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## UPDATE ON TRADING CONDITIONS

Coote Industrial Ltd ("Coote") provides the following information by way of update on general trading conditions and expectations for the full-year (FY2010) result.

In its Target's Statement dated 12 April 2010 in response to the proportional takeover offer ("Offer") by Elph Pty Ltd ("Elph"), Coote indicated that the outlook for EBITDA for the current year was broadly in line with that provided at the time of the capital raising announced in November 2009. Coote also indicated that it expected that increased finance charges associated with the extension of Coote's banking facilities and expenses associated with the Offer were likely to impact reported profits.

Since the date of the Target's Statement, Coote has experienced a deterioration in general trading conditions and delays in finalization and commencement of new contracts which the Board now believes is likely to have an adverse impact on operational profitability. This change of conditions has been caused by a number of factors, including uncertainty created by the Offer itself including working capital constraints, the announcement of a Resource Super Profits Tax by the Commonwealth Government, and recent general weakness in investment markets on the back of European sovereign risk concerns, all of which have contributed to an overall softening of demand conditions, with resulting impacts on both Coote and its customers.

The Board is now expecting underlying EBITDA for the full year to be in the range of \$25m to \$28m, before minority interests, any allowance for the impact of the proposed sale of South Spur Rail Services or the costs of responding to the Offer. The major portion of the reduction in expected EBITDA will be represented by revenue deferral and should therefore be recouped in subsequent periods.

While the change in expectations for the current year is disappointing, the Board continues to believe in the longer term potential of the business and accordingly maintains its recommendation that shareholders reject the Elph Offer.

The Company and its advisers continue to work towards an outcome in relation to the Offer which is in the best interests of Coote shareholders.

For further information please contact:

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