	601,461	4,486,557	3,493,079	514,845	389,483	-	-	5,907,403	4,484,023
Inter-segment revenues	71,449	68,308	466,279	234,165	-	-	(537,728)	(302,473)	-	-
Total revenues	977,450	669,769	4,952,836	3,727,244	514,845	389,483	(537,728)	(302,473)	5,907,403	4,484,023
Operating income	141,102	119,350	2,452,251	1,808,240	29,023	2,993	(69,534)	(73,118)	2,552,842	1,857,465
Unallocated income (expenses)										
Other income									79,596	53,750
Share of income from investment in associated company									2,093	3,022
Selling and distribution expenses									(918,200)	(692,304)
Administrative expenses									(230,418)	(211,451)
Loss on exchange									(855)	(2,910)
Finance cost									(11,785)	(11,998)
Withholding tax deducted at source									(50,401)	(19,411)
Corporate income tax									(427,584)	(310,296)
Non-controlling interest of the subsidiaries									(403,446)	(270,451)
Profit for the period									591,842	395,416

17. Significant contracts and agreements

17.1 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.

17.2 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 63.46 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 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. However, for a prudent reason, the Company has set full allowance for doubtful account for this advance payment.

17.3 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 March 2009, the subsidiary received the consent from Indonesian government to start the production activities.

17.4 On 16 February 2009, PT. Citra Harita Mineral signed the Agreement on Coal Processing Service, Coal Loading Service and the Use of Jetty Facilities with a coal operator in Indonesia, for a period of 3 years commencing April 2009. Service fees are charged at the rate as stipulated in the agreement.

17.5 In May 2011, PT. Lanna Harita Indonesia, a subsidiary company, entered into the sale commission agreements with an oversea company. The agreement stipulates that such oversea company is to receive a commission fee of coal distributed by a subsidiary company to a customer provided by such oversea company. Commission fees are charged at the rate as stipulated in the agreement.

18. Commitments and contingent liabilities

18.1 Capital commitments

As at 30 June 2011, a subsidiary had capital commitments of approximately Baht 2.83 million and Euro 1.18 million, totalling approximately Baht 55.51 million, relating to the construction of the second ethanol production and the acquisitions of machinery and equipment.

18.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, office building space, and vehicles. The terms of the agreements are generally between 1 and 5 years. As at 30 June 2011, future minimum payments under these lease agreements are as follows:

	(Unit: Million Baht)	
<u>Payable within</u>	<u>Consolidated financial statements</u>	<u>Separate financial statements</u>
Less than 1 year	28.31	8.67
1 to 5 years	28.58	21.77

18.3 Service commitments

a) The Company and its subsidiaries had commitments under several service agreements in respect of the security service, cars maintenance service and other services. The terms of the agreements are generally between 1 and 5 years. As at 30 June 2011, future minimum payments under these agreements are as follows:

	(Unit: Million Baht)	
<u>Payable within</u>	<u>Consolidated Financial Statements</u>	<u>Separate financial statements</u>
Less than 1 year	2.94	1.49
1 to 5 years	4.65	4.65

- b) The local subsidiary had signed the Power Supply Agreement dated 21 December 2010 with the Provincial Electricity Authority to purchase electricity at the rate as stipulated in the agreement.
- c) 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.
- d) The local subsidiary had commitments under service agreement with regard to the consulting for the construction of the second ethanol production plant of Baht 0.1 million.
- e) The Company and oversea subsidiaries had commitments under service agreements with regard to the legal consulting, the consulting for mining, environment and safety and other consulting of Baht 5.38 million (the Company only: Baht 0.5 million).

18.4 Guarantees

As at 30 June 2011, the Company and its subsidiaries had letters of guarantees of approximately Baht 11.84 million, USD 0.82 million and Rupiah 1,212 million and the Company only of Baht 0.2 million (31 December 2010: Baht 12.09 million and the Company only of Baht 0.4 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds required in the ordinary course of business of the Company and its subsidiaries.

19. Litigation

- 19.1 In 2008, a company claimed 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 1.14 million or equivalent to Baht 34.50 million. There have been extensive negotiations with respect to the services but there is no written agreement. However, this company sued the Company in the US court and the Court froze cash of the Company which was to be paid to and received from the related companies for services, totaling USD 0.52 million or equivalent to Baht 17.40 million. However, in the second quarter of 2009, the US court cancelled the freezing of the cash of the Company and ordered it to be placed with the Court instead. The Company recorded cash which was placed with court as assets awaiting for return from the court. The Company received such money from the court 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 17.40 million to the income statement for the six-month period ended 30 June 2011.

19.2 As at 30 June 2011, a subsidiary company in Indonesia had contingent liabilities in respect of lawsuits, which were brought by an outside party, claiming for damages of Rupiah 62,000 million or equivalent to approximately Baht 238 million, in relation to rights over the land used by the subsidiary company for mining. On 8 April 2009, the Court of Samarinda rendered a judgment that the plaintiff has rights over the subsidiary's mined land. However, the court ordered the subsidiary company to pay only the trial fee amounting to Rupiah 0.66 million or equivalent to Baht 2,500. The plaintiff is in the course of filing a petition for the case. However, the subsidiary company's management believes that the case will be settled in its favour, and it will not suffer any significant losses as a result of the above litigation. Therefore, the subsidiary company has not made any provision for loss from the lawsuit in its accounts.

20. 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, with maturity of less than one year, when they consider appropriate.

The balances of financial assets and liabilities denominated in foreign currencies as at 30 June 2011 are summarised below.

Foreign currency	Financial	Financial	Exchange rate	
	Assets	liabilities	as at 30 June 2011	
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	8.33	1.99	30.6061	30.8882
SG dollar	-	3.64	24.7325	25.2204

As at 30 June 2011, the Company and its subsidiaries had no outstanding forward exchange contract.

21. Reclassification

Certain amounts in the statements of financial position as at 31 December 2010 and the income statements for the three-month and six-month periods ended 30 June 2010 have been reclassified to conform to the current period's classification but with no effect to previously reported profit or shareholders' equity. The reclassifications are as follows:

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
<u>Statements of financial position</u>				
<u>as at 31 December 2010</u>				
Investment properties - net	37,553	-	37,553	-
Goodwill	186,000	-	-	-
Non-operating assets - net	-	37,553	-	37,553
Other non-current assets	512,129	698,129	107,707	107,707
<u>Income statements for the three-month</u>				
<u>period ended 30 June 2010</u>				
Cost of sales	1,162,548	1,160,086	332,161	331,131
Selling and distribution				
expenses	329,064	327,920	33,059	31,914
Administrative expenses	117,941	87,216	27,724	16,326
Management benefit expenses	-	34,331	-	13,573
<u>Income statements for the six-month</u>				
<u>period ended 30 June 2010</u>				
Reversal of allowance for				
diminution in inventory value	-	4,616	-	4,946
Cost of sales	2,626,558	2,630,039	550,419	555,365
Selling and distribution				
expenses	692,304	689,940	57,667	55,302
Administrative expenses	211,451	157,716	53,891	33,486
Management benefit expenses	-	57,234	-	22,770

22. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 11 August 2011.