



Coote Industrial Ltd
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24 June 2010

Variation of Top-Up Facility under Entitlement Offer

Please find attached a copy of a letter being sent to Coote Industrial Limited shareholders who received the Entitlement Offer Booklet.

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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Dear Shareholder

Entitlement Offer – Variation to Top-Up Facility

As you would be aware, Coote Industrial Limited (ASX:CXG) ("**Company**") is offering you an opportunity to subscribe for shares in the Company pursuant to a fully underwritten pro-rata non-renounceable entitlement issue of fully paid ordinary shares ("**Shares**") on the basis of one (1) Share for every one (1) Share held at \$0.16 per Share ("**Entitlement Issue**"). The Entitlement Issue is underwritten by Elph Pty Ltd ("**Elph**"). Coote sent you an Entitlement Offer Booklet together with an Entitlement and Acceptance Form on 22 June 2010. The Entitlement Issue closes on 6 July 2010.

ASIC has expressed concern in relation to the priority of allocations for shortfall Shares under the top-up facility which may arise if shareholders do not accept all of their entitlements ("**Top-Up Facility**"). In order to seek to address ASIC's concern, Elph and Coote have varied the Top-Up Facility priority allocation such that eligible shareholders other than Elph who apply for additional Shares through the Top-Up Facility will receive up to \$50,000 (previously \$25,000) of additional Shares through the Top-Up Facility, and this priority allocation will rank before (rather than after) Elph's priority allocation of approximately \$4.9 million (or 5.73% of Shares on a diluted basis).

Accordingly, the Company gives you notice that the allocation policy for Additional Shares subscribed pursuant to the Top-Up Facility set out in section 7 on page 4 of the Entitlement Offer Booklet is replaced with the following allocation policy:

- Eligible Shareholders who have applied for Additional Shares through the Top-Up Facility will receive up to \$50,000 of shares applied for on a pro rata basis (Elph will not apply for Additional Shares under the Top-Up Facility);
- Elph, as underwriter, will receive an allocation of up to 30,524,152 Shares (approximately \$4.9 million, being approximately 50% of the issue minus the amount equal to Elph's pro-rata Entitlement under the Entitlement Offer);
- 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 \$50,000 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.

All other aspects of the Entitlement Issue, including the timetable and amount to be raised, remain as set out in the Entitlement Offer Booklet. The Entitlement Issue remains scheduled to close on 6 July 2010.

ASIC has indicated a preference for every shareholder application other than Elph through the Top-Up Facility to receive priority over Elph without any dollar cap. If the above variation to the allocation policy is not satisfactory to ASIC, ASIC has indicated that it may initiate Takeovers Panel proceedings in relation to the allocation policy for any shortfall in the Entitlement Issue. Coote will keep the market informed of any material developments, including any regulatory proceedings.

If you have any queries regarding the above or wish to change any application for Shares that you may have already made, please contact Mr Roland Stampalia, Company Secretary, on +61 8 9251 8000.

Yours faithfully,



Roland Stampalia

Company Secretary

T: +61 (0)8 9251 8000

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