



**Coote Industrial Ltd**  
627 - 635 Bickley Rd  
Maddington WA 6109

PO Box 270  
Maddington WA 6989  
ABN: 99 120 432 144

**T** : +61 (0)8 9251 8000  
**F** : +61 (0)8 9452 2186  
**www.coote.com.au**

15 September 2009

## **Greentrains' Receivable Update**

Please find attached correspondence received from Greentrains Limited outlining the status of current business activities with Coote Industrial. Key points include:

- Progress toward funding of a A\$35 million second tranche of rolling-stock from Coote Industrial subsidiary Gemco Rail;
- Actions in progress to establish appropriate growth-based funding facilities and attract new equity partners;
- Commitment toward reducing Coote Industrial holdings to less than 50% in order to deconsolidate Greentrains, with a medium term shareholding goal for Coote Industrial of around 25% of issued capital;
- Opportunities for ongoing business between Greentrains and Coote Industrial, and
- Key engagement to support Greentrains' future plans, including coordination and facilitation of capital funding requirements.

### **Contacts:**

#### **Mike Coote**

Managing Director

T: +61 (0)8 9251 8000

E: [mike.coote@coote.com.au](mailto:mike.coote@coote.com.au)

2 September 2009

**Coote Industrial Limited**

PO Box 270  
Maddington WA 6989

Attention: **Michael Coote**  
Managing Director

Dear Mike,

## **Greentrains Funding Activities and Future Direction**

### **Tranche 1 Rolling-stock Acquisition**

The recent finalisation of the acquisition of a first tranche of rolling-stock from Gemco Rail on 17 July 2009 for A\$66 million marks the beginning of a long-term, mutually beneficial commercial relationship between Greentrains and Coote Industrial and its subsidiaries.

This transaction was commenced at a time immediately prior to the onset of arguably the worst economic climate for raising equity in recent history. Finalisation of this transaction has been a difficult and, at times, financially stressful experience on those businesses involved.

The perseverance of Coote Industrial in supporting Greentrains through this exercise is acknowledged and very much appreciated.

### **Current Focus**

A second tranche of rolling-stock for A\$35 million is expected for delivery and settlement in the short term. Greentrains wants to inform Coote Industrial of its intentions and strategies moving forward, and will continue to communicate developments in these areas as they progress.

In order of priority, Greentrains' immediate focus is upon:

- (a) Sourcing a new financier to provide debt facilities to Greentrains to allow Greentrains to fund further acquisitions of rail equipment, including the second tranche of remanufactured rail equipment (12 locomotives and 36 wagons) to be supplied by Gemco Rail;
- (b) Investigating alternate options to existing loan provisions at the earliest opportunity to ensure appropriate growth-based facilities are in place for the type of asset class involved.
- (c) Sourcing additional equity partners to invest the required capital into Greentrains to deliver additional equity capacity to be a critical partner in funding significant new investments by Greentrains in additional rollingstock; and
- (d) Reducing Coote Industrial holdings in Greentrains to less than 50% (to deconsolidate Greentrains from Coote) with a medium term shareholding goal for Coote of around 25% of issued capital.

To assist in facilitating the above, Greentrains is pleased to announce a new addition to our management team.



## **Introducing Mark Worrall**

Mark Worrall has been retained as exclusive project director by Greentrains to coordinate and facilitate all capital funding requirements for our business. Mark has been in the finance & equipment leasing industry in Australia for the past 34 years, including 20 years with Allco Finance Group from 1989 to 2009. Further background for Mark is provided in the enclosed Senior Management Profile.

## **Emerging Opportunities for Future Business**

The next decade should be a watershed period for the Australian rail industry and holds particular promise for the emergence of rail equipment leasing as a viable and necessary adjunct to traditional rail operations in this country.

Conservative estimates indicate growth in the overall Australian domestic freight task by 80% - 100% between 2009 and 2030, and strong potential for an increase in rail share on the back of continuing government and private investment in rail infrastructure rejuvenation.

Historical rolling-stock surpluses have evaporated subsequent to the largely completed dissolution of Government operated railways in Australia, an event paralleled by tight equity markets and a greater focus on efficiency and profitability by commercial operators.

This, together with forecast growth in coal exports in particular from the Hunter Valley and Queensland; the announced privatisation and break-up of Queensland Rail, and universal commitment for modal shift from road to rail at ports and intermodal terminals to reduce congestion and pollution, heralds substantially increased demand for additional motive power and other rolling-stock well into the future.

It is Greentrains' contention that rolling-stock leasing provides the best and most obvious solution to meet this growing industry need.

## **Greentrains' Business Model**

In brief, the Greentrains business model is predicated upon:

- Ongoing acquisition of new and used locomotives with greater focus on securing rollingstock of appropriate configuration (power, tractive effort, gauge, weight etc) for specific market opportunities, especially to the shipper (or "end beneficiary" of the actual assets e.g. coal mines, steel, timber, paper, minerals etc).
- Fleet replenishment strategies such as renting modern locomotives to rail operators and shippers while simultaneously acquiring their older rollingstock and upgrading it for resale or hire into the market place.
- Capital management strategies, such as acquiring a customer's locomotive fleet and re hiring it back to them.
- Alternate renting strategies such as "wet" or "spot" hire; "hire & buy"; "sell & rent".
- Partnering with operators to provide rollingstock to facilitate their provision of "power by the hour".

## **Opportunities for Coote Industrial Businesses**

As suggested by our business model, opportunity exists for Coote Industrial businesses to substantially provision Greentrains' ongoing operating needs well beyond delivery of this next tranche of rolling-stock.

Of particular interest to Greentrains are capabilities which can provide on competitive terms:

- new generation, high horse-power, low environment impact locomotive power
- new all-purpose and purpose-built rolling-stock
- national fleet and refurbishment and running maintenance
- innovative engineering in rolling-stock design
- equipment delivery, storage, preservation and other logistics requirements



## Summary

Greentrains views the progression of its business relationship with Coote Industrial with enthusiasm and looks forward to advice of new / expanded manufacturing and maintenance capabilities within Gemco Rail in particular.

Yours faithfully,

**Lindsay Free**  
General Manager

**Michael Timpany**  
Chief Financial Officer

Enclosure:

Senior Management Profile – Greentrains Limited

## Senior Management Profile

### **Mark Worrall**

Project Director  
BBus (KCAE), CPA

Mark was retained by Greentrains in August 2009 to coordinate and facilitate all capital funding requirements for our business. Mark has been in the finance & equipment leasing industry in Australia for the past 34 years, including 20 years with Allco Finance Group from 1989 to 2009.

During his time at Allco, Mark arranged and packaged over \$5bn in asset finance and leases for parties such as Qantas, Queensland Rail, Westrail, BHP Billiton, Toyota and the Victorian Government. For the last 7 years with Allco, Mark's role was Global Head of Rail and was a senior member of the Executive Committee responsible for the company's growth in the rail asset class.

Mark established the rail division in Australia from start-up in 2001; in North America in 2005 and the United Kingdom/Europe in 2006. Over this period he created and led a team of 30 staff across the three jurisdictions and grew assets in Australia to over \$200m, North America over 3 years to US\$280m and UK over 2 years to US\$140m.

### **Lindsay Free**

General Manager

Lindsay joined Coote Industrial in September 2008 and transferred to his current role at Greentrains effective 1 July 2009. Lindsay has worked in the Australian Rail Industry for over 30 years in the locomotive maintenance and train performance areas, including most notably over 28 years with Pacific National.

Having started work as an apprentice, he progressed thorough various technical and project management positions while completing his studies in engineering. Completing a Post Graduate in Maintenance Management he moved into the management of locomotive maintenance workshops completing his time with Pacific National as Manager Locomotive Maintenance Victoria. Lindsay also spent almost 2 years as National Rolling Stock Manager for Allco Finance Group's rail division in Australia.

### **Michael Timpany**

Chief Financial Officer  
BCom, LLB, CA - Chief Financial Officer

Michael joined Coote Industrial in October 2008 and transferred to his current role at Greentrains effective 1 July 2009. Michael over 12 years finance experience including most notably almost 4 years with Allco Finance Group. Michael's primary role was lead manager of Allco's rail joint venture with CFCLA in Australia, and was responsible for arranging all capital funding requirements for the business.

Michael also has extensive experience in debt and equity origination, corporate finance, tax consulting and financial reporting having previously worked for Morgan Stanley in the UK and PwC in New Zealand.