



Coote Industrial Ltd  
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29 March 2010

Company Announcements Office  
Australian Securities Exchange

### **Letter to Coote Industrial Shareholders - Elph Proportional Takeover Offer**

Please find attached for release to the market a letter from the Chairman of Coote Industrial sent to shareholders in respect to the proportional takeover offer from Elph Pty Ltd.

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

**Roland Stampalia**  
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Dear Shareholder,

By now you are probably aware that Elph Pty Ltd (“Elph”), the largest shareholder in Coote Industrial Ltd (“Coote”), has announced a proportional takeover offer for your shares in Coote (“Offer”).

You will shortly be receiving the formal Offer document, the Bidder’s Statement, in the mail which will be followed by the Target’s Statement, which will be your directors’ formal response.

Elph’s Offer is priced at \$0.26 per Coote share. It is important to note that the Offer can only be accepted for up to 35% of the Coote shares that you own.

Your Board believes that the Offer has been structured to achieve control of Coote at the lowest possible cost, and provides no material benefits to Coote. Your Directors therefore recommend you **REJECT the Elph Offer**.

We believe that the Offer has been opportunistically timed to exploit weakness in the Coote share price before the benefits of Coote initiatives to strengthen its balance sheet and simplify its business model can be fully realised.

We also believe the Offer fails to acknowledge the strong growth potential available to each of Coote’s core businesses at a time of significant escalation of activity within the resources and rail industries in particular. Coote has established a solid platform of industrial product lines and strategic relationships with leading international suppliers, and is successfully exploiting that platform to secure ongoing organic growth opportunities.

We believe Coote’s portfolio of business interests mitigates the risks associated with concentrating upon a particular market sector. Your Board is therefore concerned about Elph’s stated intent to influence Coote to focus its business predominantly upon the rail sector; potentially to the detriment of equally valuable opportunities being pursued within the resources, defence and maritime industries at both a domestic and international level . Rail is an important part of our business. However non-rail activity also represents a significant portion of both revenues and profits.

You should be aware that Coote has been engaged in discussions with Elph for some time prior to the announcement of the Offer, regarding the potential for greater co-operation with our major shareholder. The Board recognises the substantial commercial acumen of the Elphinstone Group’s founder, Mr Dale Elphinstone, and the contribution he could bring to Coote’s Board and ongoing success. As we have previously indicated to Elph before their Offer was announced, we would be prepared to invite Mr Elphinstone to join the Board, together with one or more suitable independent, non-executive directors.

Your Board acknowledges that Coote’s share price has suffered as a result of the ongoing challenges the company has faced. Despite initial strong share price performance following listing on the ASX, the Coote share price has underperformed over the past two years, largely as a result of our growth plans being disrupted by the global economic crisis, and its negative impacts upon the Greentrains transactions.

We are working to address these matters, with particular focus given to the recapitalisation of the company and the effective financial separation of the Greentrains business. Elph has been aware of the decisions and strategies which have been implemented to date and indeed has supported Coote through the provision of funding from convertible notes and placements.

**The present Elph Offer does nothing to address the challenges still ahead of the company.** The Offer appears to be simply about Elph seeking to acquire control by buying a portion of your shares at the lowest possible price and gaining dominant board representation.

In contrast, your Board is making positive progress in its efforts to restore value for all shareholders, as evidenced through the recently announced proposal for the divestment of the South Spur rail operations business. Successfully implemented, this and other initiatives, including the recapitalisation of Greentrains, will allow Coote to concentrate on its compelling growth opportunities and should drive a recovery in the share price for the benefit of all shareholders.

Since the Offer has been announced, your Board has instituted a process to ensure that all options to maximise shareholder value are carefully considered. This may include investigation of potential value-accretive transactions with other third parties or, if the opportunity presents itself, with Elph. Our firm view is that if control is to pass, it should be at a fair price.

We have retained Gresham Advisory Partners as corporate advisers and Cochrane Lishman Carson Luscombe as legal advisers, to assist us in relation to the Offer.

We will provide further details of the Board's recommendation in our Target's Statement which you should receive in mid-April. A copy will also be available from our website at [www.coote.com.au](http://www.coote.com.au), as will news of any other developments in relation to this bid.

In the meantime, we urge all shareholders to hold firm and **REJECT Elph's Offer.**

Yours sincerely,



**Donald Hector**  
Chairman