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ASX Announcement

Sale of Rolling Stock by Gemco Rail to Elphinstone Group

- *Elph Pty Ltd to buy A\$16.9 million of rolling stock from Coote subsidiary Gemco Rail Pty Ltd*
- *Sale provides financial support for Coote*
- *Allows Gemco Rail Pty Ltd to focus on other growth initiatives*

Coote Industrial Limited ('Coote') is pleased to announce that its subsidiary Gemco Rail Pty Ltd ('Gemco') has entered into a sale agreement with Elph Pty Ltd ('Elph'), Coote's largest shareholder, to sell 194 container wagons ('rolling stock') for a total consideration of approximately A\$16.9 million.

The rolling stock, as their manufacture is progressively completed, was to be leased by Gemco to IMX Resources Limited (ASX: IXR) subsidiary, Termite Resources NL, on commercial terms. The details of this contract, in which the Elphinstone Group's facilitation and support role was key, were announced by Coote to the ASX on 25 May 2010. Elph will now continue as lessor under this arrangement on the same commercial terms.

Given the sale is to Coote's largest shareholder, an Independent Expert's Report has been commissioned, and the sale will be subject to shareholder approval at Coote's upcoming AGM.

The sale agreement provides for an initial deposit of A\$2.5 million plus an immediate progress payment of A\$2.5 million from Elph to Gemco for rolling stock that has already been manufactured or is currently being manufactured by Gemco. Subsequent progress payments will be made as the rolling stock is completed and delivered. The total contract value of approximately A\$16.9 million is expected to be delivered by end of Q3 FY 2011.

This sale has been made to provide Coote with much needed financial support by releasing the capital committed to the IMX rolling stock project whilst allowing Gemco to undertake a significant volume of fabrication work to complete the manufacture of the rolling stock, and provide ongoing maintenance of the wagons under a five year maintenance contract with the operator.

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