

Ref. No. 0567/22E

May 13, 2024

Subject: Clarification on the Operating Results in the 1st quarter 2024

Attn: President
The Stock Exchange of Thailand

The Company wishes to report on the Company's operating results in the 1st quarter 2024 having details as follows:

Net profit of the Company and subsidiary companies in the 1st quarter 2024 totaled Baht 584.00 million, which decreased from the same period last year by Baht 196.67 million and net earnings per share was Baht 1.11 per share, which decreased from the same period last year by Baht 0.38 per share or 25.19 percent, due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company in the 1st quarter 2024 was Baht 571.57 million, which decreased from the same period last year by Baht 142.72 million or 19.98 percent. This was due to the decrease in average coal selling price from the same period last year of 19.39 percent, but the coal sales volume increased from the same period last year by 7.40 percent.

(2) Net loss from ethanol business and soil conditioner byproduct derived from shareholding proportion of the Company in the 1st quarter 2024 was Baht 2.25 million, which decreased from the same period last year by Baht 30.28 million or 108.03 percent. This was due to the decrease in ethanol sales volume from the same period last year of 20.82 percent, despite the increase in average ethanol selling price from the same period last year of 5.26 percent, but there was a net damage due to a fire incident on cassava chips, a raw material for ethanol production, of Baht 33.29 million; and

(3) Share of income from the associated companies totaled Baht 14.68 million, which decreased from the same period last year by Baht 23.67 million or 61.72 percent due to the decrease in profit of the associated companies.

Details of the changes or impacts that occurred have been described in the Management Discussion and Analysis (MD&A).

Please be informed accordingly.

Yours faithfully,
For and on behalf of
Lanna Resources Public Company Limited

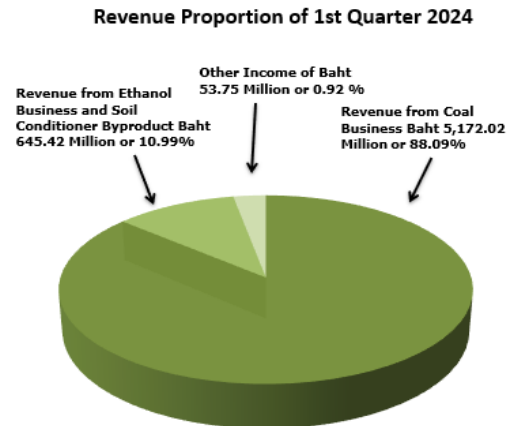
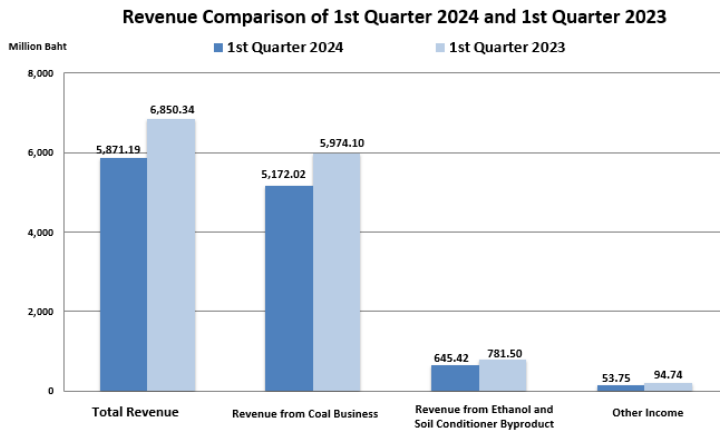
(Mrs. Petcharat Chayanon)
Chief Officer – Accounting and Finance

MANAGEMENT DISCUSSION AND ANALYSIS

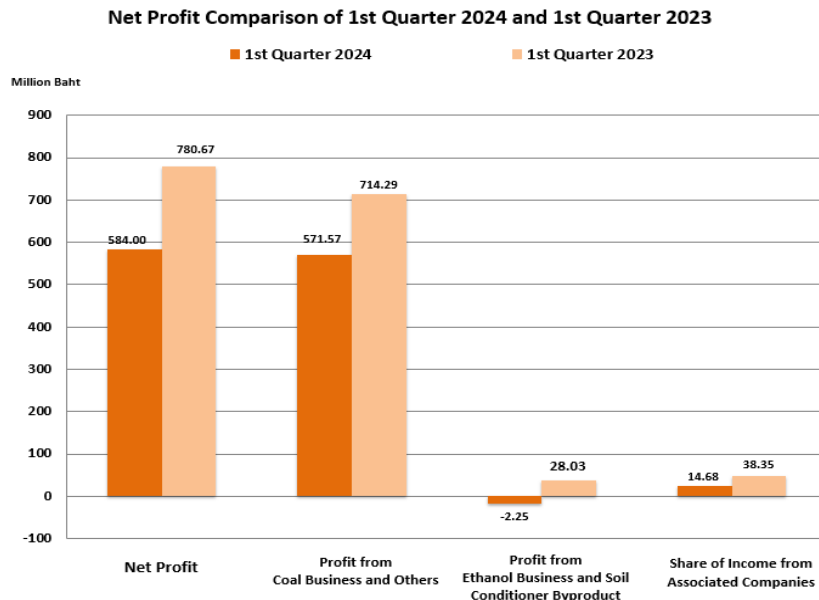
(For the Consolidated Financial Statements of the 1st quarter 2024)

OVERALL OPERATING RESULTS

The total revenue of the Company and subsidiary companies in the 1st quarter 2024 was Baht 5,871.19 million, which decreased from the same period last year by Baht 979.15 million or 14.29 percent. The revenue proportion from coal business, ethanol business and soil conditioner byproduct, and other income accounted for 88.09 percent, 10.99 percent, and 0.92 percent, respectively.



The net profit of the Company and subsidiary companies in the 1st quarter 2024 totaled Baht 584.00 million or Baht 1.11 per share, which decreased from the same period last year by Baht 196.67 million or 25.19 percent. The net profit proportion from coal business and others accounted for 97.87 percent, the net loss proportion from ethanol business and soil conditioner byproduct accounted for 0.39 percent and the share of income proportion from associated companies accounted for 2.52 percent, with the net profit margin of 16.00 percent, the EBITDA margin of 31.45 percent, and the return on equity of 6.87 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at March 31, 2024 were considered excellent. The current ratio was as high as 2.93 times and the quick ratio was as high as 2.26 times and the total debt to total assets ratio was only 28.15 percent, with debt to equity ratio of only 39.17 percent.

Operating Results of the Coal Business or the Core Business: The Company and subsidiary companies had total revenue from coal business in the 1st quarter 2024 of Baht 5,172.02 million, which decreased from the same period last year by Baht 802.08 million or 13.43 percent. This was due to the decrease in average coal selling price in the 1st quarter 2024 from the same period last year of 19.39 percent, but the coal sales volume increased from the same period last year by 7.40 percent. The net profit derived from shareholding proportion of the Company in the 1st quarter 2024 was Baht 571.57 million, which decreased from the same period last year by Baht 142.72 million or 19.98 percent. This was due to a decline in coal prices and a reduction in China's coal imports due to economic slowdown.

Operating Results of the Ethanol-for-Fuel Business and Soil Conditioner Byproduct or the Secondary Core Business: The Company and subsidiary company had total revenue from ethanol business and soil conditioner byproduct in the 1st quarter 2024 of Baht 645.42 million, which decreased from from the same period last year by Baht 136.08 million or 17.41 percent. This was due to the decrease in ethanol sales volume in the 1st quarter 2024 from the same period last year of 20.82 percent, despite the average ethanol selling price in the 1st quarter 2024 increased from the same period last year by 5.26 percent. The net loss profit derived from shareholding proportion of the Company in 1st quarter 2024 was Baht 2.25 million, which decreased from the same period last year by Baht 30.28 million or 108.03 percent. This was due to the decrease in ethanol sales volume and there was incurred damage due to a fire incident on cassava chips, a raw material for ethanol production, of Baht 33.29 million, which is currently under insurance claiming process.

Operating Results Analysis

Revenue	1 st Quarter 2024		1 st Quarter 2023		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Coal Sales	5,172.02	88.09	5,974.10	87.21	(802.08)	(13.43)
Revenue from Ethanol Business and Soil Conditioner Byproduct	645.42	10.99	781.50	11.41	(136.08)	(17.41)
Other Income	53.75	0.92	94.74	1.38	(40.99)	(43.27)
Total Revenue	5,871.19	100.00	6,850.34	100.00	(979.15)	(14.29)

REVENUE

Revenue of the Company and subsidiary companies in the 1st quarter 2024 totaled Baht 5,871.19 million, which decreased from the same period last year by Baht 979.15 million or 14.29 percent due to the following reasons:

(1) Revenue from coal business, which is the core business, was Baht 5,172.02 million, which decreased from the same period last year by Baht 802.08 million or 13.43 percent. This was due to the decrease in average coal selling price as described above.

(2) Revenue from ethanol business and soil conditioner byproduct, which is the secondary core business, was Baht 645.42 million, which decreased from the same period last year by Baht 136.08 million or 17.41 percent. This was due to the decrease in ethanol sales volume as described above; and

(3) Other income totaled Baht 53.75 million, which decreased from the same period last year by Baht 40.99 million or 43.27 percent. This was due to the fact that in the 1st quarter 2023, the subsidiary had income from having received insurance compensation and penalty fee incurred from failure to meet contract terms.

EXPENSES

Expenses	1 st Quarter 2024		1 st Quarter 2023		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Coal Business						
Cost of sales	2,412.41	46.64	2,308.69	38.64	103.72	4.49
Selling and administrative expenses	1,374.42	26.57	1,782.23	29.83	(407.81)	(22.88)
Corporate income tax	514.67	9.95	750.38	12.56	(235.71)	(31.41)
Ethanol Business and Soil Conditioner Byproduct						
Cost of sales	573.39	88.84	682.39	87.32	(109.00)	(15.97)
Selling and administrative expenses	78.02	12.09	41.22	5.27	36.80	89.28
Corporate income tax	(0.89)	(0.14)	13.29	(3.05)	(14.18)	(106.70)

COAL BUSINESS EXPENSES

Coal business expenses of the Company and subsidiary companies in the 1st quarter 2024 totaled Baht 4,301.50 million, which decreased from the same period last year by Baht 539.80 million or 11.15 percent, due to the following reasons:

(1) Cost of coal sales increased from the same period last year by Baht 103.72 million or 4.49 percent, due to the increase in the coal sales volume of 7.40 percent, while the cost of coal sales per metric ton decreased by only 2.71 percent.

(2) Selling and administrative expenses decreased from the same period last year by Baht 407.81 million or 22.88 percent due to the decrease in royalty fee payment to the government in accordance with the decrease in average coal selling price; and

(3) Corporate income tax decreased from the same period last year by Baht 235.71 million or 31.41 percent due to the decrease in profit.

ETHANOL BUSINESS AND SOIL CONDITIONER BYPRODUCT EXPENSES

Ethanol business and soil conditioner byproduct expenses of the Company and subsidiary company in the 1st quarter 2024 totaled Baht 650.52 million, which decreased from the same period last year by Baht 86.38 million or 11.72 percent, due to the following reasons:

(1) Cost of sales decreased from the same period last year by Baht 109.00 million or 15.97 percent due to the decrease in ethanol sales volume of 20.82 percent, and the increase in cost of ethanol sales of 20.82 percent and 6.11 percent.

(2) Selling and administrative expenses increased from the same period last year by Baht 36.80 million or 89.28 percent due to the incurred damage resulting from a fire incident on cassava chips as described above; and

(3) Corporate income tax decreased from the same period last year by Baht 14.18 million due to the decrease in profit.

FINANCIAL INCOME AND FINANCIAL EXPENSE

Description	Unit: Million Baht						Increase (Decrease) (%)	
	1 st Quarter 2024			1 st Quarter 2023				
	Coal Business	Ethanol Business and Soil Conditioner Byproduct	Total	Coal Business	Ethanol Business and Soil Conditioner Byproduct	Total		
Financial income	29.47	0.05	29.52	13.16	0.03	13.19	16.33	123.81
Financial expense	6.56	17.41	23.97	3.66	17.08	20.74	3.23	15.57

(1) The Company and subsidiary companies had financial income in the 1st quarter 2024 of Baht 29.52 million, which increased from the same period last year by Baht 16.33 million, accounted for 123.81 percent. This was due to an increase in interest received; and

(2) The Company and subsidiary companies had financial expense in the 1st quarter 2024 of Baht 23.97 million, which increased from the same period last year by Baht 3.23 million, accounted for 15.57 percent. This was due to an increase in interest rates.

Gross Profit	Coal Business		Ethanol Business and Soil Conditioner Byproduct		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
1st Quarter 2024						
Revenues from sales	5,172.02	100.00	645.42	100.00	5,817.44	100.00
Less Cost of sales	2,412.41	46.64	573.39	88.84	2,985.80	51.32
Gross Profit	2,759.61	53.36	72.03	11.16	2,831.64	46.68
1st Quarter 2023						
Revenues from sales	5,974.10	100.00	781.50	100.00	6,755.60	100.00
Less Cost of sales	2,308.69	38.64	682.39	87.32	2,991.08	44.28
Gross Profit	3,665.41	61.36	99.11	12.68	3,764.52	55.72

GROSS PROFIT

Gross profit of the Company and subsidiary companies in the 1st quarter 2024 totaled Baht 2,831.64 million or 48.68 percent of the sales revenue, which decreased from the 1st quarter 2023 with the gross profit of Baht 3,764.52 million or 55.72 percent of the sales revenue, due to the following reasons:

(1) Gross profit from coal business in the 1st quarter 2024 totaled Baht 2,759.61 million or 53.36 percent of the sales revenue, which decreased from the 1st quarter 2023 with gross profit of Baht 3,665.41 million or 61.36 percent of the sales revenue. This was due to the decrease in average coal selling price of 19.39 percent, but the cost of coal sales decreased by only 2.71 percent; and

(2) Gross profit from ethanol business and soil conditioner byproduct in the 1st quarter 2024 totaled Baht 72.03 million or 11.16 percent of the sales revenue, which increased from the 1st quarter 2023 with gross profit of Baht 99.11 million or 12.68 percent of the sales revenue. This was due to the increase in average ethanol selling price of 5.26 percent, but the cost of ethanol sales increased by over 6.11 percent.

Net Profit	1 st Quarter 2024		1 st Quarter 2023		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business and Others	571.27	97.87	714.29	91.50	(142.72)	(19.98)
Profit (Loss) from Ethanol Business and Soil Conditioner Byproduct	(2.25)	(0.39)	28.03	3.59	(30.28)	(108.03)
Share of Income from Associated Companies	14.68	2.52	38.35	4.91	(23.67)	(61.72)
Net Profit	584.00	100.00	780.67	100.00	(196.67)	(25.19)
Net Earnings per Share (Baht per Share)	1.11		1.49		(0.38)	(25.19)
Remark: Registered par value of Baht 1 per share						

NET PROFIT

The net profit of the Company and subsidiary companies in the 1st quarter 2024 totaled Baht 584.00 million, which decreased from the same period last year by Baht 196.67 million, and net earnings per share was Baht 1.11 per share, which decreased from the same period last year by Baht 0.38 per share or 25.19 percent, due to the following reasons:

(1) Net profit from coal business derived from shareholding proportion of the Company in the 1st quarter 2024 was Baht 571.57 million, which decreased from the same period last year by Baht 142.72 million or 19.98 percent. This was due to the decrease in average coal selling price as described above.

(2) Net loss from ethanol business and soil conditioner byproduct derived from shareholding proportion of the Company in the 1st quarter 2024 was Baht 2.25 million, which decreased from the same period last year by Baht 30.28 million or 108.30 percent. This was due to the decrease in ethanol sales volume and the damaged from fire as described above; and

(3) Share of income from associated companies totaled Baht 14.68 million, which decreased from the same period last year by Baht 23.67 million or 61.72 percent due to the decrease in profit of the associated companies.

EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in the 1st quarter 2024 was Baht 1,846.57 million, which decreased from the same period last year by Baht 673.06 million or 26.71 percent, and EBITDA margin was at 31.45 percent, which decreased from the same period last year by 14.49 percent.

(2) Net profit margin of the Company and subsidiary companies in the 1st quarter 2024 was 16.00 percent, which decreased from the same period last year by 15.88 percent.

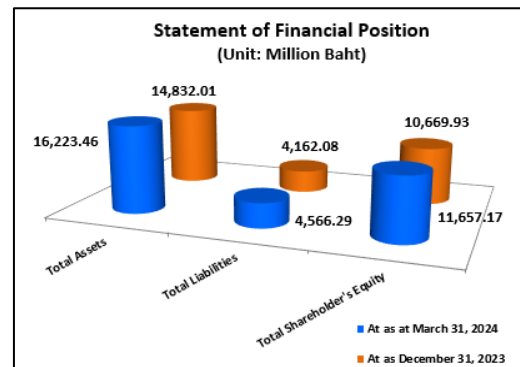
(3) Return on equity of the Company and subsidiary companies in the 1st quarter 2024 was 6.87 percent, which decreased from the same period last year by 31.26 percent.

(4) Return on total assets and the return on fixed assets of the Company and subsidiary companies in the 1st quarter 2024 were 6.05 percent and 32.08 percent, which decreased from the same period last year by 27.24 percent and 23.67 percent.

STATEMENTS OF FINANCIAL POSITION

Description	Unit	As at March 31, 2024	As at December 31, 2023	Increase (Decrease)	%
Total Assets	Million Baht	16,223.46	14,832.01	1,391.45	9.38
Total Liabilities	Million Baht	4,566.29	4,162.08	404.21	9.71
Total Shareholders' Equity	Million Baht	11,657.17	10,669.93	987.24	9.25
Book Value	Baht per Share	16.93	15.44	1.49	9.65
Remark: Registered par value of Baht 1 per share					

ASSETS: The total assets of the Company and subsidiary companies as at March 31, 2024, was Baht 16,223.46 million, which increased from the end of year 2023 by Baht 1,391.45 million or 9.38 percent, due to (1) current assets increased by Baht 1,373.97 million or 15.92 percent, consisting of: (A) cash and cash equivalent increased by Baht 677.04 million or 15.70 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 674.54 million or 31.76 percent; (C) inventories increased by Baht 174.09 million or 30.54 percent; and (D) other current assets most of which were corporate income tax, advance payment for goods, etc., decreased by Baht 151.70 million or 9.33 percent; and (2) non-current assets increased by Baht 17.48 million or 0.28 percent.



LIABILITIES: The total liabilities of the Company and subsidiary companies as at March 31, 2024, was Baht 4,566.29 million, which increased from the end of year 2023 by Baht 404.21 million or 9.71 percent, due to (1) trade accounts payable and other accounts payable increased by Baht 214.35 million or 37.11 percent (2) accrued expenses, most of which were overburden removal expenses and freight cost, etc., increased by Baht 460.50 million or 49.79 percent (3) other liabilities, most of which were deferred tax, provision for mine rehabilitation of the subsidiary companies, and allowance for long-term benefits of employees, etc., increased by Baht 17.01 million or 1.87 percent; and (4) short-term loan and long-term loan of the subsidiary companies decreased by Baht 287.65 million or 16.45 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company and subsidiary companies as at March 31, 2024 was Baht 11,657.17 million, which increased from the end of year 2023 by Baht 987.24 million or 9.25 percent, resulting in an increase of the share's book value from Baht 15.44 per share to Baht 16.93 per share, an increase of Baht 1.49 per share or 9.65 percent. This was due to (1) an increase in retained earnings from net profit in the 1st quarter 2024 of Baht 584.00 million or 8.66 percent (2) a decrease in translation adjustment in financial of Baht 196.15 million or 122.11 percent; and (3) an increase in minority shareholders' equity of Baht 207.09 million or 8.08 percent.

CASH FLOWS

Description	Unit: Million Baht	
	1 st Quarter 2024	1 st Quarter 2023
Cash Flows from (used in) Operating Activities	1,306.29	752.40
Cash Flows from (used in) Investing Activities	(465.47)	(577.08)
Cash Flows from (used in) Financing Activities	(473.90)	(316.11)
Increase (Decrease) in Translation Adjustments in Financial Statements	(10.61)	12.55
Net Increase (Decrease) in Cash	356.31	(128.24)
Cash at the beginning of the period	1,701.75	3,028.67
Cash at the end of the period	2,058.06	2,900.43

(1) The net cash from operating activities of the Company and subsidiary companies in the 1st quarter 2024 totaled Baht 1,306.29 million, consisting of (A) income before corporate income tax and interest expense of Baht 1,453.18 million (B) transactions that did not affect the cash such as depreciation and amortization of assets, most of which were transactions concerning coal mining operations of the subsidiary companies in Indonesia of Baht 443.46 million (C) an increase in operating assets of Baht 695.10 million (D) an increase in operating liabilities of Baht 446.18 million (E) interest received of Baht 23.03 million; and (F) interest expenses and income tax of Baht 364.46 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in the 1st quarter 2024 totaled Baht 465.47 million, consisting of (A) an increase in properties, buildings and equipment, most of which were the construction cost and the expansion of the port and jetty of the subsidiary company in Indonesia, of Baht 78.79 million (B) an increase in expenses of coal mine projects of the subsidiary companies in Indonesia of Baht 165.55 million (C) short-term capital investment and other items increased by Baht 245.46 million (D) loans to related parties decreased by Baht 24.33 million.

(3) The net cash used in financing activities of the Company and subsidiary companies in the 1st quarter 2024 totaled Baht 473.90 million, consisting of (A) a decrease in loan of Baht 325.60 million (B) dividend payment of Baht 271.83 million; and (C) a decrease in minority shareholders' equity of Baht 123.53 million.

ASSET MANAGEMENT CAPABILITY

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at March 31, 2024, were 17.25 percent of total assets.

(2) Inventory of the Company and subsidiary companies as at March 31, 2024, was 4.59 percent of total assets.

(3) The Company's goodwill incurred from investment in the subsidiary company as at March 31, 2024, accounted for 1.15 percent of total assets.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and the quick ratio of the Company and subsidiary companies as at March 31, 2024, were as high as 2.93 times and 2.26 times, respectively. In addition, the Company and subsidiary companies have sufficient credit facilities for future working capital.

(2) The total debt-to-equity ratio of the Company and subsidiary companies as at March 31, 2024, was as low as 0.39:1 with appropriate capital structure. The Company has cash generation and credit facilities sufficient for future investment projects.

(3) The cash cycle of the Company and subsidiary companies in the 1st quarter 2024 was at 41 days, an increase from the same period last year of 4 days. The average debt collection period was at 37 days, an increase from the same period last year of 6 days. The average inventory turnover was at 20 days, a decrease from the same period last year of 6 days, but the average debt repayment period was at 16 days, a decrease from the same period last year of 4 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, which is the lender as follows:

(1) The subsidiary company must maintain its D/E ratio (Debt to Equity Ratio) not exceeding 2.5 times and DSCR (Debt Service Coverage Ratio) of no less than 1.1 times until the expiration of the loan agreement. As at March 31, 2024, 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 (Debt to Equity Ratio), DSCR (Debt Service Coverage Ratio), and shareholding proportion of the Company in the abovementioned 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.

FUTURE TREND

Coal Business: Coal prices in the 2nd quarter 2024 are anticipated to decline with the transition from winter to summer season. However, there may be factors that could support an increase in coal prices in the short term. Additionally, several countries are shifting towards renewable energy sources for electricity generation instead of coal, and the global economic slowdown, particularly in China, has led to a reduction in coal demand. In this regard, the Company and subsidiary companies have given importance to the Environmental, Social, and Governance (“ESG”), and continuously aim for sustainable development on renewable energy by exploring clean energy investment projects to mitigate environmental impacts and greenhouse gas emissions, ensuring sustainable growth of the Company and subsidiary companies in the long term. It is expected that coal business will remain profitable and continue to generate satisfactory operating results in 2024.

Ethanol Business: The ethanol demand in the 2nd quarter 2024 is expected to increase, as the production volume of molasses, the main raw material for ethanol production, increased by approximately 6 percent compared to last year’s season. However, the price of molasses remained 13.22 percent higher than the same period last year. Therefore, the subsidiary company has adjusted its strategy by using cassava as a raw material for ethanol production instead.

Overall Business: The global economic outlook for 2024 is anticipated to decline due to ongoing slowdown in the Chinese economy. Nevertheless, the overall operating results of the Company and subsidiary companies in year 2024 are expected to remain profitable with satisfactory performance.
