



LANNA RESOURCES PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS



**FOR THE CONSOLIDATED FINANCIAL STATEMENTS
OF THE 3RD QUARTER 2017
AND THE FIRST 9-MONTH PERIOD OF 2017**



LANNA RESOURCES PUBLIC COMPANY LIMITED

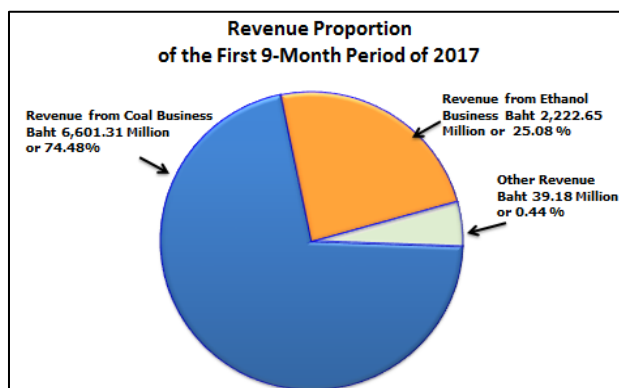
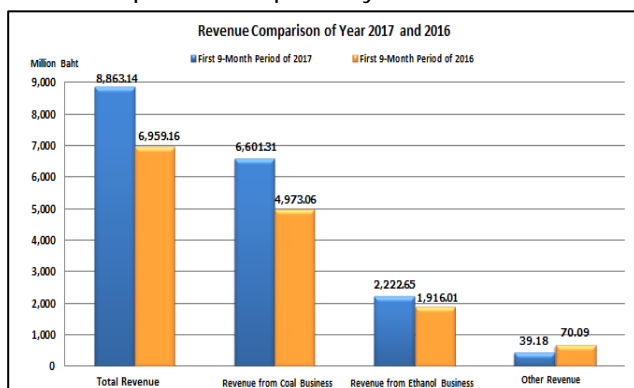
MANAGEMENT DISCUSSION AND ANALYSIS

(For the Consolidated Financial Statements of the 3rd Quarter 2017 and the First 9-month Period of 2017)

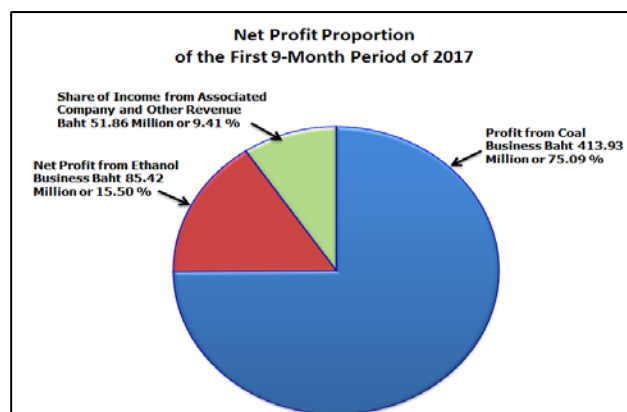
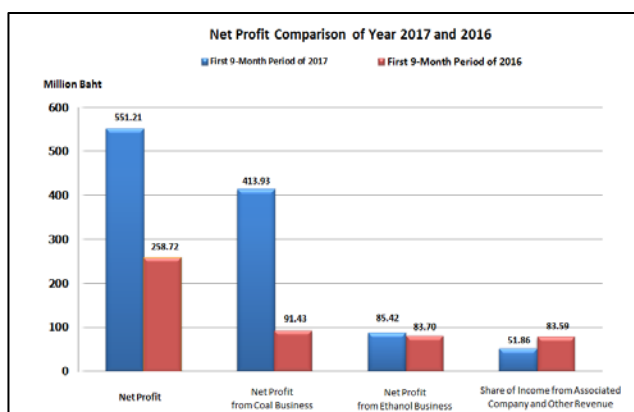
OVERALL OPERATING RESULTS

The overall operating results of the Company and subsidiary companies during the 3rd quarter 2017 and the first 9-month period of 2017 are still growing and considered excellent with the net profit in the first 9-month period of 2017, derived from shareholding proportion, increase by more than one-fold of net profit for the whole year 2016, according to continuous increase in coal prices, which is the Company's core business. Moreover, the ethanol business, a secondary core business, is still profitable. In conclusion, the profitability of the Company and subsidiary companies has improved significantly this year.

The Company and subsidiary companies had total revenue in the 3rd quarter 2017 and the first 9-month period of 2017 of Baht 3,144.70 million and Baht 8,863.14 million, respectively. In comparison with the same period last year, the revenue increased by Baht 1,022.75 million and Baht 1,903.98 million or 48.20 and 27.36 percent, respectively. The revenue proportion from coal business, ethanol business and other revenue in the first 9-month period of 2017 accounted for 74.48, 25.08 and 0.44 percent, respectively.



The Company and subsidiary companies had total net profit during the 3rd quarter 2017 and the first 9-month period of 2017 of Baht 249.59 million and Baht 551.21 million or net earnings per share of Baht 0.48 and 1.05, respectively. In comparison with the same period last year, the net profit increased by Baht 175.36 million and Baht 292.49 million or 236.24 and 113.05 percent, respectively. The net profit proportion from coal business, ethanol business, and share of income from the associated company and other revenue in the first 9-month period of 2017 accounted for 75.09, 15.50 and 9.41 percent, respectively.



The overall financial status and liquidity of the Company and subsidiary companies as at September 30, 2017 were considered excellent. The current ratio is at 2.11 times but the total debt to total assets ratio was only 29.70 percent with debt to equity ratio of only 42.26 percent and cash cycle in the first 9-month period of 2017 was only 28 days, which is considered in good standard, with a decrease of 9 days from the same period last year.

COAL BUSINESS: Global coal prices had been rising since the second half of 2016, resulting in excellent revenue and net profit growth for the Company and subsidiary companies this year. The revenue from the coal business, which is the core business, in the 3rd quarter 2017 totaled Baht 2,450.51 million, which increased from the same period last year by Baht 933.72 million or 61.56 percent, due to the increase in coal sales volume and average coal selling price of 27.74 and 26.47 percent, respectively. In the first 9-month period of 2017, the revenue from the coal business totaled Baht 6,601.31 million, which increased from the same period last year by Baht 1,628.25 or 32.74 percent, due to the increase in coal sales volume and average coal selling price of 1.92 and 30.24 percent, respectively. The net profit derived from shareholding proportion of the Company in the 3rd quarter 2017 and the first 9-month period of 2017 were Baht 208.21 million and Baht 413.93 million, increase from the same period last year of Baht 177.93 million and Baht 322.50 million or 587.62 and 352.73 percent, respectively, which is considered significantly higher profitability this year in line with the increase in global coal prices.

ETHANOL BUSINESS: The total revenue in the 3rd quarter 2017 and the first 9-month period of 2017 from ethanol business, the secondary core business, was Baht 685.89 million and Baht 2,222.65 million, which increased from the same period last year by Baht 100.74 million and Baht 306.64 million or 17.22 and 16.00 percent. This was due to the increase in ethanol sales volume from the same period last year of 3.86 and 3.49 percent and increase in average ethanol selling price from the same period last year of 12.82 and 12.10 percent, respectively, in line with the increase in demand for ethanol. The net profit derived from shareholding proportion of the Company in the 3rd quarter 2017 and the first 9-month period of 2017 was Baht 29.06 million and Baht 85.42 million, which increased from the same period last year by Baht 9.40 million and Baht 1.72 million or 47.81 and 2.05 percent, respectively. The ethanol business also still continues to be profitable.

OPERATING RESULTS ANALYSIS

Revenue (Unit: Million Baht)	Quarter			Increase (Decrease)		First 9-Month Period (Jan.-Sep.)		Increase (Decrease) (%)
	2/2017	3/2017	3/2016	YoY (%)	QoQ (%)	2017	2016	
Revenue from Coal Sales	2,119.97	2,450.51	1,516.79	61.56	15.59	6,601.31	4,973.06	32.74
Revenue from Ethanol Sales	786.90	685.89	585.15	17.22	(12.84)	2,222.65	1,916.01	16.00
Other Revenue	7.57	8.30	20.01	(58.52)	9.64	39.18	70.09	(44.10)
Total Revenue	2,914.44	3,144.70	2,121.95	48.20	7.90	8,863.14	6,959.16	27.36

REVENUE:

(1) The revenue of the Company and subsidiary companies in the 3rd quarter 2017 totaled Baht 3,144.70 million, which increased from the same period last year by Baht 1,022.75 million or 48.20 percent due to the following reasons:

(1.1) Revenue from coal business totaled Baht 2,450.51 million, which increased from the same period last year by Baht 933.72 million or 61.56 percent. This was due to the increase in coal sales volume and average coal selling price as described above.

(1.2) Revenue from ethanol business totaled Baht 685.89 million, which increased from the same period last year by Baht 100.74 million or 17.22 percent. This was due the increase in ethanol sales volume and ethanol selling price as described above; and

(1.3) Other revenue totaled Baht 8.30 million, which decreased from the same period last year by Baht 11.71 million or 58.52 percent due to the decrease in foreign exchange gain and interest received.

(2) The revenue of the Company and subsidiary companies in the first 9-month period of 2017 totaled Baht 8,863.14 million, which increased from the same period last year by Baht 1,903.98 million or 27.36 percent due to the following reasons:

(2.1) Revenue from coal business totaled Baht 6,601.31 million, which increased from the same period last year by Baht 1,628.25 million or 32.74 percent. This was due to the increase in coal sales volume and average coal selling price as described above.

(2.2) Revenue from ethanol business totaled Baht 2,222.65 million, which increased from the same period last year by Baht 306.64 million or 16 percent. This was due the increase in ethanol sales volume and ethanol selling price as described above; and

(2.3) Other revenue totaled Baht 39.18 million, which decreased from the same period last year by Baht 30.91 million or 44.10 percent due to the decrease in foreign exchange gain and interest received.

Expenses (Unit : Million Baht)	Quarter			Increase (Decrease)		First 9-month Period (Jan.-Sep.)		Increase (Decrease) (%)
	2/2017	3/2017	3/2016	YoY (%)	QoQ (%)	2017	2016	
Coal Business								
Cost of Sales	1,265.55	1,347.16	1,055.82	27.59	6.45	3,877.06	3,493.51	10.98
Selling and Administrative Expenses	535.70	593.12	377.73	57.02	10.72	1,610.86	1,238.09	30.11
Financial Expense	8.85	7.41	1.12	561.61	(16.27)	24.31	3.45	604.64
Corporate Income Tax	84.68	163.25	34.60	371.82	70.15	359.93	102.20	252.18
Ethanol Business								
Cost of Sales	720.38	609.99	524.45	16.31	(15.32)	1,978.48	1,664.84	18.84
Selling and Administrative Expenses	15.44	13.18	11.59	13.72	(14.64)	42.37	42.46	(0.21)
Financial Expense	9.29	7.51	8.24	(8.86)	(19.16)	26.36	29.08	(9.35)
Corporate Income Tax	1.80	(2.17)	1.29	(268.22)	(220.56)	6.57	13.36	(50.82)

COAL BUSINESS EXPENSES

(1) Coal business expenses in the 3rd quarter 2017 totaled Baht 2,110.94 million, which increased from the same period last year by Baht 641.67 million or 43.67 percent, due to the following reasons:

(1.1) Cost of coal sales increased from the same period last year by Baht 291.34 million or 27.59 percent, due to the increase in coal sales volume by 27.74 percent but the average cost of coal sales slightly decreased by 0.12 percent.

(1.2) Selling and administrative expenses increased from the same period last year by Baht 215.39 million or 57.02 percent due to the increase in volume and revenue from coal sales.

(1.3) Financial expense increased from the same period last year by Baht 6.29 million or 561.61 percent due to an increase in interest expense according to the lease agreement on coal transport jetty investment of the subsidiary company; and

(1.4) Corporate income tax increased from the same period last year by Baht 128.65 million or 371.82 percent due to the increase in profit.

(2) Coal business expenses in the first 9-month period of 2017 totaled Baht 5,872.16 million, which increased from the same period last year by Baht 1,034.91 million or 21.39 percent, due to the following reasons:

(2.1) Cost of coal sales increased from the same period last year by Baht 383.55 million or 10.98 percent, due to the increase in coal sales volume and the average cost of coal sales increased by 1.92 and 8.88 percent, respectively.

(2.2) Selling and administrative expenses increased from the same period last year by Baht 372.77 million or 30.11 percent due to the increase in volume and revenue from coal sales.

(2.3) Financial expense increased from the same period last year by Baht 20.86 million or 604.64 percent due to an increase in interest expense according to the lease agreement on coal transport jetty investment of the subsidiary company; and

(2.4) Corporate income tax increased from the same period last year by Baht 257.73 million or 252.18 percent due to the increase in profit.

ETHANOL BUSINESS EXPENSES

(1) Ethanol business expenses in the 3rd quarter 2017 totaled Baht 628.51 million, which increased from the same period last year by Baht 82.94 million or 15.20 percent, due to the following reasons:

(1.1) Cost of ethanol sales increased from the same period last year by 85.54 million or 16.31 percent. This was due to the increase in ethanol sales volume and the molasses price, which is a raw material and a major cost, of 3.86 and 25.40 percent, respectively.

(1.2) Selling and administrative expenses increased from the same period last year by Baht 1.59 million or 13.72 percent due to the increase in volume and revenue from ethanol sales.

(1.3) Financial expense decreased from the same period last year by Baht 0.73 million or 8.86 percent due to loan repayment according to terms and repayment schedule in the loan agreement; and

(1.4) There was no corporate income tax on the earnings from the Ethanol Production Line No. 2, having received the Board of Investment Promotion according to the Investment Promotion Act B.E. 2520. However, the Investment Promotion for the Ethanol Production Line No. 1 is subject to corporate income tax, with the operation resulted in net loss in the 3rd quarter of 2017, the incurred corporate income tax therefore decreased from the same period last year by Baht 3.46 million or 268.22 percent.

(2) Ethanol business expenses in the first 9-month period of 2017 totaled Baht 2,053.78 million, which increased from the same period last year by Baht 304.04 million or 17.38 percent, due to the following reasons:

(2.1) Cost of ethanol sales increased from the same period last year by Baht 313.64 million or 18.84 percent. This was due to the increase in ethanol sales volume and the molasses price, which is a raw material and a major cost, of 3.49 and 19.80 percent, respectively.

(2.2) Selling and administrative expenses decreased from the same period last year by Baht 0.09 million or 0.21 percent due to the lower transportation costs.

(2.3) Financial expense decreased from the same period last year by Baht 2.72 million or 9.35 percent due to loan repayment according to terms and repayment schedule in the loan agreement; and

(2.4) There was no corporate income tax on the earnings from the Ethanol Production Line No. 2, having received the Board of Investment Promotion according to the Investment Promotion Act B.E. 2520. However, the Investment Promotion for the Ethanol Production Line No. 1 is subject to corporate income tax of Baht 6.57 million, which decreased from the same period last year by Baht 6.79 million or 50.82 percent.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
3rd Quarter 2017 (July-September)						
Year 2017						
Revenues from Sales	2,450.51	100.00	685.89	100.00	3,136.40	100.00
Less Cost of Sales	1,347.16	54.97	609.99	88.93	1,957.15	62.40
Gross Profit	1,103.35	45.03	75.90	11.07	1,179.25	37.60
Year 2016						
Revenues from Sales	1,516.79	100.00	585.15	100.00	2,101.94	100.00
Less Cost of Sales	1,055.82	69.61	524.45	89.63	1,580.27	75.18
Gross Profit	460.97	30.39	60.70	10.37	521.67	24.82
First 9-month Period (January-September)						
Year 2017						
Revenues from Sales	6,601.31	100.00	2,222.65	100.00	8,823.96	100.00
Less Cost of Sales	3,877.06	58.73	1,978.48	89.01	5,855.54	66.36
Gross Profit	2,724.25	41.27	244.17	10.99	2,968.42	33.64
Year 2016						
Revenues from Sales	4,973.06	100.00	1,916.01	100.00	6,889.07	100.00
Less Cost of Sales	3,493.51	70.25	1,664.84	86.89	5,158.35	74.88
Gross Profit	1,479.55	29.75	251.17	13.11	1,730.72	25.12

GROSS PROFIT

(1) The gross profit of the Company and subsidiary companies in the 3rd quarter 2017 totaled Baht 1,179.25 million, or 37.60 percent of the sales revenue from the increase in sales as compared with the same period last year with gross profit of Baht 521.67 million or 24.82 percent of the sales revenue, due to the following reasons:

(1.1) Gross profit from coal business was 45.03 percent of the sales revenue, which increased in sales as compared with gross profit from the same period last year of 30.39 percent of the sales revenue. This was due to the increase in average coal selling price of 26.47 percent, while the cost of coal sales slightly decreased by 0.12 percent; and

(1.2) Gross profit from ethanol business was 11.07 percent of the sales revenue which increased in sales as compared with gross profit from the same period last year of 10.37 percent of the sales revenue. This was due to the increase in average ethanol selling price of 12.82 percent, while the cost of ethanol sales increased only by 11.99 percent.

(2) The gross profit of the Company and subsidiary companies in the first 9-month period of 2017 totaled Baht 2,968.42 million, or 33.64 percent of the sales revenue from the increase in sales as compared with the same period last year with gross profit of Baht 1,730.72 million or 25.12 percent of the sales revenue, due to the following reasons:

(2.1) Gross profit from coal business was 41.27 percent of the sales revenue, which increased in sales as compared with gross profit from the same period last year of 29.75 percent of the sales revenue. This was due to the increase in average coal selling price of 30.24 percent, while the cost of coal sales increased only by 8.88 percent; and

(2.2) Gross profit from ethanol business was 10.99 percent of the sales revenue which decreased in sales as compared with gross profit from the same period last year of 13.11 percent of the sales revenue. Despite the increase in average ethanol selling price of 12.10 percent, but the cost of ethanol sales increased by 14.85 percent.

Net Profit (Unit : Million Baht)	Quarter			Increase (Decrease)		First 9-month Period (Jan.-Sep.)		Increase (Decrease) (%)
	2/2017	3/2017	3/2016	YoY (%)	QoQ (%)	2017	2016	
Profit from Coal Business	128.45	208.21	30.28	587.62	62.09	413.93	91.43	352.73
Profit form Ethanol Business	20.05	29.06	19.66	47.81	44.94	85.42	83.70	2.05
Other Revenue and Share of Income from Associated Company	12.72	12.32	24.29	(49.28)	(3.14)	51.86	83.59	(37.96)
Net Profit	161.22	249.59	74.23	236.24	54.81	551.21	258.72	113.05
Net Earnings per share (Baht per share)	0.31	0.48	0.14	236.24	54.81	1.05	0.49	113.05
Remark: Registered par value of Baht 1 per share								

NET PROFIT

(1) The net profit of the Company and subsidiary companies in the 3rd quarter 2017 totaled Baht 249.59 million, or net earnings per share of Baht 0.48, which increased from the same period last year by Baht 175.36 million or an increase in net earnings per share of Baht 0.34 or 236.24 percent, due to the following reasons:

(1.1) Net profit from coal business derived from shareholding proportion of the Company was Baht 208.21 million or 83.42 percent of the total net profit, which increased from the same period last year by Baht 177.93 million or 587.62 percent. This was due to the increase in the volume and average coal selling price of 27.74 and 26.47 percent, respectively, as described above.

(1.2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 29.06 million or 11.64 percent of the total net profit, which increased from the same period last year by Baht 9.40 million or 47.81 percent due to the increase in volume and average ethanol selling price by 3.86 and 12.82, respectively, as described above; and

(1.3) Share of income from associated company and other revenue were Baht 12.32 million or 4.94 percent of the total net profit, which decreased from the same period last year by Baht 11.97 million or 49.28 percent due to the decrease in foreign exchange gain and interest received as described above.

(2) The net profit of the Company and subsidiary companies in the first 9-month period of 2017 totaled Baht 551.21 million, or net earnings per share of Baht 1.05, which increased from the same period last year by Baht 292.49 million or an increase in net earnings per share of Baht 0.56 or 113.05 percent, due to the following reasons:

(2.1) Net profit from coal business derived from shareholding proportion of the Company was Baht 413.93 million or 75.09 percent of the total net profit, which increased from the same period last year by Baht 322.50 million or 352.73 percent. This was due to the increase in the volume and average coal selling price of 1.92 and 30.24 percent, respectively, as described above.

(2.2) Net profit from ethanol business derived from shareholding proportion of the Company was Baht 85.42 million or 15.50 percent of the total net profit, which increased from the same period last year by Baht 1.72 million or 2.05 percent due to the increase in volume and average ethanol selling price by 3.49 and 12.10, respectively, as described above; and

(2.3) Share of income from associated company and other revenue were Baht 51.86 million or 9.41 percent of the total net profit, which decreased from the same period last year by Baht 31.73 million or 37.96 percent due to the decrease in foreign exchange gain and interest received as described above.

EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in the first 9-month period of 2017 was Baht 1,911.80 million, which increased from the same period last year by Baht 995.97 million or 108.75 percent and EBITDA margin was at 21.57 percent, which increased from the same period last year by 63.91 percent.

(2) Net profit margin of the Company and subsidiary companies in the first 9-month period of 2017 was at 10.72 percent, which increased from the same period last year by 93.45 percent.

(3) Return on equity of the Company and subsidiary companies in the first 9-month period of 2017 was at 12.93 percent, which increased from the same period last year by 112.33 percent.

(4) Return on total assets of the Company and subsidiary companies in the first 9-month period of 2017 was at 11.07 percent, which increased from the same period last year by 141.23 percent. The return on fixed assets in the first 9-month period of 2017 was at 41.21 percent, which increased from the same period last year by 76.95 percent.

STATEMENT OF FINANCIAL POSITION

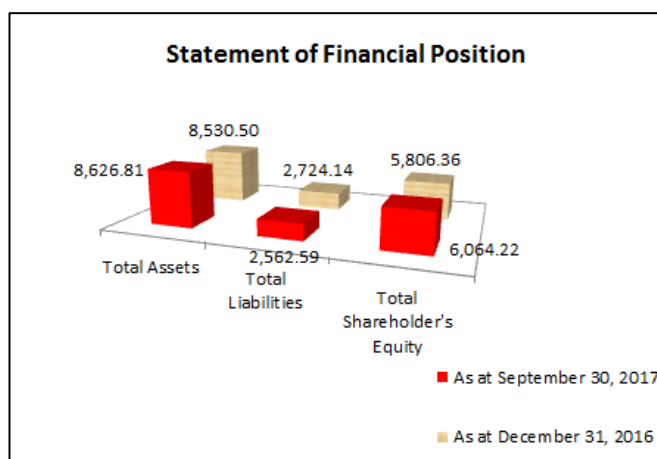
Description	Unit: Million Baht		Increase (Decrease)	
	As at September 30, 2017	As at December 31, 2016	Million Baht	%
Total Assets	8,626.81	8,530.50	96.31	1.13
Total Liabilities	2,562.59	2,724.14	(161.55)	(5.93)
Total Shareholders' Equity	6,064.22	5,806.36	257.86	4.44
Book Value-Baht per Share	8.39	7.84	0.55	7.02

Remark: Registered par value of Baht 1 per share

ASSETS: The total assets of the Company and subsidiary companies as at September 30, 2017 increased from end of year 2016 by Baht 96.31 million or 1.13 percent, due to (1) Current assets increased by Baht 300.47 million or 7.58 percent, consisting of: (A) cash and cash equivalent increased by Baht 869 million or 65.29 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 390.50 million or 63.34 percent; (C) inventories increased by Baht 4.35 million or 0.94 percent; and (D) other current assets most of which were prepaid corporate income tax, prepaid expenses, etc., decreased by Baht 963.38 million or 61.84 percent; and (2) Non-current assets, most of which were properties, buildings and equipment decreased by Baht 204.16 million or 4.47 percent.

LIABILITIES: The total liabilities of the Company and subsidiary companies as at September 30, 2017 decreased from end of year 2016 by Baht 161.55 million or 5.93 percent, due to (1) Trade accounts payable and other accounts payable decreased by Baht 33.28 million or 6.91 percent (2) Loan decreased by Baht 429.20 million or 32.29 percent (3) Accrued expenses, most of which were overburden removal expenses and freight cost, etc., increased by Baht 400.99 million or 133.86 percent; and (4) Other liabilities, most of which were the lease agreement on coal transport jetty investment of the subsidiary company and provision for mine rehabilitation and allowance for long-term benefits of employees, etc., decreased by Baht 100.06 million or 16.30 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company and subsidiary companies as at September 30, 2017 increased from end of year 2016 by Baht 257.86 million or 4.44 percent, resulting in an increase of the share's book value from Baht 7.84 per share to Baht 8.39 per share, an increase of Baht 0.55 per share or 7.02 percent. This was due to: (1) an increase in retained earnings of Baht 398.96 million or 14.67 percent due to an increase in net profit of Baht 551.21 million but the dividend payment was Baht 152.25 million (2) a net decrease in translation adjustment in financial of Baht 110.41 million or 56.92 percent; and (3) a decrease in minority shareholders' equity of Baht 30.69 million or 1.82 percent.



CASH FLOWS

Description	Unit: Million Baht	
	First 9-Month Period of 2017	First 9-Month Period of 2016
Cash Flows from (used in) Operating Activities	2,391.52	1,357.41
Cash Flows from (used in) Investing Activities	(795.18)	(347.09)
Cash Flows from (used in) Financing Activities	(1,066.57)	(873.00)
Increase in Translation Adjustments in Financial Statements	17.39	26.95
Net Increase in Cash	547.16	164.27
Cash at the beginning of the period	698.17	660.15
Cash at the end of the period	1,245.33	824.42

(1) The net cash from operating activities of the Company and subsidiary companies in the first 9-month period of 2017 totaled Baht 2,391.52 million, consisting of: (A) income before corporate income tax and interest expense of Baht 1,316.38 million; (B) transactions that did not affect the cash such as depreciation and amortization of assets, most of which were mostly transactions concerning coal mining operations of the subsidiary companies in Indonesia of Baht 604.55 million; (C) a decrease in operating assets of Baht 412.91 million; (D) an increase in operating liabilities of Baht 132.52 million; and (E) an increase in interest received of Baht 15.43 million but interest expense and taxes increased by Baht 90.27 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in the first 9-month period of 2017 totaled Baht 795.18 million, consisting of: (A) properties, buildings and equipment increased by Baht 205.08 million, most of which were the coal transport jetty construction and wastewater treatment system construction of the subsidiary company; (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 272.66 million; and (C) short-term capital investment and other items increased by Baht 317.44 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in the first 9-month period of 2017 totaled Baht 1,066.57 million, consisting of: (A) a decrease in loan of Baht 431.68 million, (B) dividend payment of Baht 515.07 million, (C) an increase in interest expense under investment lease agreement of Baht 53.27 million and (D) a decrease in minority shareholders' equity of Baht 66.55 million.

ASSET MANAGEMENT CAPABILITY

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at September 30, 2017 were 11.67 percent of total assets. The provisions of doubtful debts are considered based on review of receivable period and assessment of past debt collection experience. Accordingly, there was no provision of doubtful debt in the 3rd quarter of 2017.

(2) Inventory of the Company and subsidiary companies as at September 30, 2017 was 5.39 percent of total assets without deterioration of the products. Therefore, there was no allowance for impairment loss of inventory in the 3rd quarter 2017.

(3) The Company's goodwill incurred from investment in the subsidiary company in Indonesia as at September 30, 2017 was accounted for 2.16 percent of total assets, of which the Company considered financial projection and impact in various aspects and found that it was not yet necessary for establishment of allowance for goodwill impairment from investment in the 3rd quarter 2017.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The Company's total debt to equity ratio as at September 30, 2017 was as low as 0.42:1 with appropriate capital structure. The Company is still able to borrow additional capital for future investment projects as the interest coverage ratio in the first 9-month period of 2017 was as high as 55.43 times. Therefore, the Company should not have any problem concerning with default of interest payment.

(2) The Company's current ratio and quick ratio as at September 30, 2017 were as high as 2.11 times and 1.58 times, respectively. In addition, the Company and its subsidiary companies have adequate credit line for working capital in the future and therefore have no financial liquidity problem.

(3) The Company's cash cycle in the first 9-month period of 2017 was only 28 days, which was considered within good standard and decreased from the same period last year by 9 days. The average debt collection period was at 25 days, which decreased from the same period last year by 2 days. The average inventory turnover was at 21 days, which decreased from the same period last year by 5 days, but the average debt repayment period was at 18 days, increased from the same period last year by 2 days.

DEBT OBLIGATION

The subsidiary company in a business of ethanol production and distribution for fuel purpose has obligation according to the terms and conditions of the loan agreement with a local commercial bank as follows:

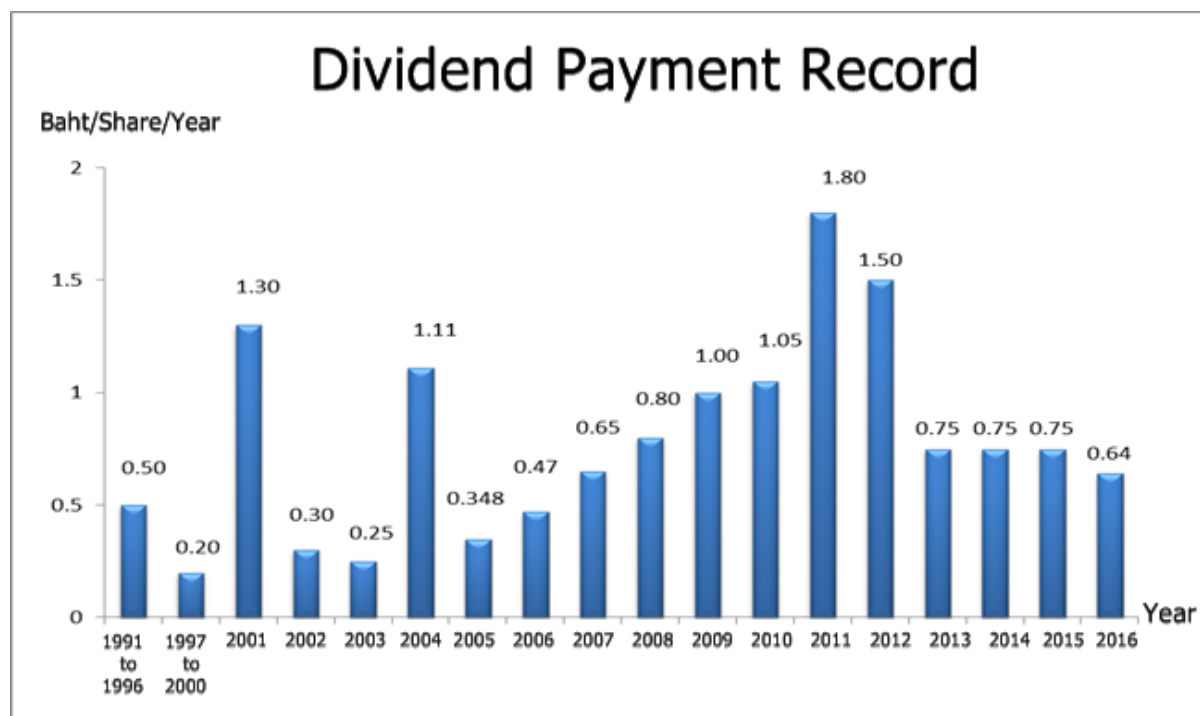
(1) The subsidiary company must maintain its debt to equity ratio (D/E ratio) not exceeding 2 times and debt service coverage ratio (DSCR) of no less than 1.25 times until the expiration of the loan agreement. The subsidiary company is able to maintain the D/E ratio and DSCR as required by the contractual obligation of the loan without any default.

(2) The lending bank has stipulated that the Company must maintain its shareholding proportion in the subsidiary company of no less than 50 percent of the total number of shares during the whole duration of the loan agreement. Accordingly, the Company has no plan to sell or decrease its shareholding proportion in the subsidiary company to below 50 percent of the total number of shares.

(3) The lending bank has stipulated that the subsidiary company cannot pay dividend to its shareholders, including the Company, if the subsidiary company cannot comply with the conditions as stipulated within the loan agreement, such as the maintenance of D/E ratio, DSCR, and shareholding proportion of the Company in the subsidiary company, etc. Accordingly, the subsidiary company has never breached the conditions of loan agreements and has been provided with good financial support from lending banks.

DIVIDEND PAYMENT

The Company's Board of Directors approved the interim dividend payment for the operation results during January to June 2017 at Baht 0.40 per share (from registered par value of Baht 1.00 per share), which was higher than the same period last year on the interim dividend payment for the operation results during January to June 2016 at Baht 0.35 per share. The interim dividend will be paid on November 15, 2017, by which the Company has good dividend payment record every year.



Separate Financial Statements	Unit	Y2011	Y2012	Y2013	Y2014	Y2015	Y2016
Net Profit per Share	Baht	1.97	1.94	0.87	0.76	0.78	0.642
Dividend per Share	Baht	1.80	1.50	0.75	0.75	0.75	0.64
Dividend Payment per Net Profit	%	91.33	77.24	86.02	98.07	97.26	99.63

CGR ASSESSMENT RESULT AND AGM CHECKLIST

- According to the result of the assessment of Corporate Governance ("CGR") Year 2017 from the Thai Institute of Directors Association ("IOD"), Lanna Resources Public Co., Ltd. was placed in the "Very Good" level (▲▲▲▲), having received a score of 88 percent, which is higher than the previous year with the score of 86 percent.

- According to the result of the Annual General Meeting Quality Assessment of the Listed Companies ("AGM CHECKLIST") Year 2017 from the Thai Investors Association, Lanna Resources Public Co., Ltd. received a full 100-score ("Excellent") for the 7th consecutive year.

IMPACT TO FUTURE OPERATIONS

Coal Business: Global coal prices have continued to rise since the end of year 2016. As a result, the net profit during the first 9-month period of 2017 according to the shareholding proportion from the Company's coal business, which is the core business, has increased to more than the net profit for the whole year 2016 or 264.44 percent or almost 3 times higher, due to the increase in coal selling price of over 30 percent. It is expected that the operating results of the coal business during year 2017 will grow much higher than the past year with positive global coal price trend.

Ethanol Business: During the beginning of October 2017, there were heavy rainfalls causing the treated wastewater pond from the ethanol process of the subsidiary company to collapse and leak into the community and agricultural land nearby. Consequently, the Ministry of Industry has ordered a temporary shut down of the ethanol production in order to resolve such problem until it has returned to be in compliance with the standards as stipulated by the authorities, which is expected to be completed and the ethanol production to be resumed within the end of November 2017. Currently, the insurance company is assessing the damages for the purpose of insurance claims under the casualty insurance policy. Initially, compensation for the damages has been partially paid to the local people and it is expected that this event will have certain impact to the performance of ethanol business in the 4th quarter 2017 and the operating results of year 2017 of the ethanol business will be lower than the forecast but should not significantly impact Lanna Resources Public Co., Ltd., having only 51 percent shareholding in the ethanol business. Nonetheless, it is anticipated that the ethanol business in year 2017 will still be profitable but may be lower than the previous year due to such flood incident as described above.

Regardless, the overall operating results of the Company and the subsidiary companies are expected to be significantly more profitable than in the past year 2016 with increasing coal price trend. Nonetheless, the Company shall endeavor to manage and resolve all the problems with prudence and caution to ensure good operating results in year 2017 and proceed with regular dividend payments to shareholders according to the established policy.
