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28 February 2012

Australian Stock Exchange Limited
Level 6, Riverside Centre
123 Eagle Street
BRISBANE QLD 4000

CMI Industrial Pty Ltd ("Industrial") Loan Receivable

CMI Limited (ASX:CMI) has a loan receivable from Industrial of $17 million arising from the sale of the Engineering division in 2008. The purchase price for the business was $51million, of which $17million comprised the vendor loan. The loan was recorded net of impairments at 30 June 2011 at $8.5 million.

The company considers the receivable from CMI Industrial Pty Ltd, carried on the books at $8.5m, is impaired in full, leaving a carrying value of nil. The loan was due to be repaid on 16 October 2011 and Industrial was unable to repay the loan due, in whole or in part, on that date.

The debtor remains obliged to pay monthly interest on the face value of the receivable of $17.0 million.

CMI Limited appointed specialist financial advisors on 14 September to assess Industrial's financial position in view of the loan expiry due 16 October 2011. CMI also instructed the Company's legal advisors to review the Company's security position. In consultation with both financial and legal advisors, the Company then reviewed the options available to it if the loan was not repaid on the expiry date. As a result, the Company maintained a close communication with the management of Industrial before and after the expiry date and announced to the market on 17 October that the loan had not been repaid.

The Company has been aware since early 2011 of on-going funding discussions and negotiations undertaken by Industrial with third parties relating to a capital injection and further debt facilities. The Company was supportive of those discussions but Industrial has ultimately been unsuccessful in securing a capital injection.

Industrial has recently informed CMI Limited that it was negotiating a financial support package from major customers and the Victorian Government to enable the businesses to continue operating.

A prerequisite of this package is that the loan with CMI Limited be renegotiated for term and interest payment. CMI has reviewed its remedies under the loan documents arising from the non-payment and has sought additional security prior to agreeing to a loan extension. This security has not been able to be provided at this time and the package has not been implemented.

This impairment decision is based on a review of the Industrial business including its financial performance to 31st December and the likelihood of the receivable being repaid

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in full at maturity. Given the uncertainty of the timing and quantum of the rescue package, CMI Limited cannot yet determine what, if any, amount may be recovered in respect of the outstanding loan. CMI Limited will continue to monitor the situation and will inform the market as and when more detailed information becomes available.

Interest has been paid on the loan in accordance with the security documents up until 16 October 2011 but interest payments due since 16 November have not been received. Current interest arrears, including default interest and charges, and earlier adjustments due under the original sale agreements total $1.05m at 16 February 2012. These amounts have also been recognised as impaired.

In addition, there may be obligations under leases guaranteed by CMI prior to the sale of the business to Industrial. A breach notice has been issued for $152,216 relating to one of these guarantees. Discussions are being conducted with Industrial regarding this breach notice.

Considering these issues the impairment recognised is $9.3million at 31 December 2011.

Yours Faithfully

Sharyn Williams
Company Secretary