



13 November 2008

Coote Industrial Ltd (CXG) Announcement

Update on Receivable

Dear Shareholder,

Over the past few weeks you will have observed significant price movements in Coote Industrial shares. The Board suspects that this movement has been driven largely by analyst speculation regarding the trade receivable due from alliance entity Greentrains Pty Ltd. This speculation has included the possibility that Greentrains may not be successful in raising the necessary debt funding to meet its obligations under the Sale Agreement.

Whilst the Greentrains transaction has not been settled in full, Coote Industrial has received part consideration for the sale. Considerable progress has been made towards securing funding and the revised target settlement of a major portion of the remaining receivable within the next few weeks. On information currently available to the Board, it is probable that this target will be met.

As stated in the announcement accompanying the company's full year FY08 accounts, the Board intends to apply \$68m from the Greentrains proceeds to debt reduction.

Debts to be reduced include a \$25m facility that was established to acquire a production programme and fleet of ten RL class locomotives, of which six were completed and commissioned for service by 30 June. Those six operational locomotives are under the management of Gemco Leasing and currently leased to South Spur Rail Services. The 3500HP EMD-engined, fuel efficient RL class locomotives have an independent market valuation of more than \$4m each and the remaining four units are planned to be completed by Gemco Rail in December 2008

Additional debt reduction upon settlement of the Greentrains receivable includes an \$8m reduction in Hire Purchase finance; a further \$7m reduction of the senior debt facility; and application of the balance to the company's transactional banking facility limit.

The company's senior debt facility matures in February 2010.

At existing debt levels Coote Industrial is in full compliance with its banking covenants and firm plans are in place to further improve those existing outcomes by taking advantage of reduced interest rates, reduced total debts and improving operational and earnings performance.

In accordance with the Board's previously announced objective, Coote Industrial's debt / equity ratio will reduce to 48% after receiving full proceeds from the sale to Greentrains and the application of those funds as outlined in this announcement.



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We also take the opportunity to mention a couple of other points:

Dividend Payment

Coote Industrial made payment of its final FY08 dividend of 5c per share on the 31 October. Based on yesterday's closing price this represents a historical annual yield of 18%.

Earnings Performance

While Coote Industrial's unaudited revenues were up 3.5% for the comparable Q1FY09 earnings before interest and tax (EBIT) was up materially.

Coote Industrial is undertaking a prudent and comprehensive review of performance expectations for the balance of the year in order to provide rigorously reviewed guidance with the release of the company's half yearly accounts due at end of February 2009.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Coote'.

Michael Coote
Managing Director
Coote Industrial Limited

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