

FROM THE CAB



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Will the European Crisis impact our business?

There is no doubt, like most of the rest of the world, we are also monitoring the outcomes of the European debt crisis, as there is a potential impact to us in Australia.

However, we have also had a very productive last quarter of activity, and we continue to invest in strengthening the foundations of ARG's business, as we see some good opportunities emerging in our industry.

The European debt crisis has impacted the debt markets. Banks from around the world are assessing the impacts. In Australia, we have seen the withdrawal of some European banks to focus on their domestic matters and, hence, this has reduced the available debt pool from European banks seeking to invest in infrastructure projects.

In contrast, however, the banks of various Asian economies, at least for the moment, are showing a keen interest to fill the void being left by the European banks.

This, together with the good long-term fundamentals of the various coal and iron ore basins in Australia, continues in our view to show promise for our industry.

As a small indication of this, projects in our market place are continuing to close successfully.

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Earlier this quarter, Wiggins Island Coal Export Terminal (WICET) closed its Stage One financing process for the construction of the WICET Stage One Terminal in Gladstone.

This has now allowed WICET to move to assess the financial viability of closing WICET Stage Two, which has direct relevance to the Surat Coal Basin and which, if successfully closed, will allow Surat Coal Basin miners to export their coal on the Surat Basin Rail Project.

So, for the moment, although we are monitoring the banking and debt conditions in the market place, we are continuing to move forward with our business plan in creating a dedicated rail infrastructure owner and service provider.

This quarter also saw:

- The Surat Basin Rail Project hit further key milestones, which have been outlined further in this edition of *From the Cab*;
- ATEC Rail is pleased to announce it has opened an office in Perth, Western Australia, showing the increasing interest our business is receiving in the West. Together with Intermodal Terminal Services, our group is now able to provide both a rail infrastructure

development service offering and a specialised rail maintenance and rail terminal management offering.

Finally, given the close-out of 2011 and the coming of the New Year, I would like to thank all our staff, shareholders, unitholders and noteholders for their support during the year.

This has been a year of change for ATEC Rail Group. From changing our company name to better reflect our business, growing the company with a good quality management team to steer ATEC forward over the coming years, and in closing a major equity transaction which underpins the company's forward business plan, ATEC Rail has experienced considerable change this calendar year.

ATEC Rail has changed itself from a small company with a big vision to a growing company with an achievable business plan. In this regard, I personally wish to thank all the Board for their guidance this year, as this change process has been at times testing for both Board and Management as we seek to drive our business forward.

From all of us here at ATEC Rail, ATEC Freight Terminals and Intermodal Terminal Services, we would like to wish all our stakeholders a very Merry Christmas and a healthy and prosperous 2012.

Kind regards,
JOHN BALASSIS,
Managing Director

Rail Infrastructure

We have had a progressive quarter in our rail development business. Our most advanced investment in Surat Basin Rail has hit its key milestones this quarter, which include:

- Two world-class consortiums in Thiess-John Holland Joint Venture and Access Surat (Abi Group and Laing O'Rourke) have been shortlisted for the Surat Rail competitive contractor tender process. This tender is for the design, construct, commissioning and maintenance of the railway; and
- The Queensland Government has declared the Surat Basin Rail Infrastructure Corridor as a State Development Area (SDA), which now initiates the process for the project to secure the land required to construct and operate the rail line.

These are major milestones, and the project is now moving to its next phase of assessment to seek to finalise an investment decision in 2012.

During the past quarter, we have also seen interest in our rail development capability in other Queensland mining precincts, as well as in Western Australia. ATEC Rail Group is assessing and working on the viability of participating in other Greenfield rail developments in both these precincts, given our long-term positive view of the bulk commodities market.

Corporate News

ATEC is to establish a Perth, Western Australia, office. Given the interest shown in our service offering, together with the continued expansion of Intermodal Terminal Services, ATEC is to open an office in January 2012.

The push into Western Australia is a planned move, as the industry is seeking to expand its bulk commodity export capacity. In doing so, it is creating some good opportunities for Greenfield rail corridors to be developed, which are a core service offering of our business.

Warren McReight, who has led as Project Director the Surat Basin Rail Project for the past few years, is to return to our business in January 2012. This is on the back of successfully appointing a new Chief Operating Officer in the Surat Basin Rail project in *Allan Miller*, a former senior construction industry executive.

Warren will take up the role of Executive General

Rail Services

Intermodal Terminal Services continues to grow its business. Its services are continuing to be required in the Pilbara region of Western Australia, as well as in Newcastle. During the quarter it won its first rail service project in Queensland, which is an area of potential growth for the business in the coming 24 months.

ITS is continuing to track to budget, and is on target to meet a revenue budget of approximately \$20m — up from \$14m in 2010/11.

It has been able to retain good orders through its engineering business in New South Wales, with clients such as DownerEdi and United Group, together with expanding its client base in the mining precinct of the Pilbara and Newcastle.

Terminals Management

ATEC Freight Terminals continues to make positive progress in seeking to obtain rail siding approvals to connect its Charlton land to the current Western Rail corridor in Queensland. This will give the site direct access to both the port of Brisbane as well access to the emerging Surat Basin.

Good interest continues to be shown by entities seeking rail terminal access in the Toowoomba and surrounding precincts.

Manager Rail Infrastructure, and I look forward to working with him as we seek to further grow our business.

We would also like to inform you that *Peter Barda* has now stepped down as the Company Secretary after overseeing the company as its secretary for the past few years. Peter played a critical role in the change process, and was of great help in closing the EMG Preference Share transaction earlier this year.

Peter is not, however, lost to our business, as he is now heading up ATEC's responsibilities in the SBR construction procurement process. He sits on the SBR procurement panel, which is overseeing the dual tender contractor bidding process.

Peter is replaced as Company Secretary by *Karyn Mealey*, who has had an association with ATEC Rail for some years. Karyn is formerly a partner in major law firms in Australia, as well as being skilled in commercial and construction law.