



Coote Industrial Ltd
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Coote Industrial Ltd (CXG) Announcement

Update on Greentrains Receivable

As previously announced, Greentrains acquired 42 locomotives and 54 wagons from Coote Industrial subsidiary Gemco Rail Pty Ltd for \$82.7m. Transaction negotiations were concluded by 30 June 2008 under a Sale and Purchase Agreement. To date Greentrains has reduced the amount outstanding from this transaction by \$7m.

Coote understands that Greentrains continues to work towards its objective of becoming an ASX listed, low operational cost infrastructure entity, holding long-lived rollingstock assets, with revenue streams secured through existing medium to long-term rental contracts. Maintenance costs are met by end users and those funds are invested in the rollingstock assets to secure their residual values and ongoing operational reliability.

Operational management of rollingstock assets, including leasing, asset maintenance and administration, are currently managed by a small team with considerable rail industry experience operating from Sydney.

Coote understands Greentrains is conducting negotiations with a listed entity for the potential acquisition of the shares in Greentrains, and continues to focus on securing funding for a large portion of the liability outstanding to Coote. For prospective funding, Coote understands that a valuation was commissioned by Greentrains which was completed at the end of August 2008. The valuation indicated a value for the rollingstock assets of \$97.1m, subject to achieving certain rentals, the quality of the investment in the locomotives, their current age, use and performance configurations.

The basis for the Greentrains relationship with Coote Industrial remains sound, providing:

- (a) leased locomotive and wagons to Coote subsidiary South Spur Rail Pty Ltd.
- (b) a pathway to develop Gemco Rail's growing locomotive rebuild and refurbishment capability; complementing the established wagon business.
- (c) an opportunity for long term maintenance annuities, through the continuous delivery of effective, efficient service by Gemco Rail's new Service Centres in four states.
- (d) a legitimate commercial solution for realising the above benefits without carrying high value, long-lived assets on Coote Industrial's balance sheet.

Receipt of a large component of the outstanding debtor balance will allow Coote Industrial to further develop its long-term strategy to position Gemco Rail as Australia's next tier rollingstock maintainer and niche builder. Receipt of outstanding funds will in the short term allow Coote Industrial to substantially reduce current debt levels and focus upon its next key objective, being

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the divestment of non-technical service businesses. This strategy, disclosed earlier this financial year, will further reduce debt and simplify Coote Industrial's core business.

Whilst reducing the current level of debt remains a distraction for Coote Industrial, the company continues to work collaboratively with Greentrains, taking a long term view in a difficult economic environment.

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