

Lanna Resources Public Company Limited
and its subsidiaries
Report and interim financial statements
For the three-month and nine-month periods ended
30 September 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 September 2011, the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2011 and 2010, and the related consolidated statements of changes in shareholders' equity and cash flows for the nine-month periods ended 30 September 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 September 2011 and for the three-month and nine-month periods then ended of an oversea subsidiary company (2010: one oversea subsidiary), as included in the consolidated financial statements. This subsidiary company has total assets as at 30 September 2011 of approximately Baht 267 million, representing 3 percent of the consolidated total and total revenues for the three-month and nine-month periods then ended of approximately Baht 458 million, representing 13 percent of the consolidated total, and Baht 1,061 million, representing 11 percent of the consolidated total, respectively (2010: total revenues for the three-month and nine-month periods of approximately Baht 132 million, representing 7 percent of the consolidated total, and Baht 679 million, representing 10 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 November 2011

Lanna Resources Public Company Limited and its subsidiaries

Statements of financial position

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at	As at	As at	As at
	<u>Note</u> 30 September 2011 (Unaudited but reviewed)	31 December 2010 (Audited)	30 September 2011 (Unaudited but reviewed)	31 December 2010 (Audited)
Assets				
Current assets				
Cash and cash equivalents	1,236,210	829,223	354,620	26,343
Trade accounts receivable	4			
Related parties	3	99,493	113,072	107,481
Unrelated parties		1,047,657	62,662	94,804
Total trade accounts receivable		1,147,150	175,734	202,285
Amounts due from related party	3	-	4,433	6,991
Inventories - net	5	792,409	248,062	130,804
Cassava and sugar cane plantation costs		4,196	-	-
Short-term loan to related party	3	-	45,000	-
Other current assets				
Input tax refundable		603,599	-	-
Prepaid corporate income tax		432,578	30,451	30,403
Advance payments - net	18.2	105,313	17,926	17,336
Others		54,467	8,482	5,727
Total other current assets		1,195,957	56,859	53,466
Total current assets		4,375,922	884,708	419,889
Non-current assets				
Investments				
Investments in subsidiary companies	6	-	1,068,589	917,080
Investment in associated company	7	21,668	891	891
Total investments		21,668	1,069,480	917,971
Advance payment for purchase of investment in subsidiary company	3, 6	-	-	151,509
Long-term loans to related party	3	-	45,636	204,000
Property, plant and equipment - net	8	2,622,006	219,119	226,831
Investment properties - net	9	36,663	36,663	37,553
Goodwill		186,000	-	-
Intangible assets - net	10	3,343	1,464	1,704
Other non-current assets	11	515,874	100,691	107,707
Total non-current assets		3,385,554	1,473,053	1,647,275
Total assets		7,761,476	2,357,761	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)

	Consolidated financial statements		Separate financial statements		
	As at	As at	As at	As at	
	<u>Note</u>	<u>30 September 2011</u>	<u>31 December 2010</u>	<u>30 September 2011</u>	<u>31 December 2010</u>
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)	
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	12	593,000	509,000	-	-
Trade accounts payable					
Related parties	3	17,652	6,287	87,428	71,785
Unrelated parties		400,206	335,979	44,376	30,617
Total trade accounts payable		417,858	342,266	131,804	102,402
Amounts due to related party	3	-	-	204,288	201,745
Current portion of long-term loan from					
financial institution	13	180,000	-	-	-
Factoring liabilities	14	24,068	-	-	-
Other current liabilities					
Dividend payable		3,562	4,093	3,562	4,093
Accrued expenses		752,605	421,001	12,279	22,255
Corporate income tax payable		636,785	321,028	-	-
Advance received from sales		2,404	18,610	2,404	158
Others		145,513	253,294	3,796	24,230
Total other current liabilities		1,540,869	1,018,026	22,041	50,736
Total current liabilities		2,755,795	1,869,292	358,133	354,883
Non-current liabilities					
Long-term loan from financial institution - net					
of current portion	13	720,000	744,738	-	-
Provision for long-term employee benefits		99,406	84,701	19,883	18,217
Total non-current liabilities		819,406	829,439	19,883	18,217
Total liabilities		3,575,201	2,698,731	378,016	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)

	Consolidated financial statements		Separate financial statements	
	As at	As at	As at	As at
	<u>30 September 2011</u>	<u>31 December 2010</u>	<u>30 September 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	1,986,590	1,327,681	478,345	199,664
Other component of shareholders' equity	(143,164)	(197,713)	-	-
Equity attributable to owners of the Company	3,344,826	2,624,368	1,979,745	1,694,064
Non-controlling interests of the subsidiaries	841,449	559,517	-	-
Total shareholders' equity	4,186,275	3,183,885	1,979,745	1,694,064
Total liabilities and shareholders' equity	7,761,476	5,882,616	2,357,761	2,067,164
	-	-	-	-

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 September 2011 and 210**

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

		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>Note</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues					
Sales	3	3,433,063	1,951,312	514,608	455,648
Commission and marketing service income	3	-	-	30,972	21,073
Other income					
Dividend income	3, 6, 7	-	-	107,973	249,738
Service income	3	-	-	10,354	5,777
Gain on exchange		8,719	-	5,565	-
Interest income	3	3,102	765	2,061	1,957
Others		39,142	49,317	1,452	4,882
Total other income		50,963	50,082	127,405	262,354
Total revenues		3,484,026	2,001,394	672,985	739,075
Expenses					
Cost of sales	3	2,135,024	1,098,655	470,617	420,072
Selling and distribution expenses	3	548,738	335,022	41,694	35,719
Administrative expenses	3	114,949	112,675	28,773	24,091
Loss on exchange		-	23,505	-	23,743
Total expenses		2,798,711	1,569,857	541,084	503,625
Profit before share of income from investment, finance cost and corporate income tax		685,315	431,537	131,901	235,450
Share of income from investment in associated company	7	1,764	582	-	-
Profit before finance cost and corporate income tax		687,079	432,119	131,901	235,450
Finance cost	3	(9,136)	(6,576)	-	(554)
Profit before corporate income tax		677,943	425,543	131,901	234,896
Withholding tax deducted at source		(26,328)	(23,151)	(26,328)	(23,151)
Corporate income tax		(203,214)	(133,871)	-	-
Profit for the period		448,401	268,521	105,573	211,745
Profit attributable to:					
Equity holders of the Company		266,567	141,829	105,573	211,745
Non-controlling interests of the subsidiaries		181,834	126,692		
		448,401	268,521		
Basic earnings per share					
Profit attributable to equity holders of the Company (Baht)	16	0.76	0.41	0.30	0.60

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 September 2011 and 210

(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>448,401</u>	<u>268,521</u>	<u>105,573</u>	<u>211,745</u>
Other comprehensive income:				
Exchange differences on translation of financial statements in foreign currency	<u>23,557</u>	<u>(86,460)</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the period	<u>23,557</u>	<u>(86,460)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>471,958</u>	<u>182,061</u>	<u>105,573</u>	<u>211,745</u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u>281,348</u>	<u>86,200</u>	<u>105,573</u>	<u>211,745</u>
Non-controlling interests of the subsidiaries	<u>190,610</u>	<u>95,861</u>		
	<u>471,958</u>	<u>182,061</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 nine-month periods ended 30 September 2011 and 2010**

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

		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>Note</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues					
Sales	3	9,340,466	6,435,335	1,420,609	1,057,109
Commission and marketing service income	3	-	-	85,771	74,155
Other income					
Dividend income	3, 6, 7	-	-	507,249	382,181
Service income	3	-	-	27,004	21,003
Gain on exchange		7,864	-	5,821	-
Interest income	3	6,256	2,767	4,574	5,785
Others		115,584	101,065	5,608	8,373
Total other income		<u>129,704</u>	<u>103,832</u>	<u>550,256</u>	<u>417,342</u>
Total revenues		<u>9,470,170</u>	<u>6,539,167</u>	<u>2,056,636</u>	<u>1,548,606</u>
Expenses					
Cost of sales	3	5,489,585	3,724,078	1,306,965	970,491
Selling and distribution expenses	3	1,466,938	1,027,326	115,277	93,386
Administrative expenses	3	345,367	325,261	79,081	77,982
Loss on exchange		-	26,415	-	32,411
Total expenses		<u>7,301,890</u>	<u>5,103,080</u>	<u>1,501,323</u>	<u>1,174,270</u>
Profit before share of income from investment, finance cost and corporate income tax		<u>2,168,280</u>	<u>1,436,087</u>	<u>555,313</u>	<u>374,336</u>
Share of income from investment in associated company	7	<u>3,857</u>	<u>3,604</u>	<u>-</u>	<u>-</u>
Profit before finance cost and corporate income tax		<u>2,172,137</u>	<u>1,439,691</u>	<u>555,313</u>	<u>374,336</u>
Finance cost	3	<u>(20,921)</u>	<u>(18,574)</u>	<u>(403)</u>	<u>(1,053)</u>
Profit before corporate income tax		<u>2,151,216</u>	<u>1,421,117</u>	<u>554,910</u>	<u>373,283</u>
Withholding tax deducted at source		<u>(76,729)</u>	<u>(42,562)</u>	<u>(76,729)</u>	<u>(42,562)</u>
Corporate income tax		<u>(630,798)</u>	<u>(444,167)</u>	<u>-</u>	<u>-</u>
Profit for the period		<u>1,443,689</u>	<u>934,388</u>	<u>478,181</u>	<u>330,721</u>
Profit attributable to:					
Equity holders of the Company		<u>858,409</u>	<u>537,245</u>	<u>478,181</u>	<u>330,721</u>
Non-controlling interests of the subsidiaries		<u>585,280</u>	<u>397,143</u>		
		<u>1,443,689</u>	<u>934,388</u>		
Basic earnings per share					
Profit attributable to equity holders of the Company (Baht)	16	<u>2.45</u>	<u>1.53</u>	<u>1.37</u>	<u>0.94</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 nine-month periods ended 30 September 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>1,443,689</u>	<u>934,388</u>	<u>478,181</u>	<u>330,721</u>
Other comprehensive income:				
Exchange differences on translation of financial statements in foreign currency	<u>73,781</u>	<u>(118,820)</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the period	<u>73,781</u>	<u>(118,820)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>1,517,470</u>	<u>815,568</u>	<u>478,181</u>	<u>330,721</u>
Total comprehensive income attributable to:				
Equity holders of the Company	912,958	458,887	<u>478,181</u>	<u>330,721</u>
Non-controlling interests of the subsidiaries	<u>604,512</u>	<u>356,681</u>		
	<u>1,517,470</u>	<u>815,568</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 nine-month periods ended 30 September 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	2,151,216	1,421,117	554,910	373,283
Adjustment to reconcile profit before tax to net cash provided by (paid form) operating activities				
Depreciation and amortisation	170,834	153,432	23,616	20,958
Allowance for doubtful accounts	-	3,432	-	3,432
Allowance for diminution in inventory value (reversal)	(1,115)	(2,420)	947	(3,112)
Write-off prepaid corporate income tax	17,356	-	-	-
Share of income from investment in associated company	(3,857)	(3,604)	-	-
Reversal of impairment of assets	-	(146)	-	(146)
Gain from disposals of fixed assets and investment properties	(4,338)	(1,497)	(4,184)	(495)
Loss on write-off of fixed assets and intangible assets	11,671	25	30	23
Dividend income	-	-	(507,249)	(382,181)
Reversal of provision for liabilities from lawsuit	(17,402)	-	(17,402)	-
Provision for long-term employee benefits	12,534	7,775	1,666	-
Unrealised loss (gain) on exchange	(1,212)	10,180	1,331	21,033
Interest income	(6,256)	(2,767)	(4,574)	(5,785)
Interest expenses	20,921	18,574	403	1,053
Income from operating activities before changes in operating assets and liabilities	2,350,352	1,604,101	49,494	28,063
Operating assets (increase) decrease				
Trade accounts receivable	(288,746)	(189,356)	26,551	(130,140)
Amounts due from related party	-	-	2,558	1,372
Inventories	(537,896)	(37,688)	(118,205)	(63,788)
Cassava and sugar cane plantation costs	11,010	(13,161)	-	-
Other current assets	(187,156)	183,952	(2,414)	(2,862)
Operating liabilities increase (decrease)				
Trade accounts payable	75,592	18,552	29,402	71,017
Amounts due to related parties	-	(1,559)	-	115,269
Other current liabilities	350,823	(248,386)	(11,485)	(3,704)
Cash from (used in) operating activities	1,773,979	1,316,455	(24,099)	15,227
Interest income	5,925	2,695	4,233	5,779
Cash paid for interest expenses	(20,891)	(15,823)	(403)	(1,064)
Cash paid for withholding tax	(76,729)	(42,562)	(76,729)	(42,562)
Cash paid for corporate income tax	(608,301)	(212,616)	(48)	-
Net cash from (used in) operating activities	1,073,983	1,048,149	(97,046)	(22,620)

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 nine-month periods ended 30 September 2011 and 2010**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<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
Increase in loan to related party	-	-	(45,000)	-
Dividend received from subsidiary and associated companies	-	7,834	507,249	382,181
Proceeds from disposals of fixed assets and investment properties	6,140	4,707	5,097	656
Acquisitions of plant and equipment	(388,584)	(790,636)	(5,948)	(8,862)
Acquisitions of computer software	(316)	(490)	(170)	(346)
Increase in other non-current assets	(87,681)	(132,388)	(2,391)	(1,346)
Net cash from (used in) investing activities	(470,441)	(910,973)	617,201	402,182
Cash flows from financing activities				
Cash received from short-term loans from financial institutions	593,000	280,000	-	110,000
Repayment of short-term loans from financial institutions	(509,000)	(28,000)	-	(28,000)
Net cash received from sales of trade accounts receivable at a discount	24,068	-	-	-
Cash received from long-term loan from financial institution	155,262	502,395	-	-
Dividend paid	(563,570)	(471,808)	(192,500)	(175,000)
Increase (decrease) in non-controlling interests of the subsidiaries	67,722	(40,458)	-	-
Net cash from (used in) financing activities	(232,518)	242,129	(192,500)	(93,000)
Increase (decrease) in exchange differences on translation of financial statements in foreign currency				
	35,341	(11,074)	-	-
Net increase in cash and cash equivalents	406,365	368,231	327,655	286,562
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	622	(8,741)	622	(8,741)
Cash and cash equivalents at end of period	1,236,210	849,077	354,620	310,285

Supplemental cash flows information:

Non-cash transactions

Increase (decrease) in accounts payable from

purchases of plant, equipment and intangible assets

(123,600)

33,503

192

-

Transferred advance payment for purchase of

investment to investment in subsidiary company

-

-

151,509

-

Transferred other non-current assets to property,

plant and equipment

-

18,314

-

-

(Unaudited but reviewed)

Lanna Resources Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the nine-month periods ended 30 September 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			Other component of equity		Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
				Statutory reserve	General reserve	Unappropriated	Exchange differences on translation of financial statements in foreign currency	Total other component of shareholders' equity			
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	15	-	-	-	-	(175,000)	-	-	(175,000)	(296,808)	(471,808)
Unappropriated retained earnings transferred to general reserve	15	-	-	-	15,000	(15,000)	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	537,245	(78,358)	(78,358)	458,887	356,681	815,568
Increase in non-controlling interest of Increase in non-controlling interest of the subsidiaries		-	-	-	-	-	-	-	-	4	4
Balance as at 30 September 2010		<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>429,000</u>	<u>1,365,269</u>	<u>(167,659)</u>	<u>(167,659)</u>	<u>2,692,010</u>	<u>510,920</u>	<u>3,202,930</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 nine-month periods ended 30 September 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 financial statements in foreign currency					
						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
		Issued and paid-up		Appropriated		Unappropriated	foreign currency	equity	the Company	the subsidiaries	equity
Note	share capital	Share premium	Statutory reserve	General reserve	Unappropriated	foreign currency	equity	the Company	the subsidiaries	equity	
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	15	-	-	-	(192,500)	-	-	(192,500)	(371,070)	(563,570)	
Unappropriated retained earnings transferred to general reserve	15	-	-	7,000	(7,000)	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	858,409	54,549	54,549	912,958	604,512	1,517,470	
Increase in non-controlling interest from increase in share capital of the subsidiary	-	-	-	-	-	-	-	-	48,490	48,490	
Balance as at 30 September 2011	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>436,000</u>	<u>1,986,590</u>	<u>(143,164)</u>	<u>(143,164)</u>	<u>3,344,826</u>	<u>841,449</u>	<u>4,186,275</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 nine-month periods ended 30 September 2011 and 2010

(Unit: Thousand Baht)

Separate financial statements						
Note	Issued and paid-up share capital	Share premium	Retained earnings			Total shareholders' equity
			Appropriated		Unappropriated	
			Statutory reserve	General reserve		
Balance as at 31 December 2009	350,000	680,400	35,000	414,000	190,517	1,669,917
Dividend paid	15	-	-	-	(175,000)	(175,000)
Unappropriated retained earnings transferred to general reserve	15	-	-	15,000	(15,000)	-
Total comprehensive income for the period	-	-	-	-	330,721	330,721
Balance as at 30 September 2010	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>429,000</u>	<u>331,238</u>	<u>1,825,638</u>
Balance as at 31 December 2010	350,000	680,400	35,000	429,000	199,664	1,694,064
Dividend paid	15	-	-	-	(192,500)	(192,500)
Unappropriated retained earnings transferred to general reserve	15	-	-	7,000	(7,000)	-
Total comprehensive income for the period	-	-	-	-	478,181	478,181
Balance as at 30 September 2011	<u>350,000</u>	<u>680,400</u>	<u>35,000</u>	<u>436,000</u>	<u>478,345</u>	<u>1,979,745</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 nine-month periods ended 30 September 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

Financial Reporting Standard Interpretations:

TFRIC 15 Agreements for the Construction of Real Estate

Accounting Standard Interpretations:

SIC 31 Revenue-Barter Transactions Involving Advertising Services

These accounting standards do not have any significant impact on the financial statements for the current period, except for the following accounting standard.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment using actuarial techniques. The Company and its subsidiaries previously evaluate and make a provision for post employment benefits using the estimate made by the management in accordance with the labour law.

The Company and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period immediately as an expense in profit or loss for the period. The change has the effect of decreasing the profit of the Company and its subsidiaries for the nine-month period ended 30 September 2011 by Baht 0.15 million, or 0.0004 Baht per share (Separate financial statements: increasing profit by Baht 0.09 million, or 0.0003 Baht per share).

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2010, except for the changes in the following accounting policies due to the adoption of revised and new accounting standards.

Employee benefits

Post-employment benefits (Defined contribution plans)

The Company, a subsidiary company and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and the subsidiary company. 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.

Post-employment benefits (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. 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 expense 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 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Purchase of coal	-	-	255,454	257,364
Dividend income	-	-	107,973	249,738
Commission and marketing service income	-	-	30,972	21,073
Service income	-	-	10,354	5,777
Interest income	-	-	861	1,939
<u>Transactions with major shareholder</u>				
Sales of coal	322,899	266,173	322,899	266,173
Interest expenses and other expenses	-	16,717	-	-
<u>Transactions with associated company</u>				
Freight charge	32,462	21,358	32,462	21,358

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Transactions with subsidiaries</u>				
(eliminated from the consolidated financial statements)				
Purchase of coal	-	-	721,733	491,529
Dividend income	-	-	507,249	374,347
<u>Commission and marketing</u>				
service income	-	-	85,771	74,155
Service income	-	-	27,004	21,003
Interest income	-	-	2,963	5,680
<u>Transactions with major shareholder</u>				
Sales of coal	849,073	679,935	849,073	679,935
<u>Interest expenses and</u>				
other expenses	-	22,440	-	-
<u>Transactions with associated company</u>				
Purchase of coal	72,878	98,032	72,878	98,032
Freight charge	38,225	43,706	38,225	43,706
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 and 6% per annum
Freight charge	Price comparable to freight charges paid to third parties
Interest expenses	SIBOR per annum
Other expenses	At the agreed price as stipulated in the agreement

(Unaudited but reviewed)

As at 30 September 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		Separate	
		financial statements		financial statements	
		30 September	31 December	30 September	31 December
		2011	2010	2011	2010
<u>Trade accounts receivable</u>					
<u>- related parties</u>					
Major shareholder					
Siam City Cement Public Co., Ltd.	Major shareholder and common directors	99,493	89,054	99,493	89,054
Subsidiaries					
PT. Singlurus Pratama	Direct holding and common directors	-	-	8,865	13,982
PT. Lanna Harita Indonesia	Direct holding and common directors	-	-	4,714	4,445
Total trade accounts receivable - related parties		<u>99,493</u>	<u>89,054</u>	<u>113,072</u>	<u>107,481</u>
<u>Amounts due from related party</u>					
Subsidiary					
PT. Singlurus Pratama	Direct holding and common directors	-	-	4,433	6,991
Total amounts due from related party		<u>-</u>	<u>-</u>	<u>4,433</u>	<u>6,991</u>
<u>Short-term loan to related party</u>					
Subsidiary					
PT. Lanna Mining Services	Direct holding and common directors	-	-	45,000	-
Total short-term loan to related party		<u>-</u>	<u>-</u>	<u>45,000</u>	<u>-</u>
<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		<u>-</u>	<u>-</u>	<u>-</u>	<u>151,509</u>
<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		<u>-</u>	<u>-</u>	<u>45,636</u>	<u>204,000</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

Relationship	Consolidated		Separate		
	financial statements		financial statements		
	30 September 2011	31 December 2010	30 September 2011	31 December 2010	
<u>Trade accounts payable - related parties</u>					
Subsidiaries					
PT. Lanna Harita Indonesia	Direct holding and common directors	-	-	69,776	48,574
PT. Singlurus Pratama	Direct holding and common directors	-	-	-	16,924
Associated company					
United Bulk Shipping Pte. Ltd.	Direct holding and common directors	17,652	6,287	17,652	6,287
Total trade accounts receivable - related parties					
		<u>17,652</u>	<u>6,287</u>	<u>87,428</u>	<u>71,785</u>
<u>Amounts due to related party</u>					
Subsidiary					
Lanna (Singapore) Pte. Ltd	Direct holding and common directors	-	-	204,288	201,745
Total amounts due to related party					
		<u>-</u>	<u>-</u>	<u>204,288</u>	<u>201,745</u>

During the nine-month period ended 30 September 2011, movements of short-term and long-term loans to related party were as follows:

(Unit: Thousand Baht)

	31 December 2010	Increase (decrease) during the period	30 September 2011
<u>Short-term loan to subsidiary company</u>			
PT. Lanna Mining Services	-	45,000	45,000
<u>Long-term loans to subsidiary company</u>			
PT. Lanna Mining Services	204,000	(158,364)	45,636

The short-term loan granted to PT. Lanna Mining Services is unsecured, with a term not exceeding 3 months and interest rate at 6% per annum.

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

Directors' and management's remuneration

During three-month and nine-month periods ended 30 September 2011, the Company and its subsidiaries had salaries, meeting allowances and other benefits of their directors and management recognised as expenses totaling Baht 37.9 million and Baht 114.1 million, respectively (2010: Baht 25.7 million and Baht 82.9 million, respectively) and the Company only of Baht 9.6 million and Baht 36.9 million, respectively (2010: Baht 9.3 million and Baht 32 million, respectively).

(Unaudited but reviewed)

4. Trade accounts receivable

The balances of trade accounts receivable as at 30 September 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 September 2011	31 December 2010	30 September 2011	31 December 2010
Age of receivables				
<u>Related parties</u>				
Not yet due	99,493	89,054	113,072	101,731
Over due				
1 - 3 months	-	-	-	5,750
Total	99,493	89,054	113,072	107,481
<u>Unrelated parties</u>				
Not yet due	1,047,657	769,350	62,662	94,804
Total	1,047,657	769,350	62,662	94,804
Total trade accounts receivable	1,147,150	858,404	175,734	202,285

The subsidiary company entered into the factoring agreements with 2 local financial institutions for total factoring facilities of Baht 100 million. As at 30 September 2011, the subsidiary sold its trade accounts receivable of Baht 26.74 million at a discount to a financial institution, with full recourse guarantee obligations.

5. Allowance for diminution in inventory value

Movements in the allowance for diminution in inventory value account during the nine-month period ended 30 September 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	947	947
Less: Reversal during the period	(2,062)	-
Balance as at 30 September 2011	12,189	947

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 nine-month periods ended	
		30 September	31 December	30 September	31 December	30 September	31 December	30 September	30 September
		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	-	11,582
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	157,043	-
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	340,389	345,032
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	9,817	17,733
Total						1,068,589	917,080	507,249	374,347

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 2011.

7. Investment in associated company

Company	Nature of business	Paid-up capital		Percentage of shareholding		Consolidated financial statements		Separate financial statements			
		30 September 2011	31 December 2010	30 September 2011 (%)	31 December 2010 (%)	Equity method		Cost method		Dividend received for the nine-month periods ended	
						30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	30 September 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	21,668	17,811	891	891	-	7,834
Total						21,668	17,811	891	891	-	7,834

Share of income from United Bulk Shipping Pte. Ltd. for the three-month and nine-month periods ended 30 September 2011 of approximately Baht 1.76 million and Baht 3.86 million, respectively (2010: Baht 0.58 million and 3.60 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 nine-month period ended 30 September 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 31 December 2010	2,434,237	226,831
Acquisitions during the period - cost	264,984	6,140
Disposals and write-off during the period - net book value on disposal/write-off date	(12,583)	(53)
Depreciation for the period	(72,396)	(13,799)
Translation adjustments	7,764	-
Net book value as at 30 September 2011	<u>2,622,006</u>	<u>219,119</u>

A subsidiary has mortgaged part of its land and construction thereon with net book value as at 30 September 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 September		For the nine-month periods ended 30 September	
	2011	2010	2011	2010
Interest expenses capitalised as costs of machinery and equipment (Thousand Baht)	7,530	4,967	22,208	8,425
Capitalisation rate (percent per annum)	3.32	3.80	3.36	3.80

9. Investment properties

As at 30 September 2011, the Company had investment properties, which mainly are plots of land of Paka mine, with an aggregate net book value of approximately Baht 36.66 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 nine-month period ended 30 September 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	3,914	1,704
Acquisitions during the period - cost	316	170
Amortisation for the period	<u>(887)</u>	<u>(410)</u>
Net book value as at 30 September 2011	<u><u>3,343</u></u>	<u><u>1,464</u></u>

11. Other non-current assets

Other non-current assets consist of the following items, which are shown net of relevant accumulated amortisation.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred expenses - Indonesia				
coal mine project	323,588	336,346	-	-
Deferred overburden removal expenses	21,567	27,275	-	-
Deferred transferred service fees according to contract	95,875	105,282	95,875	105,282
Others	<u>74,844</u>	<u>43,226</u>	<u>4,816</u>	<u>2,425</u>
Total other non-current assets	<u><u>515,874</u></u>	<u><u>512,129</u></u>	<u><u>100,691</u></u>	<u><u>107,707</u></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. Short-term loans from financial institutions

As at 30 September 2011, a subsidiary had short-term loans from financial institutions in the form of promissory notes which are repayable within 3 months. The loans bear interest at the rate of 3.90 - 6.63 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 nine-month period ended 30 September 2011 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	<hr/>	<hr/>
Balance as at 31 December 2010	744,738	-
Add: Additional loan withdrawn during the period	155,262	-
	<hr/>	<hr/>
Balance as at 30 September 2011	900,000	-
Less: Current portion	(180,000)	-
	<hr/>	<hr/>
Long-term loan from financial institution - net	720,000	-
	<hr/>	<hr/>

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 September 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 September 2011 from that bank.

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.

14. Factoring liabilities

As at 30 September 2011, a subsidiary had the factoring liabilities with a financial institution for its trade accounts receivable as discussed in Note 4. The credit is provided at 80 percent of the invoiced value, with interest rate of 6.5 percent per annum.

15. Dividend paid

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

The Company

Dividends	Approved by	Total Dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
2011				
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	
2010				
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 (Thousand US Dollar)	Dividend per share (US Dollar)	Paid on
2011				
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	

In the current period, the Company received dividend income at 65 percent for a total of USD 5.20 million or equivalent to Baht 157.05 million. The Company had been withheld the withholding tax deducted at source of Baht 31.41 million.

(Unaudited but reviewed)

PT. Lanna Harita Indonesia

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>	<u>Paid on</u>
		(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
The third interim dividend for 2011	Board of Directors' meeting on 16 September 2011	6,000	750	21 September 2011
Total		<u>20,400</u>	<u>2,550</u>	
<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	21 May 2010
The first interim dividends for 2010	Board of Directors' meeting on 12 July 2010	4,000	500	27 July 2010
The second interim dividends for 2010	Board of Directors' meeting on 10 September 2010	10,000	1,250	24 September 2010
Total		<u>20,000</u>	<u>2,500</u>	

In the current period, the Company received dividend income at 55 percent for a total of USD 11.22 million or equivalent to Baht 340.39 million. The Company had been withheld the withholding tax deducted at source of Baht 25.53 million (2010: dividend income of USD 11 million or equivalent to Baht 345.03 million and withholding tax of Baht 25.88 million).

PT. Citra Harita Mineral

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>	<u>Paid on</u>
		(Thousand US Dollar)	(US Dollar)	
<u>2011</u>				
Final dividends for 2010	Annual General Meeting of the shareholders on 15 June 2011	600	600	19 August 2011
Total		<u>600</u>	<u>600</u>	

(Unaudited but reviewed)

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

In the current period, the Company received dividend income at 55 percent for a total of USD 0.33 million or equivalent to Baht 9.82 million. The Company had been withheld the withholding tax deducted at source of Baht 1.96 million (2010: dividend income of USD 0.55 million or equivalent to Baht 17.73 million and withholding tax of Baht 3.54 million).

16. 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.

	<u>For the three-month periods ended 30 September</u>			
	<u>Consolidated</u>		<u>Separate</u>	
	<u>financial statements</u>	<u>financial statements</u>	<u>financial statements</u>	<u>financial statements</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Profit for the period (Thousand Baht)	266,567	141,829	105,573	211,745
Weighted average number of ordinary shares (Thousand shares)	350,000	350,000	350,000	350,000
Earnings per share (Baht/share)	0.76	0.41	0.30	0.60

	<u>For the nine-month periods ended 30 September</u>			
	<u>Consolidated</u>		<u>Separate</u>	
	<u>financial statements</u>	<u>financial statements</u>	<u>financial statements</u>	<u>financial statements</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Profit for the period (Thousand Baht)	858,409	537,245	478,181	330,721
Weighted average number of ordinary shares (Thousand shares)	350,000	350,000	350,000	350,000
Earnings per share (Baht/share)	2.45	1.53	1.37	0.94

17. 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 financial statements for the three-month periods ended 30 September									
	Domestic coal business		Oversea coal business		Ethanol business		Inter-segment elimination		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue from external customers	514,608	455,648	2,590,168	1,298,240	328,287	197,424	-	-	3,433,063	1,951,312
Inter-segment revenues	41,326	26,850	255,454	257,364	-	-	(296,780)	(284,214)	-	-
Total revenues	555,934	482,498	2,845,622	1,555,604	328,287	197,424	(296,780)	(284,214)	3,433,063	1,951,312
Operating income (loss)	85,317	62,426	1,253,713	812,896	(1,561)	(4,143)	(39,430)	(18,522)	1,298,039	852,657
Unallocated income (expenses)										
Other income									42,244	50,082
Share of income from investment in associated company									1,764	582
Gain (loss) on exchange									8,719	(23,505)
Selling and distribution expenses									(548,738)	(335,022)
Administrative expenses									(114,949)	(112,675)
Finance cost									(9,136)	(6,576)
Withholding tax deducted at source									(26,328)	(23,151)
Corporate income tax									(203,214)	(133,871)
Non-controlling interests of the subsidiaries									(181,834)	(126,692)
Profit for the period									266,567	141,829

(Unaudited but reviewed)

(Unit: Thousand Baht)

Consolidated financial statements for the nine-month periods ended 30 September

	Domestic coal		Oversea coal		Ethanol business		Inter-segment		Total	
	business		business				elimination			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue from external customers	1,420,609	1,057,109	7,076,725	4,791,319	843,132	586,907	-	-	9,340,466	6,435,335
Inter-segment revenues	112,775	95,158	721,733	491,529	-	-	(834,508)	(586,687)	-	-
Total revenues	1,533,384	1,152,267	7,798,458	5,282,848	843,132	586,907	(834,508)	(586,687)	9,340,466	6,435,335
Operating income (loss)	226,419	181,776	3,705,964	2,621,136	27,462	(15)	(108,964)	(91,640)	3,850,881	2,711,257
Unallocated income (expenses)										
Other income									121,840	103,832
Share of income from investment in associated company									3,857	3,604
Gain (loss) on exchange									7,864	(26,415)
Selling and distribution expenses									(1,466,938)	(1,027,326)
Administrative expenses									(345,367)	(325,261)
Finance cost									(20,921)	(18,574)
Withholding tax deducted at source									(76,729)	(42,562)
Corporate income tax									(630,798)	(444,167)
Non-controlling interests of the subsidiaries									(585,280)	(397,143)
Profit for the period									858,409	537,245

18. Significant contracts and agreements

18.1 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 Samarinda and Kutai, East Kalimantan, Indonesia. The subsidiary has a continuing obligation to pay a fee and compensation under the contract.

18.2 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.

18.3 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.

- 18.4 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.
- 18.5 On 20 May 2009, PT. Singlurus Pratama entered into the marketing and technical assistance service agreements with the Company and a company in Indonesia. Marketing and technical assistance service fees are charged on the basis and at the rates as stipulated in the agreements.
- 18.6 On 25 October 2010, PT. Lanna Harita Indonesia entered into the Agreement for Sale and Purchase of Low Range Coal with a company in Indonesia, whereby the subsidiary is to delivery coal for a period of about 5 years commencing November 2010. The coal prices will be determined according to Indonesian Coal Price Index.
- 18.7 On 23 July 2011 and 17 August 2011, PT. Lanna Harita Indonesia entered into the sale commission agreement with a company in Indonesia. 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.

19. Commitments and contingent liabilities

19.1 Capital commitments

As at 30 September 2011, the subsidiaries had capital commitments of approximately Baht 48.36 million, USD 0.16 million, AUD 0.21 million and Euro 0.60 million, totalling approximately Baht 85.61 million, relating to the construction of the first and the second ethanol production and the acquisitions of machinery and equipment.

19.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of office building space and vehicles. The terms of the agreements are generally between 1 and 5 years. As at 30 September 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	27.35	9.41
1 to 5 years	29.01	22.43

19.3 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 September 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	2.39	1.40
1 to 5 years	4.33	4.33

- 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 3.2 million.
- e) The oversea subsidiary entered into an agreement with a company in respect of external relation consultation. The subsidiary is committed to pay a fee on the basis and at the rate as stipulated in the agreement.
- f) 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 0.99 million, USD 0.05 million and Rupiah 286 million (the Company only: Baht 0.50 million).

19.4 Guarantees

As at 30 September 2011, the Company and its subsidiaries had letters of guarantees of approximately Baht 12.04 million, USD 1.34 million and Rupiah 3,693 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.

20. Litigation

20.1 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, 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 nine-month period ended 30 September 2011.

20.2 In 2009, a subsidiary company in Indonesia was sued by an outside party, claiming for damage of Rupiah 62,000 million or equivalent to approximately Baht 235 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. Later, on 23 February 2010, the plaintiff filed a petition for the case to the Supreme Court. Subsequently, in July 2011, the Supreme Court already ordered dismissal of the case.

20.3 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 186.85 million. The subsidiary is in the process of preparing the testimony to sue back that company. The subsidiary's lawyer has 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.

21. 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 September 2011 are summarised below.

Foreign currency	Financial	Financial	Exchange rate	
	Assets	liabilities	as at 30 September 2011	
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	4.23	2.83	31.0275	31.3072
SG dollar	-	3.66	23.8008	24.2565

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

22. Events after the reporting period

Flood situation

During October and November 2011, there was flooding in Thailand. The location of the Company's coal distribution center was inundated, forcing the Company to temporarily cease its distribution. However, the management expects that the Company will not incur material losses as a result of the damage to assets since the Company has insurance coverage for disaster risk. The Company is in the process of estimating the impact of the floods which will be reported in the fourth quarter of the current year.

Dividend

On 17 October 2011, the meeting of the Company's Board of Directors passed a resolution approving the payment of an interim dividend on the 2011 income of Baht 0.80 per share or a total of Baht 280 million, which will be paid on 16 November 2011. The dividend will be recorded in the fourth quarter of the current year.

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. Currently, the Company is in the process of submitting and obtaining approval from the Securities and Exchange Commission of Thailand.

23. Reclassification

Certain amounts in the statements of financial position as at 31 December 2010 and the income statements for the three-month and nine-month periods ended 30 September 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:

	(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 September 2010</u>				
Selling and distribution				
expenses	335,022	333,968	35,719	34,665
Administrative expenses	112,675	88,023	24,091	15,880
Management benefit expenses	-	25,706	-	9,265

(Unaudited but reviewed)

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As reclassified</u>	<u>As previously reported</u>	<u>As reclassified</u>	<u>As previously reported</u>
<u>Income statements for the nine-month period ended 30 September 2010</u>				
Selling and distribution				
expenses	1,027,326	1,023,998	93,386	90,057
Administrative expenses	325,261	245,649	77,982	49,276
Management benefit expenses	-	82,940	-	32,035

24. Approval of interim financial statements

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