



Coote Industrial Ltd
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22 June 2010

Entitlement Offer Booklet

Coote Industrial Limited (ASX:CXG) ("**Coote**") attaches a copy of the Offer Booklet and pro forma Entitlement and Acceptance Form in relation to the fully underwritten pro rata non-renounceable entitlement offer announced on 7 June 2010.

The Offer Booklet is being despatched to Coote shareholders with registered addresses in Australia and New Zealand today.

Coote also encloses a copy of a letter being sent to Coote shareholders with registered addresses in countries other than Australia and New Zealand.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R. Stampalia'.

Roland Stampalia

Company Secretary

T: +61 (0)8 9251 8000

E: roland.stampalia@coote.com.au



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Coote Industrial Limited ABN 99 120 432 144

Entitlement Offer

Details of a one for one (1:1) non renounceable pro-rata
entitlement offer of shares in Coote at \$0.16 per New Share

The Entitlement Offer closes at 5.00pm (Perth time) on 6 July 2010

NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES OR TO US PERSONS.

**THIS IS AN IMPORTANT DOCUMENT WHICH IS ACCOMPANIED BY AN ENTITLEMENT AND ACCEPTANCE FORM FOR YOU TO
SUBSCRIBE FOR NEW FULLY PAID ORDINARY SHARES IN COOTE INDUSTRIAL LIMITED. PLEASE READ THIS DOCUMENT
CAREFULLY AND CALL YOUR PROFESSIONAL ADVISER IF YOU HAVE ANY QUERIES.**

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Important information

This booklet and the accompanying information (**Information**) has been prepared by Coote Industrial Limited ABN 99 120 432 144 (**Coote**).

The Information is not a prospectus under the Corporations Act and has not been lodged with the Australian Securities and Investments Commission.

The Information relates to a one for one (1:1) non renounceable pro-rata entitlement offer to subscribe for New Shares at the Issue Price set out in this Offer Booklet and the Entitlement and Acceptance Form, and announced to ASX by Coote on 7 June 2010 (**Entitlement Offer**).

Not financial product advice

The Information is not financial product advice, does not purport to contain all the information that you may require in evaluating a possible acquisition of New Shares in Coote and has been prepared without taking into account the investment objectives, financial situation and needs of you or any particular investor.

You should conduct your own independent review, investigation and analysis of Coote and the New Shares which are the subject of the Entitlement Offer. You should obtain any professional advice you require to evaluate the merits and risks of an investment in Coote before making any investment decision based on your investment objectives.

Information about Coote

The Announcement attached includes information about Coote and Coote's activities current as at 7 June 2010. It is information in a summary form and does not purport to be complete. It should be read in conjunction with Coote's other periodic and continuous disclosure announcements including Coote's annual report lodged with the Australian Securities Exchange (**ASX**) on 28 October 2009, Coote's half yearly report to 31 December 2009 lodged with ASX on 1 March 2010, Coote's Target's Statement in relation to the off-market takeover bid by Elph Pty Ltd (**Elph**) for up to 35% of the shares in Coote which it did not already own dated 12 April 2010, the supplementary target's statements since that date and Coote's other announcements to the ASX available at www.asx.com.au and www.coote.com.au.

Foreign jurisdictions

The Information is being sent to all Shareholders on the Coote share register as at 5.00pm on Wednesday, 16 June 2010 with an address on the share register in Australia or New Zealand.

The Information does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer and no action has been taken to register the New Shares or otherwise permit a public offering of the New Shares in any jurisdiction other than Australia and New Zealand. Return of the Entitlement and Acceptance Form shall be taken by Coote to constitute a representation by you that there has been no breach of any such laws. Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how to proceed. The distribution of this document outside Australia may be restricted by law.

United States

The Information or any copy of it must not be taken into or distributed in the United States or distributed to any US Person or to any person acting for the account or benefit of a US Person. Persons who come into possession of this document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Information does not constitute an offer to sell, or the solicitation of an offer to buy, any New Shares in the United States or to any US Person. New Shares may not be offered or sold in the United States absent registration or an exemption from registration under the US Securities Act. The New Shares to be offered and sold in the Entitlement Offer have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares in this Entitlement Offer may only be offered and sold outside the United States, to persons that are not US Persons or acting for the account or benefit of US Persons.

Important Information

United Kingdom

The Information has not been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus has been published or is intended to be published in respect of the New Shares. The Information may be issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the Financial Services and Markets Act 2000 (UK)). The Information should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Other jurisdictions

The New Shares may not be offered or sold in any jurisdiction except to persons to whom such offer or sale is permitted under applicable law.

Governing law

The Information, the Entitlement Offer and the contracts formed on receipt of your Application are governed by the law applicable in Western Australia. Each Shareholder who applies for New Shares submits to the jurisdiction of the courts of Western Australia.

Future performance

The Information may contain certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors (many of which are beyond the control of Coote) that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You should also have regard to the risks section in Annexure B of the Announcement.

Past performance

Past performance information given in this Information is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Financial data

All dollar values are in Australian dollars (A\$).

Disclaimer of representatives

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Offer Booklet.

Any information or representation that is not in this Offer Booklet may not be relied on as having been authorised by Coote or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of Coote, or any other person, warrants or guarantees the future performance of Coote or any return on any investment made pursuant to this Offer Booklet.

Defined terms

Terms used in this Offer Booklet are defined in the glossary on page 26.

Other important information

Further important information is set out on pages 19 to 25.

Chairman's letter

22 June 2010

Dear Shareholder

Coote Industrial Limited — non renounceable pro-rata entitlement offer

This Offer Booklet sets out the information on how to apply to participate in the 1 for 1 fully underwritten non-renounceable entitlement offer priced at 16 cents per New Share to raise gross proceeds of approximately \$42.6 million before costs (the "Entitlement Offer").

This Offer Booklet contains important information, including:

- the announcement that was released to the ASX on 7 June 2010 providing information on the Entitlement Offer and key risks for you to consider (the "Announcement");
- instructions on "How to apply", detailing how to participate in the Entitlement Offer if you choose to do so, and a timetable of key dates; and
- a personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions provided.

The issue price of the Entitlement Offer represents a 30% discount to the volume weighted average price for the five day period up to and including 2 June 2010 (the trading day prior to Coote going into trading halt while it finalised the terms of the underwriting).

The net proceeds of the Entitlement Offer will be used to replenish the working capital required to support the growth of the Company's business that has suffered in recent times from difficult market conditions and insufficient working capital. Further details are provided in the Announcement.

The Board and management of Coote have commenced the process of business simplification and closure or divestment of non performing businesses. This includes the sale of the South Spur Rail Services business. Once the Entitlement Offer is completed and the Elph representatives, Mr Dale Elphinstone and Mr Vince De Santis, join the board, it is intended that further strategic review work be undertaken with the objective being to regenerate, refocus and grow the Coote business.

Eligible Shareholders who own Coote shares on the Record Date of 16 June 2010 will be entitled to participate in the Entitlement Offer. If you are an Eligible Shareholder, you have the following options:

- take up all of your Entitlement;
- take up all of your Entitlement and apply for further shares under the Top-Up Facility;
- take up part of your Entitlement; or
- do nothing and allow your Entitlement to lapse.

The Entitlement Offer is not renounceable and therefore your entitlements will not be tradeable on ASX or otherwise transferable. This means that Eligible Shareholders who do not take up their Entitlements will not receive any value for those entitlements and their proportionate interest in Coote will be diluted. If you do nothing your ownership interest in Coote will dilute by 50%, although you will benefit from the additional cash that will be injected into the company through the Entitlement Offer.

Chairman's letter (Continued)

Elph has fully underwritten the offer. This means that Coote will receive the full \$42.6 million (before costs) under the Entitlement Offer, even if not all Eligible Shareholders accept their Entitlements, unless the underwriting agreement with Elph is terminated. The underwriting agreement includes a number of termination events customary for agreements of its nature, including material disruptions in financial conditions. Further information regarding the underwriting agreement (including the potential effects of the agreement on the control of the company) is provided in the "Other Important Information" section of this Offer Booklet. I commend the Entitlement Offer to you.

The Entitlement Offer closes at 5.00pm (Perth time) on 6 July 2010. To participate in the Entitlement Offer, you must ensure that applications for New Shares are received in accordance with the Entitlement and Acceptance Form on or before this date, otherwise your Entitlement will lapse.

Further details on how to submit your application are set out in this Offer Booklet, which you should read in full. If you have any questions about the Entitlement Offer, please contact Mr Roland Stampalia, Company Secretary, on +618 9251 8000.

If you have any doubt as to whether you should participate in the Entitlement Offer, you should consult your stockbroker, accountant or other independent financial adviser.

Yours faithfully



Donald Hector
Chairman
Coote Industrial Limited

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any US Person. Securities may not be offered or sold in the United States absent registration or an exemption from registration.

How to apply

1. Please read the whole of this Offer Booklet including the Announcement, Entitlement and Acceptance Form and other information made available

The Entitlement Offer is not being made under a disclosure document or prospectus. Rather, the Entitlement Offer is being made pursuant to relatively new changes to the Corporations Act that allow rights issues to be offered by providing certain updates and confirmations to the market. As a result, it is important for Shareholders to read and understand the publicly available information on Coote and the Entitlement Offer prior to accepting their Entitlements. In particular, please refer to Coote's annual report lodged with ASX on 28 October 2009, Coote's half yearly report to 31 December 2009 lodged with ASX on 1 March 2010, Coote's Target's Statement in relation to the off-market takeover bid by Elph for up to 35% of the shares in Coote which it did not already own dated 12 April 2010, the supplementary target's statements since that date and Coote's other announcements to the ASX available at www.coote.com.au and www.asx.com.au.

2. Consider the Entitlement Offer in light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant or other independent financial adviser if you have any queries or are uncertain about any aspect of the Offer. **In particular, please refer to Annexure B of the attached Announcement which describes some of the key risks in relation to an investment in Coote.**

3. Who is eligible to participate

The Entitlement Offer is being extended to Eligible Shareholders who are Shareholders that meet all of the following criteria:

- they were registered as a holder of Shares at 5.00pm (Perth time) on the Record Date of Wednesday, 16 June 2010;
- they have a registered address in Australia or New Zealand;
- they are not in the United States or a US Person or acting for the account or benefit of such persons; and
- they are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

By returning a completed Entitlement and Acceptance Form, or making a payment by BPAY, you will be taken to have represented and warranted that you satisfy each of the above criteria.

Coote reserves the right to reject any Application that it believes comes from a person who is not an Eligible Shareholder.

4. Your options

If you are an Eligible Shareholder, you may take the following actions:

- take up all of your Entitlement;
- take up all of your Entitlement and apply for Additional Shares under the Top-Up Facility;
- take up part of your Entitlement; or
- do nothing and allow your Entitlement to lapse.

Further information is provided below.

Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up. Shareholders who do not take up their Entitlements in full will have their percentage interest in Coote reduced.

5. Complete the accompanying Entitlement and Acceptance Form or pay by BPAY

If you decide to participate in the Entitlement Offer, you may do so by completing and returning the Entitlement and Acceptance Form and attaching payment by following the instructions set out on the Entitlement and Acceptance Form (see sections 6-8 below for more details).

Alternatively, you may participate by making payment via BPAY in accordance with the instructions set out on the personalised Entitlement and Acceptance Form (which includes the biller code and your unique customer reference number).

If you take no action you will not be allocated any New Shares.

The issue of New Shares is scheduled to occur on or about 14 July 2010. Note that Coote reserves the right to change dates in relation to the Entitlement Offer without prior notice to Shareholders.

6. Acceptance of the Entitlement Offer

You may take up all or part of your Entitlement by completing the Entitlement and Acceptance Form and attaching payment or by paying by BPAY (see below for more details).

Your completed Entitlement and Acceptance Form must be accompanied by a cheque, bank draft or money order in Australian currency for the amount of your application money, payable to "Coote Industrial Ltd – Entitlement Offer" and crossed "Not Negotiable."

You should ensure that sufficient funds are held in relevant account(s) to cover the application monies. If the amount of your cheque for application monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared application monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form).

Alternatively, your Application will not be accepted.

How to apply (Continued)

If your payment is being made by BPAY:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make each of the statements and representations on that form;
- if you subscribe for less than your Entitlement or do not pay for your full Entitlement, you are taken to have accepted your Entitlement in respect of such whole number of New Shares which is covered in full by your application money; and
- it is your responsibility to ensure that your BPAY payment is received by the Registry prior to the closing time for the Entitlement Offer (5.00pm (Perth time) on Tuesday, 6 July 2010). You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

No interest will be paid to applicants on any payment received or refunded.

7. Top-Up Facility

Eligible Shareholders (other than directors of Coote) may, in addition to taking up their Entitlements in full, apply for Additional Shares in excess of their Entitlements. Additional Shares will only be available where there is a shortfall between applications received from Eligible Shareholders and the number of New Shares proposed to be issued under the Entitlement Offer. Additional Shares will be issued at the offer price of \$0.16 per share.

The allocation policy for Additional Shares subscribed pursuant to the Top-Up Facility will be as follows:

- Elph, as underwriter, will receive a priority allocation of 50% of the issue being approximately \$21.3 million minus the amount equal to Elph's pro-rata Entitlement under the Entitlement Offer.
- Eligible Shareholders who have applied for Additional Shares through the Top-Up Facility, will receive up to \$25,000 of shares applied for on a pro rata basis (Elph will not apply for Additional Shares under the Top-Up Facility);
- Thorney Holdings and Equity Trustees will receive allocations under their general sub-underwriting commitments on a pro rata basis, to be followed by a priority group of sub-underwriters on a pro rata basis;
- Eligible Shareholders who have applied for Additional Shares in excess of \$25,000 through the Top-Up Facility will receive Additional Shares on a basis jointly agreed between Elph and Coote; and
- If any shortfall remains, it will be allocated to sub-underwriters other than Thorney Holdings and Equity Trustees.

Eligible Shareholders who apply for Additional Shares may be allocated a lesser number of Additional Shares than applied for, or may be allocated no Additional Shares at all, in which case excess application money will be refunded without interest.

If you wish to subscribe for Additional Shares in addition to your Entitlement then you should nominate the maximum number of Additional Shares you wish to subscribe for on the Entitlement and Acceptance Form and make payment for your full Entitlement plus the Additional Shares (at \$0.16 per Additional Share).

If your payment is being made by BPAY:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make each of the statements and representations on that form; and
- if your payment exceeds the amount payable for your full Entitlement, you are taken to have accepted your Entitlement in full and to have applied for such whole number of Additional Shares which is covered in full by your application money.

8. Mail or deliver

It is important to note that the Entitlement Offer closes at 5.00pm (Perth time) on Tuesday, 6 July 2010. To participate in the Entitlement Offer, your payment must be received no later than this time and date. Your completed Entitlement and Acceptance Form, together with application money, should be mailed to:

Coote Industrial Limited

C/- Security Transfer Registrars Pty Ltd
PO Box 535,
Applecross, WA 6953

If your payment is being made by BPAY, you do not need to mail or deliver the personalised Entitlement and Acceptance Form.

9. If you wish to do nothing and allow your Entitlements to lapse

If you do not wish to take up your Entitlement you can simply do nothing.

If you have not completed your personalised Entitlement and Acceptance Form and it has not been received by the Registry at the address above by 5.00pm (Perth time) on the Entitlement Offer close date of Tuesday, 6 July 2010, or your BPAY payment has not been received by the Registry from you financial institution on or prior to 5.00pm (Perth time) Tuesday, 6 July 2010, you will be deemed to have renounced your Entitlement and it will lapse.

How to apply (Continued)

10. When will I receive my New Coote Shares?

It is currently expected that the New Shares will be issued, and that confirmation of the issue of the New Shares will be despatched, on or before Wednesday, 14 July 2010.

It is the responsibility of each Applicant applying for New Shares to confirm their holding before trading in those New Shares. Any person who sells New Shares before receiving confirmation of their holding in the form of their confirmation statement will do so at their own risk. Coote and the Registry disclaim all liability, whether in negligence or otherwise, to any person who trades in New Shares before receiving their confirmation statement.

11. Entitlement of Overseas Shareholders

The Entitlement Offer is not being extended to any shareholder with a registered address outside Australia or New Zealand ("**Overseas Shareholders**") having regard to the small number and value of New Shares that would be offered in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions.

However, in accordance with section 615 of the Corporations Act, Coote will appoint an ASIC-approved nominee (the "**Nominee**") to arrange for the sale on ASX of the New Shares which represent the full entitlement of Overseas Shareholders ("**Sale Shares**"). The Nominee will be required to direct the net proceeds (if any, after deduction of the Issue Price and the selling fee) to the Registry to facilitate pro rata payments of any net proceeds to Overseas Shareholders. The selling fee is 1% (plus any applicable GST) of the aggregate sale price received by the Nominee for the sale of the Sale Shares ("**Selling Fee**").

The Nominee will be instructed to sell the Sale Shares on ASX as soon as practicable (and in any event within 14 days) following allotment of the Sale Shares, in such manner and at such price or prices as the Nominee determines. The Sale Shares will be allotted at the same time as the allotment of shares under the Entitlement Offer.

The proceeds of sale (if any) will be paid in Australian dollars to the Overseas Shareholders for whose benefit the Sale Shares have been sold in proportion to their shareholdings (after deducting the Selling Fee).

Notwithstanding that the Nominee may sell Sale Shares, Overseas Shareholders may nevertheless receive no net proceeds if the Issue Price plus the Selling Fee is greater than the sale proceeds.

If any such net proceeds of sale are less than the reasonable costs that would be incurred by Coote for distributing those proceeds, such proceeds may be retained by Coote.

Neither Coote nor the Nominee will be liable for a failure to obtain any net proceeds, or to sell Sale Shares at any particular price.

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Announcement



Coote Industrial Ltd
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7 June 2010

COOTE'S RECAPITALISATION AND FUTURE DIRECTION

- **Underwritten entitlement issue – 1-for-1 non-renounceable rights issue to raise \$42.6 million**
- **Mr. Dale Elphinstone and Mr. Vince De Santis to join the Coote Board in June 2010**
- **Intention to appoint a further independent, non-executive director before the 2010 Annual General Meeting**
- **Capital raising provides for working capital and sustainable capital structure for future growth opportunities**
- **Coote Board to undertake a strategic review**
- **Significant improvement in financial performance expected in FY2011**

The directors of Coote Industrial Ltd ("Coote") (ASX:CXG) are pleased to announce that the company has reached agreement with Elph Pty Ltd ("Elph") on the terms of a \$42.6 million equity capital raising to be underwritten by Elph.

Key terms of proposal

Under the terms of definitive agreements signed today, Elph will underwrite a 1-for-1 non-renounceable rights issue at \$0.16 per share, to raise approximately \$42.6 million (before costs) ("Entitlement Issue").

Funds raised under Entitlement Issue will be used to provide additional working capital, repay Elph's subordinated loan, satisfy outstanding tax liabilities, meet the obligation of Coote to pay \$6.5 million to Elphinstone Holdings Pty Ltd arising under the terms of the Greentrains put option (see ASX announcement dated 21 April 2010), pay down debt on terms previously agreed with the company's bankers and meet the costs of the Entitlement Issue (see "**Uses of Proceeds**" below).

The Board has unanimously recommended that shareholders **accept** the proportional takeover offer by Elph ("Elph Offer") (see ASX announcement dated 21 May 2010). The proceeds from acceptance of the Elph Offer will be available to accepting shareholders in sufficient time for them to exercise their rights under the Entitlement Issue, should they wish to do so. Depending on the level of acceptances under the Elph Offer and the take-up under the Entitlement Issue, Elph is expected to emerge with around 45% of Coote on a fully diluted basis.

The Elph Offer has been extended and is now scheduled to close on 9 June 2010. Shareholders with queries regarding how to accept the offer may call Elph on 1300 733 145 (for callers within Australia) and +612 8256 3362 (for callers outside Australia).

The Board of Coote will also be restructured in line with the expected holding of Elph following completion of the Offer, with Mr Dale Elphinstone and Mr Vince De Santis to join the Board as Non-Executive Directors in June 2010.

Coote Chairman Dr Donald Hector said: "This capital raising will place Coote on a much sounder financial footing, remove the overhang of the Greentrains put option and supplying additional working capital thereby enhancing Coote's operational flexibility and prospects for growth."

Announcement (Continued)

We are pleased that both Mr Elphinstone and Mr De Santis have agreed to join the Board of Coote. They bring a broad mix of skills and experience in the industrial services sector which will be valuable to Coote as it navigates its way through a critical period in the improvement of its business.

These appointments represent only one part of our commitment to achieving best practice in corporate governance. We have already commenced a search for an appropriately qualified, independent non-executive director to join the Board."

Elphinstone Group Executive Chairman Mr Dale Elphinstone said: "We welcome the Board's endorsement of this new proposal which we believe will, over time, result in Coote becoming a stronger, more enduring and profitable company, for the benefit of all shareholders.

We hope to move promptly towards completion of the capital raising, which will enable the Board and management team to return its focus to maximising the performance of the business."

Subordinated Bridging Loan and Entitlement Issue

In addition to underwriting the Entitlement Issue, Elph has agreed to immediately extend to Coote a subordinated bridging loan of \$10 million, secured by a second-ranking charge over all the assets and undertakings of Coote, to provide working capital.

The amount due under the loan will be offset against Elph's obligations under the Underwriting Agreement for the Entitlement Issue. Under the loan, interest is payable at the 90 day bank bill swap rate plus a margin of 5% p.a. (reset at the beginning of each quarter).

The Entitlement Issue is expected to be open from 22 June 2010 to 6 July 2010. The record date for the Entitlement Issue is 16 June 2010. The Entitlement Issue will be non-renounceable and will be fully underwritten by Elph. Elph has also committed to take up its full entitlement under the Entitlement Issue. Elph is to be paid a 5% underwriting fee on the gross proceeds of the raising, except on proceeds from shares taken up by Elph as part of its pro rata entitlement. The underwriting agreement includes a number of termination events, including material disruptions in financial conditions or markets.

Two of Coote's other substantial shareholders, Thorney Holdings Pty Ltd and Equity Trustees Limited (as responsible entity for SG Hiscock and its funds) ("Substantial Holders"), have supported the Entitlement Issue by committing to take up their entitlements, and have also entered into general sub-underwriting positions of \$2.8 million and \$1.4 million respectively. Elph has also entered into sub-underwriting arrangements with other third parties.

The Entitlement Issue will allow shareholders to apply for shares in excess of their Entitlement ("Top-Up Facility"). The allocation policy for shares subscribed pursuant to the Top-Up Facility, as agreed between the Board and the Underwriter, is as follows:

1. Elph will receive a priority allocation of any shortfall calculated as \$21.3 million minus the amount equal to Elph's pro-rata entitlement under the Entitlement Issue.
2. Shareholders who have applied for additional shares through the Top-Up Facility, will receive up to \$25,000 of shares applied for on a pro rata basis (Elph will not apply for additional shares under the Top-Up Facility);
3. The Substantial Holders will receive allocations under their general sub-underwriting commitments on a pro rata basis, to be followed by a priority group of sub-underwriters on a pro-rata basis;
4. Shareholders who have applied for additional shares in excess of \$25,000 through the Top-Up Facility will receive additional shares on a basis jointly agreed between Elph and Coote; and
5. If any shortfall remains after the above allocations, it will be allocated to sub-underwriters other than the Substantial Holders.

Documentation for the Entitlement Issue is expected to be despatched to Coote Shareholders by 22 June 2010.

Set out in Annexure A to this announcement are further details relating to the proposed Entitlement Issue and a proposed timetable for the Entitlement Issue.

Broker Handling Fee

Coote will also pay a broker handling fee of 1% (capped at \$250 per application) on successful applications under the Entitlement Issue. Brokers must be ASX participants and complete a claim form to be eligible for this fee.

Announcement (Continued)

Uses of Proceeds

The proceeds of the Entitlement Issue will be applied to the following uses:

	\$m	\$m
Source		
Entitlement Issue proceeds (gross)	42.6	
Costs of the Entitlement Issue ¹	1.6	
Entitlement Issue proceeds (net)	41.0	
Application		
Provide working capital		12.4
Repayment of subordinated loan to Elph ²		10.0
Payment of outstanding tax liabilities		9.3
Greentrains put option		6.5
Scheduled amortization of facility		2.0
Costs of the Elph Offer		0.8
TOTAL		41.0

Notes:

1. Assumes underwriting fee of 5% on portion underwritten exclusive of Elph entitlement, assuming Elph acquires 40% of Coote under the Elph Offer, plus \$0.3 million in ancillary costs.
2. As noted above, Elph has provided a subordinated bridging loan of \$10 million in advance of the Entitlement Issue. This loan is to be repaid by offsetting the amount due to Coote by Elph under its obligations under the Underwriting Agreement for the Entitlement Issue.

On the basis that \$41.0 million is raised under the Entitlement Issue net of costs, Coote's consolidated net debt is expected to decrease from \$118.8 million as at 31 March 2010 to approximately \$77.1 million upon completion of the Entitlement Issue (after adjusting for the expected impact of the sale of the South Spur Rail Services business and for debt reduction during April 2010).

The capital raising, together with the sale of South Spur Rail Services and the associated debt reduction and extension, will achieve what the Board believes to be a more conservative gearing level and debt profile, which will allow the business to re-focus on the growth opportunities ahead.

The company's financiers have provided necessary consents under the terms of facility documentation for the sale of South Spur and for the capital raising and application of proceeds described above.

Board appointments

As noted, Mr Dale Elphinstone and Mr Vince De Santis have agreed to join the Board of Coote as Non Executive directors. The appointments will take effect in June 2010.

The Coote Board also confirms its commitment to finding a suitable appointment for an independent, non-executive director before the 2010 Annual General Meeting of the company.

Strategic review

Consistent with Elph's intentions as outlined in its Bidder's Statement, the Board, on completion of the Entitlement Issue, proposes to undertake a broad-ranging review of the company, its strategic direction and focus and funding position, with a view to maximising returns to shareholders.

It is possible that as a result of this review, certain non-core assets of the company and potentially entire businesses may be divested, with the proceeds likely to be applied at least in part to the repayment of debt.

Furthermore, in connection with the preparation of the accounts for the year ending 30 June 2010, the Board will be required, in accordance with the accounting standards, to test the carrying value of assets on the balance sheet as at that date. In light of operational issues previously disclosed, this may lead to write-downs to those carrying values. However the Board is not currently in a position to estimate the amounts, if any, that may be involved. It should be noted that any such write-downs represent non-cash items and are not expected to have any impact under the company's finance facilities.

Announcement (Continued)

Outlook

Coote has previously disclosed updated guidance in respect of earnings for the 2010 financial year (see ASX announcements dated 12 and 14 May 2010).

The Board of Coote believes that in light of the range of potential outcomes under the strategic review noted above, and generally uncertain trading conditions, it is not possible to provide meaningful guidance in respect of earnings for the 2011 financial year. However the Board notes the following in terms of its general expectations for that period:

- A continuing and materially improved performance is expected from the Drivetrain business, reflecting both revenue and margin growth;
- Gemco is also expected to contribute a turnaround performance delivered from new contract awards including that recently announced with IMX Resources (see ASX announcement dated 25 May 2010);
- Momentum is expected to show constant revenue and margins in line with FY10 performance;
- Industrial Powertrain is expected to show trend levels of growth in revenues in line with recent years with consistent or increasing margins;
- The Convair business is expected to maintain its contribution to Group earnings;
- Upon completion of the Greentrains put option previously exercised by Elphinstone Holdings Pty Ltd, Coote will own approximately 81% of Greentrains. The Greentrains business is expected to make a positive contribution to earnings, however as previously disclosed, the Board is considering a number of options for the business which may include an equity capital raising or partial or outright sale; and
- The proposed or pending divestment of other businesses which have made a negative contribution to Coote over the course of the 2010 financial year, including the South Spur Rail Services business, should have a positive impact on reported earnings in 2011.

Hence, the Board expects a significant improvement in the financial performance of the company for the coming financial year.

Elph Offer - Board recommendation and intentions

As previously advised, the Board recommends that shareholders **accept** the Elph Offer for 35% of their shares.

Each of the directors, with the exception of Managing Director Mr Mike Coote, intends to **accept** the Elph Offer in respect of the shares they own or control and to apply the proceeds in exercise of their rights under the Entitlement Issue. Mr Mike Coote's position is consistent with his earlier statements of his intention not to accept the Elph Offer in respect of his shareholding.

The Elph Offer closes on 9 June 2010. Elph has confirmed to Coote that it will not extend this Offer any further.

Risks

Shareholders should be aware that an investment in Coote shares is subject to a number of risks, as outlined in the Target's Statement, this announcement and in Annexure B.

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Announcement (Continued)

Important Notice and Disclaimer

This announcement is issued by Coote Industrial Limited ABN 99 120 432 144 ("**Coote**"), and contains general background information about Coote's activities current as at the date of the announcement. It is information in a summary form and does not purport to be complete. It should be read in conjunction with Coote's other periodic and continuous disclosure announcements, including the Coote 2009 Annual Report lodged with the Australian Securities Exchange ("**ASX**") on 1 October 2009, Coote's half yearly report to 31 December 2009 lodged with the ASX on 1 March 2010, Coote's Target's Statement dated 12 April 2010 and Supplementary Target's Statements lodged since that date, and Coote's other announcements to the ASX available at www.asx.com.au.

This announcement is not a prospectus or a product disclosure statement under the Corporations Act and has not been lodged with the Australian Securities and Investments Commission ("**ASIC**"). The Entitlement Issue to which this announcement relates complies with the requirements of section 708AA of the Corporations Act as modified by ASIC Class Order [CO 08/35], and a Cleansing Notice complying with that section has been lodged with ASX.

The information contained in this announcement is for information purposes only and does not constitute an offer to issue or arrange to issue securities or other financial products. The information provided in this announcement is not intended to be relied upon as advice to investors or potential investors and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs. Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States or to US persons. This announcement does not constitute an offer of securities for sale in the United States or any other jurisdiction. Any securities described in this announcement may not be offered or sold in the United States or to US persons (as defined in Regulation S under the US Securities Act of 1933) absent registration under the US Securities Act or an exemption from registration.

This announcement may contain certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention have been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Coote, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Announcement (Continued)

Annexure A – Entitlement issue – further details and timetable

Entitlement issue

The Entitlement Issue is a pro rata non-renounceable rights issue to be offered to eligible Coote shareholders that meet all of the following criteria ("**Eligible Shareholders**"):

- they are registered as a holder of Coote shares at 5.00pm (Perth time) on the Record Date of Wednesday 16 June 2010;
- they have a registered address in Australia or New Zealand;
- they are not in the United States or a US Person or acting for the account or benefit of such persons; and
- they are eligible under all applicable securities laws to receive an offer under the Entitlement Issue.

The Entitlement Issue is not being extended to any shareholder with a registered address outside Australia or New Zealand having regard to the small number and value of new shares that would be offered in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions. However, Coote will appoint an ASIC-approved nominee to arrange for the sale on ASX of shares that may have been taken up by those shareholders, and to distribute any proceeds of sale (less the Entitlement Issue subscription price and other costs) to those shareholders.

The issue price under the Entitlement Issue is 16 cents per share. This price represents a discount of 30% to the volume weighted average price of Coote shares for the five trading days prior to the date of this announcement.

The Entitlement issue is non-renounceable. This means that Coote shareholders who do not take up their entitlement to participate in the Entitlement Issue will not be able to transfer or receive any value for those entitlements, and their equity interest in Coote will be diluted.

Eligible Shareholders as at the record date may choose to accept all or part of their pro rata entitlement or none at all. Eligible Shareholders (other than directors of Coote) who take up their entitlement in full may also apply for additional shares in excess of their Entitlement under the Top-Up Facility. The allocation policy for shares subscribed pursuant to the Top-Up Facility will be as described under "**Subordinated Bridging Loan and Entitlement Issue**" in this announcement. Entitlements of Eligible Shareholders which are not taken up will lapse upon close of the Entitlement Issue.

Eligible Shareholders will shortly receive an offer booklet and a personalised entitlement and acceptance form which will provide further details on how to participate.

Timetable

"Ex Date" – Company's shares quoted on an 'ex' basis	Wednesday 9 June 2010
Record Date – To identify Company shareholders entitled to participate in the Offer	Wednesday 16 June 2010
Lodgement Date, Despatch of Offer Documents and Opening Date	Tuesday 22 June 2010
Closing Date	Tuesday 6 July 2010
Deferred Settlement Commences – shares quoted on a deferred settlement basis	Wednesday 7 July 2010
Notify ASX of under subscriptions	Friday 9 July 2010
Allocation Date – last date on which allocation of Offer Shares occurs	Wednesday 14 July 2010
Despatch Date – deferred settlement trading ends, security holdings entered	Wednesday 14 July 2010
Normal trading of new Coote Shares expected to commence on ASX	Friday 15 July 2010

All dates set out in the above table are Perth WST time. All dates are indicative and are subject to change. Any material changes will be announced to ASX.

Announcement (Continued)

Annexure B – Key risks in relation to Coote

This section discusses some of the key risks associated with an investment in shares in Coote. A number of risks and uncertainties, which are both specific to Coote and of a more general nature, may adversely affect the operating and financial performance or position of Coote, in turn affecting the value of Coote shares and the value of your investment in Coote.

The risks and uncertainties described below are not an exhaustive list of the risks facing Coote in connection with the Entitlement Issue or associated with an investment in Coote. Additional risks and uncertainties may also become important factors that adversely affect Coote's operating and financial performance or position.

Before investing in Coote shares, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on Coote (such as that available on the websites of Coote and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

Coote specific risks

1. Working capital

The principal risks associated with Coote's working capital include:

- notwithstanding the Entitlement Issue, there can be no assurances that Coote will be able to obtain appropriate funding for its operations on a timely basis, on reasonable terms, or at all, or that such additional funding would be sufficient to enable Coote to continue to implement its long term business strategy;
- divestment of non-core assets may not be consummated, or may not be consummated within the time periods anticipated, or the proceeds received may be less than anticipated; and
- any delay in reducing indebtedness or sourcing additional funding may adversely affect Coote's credit standing and may result in its borrowing costs being higher than expected.

2. Industry cycle

Coote provides engineering and technical sales and services customers in the defence, maritime, power generation, rail and resources industries. Any variance in the level of activity in these industries will be influenced by factors that may have an adverse effect on operating results and are beyond the control of Coote including metal prices and supply and demand, exchange rates, and availability and cost of key resources including people, equipment and critical consumables.

3. Increased or new competition

Coote faces competition in its businesses. To the extent that there are new entrants or changes in strategy by existing competitors Coote may lose market share with consequent adverse effects upon operating and financial performance.

4. Foreign exchange

Coote's revenue, operating and other business expenditure is determined principally in Australian dollars and Swedish Krona. Fluctuations in the exchange rate between the Australian dollar and the Swedish Krona will result in foreign exchange gains and losses which may impact on Coote's financial performance.

Announcement (Continued)

5. Environmental risks

Extensive national environmental laws and regulations in Australia affect the operations of Coote. The laws and regulations set various standards that regulate certain aspects of health and environmental quality, provide penalties or other remedies for any violation of standards and, in certain circumstances, impose obligations to undertake remedial action in current locations where operations are conducted. There is a risk that significant damages or penalties might be imposed on Coote group companies, including for certain discharges into the environment, effects on employees, sub-contractors or customers, or as clean up costs.

6. Reliance on key personnel

The responsibility of overseeing day-to-day operations and the strategic management of Coote is concentrated amongst a small number of key employees. While it is not currently anticipated, one or any number of these key employees may cease employment with Coote. The loss of any such key employees could have the potential to have a detrimental impact on Coote until the skills that are lost are adequately replaced.

7. Occupational health and safety

Coote manages, with its clients, certain risks associated with the occupational health and safety of its employees. Coote takes out insurance to cover these risks in certain parameters, however it is possible for injuries and/or incidents to occur which may result in expenses in excess of the amount insured or provided for with a resultant impact on Coote's earnings.

8. Reliance on key customers

Coote's businesses rely on a number of long-term contracts and business relationships. If any of the key customers reduces production or terminates the relationship, this may have an adverse effect on the financial performance and/or financial position of Coote.

9. Equipment

Coote is dependent on access to storage, rail, power and propulsion equipment and related parts. If Coote is unable to source suitable equipment and parts, its ability to perform or commence new contracts may be adversely affected.

10. Sovereign risk

Coote and its clients operate in various countries. There is a risk that the actions of a government, or other unforeseen events, in any of these countries may adversely affect Coote's operational flexibility.

11. Industrial disputes

Industrial disputes may arise from claims for higher wages and/or better working conditions in the industry in which Coote operates. This could disrupt operations and impact on earnings.

12. Risks associated with future growth initiatives

Coote intends to grow both organically and through new investment opportunities. There are always risks that the benefits, synergies or efficiencies expected from such investments or growth opportunities may take longer than expected to be achieved or may not be achieved at all. Any investments pursued could, for a variety of reasons, have a material adverse effect. Growth also brings substantial demands on management.

Announcement (Continued)

13. Litigation risk

Exposure to litigation brought by third parties such as customers, regulators, employees or business associates could negatively impact on Coote's financial performance through increased costs, payments for damages and damage to reputation.

14. Insurance

There may be circumstances where Coote's insurance will not cover, or will not be adequate to cover, the consequences of adverse events arising from operations, or where Coote may become liable for pollution or other operational hazards against which they cannot insure or may have elected not to have insured or keep insured on account of high premium costs or otherwise. In that event Coote could incur significant costs that would have a material adverse effect on its financial position.

General risks

15. Economic conditions

Adverse changes in economic conditions such as interest rates, exchange rates, inflation, government policy, international economic conditions and employment rates (amongst others) are outside Coote's control and have the potential to have an adverse impact on Coote and its operations.

16. Stock market fluctuations

There are risks associated with any investment in a company listed on the ASX. The value of Coote shares may rise above or below the current price depending on the financial and operating performance of Coote and external factors over which Coote and its Directors have no control. These external factors include economic conditions in Australia and overseas, changing investor sentiment in the local and international stock markets, changes in domestic or international fiscal, monetary, regulatory and other government policies and developments and general conditions in the markets in which Coote operates or proposes to operate and which may impact on the future value and pricing of shares.

17. Regulatory risks

Coote is exposed to changes in the regulatory conditions under which it operates. Such regulatory changes can include, for example, changes in taxation laws and policies, accounting standards, environmental laws and regulations, employment laws and regulations, and laws and regulations relating to occupational health and safety.

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Key offer dates

Key Offer dates *

Announcement of the Entitlement Offer	Monday, 7 June 2010
Record Date for determining Entitlement to subscribe for New Shares	5.00pm Perth time, Wednesday, 16 June 2010
Entitlement Offer opens	Tuesday, 22 June 2010
Closing date for Entitlement Offer	5.00pm Perth time, Tuesday, 6 July 2010
Issue of New Shares, despatch of confirmation of issue	On or before Wednesday, 14 July 2010
Normal trading of New Shares on ASX	Thursday, 15 July 2010

** All times and dates refer to Australian Western Standard Time and are subject to change without notice. Any material changes will be notified to ASX. The commencement of quotation of New Shares is subject to confirmation from ASX.*

Coote reserves the right, subject to the Corporations Act, the Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer, including extending the Entitlement Offer or accepting late applications, either generally or in particular cases, without notice. Accordingly, applicants are encouraged to submit their Application as soon as possible after the Entitlement Offer opens.

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Other important information

1. Quotation and trading

Coote will apply to ASX for the official quotation of the New Shares in accordance with the Listing Rules. Subject to approval being granted by ASX, it is expected that normal trading of New Shares will commence on Thursday, 15 July 2010.

Current and historical Coote share price information is available at www.asx.com.au.

2. Pro forma Statement of Financial Position

A pro forma Statement of Financial Position is set out below. The financial information in this section has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards and other mandatory professional reporting requirements in Australia and has been derived from:

- the audited consolidated balance sheet of Coote as at 31 December 2009 as lodged with the ASX on 1 March 2010; and
- the assumptions and adjustments set out in this section.

Pro forma Statement of Financial Position

A\$000s	Coote Group 31 Dec 2009 (Audited)	Adjustment for Sale of South Spur Rail Services Business and Other Movements ¹	Adjustments for Entitlement Offer ^{2,3}	Pro-forma (Unaudited)
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	2,097	(17,144)	22,440	7,394
Inventories, Trade & Other Receivables	94,356	(8,330)	0	86,026
Other Current Assets	1,148	3,350	0	4,498
	97,601	(22,124)	22,440	97,917
NON CURRENT ASSETS				
Inventories, Trade & Other Receivables	39,447	(11,173)	0	28,274
Financial assets	155	5	0	161
Property, Plant & Equipment	123,144	(15,150)	0	107,995
Intangible assets	102,525	(4,994)	0	97,531
Other Non-Current Assets	5,995	(688)	0	5,306
	271,266	(31,999)	0	239,267
TOTAL ASSETS	368,867	(54,123)	22,440	337,184
LIABILITIES				
CURRENT LIABILITIES				
Trade & Other Payables	47,826	(9,070)	(9,319)	29,438
Financial liabilities	71,211	(16,361)	(2,000)	52,851
Other Current Liabilities	18,781	(10,699)	0	8,081
	137,818	(36,130)	(11,319)	90,369
NON CURRENT LIABILITIES				
Financial liabilities	43,731	(12,111)	0	31,620
Other Long Term Liabilities	4,999	(1,470)	0	3,529
	48,730	(13,581)	0	35,149
TOTAL LIABILITIES	186,548	(49,711)	(11,319)	125,518
NET ASSETS	182,319	(4,412)	33,759	211,666
Issued capital	152,819	(233)	41,009	193,595
Reserves	107	(33)	0	74
Non-controlling interest	10,381	374	(6,500)	4,255
Retained earnings	19,013	(4,521)	(750)	13,742
Equity	182,319	(4,412)	33,759	211,666
NET DEBT	112,845	(11,328)	(24,440)	77,077

Other important information (Cont.)

The presentation of pro forma balance sheet information provides Coote Shareholders with an indication of the financial position of the Company following the completion of the South Spur Rail Services transaction and the Entitlement Offer and with consideration given to the Company's trading results to 31 March 2010 as recorded in the Company's management accounts to 31 March 2010. The financial information has been presented for illustrative purposes only and the adjustments and the pro forma have not been audited or audit reviewed.

The pro forma adjustments included in the above pro forma statement are outlined below. The treatment of the adjustments in the pro forma balance sheet are based on preliminary analysis of relevant matters and, as such, may change in the future as when more detailed review and audit work is completed.

1. The balance sheet has been adjusted for movements recorded in the Company's management accounts since 31 December 2009 including:
 - Adjustments made to reflect the South Spur Rail Services business transaction include the gross sale consideration of \$26.75 million adjusted for expected completion adjustments. The net proceeds of the South Spur Rail Services transaction have been applied as follows:
 - \$17.1 million to accelerated debt repayment; and
 - \$8.0 million to settlement of current tax liabilities.
 - Adjustments have been made to reflect the assets and liabilities transferred to the acquirer of the South Spur Rail Services business;
 - Additional debt repayments of \$11.08 million that were made by the Coote Group to its financiers between 31 December 2009 and 30 April 2010;
 - Changes arising from the normal trading activities of Coote including movements in working capital, depreciation of property plant and equipment and other trading movements from 1 January 2010 to 31 March 2010; and
 - \$0.2 million reduction in issued equity in relation to expenses and adjustments related to the Company's Share Purchase Plan conducted in November 2009.
2. Adjustments made to reflect the Entitlement Offer include the following:
 - Net proceeds from the Entitlement Offer of \$22.4 million has been determined from the gross proceeds of \$42.6 million less;
 - the costs associated with the Entitlement Offer of \$1.59 million;
 - the settlement of current tax liabilities of \$9.3 million;
 - the settlement of the Greentrains Put Option of \$6.5 million;
 - the scheduled June 2010 quarter debt repayment of \$2.0 million to the company's financiers; and
 - costs associated with the Elph Offer of \$0.75 million.
 - Adjustments to reflect Coote's increased interest in Greentrains as a consequence of Elphinstone Holdings Pty Ltd exercising the Greentrains Put Option.
3. Elph Bridging Loan
 - The funds received from the subordinated bridging loan of \$10 million from Elph are treated as an advance on the commitment of Elph to subscribe for New Shares under its underwriting obligations.

3. Underwriting information

The Entitlement Offer will be fully underwritten by Elph. Under the underwriting agreement:

- Coote has agreed to indemnify Elph, its related bodies corporate, any of its affiliates and their directors, officers, partners, employees, agents and advisers against losses they may suffer in connection with the Entitlement Offer; and
- Coote must pay Elph an underwriting commission of 5% of the Issue Price per share on all of the New Shares (except for the New Shares which Elph subscribes for pursuant to its Entitlement) and reasonable costs and expenses incurred by Elph in respect of the Entitlement Offer. Elph will be responsible for any sub-underwriting fees.

The underwriting agreement between Coote and Elph includes the following termination events:

- **(Offer Document)** a statement contained in an Offer Document or in any document released by or on behalf of Coote in relation to the Entitlement Offer is or becomes misleading or deceptive (including, without limitation, misleading representations, or a matter required to be included is omitted from an Offer Document or other document referred to in this paragraph) or any forecast, expression of opinion, intention or expectation expressed in

Other important information (Cont.)

the Offer Document is not fair and honest and based on reasonable assumptions, when taken as a whole or Coote no longer has a reasonable basis for any such forecast, expression of opinion intention or expectation.

- **(Offer Document to comply)** an Offer Document or any aspect of the Entitlement Offer does not or ceases to comply in any material respect with the Corporations Act, Australian Securities And Investments Commission Act 2001, the Listing Rules or any other applicable law or regulation (as amended or varied).
- **(Closing Certificate)** Coote fails to provide the closing certificate to Elph as and when required by the underwriting agreement or the closing certificate given by Coote is false, misleading, deceptive or inaccurate.
- **(Timetable)** an event specified in the timetable is delayed for more than 2 business days.
- **(Insolvency Events)** an insolvency event occurs in relation to any member of the Coote group or any act or omission occurs which may result in an insolvency event in relation to any member of the Coote group occurring.
- **(Indictable offence)** a director or senior manager of Coote is charged with an indictable offence or any regulatory body commences any public action against a director of Coote in his or her capacity as such or announces that it intends to take any such action or any director or senior manager of Coote is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.
- **(Misleading or deceptive conduct)** civil or criminal proceedings are brought against Coote or any officer of Coote or any other entity in the Coote group in relation to any fraudulent, misleading or deceptive conduct whether or not in connection with the Entitlement Offer.
- **(Repayment)** any circumstances arises after lodgement of the Offer Documents that results in Coote either repaying the money received from applicants or offering applicants an opportunity to withdraw their applications for New Shares and be repaid their application money.
- **(Orders and notifications)** without limiting any other paragraph in this section:
 - (a) ASIC issues an order or interim order under section 739 of the Corporations Act;
 - (b) ASIC applies for an order under Part 9.5 of the Corporations Act in relation to the Entitlement Offer or the Offer Document;
 - (c) ASIC holds, or gives notice of intention to hold, a hearing or investigation in relation to the Entitlement Offer or any Offer Document under the Corporations Act or the Australian Securities And Investments Commission Act 2001;
 - (d) any person (other than Elph) who has consented to being named in an Offer Document withdraws that consent; or
 - (e) any person gives a notice under section 730 of the Corporations Act in relation to an Offer Document.
- **(Withdrawal)** Coote withdraws an Offer Document or the Entitlement Offer fails to proceed.
- **(ASX Waiver and ASIC Modification)** ASX withdraws, revokes or amends any ASX Waiver or ASIC withdraws, revokes or amends the ASIC Modification.
- **(New circumstance)** In the reasonable opinion of Elph, at any time on or after the opening date a new circumstance arises which is a matter materially adverse to investors in New Shares and which would have been required by the Corporations Act to be included in the Offer Document had the new circumstance arisen before the Offer Document was lodged with ASIC and ASX.
- **(Debt facilities)**
 - (a) Except as publicly disclosed prior to the date of the underwriting agreement, Coote or any other entity in the Coote group breaches, or defaults under, any provision, undertaking covenant or ratio of a material debt or financing arrangement or any related documentation to which that entity is a party which has a material adverse effect on Coote or the Coote group; or
 - (b) Except as publicly disclosed prior to the date of the underwriting agreement, an event of default, potential event of default, review event which gives a lender or financier to Coote or any other entity in the Coote group the right to accelerate or require repayment of the debt or financing or other similar event occurs under or in respect to any such debt or financing arrangement or related documentation.
- **(Material Adverse change)** any material adverse change, or a development involving a prospective adverse change, occurs in the assets, liabilities, financial position or performance, profits, losses, prospects or reputation of Coote or the Coote group (insofar as the position in relation to a member of the Coote group affects the overall position of Coote) including:
 - (a) any change in the earnings, future prospects or forecasts of the Coote group from those disclosed in the Offer Document; or

Other important information (Cont.)

- (b) any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Coote group from those respectively disclosed in an Offer Document or the public information or any other public statements made by Coote or with its approval in relation to the affairs of Coote or the Entitlement Offer.
- **(Warranties)** a representation or warranty provided by Coote in the underwriting agreement is not true or correct, or is misleading or deceptive.
- **(Breach)** Coote fails to perform or observe any of its obligations under the underwriting agreement.

The underwriting agreement between Coote and Elph also includes the termination events described below. However, no event specified below entitles Elph to exercise its termination rights unless, in the actual and reasonable opinion of Elph, such event:

- (a) has, or is likely to have, a material adverse effect on the success or settlement of the Entitlement Offer, the willingness of investors to subscribe for New Shares; or
- (b) leads, or is likely to lead:
 - (i) to a contravention by Elph of, or Elph being involved in, a contravention of, the Corporations Act or any other applicable law; or
 - (ii) to a liability for Elph under the Corporations Act or any other applicable law.
- **(Change of law)** there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made under any law, or a Government Agency adopts a policy, or there is any official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or a Government Agency that such a law or regulation will be introduced or policy adopted (as the case may be).
- **(Disruption in financial markets)** any of the following occurs:
 - (a) a general moratorium on commercial banking activities in Australia, New Zealand, Singapore, Hong Kong, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
 - (b) trading in all securities quoted or listed on ASX, the New Zealand Stock Exchange, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for more than one day on which that exchange is open for trading; or
 - (c) there occurs any crises, calamity, adverse change or disruption to the economic or political conditions or financial markets of Australia, New Zealand, Singapore, Hong Kong, the United Kingdom, the United States of America or the international financial markets or any change or development involving a prospective adverse change in national or international political, financial or economic conditions, in any case the effect of which is such as to make it, in the reasonable judgment of Elph, impractical to promote the Entitlement Offer or to enforce contracts to subscribe for the shares to be issued under the Entitlement Offer.
- **(Change in management)** except as disclosed in the Offer Documents, a change in senior management or the board of directors of Coote occurs.
- **(Compliance with regulatory requirements)** The Offer Documents, the Entitlement Offer, Coote or a director or Senior Manager of Coote or any member of the Coote group contravenes:
 - (a) a clause of the constitution of Coote or a member of the Coote group;
 - (b) the Corporations Act;
 - (c) the Listing Rules;
 - (d) any other applicable law or regulation (as amended or varied); or
 - (e) any ASX Waiver and ASIC Modification; or
 - (f) taxation legislation.
- **(Material contracts)** a material contract (including a material contract referred to in the Offer Documents) is, without the written consent of Elph:
 - (a) breached by any member of the Coote group;
 - (b) terminated (whether by breach or otherwise);
 - (c) altered or amended in any way; or
 - (d) found to be void, voidable or unenforceable.
- **(Business)** Coote or a related body corporate:

Other important information (Cont.)

- (a) except as publicly disclosed prior to the date of the underwriting agreement, disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (b) or ceases or threatens to cease to carry on business,
- in either case, without the prior written consent of Elph.
- **(Judgment and execution)** a judgment for more than \$100,000 is obtained against Coote or any Coote group company, or any process such as distress, attachment or execution, for an amount over \$100,000 is issued against, levied or enforced upon any assets of Coote or any member of the Coote group and is not paid, set aside or satisfied within 10 Business Days.
 - **(Fraud)** Coote or any of its directors or officers (as that term is defined in the Corporations Act) engage in any fraudulent conduct or activity whether or not in connection with the Offer.
 - **(Prescribed Occurrence)** a Prescribed Occurrence occurs in relation to any member of the Coote group.
 - **(Constitution altered)** the constitution or any other constituent document of Coote or any of its related bodies corporate is amended without the prior written consent of Elph.
 - **(Financial assistance)** Coote or a related body corporate seeks the approval of shareholders under section 260B of the Corporations Act, without the prior written consent of Elph.

4. Potential effect on control

The potential effect of the Entitlement Offer on the control of Coote is as follows:

- If all Eligible Shareholders take up their entitlements under the Entitlement Offer, then the Entitlement Offer will have no significant effect on the control of Coote.
- If some Eligible Shareholders do not take up all of their entitlements under the Entitlement Offer, then the interests of those Eligible Shareholders in Coote will be diluted.
- The proportional interests of shareholders with registered addresses outside Australia and New Zealand will be diluted because such shareholders are not entitled to participate in the Entitlement Offer.
- As stated above, the Entitlement Offer is fully underwritten by Elph. Elph is a substantial shareholder of Coote with a relevant interest of 38.54%.
- The following substantial shareholders have entered into agreements to act as priority sub-underwriters of some of Elph's underwriting obligations:
 - (a) Thorney Holdings Pty Ltd in relation to 17,444,857 shortfall shares; and
 - (b) Equity Trustees Limited (as responsible entity for SGH Professional Investor Smaller Companies Trust) in relation to 8,579,853 shortfall shares.
- Coote has also been advised by Elph that there are additional sub-underwriting arrangements in place in relation to 72,430,530 shares.
- All sub-underwriting arrangements include termination events customary for agreements of their nature.
- If all Eligible Shareholders take up their Entitlements under the Entitlement Offer and there is no shortfall under the Entitlement Offer, then Elph will, except for shares it may subscribe for pursuant to its Entitlement as a Shareholder, not be issued with any Coote shares under the Entitlement Offer as underwriter. However, if there is a shortfall under the Entitlement Offer, subject to the terms of the underwriting agreement, the sub-underwriting agreements and the Top-Up Facility, Elph (and the sub-underwriters) may be entitled to subscribe for Coote shares up to a maximum of the shortfall. The issue of Coote shares to Elph (and the sub-underwriters) will dilute the interests of all other Shareholders.
- Elph currently holds 38.54% of the issued capital of Coote. The consequences of the potential effect on the control of Coote at completion of the Entitlement Offer is summarised below:
 - (a) If all shareholders are Eligible Shareholders and accept the Entitlement Offer, then Elph's interest will remain at 38.54%.
 - (b) If only the sub-underwriters accept the Entitlement Offer and no other Coote Shareholders accept and the full shortfall of New Shares is placed with Elph and the sub-underwriters in accordance with the sub-underwriting agreements, Elph's shareholding interest will increase to 44.27%.

Other important information (Cont.)

5. Consequences on the potential control of Coote

The maximum voting power of all known substantial shareholders of Coote, at the date of this notice (based on information disclosed to ASX and assuming no change to those shareholdings prior to the close of the Entitlement Offer) both currently and following the Entitlement Offer, is set out in the table below:

Substantial shareholder	Current number of shares over which holder has voting power	Current voting percentage	Maximum number of shares over which holder may have voting power	Maximum voting percentage
Elph Pty Ltd, Elphinstone Holdings Pty Ltd and Dale Brendon Elphinstone ¹	102,695,242	38.54%	235,914,636	44.27%
Michael Coote, Ganesha Nominee Pty Ltd as trustee for the Ganesha Family Trust and Ganesha Nominee Pty Ltd as trustee for the Ganesha Super Fund ²	42,811,184	16.07%	42,811,184	8.03%
Equity Trustees Limited as responsible entity for SGH Professional Investor Smaller Companies Trust ³	15,170,394	5.69%	38,920,641	7.30%
Thorney Holdings Pty Ltd, TIGA Trading Pty Ltd, Thorney Investment Group Australia Pty Ltd ⁴	13,805,143	5.18%	45,055,143	8.46%

¹ Based on the ASX announcement made by Elph on 11 June 2010 in relation to the close of the Elph Offer. The maximum voting power is based on the following assumptions: (i) Elph accepts all of its entitlement under the Entitlement Offer (it has indicated it will); (ii) All other Eligible Shareholders (other than the sub-underwriters, who Elph has advised Coote have indicated they will accept their entitlements and other minority shareholders who Coote understands have indicated to Elph that they will take up their entitlements in relation to the 5,788,617 Coote shares they currently hold (referred to below as the "Other Minority Shareholders")) do not accept their entitlements under the Entitlement Offer and (iii) Elph, as underwriter, acquires the amount of the shortfall shares pursuant to the underwriting agreement and the sub-underwriting agreements.

² The maximum voting power is based on the assumption that Michael Coote does not accept his entitlement under the Entitlement Offer.

³ The maximum voting power is based on the following assumptions: (i) Equity Trustees accepts all of its entitlements under the Entitlement Offer (Elph has advised Coote that Equity Trustees has indicated it will); (ii) All other Eligible Shareholders (other than Elph, Thorney Holdings and the Other Minority Shareholders, who Coote understands have indicated to Elph that they will accept their entitlements) do not accept their entitlements under the Entitlement Offer and (iii) Equity Trustees, as sub-underwriter, acquires 8,579,853 of the shortfall shares pursuant to the sub-underwriting agreement.

⁴ The maximum voting power is based on the following assumptions: (i) Thorney Holdings accepts all of its entitlement under the Entitlement Offer (Elph has advised Coote that Thorney Holdings has indicated it will); (ii) All other Eligible Shareholders (other than Elph, Equity Trustees and the Other Minority Shareholders who Coote understands have indicated to Elph that they will accept their entitlements) do not accept their entitlements under the Entitlement Offer and (iii) Thorney Holdings, as sub-underwriter, acquires 17,444,857 of the shortfall shares pursuant to the sub-underwriting agreement.

Other important information (Cont.)

6. No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot, in most circumstances, withdraw your Application once it has been accepted. Further, Entitlements cannot be traded on the ASX or any other exchange, nor can they be privately transferred.

7. Taxation

Taxation implications will vary depending upon the individual circumstances of individual Eligible Shareholders. Eligible Shareholders should obtain their own professional advice before deciding whether to invest.

8. Queries

If you have any questions, please contact the Coote Company Secretary, Mr Roland Stampalia:

Telephone: (+61) 8 9251 8000

Email: Roland.Stampalia@coote.com.au

If you have any doubt as to whether you should participate you should consult your stockbroker, accountant or other independent financial adviser.

Glossary

Term	Meaning
Additional Shares	New Shares applied for by an Eligible Shareholder that are in excess of the Eligible Shareholder's Entitlement.
Application	an application for New Shares lodged in accordance with the instructions in this Offer Booklet and the Entitlement and Acceptance Form.
Announcement	the ASX announcement relating to the Entitlement Offer, including the annexures to that announcement, as announced to ASX by Coote on Monday, 7 June 2010 and as included in this Offer Booklet.
ASX	ASX Limited or the market operated by it as the context requires.
Coote	Coote Industrial Limited ABN 99 120 432 144.
Corporations Act	Corporations Act 2001 (Cwlth).
Eligible Shareholder	has the meaning given on page 3 in section 3 of "How to Apply".
Elph	Elph Pty Ltd ABN 52 070 012 252.
Entitlement	the number of New Shares for which an Eligible Shareholder is entitled to subscribe under the Entitlement Offer.
Entitlement and Acceptance Form	the Entitlement and Acceptance Form accompanying this Offer Booklet.
Entitlement Offer	the one for one (1:1) non-renounceable pro-rata entitlement offer to subscribe for New Shares at the Issue Price set out in this Offer Booklet and the Entitlement and Acceptance Form, and announced to ASX by Coote pursuant to the Announcement.
Equity Trustees	Equity Trustees Limited as responsible entity for SGH Professional Investor Smaller Company Trust.
GST	has the meaning it has in the GST Act.
GST Act	means the A New Tax System (Goods and Services Tax) Act 1999 (Cwlth).
Issue Price	\$0.16 per New Share.
Listing Rules	the Listing Rules of ASX, except as waived or modified from time to time.
New Shares	a Share issued under the Entitlement Offer (and, for the avoidance of doubt, any Additional Shares issued will be New Shares).
Offer Booklet	this booklet setting out the terms of the Entitlement Offer and other important information relating to the Entitlement Offer.
Offer Documents	the documents issued or published by or on behalf of Coote in respect of the Entitlement Offer, including this Offer Booklet, any letter to Coote's shareholders, the Entitlement and Acceptance Form, any cleansing statement in relation to the Entitlement Offer and any other document related to the Entitlement Offer.
Overseas Shareholder	a shareholder at the Record Date who has a registered address which is not in Australia or New Zealand.

Glossary (Continued)

Prescribed Occurrence	<p>in relation to a person, the events set out in section 652C of the Corporations Act but substituting that person for "target" provided that:</p> <ul style="list-style-type: none">(a) an issue of the New Shares;(b) an issue of securities by Coote pursuant to a dividend or distribution plan or employee incentive scheme (as those terms are defined in the Listing Rules) or, as a result of the conversion or exercise of any security issued pursuant to such plan or scheme; and(c) the conversion of any convertible securities (as that term is defined in the Listing Rules) which are on issue as at the date of the underwriting agreement between Coote and Elph, <p>shall not constitute a Prescribed Occurrence.</p>
Record Date	5.00pm on Wednesday, 16 June 2010.
Registry	Security Transfer Registrars Pty. Limited.
Sale Shares	has the meaning given on page 5 in section 11 of "How to Apply".
Share	a fully paid ordinary share in the capital of Coote.
Shareholder	a registered holder of a Share.
Thorney Holdings	Thorney Holdings Pty Ltd.
Top-Up Facility	the mechanism by which Eligible Shareholders (other than Coote directors) can apply for Additional Shares as described in section 7 on page 4 of "How to Apply".
US Person	a "US Person" as defined in Regulation S under the US Securities Act.
US Securities Act	the US Securities Act of 1933, as amended.

This personalised form can only be used in relation to the securityholding represented by the SRN or HIN printed below. This is an important document and requires your immediate attention.
If you are in doubt about how to deal with this document, please consult your financial or other professional adviser.

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registr@securitytransfer.com.au
W: www.securitytransfer.com.au

Amount payable on acceptance of full entitlement at \$0.16 per New Share:

PAYMENT INSTRUCTIONS



Biller Code: 117226

BPAY® this payment via internet or phone banking.
Your reference number is quoted on the front of this form.

Multiple acceptances must be paid separately.

If you have made payment via BPAY, you do not need to return this form, but are taken to make each of the statements and representation on this form and to have applied for the maximum number of New Shares which your payment covers.



CHEQUE/MONEY ORDER

All cheques should be drawn on an Australian bank and expressed in Australian currency, payable to "Coote Industrial Ltd - Entitlement Offer" and crossed "Not Negotiable".

You should ensure that sufficient funds are held in relevant account(s) to cover the application monies. If the amount of your cheque for application monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared application monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form).

It is important to note that the Entitlement Offer closes at 5.00pm (Perth time) on Tuesday, 6 July 2010. To participate in the Entitlement Offer, your payment must be received no later than this time and date. Your completed Entitlement and Acceptance Form, together with application money, should be mailed to:

Coote Industrial Limited
C/- Security Transfer Registrars Pty Ltd
PO Box 535,
Applecross, WA 6953

Lodgement of Acceptance

You may take up all or part of your Entitlement and apply for Additional Shares by completing this Entitlement and Acceptance Form and attaching payment or by paying by BPAY. If you are applying for shares and your payment is being made by BPAY, you do not need to return this form. It is your responsibility to ensure that your BPAY payment is received by Security Transfer Registrars Pty Ltd prior to the closing time for the Entitlement Offer (5.00pm (Perth time) on Tuesday, 6 July 2010). You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment. Neither Security Transfer Registrars Pty Ltd or Coote Industrial Ltd accepts any responsibility for loss incurred through incorrectly completed BPAY. It is your responsibility to ensure that funds submitted through BPAY are received prior to the closing time.

If you are paying by cheque, bank draft or money order, this Entitlement and Acceptance Form and your payment must be received by Security Transfer Registrars Pty Ltd no later than 5.00pm (Perth time) on Tuesday, 6 July 2010. You should allow sufficient time for this to occur. Neither Security Transfer Registrars Pty Ltd nor the Company accepts any responsibility if you lodge this form at any other address or by any other means.

If you subscribe for less than your entitlement or do not pay for your full entitlement, you are taken to have accepted your entitlement in respect of such whole number of New Shares which is covered in full by your application money.

By making your payment using either electronic means or by cheque, bank draft or money order, you confirm that you:

- agree to be bound by all of the terms and conditions as detailed in the Offer Booklet dated 22 June 2010;
- are an "Eligible Shareholder" as defined in the Offer Booklet; and
- acknowledge that the information contained in the Offer Booklet is not investment advice and that you have sought your own professional advice (where required) to ensure this investment suits your investment objectives, financial situation and particular needs.

ENQUIRIES

All enquiries should be directed to the Company's share registry:

Security Transfer Registrars Pty Ltd
PO Box 535, Applecross WA 6953 AUSTRALIA
770 Canning Highway, Applecross WA 6153 AUSTRALIA
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233
Email: registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.



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

22 June 2010

Dear Shareholder,

Entitlement Offer – Notification to Ineligible Overseas Shareholders

As you may be aware, Coote Industrial Limited ABN 99 120 432 144 (“**Coote**”) is currently undertaking a fully underwritten pro-rata non-renounceable entitlement offer (“**Entitlement Offer**”) in accordance with section 708AA of the Corporations Act 2001 (Cwlth), as notionally modified by ASIC Class Order [CO 08/35].

Details of the Entitlement Offer

The Entitlement Offer is being undertaken on the basis of 1 new Coote share for every 1 share held, at an issue price of \$0.16 per new share, to raise approximately \$42.6 million before costs. Shares issued under the Entitlement Offer will rank equally with other Coote shares on issue. Coote expects that the Entitlement Offer will close on 6 July 2010. Details of the Entitlement Offer were released to the Australian Securities Exchange (**ASX**) on 7 June 2010.

Funds raised under Entitlement Offer will be used to provide additional working capital, repay Elph Pty Ltd’s subordinated loan, satisfy outstanding tax liabilities, meet the obligation of Coote to pay \$6.5 million to Elphinstone Holdings Pty Ltd arising under the terms of the Greentrains put option (see ASX announcement dated 21 April 2010), pay down debt on terms previously agreed with the company’s bankers and meet the costs of the Entitlement Offer.

Eligibility criteria

- The Entitlement Offer is being extended only to Coote shareholders who meet all of the following criteria (“**Eligible Shareholders**”):
- they were registered as a holder of Coote shares at 5.00pm (Perth time) on the record date for the Entitlement Offer (16 June 2010);
- they have a registered address in Australia or New Zealand;
- they are not in the United States or a US Person or acting for the account or benefit of such persons; and
- they are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

As your Coote shares are registered with an address outside of Australia and New Zealand, you do not satisfy the eligibility criteria to be classified as an Eligible Shareholder. Under the terms of the Entitlement Offer, you are not eligible to subscribe for new shares and you will not be sent a copy of the Entitlement Offer documents.

What will happen to your entitlement?

As you are not an Eligible Shareholder, you will not receive entitlements under the Entitlement Offer. However, in accordance with section 615 of the Corporations Act 2001 (Cwlth), Coote will appoint a nominee approved by the Australian Securities and Investments Commission (the “**Nominee**”) to arrange for the sale on ASX of the new shares (“**Sale Shares**”) which represent the full entitlement of Coote shareholders with registered addresses outside of Australia and New Zealand (“**Overseas Shareholders**”). The Nominee will be required to direct the net proceeds (if any, after deduction of the subscription price and the selling fee) to Coote’s registrar to facilitate pro rata payments of any net proceeds to you and other Overseas Shareholders. The selling fee is 1% (plus any applicable GST) of the aggregate sale price received by the Nominee for the sale of the Sale Shares (“**Selling Fee**”).

The Nominee will be instructed to sell the Sale Shares on ASX as soon as practicable (and in any event within 14 days) following allotment of the Sale Shares, in such manner and at such price or prices as the Nominee determines. The Sale Shares will be allotted at the same time as the allotment of shares under the Entitlement Offer. Any interest earned on the proceeds of the sale of the Sale Shares will firstly be applied against the Selling Fee (with any balance payable to Coote).

The proceeds of sale (if any) will be paid in Australian dollars to the Overseas Shareholders for whose benefit the Sale Shares have been sold in proportion to their shareholdings (after deducting the Selling Fee).

Notwithstanding that the Nominee may sell the Sale Shares, Overseas Shareholders may nevertheless receive no net proceeds if the subscription price plus the Selling Fee is greater than the sale proceeds.

If any such net proceeds of sale are less than the reasonable costs that would be incurred by Coote for distributing those proceeds, such proceeds may be retained by Coote.

Neither Coote nor the Nominee will be liable for a failure to obtain any net proceeds, or to sell the Sale Shares at any particular price.

Further information

This letter is to inform you about the Entitlement Offer, the details of which are provided above, and is not an offer to issue shares to you, nor an invitation for you to apply for new shares. You are not required to do anything in response to this letter.

If you have any questions in relation to any of the above matters or this letter, please seek professional advice or contact me.

Yours faithfully,



Roland Stampalia

Company Secretary

T: +61 (0)8 9251 8000

E: roland.stampalia@coote.com.au