



CEC GROUP

ASX ANNOUNCEMENT

18 March 2010

MANAGING DIRECTORS OVERVIEW

The CEC Group half yearly results released earlier this week reinforce that the steps taken to reduce debt and streamline the overall company operations are working. Even though the after the tax loss was \$12.56 million, the loss from operating activities was approximately \$1.2 million in what can only be described as one of the most difficult market environments we have experienced in over thirty years of operation.

The delay in lodgment of the interim financial statements to 31 December 2009 is regretted. CEC Group has had extensive discussions with our auditors over de-recognition of part of the deferred tax asset in accordance with the applicable accounting standard. The Group is confident that future trading profits will be sufficient to utilise all tax losses and on that basis would justify the reinstatement at the appropriate time of the amount not recognized.

The key topics of interest for the half year to 31 December 2009 have been communicated previously, however they are included here to add perspective to the half yearly results, to show the overall position and underlying strength of the business and reinforce the strategic direction that we are taking based on market factors:

1. Total assets for the company remain strong at \$193 million, whilst the total debt sits at \$103.1 million. The major transactions that will occur over the next couple of months will unlock even more asset value.
2. There is evidence that the property market is recovering in North Queensland, particularly from the investment market. Property sales during this half yearly period were challenging to say the least, but since January sales are encouraging. We have recently announced sales of \$25 million to a property investment consortium.
3. RapidBuild product has proven itself in the remote areas of Cape York as both a viable and appealing residential housing alternative. Opportunities are being presented to the company regularly, predominantly to build multiple properties in remote communities.
4. Government stimulus projects have started to feed through to the region. This is creating growing demand for both construction services and construction materials. Whilst this opportunity has been slow to get started, it is certainly expected to gain momentum in the coming 12 months with hundreds of millions of dollars in infrastructure projects announced for the region.
5. Further debt reduction opportunities are being explored and will materialize through significant JV opportunities and major asset sales. Information regarding these opportunities will become available throughout the coming year.

We have sold non core assets to reduce debt and our overall asset base is considerable. In particular our residential land bank in both Cairns and Townsville has very good potential as the market recovers.

Whilst we are pleased to see that the hard work of the past two years has positioned the company well for the future, getting back on track is certainly our priority. We have the continued support of our financiers which means we can focus on the business opportunities at hand throughout Cairns, Townsville, Mt Isa and the Cape York Peninsula.

ENDS

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