



ABTERRA LTD.

(Registration No. 199903007C)

**RESPONSE TO SGX QUERY ON THE UNAUDITED FINANCIAL STATEMENTS AND
DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

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

a) We note that the Group's turnover for 1QFY10 decreased by 78% mainly due to a 91% decrease in the trading of coke and coal. Please disclose the factors which caused a decline in coke and coal trading.

The main reason for the decline in sales was the reduced customer demand during that period for each type of minerals the Group trades in. In addition, 1QFY10 was a period of transition where the Group negotiated a significant number of contracts that materialized and will be recognized in 2QFY10.

b) We note that Other Operating Income for 1QFY10 increased by 33% to S\$4.3m due mainly to a trade receivables impairment write-back of S\$3.4m. Please disclose reasons for the write-back of S\$3.4m.

Trade receivables of the Group amounted to S\$64.5 million as at 31 March 2010 due mainly to a trade receivable impairment write-back of S\$3.4 million. In particular, a major trade receivable was restructured and set-off partially against the Company's purchase consideration for Zuoquan Xinrui Metallurgy Mine Co. Ltd ("Xinrui") (when the trade debtor became a subsidiary of the vendor of Xinrui), and an amount of S\$3.4 million due from the trade debtor was accordingly written back.

c) Despite a sharp decrease in turnover in 1QFY10, we note that trade receivables (current) balance as at 31 March 2010 remained almost constant as compared to the balance as at 31 December 2009. In this regard, please provide the trade receivable turnover days.

As discussed in the response to (b), approximately S\$49.1 million of trade receivables as of 31 March 2010 have been set off against the remaining balance of the purchase consideration for the proposed acquisition of Xinrui on 7 April 2010. The remaining trade receivables amounted to approximately S\$15.4 million. The trade receivables turnover days for Q1FY10, after taking into consideration the debts which were set-off, is approximately 95 days as compared to 155 days for FY2009.

d) We note that the Company stated in paragraph 10 of the its full year FY2009 results announcement on 27 February 2010 that , " With trade facilities in place, alongside the equity line of credit that the Group has secured recently, the Group expects healthy growth and expansion in its trading capabilities, exploiting the growing steel industry in China barring any unforeseen circumstances." We note that although the Company made a profit of S\$2.15m for 1QFY10, this was mainly due to the write-back in trade receivables impairment of S\$3.4m. Furthermore, the Company's turnover also decreased as compared to 1QFY09. In this regard, please justify why the Company is of the view that the 1QFY10 results is consistent with the outlook provided previously.

After the Chinese new year of 2010, the orders from customers relating to the iron ore, coking coal and coke increase significantly. This is mainly due to the recovery of steel industry and increased demand of its related products including iron ore, coking coal and coke. Besides, China starts to export coke as the uprising international demand of coke. We expect that the benefit resulting from the increasing orders will be reflected embarking upon the financial result in 2QFY10.

According to the statement made by Crisil Research on 18 May 2010, China's expected imports for coking coal is expected to reach 50 million tonnes in 2010 and further increase to 70 million tonnes in 2011 and would account for 23-25 per cent of the world's coking coal trade in 2011, up from about 14 per cent in 2009.

The Group is of the opinion that 1QFY10 results do not portray the Group's operating conditions for the entire 2010. Having factored in 1QFY10's turnover, the Group is still of the view that the 12 months outlook provided previously is consistent with the Company's operating condition for the year ahead.

BY ORDER OF THE BOARD

Lau Yu
Director and Chief Executive Officer
20 May 2010