INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABTERRA LTD. AND ITS SUBSIDIARIES

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Abterra Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report and their possible cumulative effect on the financial statements, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(1) Opening Balances

The financial statements for the financial year ended 31 December 2016 were audited by another firm of auditors who expressed a qualified opinion on those financial statements in its report dated 28 April 2017. The basis for that qualified opinion is related to the carrying amount of the deposit, amounting to $41,320,000 as at 31 December 2016, owed by Shenzhen Manfu Industrial Co., Ltd to the Company.

The employee share options issued by the Company expired in the financial year ended 31 December 2013. However, the share option reserve did not reflect this in the financial year ended 31 December 2013 and the balance in the share option reserve was only transferred to accumulated losses in the financial year ended 31 December 2017.

In addition, owing to the absence of certain supporting source documents for transactions of the Group and Company, we were not able to obtain sufficient appropriate evidence to establish whether the opening balances of the Group and the Company has been correctly brought forward to the current period.

Accordingly, we were not able to obtain sufficient appropriate evidence over the account balances as at 31 December 2016 and the transactions and notes to the financial statements of the Group and Company for the year then ended.

Our opinion for the current financial year ended 31 December 2017 is modified because of the possible effect of the opening balances on the comparability of the current year's figures and the prior year figures.

(2) Deposit to Shenzhen Manfu Industrial Co., Ltd

As disclosed in Note 10 to the financial statements, the deposit paid to Shenzhen Manfu Industrial Co., Ltd ("Manfu") had been fully impaired as at 31 December 2017. This deposit is in relation to the proposed acquisition of the 54.42% of equity interest of Zuoquan Xinrui Metallurgy Mine Co., Limited which had since been terminated in the financial year ended 31 December 2013.

An agreement was subsequently entered into by and between the Company and Manfu for Manfu to refund the deposit over five instalments commencing January 2014 with the last instalment scheduled to take place in September 2015. This deposit was also secured over Manfu's interest of 65% in equity shares of General Nice (S.A.) Resources Company Limited ("GNSA") (the "Pledged Shares"), held through Manfu's 100% interest in Full Winner Industrial Co., Ltd ("Full Winner"), which in turn owned 70% in equity interest of General Nice (S.A.) Manganese Pty Ltd ("GNSAM") which indirectly owned a manganese mine located on Farm Buchansvale No. 61 in the Carletonville area of Gauteng, South Africa.

Basis for Disclaimer of Opinion (Cont'd)

(2) Deposit to Shenzhen Manfu Industrial Co., Ltd (Cont'd)

After the repayment of two instalments during the financial year ended 31 December 2014, the Company and Manfu entered into another conditional sales and purchase agreement for a proposed acquisition by the Company of Manfu's 60% equity interest in Smart Harmony Investment Ltd which in turn owned a commercial property located in Beijing, Peoples Republic of China.

The Company had on 8 April 2016, received written notice about the decrease in Full Winner's shareholding in GNSA from 65% to 19.5%, which significantly reduced the value of the Pledged Shares as collateral of the deposit owing from Manfu. In the absence of sufficient appropriate evidence, we are unable to determine if the gross amount of the deposit, amounting to $75,621,000 is appropriately stated.

On 30 June 2017, the Company announced that the above proposed acquisition of Smart Harmony Investment Ltd had lapsed.

Notwithstanding that full impairment has been made on this deposit with Manfu, no fair valuation was carried out on the Pledged shares as at 31 December 2017. In consideration of the above factors we are unable to obtain sufficient appropriate evidence to satisfy ourselves with respect to the recoverable amount determined by management.

(3) Acquisition of Lead China Development Limited and its subsidiaries

On 21 June 2017, the Company entered into a sale and purchase agreement ("SPA") with two individuals ("Vendors") to acquire a 51% equity interest in Tianjin Belong Faith Energy Minerals Co., Ltd ("BLX") through the acquisition of the entire equity interest in Lead China Development Limited ("Lead China"), The purchase consideration of RMB74,205,000 (equivalent to approximately $15,052,000) was wholly satisfied by the allotment and issuance of 48,553,949 consideration shares in the Company at an issue price of $0.31 per consideration share to the Vendors.

At the date of this report, management is unable to finalise and complete the purchase price allocation ("PPA") exercise, including determination of the consideration transferred. This is not in accordance with FRS 103 Business Combinations. In the absence of a detailed PPA exercise being carried out, we were unable to establish the identification and measurement of the fair values of identifiable assets, liabilities and any contingent liabilities and intangible assets, goodwill and post-acquisition results as at the date of acquisition.

(4) Recoverable amount of non-financial assets

As disclosed in Note 4, Note 5 and Note 7 to the financial statements, the carrying amount of cost of investments in subsidiaries, associates of the Company and intangible assets of the Group as at 31 December 2017 amounted to approximately $15,055,000, $Nil and $Nil, respectively. The Group had carried out an impairment assessment on its cost of investments in subsidiaries, associates and intangible assets and determined that each of the subsidiaries and associates is identified as a ("CGU") on its own as each individual entity is capable in generating its own independent cash flows based on its own business activities.

Management has determined the recoverable amounts of the CGUs to which the subsidiaries, associates and intangible assets are allocated to based on value-in-use methodologies. We have not been furnished with the value-in-use computations of the recoverable amounts of the investments in subsidiaries, associates and intangible assets.

Additionally, the Group's investment in associates, namely Tianjin Lanta Development Co., Ltd. (天津蓝塔发展有限公司) and Shanxi Fenxi Ruitai Zhengzhong Coal Limited (山西汾西瑞泰正中煤业有限责任公司) are accounted for using the equity method, with a carrying value of $Nil in the consolidated statement of financial position as at 31 December 2017, and share of results of $Nil is included in the consolidated statement of comprehensive income for the year then ended. This is not consistent with the management accounts of the associates furnished to us which presented positive shareholders' equity as at the reporting date. No reconciliation for the equity accounting of the associates has been provided to us.

Basis for Disclaimer of Opinion (Cont'd)

(4) Recoverable amount of non-financial assets (Cont'd)

In relation to the Group's equity interest in an associate, Shanxi Fenxi Ruitai Zhengzhong Coal Limited ("Fenxi Ruitai"), management was unable to demonstrate whether the Group has significant influence over Fenxi Ruitai, either in the form of board representation or participation in the decision making process of the investee, or other means.

Accordingly, we were unable to obtain sufficient appropriate evidence on:

(i) the recoverable amount of the cost of investments in subsidiaries, associates and intangible assets amounting to approximately $15,055,000 (Note 4), $Nil (Note 5), and $Nil (Note 7) of those CGUs respectively as at 31 December 2017, and the corresponding effects to the statement of comprehensive income for the year then ended; and

(ii) the carrying amount of the Group's investment in associates as at 31 December 2017 and the Group's share of results in associates for the year then ended because we do not have access to the financial information and management of the associates.

(iii) any adjustment required to account for any loss of significant influence in Fenxi Ruitai.

(5) Fair valuation of available-for-sale financial asset and investment property in Australia

The Group and the Company hold a 15%-equity interest in Zuoquan Yongxing Coal Company Limited (左权永兴煤化有限责任公司) ("Yongxing"), a company incorporated in China that was engaged in the coal mining and coking coal processing business. The management had classified the investment as available-for-sale financial asset. The Group carried the investment at cost less accumulated impairment losses of $Nil as at 31 December 2017. The Group also owns land and premises in Australia with a carrying amount of $1,108,000 as at 31 December 2017 which are classified as investment property under the fair value model.

However, no fair valuation was determined for the unquoted equity investment in Yongxing and the investment property in Australia as at 31 December 2017. This is not in accordance with FRS 39 Financial Instruments: Recognition and Measurement and FRS 40 Investment Property, respectively.

Therefore, we were unable to obtain sufficient appropriate evidence on the accuracy of the fair values of the available-for-sale financial asset and investment property, including any fair value changes, if any, during the financial year ended 31 December 2017.

(6) Prospective Change in Functional Currency

FRS 21 The Effects of Changes in Foreign Exchange Rates requires the Company to determine its functional currency and measure its results and financial position in that currency. The functional currency reflects the underlying transactions, events and conditions relevant to the Company. The Company commenced its trading of coal and coke business in FY 2017 where US Dollar is the currency that mainly influences the sales and purchase prices of the goods. This resulted in US Dollar being the functional currency of the Company for FY 2017. However, the Company did not apply the translation procedures applicable to the new functional currency i.e. US Dollar prospectively from the date of the change on its statement of financial performance and financial position. This is inconsistent with the requirements of FRS 21 and constitutes a departure from the accounting standard.

Basis for Disclaimer of Opinion (Cont'd)

(7) Balances with General Nice Resources (HK) Limited

On 7 December 2016, the Company announced that its immediate holding company, General Nice Resources (HK) Limited ("GNR (HK)"), had been placed under liquidation by the High Court of Hong Kong. As the date of this report, the process of liquidation is still ongoing. As at 31 December 2017, management had carried out an impairment assessment on its non-trade balances due from the immediate holding amounting to $7,473,000 (Note 10) and provided for an impairment loss of $7,473,000 which was recognised directly under other operating expenses. The Group also recorded a non-trade payable of $7,492,000 (Note 19) due to its immediate holding company.

As of the reporting date, we have not been furnished with any supporting source documents or a reconciliation between management's records with the confirmation from the immediate holding company's liquidator. Accordingly, we were unable to obtain sufficient appropriate audit evidence about the completeness, validity and accuracy of the non-trade receivables and payable balances as at 31 December 2017, including the impairment loss recognised on the non-trade receivables due from the immediate holding company.

(8) Intercompany reconciliations

Reconciliations between intra-group balances and transactions reflect unreconciled differences between Group entities of $747,000 as at 31 December 2017, of which $183,000 relates to the year ended 31 December 2017. These differences have been recorded as consolidation adjustment to exchange differences under other operating expenses in the consolidated statement of comprehensive income.

We were not provided with detailed reconciliations of balances between the Group companies in order for us to understand the nature of reconciling items, and to agree to supporting documentation. In the absence of sufficient appropriate evidence, we were unable to satisfy ourselves that the adjustments so made are appropriate.

Other matters

Audit Report on the Financial Statements for the Financial Year Ended 31 December 2016

The financial statements for the financial year ended 31 December 2016 were audited by another firm of auditors who expressed a qualified opinion on the financial statements in respect of the appropriateness of the carrying value of the deposit to Shenzhen Manfu Industrial Co., Ltd in its report dated 28 April 2017.

Report made by predecessor auditor to Minister of Finance (of Singapore) ("MOF")

On 19 December 2018, the Company announced that additional information was made available to the Ministry of Finance in a report of offences ("Report") dated 2 April 2018 by its predecessor auditor. The Company and us are not privy to the actual contents of the Report as the Report was not made available to us or the Company. As of the date of this report, there is no further development.

Other matters (Cont'd)

Placement on the Watch-list

On 4 June 2018, the Company announced that the Singapore Exchange Securities Trading Limited (the "SGX-ST") has notified the Company that pursuant to Rule 1311, it will be placed on the Watch-list due to the Financial Entry Criteria ("FEC") and Minimum Trading Price ("MTP") Entry Criteria with effect from 5 June 2018. The Company must take active steps to meet the requirements under Rule 1314 of the Listing Manual of the SGX-ST (the "Listing Manual") for its removal from Watch-List within 36 months from 5 June 2018, failing which, SGX-ST may either remove the Company from the official list of the SGX-ST (the Official List"), or suspend trading of the Company with a view to remove the Company from the Official List.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's abilities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the matters referred to in the Basis for Disclaimer of Opinion section of our report, the accounting and other records required by the Act to be kept by the Company have not been properly kept in accordance with the provisions of the Act.

In our opinion, the accounting and other records required by the Act to be kept by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chin Sin Beng.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 6 December 2019