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## SALE OF SOUTH SPUR RAIL SERVICES BUSINESS

The Board of Coote Industrial Ltd (“Coote”) (ASX: CXG) is pleased to announce that it has today entered into a Binding Terms Sheet for the sale of Coote’s South Spur Rail Services, business with POTA Holdings Pty Ltd (“POTA”). POTA’s shareholders include ASX-listed KFM Diversified Infrastructure and Logistics Fund (“KFM”) (ASX: KIL), Kaplan Equity Limited (“KEL”) and DP World (formerly P&O Ports).

### Key terms

POTA will acquire 100% of the issued capital of South Spur Rail Services Pty Ltd, the entity which conducts South Spur Rail Services business (“South Spur”), for a total consideration of \$16m, payable in cash at completion.

Under the terms of the sale Coote will provide maintenance services to POTA to support the South Spur rollingstock fleet, as well as POTA’s existing fleet. The consideration for the sale includes a pre-payment for maintenance work of \$1m.

The sale is conditional upon completion of satisfactory due diligence, Board approvals and formal documentation consistent with the Binding Terms Sheet.

Completion of the sale is expected to occur by end of April 2010.

The Managing Director of Coote, Mr Michael Coote, said today:

“The sale of South Spur Rail Services is consistent with Coote’s stated objective to focus its activities on the significant growth opportunities present across its core technical based businesses servicing the resources, maritime, defence, rail and power generation markets.”

“The sale will deliver a financially positive outcome for Coote shareholders and also represents an excellent opportunity for POTA to broaden the operations of its P&O Trans Australia logistics business. Coote has recently executed term contracts with three substantial customers enhancing value in the business.”

Under the terms of the sale, Coote and POTA will work together to determine the rollingstock fleet requirements for the South Spur business. POTA has the right to return surplus rollingstock under lease under a return procedure to be set out in the definitive documents, with a limit on the maximum amount of equipment that can be returned.

South Spur will continue to lease its retained rollingstock fleet from Coote subsidiary Greentrains Ltd (“Greentrains”) in accordance with long-term lease agreements which are already in place between South Spur and Greentrains (subject to amendments to be agreed between South Spur and Greentrains).

Mr Coote said: “We are pleased that South Spur, with the backing of a financially robust owner and operator in POTA, will continue to have an ongoing relationship with Greentrains.”

“As previously announced, the Board continues to pursue a re-capitalisation of Greentrains to de-consolidate that entity from Coote and settle on the second tranche of rollingstock which Greentrains has committed to acquire from Gemco Rail. We believe that the sale of South Spur to POTA, coupled with the opportunity to broaden the customer base through leasing of any returned Greentrains rollingstock, should materially enhance Greentrains’ value and the prospects of successfully concluding a re-capitalisation on appropriate terms.”

The original purchase by Coote of South Spur included Momentum and CERT businesses which are excluded from this sale. Subsequent to the sale of the South Spur rail operations, Coote will retain for sale the road and port logistics business which are providers of integrated port cargo handling services and specialist road transportation solutions.

### **About POTA**

P&O Trans Australia operates a landside port service logistics business, servicing import and export marine container provisions within Brisbane, Sydney, Melbourne, Perth and Adelaide. Activities conducted by the business include port containerised transport, empty and full container parks, container freight stations, landbridge rail services, rail terminals, warehousing, and local distribution.

### **Impact on Elph Offer**

As the disposal of the South Spur business may trigger a defeating condition to the takeover offer by Elph Pty Ltd (“Elph”), Coote intends to request Elph to confirm whether it intends to waive the relevant condition of the offer in so far as it may apply to the transaction.

Mr Coote noted: “We have been criticized by Elph in its Bidders Statement for the delay in completing the sale of the South Spur business. Today, with the signing of the Binding Term Sheet, we have demonstrated our commitment to focus and grow Coote’s core technical based sales and services businesses”

“Given the sale of South Spur is consistent with Coote’s more focused corporate strategy, has been clearly flagged to the market for some time and was the subject of specific discussion in Elph’s Bidder’s Statement, we call on Elph to support the transaction and waive the condition of its offer as it relates to the sale.”

Coote is advised by BurnVoir Corporate Finance Limited in relation to the sale of South Spur and is advised by Gresham Advisory Partners in relation to the Elph Offer.

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