



Atomic Resources

Limited

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ATOMIC COMMENCES BANKABLE FEASIBILITY STUDY AT NGAKA COAL PROJECT, TANZANIA

HIGHLIGHTS

- **Commencement of Bankable Feasibility Study to examine the development of coal mining operations at Ngaka and a 400Mw clean coal power station to be built at the Ngaka mine site;**
- **Talks commence with potential off-take partners and project financing institutions;**
- **Examining key infrastructure for coal exporting and power transmission;**

Atomic Resources Limited (ASX Code: ATQ) ("Atomic") is pleased to announce that Tancoal Energy (a special purpose Joint Vehicle between the Tanzanian Government (30%) and Atomic's Tanzanian subsidiary Pacific Corporation East Africa ("PCEA") (70%)), have formally commenced a Bankable Feasibility Study ("BFS") into mining thermal coal and mine site power generation at the Ngaka Thermal Coal Project.

The feasibility study will focus on three strategic components;

- Mining of thermal coal for export and power generation on site;
- Development and project financing of a coal gasification plant and power station utilizing clean coal technology;
- Development of a private public partnership with TANESCO (the Tanzanian Governments electrical authority) for the construction of power transmission lines to connect the project to the Tanzanian power grid.

Coal Mining

Coal mining is the core component of the BFS and will focus on completing an open cut mine plan and development schedule, civil works for stockpile, transportation and handling facilities at Lake Nyasa, and the development and construction of a mine village and offices. As a key component of the BFS, Atomic is currently identifying potential international and domestic off-take partners in Tanzania, Kenya and China.

To facilitate overseas customers, Atomic is commissioning a feasibility study into transport logistics utilizing existing barge infrastructure operating on Lake Nyasa, in tandem with rail to the port of Nacala in Mozambique. Atomic estimates its initial export target will be approximately 1Mtpa of thermal coal.

To date, Atomic has announced JORC compliant coal resources of 179 million tonnes. (Refer release dated 10th February 2009 "Atomics JORC compliant Resource exceeds expectations – Initial combined coal resource of 179 million tonnes") Additional resources may be identified at the recently granted concessions in the Mbuyura and Mkapu blocks in the coming months (refer release dated 25 February 2009 "Atomic increases coal exploration area, Ngaka Basin , Tanzania).

Coal gasification and Power station

The power station feasibility will assess design, engineering, procurement and construction of a 400 Mega Watt (Mw) Integrated Gas Combined Cycle (IGCC) coal gasification plant and power station. The coal gasification is a proven two-stage process which produces clean gas and allows for the removal of undesirable elements from the coal, including CO₂ sequestration, before burning the gas in turbines to generate electricity. This process will result in a clean and environmentally sustainable energy source for Tanzania with minimal greenhouse gas emissions. It is anticipated that the gas plant and power station will be held within a special purpose vehicle established between Tancoal, infrastructure development fund providers, key off-take partners and the Tanzanian Government. The 400Mw power station will off-take approx 1.2Mtpa of thermal coal from Ngaka and is expected to take approximately 3 years to construct and commission. Critical to the power station feasibility is the successful negotiation of a Power Pricing Agreement with TANESCO.

The IGCC proposal is estimated to cost approx US\$1.2B, with estimated annual gross returns in the order of US\$300M.

The generating capacity of a 400Mw power station in Tanzania will increase total electricity supply within the country by approx 40%. The Tanzanian National Development Corporation (NDC) considers this project to be critical to national development, particularly in the southern provinces along the Mtwara Corridor toward the Mtwara Port, where economic development has been inhibited by poor and unreliable power reticulation.

Transmission

Approximately 300 kilometers of power transmission lines will be required to reticulate electricity from a power station at Ngaka to the main national power grid hub located at Mfundu. It is proposed that the transmission line will be principally under the ownership of TANESCO, with Tancoal providing funding partners, design and construction support on a BoT or PPP basis.

A list of consultants to be engaged to manage components of the BFS process will be announced shortly. One key requirement is that the BFS must meet with both Equator Principles for project financing, as well as the expectations of financial institutions who have already expressed strong interest in providing Project development financing.

For further information contact:

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