



LANNA RESOURCES Public Company Limited

บริษัท ลานนา รีซอร์สเซส จำกัด (มหาชน)

Ref. No. 0565/28E

May 13, 2022

Subject: Clarification on the Operating Results for the 1st Quarter 2022

Attn: President

The Stock Exchange of Thailand

The Company wishes to report on the Company's operating results for the 1st Quarter 2022, having details as follows:

Net profit of the Company and subsidiary companies in the 1st quarter 2022 totaled Baht 615.14 million, which increased from the 1st quarter 2021 by Baht 372.51 million and net earnings per share was Baht 1.17 per share, which increased from the same period last year by Baht 0.71 per share or 153.53 percent, due to the following reasons:

(1) Net profit from coal business and wood pellet business derived from shareholding proportion of the Company in the 1st quarter 2022 was Baht 585.89 million, which increased from the 1st quarter 2021 by Baht 373.78 million or 176.22 percent. This was due to the increase in coal sales volume and average coal selling price from the same period last year of 9.04 and 68.54 percent, respectively.

(2) Net profit from ethanol business derived from shareholding proportion of the Company in the 1st quarter 2022 was Baht 2.58 million, which decreased from the same period last year by Baht 26.46 million or 91.12 percent. This was due to the decrease in average ethanol selling price of 2.76 percent and the increase in molasses price of 7.51 percent, which is a major cost of ethanol production; and

(3) Share of income from associated companies totaled Baht 26.67 million, which increased from the same period last year by Baht 25.19 million or 1,702.03 percent. This was due to the share of income from PT. Pesona Khatulistiwa Nusantara ("PKN") of Baht 24.77 million, which is the associated company that the Company has acquired shares in PKN at 10 percent of the total number of paid-up shares on August 31, 2021.

Details of the changes and impacts are 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

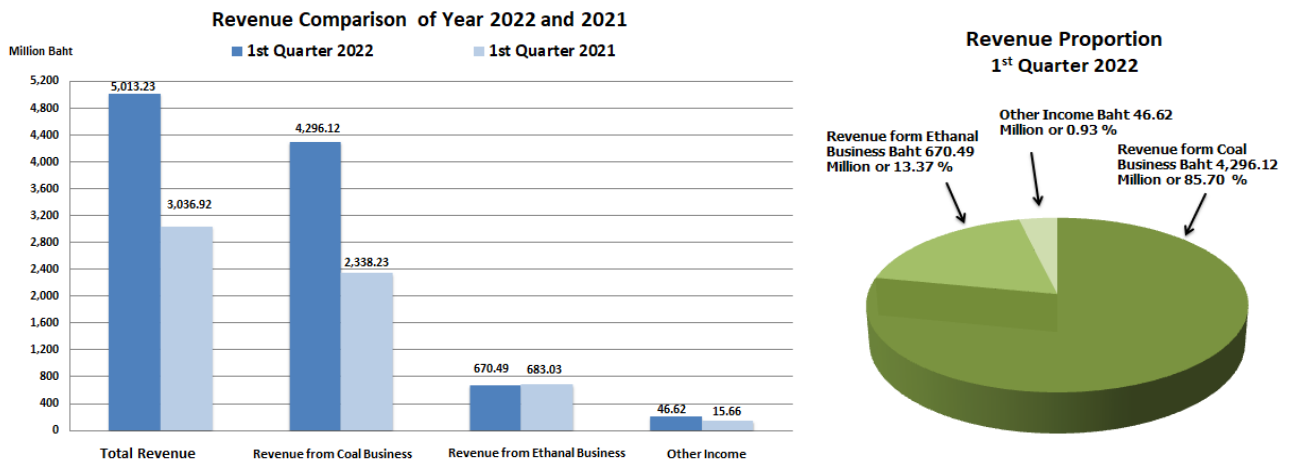
(Mrs. Petcharat Chayanon)
Chief Officer – Accounting and Finance

MANAGEMENT DISCUSSION AND ANALYSIS

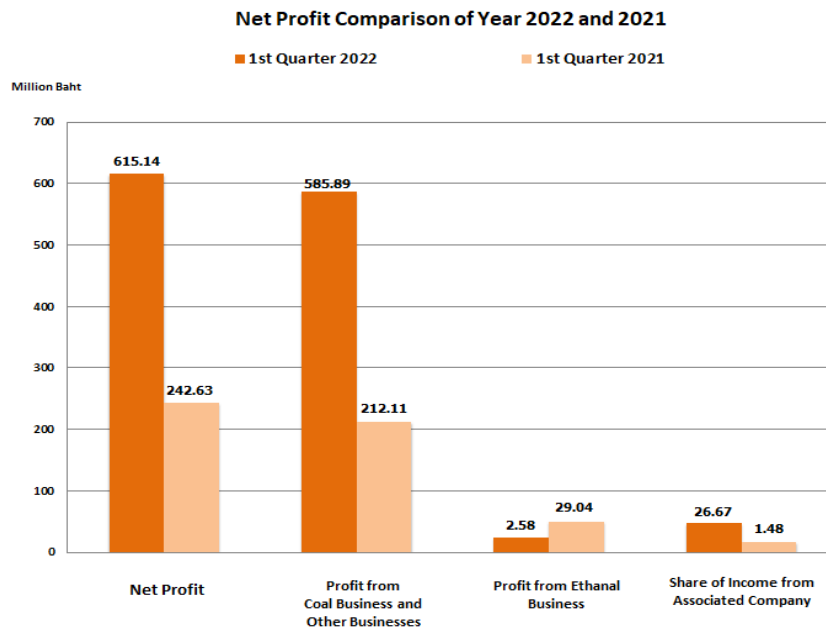
(For the Consolidated Financial Statements of the 1st quarter 2022)

OVERALL OPERATING RESULTS

The total revenue of the Company and subsidiary companies in the 1st quarter 2022 was Baht 5,013.23 million, which increased from the same period last year by Baht 1,976.31 million or 65.08 percent. The revenue proportion from coal business, ethanol business and other income accounted for 85.70 percent, 13.37 percent and 0.93 percent, respectively.



The net profit of the Company and subsidiary companies in the 1st quarter 2022 totaled Baht 615.14 million or Baht 1.17 per share, which increased from the same period last year by Baht 372.51 million or Baht 0.71 per share, accounted for 153.53 percent, having the net profit margin of 20.17 percent, the EBITDA margin of 36.06 percent, and the return on equity of 10.26 percent.



The overall financial position and liquidity of the Company and subsidiary companies as at March 31, 2022 were considered excellent. The current ratio was as high as 1.90 times and the quick ratio was at 1.36 times and the total debt to total assets ratio was only 39.02 percent with debt to equity ratio of only 63.99 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 2022 of Baht 4,296.12 million, which increased from the 1st quarter 2021 by Baht 1,957.89 million or 83.73 percent, due to the increase in coal sales volume and average coal selling price from the same period last year of 9.04 percent and 68.54 percent, respectively. The net profit derived from shareholding proportion of the Company in the 1st quarter 2022 was Baht 585.89 million, which increased from the 1st quarter 2021 by Baht 373.78 million or 176.22 percent. This was due to the fact that the Indonesian Government had announced coal export ban for one month during January 2022 as the anticipation was that coal volume for domestic power generation would not be sufficient in Indonesia. Despite the fact that at the end of January 2022, the Indonesian Government has allowed coal producers to continue coal exports, but the coal producers are still obligated to sell 25 percent of their coal production and sale volume to domestic customers. As a result, all exporters have to reduce their coal exports volume in order to comply with the government policy, causing coal prices to remain at a high level. Moreover, the war between Russia and Ukraine is prompting the price of fuel to skyrocket and also driving demand for renewable energy, resulting in the rising coal prices in the global market in line with the increasing demand for coal.

Operating Results of the Ethanol-for-Fuel Business or the Secondary Core Business: The Company and subsidiary company had total revenue from ethanol business in the 1st quarter 2022 of Baht 670.49 million, which decreased from the 1st quarter 2021 by Baht 12.54 million or 1.84 percent, despite the slight increase in ethanol sales volume from the same period last year of 0.97 percent, but the average ethanol selling price decreased from the 1st quarter 2021 by 2.76 percent. The net profit derived from shareholding proportion of the Company in the 1st quarter 2022 totaled Baht 2.58 million, which decreased from the same period last year by Baht 26.46 million or 91.12 percent, due to the increase in molasses price of 7.51 percent, which is a major cost of ethanol production.

Operating Results Analysis

Revenue	1 st Quarter 2022		1 st Quarter 2021		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Coal Sales	4,296.12	85.70	2,338.23	76.99	1,957.89	83.73
Revenue from Ethanol Sales	670.49	13.37	683.03	22.49	(12.54)	(1.84)
Other Income	46.62	0.93	15.66	0.52	30.96	197.70
Total Revenue	5,013.23	100.00	3,036.92	100.00	1,976.31	65.08

REVENUE:

Revenue of the Company and subsidiary companies in the 1st quarter 2022 totaled Baht 5,013.23 million, which increased from the previous year by Baht 1,976.31 million or 65.08 percent due to the following reasons:

(1) Revenue from coal business, which is the core business, was Baht 4,296.12 million, which increased from the 1st quarter 2021 by Baht 1,957.89 million or 83.73 percent. This was due to the increase in coal sales volume and average coal selling price as described above.

(2) Revenue from ethanol business, which is the secondary core business, was Baht 670.49 million, which decreased from the 1st quarter 2021 by Baht 12.54 million or 1.84 percent. This was due to the decrease in average ethanol selling price as described above; and

(3) Other income totaled Baht 46.62 million, which increased from the same period last year by Baht 30.96 million or 197.70 percent. This was due to the royalty adjustment by the subsidiary companies in Indonesia as the projected coal sales of the past year was higher by Baht 25.63 million, as well as having received compensation in the case of fire incident occurred at the coal processing plant at Ayutthaya Coal Distribution Center of Baht 9.34 million.

Expenses	1 st Quarter 2022		1 st Quarter 2021		Increase (Decrease)	
	Million Baht	% Sales	Million Baht	% Sales	Million Baht	% Sales
Coal Business						
Cost of sales	1,636.60	38.09	1,119.78	47.89	516.82	46.15
Selling and administrative expenses	1,175.75	27.37	659.21	28.19	516.54	78.36
Financial expense	(5.28)	(0.12)	1.03	0.04	(6.31)	(612.62)
Corporate income tax	556.01	12.94	216.38	9.25	339.63	156.96
Ethanol Business						
Cost of sales	633.23	94.44	589.76	86.34	43.47	7.37
Selling and administrative expenses	22.22	3.31	20.83	3.05	1.39	6.67
Financial expense	10.32	1.54	8.88	1.30	1.44	16.22
Corporate income tax	(0.34)	(0.05)	6.62	0.25	(6.96)	(105.14)

COAL BUSINESS EXPENSES

Coal business expenses of the Company and subsidiary companies in the 1st quarter 2022 totaled Baht 3,363.08 million, which increased from the 1st quarter 2021 by Baht 1,366.68 million or 68.46 percent, due to the following reasons:

(1) Cost of coal sales increased from the same period last year by Baht 516.82 million or 46.15 percent, due to the increase in coal sales volume and cost of coal sales per metric ton of 9.04 percent and 34.04 percent, respectively.

(2) Selling and administrative expenses increased from the same period last year by Baht 516.54 million or 78.36 percent due to the increase in coal sales volume, as well as an increase in royalty fee, which varies according to the coal selling price.

(3) Financial expense decreased from the same period last year by Baht 6.31 million or 612.62 percent due to the decrease in interest expense; and

(4) Corporate income tax increased from the same period last year by Baht 339.63 million or 156.96 percent due to the increase in profit.

ETHANOL BUSSINESS EXPENSES

Ethanol business expenses of the subsidiary company in the 1st quarter 2022 totaled Baht 665.43 million, which increased from the 1st quarter 2021 by Baht 39.34 million or 6.28 percent, due to the following reasons:

(1) Cost of ethanol sales increased from the same period last year by Baht 43.47 million or 7.37 percent due to the increase in molasses price, which is a major cost of ethanol production, as described above.

(2) Selling and administrative expenses increased from the same period last year by Baht 1.39 million or 6.67 percent due to the increase in transportation costs in line with the rising price of fuel, as well as rising wages.

(3) Financial expense increased from the same period last year by Baht 1.44 million or 16.22 percent due to the increase in interest expense; and

(4) Corporate income tax decreased from the same period last year by Baht 6.96 million or 105.14 percent due to the decrease in profit.

Gross Profit	Coal Business		Ethanol Business		Total	
	Million Baht	%	Million Baht	%	Million Baht	%
1st Quarter 2022						
Revenue from sales	4,296.12	100.00	670.49	100.00	4,966.61	100.00
Less Cost of sales	1,636.60	38.09	633.23	94.44	2,269.83	45.70
Gross Profit	2,659.52	61.91	37.26	5.56	2,696.78	54.30
1st Quarter 2021						
Revenue from sales	2,338.23	100.00	683.03	100.00	3,021.26	100.00
Less Cost of sales	1,119.78	47.89	589.76	86.34	1,709.54	56.58
Gross Profit	1,218.45	52.11	93.27	13.66	1,311.72	43.42

GROSS PROFIT

Gross profit of the Company and subsidiary companies in the 1st quarter 2022 totaled Baht 2,696.78 million or 54.30 percent of the sales revenue, which increased from the 1st quarter 2021 with the gross profit of Baht 1,311.72 million or 43.42 percent of the sales revenue, due to the following reasons:

(1) Gross profit from coal business in the 1st quarter 2022 totaled Baht 2,659.52 million or 61.91 percent of the sales revenue, which increased from the 1st quarter 2021 with gross profit of Baht 1,218.45 million or 52.11 percent of the sales revenue. This was due to the increase in average coal selling price of 68.54 percent but the average cost of coal sales increased by only 34.04 percent; and

(2) Gross profit from ethanol business in the 1st quarter 2022 totaled Baht 37.26 million or 5.56 percent of the sales revenue, which decreased from the 1st quarter 2021 with gross profit of Baht 93.27 million or 13.66 percent of the sales revenue. This was due to the decrease in average ethanol selling price of 2.76 percent and the cost of ethanol sales increased by 6.35 percent due to the increase in molasses price of 7.51 percent, which is a major cost of ethanol production.

Net Profit	1 st Quarter 2022		1 st Quarter 2021		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Profit from Coal Business	585.89	95.24	212.11	87.42	373.78	176.22
Profit from Ethanol Business	2.58	0.42	29.04	11.97	(26.46)	(91.12)
Share of income from associated company and other revenue	26.67	4.34	1.48	0.61	25.19	1,702.03
Net Profit	615.14	100.00	242.63	100.00	372.51	153.53
Net Earnings per Share (Baht per Share)	1.17		0.46		0.71	153.53
Remark: Registered par value of Baht 1 per share						

NET PROFIT

The net profit of the Company and subsidiary companies in the 1st quarter 2022 totaled Baht 615.14 million, which increased from the 1st quarter 2021 by Baht 372.51 million and net earnings per share was Baht 1.17 per share, which increased from the same period last year by Baht 0.71 per share or 153.53 percent, due to the following reasons:

(1) Net profit from coal business and wood pellet business derived from shareholding proportion of the Company in the 1st quarter 2022 was Baht 585.89 million, which increased from the 1st quarter 2021 by Baht 373.78 million or 176.22 percent. This was due to the increase in coal sales volume and average coal selling price as described above.

(2) Net profit from ethanol business derived from shareholding proportion of the Company in the 1st quarter 2022 was Baht 2.58 million, which decreased from the same period last year by Baht 26.46 million or 91.12 percent due to the increase in molasses price, which is a major cost of ethanol production, as described above; and

(3) Share of income from associated companies totaled Baht 26.67 million, which increased from the same period last year by Baht 25.19 million or 1,702.03 percent due to the share of income from PT. Pesona Khatulistiwa Nusantara ("PKN") of Baht 24.77 million, which is the associated company that the Company has acquired shares in PKN at 10 percent of the total number of paid-up shares on August 31, 2021.

EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company and subsidiary companies in the 1st quarter 2022 was Baht 1,807.84 million, which increased from the same period last year by Baht 960 million or 113.23 percent and EBITDA margin was at 36.06 percent, which increased from the previous year by over 29.17 percent.

(2) Net profit margin of the Company and subsidiary companies in the 1st quarter 2022 was at 20.17 percent, which increased from the same period last year by 47.31 percent.

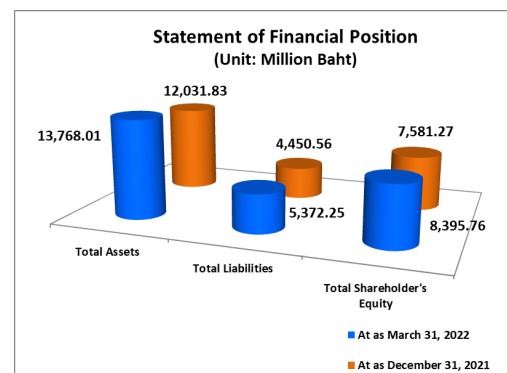
(3) Return on equity of the Company and subsidiary companies in the 1st quarter 2022 was at 10.26 percent, which increased from the same period last year by 92.78 percent.

(4) Return on total assets of the Company and subsidiary companies in the 1st quarter 2022 was at 7.84 percent, which increased from the same period last year by over 82.72 percent. The return on fixed assets in the 1st quarter 2022 was at 29.67 percent, which increased from the same period last year by 108.92 percent.

STATEMENTS OF FINANCIAL POSITION

Description	Unit	As at March 31, 2022	As at December 31, 2021	Increase (Decrease)	%
Total Assets	Million Baht	13,768.01	12,031.83	1,736.18	14.43
Total Liabilities	Million Baht	5,372.25	4,450.56	921.69	20.71
Total Shareholders' Equity	Million Baht	8,395.76	7,581.27	814.49	10.74
Book Value	Baht per Share	12.00	10.83	1.17	10.80
Remark: Registered par value of Baht 1 per share					

ASSETS: The total assets of the Company and subsidiary companies as at March 31, 2021 was Baht 13,768.01 million, which increased from the end of year 2021 by Baht 1,736.18 million or 14.43 percent, due to (1) current assets increased by Baht 1,717.25 million or 27.83 percent, consisting of: (A) cash and cash equivalent increased by Baht 126.61 million or 4.66 percent; (B) trade accounts receivable and other accounts receivable increased by Baht 1,174.65 million or 70.50 percent; (C) inventories increased by Baht 465.87 million or 88.65 percent; and (D) other current assets most of which were prepaid corporate income tax, advance payment for goods, etc., increased by Baht 49.88 million or 3.95 percent; and (2) non-current assets increased by Baht 18.93 million or 0.32 percent.



LIABILITIES: The total liabilities of the Company and subsidiary companies as at March 31, 2022 was Baht 5,372.25 million, which increased from the end of year 2021 by Baht 921.69 million or 20.71 percent, due to (1) trade accounts payable and other accounts payable increased by Baht 207.31 million or 39.13 percent (2) accrued expenses, most of which were overburden removal expenses and freight cost, etc., increased by Baht 320.72 million or 20.06 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 90.49 million or 13.97 percent; and (4) short-term loan and long-term loan of the subsidiary companies increased by Baht 303.17 million or 18.11 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company and subsidiary companies as at March 31, 2022 was Baht 8,395.76 million, which increased from the end of year 2021 by Baht 814.49 million or 10.74 percent, resulting in an increase of the share's book value from Baht 10.83 per share to Baht 12.00 per share, an increase of Baht 1.17 per share or 10.80 percent. This was due to (1) an increase in retained earnings of Baht 615.03 million or 14.09 percent due to the net profit and revised comprehensive income items (2) a decrease in translation adjustment in financial of Baht 3.77 million or 3.27 percent; and (3) an increase in minority shareholders' equity of Baht 203.23 million or 10.73 percent.

CASH FLOWS

Description	Unit: Million Baht	
	1 st Quarter 2022	1 st Quarter 2021
Cash Flows from (used in) Operating Activities	87.78	274.89
Cash Flows from (used in) Investing Activities	(307.22)	(176.72)
Cash Flows from (used in) Financing Activities	292.15	275.83
Increase (Decrease) in Translation Adjustments in Financial Statements	4.02	(2.76)
Net Increase (Decrease) in Cash	76.73	371.24
Cash at the beginning of the period	2,163.72	832.70
Cash at the end of the period	2,240.45	1,203.94

(1) The net cash from operating activities of the Company and subsidiary companies in the 1st quarter 2022 totaled Baht 87.78 million, consisting of (A) income before corporate income tax and interest expense of Baht 1,567.07 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 227.64 million (C) an increase in operating assets of Baht 1,510.13 million (D) an increase in operating liabilities of Baht 123.14 million (E) interest received of Baht 8.31 million; and (F) a net increase in interest expense and taxes of Baht 328.25 million.

(2) The net cash used in investing activities of the Company and subsidiary companies in the 1st quarter 2022 totaled Baht 307.22 million, consisting of (A) properties, buildings and equipment, most of which were wood pellet production plant of the subsidiary company increased by Baht 81.68 million (B) an increase in expenses of coal mine projects of subsidiary companies in Indonesia of Baht 194.78 million; and (C) short-term capital investment and other items increased by Baht 30.76 million; and

(3) The net cash used in financing activities of the Company and subsidiary companies in the 1st quarter 2022 totaled Baht 292.15 million, consisting of (A) an increase in loan of Baht 294.62 million; and (B) a decrease in minority shareholders' equity of Baht 2.47 million.

ASSET MANAGEMENT CAPABILITY

(1) The trade accounts receivable and other accounts receivable of the Company and subsidiary companies as at March 31, 2022 were 20.63 percent of total assets. The subsidiary companies therefore have set aside allowance for doubtful debts of Baht 0.18 million.

(2) Inventory of the Company and subsidiary companies as at March 31, 2022 was 7.20 percent of total assets as there was allowance for impairment loss of inventory of Baht 0.11 million due to deterioration of the products and having higher cost than market price.

(3) The Company's goodwill incurred from investment in the subsidiary company as at March 31, 2022 accounted for 1.35 percent of total assets.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The total debt-to-equity ratio of the Company and subsidiary companies as at March 31, 2022 was as low as 0.64:1 with appropriate capital structure. The Company has cash generation and credit facilities sufficient for future investment projects.

(2) The current ratio and the quick ratio of the Company and subsidiary companies as at March 31, 2022 were as high as 1.90 times and 1.36 times, respectively. In addition, the Company and subsidiary companies have sufficient credit facilities for future working capital.

(3) The cash cycle of the Company and subsidiary companies in the 1st quarter 2022 was 49 days, which increased from the previous year by 19 days. The average debt collection period was at 40 days, which increased from the previous year by 10 day. The average inventory turnover was at 30 days, which increased from the previous year by 8 days but the average debt repayment period was at 21 days, which decreased from the previous year by 1 day.

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. It appears that as at March 31, 2022, the abovementioned subsidiary company is unable to maintain the DSCR as required by the contractual obligation of the loan. Nevertheless, on October 27, 2021, the lending bank has issued a waiver letter regarding such conditions.

(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 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 continue to rise as many countries have started relaxing lockdown restrictions and beginning to open up in order to return to normal economic situation, resulting in an increase in energy demand, as well as the prolonged Russo-Ukrainian war led to a rise in energy prices. Moreover, China still bans Australian coal imports, causing the price of coal to rise. It is expected that the operating results of the Company in 2022 will continue to be profitable. In this regard, the Company places importance on compliance with laws and regulations strictly in order not to affect its operations and coal exports in the future.

Ethanol Business: Molasses price, which is the main raw material for ethanol production, continues to rise due to the proportion of molasses from sugarcane crushing in the 2021/2022 production season decreased by 0.27 percent from heavy rain, causing relatively high humidity for sugarcane, resulting in a decrease in the molasses volume, being the by-product. Similarly, the price of cassava is highly volatile as there are increasing demands both domestically and overseas, as a result, the cassava price continues to rise as well. As for the ethanol demand situation, it is still similar to last year.

Overall Business: The COVID-19 pandemic situation is improving, which should result in a recovery of global economy including Thailand. Therefore, the overall operating results of the Company and subsidiary companies in 2022 are expected to continue to be profitable as the energy business has clearly recovered in line with the overall macroeconomic situation.
