



FROM THE CAB

Moving Ahead!



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Director and CEO

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ATEC welcomes a new Major Shareholder

Welcome to 2011. On behalf of ATEC, I sincerely wish all our Shareholders, Noteholders and Unitholders with investments in the ATEC group a healthy and prosperous New Year. I would also like to send my sincere best wishes to all affected flood victims.

This unprecedented weather and impact from the floods has not only impacted ATEC, but a lot of our shareholders and partners. Our thoughts go out to them at this time, and we hope they are back in their homes and businesses as soon as possible.

ATEC's year has started positively. As I had previously announced in the last edition of *From the Cab*, on December 10, 2010, ATEC Limited entered into an agreement (Subscription Agreement) with EMG ATEC HC, L.P. (EMG) for the issue of preference shares to EMG with an aggregate subscription value of up to AUD\$300million (Preference Shares). The preference shares are to be issued at a price of \$8.50 per ATEC Limited share.

On January 12, 2011, ATEC Limited Shareholders unanimously approved the transaction. Shortly we will welcome Messrs John Calvert and Jay Burleson from EMG to the ATEC group respective Boards.

EMG is a US-based private investment firm with a family of funds that invest in the energy and minerals sectors and infrastructure projects associated with those sectors. EMG manages funds of approximately US\$2.5 billion, and has been an active investor in the energy and minerals sectors for over 10 years.

ATEC's business interests have grown over the past few years, and there is now a need for ATEC to raise capital to facilitate the delivery of its overall business strategy.

The entry by ATEC into the Subscription Agreement and the corresponding issue of Preference Shares will directly assist ATEC to meet its forward business objectives, including having sufficient capital to meet its requirements for the Surat Basin Rail project.

The funds raised by the issue of the Preference Shares will also allow ATEC to take steps to merge its other related investment and operating interests into a single entity that will primarily service minerals and related rail infrastructure.

I and the Board welcome EMG as a shareholder to the group. The issue of the Preference Shares represents a long-term commitment and substantial capital investment by EMG in ATEC.

This transaction is part of the meeting the three core Objectives I had communicated to you in 2010, being:

- Achieve revenue and profits from all three business interests within two years (by 2012);
- Reduce the involvement of Government in ATEC's business; and
- Grow shareholder wealth and start paying dividends.

The raising of \$300m in Preference Shares to support the growth of ATEC, and in particular meet the company's investment objective in delivering the Surat Basin Rail project, is a key milestone in realising shareholder value.

I will continue to drive these three objectives in 2011.

Kind regards, **JOHN BALASSIS**
Director & CEO

Rail Developments

A **significant milestone** was achieved by the Surat Basin Rail project since our last quarterly report. In December 2010, Surat Basin Rail Joint Venture received environmental approval from the Queensland Government to proceed with a proposed new rail line from Wandoan to the Moura Railway System, near Banana. This is another significant milestone for the project, and now allows the project team to finalise the engineering design for the project, such that the construction programme for the rail corridor can begin.

The recent floods in Queensland are, of course, being monitored, particularly as a lot of the potential users of the SBR project have unfortunately been affected.

Terminals Management

ATEC Freight Terminals Trust held an Extraordinary General Meeting where two decisions were passed, being:

- An offer was made to Mr. Bill Gibbins to secure his Forbes/Parkes Land for the purpose of seeking to develop it into a rail provisioning and maintenance centre. Negotiations are now progressing; and
- Unitholder approved Board Options, for the issue of 500,000 units to be allocated to the Board at \$1.60 per unit. The Options will be equally distributed amongst the four directors.

Rail Services

Intermodal Terminals Services (ITS) continues to perform to budget for the first six months to December 2010. Revenue is slightly ahead of budget at approx \$6.3m for the six months to December 2010. Net operating profit is currently on budget.

Since the last quarterly report, ITS has successfully opened a third operating office. As reported in the last *From the Cab*, with the employment of Jade Pratt, ITS opened its Newcastle office and is now servicing work in the Newcastle and Northern NSW areas. ITS now operates in Perth, Sydney and Newcastle.

The first six months have been pleasing, particularly as ITS seeks to integrate the Samcon Engineering acquisition within ITS's existing business, as well as rolling out appropriate reporting systems as the company continues to find opportunities to grow. ITS Perth also moved to larger and more suitable premises in December 2010.