

FROM THE CAB

This last quarter has been a successful yet challenging time for the ATEC group.

It has been successful as Intermodal Terminal Services (ITS) closed its acquisition of Samcon Engineering Pty Limited. More on this further into the newsletter.

The quarter also saw SBR start its negotiations with miners to assess the likely financial close date, based on miners' requirements to rail access. Initial interactions with miners were positive.

Finally, the Commonwealth Government, through the Transport Minister, Hon. Anthony Albanese, announced he is granting Major Project Facilitation status to ATEC's Border Rail project.

This is a major achievement for ATEC, and now recognises the project for its potential as a nationally significant piece of rail infrastructure.

The challenge arose in mid-May 2010 when the Resource Super Profits Tax (RSPT) was announced. Having built good momentum, particularly on the SBR project, the announcement of the RSPT was badly timed from ATEC's perspective, as it forced a pause by the mining and finance industries on mining development projects, so as to assess the possible impact of this proposed tax on the industry. I outline in this quarter's "From the Cab" ATEC's view on the RSPT and the now revamped Minerals Resource Rent Tax (MRRT).

Overall though, ATEC's business interests have all moved forward positively, and ATEC is well positioned to benefit from the forecast continued investment in rail in Australia.

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



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Director and CEO

ATEC Head Office:

Suite 2, Level 2
132 Albert Street
Brisbane Qld 4000

Email:
office@ateclimited.com.au

Website:
www.ateclimited.com.au

Investor Relations:

MR PETER BARDA
Group Company Secretary

Email:
peterb@ateclimited.com.au

Phone:
07 3003 0900

Surat Basin Rail (SBR) Project

ATEC's most advanced rail development investment is the Surat Basin Rail Project (SBR).

The table at right summarises the achievements of this project since June 2007, when ATEC secured the mandate to develop the project.

The project is close to completing its Bankability assessment.

If bankable, the SBR project will be the longest private capital rail corridor development in Queensland. This would be a large achievement for an emerging company such as ATEC.

Your Board and I have also started discussions with several parties so as to identify a partner to work with ATEC to financially close ATEC's 33.3 per cent of the SBR project.

I hope to be in a position in the short term to disclose ATEC's strategy on this.

Rail Design	<ul style="list-style-type: none">• Preliminary design completed ready for construction tendering• Route finalised
Environmental Approvals	<ul style="list-style-type: none">• EIS completed• Supplementary EIS submitted, awaiting final Co-ordinator-General's Report• State Development (SDA) process now initiated
Indigenous and Native Title	<ul style="list-style-type: none">• All CHMPS finalised• Native Title process agreed with State
Land Acquisition	<ul style="list-style-type: none">• Process agreed with State• SDA area identified and Notice of Intent to Declare publicly gazetted
Construction	<ul style="list-style-type: none">• Construction tender documents ready for release once the project finalises customer requirements
Finance	<ul style="list-style-type: none">• Investec Bank engaged and is working on the financial model
Commercial Agreements with Miners	<ul style="list-style-type: none">• Indicative low, medium and high tonnage profiles developed• Pre-commitment process started
State Agreements	<ul style="list-style-type: none">• Agreements with the State are being negotiated

Intermodal Terminal Services

ON JUNE 10, 2010, Intermodal Terminal Services (ITS), a company in which ATEC Freight Terminals Trust is the founding shareholder, closed its acquisition of Samcon Engineering Pty Ltd.

After almost 30 years in family ownership, Samcon Engineering passed its ownership to ITS. Mr Sam Matandos, Samcon Engineering's Managing Director, has agreed to join the ITS Senior Management team, and also to invest in ITS as an ordinary shareholder, supporting his belief in the merged business.

I welcome the Matandos family to our register.

ITS now has service capabilities in Western

Australia (Perth) and New South Wales (Moorebank). It has a customer base that now includes Pacific National, United Group (UGL) and Downer Rail. The acquisition of Samcon Engineering has added significant revenue and earnings to the ITS group, and strategically now allows it to offer rolling stock maintenance services both in WA and NSW.

In respect to forward financial performance, ITS is forecast to reach \$10.2m in revenue for the Full Year (FY) to June 30, 2011. Given the sensitivities around profit forecasts, I am not yet able to disclose this, but ATEC is working towards releasing future operating performance results.

Impact of the RSPT... now the MRRT

THE PAST six weeks have been an interesting week where commerce meets politics. One of my primary tasks as your CEO is to seek to reduce the influence of politics on ATEC's business, and the past six weeks are a clear reason why.

After all the manoeuvring that occurred publicly and privately, I believe the mining industry, upon whom ATEC's business is now clearly exposed, is reaching a more palatable outcome to allow investment cases to be assessed in an environment of greater certainty.

The new tax, now called the *Minerals Resource Rent Tax* (MRRT), has already provided greater certainty to the industry, albeit with a lot of the details still to be worked through.

Xstrata also recently announced it is recommencing its planned investment into early works of exploration activities of its Wandoan project, having suspended these works when the original RSPT was announced.

ATEC's rail development activity clearly depends on the mining industry being able to make investment cases for new mine developments and/or expansion of mine activities.

The new MRRT is clearly better for ATEC's business, and the early signs are positive.

I will continue to keep shareholders informed on developments of the MRRT and its impact on ATEC's business.

Border Rail granted Major Project Facilitation status

THE HON. Anthony Albanese announced that ATEC's Border Rail project has been granted Major Project Facilitation (MPF) status. This recognises the project's potential as a nationally significant piece of rail infrastructure.

The proposed \$1-billion project is approx 340 kilometres of standard gauge rail track, linking Moree to the proposed ATEC Freight Terminal's Charlton terminal facility, near Toowoomba. Border Rail's business case is built on primarily servicing the coal and other mineral projects in the region.

As I have previously disclosed, ATEC already has one potential foundation customer to this project, being Liberty Resources Limited.

We are in discussion with other potential foundation users, on which I hope to announce details in the medium term.

We are now seeking to finalise our Joint Venture partner arrangements for this project.

If Bankable, the project would deliver significant benefits to regional communities across northern New South Wales and inland Queensland, as well as to the broader national economy, including:

- More efficient transport connections;
- Improved access for local coal miners and agricultural producers to domestic and overseas markets;
- Less congestion on the existing coastal rail line; and
- Additional major freight terminals in regional Australia.

I will keep shareholders informed on our progress in moving to the next phase of Bankable Feasibility of this project.