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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 executed documentation for the sale of Coote's South Spur Rail Services/Silverton rail operations business to POTA Holdings Pty Limited ("POTA"), a joint venture between the ASX-listed Qube Logistics ("Qube") (ASX:QUB) (formerly KFM Diversified Infrastructure and Logistics Fund) and DP World (formerly P&O Ports).

Key terms

As previously announced (see ASX announcement dated 23 March 2010), POTA was to acquire 100% of the issued capital of South Spur Rail Services Pty Ltd, the trading entity of South Spur Rail Services/Silverton rail operations business ("South Spur").

Since that time, the terms of the transaction have been modified following negotiations between the parties. As a result the transaction has increased in scale and scope, with POTA increasing the total purchase price to include additional rolling stock rebuilt or to be refurbished by Coote Industrial rollingstock maintenance provider Gemco Rail.

These additional assets include some of the second tranche of locomotives destined for Greentrains, the balance to be rebuilt for POTA operations. As a result of the acquisition of additional rollingstock into the POTA fleet and leasing a reduced volume of rollingstock from Greentrains, the return of rollingstock option included in the initial transaction no longer applied.

The total consideration under the sale (including payment for the additional rollingstock) has increased to approximately \$26.75 million (prior to adjustment for certain working capital movements and inclusive of a \$1.0 million maintenance prepayment).

The proceeds of sale will be applied to reduction of outstanding tax liabilities in the amount of \$7.9m, with the balance quarantined for debt reduction of \$17.1 million. The debt reduction will be satisfied in two tranches, with \$13.1 million paid to the company's Bank at settlement, and \$4.0 million retained from the proceeds of sale until completion of the additional locomotives, noted above. As the proceeds of the sale are predominantly required for debt reduction, the sale will have negligible impact on available working capital within the company.

The Managing Director of Coote, Mr. Mike Coote, said today:

"We are pleased to have executed documentation for the sale of South Spur, against the background of very difficult conditions for the company."

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“Although, as previously disclosed, the amended terms mean that Coote will record an accounting loss on the sale, the Board considers that the transaction is still very much in the best interests of Coote shareholders, as it will facilitate further reduction of debt, underpin the value of the Greentrains business and permit the company to return its focus to core industrial services businesses.”

The sale is expected to be completed shortly.

Road and port logistics

Coote has retained for sale its road and port logistics business, which are providers of integrated port cargo handling services and specialist road transportation solutions (this business has until today been held within the South Spur Rail services division within the Coote Group for reporting purposes).

This sale process for these entities is ongoing and further updates will be provided to the market in due course.

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