



Coote Industrial Ltd
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12 May 2010

Coote Industrial Limited (CXG) Announcement

Third Supplementary Target's Statement

Coote Industrial Limited encloses a Third Supplementary Target's Statement dated 12 May 2010 in relation to the off-market takeover bid by Elph Pty Ltd for up to 35% of the shares in Coote Industrial Limited.

A copy of this Third Supplementary Target's Statement has been lodged with the Australian Securities and Investments Commission and sent to Elph Pty Ltd.

Yours faithfully,

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

Roland Stampalia
Company Secretary
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Third Supplementary Target's Statement

This Third Supplementary Target's Statement is issued by Coote Industrial Limited ABN 99 120 432 144 ("Coote") under section 644 of the Corporations Act 2001 (Cwlth). It is the third supplementary target's statement issued by Coote in relation to the off-market takeover bid by Elph Pty Ltd ABN 52 070 012 252 ("Elph") for up to 35% of the shares in Coote.

This Third Supplementary Target's Statement supplements, and is to be read together with, the Target's Statement dated 12 April 2010, the Supplementary Target's Statement dated 20 April 2010 and the Second Supplementary Target's Statement dated 22 April 2010. This Third Supplementary Target's Statement has been approved by a resolution of the Coote Board and is dated 12 May 2010. A copy of this Third Supplementary Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes responsibility for the contents of this Third Supplementary Target's Statement.

Update on Trading Conditions

Coote has today made an announcement to the Australian Securities Exchange providing information by way of update on general trading conditions and expectations for the full-year (FY2010) result. A copy of the announcement is attached to, and forms part of, this statement.

Authorisation

Signed for and on behalf of Coote Industrial Limited by Roland Stampalia who is authorised to sign this Third Supplementary Target's Statement on behalf of Coote Industrial Limited.

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

Roland Stampalia
Company Secretary
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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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