ABTERRA LTD.
(Registration No. 199903007C)

RESPONSE TO SGX QUERIES ON (i) ANNOUNCEMENTS MADE ON 21 APRIL 2016 AND 27 APRIL 2016 IN RESPECT OF QUALIFIED OPINION BY AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 AND (ii) ANNOUNCEMENTS MADE ON 31 DECEMBER 2013, 2 MARCH 2014 AND 9 MAY 2014 IN RESPECT OF THE TERMINATION OF SALE AND PURCHASE AGREEMENT RELATING TO THE PROPOSED ACQUISITION OF 54.42% OF THE EQUITY INTEREST IN ZUOQUAN XINRUI METALLURGY MINE CO., LTD

The Board of Directors (the "**Board**") of Abterra Ltd. (the "**Company**") wishes to make the following clarification in response to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 26 April 2016:-

Query no. (a)

It is stated in the Company's response to query no. 1:-

i. "*On a cash flow basis, the Company will be able to pay its debts as they become due…*".

Please provide the bases for the Board of Director's assessment, taking into consideration that the Company reported net cash used in operating activities of S$640,000 for the quarter ended 31 March 2016.

ii. "*Further, the parent company has given an undertaking to bear the debts of the Company…*".

Please identify the parent company;

Please elaborate on the undertaking given by the parent company, including (a) whether the undertaking is a letter of financial support or otherwise; (b) the amount of debt the parent company has undertaken to bear; and (c) the conditions to the undertaking (if any); and

Please explain whether and how the Board of Directors are satisfied that the parent company would have sufficient financial resources to settle the Group's debts as and when they fall due.

Our Response:

As mentioned in the annual report for the financial year ended 31 December 2015, the Group's and the Company's financial statements have been prepared on a going concern basis as the management is of the view that the Group and Company would be able to generate sufficient cash flows from the proceeds of their disposal of the investment property, as and when deemed necessary, to meet their liabilities as and when they fall due. The disposal of the mentioned investment property is currently in progress and it was also announced on 4 May 2016.

The parent company refers to General Nice Resources (Hong Kong) Limited. The undertaking is an unconditional letter of financial support and no amount was specified. The Company believes that by obtaining cash from the abovementioned sale of properties, there is no need for the undertaking to be exercised.

The Board of Directors is satisfied that the parent company would have sufficient financial resources as the parent company have been providing operating fund transfers to the Company in the past whenever funding was required. During the quarter ended 31 March 2016, the parent company had transferred $190,000 cash to the Company for its operations. In addition, the ultimate going concern of the Company is dependent on its realisation of the investment property which is currently in progress.

Query no. (b)

It is stated in the Company's response to query no. 2:-

i. "*The Board has sought appropriate independent professional advice from an independent third party valuation firm, Asset Appraisal Limited, in determining the impairment loss…*".

Please disclose (a) when the appraisal was conducted; and (b) was there an independent valuation performed for the financial year ended 31 December 2015 ("**FY2015**"). If no independent valuation was performed for FY2015, please provide an explanation.

Did the Board of Directors assess if further impairment was required (aside from the impairment loss of S$37,017,000 in FY2014 which was determined after taking into consideration the valuation of the 45.5% effective share of the security)? This is in view that the Company had on 8 April 2016, received written notice that Full Winner's shareholding in General Nice (S.A.) Resources Company Limited had decreased from 65% to 19.5%?

ii. "*As disclosed in Note 19 of our FY2014 annual report, the deposit is secured by Manfu's effective interest of 45.5% in equity shares in a company which indirectly owns a manganese mine located on Farm Buchansvale No. 61 in the Carletonville area of Gauteng, South Africa. The fair value of the security which is determined based on the valuation report performed by Asset Appraisal Limited as at 31 December 2014 was $94,410,989 (RMB436,400,000). The 45.5% effective share of the security is only $42,957,000, which is below the outstanding balance of $79,598,000 due from Manfu. Thus, the shortfall of $36,541,00 was provided as doubtful debts in FY2014. As the balances are denominated in Chinese Renminbi, there are certain foreign currency translation differences between the*

announced/disclosed Singapore Dollar figures for 31 December 2015 of S$37,017,000 and 31 December 2014 of S$36,541,000." (emphasis added).

(1) From the Company's SGXNet announcement of 31 December 2013 ("**SGXNet announcement of 31 December 2013**"):-

"(*b) Manfu shall irrevocably and unconditionally guarantee the repayment of the Refund Payment by Full Winner to the Company. As security for the fulfilment of Full Winner's obligations under the Deed, Full Winner shall procure that Distant Star Trading 544 (Pty) Ltd ("**Distant Star**") grant a first ranking mortgage and/or security interest in the exploration rights of a manganese mine owned by Distant Star and located in Gauteng, South Africa (the "**Mine**") within thirty (30) days of the date of the Deed. Full Winner shall also procure that Distant Star grant a first ranking mortgage and/or security interest in the mining rights to the Mine, once such mining rights are granted, within thirty (30) days of the date of grant…*".

(2) From the Company's SGXNet announcement of 2 March 2014 ("**SGXNet announcement of 2 March 2014**"):-

"*Pursuant to the announcement dated 31 December 2013 ("**Earlier Announcement**"), the Company announced that Distant Star is effectively owned by Full Winner (65%), Crosscon (20%), and Wide Treasure (15%). The Company wishes to clarify that the effective interest of Full Winner in Distant Star is 45.5% and not 65% as stated in the Earlier Announcement….*".

(3) From the Company's SGXNet announcement of 9 May 2014 ("**SGXNet announcement of 9 May 2014**"):-

"…The Board wishes to announce that in view of the restrictions and difficulties under the laws of the Republic of South Africa in respect of obtaining a direct first ranking mortgage and/or security interest in the exploration rights of the Mine ("**Initial Security**"), as advised by the Company's South African legal counsel, Manful, Kaitemei, the Company, Full Winner and Full Winner Industrial Co., Limited (the '**Guarantor**") have on 9 May 2014, entered into a settlement and supplemental deed to amend the terms of the Deed ("**Supplemental Deed**")…Due to the restrictions and difficulties under the laws of the Republic of South Africa in respect of obtaining the Initial Security, the Guarantor has, pursuant to the terms of the Supplemental Deed, agreed to, *inter alia,* provide a first-ranking mortgage and/or security interest (the "**Replacement Security**") over its 65% shareholding interest in General Nice (S.A.) Resources Company Limited ("**GNSA**"), as replacement security for the purposes of guaranteeing Full Winner's payment and discharge obligations in respect of the outstanding Refund Payment. The Guarantor and the Company have, contemporaneously with the execution of the Supplemental Deed, entered into a Deed of Share Charge as the Replacement Security (the "**Share Charge**")…". (emphasis added).

(4) From the independent auditors' report in the Company's SGXNet announcement of 21 April 2016 ("**SGXNet announcement of 21 April 2016**"):-

"*An agreement was subsequently entered into by and between the Company and Manfu for Manfu to refund the deposit over five instalments commencing January 2015 with the latest instalment scheduled to take place in September 2015. This*

> *deposit is also secured over Manfu's interest of 65% in equity shares of General Nice (S.A.) Resources Company Limited ("**GNSA**")(held through Manfu's 100% interest in Full Winner Industrial Co., Ltd ("**Full Winner**")), which in turn owns 70% in equity interest in of General Nice (S.A.) Manganese Pty Ltd ("**GNSAM**") which indirectly owns a manganese mine located on Farm Buchansvale No. 61 in the Carletonville of Gauteng, South Africa (the "**Pledged Shares**")…*" (emphasis added).

In view of the above, please clarify the following:-

Please clarify whether the manganese mine mentioned in the SGXNet announcement of 31 December 2013 is the same as that mentioned in:-
(i) SGXNet announcement of 21 April 2016; and
(ii) the Company's response to query no. 2 in the SGXNet announcement of 27 April 2016.

If yes, please elaborate on the difference between having the Initial Security (mentioned in the SGXNet announcement of 31 December 2013); versus the subsequent Replacement Security (as mentioned in the SGXNet announcement of 9 May 2014)? Since, it appears that the Replacement Security would also own the same manganese mine via the 70% equity interest in of General Nice (S.A.) Manganese Pty Ltd ("**GNSAM**") which indirectly owns a manganese mine located no Farm Buchansvale No. 61 in the Carletonville are of Gauteng, South Africa?

We note that the SGXNet announcement of 21 April 2016 states, "*which in turn owns 70% in equity interest in of General Nice (S.A.) Manganese Pty Ltd ("**GNSAM**") which indirectly owns a manganese mine located on Farm Buchansvale No. 61 in the Carletonville are of Gauteng, South Africa (the "**Pledged Shares**")…*".

We also note the Company's response to query no. 2 in the SGXNet announcement of 27 April 2016, "…*The 45.5% effective share of the security* …".

Taking into consideration the above, please clarify with supporting calculations, Manfu's effective interest in the equity shares in the company that owns the manganese mine located on Farm Buchansvale No. 61 in the Carletonville of Gauteng, South Africa.

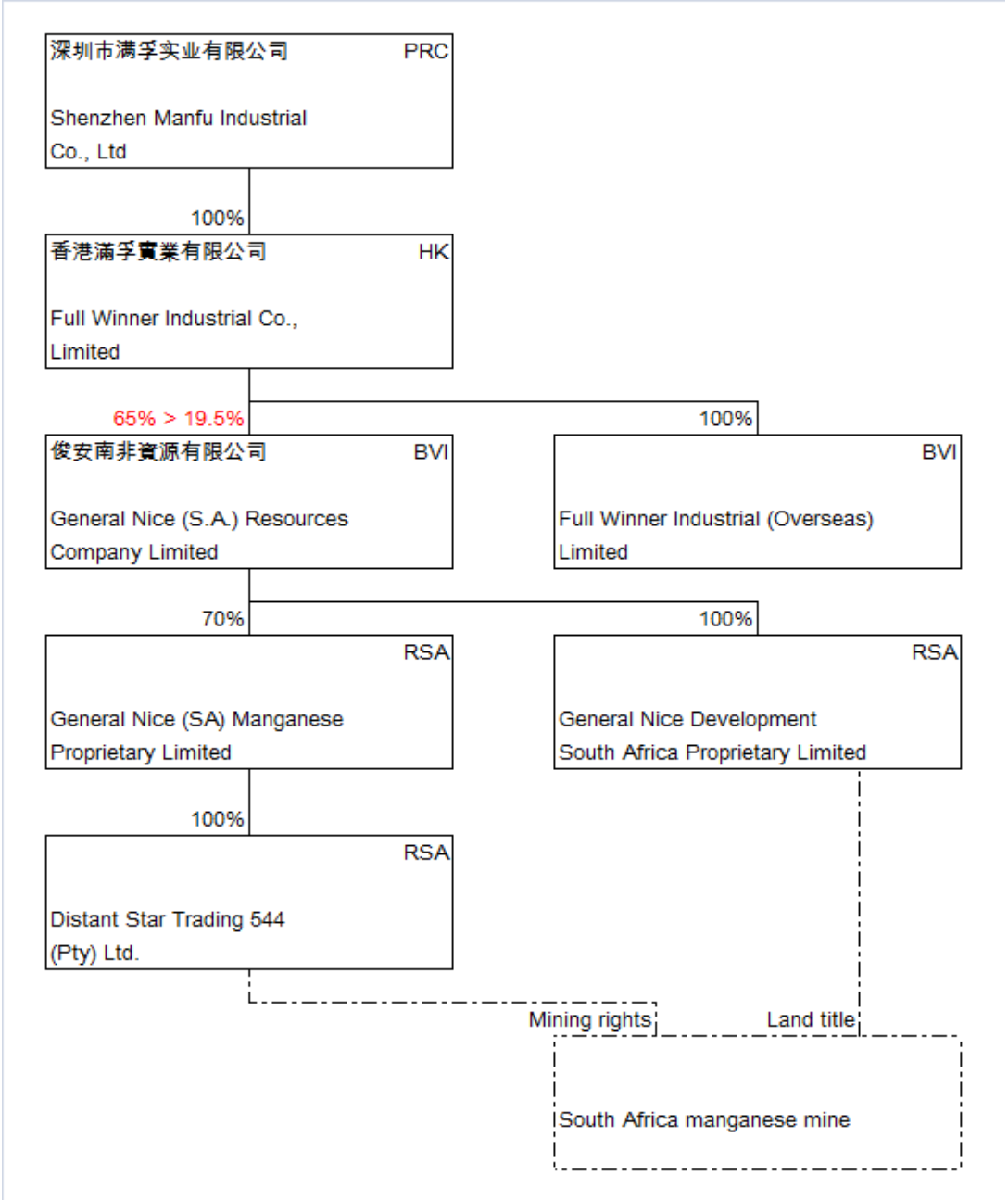
Please provide a diagrammatic illustration of the relationship between (i) Manfu; (ii) Full Winner; (iii) General Nice (S.A.) Manganese Pty Ltd; (iv) General Nice (S.A.) Resources Company Limited; (v) Distant Star; and (vi) the manganese mine at:-
(i) the point of entering into the Replacement Security; and
(ii) the latest practicable date.

Our Response:

The appraisal was conducted and completed by 31 March 2015 to facilitate the 2014 annual audit. No independent valuation was performed for FY2015 because on 8 April 2016 it was known that Shenzhen Manfu Industrial Co., Ltd. no longer had significant influence over the mine and it cannot be served as security. Please refer to the announcement by the Company on 8 April 2016 in relation to the change of shareholding in share charge. Before receiving the written notice, the Company had been trying to arrange for the valuation.

As mentioned in the annual report for the financial year ended 31 December 2015, the Company has on 8 April 2016; received written notice of Full Winner's shareholding in GNSA had decreased from 65% to 19.5%. Accordingly, as of 31 December 2015, the Pledged Shares could no longer serve as security for the deposit. Consequently, the only security left, if the proposed acquisition of 60% shareholding in Smart Harmony Investment Limited were to take place, is the commercial property. In the absence of further information, the management is unable to ascertain the appropriateness of the carrying value of the deposit.

The manganese mine mentioned in all announcements is referring to the same. Full Winner originally owned 65% interest in GNSA, while GNSA owns 70% interest in GNSAM. The effective interest in GNSAM owned by Full Winner was hence 45.5%. This was clarified in the SGXNet announcement of 2 March 2014. There was no difference from 31 December 2013 to 8 April 2016. The diagrammatic illustration during such period is as follows:



BY ORDER OF THE BOARD

Lau Yu
Director and Chief Executive Officer
30 May 2016