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4 May 2011

Company Announcements
ASX Limited
Level 8, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Sirs,

ANNOUNCEMENT: Recapitalisation Proposal for CMA from KKR

We attach an announcement for immediate release to the market.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'T. Schmitt', written in a cursive style.

**Trevor Schmitt
Company Secretary
CMA Corporation Ltd**



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CMA agrees a Recapitalisation Proposal with KKR

The Board of Directors of CMA Corporation Limited (**CMA**) (ASX: CMV) is pleased to announce a proposal in conjunction with Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, **KKR**) that will, if approved by CMA shareholders and subject to fulfilment of other conditions, result in a recapitalisation of CMA (**Recapitalisation Proposal**).

CMA plans to raise approximately \$30 million of new equity and refinance its existing debt facilities as part of this comprehensive recapitalisation of the company. As part of the Recapitalisation Proposal it is currently intended that CMA shares will recommence trading on the ASX on or around 26 July 2011.

CMA's existing senior facilities under the Amended and Restated Syndicated Facility Agreement (**Syndicated Facility**), of which Australia and New Zealand Banking Group Limited (**ANZ**) is the agent, total approximately \$120 million, the 'Advance Facility' making up approximately \$96.9 million.

Entities nominated by KKR Asset Management LLC (**KAM**) acquired approximately \$81.9 million of the Advance Facility from ANZ. These entities therefore hold more than 66.66% of the debt under the Syndicated Facility and, as such, would together be "Majority Financiers" under that facility.

The Recapitalisation Proposal involves the following inter-conditional elements, further details of which are set out in Appendix 1:

1. a 1-for-1 pro rata non-renounceable entitlement offer (**Entitlement Offer**) at an issue price of 0.53 cents per CMA share to raise approximately \$5 million, expected to be fully underwritten by Morgan Stanley Australia Securities Limited (**Morgan Stanley**) and fully sub-underwritten by nominees of KAM;
2. a private placement of 4,741,298,164 CMA shares to nominees of KAM at an issue price of 0.53 cents per CMA share to raise approximately \$25 million (**Placement**), expected to be fully underwritten by Morgan Stanley and fully sub-underwritten by nominees of KAM;
3. the restructuring of CMA's existing financing arrangements, involving longer term facilities. ANZ will remain the senior lender, and will provide additional working capital facilities. New facilities will be provided by financiers nominated by KAM which will be subordinated to those of ANZ; and
4. entry into a conditional agreement under which KAM will, among other things, provide executive and management services, finance functions and general consulting services to the CMA group.

In addition, following the issue of shares under the Entitlement Offer and Placement, CMA proposes to consolidate its expanded share capital so that every 100 CMA shares held by a shareholder will be converted into one share (**Consolidation**).



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The Recapitalisation Proposal and Consolidation will require CMA shareholder approval in order to be implemented. The required shareholder approvals will be sought at an extraordinary general meeting of CMA shareholders that is expected to be held on or around 29 June 2011. CMA will issue a notice of meeting and explanatory statement (**Notice of Meeting Materials**) in advance of this general meeting, which will include an independent expert's report opining as to whether the issue of CMA shares to KAM (or its nominees) under the Placement and pursuant to the sub-underwriting arrangements for the Entitlement Offer is fair and reasonable in the circumstances. Further details of the required shareholder approvals are contained in Appendix 1 to this announcement.

If the Recapitalisation Proposal is implemented, the nominees of KAM will hold a minimum of 71% of CMA shares and a maximum of 85.5% (this would occur only if no shareholders took up their entitlement) on a post-Entitlement Offer and Placement basis (their final holding will depend on the extent to which CMA shareholders take up their entitlements under the Entitlement Offer). This means that existing CMA shareholders will be significantly diluted. A full discussion of the potential control outcomes of the Recapitalisation Proposal, as well as the advantages and disadvantages for CMA shareholders, will be contained in the Notice of Meeting Materials.

The Recapitalisation Proposal will raise much needed equity of approximately \$30 million for CMA (gross proceeds and, therefore, to include payment of associated fees and costs), provide an additional \$10 million working capital facility as part of the debt restructure, extend the term of CMA's facilities, enable some repayment of existing borrowings and provide debt forgiveness by nominees of KAM in the amount of approximately \$17 million.

In the absence of a superior proposal, and subject to a favourable opinion from the independent expert, your directors recommend that CMA shareholders **vote in favour** of each of the proposed resolutions to implement the Recapitalisation Proposal, further details of which will be provided to shareholders in the Notice of Meeting Materials.

CMA expects that its shares will recommence trading on the ASX at the completion of the Recapitalisation Proposal, which is expected to occur on or around 26 July 2011. Until then it is necessary for CMA's shares to remain suspended from trading to enable time to implement the restructure to address CMA's current financial circumstances.

An indicative timetable for the Recapitalisation Proposal and Consolidation is contained at Appendix 2 to this announcement.

Parag-Johannes Bhatt, Chairman of CMA said: "The Recapitalisation Proposal and Consolidation will provide a sound financial platform for CMA. It has also given us the opportunity to introduce nominees of KAM as new strategic shareholders, which through KAM's operational management expertise and financial investment disciplines will assist us as we turn around the CMA group performance."

About KKR

Founded in 1976 and led by Henry Kravis and George Roberts, KKR is a leading global investment firm with US\$61.0 billion in assets under management as of 31 December 2010. With 14 offices around the world, KKR manages assets through a variety of investment funds and



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accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platforms. KKR is publicly traded on the New York Stock Exchange (NYSE: KKR). For additional information, please visit KKR's website at www.kkr.com.

About KAM

Launched by KKR in 2004, KAM invests on behalf of its managed funds, clients and accounts across the corporate credit spectrum, including secured credit, bank loans and high yield securities as well as in equities and alternative assets such as mezzanine financing, distressed investing and structured finance. With more than 100 employees, including 45 investment professionals, KAM's investment teams are closely aligned with KKR's wealth of private equity investment and industry resources. As of 31 December 2010, KAM has US\$14.8 billion in assets under management, of which US\$7.8 billion is fee-paying.

Appendix 1 – Overview of Recapitalisation Proposal and Consolidation

1. Non-renounceable Entitlement Offer expected to be fully underwritten

- CMA proposes to conduct a 1-for-1 traditional non-renounceable Entitlement Offer at an issue price of 0.53 cents per CMA share to raise approximately \$5 million (gross proceeds and, therefore, to include payment of associated fees and costs).
- CMA will issue a prospectus in connection with the Entitlement Offer and expects to lodge that document with ASX and ASIC on or around 7 June 2011.
- The net proceeds will be used for working capital purposes, principally to build CMA's inventory levels and to pay down the level of existing trade creditors.
- The Entitlement Offer is expected to be fully underwritten by Morgan Stanley and fully sub-underwritten by nominees of KAM, subject to entry into underwriting and sub-underwriting agreements, respectively. The underwriting agreement is expected to provide for a commission of 5% of the funds raised and reimbursement of certain expenses to Morgan Stanley. It is also expected that it will be subject to certain conditions precedent and termination rights.
- Certain foreign shareholders of CMA will not be eligible to participate in the Entitlement Offer.

2. Placement of 71% of CMA shares to KAM nominees

- CMA has, subject to certain conditions, agreed to issue 4,741,298,164 CMA shares to certain nominees of KAM at an issue price of 0.53 cents per CMA share.
- CMA will raise approximately \$25 million from the Placement (gross proceeds and, therefore, to include payment of associated fees and costs). The net proceeds of the Placement will be used to pay down an amount of \$5 million under CMA's existing debt facilities, with the remainder used for the same purposes as funds raised under the Entitlement Offer.
- KAM will have the right to appoint four of the six members of the CMA board following approval of the Recapitalisation Proposal.
- The Placement is expected to be fully underwritten by Morgan Stanley (the key points detailed above regarding the underwriting of the Entitlement Offer are also expected to apply in respect of Morgan Stanley's underwriting of the Placement) and fully sub-underwritten by nominees of KAM.
- The subscription agreement with KAM on behalf of its nominees includes warranties and indemnities provided by CMA which CMA considers customary for a transaction of this nature. The agreement also contains conditions precedent and exclusivity and break fee provisions which are summarised in Appendix 3. CMA has also agreed to reimburse certain expenses of KAM.

3. Debt Restructure

- CMA proposes to restructure its financing arrangements under the Syndicated Facility. The new arrangements will be longer term facilities with the senior debt provided by ANZ under a \$30 million term facility and a new \$10 million working capital facility and financiers nominated by KAM providing a new facility with a facility limit of \$59.6 million subordinated to the ANZ facility. On the refinancing of the portion of the senior debt held by nominees of KAM, there will be a debt write-down or forgiveness by nominees of KAM of part of the CMA group's existing debt (of approximately \$17 million).
- CMA has not entered into documents to effect the restructure with ANZ or the nominees of KAM. However, CMA has received conditional letters of offer from each of ANZ and KAM enabling CMA (subject to the terms of the conditional offer letters) to enter into agreed form documentation once the conditions precedent to the subscription agreement with the KAM nominees have been satisfied, and CMA shares are issued under the Placement and Entitlement Offer.

4. Monitoring Agreement

- CMA has entered into a conditional monitoring agreement under which KAM will provide executive and management services, finance functions, general consulting and other services to CMA as required. The monitoring agreement will be conditional on, among other things, completion of the Placement and Entitlement Offer. If the Monitoring Agreement is terminated due to a change of control or an issue of securities in CMA (but not as a result of a sell down by nominees of KAM), CMA must pay KAM a termination fee in an amount equivalent to the net present value of the monitoring services fee that would have been payable by CMA to KAM up until that date which is seven years after the date of the monitoring agreement. Further details of the monitoring agreement will be outlined in the Notice of Meeting Materials.

5. Consolidation

- Immediately after the Recapitalisation Proposal is implemented CMA proposes to consolidate its expanded share capital so that every 100 shares are converted into one share.

Shareholder approval

The Recapitalisation Proposal and Consolidation are subject to various conditions precedent, including CMA shareholders approving various resolutions including:

- approval for the acquisition by nominees of KAM of CMA shares under the Placement and as a result of the sub-underwriting of the Entitlement Offer and Placement by the KAM nominees, and approval for the acquisition of shares by Morgan Stanley in the unlikely event that the KAM nominees default under the Placement;
- approval for CMA to give 'financial benefits' to KAM and/or the nominees of KAM under the KAM subscription agreement, KAM sub-underwriting agreement, debt restructure documents and the monitoring agreement. This approval is required under Chapter 2E of the *Corporations Act 2001* (Cth) (**Corporations Act**);



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- approval to implement the Consolidation; and
- approval for the purposes of giving 'financial assistance' to the nominees of KAM in the debt restructure documents, the monitoring agreement, sub-underwriting agreement and KAM subscription agreement. This approval is required under Chapter 2J of the Corporations Act.

Each resolution will be inter-conditional, meaning that each will need to be approved by the required majority for the Recapitalisation Proposal to be implemented.

Other conditions

The implementation of the Recapitalisation Proposal will be subject to various conditions precedent. These will be detailed in the Notice of Meeting Materials. Given the nature of these conditions, no assurance can be given that the Recapitalisation Proposal will be implemented.



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Appendix 2 – Indicative timetable

Set out below is an indicative timetable for the Recapitalisation Proposal and Consolidation. This timetable is not yet finalised and is subject to change.

Date of despatch of the Notice of Meeting Materials to CMA shareholders	26 May 2011
Expected date of lodgement with ASIC and ASX of the prospectus for the Entitlement Offer	7 June 2011
General meeting to vote on the proposed resolutions to implement the Recapitalisation Proposal	29 June 2011
Closing date of the Entitlement Offer	13 July 2011
Holding statements despatched in respect of shares issued under the Entitlement Offer	21 July 2011
CMA shares expected to recommence trading on ASX	26 July 2011
Date on which the Consolidation will occur	2 August 2011



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Appendix 3 – Exclusivity and break fee provisions in the subscription agreement with KAM

Set out below is a summary of the exclusivity and break-fee arrangements contained in the subscription agreement with KAM on behalf of its nominees. A summary of the material terms of these arrangements will be disclosed in the Notice of Meeting Materials to be sent to CMA shareholders.

Exclusivity arrangements

During the Applicable Period (see below), CMA and its representatives must not directly or indirectly solicit, invite or otherwise initiate a competing proposal. Further, CMA has agreed that during this period it must immediately inform KAM if it or any of its representatives is approached by any person to discuss or engage in any activity that may result in a competing proposal.

The Applicable Period commences on the date the subscription agreement is signed and ends on 29 July 2011, or such earlier date of termination of the subscription agreement, or such other date as may be agreed between KAM and CMA.

Break-fee arrangements

CMA has agreed to pay KAM a break fee of \$302,000 if KAM validly terminates the subscription agreement under certain circumstances including a material breach of the subscription agreement by CMA or a breach of a warranty given by CMA, the CMA board not unanimously recommending that shareholders vote in favour of the resolutions to implement the Recapitalisation Proposal or if either the underwriting agreement or sub-underwriting agreement are terminated due to a reason that is within the control of CMA. The circumstances do not include CMA shareholders not approving each of the required shareholder resolutions to implement the Recapitalisation Proposal.

-Ends-

For further information contact:
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