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2 July 2010

Entitlement Offer Update

Coote Industrial Limited (ASX: CXG) ("**Company**") refers to its 24 June 2010 letter to shareholders varying the allocation policy under its entitlement offer ("**Entitlement Offer**"). ASIC was not satisfied that the top-up facility as varied under that letter ("**Top-Up Facility**") adequately addressed its concern and applied to the Takeovers Panel seeking certain orders. Having considered ASIC's concerns, Elph and the Company have agreed to vary the allocation policy in relation to the allocation of Additional Shares in two ways:

- (1) The first ranking Top-Up Facility priority allocation has been increased from \$50,000 to the greater of \$50,000 and the amount of a shareholder's entitlement (provided that this last aspect does not apply to Elph, any sub-underwriter, any director of the Company or any of their associates or associated entities).
- (2) The fourth ranking Top-Up Facility priority allocation has been varied such that Additional Shares will be allocated on a pro rata basis (rather than Elph and the Company having a general discretion to determine their allocation).

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 as varied in its 24 June letter is replaced with the following allocation policy:

- Eligible Shareholders who have applied for Additional Shares through the Top-Up Facility will receive the greater of \$50,000 and the amount of their shareholding entitlement (provided that this last aspect does not apply to Elph, any sub-underwriter, any director of the Company or any of their associates or associated entities);
- Elph, as underwriter, will receive an allocation of up to 30,542,152 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 through the Top-Up Facility in excess of the first ranking priority allocation will receive Additional Shares on a pro rata basis having regard to their holdings as at the Record Date; 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 Offer, including the timetable and amount to be raised, remain as set out in the Entitlement Offer Booklet. The Entitlement Offer remains scheduled to close on 6 July 2010.

The Company has agreed at ASIC's request that it will promptly distribute a copy of this announcement by email, courier or facsimile to each of its top 20 shareholders, each broker who

regularly trades the Company's shares, each shareholder who has applied for \$50,000 or more Additional Shares under the Top-Up Facility and any other shareholder for whom it has email addresses that are used, or are available for use, by the Company in its shareholder communications.

Elph and the Company have also agreed that Elph will only vote any shares acquired through the Top-Up Facility (being a maximum of 5.73%) in a manner consistent with the section 611 item 9 creep rule in the Corporations Act (and the Company shall be entitled to disregard any votes cast in excess of this).

For example, If Elph obtains a 3% interest through the Top-Up Facility, Elph would not be able to vote any of those 3% shares for a six-month period from 9 June 2010 (when Elph obtained the final part of its 38.54% interest on the closing date of its takeover offer for the Company). If for example Elph obtains a 5% interest through the Top-Up Facility, none of those shares could be voted during the six-month period, and only 3% of those shares could be voted during the following six-month period.

Elph's ability to vote on any resolution will also be reduced to the extent necessary to reflect that the shareholder pool has been reduced by the percentage acquired by Elph through the Top-Up Facility. For example, if Elph obtains a 3% interest through the Top-Up Facility, then during the first six month period the shareholder pool would be reduced to 97% so that Elph's ability to vote would be reduced to the amount equal to 38.54% of 97%, being 37.38%.

Elph has expressly authorized and consented to the issue of this announcement in this form.

Having regard to the matters set out above, ASIC has agreed to ask the Takeovers Panel to defer consideration of whether to commence proceedings on ASIC's Takeovers Panel application until after the close of the Entitlement Offer. ASIC has advised that it will then consider whether the Panel proceedings should be recommenced having regard to various factors, including the extent to which Coote shareholders have sought to participate in the Top-Up Facility and any complaints made by Coote shareholders.

To assist in this regard, Elph and Coote have agreed that following the close of the Entitlement Offer, upon request, Elph and Coote will provide ASIC and the Panel with information in relation to actual subscriptions made under the Entitlement Offer. Elph has also agreed to maintain its shareholding in the Company for a one-month period following the close of the Entitlement Offer.

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

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