

ASX/MEDIA RELEASE – 2015 Sedgman AGM Chairman and CEO Addresses

19 November 2015

2015 Sedgman AGM: Chairman's Address

I am indeed fortunate to present my first Chairman's message at a time of a strong recovery in our earnings accompanied by a solid share price appreciation and a lift in dividends. But it hasn't always been so. Allow me to reminisce.

This year is the 10th year since the company's listing, in 2006. As I reflect on this 10 year period we have experienced many swings and roundabouts including the China fired boom in demand for minerals, the impact of the Global Financial Crisis and more recently the downturn in new project development and the incessant focus on productivity enhancements, just to name a few.

Each has created their own issues and opportunities.

After our successful launch on the ASX, we were soon battered and bruised at the time of the GFC. Significant shareholder value was lost. After the GFC we clawed back much but by no means all of the lost value up to 2012, a period in which we had to fight to recruit to build our talent base so as to service our clients. The industry, almost overnight it seems went ex-growth in 2012. Our response was to let a number of our good people go, and to slim down our overhead costs.

Shareholders will recall that our share price tumbled. And again we found ourselves in the renewed process of value clawback to where we are today. While this may be the nature of our industry it rests uncomfortably with the board and management, as it does with shareholders. We have learned from these experiences. We continue to learn.

One of the learnings to help us iron out the impact of industry fluctuations on shareholders and staff alike was to have in place a flexible cost structure. Another was to ensure a diversified deal pipeline. Above all is our vision: See the Value, Be the Value.

The year that was

I pay tribute to the Sedgman team who delivered the turnaround performance that we mapped out last year. For the 2015 fiscal year, Sedgman reported net profit after tax of \$16.5 million, compared to a loss in the previous year.

During the 2015 fiscal year, on the basis of our share price appreciation and dividend payouts I am proud to report that we were the best performer amongst our peers in adding shareholder value. Confidence in the turnaround enabled the board to announce during the year an enhanced dividend plan. The 100% payout ratio together with a series of special dividends, all fully franked means that we are delivering to our shareholders a very attractive yield, particularly at a time of unusually low interest rates and heightened market volatility.

During 2015 fiscal year we paid out a 9.5 cps fully franked dividend, more than double our dividend in the previous year.

Despite this outstanding performance our share price is still lower than where it should be. We are still trading at a modest EV/EBITDA multiple and one lower than many of our peers. We carry an unusually high fully franked dividend yield. When I went to school, yields of a multiple to interest rates simply didn't exist, particularly when the tax benefit of franking credits is added on top.

Yes, your company operates in a space unloved by the investment community. Yes, our relatively small scale and limited liquidity impacts on value recognition. We know that. There is still much that we can do to close the gap. This is our focus for the year ahead.

The year ahead

We entered the 2016 fiscal year with a healthy contracted order book of A\$0.5 billion, some 30% stronger than the same time last year, and already we have won additional quality business.

Now that management has steadied and turned the good ship Sedgman, including the implementation of the well-received capital management plan, we have commenced to consider other plans to both help “close the valuation gap” and create additional shareholder value. I hope to progressively report to you on these plans during the course of FY16.

None is more important than the continuation of our “More in the Core” strategy. This strategy involves doing the things we do well, to incrementally enhance our product offerings through innovation and to keep our client’s changing requirements front and centre.

With our able and flexible management team supported by a sound and focussed strategy and a strong, debt free balance sheet I am confident that Sedgman will continue to win and safely execute business. Within your company there is a keen appreciation that winning business it is not just about bidding for tender work. It is about being proactive in developing business engineering and operations solutions to deal with opportunities and risks faced by both existing and prospective clients.

To illustrate my point, I want to let you know about a visit that I and your board made to a Sedgman site a month or so ago. This particular project was a fixed price turnkey construction of a residue handling plant for Alcoa at its Kwinana alumina refinery, south of Perth. Your board was delighted to see firsthand the manner in which Sedgman works with its clients and partners, and to receive glowing feedback from the client. Future business is sure to flow from these relationships.

I mention this work with Alcoa as an example of how we are positioning ourselves with brownfield projects at a time when the mining industry has momentarily pressed the pause button on greenfield development, and how one well executed piece of business will lead to more. I could have used BHP Billiton as an equally valid illustration of our positioning, firstly with the construction of a tailings management facility at Groote Eylandt now part of South 32 and more recently with the construction of a primary crusher and associated conveyor system at its satellite Jimblebar iron ore project in the Pilbara.

And then, there will be new events which provide opportunities for specialist service providers such as Sedgman. While not seeking to benefit from the misfortune of others, a tragedy such as we have seen in Brazil forces the resource owners to double their efforts to find technical solutions to eliminate these risks from their businesses in the future. Your company has the skills and is ideally placed to assist in such initiatives. Already we are fielding invitations to consider other residue management opportunities. I also want to also mention our judicious application of capital.

Shareholders will have seen from time to time announcements about us making modest investments alongside our clients. Typically these investments are for a short time period and help us secure our core engineering and operations activities in a competitively efficient manner. We have recently recruited an experienced investment manager to ensure that such investment opportunities are thoroughly evaluated and monitored.

Broadly we expect to deliver a financial performance in line with that produced for the past year.

Beyond the year ahead

For the time being, mining investors and mining companies are cautious, focussed on cost efficiencies and productivity gains. From its peak in 2012, there has been a dramatic reduction in the industry’s cost base.

The world will however continue to require new mine development, both to replace depleted resources and to meet demand growth. There is a general expectation that commodity prices will strengthen in coming years, and with it investor appetite; the 10 year asset price cycle that I have experienced over the decades remains alive and well. We expect the industry wide pause button to be disengaged probably not next year but in the following year.

For the coming years we will continue our focussed strategy of winning and safely executing EPC business in the minerals processing and infrastructure space. Our business will almost certainly be more diversified than in the past, by both region and commodity.

We have in place excellent systems and administrative capabilities, and the proper checks and balances which mean that we can readily scale up our business, while appropriately managing risk.

Our partners

As we diversify our engineering and operations across a wider range of commodities, and diversify our regional footprint we are acutely aware that increased opportunities may bring with them an increased risk exposure.

We manage these opportunities and risks in partnership with local partners and others who provide the requisite capabilities that we have chosen not to own in-house.

I acknowledge our partners including our long term partner Thiess and our more recent partners including CIVMEC in Australia, GyM in South America and the Turner Group in North America.

Your team

This year we celebrated the 35th work anniversary of two of the Sedgman team. I would like to recognise Tom Meakin and Russ Kemprich, both of whom continue to serve the company with dedication and enthusiasm. These two men are to a large measure the reason for the positive corporate culture that pervades every Sedgman location whether the office is in Perth or Santiago, or whether the work place be Groote Eylandt or the middle of Guyana.

Recently and after many years of service, Don Argent elected to retire from your board. We will miss his wise counsel and friendship. Don sends his apologies for not being with us today

To ensure that your board maintains its high performing standing with the appropriate blend of diversity, skills and independence, the board renewal process that we instigated last year continues. Joining the board last February are Philippe Etienne and Bart Vogel, both having come to us after a mix of experiences including roles as chief executive officers in businesses very different to our own.

In closing my address, I would like to return to the start of this address by again acknowledging the great work of the Sedgman team led by Peter Watson, the company's Managing Director. Peter was appointed to the role in mid-2014 and already he has put his own positive stamp on the organisation.

While we have a healthy balance sheet and work flow, our true health and hence value, is driven by the wonderful group of men and women who strive to make Sedgman something that John Sedgman and those who have since followed feel proud.

We look forward to delivering further shareholder value.

2015 Sedgman AGM: CEO and Managing Director's Address

Ladies and gentlemen

It is my great pleasure to be able to provide you today with an update on your Company - specifically around its performance through the last financial year and some thoughts on future direction.

Last year I spoke about initiatives we commenced to help refocus the Company on our key value differentiators and to improve our efficiency in delivering services across the global minerals sector. Those initiatives included the following:

- We simplified and effectively communicated our strategy which is focused on our core skills and leveraging them across the broader minerals sector. The strategy draws on our strengths and provides clear direction and guiding principles as we navigate through a very difficult period in the commodity cycle.
- We restructured the business, moving from a regional model to a global functional model. The restructure now aligns the organisation with our Create, Build, and Operate business model and has provided the framework for improved collaboration across the company and delivered strong efficiency improvements.
- We refreshed the company Vision - resetting it from a statement about what we do to an aspirational phrase that recaptures the DNA of the company.

Our updated Vision is simply See the Value - Be the Value.

Sedgman has a unique ability to work with our clients, understand their true value drivers, develop those through the application and development of technical solutions, and then deliver the value through our project delivery and on-going operations support.

- We refreshed and simplified our company Values - again aligning these core concepts with our fundamental beliefs. Our updated Values are Trust, Courage, and Excellence.
- We redefined our Safety framework and have applied effective leadership and behavioural programs to complement our strong HSE management systems.

Collectively these initiatives of a clarified and refocused Strategy, an organisational restructure providing role clarity and clear accountability, the refreshing of our vision and values, and an increase in focus on Safety have provided the foundation for the development of a performance based culture. We have created a common language across the company that allows us to drive a relentless pursuit of value and to be truly committed to each other's success.

This focus on culture is ongoing and I have been delighted with the business response in embracing each element and recognising that a strong performance culture will deliver improved business performance across all metrics.

And it has.

Your Company delivered a very strong performance in FY15. The full year performance represented the third continuous half of strong profitability, with an NPAT result of \$16.5m and a fully franked dividend for the full year of 9.5 cents per share or around 12% yield. We also maintained a clean and very strong balance sheet – we paid off our debt and maintained our cash reserves.

Over the last 12 months our recordable injury frequency rate has almost halved and this improving downward trend is continuing.

What I am particularly proud of is that this improved business performance has been delivered with strong contributions from all parts of the Company.

Our Create team has driven our value concept across the global minerals sector – developing strong regional relationships with clients and stakeholders, positioning the company for new opportunities, and delivering outstanding value through the application of technology and innovation.

We remain focused on the commercial application of technology as a differentiator – and our most recent initiative is to join the CRC Ore group. This is an industry collaboration group jointly funded by

government and industry, focused on developing and applying technology to help the Australian minerals sector improve productivity and ensure ongoing sustainability and competitiveness.

Our project delivery has been excellent, delivering strong margin results in a tight and competitive market. Our project delivery performance is earning us the right to have strategic conversations with key clients who recognise our value and are exploring opportunities to leverage our experience across their broader project needs.

Our Operations team have responded positively to pressure on margins through a continuous focus on cost, and in fact improved their margin performance over the prior year. Our Operations Consulting initiative to provide technical and operating advisory services to support our clients maximise the Value in Use of their existing assets is gaining traction and we are currently engaged providing support across a range of assets and clients.

Our functional support teams have relentlessly pursued value through cost reductions and streamlined internal service delivery resulting in a reduction of our overhead cost by almost 30%.

Across the global minerals sector your Company is providing differentiated value. Some specific highlights include:

In Latin America

We successfully commissioned the Aurora Gold project in Guyana. This project poured first gold from the gravity circuit 15 months after signing the contract and has passed all contract milestones. The project was delivered in joint venture with a strong regional contractor, Grana y Montero, and despite the very difficult logistics and weather challenges, will deliver as budgeted margin.

Sedgman maintains a strong presence in the region – based in Santiago – and this year we celebrated our 10 year anniversary in country.

As Rob has mentioned, I was delighted last week to announce that we received the Australian Latin American Business Council award for Business Excellence in 2015.

In the United States

We are well advanced through the design and fabrication of modular heavy mineral sand processing facilities for our US based client. The modules are being built in Shanghai and are planned to be shipped to their installation location in the US in the first quarter of next year.

In Asia

Our global procurement team in our Shanghai office continues to deliver value across the business through excellence in managing local fabrication activity and ensuring on time and high quality delivery to our projects across the globe.

In Australia

We are well advanced through the delivery of the manganese recovery project on Groote Eylandt for South 32. We are on schedule and on budget and as this is the only current capital project in South 32 we are enjoying high profile and visibility for this new client.

We are performing very well on the filtration project for Alcoa in Kwinana. This has been their first experience of fixed price EPC project delivery and again our performance is demonstrating how we can deliver value to this key strategic client.

Despite current circumstances we are active across the Coal sector in Australia – recently completing the Boggabri project for Indemitsu in NSW, and about to complete a project for Cockatoo Coal here in Queensland.

In Africa

We remain engaged with Cupric Canyon as they work through the development phase of their Khomecau copper project in Botswana. We are also active and/or preferred on several strong regional project opportunities in gold, zinc, and coal and have identified operations contract opportunities in the region.

In Canada

We are providing study and development support services to key clients including Glencore and Riversdale and we have recently been shortlisted by KGHM for the EPC delivery role on their new copper project - Ajax. This project opportunity has been the catalyst for us to develop a collaborative project

delivery relationship with a strong regional contracting organisation - CGT. Beyond the Ajax project our joint Sedgman-CGT capability will pursue project EPC opportunities across the Canadian minerals sector.

Despite the challenging commodity backdrop, our recognised technical strength, track record and capability to offer EPC project delivery, and our demonstrated benchmark performance in operations support are all contributing to an increase in our pipeline of identified opportunities.

We started this financial year with around 66% of our budget secured, and I was delighted to recently announce the award of the \$145m Jimblebar EPC contract for BHPB iron ore. This key first contract for BHP in iron ore provides us with a strong order book position through this financial year. Delivered in joint venture with local contractor Civmec, this sustaining capital project represents a change in approach by BHP for this type of work - moving away from their traditional EPCM services approach to a fixed price EPC contract.

The trend towards fixed price project delivery is becoming more prevalent across the minerals sector as clients and their funding stakeholders look for increased delivery assurance. The ability to respond to these opportunities with a track record of nearly 200 projects delivered in this contract form, a strong balance sheet, and in-place bonding facilities provides us with a clear value proposition which helps us differentiate in the current competitive market.

The work we have done in the past year to refocus the business, reduce our cost base and improve efficiency, and develop a performance culture, has resulted in a very strong performance and set the foundation for sustained delivery and growth. I expect the near term future to remain competitive, but we are well positioned to respond to those challenges and continue to deliver value to our clients and shareholders.

Thank you for your support.

About Sedgman

Sedgman Limited (ASX: SDM) provides mineral processing and associated infrastructure 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 600 employees. Headquartered in Brisbane, Australia with offices in Perth, Townsville, Newcastle and Mackay, Sedgman has international offices in Shanghai, Santiago, Vancouver and Johannesburg. Sedgman delivers projects and operations across the globe.

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