

ASX/MEDIA RELEASE

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2014 Annual General Meeting: CEO and Managing Director Peter Watson's Address

Ladies and gentlemen

It is my pleasure to be presenting to you today at my first Annual General Meeting as CEO and Managing Director. It is also my privilege to be able to share with you an overview of Sedgman's performance over the past twelve months and update you on the outlook moving into 2015.

Before I do that, and echoing Russell's thoughts, I would like to acknowledge the outstanding contribution made to our business by the former Sedgman CEO and Managing Director, Nick Jukes, who retired earlier this year. Nick's leadership got us through a very tough period and without his tenacity, we would not have the opportunities presented to us today. So, on behalf of the business and the Board, I'd like to say thank you to Nick.

This year Sedgman celebrates a significant milestone – 35 years of successful operation. During that time, we have established our reputation for delivering excellence and for providing exceptional value to our clients. Our 35 years of experience have created clear differentiators within the Global Minerals market:

- Our technical capability – being able to add value through practical commercial application of technology;
- Our proven project-delivery capability to deliver a practical technical solution into an operating asset; and,
- Our operations capability, which provides a vehicle for sustained value and continuous improvement.

Our Create, Build, Operate business model is centred on those strengths and in FY2014 we refocused and refreshed our core values, our leadership roles and our organisational structure to better align with our strengths. Put simply, it was about going back to the basics and focusing on what we do best – delivering successful, value-adding outcomes for our clients.

We introduced a horizontal Sector/Services delivery model to capitalise on well-established work share platforms and maximise utilisation across the Company globally. Sedgman's regional offices have strong technical capability to present local strength during the business development and early 'Create' phases of project definition and project initiation. This is supported with specialist global resource engineering, design and procurement capability in the 'Build' and 'Operate' project phases.

The Sector/Services delivery model is working:

- In the Americas region our newest office in Vancouver has been kept busy with feasibility work for a number of Tier 1 clients. Our team in Chile has secured repeat sustaining capital work for Barrick Gold Corporation and we are on engineering panels for Codelco, Antofagasta plc and BHP Billiton.
- Our presence in Asia continues to provide competitive low-cost sourcing options for our projects globally, resulting in a strong competitive advantage. We have utilised the Asia Procurement Centre for various projects, including in Mongolia, Mungari and Boggabri in Australia, and Aurora in Guyana. Our Asian procurement hub is now embedded as a core capability.
- In Africa, we are well positioned on coal opportunities in South Africa and we are currently engaged with feasibility work for another greenfield copper concentrator project in Botswana.

Recently we achieved another milestone - for the first time in 35 years, with more than 50 per cent of our project order book and near term project opportunities coming from non-Coal projects. In 2006 Sedgman recognised the strategic importance of diversification and expanded into the metalliferous sector. Since then, we have been working towards providing services beyond our traditional market of coal and have expanded to provide services across commodities including gold, copper, iron ore, silver, lead, zinc and manganese.

I'm delighted that the company has achieved a balanced commodity profile and true sector diversification. This balanced capability will strengthen our Global Minerals position and see us less specifically tagged to the Coal sector. Also, we now have more than 35 per cent of our project order book coming from projects outside Australia. This position of a balanced commodity profile together with a more balanced geographical footprint has taken the business from an Australian Coal sector services company to a truly international, Global Minerals service provider.

As I'm sure you'll be aware – 2014 proved to be another challenging year for the resources sector. Our full year reported NPAT loss of \$7.7 million was in line with previous guidance. While disappointing in many ways, within this result we saw a much stronger second half performance, and that momentum has continued into the current financial year.

Sedgman's results were impacted by reduced project and operations activity as well as one off items including restructuring costs, recognition of an onerous contract for office leases, the write off of tax assets in foreign jurisdictions, as well as the impairment of a number of long term debtors. We have now cleaned up the balance sheet and these items will not impact our FY2015 performance.

To respond to the continuing challenges within the minerals sector we have adopted a stringent approach to cost control and reduced our overall overheads by 10 per cent, which included a 14 per cent reduction in our headcount and a 25 per cent reduction in our executive team.

We have refocused on our core Global Minerals strategy and streamlined our services offering to ensure we remain competitive in the face of continuing market pressures. We have made these changes without compromising on our ability to deliver excellence or value.

In spite of the disappointing financial result I'm pleased to report that Sedgman delivered some very strong performance outcomes through FY2014.

Some of our highlights included:

- The successful completion of the Mungari Gold project for La Mancha Resources. This greenfield gold project was delivered on time and on budget and has subsequently delivered exceptional production performance for our client. The Mungari Gold Project demonstrates our ability to deliver some of the most reliable and productive mineral processing plants in the world.
- The Thiess Sedgman Joint Venture successfully negotiated the site construction phase of the Boggabri Coal project for Idemitsu.
- The signing of the engineering, procurement and construction (EPC) contract for the Aurora Gold Project in Guyana for Guyana Goldfields. This project is being executed in joint venture with Grana y Montero, a leading construction contractor from Peru. I recently returned from a site visit to Guyana and can personally report that site construction is progressing well and the team are managing the remote site challenges.
- Another highlight for Sedgman was achieving an industry benchmark at the Red Mountain Joint Venture's Operations site of 7768 operating hours with zero recordable safety incidents. The Red Mountain site is an excellent example of an efficiently run Sedgman site and provides a performance benchmark in the market.

We renewed our operating contract at Red Mountain in March for a further three years, which is valued at approximately \$90 million over the contract period. We've operated the Red Mountain coal handling and preparation plant since construction was completed in 2007, and we will continue to deliver value for our client throughout our ongoing operation and maintenance of that facility.

FY2015 has started well for Sedgman – we've been able to maintain the momentum from the second half of FY2014 and I am delighted to have already signed a number of project contracts including:

- Our first Tier 1 Iron Ore project for Fortescue Metals Group in Western Australia, stage 1 of the Solomon Beyond 60 project. The project is being delivered through the Thiess Sedgman Projects joint venture and is for the Design and Construction of a 7.5 Mt/a modular iron ore processing plant.
- An EPC contract for Cockatoo Coal's train load-out facilities at the Baralaba Mine in Queensland. The upgrade will increase the mine's capacity to stack, reclaim and rail product from 1 Mt/a to 3.5 Mt/a.
- We are in the final stages of closing out EPC contracts with blue chip clients in the metalliferous sector. In each case we have commenced early works pending final award and execution of contracts and we expect that announcements regarding these contracts will be made soon. These projects have allowed us to utilise process technologies that we have proven in other commodities and we have been able to leverage this experience together with our successful track record of project delivery in remote locations to provide an enhanced solution for our client.

These represent close to \$300 million of new and near term project work. Of this, only \$35 million is in coal-related projects – again another demonstration of our diversified Global Minerals strategy in action.

In addition, we have signed the EPC contract for Coalspur Mines Vista project in Canada which represents a large increment of new work. This project is still pending full funding, which is required before the contract can be released, but if it proceeds it will further strengthen our order book and cement our position in the Canadian market.

In addition to these new projects, we continue to develop our Operations Business:

- Contract renewal discussions are well advanced with Goldfields at their Agnew mine for a three year extension.
- We have secured a three-year contract with Wesfarmers to operate their Curragh materials handling system. This is a small but strategic contract and we hope to build on this relationship to secure further opportunities with Curragh.
- We have also secured an interim extension of our operations contract at the Mount Isa Mine.

Our operations team delivers world-class, benchmark site performance in operating efficiency and safety. Our understanding of effective operating practices allows us to deliver the lowest quartile cost and highest quartile operations performance, which our clients are increasingly recognising and, most importantly, valuing.

Additionally we have created a strategic business initiative to combine our operations knowledge, specifically in maintaining facilities performance, with our technical capability. The Sedgman Operations Consulting initiative creates a unique offering when reviewing existing process facilities and a number of clients have already engaged our services.

Alongside our existing project and operations contracts we have a strong order book and are well placed for the immediate and medium-term future. The resources sector will continue to face challenging market conditions, however, we are committed to our strategy of both sector and market diversification and have a leaner, more efficient business that is well prepared for the next market upturn.

Safety is a critical part of our service delivery and I am committed to demonstrating accountability and strong leadership across our Health, Safety, Environment and Quality performance. In FY2014 we achieved a disappointing Recordable Injury Frequency Rate but we have taken significant steps to ensure we improve on this result, strengthening our HSE leadership, further embedding expected behaviours, and recognising and rewarding strong HSE performance.

As I've already mentioned, 2014 was a milestone year in Sedgman's history. Over the past 35 years and throughout the business we've always pursued excellence and aimed to deliver value, not just for our clients and shareholders, but also for our people. To deliver great results, we rely on a great team and we are focused on fostering a high performance culture and recognising the contributions of our people.

Earlier this year, we introduced a refreshed Company vision statement, "See the value, be the value". Sedgman has an enormous ability to generate 'value' and an enviable track record in then delivering that 'value' to our clients. I believe this focus on value, supported by our culture of engineering and technical excellence, and combined with our practical delivery capability, truly sets us apart.

This vision is underpinned by our newly defined values - Trust, Courage and Excellence. Rather than me sharing my thoughts about how Sedgman lives our values, to close, I'd like to hand over to the team to reflect on what your great company is all about.

About Sedgman

Sedgman Limited (ASX: SDM) provides solutions to the global resources industry. Our services range from concept, pre-feasibility and design through to construction, commissioning, operations, maintenance and asset management.

Established in 1979, Sedgman listed on the ASX in June 2006 and has approximately 700 employees. Headquartered in Brisbane, Australia with offices in Perth, Townsville, Newcastle and Mackay, Sedgman has international offices in Beijing, Shanghai, Ulaanbaatar, Santiago, Vancouver and Johannesburg. Sedgman delivers projects and operations across Australia, Africa, Asia and the Americas.

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