



ABTERRA LTD.

(Registration No. 199903007C)

RESPONSE TO SGX QUERY ON THE UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

The Board wishes to make the following clarification with regard to the SGX query:

We note that the Intangibles of the Group consist of goodwill of approximately S\$29.5m arising from the acquisition of 61.25% shareholding in Sunny Energy Group on 29 May 2009. We further note that Sunny Energy Group incurred a net loss of S\$427,000 for the financial period from 1 January 2009 to 30 September 2009 and its contribution to the Group's income statement amounted to a loss of approximately S\$148,000. In this regard:-

- (i) Please disclose the reasons for the loss incurred by Sunny Energy Group; and

The key asset of Sunny Energy Group is the Jiao Zhong coal mine in Shanxi Province, the People's Republic of China, which produces high quality semi-hard coking coal.

The Shanxi government announced in late 2008 the reorganisation plan to consolidate smaller mining companies in the province to address safety concerns and to improve production efficiency. Mines are told to halt production pending the completion of restructuring campaign. As such, Jiao Zhong has no production since the second quarter of 2009. Progress of the industry reorganisation is on track, with the first batch of 19 consolidated coal mines being awarded their licences in October 2009 to resume production. The management of Abterra expects the restructuring campaign to be completed by December 2009. Sunny Energy Group should start to make contributions to Abterra from early 2010. Abterra would keep the market updated of further development.

The loss incurred by Sunny Energy Group for the period from 29 May 2009 (date of acquisition) to 30 September 2009 is the direct consequence of the temporary production halt of Jiao Zhong coal mine during this reorganisation period. Even though no revenue was earned, minimal amount of operating expenses such as salaries and wages, office rentals, and utilities were incurred.

- (ii) To disclose whether there will be any impact on the goodwill recognised in the Balance Sheet arising from the loss incurred by Sunny Energy Group.

The acquisition of the Sunny Energy Group was completed on 29 May 2009. The management is still in the process of ascertaining the purchase price allocation of the acquisition ("PPA Valuation") with the assistance of an independent professional valuer. The goodwill would be assessed and finalised within 12 months from the date of acquisition, and such time frame is allowable under Singapore Financial Reporting Standards 103. As at 30 September 2009, the goodwill of S\$29.5m arising from the acquisition on the Balance Sheet is a provisional amount.

As said in note (i) above, the loss incurred by Sunny Energy Group is temporary and Sunny Energy Group should contribute to Abterra's results from early 2010. At the moment, as there is no objective evidence for any long-lasting impairment of the provisional amount of goodwill, no provision for impairment has been made on the goodwill in the Balance Sheet.

BY ORDER OF THE BOARD

LAU YU

Chief Executive Officer

Dated: 13 November 2009