CMINEWS

December 2006

Chairman's Address

Overview

Last year I stood before you and advised that we were facing a tougher year than the year before.

Little did I realise just how testing the conditions would become in what is, or should I say, what has been our core business of manufacturing. The most difficult business, of course, is that of automotive component manufacturing. There has been a series of influences that have negatively affected not only our business, but virtually all automotive component manufacturers in Australia.

Firstly, the rapid escalation of fuel prices saw a shift in sentiment from larger 6 / 8 cylinder cars towards fuel efficient smaller 4 cylinder vehicles. This was equally true for 4-wheel drive vehicles. Collectively the market for these vehicles has fallen some 22%.

Secondly, the chronic overcapacity of the automotive sector added to the financial stress of most of the major car manufacturers. This has forced component prices down, or at least to the point of not being able to pass on the effect of the rapid increase of raw material costs. This combination eroded margins to the point of negative returns.

Thirdly, the A$ appreciated in response to the minerals boom and increasing Australian interest rates. This affects our competitiveness in our export markets as well as local markets where imports are now cheaper.

Finally, the biggest influence is the mass migration of customers to source material from China or to set up their own manufacturing facilities in China.

Our manufacturing, as in all manufacturing facilities, have very high fixed costs. Adjusting to lower volumes is difficult because the very first cost attacked is labour costs, and retrenchments are difficult and expensive. They also have a negative effect on both morale and productivity. There is also the difficulty for our employees who are retrenched. This is unfortunately a necessary, and sadly, continuing process. In the first four months of this financial year we have spent over $1 million in redundancies. Our redundancy costs will continue, but at this time I cannot quantify them in dollar terms.

The other on-going necessity is that of rationalising physical locations. Again this is a necessary, but expensive, difficult and time consuming process.

New accounting standards relating to the measurement and impairment of assets is a new difficulty in this rationalisation process, as any write downs have to be carried through the P&L as losses and this affects our profit and ability to pay dividends.

On a brighter note our electrical division is proving to be an excellent business and results are well ahead of last year for the equivalent comparative period. Full marks to Jeff Heslington and his team.

Strategic Review

The performance of the electrical division leads me to advise of a Strategic Review.

In the Company's recently issued Annual Report, Prospectus and Notices of Meetings, I spoke about the difficult conditions CMI faces in the automotive industry. Since then this part of our business has continued to worsen and as a result the Board has decided to undertake a strategic review of the Company's current structure. CMI intends to consult with professional advisors to examine the value and structure of each of its three divisions. What we want to achieve is to ensure that the value of our good businesses flow fully to all our shareholders, unimpeded by lesser-performing businesses.

After obtaining appropriate advice the Board will consider the alternatives available to maximise shareholder value, including in specie distribution (i.e. a separate listing, divestment of division/s, return of capital and special dividends).

At this stage the strategic review is in its infancy and no decisions have been made to vary the structure of CMI.

New Substantial Shareholder

Since distributing the Notices of Meeting and Prospectus, RP Prospects Pty Ltd as trustee for the M&L Trust had acquired as at the close of trading on Friday, 24 November, 11.12% of CMI's ordinary shares and is now the largest ordinary shareholder in the Company. RP Prospects Pty Ltd as trustee for the M&L Trust is not associated with myself, CMI or any other CMI directors.

The Board now considers it appropriate to disclose the effect on the capital structure of CMI if RP Prospects Pty Ltd as trustee for the M&L Trust, and with entities associated with myself, do not participate in the buy-back. The effect is as follows based on differing levels of participation:

	0% participation	10% participation	20% participation	30% participation	50% participation	100% participation *(by all ordinary shareholders other than Max Hofmeister, his associates and RP Prospects Pty Ltd as trustee for the M&L Trust)*
Ordinary Shares on issue	35,859,654	32,632,285	29,404,916	26,177,547	19,722,810	9,943,477
Class A Shares on issue	26,076,742	27,690,427	29,304,111	30,917,795	34,145,164	39,034,830
% holding in fully paid Ordinary Shares by entities associated with Max Hofmeister	8.58%	9.43%	10.46%	11.75%	15.60%	30.95%
% holding in fully paid Ordinary Shares by RP Prospects Pty Ltd as trustee for the M&L Trust	11.12%	12.22%	13.56%	15.23%	20.21%	40.09%

Finally, the hard question needs to be asked and answered; how are we travelling in this current half year and how do we see the full year?

Firstly, I will answer the latter by saying that the market is too difficult to foretell a full year's result, however, once the strategic review has been completed we will communicate our decisions to shareholders.

For the half year ending 31 December 2006, we expect to fall short of last year's result by some 10-12%. Please accept that this is our best estimate and should not be taken as a forecast.

Ordinary Share Buy-Back

As you are aware we will be holding a second meeting today for shareholders to consider the implementation of an ordinary share buy-back. CMI has currently received acceptance forms to participate in the buy-back from 187 shareholders in respect of 4.75% of ordinary shares eligible to participate.

As KPMG noted in the Tax Report in the prospectus, a Class Ruling application has been lodged with the Australian Taxation Office to confirm the tax implications for shareholders who participate in the buy-back.

While the ATO has yet to issue a Class Ruling, the Company has been verbally advised by the ATO that it will not apply section 45B of the tax law. That is, no amount to be received by ordinary shareholders will be deemed to represent an unfranked dividend. This is good news for CMI and its shareholders, and is consistent with the Tax Report in the prospectus.

Discussions are continuing with the ATO in relation to the final market values of the ordinary shares and Class A shares – this cannot be finalised until after the buy-back occurs.

Discussions are also continuing with the ATO on the date that ordinary shares are considered to have been disposed of and Class A shares acquired for tax purposes – the ATO is still considering whether, in their view, the relevant date is when the acceptance form was lodged by a shareholder rather than the date of allocation.

We will continue to liaise closely with the ATO to have the Class Ruling issued as soon as possible.

Warren Hill

Before concluding today I wish to pay special acknowledgement to Warren Hill for his contribution to CMI over the past 4 years. Warren has decided not to seek re-election as a Director and retires from this office as well as Joint Company Secretary today.

Max Hofmeister
Executive Chairman

Share Buy - Back Approved

On 28 November 2006, at the General Meeting of all CMI shareholders, the shareholders approved the resolution that the Company implement the proposed buy-back by the Company of up to 90% of each ordinary shareholder's ordinary shares on the terms disclosed in the explanatory memorandum forwarded to shareholders on 27 October 2006.

The offer is that for every 2 ordinary shares held you will receive $1.20 cash plus 1 Class A Share.

Shareholders should note that the buy-back offer closes 5pm (Sydney time) on 8 December 2006.

CMI wishes to clarify that the Class A Shares to be issued under the buy-back offer set out in the Prospectus dated 27 October 2006 have limited voting rights.

To ensure that all shareholders are fully informed as to the voting rights of the Class A Shares, CMI asks that all shareholders note that clause 30.16 of the Company's Constitution provides that:

'30.16 *The holder of a Class A Share is not entitled to vote at any general meeting of the Company except in the following circumstances:*

(a) on a proposal:

(i) to reduce the share capital of the Company;

(ii) that affects rights attached to the Class A Shares;

(iii) to wind up the Company; or

(iv) for the disposal of the whole of the property, business and undertaking of the Company;

(b) on a resolution to approve the terms of a buy-back agreement;

(c) during a period in which a Dividend or part of a Dividend on the Class A Shares is in arrears; or

(d) during the winding up of the Company.

In any circumstance where the holder of Class A Shares may vote at a general meeting of the Company, each Class A Share shall entitle the holder to one vote.'

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