Chairman's Address

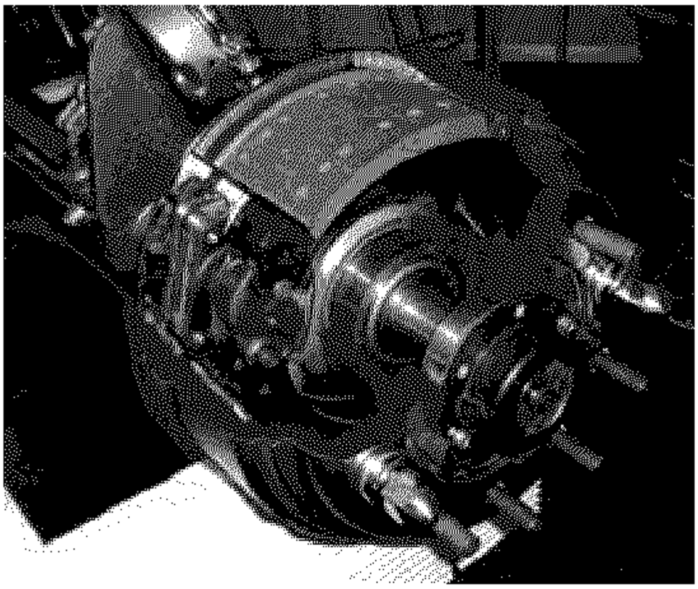
Following is an abridged version of the address given by CMI's Executive Chairman, Max Hofmeister, to the company's 15th Annual General Meeting on 27 October 2005.

At last year's AGM we indicated that the company should achieve a 5% to 6% gain in net profit after tax. As you would all be aware, CMI actually increased profit 8% on a 4% lift in revenue. This is an outstanding effort by our management team because just after last year's meeting a series of events occurred that were totally unforseen, and which had a negative impact on our profitability.

Raw material costs literally took off upwards, the Australian dollar continued to firm, fuel prices started an upward march and a major components manufacturer, ION, was placed in receivership.

In our business it is very difficult to pass on material and labour increases so managers have to focus on efficiencies and total cost reductions. As a group our managers have discharged this obligation particularly well, and on all shareholders' behalf I would like to thank them for their input to CMI's financial performance in the 2004/2005 FY.

I believe our share price continues to fail to reflect CMI's underlying value and undoubtedly the segment that we operate in has limited appeal to investors at the current time. All the press coverage about automotive companies and the industry suppliers has been consistently negative and this has obviously impacted on investment sentiment for the sector. At last year's AGM I raised some serious concerns regarding ION. Sadly, I was proven correct and the failure of this company has had a particularly negative effect on investors' perception of our industry. Thus, by default, CMI has now become a good yield stock (based on an undervalued share price) and we appreciate that we have a core group of loyal shareholders who continue to support us, and have confidence in our growth strategy.



Whilst the branding of CMI as an automotive supplier brings some degree of negative sentiment, it also overlooks the significant contribution our other two businesses - Electrical and Finance Broking – make to our overall financial results. These are two good businesses that we will continue to invest in and expand in the future.

However, there is no denying that our biggest business is automotive, and I wish to highlight that even under these difficult circumstances it remains a solid contributor to our profitable performance.

Rationalisation within the sector is going to continue and we will, as ever, be opportunists. I'm sure our shareholders aren't choosy as to where their profits come from as long as they keep coming.

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Chairman's Address (cont)

The 2004/2005 FY also saw the introduction of the new International Accounting Standards, which imposed a major burden not only on CMI, but most public listed companies in Australia. This complete waste of time, money and resources was implemented to ensure that the annual accounts now, more than ever, cannot be understood by ordinary shareholders.

I'd now like to review our prospects for the current financial year, and some of the key issues as we see them at the current time. These are:

- Raw materials have not stopped rising (scrap increased 10% in October).
- Petrol prices remain at very high levels and must effect freight costs and consumer confidence and consumption (especially of larger cars).
- The A$ remains high and consequently our exports are no longer competitive and competing imports become cheaper.

Based on this scenario there are clearly some challenges ahead for CMI. However, I wish to emphasise that we have started the year relatively well, and our management have been instructed to zealously:

- Reduce inventories – in other words, keep our cash levels up.
- Watch debtors like a hawk.
- Reduce head count at every opportunity – we have an official hiring "freeze" in place.

In summary, the 2005/2006 FY will prove as challenging as the prior year and on that basis we are looking for a similar performance to the 2004/2005 FY. Subject to this outcome being achieved we expect to be in a position to pay a similar fully franked dividend as we did last year; that is 12 cents fully franked for ordinary shares and 14 cents fully franked for our new Class A Shares.

Max Hofmeister
Executive Chairman

New director elected

At the company's Annual General Meeting shareholders unanimously elected a new non-executive director, Mr Maurice Maughan, to the board of CMI. His appointment adds a significant depth of accounting, taxation and corporate governance experience to CMI's board.

Mr Maughan was a partner in the major accounting group KPMG and antecedent firms for over 30 years, retiring in September 2005 as the Senior Tax Partner in Queensland.

During his professional career he was both the Client Service Partner and Tax Partner for a number of Australian public companies and international companies. His involvement was mainly with companies involved in the manufacturing, energy and natural resources areas. During this period he advised companies setting up business in Australia and Australian companies commencing business operations offshore.

As Client Service Partner, he was responsible for coordinating a wide range of services provided by KPMG including audit, taxation compliance services and general advisory. He was also responsible for assisting a number of companies with their corporate governance policies.

Restructure to strengthen CMI's manufacturing base

As part of a restructuring of CMI's operations in early October 2005, the company has appointed Mr Phill Meurer as Chief Executive of the group's largest business division, CMI Engineered Components.

This division – an amalgamation of all the company's manufacturing/automotive businesses – is one of four main business arms formalised as part of the restructure, and through which all of CMI's future operations will be conducted. The four major business units comprise:

- **CMI Engineered Components** – headed by Phill Meurer
- **CMI Electrical** – headed by Jeff Heslington
- **Capitalcorp Finance & Leasing** – headed by Ian Whittle
- **Corporate Finance** – headed by Mark Laidlaw

As an experienced managing director, Phill Meurer will focus on the commercial side of our manufacturing businesses – including customer relationships, new business and internal management development – providing Dan Gallagher the opportunity to broaden his technical role by extending his manufacturing responsibilities to also include TJM and Toowoomba Metal Technologies.

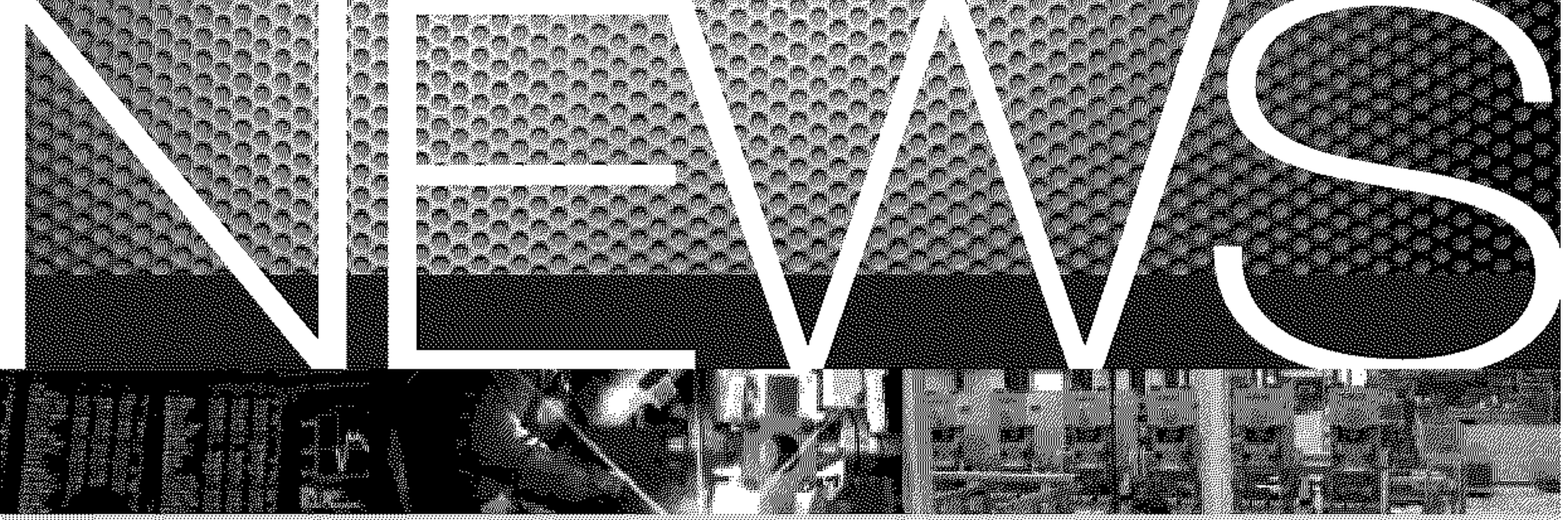
In light of these changes, it is timely to provide shareholders with an updated report on the progress of our automotive manufacturing operations.

Despite the sombre picture painted by what can only be described as extensive negative media publicity on the current state of Australia's automotive industry, it is pleasing to report that CMI is certainly not experiencing the magnitude of problems and set backs which are being portrayed as impacting on the industry as a whole at the current time.

Our manufacturing businesses remain in a relatively good state, with a solid underlying foundation based on our management's stringent cost surveillance and focus on efficiencies. Importantly, and again contrary to current sentiment in the finance press, CMI is continuing to win new work from our existing customers, which certainly provides a degree of confidence regarding our forward outlook.

The Engineered Components Division, which generated revenue of over $236 million in the 2004/2005 FY operates from 11 locations in Australia, New Zealand and the US. The locations and individual operational focuses are:

- **CMI Ballarat** – automotive brake components for export to the US.
- **CMI Campbellfield** – automotive components for the domestic car industry and the Australian and US light truck industries.
- **CMI Kensington** – components for the domestic car industry.
- **CMI Forge** – heavyweight forged products for a range of industries including the automotive and energy sectors.
- **CMI Horsham** – a range of auto-related and general components.
- **CMI New Zealand** (Auckland and Christchurch) – a range of components for the housing and rural markets.
- **TJM Products** – 4WD components and accessories for the Australian and US original equipment and after-markets.
- **Toowoomba Metal Technologies** – components for the heavy transport sector in Australia and North America, and the Australian water supply sector.
- **CMI US (Knoxville and Columbia)** – distribution of brake components for the US auto sector and distribution of 4WD components and accessories.



Class A share statements dispatched

Shareholders should have recently received statements from the company's share registry confirming their holdings of CMI's new Class A shares. The new Class A shares have been converted from the previous Convertible Preference Shares (CPS) on a one-for-one basis and trade under the new ASX code of CMIPC.

As previously advised, the new Class A shares will continue to attract the preferential 14c per share fully franked dividend as CMI's CPS received, with eligible shareholders scheduled to receive their next dividend instalment on 2 December 2005.

Eligible shareholders (i.e. holders of the company's previous CPS) who may not have received their new shareholding statements or who have a query regarding the statements they've received should contact the share registry, Link Market Services Limited on 02 8280 7454.

Share buy-back commences

The on-market share buy-back of up to 5,000,000 ordinary shares, which was approved by shareholders at an Extraordinary General Meeting on 27 September 2005, commenced on 17 November 2005. If the maximum 5,000,000 ordinary shares are acquired on-market under the scheme, CMI's total ordinary shares on issue will decrease to 30,909,654.

The leading national broking firm, ABN AMRO Morgans, has been appointed by CMI to conduct the on-market buy-back, which if required will extend through to 16 November 2006.

CMI's board believes the buy-back will provide the following advantages:

- provide the flexibility for CMI to reduce its costs of capital and enhance longer-term shareholder value.
- consolidate an opportunity to improve future dividend rates for ordinary shareholders.

Shareholders should note that the on-market buy-back involves CMI's ordinary shares only and does not apply to the new Class A shares.

All enquires regarding the share buy-back should be made to ABN AMRO Morgans on 07 3334 4888.

Shareholder queries should be directed to Mark Laidlaw, Company Secretary and Chief Financial Officer.

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