



FROM THE CAB



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ATEC Rail Group starts business

Dear Shareholders — This quarter's *From The Cab* comes out at a time of global instability. With the devastating impact of earthquakes, floods and tsunamis, which hit our friends and business partners in New Zealand, Japan and, again, here in Australia, from us at ATEC we send our warmest wishes to you if you have been impacted in anyway.

Clearly, this also has an impact in our business life, and we are monitoring the impact in financial and, importantly, in the consumer minerals markets, which now dominate the businesses ATEC is invested within.

To date I am pleased to report the impact, particularly in the bulk minerals market, has been limited.

Since the first *From the Cab* was released, I have communicated to you that, whilst respecting the original founding vision of an inland rail, **ATEC** was moving away from a predominantly visionary project, to a more commercial and shareholder value adding process.

In this respect, the birth of the **new ATEC** was the successful closing of the EMG equity transaction in March 2011. Having now formally closed the transaction with EMG, we are now fully funded to meet our business needs in the coming period. I would like to formally welcome EMG to our share register and also welcome two new board members, John Calvert and Jay Burleson, to our board.

Board changes:

In successfully closing the EMG transaction we have undertaken a few board changes. Together with appointing John Calvert and Jay Burleson, we have also changed the executive nature of the board in its roles and responsibilities, and added additional governance to the board.

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Everald Compton, whose vision and dedication started this company, is now the company's Non Executive Chairman, with Don McDonald being the Non Executive Deputy Chairman. Albert Hakfoort has stepped down from the Board, and I sincerely thank Albert for his dedication to the company and advice during his tenure on the Board.

Also, we have formed an Audit and Risk Committee and a Remuneration Committee.

The Board now comprises:

- Everald Compton .. Non Executive Chairman
- Don McDonald..... Non Executive Deputy Chairman
- John Balassis..... Managing Director
- John Dornbusch.... Non Executive Director
- John Calvert Non Executive Director
- Jay Burleson..... Non Executive Director
- Mark Lochtenberg . Non Executive Director

Members of the Audit Committee:

- John Dornbusch.... Chairman
- Jay Burleson
- Mark Lochtenberg

Members of the Remuneration Committee:

- Don McDonald..... Chairman
- Everald Compton
- John Calvert

Trading name change:

To also signify the start of the **new ATEC**, we have a new trading name of ATEC Rail Group (or ARG). The new name symbolises the company focus on rail and retains the historical vision of the entity in the "ATEC" brand. All future correspondence will be issued under the new trading name.

Strengthening the leadership team:

Over the coming periods we will be announcing the strengthening of the core leadership team. In place already are:

- Warren McReight... Executive General Manager, Rail Infrastructure. Warren is currently on full-time secondment as the Project Director to the Surat Basin Rail project;
- James Wilson... Managing Director, Intermodal Terminal Services
- Peter Barda... Group Company Secretary.

We are currently interviewing for a Chief Financial Officer who will take overall financial reporting responsibility of the company, and I hope to announce the successful person in the next edition of ***From the Cab.***

We continue to work on the business so as to enhance shareholder value. Until next quarter, I wish you well.

Kind regards, **JOHN BALASSIS**, Managing Director

Rail Developments

The **Surat Basin Rail** (SBR) project took another step forward during this quarter. SBR announced the start of the due diligence process of potential users of the rail project as it seeks to finalise the bankability process. An early indication of tonnages from mines which may seek to use the project is positive.

In April, ARG signed an MOU with Ambre Energy to further assess the feasibility of Border Railway. Ambre Energy has a major minerals development project around Felton in south-east Queensland, with the potential to be developed into an export coal project, exporting through the port of Newcastle. The MOU allows ARG to work with Ambre to progress the feasibility of Border Rail.

Rail Services

Intermodal Terminal Services (ITS) continues to perform within budget expectations. As the company approaches its first full year operating period, revenue is tracking ahead of budget and is forecast to be approximately \$14m. This is a good result given the start-up nature of the business. All profits have been re-invested into the business, primarily into improving and, where required, strengthening reporting and management systems, so as to allow timely and accurate results to be reported. In addition, the business has attracted good staff and now has a strong management team in place to allow the business to continue to grow prudently.

ITS's Newcastle operation, having been opened in October 2010, is now staffed and operational. It has won contracts with Australian Rail Track Corporation, and more recently won its first contract in the Queensland market to provide specialist rail services in the North Queensland rail market.

In addition, the business is pursuing several strategic initiatives which I hope to be able to announce in the next **From the Cab** edition, together with their first annual result.

Terminals Management

ATEC Freight Terminals Trust (AFT) has initiated planning work on its Forbes (NSW) land opportunity. Preliminary indications of the region are that they would welcome a rail provisioning and maintenance development in the area. Additional work will be carried out in the forward period to assess the viability of such a development.

AFT's Charlton (Qld) development continues to be enhanced. AFT has approached Queensland Rail to seek to negotiate siding and access arrangements to allow a spur connection from the Charlton site to the Western Rail corridor, which would connect the site to the expanding needs of the Surat Basin.

New Office

ATEC relocated office on April 1 to Level 4, 293 Queen Street. We were very fortunate to find a fully furnished office that meets our needs for the next three years and is situated in a central position in the Brisbane CBD, just two doors from the GPO.

Please note our new details on the first page of this newsletter.

As part of our move and new name, we currently have under construction a new website, which should be up and running by late May/early June 2011.