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MBALAWALA FEASIBILITY STUDY, INITIAL RESERVE, INCREASED RESOURCE AND NGAKA EXPLORATION UPDATE

HIGHLIGHTS

- **Positive Bankable Feasibility Study completed;**
- **Mbalawala Mineable Reserve of 40 million tonnes;**
- **Mbalawala resource increases 18% to 251 million tonnes;**
- **160-320 million tonne Exploration Target¹ defined at Mbuyura/Mkapa;**
- **Surface drilling programme planned to expand resource base.**

Atomic Resources Limited ("Atomic") is pleased to announce completion of a Bankable Feasibility Study for a proposed open pit mine at Mbalawala, with an initial reserve of 40 million tonnes. The Study incorporates a significant 18% increase in the combined coal resource for the Mbalawala Block, from 212 to 251 million tonnes. The Mbalawala Block covers an area of approximately 154.8km² and is located within the Ngaka Coalfield in the south-western region of Tanzania.

In addition to this, Atomic has identified an Exploration Target¹ range of between 160 and 320 million tonnes for the relatively under-explored northern sub-basins of the Ngaka Coalfield, i.e. the Mbuyura/Mkapa Blocks.

An exploration campaign of more than 50 surface boreholes will commence this year with the drilling programme extending well into 2011. Additional concessions over the coalfields of Liweta, Mbamba Bay and Mhukuru remain largely untested and may represent considerable upside coal potential.

Release of Bankable Feasibility Study Including Maiden Reserve

Wave Engineering Solutions has released a Bankable Feasibility Study in September 2010 considering the commercialisation of a thermal coal resource. This study confirms the economic viability of Atomic's coal reserves at Mbalawala Block, Ngaka Coalfield. The reserve estimate used in this study was prepared by Coffey Mining Australia in accordance with the JORC Code (2004).

The following input parameters were considered:

- Conventional open cast mining
- 40 Mt JORC Code compliant Proved Reserve (based on Run-of-Mine cost of US\$32/t)
- Local market to supply 450MW power plant
- Capital cost of US\$205M
- Tanzanian Strategic Investor Status and Special Mining License

The above results in a 25 year of Life of Mine at a production rate of 1.5Mt per annum with a hurdle rate of 25% . This is without the additional exploration that will be performed over the next few years.

The study indicates that there is high potential to increase the Proven Reserve component of the Measured Resource, in both open cut and underground mining areas, by continued mine development planning. A review of the modeled coal outside of the ultimate pit design has defined a potential underground mining inventory of 40Mt tones of coal.

Atomic's joint venture partner in Tanzania, the National Development Corporation ("NDC") have indicated their satisfaction with the BFS at this stage.

Mbalawala Resource Update

The coal resources of the Mbalawala Block are located within the southern portion of the Ngaka Coalfield. This area was the focus of intense geological and resource studies by the Colonial Development Corporation ("CDC") in the early 1950's. Investigations for economic quantities of thermal coal were also conducted by geologists from the Tanzanian Geological Survey ("TGS"), NDC and most recently Atomic's local operating arm, Tancoal Energy Limited ("Tancoal").

The assessment of the Coal Resources (Table 1) has been prepared by Ravensgate geological consultants in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004). The wireframes and block models used in the calculation of the resource estimates were also generated by Ravensgate using MED System Mine evaluation software.

The resource estimate is based upon all data made available to the NDC and TGS, which includes 27 boreholes completed by the CDC in 1955. Data from two modern diamond drilling campaigns implemented by Tancoal are also included. The initial Tancoal 2008 diamond drilling program of 19 holes verified and validated the CDC's historical geological and analytical data. Ten additional follow up and infill holes were completed by Tancoal during 2009/2010.

Table 1. Mbalawala Coal Resources, Ngaka Coalfield.

Resource Category	Measured	Indicated	Inferred	Totals
Tonnes (million)	139	66	46	251
Inherent Moisture %	2.9	2.77	2.62	2.8
Ash %	18.9	19.03	23.81	19.9
Fixed Carbon %	52.0	51.41	46.26	50.8
Volatile Matter %	26.3	26.87	27.32	26.6
Calorific Value kcal/kg	6,326	6,350	5,937	6,257
Total Sulphur %	1.4	1.27	0.78	1.3
Specific Gravity	1.5	1.49	1.55	1.5

Notes:

- 1) Coal Resources have been rounded to appropriate levels of accuracy in accordance with the JORC Code (2004)
- 2) The estimates of Coal Resources in this table have been carried out by Ravensgate geological consultants in accordance with the JORC Code (2004)
- 3) Coal resources are reported inclusive of coal reserves (i.e. coal reserves are not additional to coal resources)
- 4) Coal quality data reported is based on weighted averages for all seams

- 5) The Inherent Moisture is reported on an "as received" basis; all other analysis are reported on an "air dried basis".
 6) A relative bulk density of 1.4 tonnes / cubic meter "in-situ" was applied to tonnage calculation based on the default derived from analysis, and the bulk density was also modeled.

Mbuyura/Mkapa Exploration Target¹

The Mbuyura/Mkapa Blocks were subject to considerable historic exploration activities also performed by CDC during the late 1940's and early 1950's. 13 holes were drilled, accompanied by detailed mapping, trenching, pitting and auger drilling. Tancoal drilled a further 27 holes across the area in 2009, including the previously under-explored northern portion of the Ngaka Coalfield.

Review and re-analysis of historical and recent Tancoal drilling data has resulted in an Exploration Target¹ range of 160 to 320 million tonnes to a depth of 500 meters. Lower and upper ranges (Table 2) take cognisance of reasonable assumptions with regard to seam variability, continuity and thickness.

Table 2: Exploration Target¹ ranges.

Seam	Surface to 50m depth (Mt)	50m to 500m depth (Mt)	> 500m depth (Mt)
Seam 4 (a, b, c)	8 - 17	35 - 70	5 - 10
Seam 3 (a, b)	12 - 23	105 - 210	65 - 130
Total	20 - 40	140 - 280	70 - 140

Exploration Update

Interpretation of all data, including recent analytical results, is ongoing and a geological model of the Mbuyura/Mkapa Blocks is currently being developed by Tancoal and Shango Solutions, independent geological consultants to Atomic. Work to date indicates reasonable seam correlation and continuity across these blocks.

The geological models being developed will also increase confidence in the exploration strategy for the Ngaka Coalfield. This will include identification of areas where additional exploration data, in particular seam continuity and characteristics, including coal quality information. This will improve confidence levels in the geological understanding of the Coalfield and associated resources.

As announced by Atomic on the 29th April 2010, Tancoal has acquired an additional concession, PL6285/2009, that contains the southerly extent of the Mbuyura/Mkapa Blocks. Coal seams could continue for at least 1.5km into this Nyakangunda concession and therefore additional upside coal potential exists. No exploration activities have yet been carried out on this new concession.

A new exploration campaign is planned in the Ngaka Coalfield for late 2010 to early 2011. Some 52 diamond drillholes are planned to approximate depths of 40 to 600m below surface. This programme focuses on expanding the existing Mbalawala resources in the down-dip and strike directions, as well as increasing confidence in the Mbuyura/Mkapa Blocks and Nyakangunda sufficient to establish maiden JORC compliant resources.

In addition to the Ngaka Coalfield, Atomic holds prospecting rights over the coalfields of Liweta, Mbamba Bay and Muhukuru that have known coal occurrences indicating good prospectivity for thermal coal. However, these areas remain largely untested and may represent considerable upside coal potential for Atomic. Exploration is planned over these areas to confirm the historic work and fully assess the potential to establish JORC compliant resources.

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¹ The potential quantity of coal presented is conceptual in nature and there is insufficient exploration data currently available to define a Mineral Resource in this area under the JORC (2004) Code. The nature of an Exploration Target is such that it is uncertain if further exploration will result in the determination of a Mineral Resource.

Competent Person's Statement

The Coal Reserves quoted in this announcement are based on the Mbalawala Coal Mine Bankable Feasibility Study as at 13 August 2010, compiled by Mr Robert Gracey, who is a Member of the Australian Institute of Mining and Metallurgy (AusIMM) and an employee of Coffey Mining, independent consultants to Atomic Resources Limited. Mr Gracey has sufficient experience as to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Gracey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Coal Resources quoted in this announcement are based on the Resource Model Assessment and Review, Ngaka Project Area as at 20 July 2010, compiled by Mr Edward Radley, B.Sc. Geology, who is a Member of the Australian Institute of Mining and Metallurgy (AusIMM) and a Senior Resource Consultant for Ravensgate, independent geological consultants to Atomic Resources Limited. Mr Radley is a registered professional geologist with sufficient experience as to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Radley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this announcement as relates to the Bankable Feasibility Study are based on the Mbalawala Mine Bankable Feasibility Study with related infrastructure feasibility options as at 31 August 2010, verified by Mr John Kelly, B.Eng (Mining), who is a Member of the Australian Institute of Mining and Metallurgy (AusIMM) and Director of Kelly Consulting, for Wave Engineering Solutions, independent engineering consultants to Atomic Resources Limited. Mr Kelly consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to mineral resources is based on information compiled by Mr Gökhan Güler, who is a member of a Recognised Overseas Professional Organisation (ROPO) included in a list promulgated by the ASX from time to time (The South African Institute of Mining and Metallurgy). Mr Güler is employed by Shango Solutions geological consultancy and is also a director of the company.

Mr Güler has over 15 years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Güler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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About the company:

Atomic Resources Limited is an Australian-based exploration and resource development company with major thermal coal assets in Tanzania. Our operating arm in Tanzania is Tancoal Energy Limited, which was formed by a Joint Venture between Atomic Resources Limited and the National Development Corporation of Tanzania (NDC).

Forward-Looking Statements

Certain statements made during or in connection with this statement, including, without limitation, those concerning exploration targets, contain or comprise certain forward-looking statements regarding Atomic's exploration operations, economic performance and financial condition. Although Atomic believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives,

changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Atomic undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules.

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