SEDGMAN

Sedgman Limited
ACN 088 471 667

This is an important document and requires your immediate attention.

You should read the entire document. If you are in doubt as to what you should do, you should obtain independent advice from your investment, financial, tax or other professional adviser.

TARGET'S STATEMENT

Your Sedgman Directors (other than the CIMIC Nominee Director) unanimously recommend that you ACCEPT the unsolicited Offer by CGI to acquire all of your Shares in Sedgman Limited for $1.07 cash per Share, in the absence of a superior proposal.

The Offer Price will be reduced by the value of the Dividends if you accept the Offer after becoming entitled to the Dividends, but will not be reduced by the value of any franking credits attaching to the Dividends.

IF YOU HAVE ANY QUESTIONS ABOUT THE OFFER, PLEASE CALL THE SEDGMAN SHAREHOLDER INFORMATION LINE ON 1300 782 984 (WITHIN AUSTRALIA) OR +61 3 9415 4192 (OUTSIDE AUSTRALIA)

Financial Adviser

citi

Legal Adviser

NORTON ROSE FULBRIGHT

Important Notices

Nature of this document

This Target's Statement is dated 11 February 2016 and is given by Sedgman Limited (**Sedgman**) under Part 6.5 Division 3 of the Corporations Act in response to the unsolicited, unconditional off-market takeover bid made by CIMIC Group Investments Pty Limited (**CGI**) under CGI's Replacement Bidder's Statement dated 8 February 2016 for all the ordinary shares in Sedgman.

Sedgman Shareholder information

If Sedgman Shareholders have any queries in relation to the Offer, they may call the Sedgman Shareholder Information Line on 1300 782 984 (within Australia) or +61 3 9415 4192 (outside Australia).

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX. None of ASIC or ASX, nor any of their respective officers, takes any responsibility for the contents of this Target's Statement.

Defined terms and interpretation

Capitalised terms used in this Target's Statement are defined in Section 13 of this Target's Statement. Section 13 also sets out some rules of interpretation which apply to this Target's Statement.

No account of personal circumstances

This Target's Statement should not be taken as personal financial, investment or tax advice, as each Shareholder's deliberations and decision will depend upon their own financial situation, tax position, investment objectives and particular needs.

Your Sedgman Directors encourage you to read this Target's Statement in its entirety and obtain independent advice from your investment, financial, tax or other professional adviser before making a decision whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements in this Target's Statement may be in the nature of forward looking statements. All statements other than statements of historical fact are forward looking statements. You should be aware that forward looking statements are only predictions and are inherently subject to uncertainties, in that they may be affected by a variety of known and unknown risks, variables and other important factors, many of which are beyond the control of Sedgman. Actual values or results, performance or achievements may differ materially from those expressed or implied by such statements. The risks, variables and other factors that may affect the forward looking statements include matters specific to the sectors in which Sedgman operates, as well as economic and financial market conditions; legislative, fiscal or regulatory developments; and risks associated with the business and operations of Sedgman.

None of Sedgman, any of its officers or employees nor any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) or gives any assurance as to the accuracy or likelihood of fulfilment of any forward looking statements, or any events or results expressed or implied in any forward looking statements, except to the extent required by law. You are cautioned not to place undue reliance on any such statements. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Disclaimer as to information on CIMIC or CGI

All of the information concerning CIMIC or CGI contained in this Target's Statement has been obtained from publicly available sources including public documents filed by CIMIC or CGI or information published by CIMIC or CGI on CIMIC's website. None of the information in this Target's Statement relating to CIMIC or CGI has been verified by CIMIC or CGI or independently verified by Sedgman or its Directors for the purposes of this Target's Statement. Accordingly, to the extent permitted by law, Sedgman makes no representation or warranty (either express or implied) as to the accuracy or completeness of this information. The information on CIMIC or CGI in this Target's Statement should not be considered comprehensive.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Charts and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

Sedgman has collected your information from the register of Sedgman Shareholders for the purpose of providing you with this Target's Statement. The type of information Sedgman has collected about you includes your name, contact details and information on your shareholding (as applicable) in Sedgman. Without this information, Sedgman would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including the Sedgman Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC.

Further information on your shareholding

If you would like details of information about Shares you hold in Sedgman, please contact the Sedgman Share Registry on 1300 782 984 (within Australia) or +61 3 9415 4192 (outside Australia).

Further information relating to the Offer can be obtained from the Sedgman website at www.sedgman.com.

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Key Dates

Offer Period opens	8 February 2016
Date of this Target's Statement	11 February 2016
Offer Period closes (unless extended or withdrawn)	9 March 2016

Letter from Sedgman's Chairman

11 February 2016

Dear fellow Shareholders,

The CIMIC Offer

On 13 January 2016, CIMIC Group Limited (**CIMIC**), through its wholly owned subsidiary CIMIC Group Investments Pty Limited (**CGI**), announced that it intended to make an unsolicited off-market takeover offer (**Offer**) to acquire all of the ordinary shares in Sedgman Limited (**Sedgman**) in which CIMIC does not already have a relevant interest for $1.07 per Share (**Offer Price**). The CIMIC Offer is unconditional, which means CGI has been able to acquire Shares for up to $1.07 per Share via on-market purchases from 13 January 2016 and, since 8 February 2016, via acceptances into its Offer.

CIMIC's Offer Price at $1.07 for each Sedgman Share is also final, and cannot be increased during the Offer Period in the absence of a competing proposal.

CIMIC has been a long-standing Shareholder in Sedgman with its wholly owned subsidiary Thiess acquiring 50% of Sedgman in 2001, before it was listed on the ASX. CIMIC is also a party, via Thiess, to the long standing Joint Venture that predates Sedgman's listing on the ASX (**Thiess Sedgman Joint Venture**), and which has successfully delivered $2bn worth of Engineering Procurement and Construction (**EPC**) Projects for Coal Handling and Processing Plants (**CHPP**) on the eastern seaboard of Australia over the last 15 years. Prior to the Offer, CIMIC held 36.99% of Sedgman's issued share capital, and this has increased to approximately 46.44%[1], as at the date of this Target's Statement. To date your Board (excluding the CIMIC Nominee Director) has recommended that Shareholders take no action before the despatch of both the Offer and this Target's Statement. We note that Sedgman Shareholders holding more than 15% of Shares that are the subject of the Offer have already made a decision to sell these shares to CIMIC on market, a decision which we respect.

With a 46.44% shareholding as at the date of the despatch of the Replacement Bidder's Statement, CIMIC has gained effective control of Sedgman. Although this is not absolute control, it is unusual for 100% of shareholders to vote at any general meeting of shareholders making it highly unlikely that any resolution put to a general meeting of Sedgman Shareholders would pass unless CIMIC supported the resolution.

Independent Board Committee approach to the Offer

For the purpose of evaluating and responding to the Offer, the Board of Sedgman established an independent board committee (**IBC**). The IBC is comprised of the Directors who are independent of CIMIC, being Mr Robert McDonald, Mr Russell Kempnich and Mr Peter Watson. The IBC appointed Citigroup Global Markets Australia Pty Limited and Norton Rose Fulbright as financial and legal advisers respectively to advise Sedgman in relation to the Offer.

The IBC has devoted considerable time and effort in determining its recommendation as to whether you should reject or accept the CIMIC Offer to acquire your Shares at $1.07 each. To assist us in reaching our recommendation, and with support from our financial advisors, Citigroup Global Markets Australia Pty Limited, as well as considering the appended report from the Independent Expert, we considered the likelihood of Sedgman being able to pursue its current strategy as an independent company.

The IBC's initial focus was on ensuring that Shareholders had all the information that they required to make an informed decision in relation to the Offer. In this regard, the IBC applied to the Takeovers Panel requesting that CIMIC provide further detail in relation to certain disclosures in its original Bidder's Statement released to the ASX on 13 January 2016, which we believed to be relevant to both the IBC, and all Shareholders, in considering the Offer. The IBC is pleased that these actions ultimately led to CIMIC making amendments to,

[1] As at 4 February 2016 as disclosed by CIMIC to the ASX on 5 February 2016.

and further disclosures in, three supplementary Bidder's Statements and the Replacement Bidder's Statement. CIMIC's Replacement Bidder's Statement setting out the full terms and conditions of its Offer was despatched to Shareholders on 8 February 2016. It is also available from ASX at www.asx.com.au.

One of the key considerations the IBC has taken into account in assessing the Offer is the position of Shareholders who do not accept the Offer and therefore become minority Shareholders in a CIMIC-controlled Sedgman. This scenario will eventuate should CIMIC acquire an interest of more than 50% but less than 90% of the shares of Sedgman. As noted in prior communications from Sedgman, CIMIC has in recent months taken steps to exert increased influence over Sedgman including exercising its voting power to remove three independent non-executive Sedgman Directors at the recent AGM, and its subsequent demands to restructure the Board.

The IBC is uncertain as to how CIMIC will operate Sedgman if it is majority, but not wholly-owned, by CIMIC. The Bidder's Statement sets out CIMIC's intentions should it control between 50% and 90% of Sedgman which shareholders should consider carefully if they choose to reject the CIMIC Offer.

The IBC has had regard to these factors, along with CIMIC's current shareholding level in Sedgman, in making its recommendation that Shareholders **accept the Offer** in the absence of a superior proposal. Full details of the IBC's recommendation and its reasons are set out below.

Company performance

It is well known that the new development growth of the mining industry slowed down significantly from 2012. A reduction in actual and short term expectations of commodity prices, in part because of the strength of the US dollar against the currencies of producer nations, and the withdrawal of equity market support, has meant that mining companies have replaced growth with cost management and productivity enhancements as core to their strategies.

Sedgman has been most effective in reacting to this changed dynamic with its core EPC business providing both cost and time assurance to new project development. As the tide has receded on the EPCM style "mega projects", your Company's pipeline of opportunities has grown as project financiers look to the certainty that EPC project delivery provides and the major mining houses revise their approach to project delivery for sustaining capital works and incremental production expansion projects. By effectively managing these conditions we have positioned Sedgman to prosper when the expected surge in industry activity occurs sometime in the future. Our relative performance against our peers, and, now attractiveness to CIMIC, is testimony to our clear strategy and focussed management team.

In June 2014 following the retirement of Nick Jukes as CEO and Managing Director, your Company appointed a new CEO and Managing Director, Peter Watson. Peter has provided outstanding leadership over the past 20 months, during which period Sedgman has been one of the best performing mining services company on the ASX, as determined by Total Shareholder Return (TSR) delivered to Shareholders. (TSR is made up of Sedgman's share price appreciation together with dividends paid to Shareholders)[2].

[2] Total Shareholder Return is the measure of the performance of companies' stocks and shares over time. It measures the share price return assuming dividends paid are reinvested on the ex-dividend date. Sourced from Factset (without consent).

		TSR[3]		S&P / ASX All Ords	Peer Ranking[5]	
From	To	Pre-Offer[6]	Post-Offer	TSR[4]	Pre-Offer[7]	Post-Offer
28/6/13	31/1/16	86%	151%	18%	2/19	1/19
30/6/14	31/1/16	84%	150%	0%	1/19	1/19
30/6/15	31/1/16	25%	69%	(5%)	3/19	1/19

Despite the added workload caused by the Offer, your management has continued to diligently pursue new business and safely execute existing business. I am proud of the team, and what they have achieved, particularly in the past year in the face of a subdued market.

Should absolute control of your Company pass, all of the Long Term Incentive Performance Rights as per the Long Term Incentive Plan (**LTIP**) and Share Appreciation Rights (**SAR Scheme**) held by management will vest, subject to satisfying their respective TSR performance thresholds (which they have as you will see from the above table). This vesting does not alter the price you will receive for your shares under the Offer.

I was pleased to note that CIMIC indicated in its Bidder's Statement that it has a deep trust of and respect for Sedgman's existing employees.

Company strategy

Prior to our last Annual General Meeting, your Board and management met to review Sedgman's strategy, starting with an articulation of a 5 year vision. While the Global Mineral's Strategy implemented under Peter Watson's leadership had positively impacted the performance of the core business, it was agreed that Sedgman should strive to be a much larger entity offering a broader range of services and products to the mining industry. Scale is deemed important both for market relevance and cost management. Management had been working over the past months to articulate a roadmap that would have allowed the Company to achieve its 5 year vision, profitably.

In addition to organic growth, it was proposed that the growth path would involve a series of combinations by way of a merger or otherwise. Growth would also be fuelled by the astute application of capital. From time to time we have engaged in discussions with our more immediate competitors and other mining industry service providers. Several of these discussions developed to an advanced stage, however these discussions were put on hold given CIMIC's advancing shareholding level and uncertainty around CIMIC's support for the initiatives.

Alternative counter-bidders

Prompted by the CIMIC Offer and in the quest to achieve maximum Shareholder value, we have also approached a number of possible counter bidders to ensure that there are no other groups with an immediate and compelling strategic interest in Sedgman. Thus far, no proposal has emerged which is capable of being put to Shareholders, noting the collective factors of the short timeframe available for other groups to consider a

[3] Total Shareholder Return is the measure of the performance of companies' stocks and shares over time. It measures the share price return assuming dividends paid are reinvested on the ex-dividend date. Sourced from Factset (without consent).
[4] All Ordinaries Accumulation Index.
[5] Selected peers are: Peers include: Ausenco Limited, Cardno Limited, CIMIC Group Limited, Decmil Group Limited, Downer EDI Limited, GR Engineering Services Limited, Lycopodium Limited, MacMahon Holdings Limited, , MACA Limited, Mineral Resources Limited, Monadelphous Group Limited, NRW Holdings Limited, RCR Tomlinson Limited, Resource Development Group Limited, Southern Cross Electrical Engineering Limited, UGL Limited, VDM Group Limited and WorleyParsons Limited.
[6] TSR to 12 January 2016 (i.e. day prior to announcement of CIMIC's Offer).
[7] TSR to 12 January 2016 (i.e. day prior to announcement of CIMIC's Offer).

counter proposal, the significant shareholding position already held by CIMIC and the unconditional nature of its Offer (with the ability to increase the Offer Price to match or better any competing bid or proposal).

It was pleasing for me that the strategic value of Sedgman and its business model was recognised in the discussions with these third parties.

Fully franked dividend

As noted earlier and in previous Shareholder correspondence, the IBC is pleased to confirm that as a result of its action in applying to the Takeovers Panel in relation to identified deficiencies in CIMIC's Bidder's Statement, CIMIC has now amended its Offer via the Replacement Bidder's Statement with the effect that no deduction will be made from the Offer Price in respect of the value of any franking credits attaching to any dividend which is declared and has a record date occurring during the Offer Period.

On 11 February 2016 your Board declared a 3.5cps fully franked interim Ordinary Dividend together with a fully franked Special Dividend of 8.8cps (**the Dividends**), for a total of 12.3cps, payable to registered Shareholders as at 25 February 2016. The Dividends will be payable on 7 March 2016.

Those registered Shareholders as of 25 February 2016 will therefore become entitled to the Dividends and, if they subsequently accept the Offer, will receive a reduced Offer Price of $0.947 per Share. CIMIC has confirmed that it does not intend to reduce the Offer Price for the value of any franking credits attaching to the Dividends during the course of the Offer.

Section 7 of this Target's Statement contains important information relating to the taxation consequences relating to the Offer and the availability of franking credits in respect of the Dividends (including important information regarding minimum periods where you must hold your shares "at risk" in order to be entitled to the franking credits attached to the Dividends). You should read this information and consult your taxation adviser in respect of the application of these considerations to your personal circumstances.

The reason that your Board has decided to declare the Special Dividend is to deliver accumulated but, thus far, undistributed earnings to Sedgman's Shareholders.

The quantum of the Special Dividend took into account both the Company's working capital requirements to sustain anticipated business levels throughout 2016, and also the outcome of the negotiations of a new financing facility to underpin performance bonds.

Independent Expert

Because of the level of CIMIC's pre-Offer shareholding, it was a requirement of the Corporations Act that an independent expert be appointed to prepare a report to opine on the Offer. We appointed Lonergan Edwards & Associates Limited (the **Independent Expert**), a specialist valuation firm with considerable experience in business valuations in general, and more specifically mining services companies.

The Independent Expert has opined on whether the Offer is fair and reasonable to Shareholders (other than CIMIC and its Associates) and has prepared a report for Shareholders (**Independent Expert's Report**). A copy of the Independent Expert's Report is included in Annexure A of this Target's Statement.

The Independent Expert has concluded that the Offer is **not fair but reasonable** to Shareholders not associated with CIMIC. The Independent Expert has estimated the fair market value of the Shares on a control basis to be in the range of $1.11 to $1.22. The Offer Price of $1.07 per Share is below the low-end of this valuation range.

IBC Recommendation

Following CIMIC's actions at the Company's Annual General Meeting (**AGM**) last year, your Board was most concerned about CIMIC gaining effective control of Sedgman, through either a series of creeping acquisitions of shares (as permitted by the Corporations Act) or reconstituting the Board, without a full bid being made which was capable of acceptance by all Shareholders.

Shareholders have now received an offer to acquire all of their Shares.

The Offer comes at an inconvenient time for your Company. It is premature in the sense that following the AGM Sedgman had accelerated a number of important strategic initiatives which were consistent with our Global Minerals strategy which I believe would have cemented your Company's position as a market leader, and also provided considerable Shareholder value. Whether or not these initiatives can or will be pursued if CIMIC acquires control of Sedgman is unknown.

While we were unable to recognise additional Shareholder value in the short-term through these initiatives, it is the view of the IBC that these initiatives might have been a catalyst in CIMIC making the Offer at a material premium to the closing price immediately prior to the Offer as well as the respective 1 month, 3 month and 6 month volume weighted average price (**VWAP**). To that extent, your Board's actions have been successful and may reflect CIMIC's view of the value your Board and Management team have created in Sedgman over the recent past.

The IBC considers the Offer Price of $1.07 to be less than the underlying value of Sedgman's Shares. This has been confirmed by the Independent Expert, who has determined that the fair market value of the Shares on a control basis to be in the range of $1.11 to $1.22.

Notwithstanding the opinion of the Independent Expert, the IBC has had regard to the fact that, given CIMIC's current shareholding of approximately 46.44%, CIMIC is already in a position to practically control Sedgman, and is highly likely to assume absolute control of Sedgman given that it is within 'creeping' distance of obtaining a 50.1% shareholding. Whether the potential value of Sedgman can be realised for Sedgman Shareholders under CIMIC control is unclear.

We have thoroughly reviewed business appraisals undertaken by our management and advisors, the Independent Expert's work on value, as well as undertaking our own assessment on the implications of having CIMIC as a controlling Shareholder. We have reached the conclusion that Sedgman Shareholders should **ACCEPT** the Offer, subject to there being no superior proposal.

The key reasons the IBC took into account in forming this view are summarised below:

- Following close of the Offer, CIMIC will exert increased influence over Sedgman and its intentions in relation to Sedgman's existing Board, management and ongoing strategy are unclear and may not be conducive to ongoing Sedgman Shareholder value creation;
- CIMIC has stated that it will review Sedgman's dividend and capital management policies, which may impact Sedgman's strong dividend yield and hence the attractiveness of Sedgman to certain Shareholders;
- CIMIC has stated that it may seek to procure the removal of Sedgman from the official list of ASX, which will have negative liquidity and possible value implications for continuing Sedgman Shareholders;
- In any event there is potential for trading in Sedgman Shares to become increasingly illiquid which may reduce the opportunity for Sedgman Shareholders to realise full value for their Shares in the future;
- Sedgman Shares may well trade below the CIMIC Offer Price of $1.07 following close of the Offer. Since the Announcement Date the share price performance of several of Sedgman's peers, and the market in general, have declined in light of ongoing macroeconomic uncertainty;
- No superior proposal has been forthcoming to date, and the IBC believes that it is unlikely that any rival bid would be accepted by CIMIC;
- CIMIC will have the ability to continue acquiring Shares on the ASX under the 'creep' provisions of the Corporations Act; and
- The Offer represents a premium to recent market prices for Sedgman Shares. The Independent Expert has also determined that the Offer, despite not being "fair", is "reasonable" in the circumstances.

The detailed reasons regarding the IBC's recommendation to **ACCEPT** the Offer in the absence of a superior proposal are set out in full in Section 1 of this Target's Statement.

Our intention is to reach out to CIMIC once control passes to CIMIC to ensure an effective transition of Sedgman from being an independent company to a CIMIC controlled entity.

I believe that our recommendation and immediate engagement with CIMIC is an important and appropriate step given the uncertainty that the Offer has caused to our shareholders, clients, partners and our most important asset – our valued employees who have made Sedgman what it is today.

Your options

As a Shareholder, you have a number of choices available to you in relation to the Offer. You can:

- accept the Offer immediately;
- accept the Offer after becoming entitled to the Dividends;
- sell your Shares on-market immediately;
- sell your Shares on-market after becoming entitled to the Dividends; or
- reject the Offer by doing nothing.

Further details in relation to the options available to you and the consequences of each option are set out in Section 3 of this Target's Statement.

The Offer will be open until 7.00pm on 9 March 2016, unless extended as required or permitted by the Corporations Act. Instructions on how to accept the Offer are set out Sections 1.2 and 9.4 of the Replacement Bidder's Statement and printed on the Acceptance Form that accompanies the Replacement Bidder's Statement. You will be advised if there are any material developments in relation to the Offer during the Offer Period.

Important details in relation to the Offer are set out in this Target's Statement. We encourage you to read this Target's Statement, the Replacement Bidder's Statement and the 2015 Annual Report carefully and in full, and to seek independent financial, legal, taxation or other professional advice.

If you have any questions, you can call the Sedgman Information Line for further information on 1300 782 984 (within Australia) or +61 3 9415 4192 (outside Australia) which will be open between 8:30 a.m. and 5:30 p.m. (Sydney time) Monday to Friday until the end of the Offer Period.

Directors' Intentions

While I love the Company, and believe that it has considerable potential, I must tell you that on the passing of control of your Company to CIMIC my current intention is to resign as your Chairman and independent non-executive Director after the conclusion of the Offer Period, and to accept the Offer for the 664,120 Sedgman Shares held directly, indirectly and beneficially by me in the absence of a superior proposal and after the receipt of the Dividends.

I have had the privilege of serving on the Sedgman Board since its ASX listing in 2006, and would normally have retired at the 2016 or 2017 Annual General Meeting. With change of control imminent I have accelerated my decision in light of CIMIC's uncertain level of support for me and your existing Board.

My resignation will occur once I am satisfied that that there has been an effective transition of the existing Board to a new Board.

Russell Kempnich has also indicated that he will accept the Offer for the Shares that he holds directly, indirectly and beneficially, in the absence of a superior proposal.

My best wishes are extended to the Sedgman staff who made the Company into the great company it is.
My best wishes are also extended to CIMIC to further build on the Sedgman platform.

Yours sincerely,

Robert McDonald
Chairman
Sedgman Limited

1 Independent Directors' recommendation and reasons

1.1 Directors of Sedgman

The Directors of Sedgman as at the date of this Target's Statement are Robert McDonald (Chairman), Peter Watson, Russell Kempnich and Antony Jacobs.

Antony Jacobs is a nominee of CIMIC (**CIMIC Nominee Director**). As such, Mr Jacobs does not consider himself to be independent for the purposes of the Offer. For this reason, Mr Jacobs has not participated in the consideration of the Offer and declines to make a recommendation on whether or not the Offer should be accepted.

The IBC is comprised of the Directors who are independent of CIMIC, being Robert McDonald (Chairman), Peter Watson and Russell Kempnich.

1.2 Recommendation and intentions

The IBC believes that CIMIC's Offer Price of $1.07 is less than the underlying value of Sedgman's Shares on a control basis. This has been confirmed by the Independent Expert, who has determined that the fair market value of the Shares on a control basis to be in the range of $1.11 to $1.22, which is above the Offer Price of $1.07 per Share.

The IBC has thoroughly reviewed business appraisals undertaken by our management and advisors, as well as the Independent Expert's work on value, as well as undertaking our own assessment on the implications of CIMIC as a controlling Shareholder. For the reasons set out below, we have reached the conclusion that Sedgman Shareholders should ACCEPT the Offer, in the absence of a superior proposal.

Each of Robert McDonald and Russell Kempnich have indicated that they will accept the Offer for the Shares they hold directly, indirectly and beneficially, in the absence of a superior proposal.

The IBC's intention is to reach out to CIMIC once control passes to CIMIC to ensure an effective transition of Sedgman from being an independent company to a CIMIC controlled entity.

1.3 Reasons why Sedgman Shareholders should ACCEPT the Offer

(a) Following close of the Offer, CIMIC will exert increased influence over Sedgman and its intentions in relation to Sedgman's existing Board, management and ongoing strategy are unclear and may not be conducive to ongoing value creation for minority Shareholders

CIMIC has flagged in its Replacement Bidder's Statement that it intends to reconstitute the Sedgman Board but has not advised Sedgman in a meaningful way of its intentions should it gain majority control of the Board, other than its earlier demand to reduce both the size of the board and the number of independent directors.

Nor is the IBC able to assess how CIMIC would wish to integrate the Company's strategy with its own, and therefore it is unable to opine on any potential upside to be delivered to Shareholders if they were to retain their Shares in a CIMIC controlled Sedgman.

In addition, after completion of the Offer, CIMIC may be able to ensure the passage of a special resolution at a general meeting of Sedgman. A special resolution requires approval of 75% or more of all votes cast at a general meeting. CIMIC has not indicated an intention to do so, but the ability to pass a special resolution would enable CIMIC to, amongst other things, amend Sedgman's Constitution.

(b) CIMIC has stated that it will review Sedgman's dividend and capital management policies, which may impact the attractiveness of certain Shareholders' investment in Sedgman

CIMIC has flagged in its Replacement Bidder's Statement that it will undertake a review of Sedgman's dividend and capital management policies.

Identifying the well supported fully franked dividend policy as an area for review may imply an intention to potentially reduce, not increase the current 100% profit payout plus special dividend policy; this will adversely impact those Shareholders seeking a franked dividend yield.

The IBC has however no basis to form a view on the likely effect on the Share price of any changes that may ultimately be implemented arising out of this review.

(c) CIMIC has stated that it may seek to procure the removal of Sedgman from the official list of ASX, which may have negative liquidity and possible value implications for continuing Sedgman Shareholders

CIMIC has flagged in its Replacement Bidder's Statement that it may seek to procure the removal of Sedgman from the Official List of ASX, which will depend on whether CIMIC secures control of Sedgman, as well as the spread and volume of Sedgman Shareholders remaining at the conclusion of the Offer. The potential disadvantages of delisting are summarised below:

- Sedgman's ASX listing provides a benefit for most Sedgman Shareholders by providing a means to dispose of their Sedgman Shares (irrespective of whether or not that means is used). If Sedgman is delisted from ASX, Sedgman Shareholders will be deprived of any real opportunity to sell their Sedgman Shares. Listing provides Sedgman Shareholders with an orderly, transparent and timely mechanism for share trading;

- a number of Sedgman's existing institutional shareholders are mandated to invest only in publicly traded securities;

- Sedgman would not be subject to the ASX Listing Rules, including continuous disclosure requirements. Sedgman would still be required to disclose material information on its website and to ASIC if it remained a public company following delisting and had at least 100 members, however the level of Shareholder reporting in these circumstances could be significantly diminished;

- various requirements and protections for minority Shareholders under the ASX Listing Rules would cease to apply. These include restrictions relating to the issue of new securities, certain related party transaction restrictions and requirements to seek Shareholder approval for significant changes to the nature or scale of activities; and

- a delisting may not impact the long term benefit of holding Shares in Sedgman but in the short term may create a disconnect between fundamental value and price that could have impact on the value realised by Sedgman Shareholders on exit while the Company is not publicly traded on the ASX.

The potential benefit to Sedgman Shareholders from a delisting is a saving of costs and overheads associated with Sedgman maintaining a listed entity status. The level of savings will be dependent on Sedgman's corporate status and changes to the composition of the Sedgman Board and management team.

(d) Potential for trading in Sedgman to become increasingly illiquid which may reduce the opportunity for Sedgman Shareholders to realise full value for their Shares in the future

The reduction in 'free float' that will occur if CIMIC substantially increases its majority shareholding in Sedgman is likely to lead to a substantial reduction in the liquidity of Sedgman Shares. This has been the case in other ASX listed entities where Shareholders have taken majority control or further increased their existing level of majority control of the particular entity. Depending on the level of acceptances under the Offer, the liquidity of Sedgman Shares may be substantially reduced, which may adversely affect the Company's investment appeal and ultimately the value at which Sedgman Shareholders are able to dispose of Sedgman Shares in the future.

The Offer enables all Sedgman Shareholders to exit their shareholding in an orderly manner at the Offer Price without incurring any brokerage costs.

(e) Sedgman may trade below the CIMIC Offer Price of $1.07 following close of the Offer

The IBC believes that after the Offer closes, and notwithstanding the confirmation of the Company's underlying value through the Offer, and Expert Valuation, Sedgman Shares may trade below the Offer Price in the foreseeable future for the following reasons:

- in the three months prior to the announcement of the Offer, Sedgman Shares did not trade at prices above $0.945;
- the three month VWAP at the close of trading on 12 January 2016 was $0.85;
- the closing price of the Sedgman Shares on 12 January 2016 was $0.790; and
- since the announcement of the Offer equity markets and the mining market have generally declined while exhibiting considerable volatility.

(f) No superior proposal was forthcoming and the IBC believes that it is unlikely that any rival bid would be accepted by CIMIC

Prompted by the CIMIC Offer and in the quest for maximum Shareholder value, Sedgman also approached a number of possible counter bidders to ensure that there were no other groups with an immediate and compelling strategic interest in Sedgman. Thus far, Sedgman has not been successful in this regard. The parties contacted did not show sufficient interest given the short timeframe available for other groups to consider a counter bid, the shareholding position already held by CIMIC and the unconditional nature of its Offer (with the right to increase the Offer to match or better any competing bid). It is therefore highly uncertain that a future superior competing proposal during the Offer period would either emerge, or succeed without CIMIC's support.

(g) CIMIC will have the ability to continue acquiring Shares on the ASX under the 'creep' provisions of the Corporations Act

CIMC will have the ability to continue acquiring Shares on the ASX at the prevailing market price from the date that is six months after the end of the Offer Period, with a limit of 3% in any six month period, without making a fresh takeover offer for those Shares. CIMIC could therefore continue to increase its ownership of Sedgman following the close of the Offer, without making a takeover offer for those Shares. Ultimately CIMIC will be able to compulsorily acquire remaining Sedgman Shares at fair market value if it increases its voting power in Sedgman to 90% or more and its fully beneficial interest to at least 90% by value of all securities issued in Sedgman, or it increases its full beneficial interest in at least 90% (by number) of Sedgman Shares.

(h) The Offer represents a premium to recent market prices

The Offer Price of $1.07 per Sedgman Share, in cash, represents a premium of:

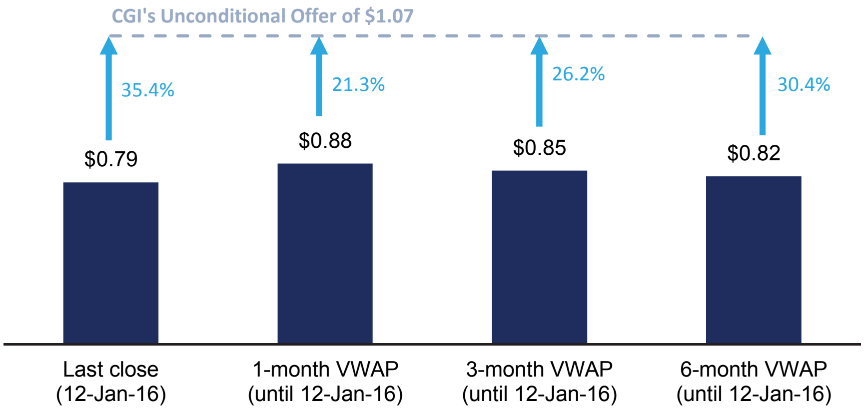
- 35.4% to the Last Close Price, being the price of Sedgman Shares on ASX at the close of trading on 12 January 2016, the day prior to the Announcement Date, of $0.79 per Sedgman Share;

- 21.3% to Sedgman one month volume weighted average closing price (VWAP) as at the day prior to Announcement Date, of $0.88 per share;

- 26.2% to Sedgman three month VWAP as at the day prior to Announcement Date, of $0.85 per share; and

- 30.4% to Sedgman six month VWAP as at the day prior to Announcement Date, of $0.82 per share.

Furthermore, Shareholders should note that Sedgman has a large net cash balance and accordingly, the Offer Price represents a greater premium to Sedgman's core business (i.e. the premium implied by the Offer after deducting the value of Sedgman's net cash from both (i) the equity value implied by the Offer Price; and (ii) equity value of Sedgman prior to the Offer).



(i) The Independent Expert has also determined that the offer, despite not being "fair", is "reasonable"

The Independent Expert has concluded that the Offer is not fair but reasonable. The Independent Expert notes in Section VII of its report that it is of this opinion primarily because:

- due to on-market purchases already made by CIMIC, as at 4 February 2016 CIMIC had increased its shareholding in Sedgman to 46.44%, and therefore already has effective control of Sedgman. Thus CIMIC will be able to control future management decisions, the strategic direction of the business and the future dividend policy of Sedgman;

- the Offer represents a significant premium of 26.2% above the three months volume weighted average market price (**VWAP**) of Sedgman Shares prior to the Announcement Date;

- a competing offer from another party is highly unlikely given CIMIC's current shareholding in Sedgman; and

- in the absence of the Offer, Sedgman shares will likely trade materially below their valuation range and the Offer Price.

1.4 Possible reasons why Sedgman Shareholders may choose not to accept the Offer

Some possible reasons why Sedgman Shareholders may choose not to accept the Offer include:

(a) Sedgman Shareholders may disagree with the IBC's recommendation and the Independent Expert's conclusion and believe that the value of the Offer is inadequate;

(b) By accepting the Offer Sedgman Shareholders will lose exposure to any potential upside in Sedgman Share Price;

(c) it is possible that CIMIC would prefer 100% ownership and may return with a new offer at a higher price at a later time should CIMIC not achieve thresholds required for compulsory acquisition under the Offer; and

(d) CIMIC acquiring Sedgman for cash may trigger tax consequences for some Shareholders.

2 Frequently Asked Questions

This Section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Shareholders. This Section should be read together with all other parts of this Target's Statement and the Replacement Bidder's Statement.

Question	Answer
Who is making the Offer?	CGI is a wholly owned subsidiary of CIMIC (previously known as Leighton Holdings). CIMIC is a public company incorporated in Australia and listed on the ASX (ASX: CIM). CIMIC provides construction, mining, engineering, concessions and operation and maintenance services to the infrastructure, resources and property markets globally. CIMIC's largest Shareholder is Hochtief Aktiengesellschaft (**HAG**), which owns 69.63% of CIMIC as at 12 January 2016 and is listed on the Frankfurt Stock Exchange. HAG's largest Shareholder is Actividades de Construccion y Servicios S.A. (**ACS**), a Spanish civil and engineering construction and telecommunications company listed on Bolsa de Madrid, one of Spain's regional stock exchanges. ACS held 66.54% of HAG shares as at 30 October 2015.
What is the Offer?	CGI has made an Offer to acquire all of your Sedgman Shares for $1.07 per Share, less the value of any Rights. Rights include rights to receive dividends, to subscribe for new shares, and to receive any other distributions, capital returns or entitlements, declared, paid, made or issued by Sedgman or any of its subsidiaries during the Offer Period.
What are the Dividends?	On 11 February 2016 Sedgman declared a 3.5cps fully franked interim Ordinary Dividend together with a fully franked Special Dividend of 8.8cps, for a total of 12.3cps (**Dividends**), payable to registered Shareholders as at 25 February 2016 (**Dividend Record Date**). The Dividends will be paid on 7 March 2016.
What will I receive for my Sedgman Shares under the Offer?	CGI is offering $1.07 cash for each Sedgman Share held by you. You may only accept the Offer in respect of all of the Sedgman Shares you hold. If you accept the Offer and are entitled to the Dividends, CGI will deduct an amount equal to the amount of the Dividends from the Offer Price.
How will the Dividends be treated under the Offer?	Under the terms of the Offer, if you accept the Offer, then CGI will be entitled to all of the Rights attaching to your Sedgman Shares, which includes the value of the Dividends. For the avoidance of doubt, Rights do not include the value of any franking credits attached to the Dividends. In accordance with the terms and conditions of the Offer set out in full in Section 9.3 of the Replacement Bidder's Statement, as Sedgman has declared the Dividends, if you are entitled to the Dividends and you accept the Offer, CGI will deduct the value of the Dividends from the $1.07 per Sedgman Share to be paid to you under the Offer.
How will CGI treat franking credits attached to the Dividends?	Rights do not include any franking credits attached to any dividend. Accordingly, as Sedgman has declared the Dividends and the Dividend Record Date falls during the Offer Period, CGI will not make any deduction from the Offer Price in respect of the value of the franking credits attaching to the Dividends. Due to the nature and timing of the Offer, your entitlement to the franking

Question	Answer
	credits will depend on whether and when you accept the Offer (notwithstanding you may have been entitled to the franking credits on prior dividends). Section 7 contains a general summary in this regard and you should consult with your taxation adviser if you have any doubt before accepting the Offer. The amount of the Dividends will be deducted from the Offer Price if you accept the Offer after the Dividend Record Date.
What are the Sedgman Directors recommending?	The Sedgman Directors (other than the CIMIC Nominee Director) recommend that you ACCEPT the Offer, in the absence of a superior proposal. The reasons for your Directors' recommendation are set out in Section 1 of this Target's Statement.
What do the Directors intend to do with their Sedgman Shares?	Robert McDonald and Russell Kempnich, who have Relevant Interests in Sedgman Shares intend to ACCEPT the Offer in relation to those Shares, in the absence of a superior proposal.
What is the opinion of the Independent Expert?	Sedgman has engaged Lonergan Edwards & Associates Limited to prepare an Independent Expert's Report. The Independent Expert has assessed the value of Sedgman Shares at between \$1.11 to \$1.22 per Share and concluded that the Offer is not fair but reasonable. See Annexure A of this Target's Statement for the full Independent Expert's Report.
When will I receive payment if I accept the Offer?	If you accept the Offer, CGI will pay you the consideration under the Offer by the earlier of: • 7 Business Days after this Offer is accepted; or • 7 Business Days after the end of the Offer Period.
When does the Offer close?	The Offer is presently scheduled to close at 7:00pm (AEDT) on 9 March 2016 (unless extended or withdrawn).
Can CGI extend the Offer?	Yes. Section 8(2) of this Target's Statement provides further details regarding the circumstances in which the Offer Period can be extended.
Can CGI increase its Offer?	No. The Offer for each Sedgman Share is final. Under the ASIC's truth in takeovers policy (*ASIC Regulatory Guide 25: Takeovers: False and misleading statements*), where a bidder makes a last and final statement to press holders to accept its offer, it cannot then depart from the statement. The Offer Price cannot be increased above \$1.07 during the Offer period, in the absence of a competing proposal.
Reasons for Directors' recommendation	
Reasons why your Directors (other than the CIMIC Nominee Director) unanimously recommended that you ACCEPT the Offer in the absence of a superior proposal.	• Following close of the Offer, CIMIC will exert increased influence over Sedgman and its intentions in relation to Sedgman's existing board, management and ongoing strategy are unclear and may not be conducive to ongoing shareholder value creation; • CIMIC has stated that it will review Sedgman's dividend and capital management policies, which may impact the attractiveness of certain shareholders' investment in Sedgman; • CIMIC has stated that it may seek to procure the removal of Sedgman from the official list of ASX, which may have negative liquidity and value

Question	Answer
	• implications for continuing Sedgman shareholders; • Potential for trading in Sedgman to become increasingly illiquid which may reduce the opportunity for Sedgman shareholders to realise full value for their Shares in the future; • For the aforementioned reasons Sedgman may trade below the CIMIC Offer price of $1.07 following close of the Offer; • No superior proposal was forthcoming and unlikely that any rival bid would be accepted by CIMIC, Sedgman's majority shareholder; • CIMIC will have the ability to continue acquiring Shares on the ASX under the 'creep' provisions of the Corporations Act; • The Offer represents a premium to recent market prices; and • The Independent Expert has also determined that the offer, despite not being "fair", is "reasonable" in the circumstances. Additional information on the reasons why your Directors (other than the CIMIC Nominee Director) unanimously recommended that you ACCEPT the Offer in the absence of a superior proposal is outlined in Section 1 of this Target's Statement.
What choices do I have as a Shareholder?	As a Shareholder, you have the following choices in respect of your Shares: • reject the Offer; • sell your Sedgman Shares on market immediately; • sell your Sedgman Shares on market after becoming entitled to the Dividends; • accept the Offer immediately; or • accept the Offer after becoming entitled to the Dividends. If you have already sold all your Sedgman Shares, no action is required. There are several implications in relation to each of the choices above. A summary of the key implications is set out in Section 3 of this Target's Statement.
How to respond to the Offer	
How do I accept the Offer?	To accept the Offer, you should follow the instructions set out in Sections 1.2 and 9.4 of the Replacement Bidder's Statement and printed on the Acceptance Form that accompanies the Replacement Bidder's Statement.
How do I reject the Offer?	To reject the Offer, you should do nothing. If you decide to do nothing, you should be aware of the rights of CGI to compulsorily acquire your Shares in certain circumstances. Refer to Section 9 of this Target's Statement for more information on compulsory acquisition.
Can I accept the Offer for part of my shareholding?	No. You cannot accept the Offer for part of your shareholding. You may only accept the Offer made to you for all of the Sedgman Shares held by you.
Can I sell my Shares on-market?	You can sell all or some of your Shares on-market unless you have accepted the Offer in respect of those Shares. If you sell your Shares on-market: • you may incur brokerage charges; • you will lose the ability to accept the Offer for the Shares sold on-market or any other Offer which may eventuate; • you may receive more or less for your Shares than the Offer Price; and • you will be paid on the third business day after the sale.

Question	Answer
What are the consequences of accepting the Offer now?	By accepting the Offer, you will: • give up your right to sell any Sedgman Shares you hold on the ASX; and • give up your right to otherwise deal with any Sedgman Shares you hold whilst the Offer remains open. If you accept the Offer made to you, you will receive $1.07 (less the value of any Rights, which does not include franking credits attaching to the Dividends) for each Sedgman Share you hold.
If I accept the Offer now, can I withdraw my acceptance?	No. You cannot withdraw your acceptance of the Offer once you have accepted the Offer. See Section 8(5) of this Target's Statement for more details.
What are the tax implications of accepting the Offers?	A general summary of the tax implications of accepting the Offer is set out in Section 7 of this Target's Statement. As the outline is general in nature, you should consult your taxation adviser for detailed taxation advice. Due to the nature and timing of the Offer, your entitlement to the franking credits attaching to the Dividends may depend on when you accept the Offer (notwithstanding you may have been entitled to the franking credits on prior dividends). Sedgman Shareholders who acquired their Shares on or before 11 January 2016 may be entitled to the franking credits attaching to the Dividends provided they accept the Offer on or after 26 February 2016. Section 7 provides further general information in this regard and you should consult your taxation adviser before making a decision whether or not to accept the Offer.
Do I pay brokerage if I accept?	No brokerage or stamp duty will be payable as a result of your acceptance of the Offer.
What happens if I do nothing?	You will remain a Sedgman Shareholder. However, CGI has stated that if it becomes entitled to compulsorily acquire Sedgman Shares, it may do so. See Section 9 of this Target's Statement for more details.
What is the Replacement Bidder's Statement?	The Replacement Bidder's Statement was prepared by CGI and describes the terms of the Offer for your Sedgman Shares and other information that CGI and CIMIC consider relevant to your decision as to whether or not to accept the Offer made to you. You should read the Replacement Bidder's Statement together with this Target's Statement in their entirety and, if required, obtain independent advice from your investment, financial, tax or other professional adviser.
What is the Target's Statement?	This Target's Statement is the formal response by the Sedgman Board to the Offer, as required by the Corporations Act. This document has been prepared by Sedgman and contains important information to help you decide whether or not to accept the Offer.
Is there a number that I can call if I have further queries in relation to the Offer?	If you have any further questions about the Offer, please contact the Sedgman Shareholder Information Line on 1300 782 984 (within Australia) or +61 3 9415 4192 (from outside Australia).

3 Summary of the Offer and Your Choices as a Shareholder

3.1 Summary of the Offer

CGI has made an Offer to acquire all of your Sedgman Shares for $1.07 per Share, less the value of any Rights. Rights include rights to receive dividends, to subscribe for new shares, and to receive any other distributions, capital returns or entitlements, declared, paid, made or issued by Sedgman or any of its subsidiaries during the Offer Period.

Therefore, as Sedgman has declared the Dividends, if you accept the Offer after becoming entitled to the Dividends, the Offer Price will be reduced by the value of the Dividends, however it will not be reduced by the value of any franking credits attaching to the Dividends.

3.2 Your choices as a Sedgman Shareholder

As a Sedgman Shareholder you have five choices currently available to you:

(1) Reject the Offer

Shareholders who wish to reject the Offer should do nothing.

Shareholders should note that if CGI and its Associates have a Relevant Interest in at least 90% of the Shares during or at the end of the Offer Period, CGI will be entitled to compulsorily acquire the Shares that it does not already own. See Section 9 of this Target's Statement for further details.

(2) Sell your Sedgman Shares on market <u>immediately</u>

Sedgman Shareholders may immediately elect to sell some or all of their Sedgman Shares on market for cash through the ASX if they have not already accepted the Offer in respect of those Sedgman Shares.

If Sedgman Shareholders elect to sell Sedgman Shares on market prior to the Dividend Record Date they will not be entitled to the Dividends.

As a result Sedgman Shareholders who sell immediately will receive the prevailing market price of the Sedgman Shares at the time of sale. You should be aware that the market price of Sedgman Shares may rise or fall in the period during which the Offer remains open and following the close of the Offer.

You should also note that:

- you will need to pay any brokerage fees which may be payable on such a sale; and
- you will not benefit from any increase in the price payable under the Offer or from any alternative offer made by another bidder for your Sedgman Shares, if such an offer is made.

The latest price for Sedgman Shares may be obtained from the ASX website at www.asx.com.au.

Sedgman Shareholders who wish to sell their Sedgman Shares on market should contact their broker for information on how to effect that sale.

(3) Sell your Sedgman Shares on market <u>after becoming entitled to the Dividends</u>

Sedgman Shareholders may elect to sell some or all of their Sedgman Shares on market for cash through the ASX after becoming entitled to the Dividends if they have not already accepted the Offer in respect of those Sedgman Shares. Sedgman Shareholders will need to be registered Shareholders on the Dividend Record Date.

Sedgman Shareholders who sell on-market will receive the prevailing market price of the Sedgman Shares at the time of sale. That prevailing market price per Sedgman Share is likely to be lower by the amount of the dividend entitled to be paid per Sedgman Share. You should be aware that the market price of Sedgman Shares may rise or fall in the period during which the Offer remains open and following the close of the Offer.

You should also note that:

- you will need to pay any brokerage fees which may be payable on such a sale; and
- you will not benefit from any increase in the price payable under the Offer or from any alternative offer made by another bidder for your Sedgman Shares, if such an offer is made.

The latest price for Sedgman Shares may be obtained from the ASX website at www.asx.com.au.

Sedgman Shareholders who wish to sell their Sedgman Shares on market should contact their broker for information on how to effect that sale.

(4) **Accept the Offer immediately**

Sedgman Shareholders may elect to accept the Offer in respect of their Sedgman Shares immediately.

If Sedgman Shareholders elect to accept the Offer in respect of their Sedgman Shares prior to the Dividend Record Date they will not be entitled to the Dividends.

As a result Sedgman Shareholders who accept immediately will receive the cash payment of $1.07 unadjusted for the Dividend payment.

(5) **Accept the Offer after becoming entitled to the Dividends**

Sedgman Shareholders may also elect to accept the Offer in respect of their Sedgman Shares but after the Dividend Record Date and therefore be entitled to the Dividends.

Sedgman Shareholders should be aware that due to the nature and timing of the Offer, a Sedgman Shareholder's entitlement to the franking credits attaching to the Dividends will depend on how long they have held their Shares. This is the case notwithstanding they may have been entitled to the franking credits attaching to prior dividends.

Sedgman Shareholders who acquired their Shares on or before 11 January 2016 may be entitled to the franking credits attaching to the Dividends provided they accept the Offer on or after 26 February 2016 (being the day after the Dividend Record Date), and before the end of the Offer Period.

Section 7 provides further general information in this regard. Sedgman Shareholders should read this information and consult their personal taxation adviser.

Additional details of the Offer are set out in Section 8(3) of this Target's Statement. Sections 1.2 and 9.4 of the Replacement Bidder's Statement and the Acceptance Form that accompanies the Replacement Bidder's Statement contains details of how to accept the Offer.

As at the date of this Target's Statement, CGI is offering $1.07 cash (less the value of any Rights which does not include franking credits attaching to the Dividends) for each Sedgman Share you hold. If CGI improves the consideration under the Offer, all Sedgman Shareholders, whether or not they have accepted the Offer at that time, will be entitled to receive the improved consideration.

4 Information Relating to Sedgman

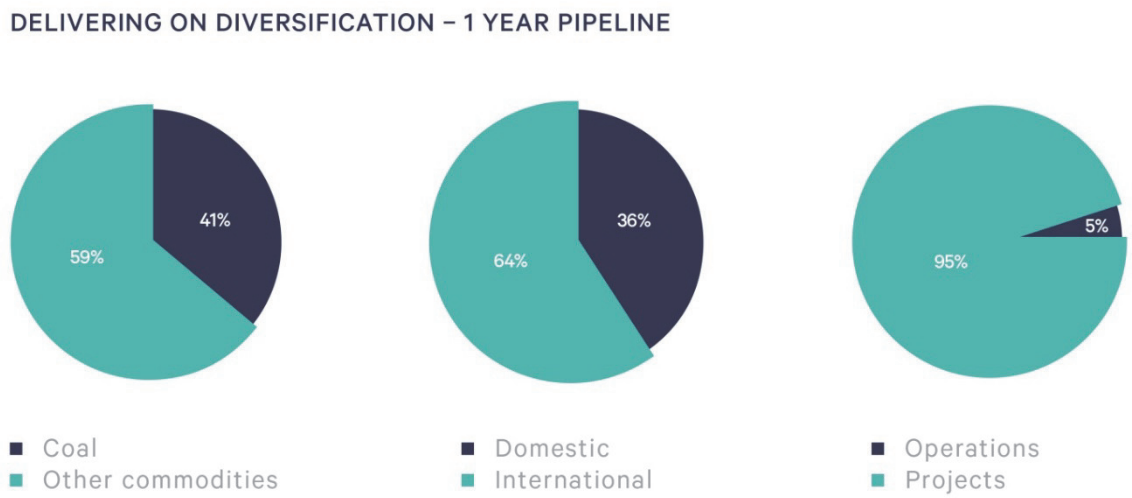
4.1 Overview of Sedgman

Sedgman is a market leader in the design, construction and operation of mineral processing plants.

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.

Our specialised technical expertise, proven track record in Engineering, Procurement and Construction (EPC) delivery and our advanced commercial capabilities enable us to provide complete solutions which are valued by our clients. Sedgman's core strengths have differentiated us from our peers, and our focus on and expertise in EPC project delivery have allowed us to remain profitable, competitive and grow our order book and pipeline during the current downturn affecting the Global Minerals sector.

While recognised for our 36 year history in the design, construction and operation of coal handling and preparation plants (CHPP), Sedgman has, since 2006, successfully diversified its projects portfolio from its traditional coal base to a more balanced commodity portfolio across base metals, precious metals and iron ore, as well as the associated mine site infrastructure.



Sedgman has a proven track record in projects and operations with the successful completion of more than 170 processing and handling projects globally for some of the world's leading mining companies. We also have expertise in tailings re-processing, driven by environmental and economic requirements.

Sedgman's strategy remains focused on continuing our commodity and geographic diversification while implementing strategic initiatives to enhance our growth.

Our global presence, strong balance sheet, proven low cost sourcing capability and robust risk management processes position Sedgman well to take advantage of opportunities as they emerge.

Key milestones in Sedgman's 36 year history are set out below:

KEY DATES

1979
Founded by John Sedgman

1991
Acquired by Russell Kempnich, Rod Lamb & Tom Meakin

1992
First international projects undertaken

1998
First Create, Build, Operate contract: Coppabella CHPP

2001
Thiess Pty Ltd acquired 50% of Sedgman

2002
Thiess Sedgman Joint Venture (TSJV) formed

2005
Opened in Santiago, Chile

2006
Listed on the ASX

Expansion into the metalliferous sector with acquisition of Pac-Rim

2007
Acquisition of Intermet Engineering

2008
Opened in Johannesburg, South Africa and Beijing, China

2011
Opened in Ulaanbaatar, Mongolia and Shanghai, China

Awarded Prime Minister's Exporter of the Year

2012
Acquisition of Yeat's Consulting Engineers

2013
Opened in Vancouver, Canada

2014
Graña y Montero Sedgman Joint Venture (GSJV) formed

2015
60% Non-Coal Projects

60% International Projects

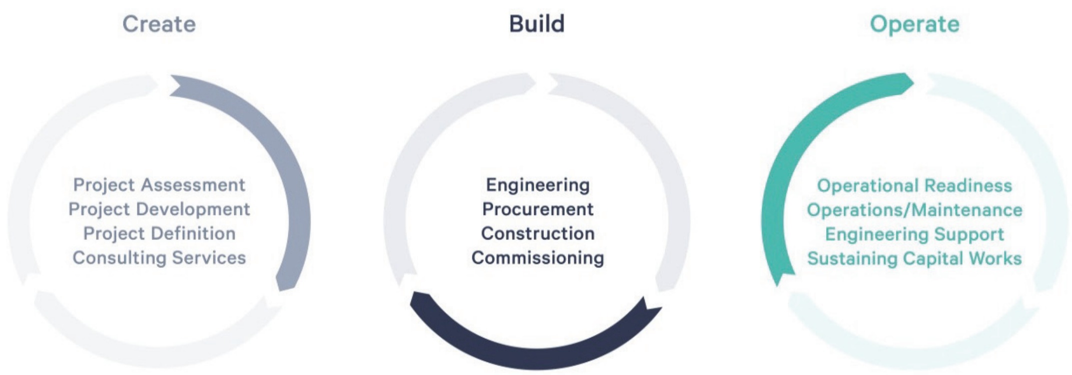
Alliance with the Turner Group

Establishment of an Investments/ Capital capacity

4.2 **Business descriptions**

(a) Business Model and Structure

Sedgman is structured along its business lines of Create, Build and Operate servicing the Global Minerals sector.



Clearly defined outcomes result in successful projects. We partner with our clients in all aspects of project delivery through concept development, pre-feasibility and planning to create world-class solutions and to provide exceptional outcomes.

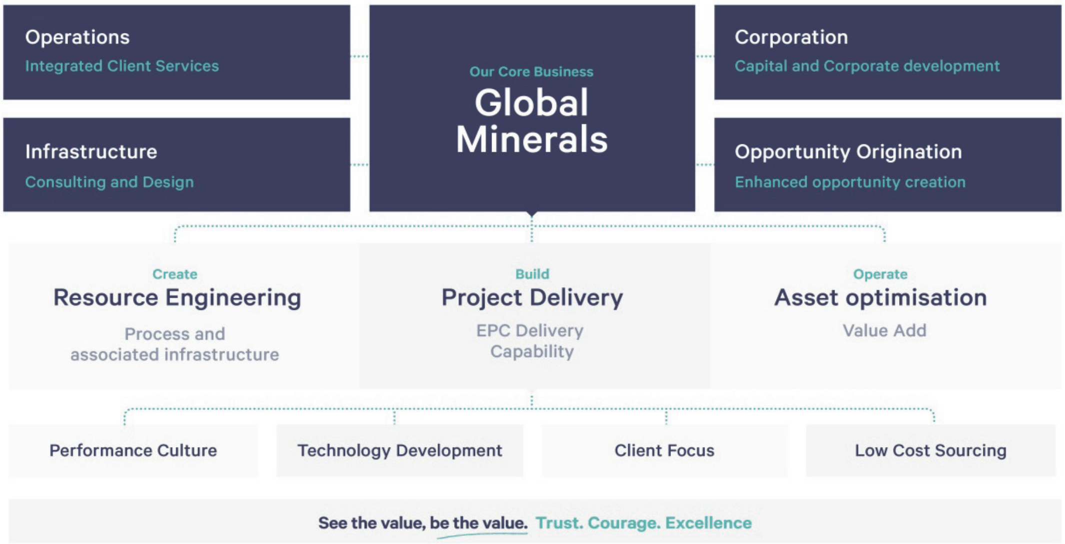
Sedgman delivers successful projects in diverse and remote regions. We identify the best solution for clients and deliver projects safely, on schedule and within budget. Our global procurement network provides unparalleled cost advantages.

Our Operations business delivers value through achieving industry leading facility performance metrics in areas such as annual run hours, process efficiency, operating cost and safety.

For accounting reporting purposes, Sedgman has determined two reportable segments of Projects (Create and Build) and Operations (Operate), which are considered to be Sedgman's strategic business units.

(b) Strategy & Key Differentiators

Since 2014 Sedgman's strategy has been based on our "sector services" organisation structure servicing the Global Minerals sector through the three key business areas of Create, Build and Operate.



Our strategy is also supported by the following key differentiators:

Process & Innovation	Sedgman has a strong history in pioneering new and improved processes and we are committed to driving performance through innovation. Our approach to innovation is focused on improving client outcomes.
Time & Cost Assurance	Sedgman consistently achieves and exceeds our contracted performance requirements. We specialise in capital efficiency and understand that time and cost assurance is critical.
Safety & Environment	Sedgman is committed to providing a workplace free from injury and harm, preventing pollution and reducing our environmental impact. Our HSEQ Management System encompasses all phases of project delivery and ensures that safety is incorporated during design. We also support and engage with the communities in which we operate.
Quality & Performance	Sedgman employs extensive, planned review processes which are embedded in our work methodology. Our quality management system includes workflow for each activity which utilises consistent process principles – review and check, monitor and improve, and resource and deliver. Our procurement QA has matured with over ten years' experience in Asia.
Operational & Commercial Assurance	In the past ten years Sedgman has delivered more than $4 billion in projects. Our track record and credibility in completing world-class projects successfully, safely and on schedule provides assurance to our clients.
Opportunity Origination	The strength of Sedgman's balance sheet, our technical knowledge and network of industry contacts allow us to support the financing and progression of particular projects. By identifying and facilitating the development of such opportunities Sedgman can take a preferred position into our core EPC, Infrastructure and Operations work as the projects progress to execution.

(c) Joint Ventures and Partnerships

To successfully deliver on our core EPC business and support our Global Minerals strategy, Sedgman carefully selects credible, regional contracting partners to complement our engineering, project management and commissioning capabilities. Key joint venture partners include:

- **Thiess Sedgman Joint Venture (TSJV)**
  The Thiess Sedgman Joint Venture (TSJV) has successfully delivered $2B of EPC work over the last 15 years throughout Queensland and New South Wales.

- **Thiess Sedgman Projects (TSP)**
  The Thiess Sedgman Projects Joint Venture (TSP) has undertaken work in Western Australia in Iron Ore.

- **Graña y Montero Sedgman Joint Venture (GSJV)**
  In South America, the Graña y Montero Sedgman Joint Venture (GSJV) has successfully completed its first joint venture project, the Aurora Gold project in Guyana.

- **Sedgman Civmec Joint Venture (SCJV)**
  On the West Coast of Australia, the recently formed Sedgman Civmec Joint Venture (SCJV) was successful in winning BHP Billiton Iron Ore's Jimblebar Project late last year.

- **Sedgman CGT Joint Venture**
  In North America, Sedgman have recently joined forces with CGT, a company with combined civil, structural and electrical installation capability well known to the mining industry in Canada.

(d) Directors

Robert McDonald
B Com, MBA (Hons)
Chairman, Independent Director

Rob was appointed to the Board in June 2006 and elected as Chairman in October 2014. He is the principal of The Minera Group, a specialist mining advisory and investment group headquartered in Australia and active in most mining regions of the world. Minera assists a select number of mining companies and mining investment and finance institutions in developing and executing business plans in the sector.

Peter Watson
B Eng (Chem) (Hons), Dip Acc Fin Mgt, FIEA, CP Eng, GAICD
Chief Executive Officer | Managing Director

Peter was appointed Chief Executive Officer | Managing Director in June 2014. Prior to his current role he held various senior positions at Sedgman, including Regional Director, responsible for managing the Company's Australia West, Americas and Africa regions; and Executive General Manager Australia, responsible for activities in engineering, project delivery and contract operations across the coal, metals, iron ore and infrastructure sectors.

Russell Kempnich
B Eng (Mech)
Non-Executive Director

Russell was Sedgman's Chairman for 16 years, electing to hand over to Rob McDonald in October 2014. He is a founding partner of Sedgman & Associates Pty Ltd, the original company established in 1980, from which the Sedgman business has grown. Russell has over 35 years of experience in the Australian and international coal industry with broad experience in the areas of coal resource evaluation, process plant design, construction and commissioning.

Antony Jacobs
B Com, MAICD
Non-Executive Director

Tony is a highly experienced director of finance, currently consulting to the CIMIC Group. Prior to establishing his consulting business, Tony was the Chief Financial Officer of Leighton Asia Limited from 1992 to 2001 and again from 2008 to 2012, where he was responsible for all financial and administration matters of the company's operation in Asia.

(e) Senior Management

Simon Stockwell
B Eng (Mech) (Hons), GC AppLaw, GAICD
Director - Client & Project Development

Simon rejoined Sedgman in 2011 having worked for the Company previously from 1995 to 2002. Simon is responsible for Client and Project Development globally. Simon's previous roles include Regional Director, responsible for Australia East and Asia, and General Manager Projects, responsible for the successful delivery of engineering, studies and projects across Australia. Simon is a mechanical engineer with over 20 years of experience across the resources, power and infrastructure industries having previously held roles with AMEC, Thiess, UGL and KBR.

Michael Carretta
B Eng (Min Proc) (Hons), MAUSIMM, GAICD
Director - Engineering and Project Delivery

Michael joined Sedgman in 1998 and is responsible for Engineering, Procurement and Project Delivery across all of our operating regions. Michael was previously Global Director Operations, where he was responsible for global contract operations, including coal and metals plant operations, international operations expansion, diversification into new market sectors and corporate governance. He has held senior management and technical roles within Sedgman in engineering and operations, worked previously for BHP Coal and has over 20 years of experience in the mining industry.

Ken Boulton
B Eng (Mech) (Hons)
Director - Operations

Ken joined Sedgman in 2006 and is responsible for operations globally, including coal and metals plant operations. Ken was previously Executive General Manager Australian Operations, responsible for Australian processing facility operations and the support of off-shore operations activities. He possesses a mechanical engineering background and has gained significant operational understanding from 20 years of experience within the resources sector, including involvement within coal, base and precious metals processing operations. Prior to joining Sedgman Ken assumed management roles at Wheaton River, Goldcorp and Mount Isa Mines.

Ian Poole
B Econ, CA
Director – Finance

Ian joined Sedgman in 2010 and is responsible for the Company's financial management with accountability across all regions. He is also responsible for Sedgman's corporate services division, which includes information systems and technology and shared services. Ian is a chartered accountant with over 25 years of experience in financial, commercial and administrative management in the mining and resources industry in Australia and the United States. Prior to joining Sedgman, Ian worked in senior finance and commercial roles with Rio Tinto Coal Australia and was Vice President Finance and Administration for Pasminco Resources US Inc.

Samantha Douglas
B Bus (HRM & International Bus), MEmpLaw
Director – People & Safety

Samantha joined Sedgman in 2005 and is responsible for leading the People and Health, Safety, Environment and Quality teams globally and providing strategic direction in those areas. Prior to her current role, Samantha held the role of Chief Human Resources Officer and was responsible for all aspects of global human resources, including remuneration and benefits, talent management and recruitment. Samantha has held various senior management and technical roles and has over 15 years of experience across the mining, construction and professional services sectors.

Adrian Relf
B SocSc, LLB, GDip Mgt, GDip Legal Practice, GAICD
Director – Commercial & Corporate
Company Secretary

Adrian joined Sedgman in 2008 and is responsible for development and implementation of the Company's commercial and corporate development activities, including strategic planning, mergers and acquisitions and strategic investments, as well as leading the legal, commercial and corporate communications divisions and Company Secretariat. He has been extensively involved in the establishment of Sedgman's regional offices and the continuous improvement of group risk management. Adrian was General Counsel until 2012 and has extensive legal and commercial experience gained in private practice and in-house roles across the engineering, infrastructure, mining and mining services sectors.

4.3 Sedgman financial information

On 27 August 2015, Sedgman announced its FY2015 financial results, which are contained in the Appendix 4E and 2015 Annual Report for the period ending 30 June 2015. On 11 February 2016, Sedgman released its Interim Financial Report for the period ending 31 December 2015. The relevant Sedgman disclosures are available on Sedgman's website at www.sedgman.com and on the ASX website at www.asx.com.au (under the company code "SDM").

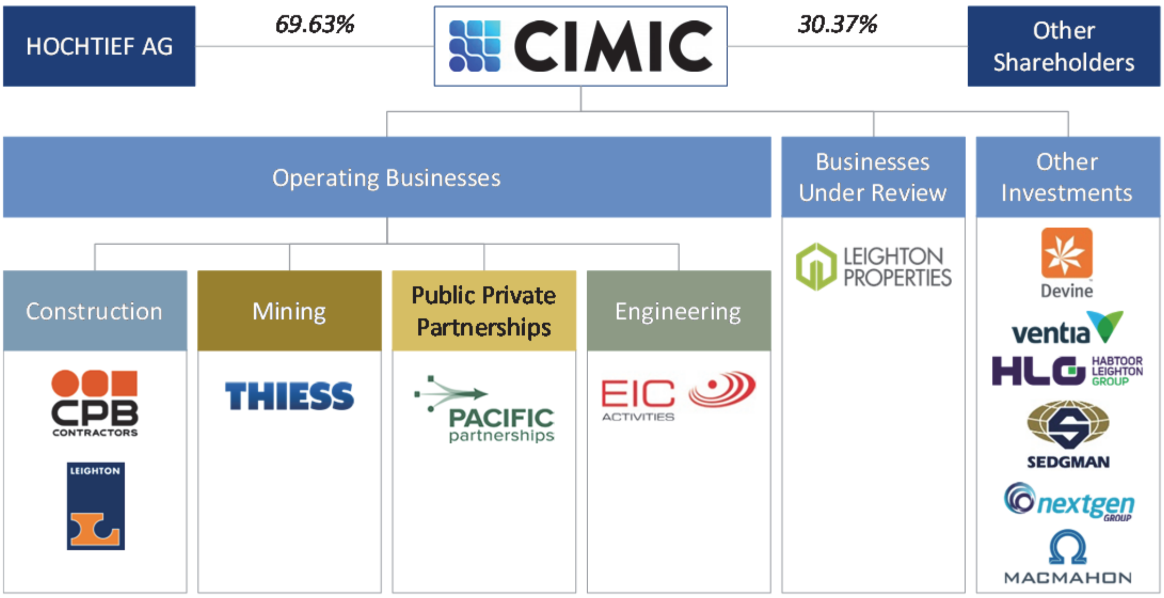
For more information on Sedgman, please visit www.sedgman.com.

5 Information Relating to CGI and CIMIC

5.1 Overview of CGI and CIMIC

CGI is a wholly owned subsidiary of CIMIC. Through CGI, CIMIC is Sedgman's major Shareholder, currently owning 46.44% of all Sedgman Shares.

CIMIC, founded in Australia in 1949, is one of the world's leading international contractors and the world's largest contract miner. CIMIC, previously known as Leighton Holdings Limited, was listed on ASX in 1962 and has its head office in Sydney, Australia. CIMIC provides construction, mining, engineering, concessions, and operation and maintenance services to the infrastructure, resources and property markets. It operates in approximately 20 countries throughout the Asia Pacific, the Middle East, Sub-Saharan Africa and South America and employed approximately 23,000 people as at 30 September 2015.



Logo	CPB CONTRACTORS / LEIGHTON	THIESS	PACIFIC partnerships	EIC ACTIVITIES
Description	A leading international construction contractor. Delivers projects across the construction industry, including roads, rail, tunnelling, defence and building.	A global contract miner. Flexible and scalable in approach, Thiess's broad capabilities encompass mine planning, operations and technical services, continuous mining systems, mobile plant management, product handling and processing and mine infrastructure.	The CIMIC Group's project finance arm. Develops and invests in infrastructure projects built by CIMIC's operating companies and is a long-term partner to clients through the provision of operation and maintenance services throughout the life of the asset.	The CIMIC Group's engineering business. Provides specialist design, technical support, research and technology for Group projects and enhances the Group's ability to mitigate and manage risk.

Among these four businesses are entities that have been in existence since the 1930s.

For the nine months to 30 September 2015, CIMIC reported earnings before interest and tax from continuing operations of $650 million up 13.7% on the prior comparable period and net profit after tax from continuing operations of $393 million up 25.2% on the prior comparable period. CIMIC also confirmed 2015 guidance, of net profit after tax in the range of $450 million to $520 million, subject to market conditions.

CIMIC is listed on ASX with a market capitalization of approximately $7.6 billion as at the close of trading on the last Trading Day prior to the Announcement Date. The largest Shareholder in CIMIC is HOCHTIEF Australia Holdings Limited, a wholly owned subsidiary of HOCHTIEF Aktiengesellschaft (**HAG**), which owns 69.63% of CIMIC as at 12 January 2016. HAG is listed on the Frankfurt Stock Exchange. The largest Shareholder in HAG, Actividades de Construccion y Servicios S.A. (**ACS**), held 66.54% of the shares in HOCHTIEF AG at 30 October 2015.

For more information please refer to www.cimic.com.au.

5.2 Directors

As at the date of this Target's Statement, the Directors of CIMIC are:

- Mr. Marcelino Fernández Verdes (Executive Chairman);
- Mr. Russell Chenu;
- Mr. José Luis del Valle Pérez;
- Dr. Kirstin Ferguson;
- Mr. Trevor Gerber;
- Mr. Pedro López Jiménez;
- Mr. David Robinson; and
- Mr. Peter-Wilhelm Sassenfeld.

As at the date of this Target's Statement, the directors of CGI are:

- Adelle Howse; and
- Angel Muriel.

5.3 Total Shareholder Return (TSR)

CIMIC has delivered strong Total Shareholder Returns (TSR) to Shareholders (i.e. CIMIC share price appreciation together with dividends paid to Shareholders) [8].

[8] Total Shareholder Return is the measure of the performance of companies' stocks and shares over time. It measures the share price return assuming dividends paid are reinvested on the ex-dividend date. Sourced from Factset (without consent).

		TSR[9]		
From	To	Pre-Offer[11]	Post-Offer	S&P / ASX All Ords TSR[10]
28/6/13	31/1/16	66%	77%	18%
30/6/14	31/1/16	23%	32%	0%
30/6/15	31/1/16	5%	13%	(5%)

[9] Total Shareholder Return is the measure of the performance of companies' stocks and shares over time. It measures the share price return assuming dividends paid are reinvested on the ex-dividend date. Sourced from Factset (without consent).
[10] All Ordinaries Accumulation Index.
[11] TSR to 12 January 2016 (i.e. day prior to announcement of CIMIC's Offer).

6 Risk Factors

Sedgman is currently exposed to a number of risks that Sedgman Shareholders should be aware of, both of a general nature and more specific to the construction, engineering and projects industry. A brief outline of these risks is set out below, which should be considered in conjunction with Sedgman's ongoing disclosure under the ASX Listing Rules.

6.1 General market risks

The value of Sedgman Shares and the future distributions made to Sedgman Shareholders will be influenced by a number of factors that are common to most listed investments. At any point in time, these may include:

- the Australian and international economic outlook;
- movements in the general level of prices on international and the local stock markets;
- changes in economic conditions including inflation, recessions and interest rates; and
- changes in Government fiscal, monetary and regulatory policies.

6.2 Primary business risks

a) Contract risk

For both the Projects and Operations divisions of Sedgman, the risk of loss of contract is relatively high. The contractual term of contracts currently held is relatively short, albeit consistent with the industry norm. Sedgman in its Operations division currently has 6 contracted clients which currently expire in 2016 or 2017 (other than the Middlemount Coal contract which terminates in 2022). Although renewal of these contracts is reasonably anticipated given the strong recent and historical performance of Sedgman, there remains some risk of obtaining future contracts.

b) Human resource risk

In order to maintain its credentials as a specialist service provider in the fields in which it operates, to deliver projects, compete effectively and to grow its revenues in accordance with its budgets, Sedgman must retain and attract new, quality employees and achieve an appropriate staff mix.

If Sedgman is unable to both retain and attract quality employees, it may be exposed to reduced revenue growth and profitability and be unable to deliver on key projects. The loss of key employees may adversely impact Sedgman's relationships with clients and its ability to win and secure new work, and may potentially reduce Sedgman's attractiveness as an employer.

Further, close attention by management to the day to day operations of the business is critical to Sedgman's performance. A failure to do this, or an inability to recruit reliable, accountable managers, would be likely to result in reduced revenues, increased costs, or a combination of both.

c) Reputational risk

Sedgman's brand and reputation is important in winning contracts and generating revenues. If this brand or reputation is damaged in any way, Sedgman's ability to win contracts will be impacted, which could have an adverse effect on revenues and profitability.

d) Risk of delays due to matters outside the control of Sedgman

Sedgman's ability to undertake some of its operations, may be hampered or delayed due to a variety of reasons outside the control of Sedgman including natural disasters, civil wars, earthquakes, inclement weather conditions, labour strikes or other industrial action, changes in Government and/or Government policies, regulatory intervention, delays in necessary approvals, difficult site access and other natural or man-made events or occurrences.

e) Health, Safety and Security

While Sedgman maintains a strong focus on health and safety, Sedgman employees work across many countries and undertake work in environments where risk of personal injury is present. The strong focus on safety across the business has resulted in a substantial and sustained improvement in safety performance over the past 18 months. If, however, Sedgman's safety performance deteriorated or there was a serious incident on one of its projects, Sedgman may suffer reputational damage impacting its ability to win work and retain employees. In addition, if Sedgman fails to comply with the necessary occupational health and safety legislative requirements across the jurisdictions in which it operates, it could result in fines, penalties and compensation for damages. In addition, a major health scare in jurisdictions in which Sedgman operates could adversely affect Sedgman activities in that jurisdiction, thereby negatively impacting revenues and profitability.

f) Effective execution of its strategy

Sedgman's failure to deliver on or to effectively execute its stated strategy or its failure to redefine its strategy to meet changing market conditions could result in a decline in the value of Sedgman Shares and a loss of earnings.

g) Commodity concentration

While the commodity profile of Sedgman has shown strong diversification over recent years, Sedgman currently derives approximately 40% of its pipeline from one commodity, coal. If the coal industry were to suffer from external factors, it would have a material adverse effect on revenues and profitability.

h) Decreased demand for Sedgman services

Sedgman's core businesses operate within the construction, engineering and operations sectors of the mining industry. Uncertain, deteriorating or adverse economic or market conditions, including, for example, as a result of a change in government spending on international aid programs, major project delays or cancellations, particularly on the east coast of Australia, and/or a fall in commodity prices, may decrease the demand for Sedgman's services resulting in a reduction in work available and/or an inability to increase employee utilisation rates (or a fall in those rates), or lead to work being offered on less favourable terms. This would adversely affect Sedgman's future performance, including through lower fees or margins or asset impairments and financing challenges.

i) Global consolidation

The global engineering industry is currently experiencing consolidation in which larger international companies are acquiring smaller operators and establishing global alliances which improves their ability to form effective consortiums and secure roles on major projects. This trend is introducing powerful new competitors into the markets in which Sedgman operates and may impact on Sedgman's ability to win new work in future.

j) Contract and litigation risks

In the normal course of business, Sedgman may be involved in disputes arising from contract claims. These disputes may not always be resolved through negotiation with the parties directly and may lead to litigation. If economic or market conditions deteriorate, there is an increased risk that Sedgman's clients will default on contract terms resulting in the potential for litigation, reduced revenues and increased costs. Sedgman also faces the risk of claims for professional negligence arising out of its performance of contracted work.

k) Political risks

Sedgman's businesses operate broadly across the Global Minerals sector. Significant political, economic or social unrest in a country (including countries where there are outbreaks of civil war or acts of terrorism) could impact on Sedgman's ability to effectively deliver project and operations services, which in turn could adversely impact Sedgman's revenues and profitability.

l) Contingent liabilities

In the ordinary course of Sedgman's business, Sedgman is occasionally required to provide guarantees, performance bonds, payment bonds, or letters of credit to clients as security in relation to the completion of projects and the satisfaction of equity commitments. At 31 December 2015, Sedgman had issued guarantees totalling A$41.9 million in respect of performance under contracts and premises leased.

As a consequence of the nature of the projects and contracts to which Sedgman is a party, there is a risk arising from any change of control of Sedgman that under the terms of the agreements under which these guarantees, bonds and letters of credit are issued, that they may be called upon, and that Sedgman would be required by the banks and insurance companies involved to fund payments under guarantees, bonds and letters of credit. This may, in turn, have an adverse effect on Sedgman's current debt obligations and future financial performance and position.

m) Financing Risk

Sedgman's financing facilities expire on 30 April 2016. There is a risk that Sedgman will not be able to refinance this facility on favourable terms, or at all.

n) Legislative and regulatory change

Sedgman operates in multiple jurisdictions across which there are often changes in regulations. Changes to legislation, regulation and policy including but not limited to taxation, health and safety, corporate governance and accounting standards, may all result in increased costs for Sedgman and impact future earnings. Such changes may also result in periods of uncertainty which can give rise to delays or cancellations of proposed projects.

Non-compliance with laws and regulations, particularly in the jurisdictions in which the Sedgman operates internationally, may result in a withdrawal of necessary licences making it difficult or impossible for Sedgman to continue to undertake projects in those jurisdictions.

7 Taxation Considerations

7.1 Introduction

(1) General

This is a general description of the Australian income tax consequences for Sedgman Shareholders who accept the Offer. The comments set out below are relevant only to those Sedgman Shareholders who hold their Shares on capital account. The information in this Section does not apply to Sedgman Shareholders who:

- hold their Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock) or who otherwise hold their Shares on revenue account;
- are subject to the taxation of financial arrangements rules in Division 230 of the Income Tax Assessment Act 1997 (Cth) in relation to gains and losses on their Shares;
- are non-residents subject to Subdivision 842-I of the Income Tax Assessment Act 1997 (Cth) in relation to gains and losses on their Shares;
- are non-residents who hold a non-portfolio interest in Sedgman for the purposes of section 960-195 of the Income Tax Assessment Act 1997 (Cth) (broadly, this means Sedgman Shareholders who together with associates hold or have held 10% or more of the Shares at any time during the 2 years preceding the date of acceptance of the Offer);
- are non-residents who hold their Shares in connection with a permanent establishment in Australia; or
- acquired their Shares pursuant to an employee share plan.

Such Sedgman Shareholders should seek their own advice.

Sedgman Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for income tax purposes) should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer.

The following description is based upon the Australian law and administrative practice in effect at the date of this Target's Statement. It is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every Sedgman Shareholder. Sedgman Shareholders should seek independent professional advice in relation to their own particular circumstances.

7.2 Australian resident Sedgman Shareholders

(1) Class Ruling

Sedgman has engaged with the Australian Taxation Office (**ATO**) with a view to obtaining a Class Ruling setting out the Commissioner of Taxation's views on the Australian income tax implications for Sedgman Shareholders who are entitled to receive the Dividends during the Offer Period.

The Class Ruling has not been finalised as at the date of this Target's Statement. Sedgman anticipates that the Class Ruling will be published by the ATO after the Offer closes. When published, the Class Ruling will be available on the ATO website at www.ato.gov.au.

(2) **Receipt of the Dividends**

The amount of the Dividends must be included in the assessable income of a Sedgman Shareholder in the income year it is received. As the Dividends will be fully franked, a Sedgman Shareholder will also be required to include in their assessable income an amount equal to the franking credits attached to the Dividends if they are a "qualified person" for income tax purposes (see below).

The franking credits attaching to each of the Dividends may be used to offset the amount of tax that a Sedgman Shareholder is required to pay on the Dividends. In order to obtain this tax offset, a Sedgman Shareholder must be a "qualified person", which means that a Sedgman Shareholder must hold their Shares "at risk" for a continuous period during a prescribed period (see below).

A Sedgman Shareholder will generally be considered to hold their share "at risk" on the days they hold the share (excluding the day of acquisition and day of disposal) and have not otherwise entered into arrangements which substantially diminish the opportunities for gain and risks of loss from ownership of the Share to a Sedgman Shareholder. This could occur from, for example, a put option in respect of the Share entered into by a Sedgman Shareholder. Sedgman Shareholders who have acted to diminish risks of loss or the opportunities to gain from the Shares should seek their own advice.

To be a "qualified person" a Sedgman Shareholder must hold their Shares "at risk" for a continuous period of not less than 45 days in the period from 12 January 2016 to 11 April 2016.

For example, a Sedgman Shareholder who acquired their Shares on or before 11 January 2016 and continues to hold the Shares "at risk" will be entitled to the franking credits if they do not accept the Offer or otherwise dispose of their Shares until on or after 26 February 2016.

A Sedgman Shareholder who satisfies the "qualified person" test and is an individual, a complying superannuation fund or registered charity (in certain circumstances) will generally be entitled to a refund to the extent that the franking credits attached to the Dividends exceed a Sedgman Shareholder's tax liability for the relevant income year.

The ATO has been asked to confirm these matters in the Class Ruling.

A Sedgman Shareholder who satisfies the "qualified person" test and is a company will generally be entitled to a carry forward tax loss to the extent that the franking credits attached to the Dividends exceeds a Sedgman Shareholder's tax liability for the income year. Receipt of the fully franked Dividends will also give rise to credits to the franking account of a Sedgman Shareholder that is a company.

(3) **Capital Gains Tax**

Sedgman Shareholders who accept the Offer

Acceptance of the Offer will involve the disposal by Sedgman Shareholders of their Shares by way of transfer to CGI. This change in the ownership of the Shares will constitute a CGT event for Australian income tax purposes.

The date of disposal will be the date the contract to dispose of the Shares is formed, which will be the date of acceptance if a Sedgman Shareholder decides to accept the Offer.

Compulsory acquisition

If a Sedgman Shareholder does not dispose of their Shares under the Offer and their Shares are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act, those Sedgman Shareholders will also be treated as having disposed of their Shares for income tax purposes.

The date of disposal for CGT purposes will be the earlier of the date when CGI becomes the owner of the Shares or a Sedgman Shareholder receives capital proceeds in respect of that acquisition.

Calculation of capital gain or capital loss

Sedgman Shareholders may make a capital gain or capital loss on the transfer of Shares, to the extent that the capital proceeds from the disposal of the Shares are more than the cost base of those Shares. Conversely, Sedgman Shareholders will make a capital loss to the extent that the capital proceeds are less than their reduced cost base of those Shares.

The cost base of the Shares generally includes the cost of acquisition and any incidental costs of acquisition (such as broker's fees) and disposal that are not deductible to the Sedgman Shareholder. The reduced cost base is usually determined in a similar, but not identical manner.

The capital proceeds of the CGT event will include the Offer Price received by a Sedgman Shareholder in respect of the disposal of each Share. Any Dividends received by a Sedgman Shareholder should not be included in the capital proceeds received by a Sedgman Shareholder. The ATO has been asked to confirm this issue in the Class Ruling.

Should the Dividends be included in the capital proceeds, any capital gain made by a Sedgman Shareholder would be reduced by the amount of the Dividends (not including the franking credits) included in a Sedgman Shareholder's assessable income.

Any capital loss made by a Sedgman Shareholder on disposal of their Shares would not be increased should the Dividends be included as capital proceeds.

Individuals, complying superannuation entities or trustees that have held Shares for at least 12 months should be entitled to discount the amount of the capital gain (after application of current year and prior year capital losses) from the disposal of Shares by 50% in the case of individuals and trusts or by 33 1/3% for complying superannuation entities. For trusts the ultimate availability of the discount may depend on a beneficiary's entitlement to the discount. Trustees should seek specific tax advice concerning the tax consequences of distributions to beneficiaries attributable to discounted capital gains.

Current year and carried forward capital losses may be offset against capital gains arising in the same year of income before application of any CGT discount. Any resulting net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains.

7.3 **Non-resident Sedgman Shareholders**

For a Sedgman Shareholder who is a non-resident of Australia, no Australian dividend withholding tax will be deducted from the Dividends when paid, as the Dividends will be fully franked. A Sedgman Shareholder will not be liable for any Australian income tax in respect of the receipt of the Dividends.

For a Sedgman Shareholder who is a non-resident of Australia there will be no liability for Australian CGT, as long as that Sedgman Shareholder does not hold a non-portfolio interest in the Shares and does not hold those Shares in connection with a permanent establishment in Australia, as mentioned in section 7.1(1) above.

A non-resident Sedgman Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident will be subject to Australian CGT consequences on disposal of the Shares as set out in Section 7.2(3).

7.4 **Goods and services tax**

Holders of Sedgman Shares should not be liable to GST in respect of a disposal of those Shares.

Sedgman Shareholders may be charged GST on costs (such as adviser fees) that relate to their participation in the Offer. Sedgman Shareholders may be entitled to input tax credits or reduced input tax credits for such costs but should seek independent advice in relation to their individual circumstances.

8 Additional Information on the Offer

(1) **Offer Price**

CGI is offering $1.07 per Share, less the value of any Rights. Rights include rights to receive dividends, to subscribe for new shares, and to receive any other distributions, capital returns or entitlements, declared, paid, made or issued by Sedgman or any of its subsidiaries during the Offer Period.

Rights do not include the value of any franking credits attaching to the Dividends. Therefore, as Sedgman has declared the Dividends, if you accept the Offer after becoming entitled to the Dividends, the Offer Price will be reduced by the value of the Dividends, however it will not be reduced by the value of any franking credits attaching to the Dividends.

(2) **Offer Period and extension of the Offer Period**

The Offer is open for acceptance from 8 February 2016 until 7:00 pm (AEDT), on 9 March 2016, unless it is withdrawn or the Offer Period is extended in accordance with the Corporations Act.

As the Offer is unconditional, CGI may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- CGI improves the consideration offered under the Offer. However, as CGI has issued a last and final statement regarding the Offer Price, it cannot increase the Offer Price without regulatory relief unless there is a competing proposal; or

- CGI's voting power in Sedgman increases to more than 50%.

If either of these two events occur, the Offer Period will be automatically extended so that it ends 14 days after the relevant event occurs.

(3) **How to accept the Offer**

If you choose to accept the Offer, then your acceptance must be received by CGI before the end of the Offer Period. Instructions on how to accept the Offer are set out in Sections 1.2 and 9.4 of the Replacement Bidder's Statement and on the Acceptance Form that accompanies the Replacement Bidder's Statement. If you want to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid.

(4) **Effect of acceptance**

The effect of acceptance of the Offer is set out in section 9.6 of the Replacement Bidder's Statement. Sedgman Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their Shares and the representations and warranties which they give by accepting the Offer.

(5) **Your withdrawal rights**

As stated in Section 9.10 of the Replacement Bidder's Statement, once you have accepted the Offer, you will be unable to withdraw your acceptance and the contract resulting from your acceptance will be binding on you. In additional, you will be unable to otherwise dispose of your Sedgman Shares.

(6) **Withdrawal of the Offer by CGI**

CGI may not withdraw the Offer if you have already accepted it. Before you accept the Offer, CGI may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

9 Compulsory Acquisition

(1) **Post bid compulsory acquisition**

CGI has stated in Section 4 of the Replacement Bidder’s Statement that its intentions, irrespective of the outcome of the Offer, are:

- to implement those intentions set out in Section 4 of the Replacement Bidder’s Statement to the fullest extent possible;
- to proceed with the compulsory acquisition of the outstanding Sedgman Shares in accordance with the provisions of Chapter 6A of the Corporations Act and to arrange for Sedgman to be removed from the official list of ASX; and
- if entitled to do so, to proceed with the compulsory acquisition of all convertible securities in accordance with the relevant provisions of the Corporations Act.

Under this compulsory acquisition regime, CGI will be entitled to compulsorily acquire any outstanding Sedgman Shares for which it has not received acceptances on the same terms as apply under the Offer if, during or at the end of the Offer Period, CGI (taken together with its Associates):

- has a Relevant Interest in at least 90% (by number) of Sedgman Shares; and
- has acquired at least 75% (by number) of Sedgman Shares for which it has made an Offer.

If CGI is entitled to proceed to compulsory acquisition based on these requirements, CGI will have one month from the end of the Offer Period within which to give compulsory acquisition notices to Sedgman Shareholders who have not accepted the Offer, but it may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied.

A Sedgman Shareholder has statutory rights to challenge compulsory acquisition, but this will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for Sedgman Shares.

Sedgman Shareholders should be aware that if they do not accept the Offer and their Sedgman Shares are compulsorily acquired under Part 6A.1 of the Corporations Act, those Sedgman Shareholders may face a delay in receiving the consideration for their Sedgman Shares compared with Sedgman Shareholders who have accepted the Offer.

(2) **General compulsory acquisition**

Under Part 6A.2 of the Corporations Act, CGI would be entitled to compulsorily acquire any Sedgman Shares if CGI (either alone or together with a related body corporate) holds:

- full beneficial interests in at least 90% (by number) of Sedgman Shares; or
- 90% voting power in Sedgman and full beneficial interests in at least 90% by value of all securities issued by Sedgman.

If these thresholds are met, CGI will have six months after it becomes a 90% holder within which to give compulsory acquisition notices to the relevant Sedgman Shareholders. The compulsory acquisition notices sent to a Sedgman Shareholder must be accompanied by an independent expert's report and an objection form.

The independent expert's report must set out whether the terms of the compulsory acquisition give 'fair value' for the Sedgman Shares concerned and the independent expert's reasons for forming that opinion.

If Sedgman Shareholders with at least 10% of Sedgman Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month from the date of the compulsory acquisition notice), CGI may apply to the court for approval of the acquisition of the Sedgman Shares covered by the notice. The costs incurred by any Sedgman Shareholder who objects in legal proceedings in relation to the compulsory acquisition must be borne by CGI, unless the court is satisfied that a Sedgman Shareholder acted improperly, vexatiously or otherwise unreasonably.

Sedgman Shareholders should be aware that if they do not accept the Offer and the their Sedgman Shares are compulsorily acquired under Part 6A.2 of the Corporations Act, those Sedgman Shareholders may face a delay in receiving the consideration for their Sedgman Shares compared with Sedgman Shareholders who have accepted the Offer. The consideration they receive may also be different to the Offer Price; it could be higher or lower.

10 Directors' Interests and Contracts

(1) **Details of Directors**

The Directors of Sedgman as at the date of this Target's Statement are:

Name	Position
Robert McDonald	Chairman & Independent Director
Peter Watson	Managing Director
Russell Kempnich	Non-executive Director
Antony Jacobs	Non-executive Director and CIMIC Nominee Director

(2) **Directors' interests in CGI securities**

As at the date of this Target's Statement, no Director has a Relevant Interest in any securities of CGI.

(3) **Directors' interests in Sedgman securities**

Except as set out below, no Director has a Relevant Interest in any securities of Sedgman as at the date of this Target's Statement:

Director	Ordinary Shares held directly or indirectly	Performance Rights
Robert McDonald	664,120	NA
Peter Watson	114,016	1,331,683
Russell Kempnich	17,841,442	NA
Antony Jacobs	17,743	NA

(4) **Dealing in Sedgman securities**

No Director or Associate of Sedgman, nor Sedgman itself, has acquired or disposed of a Relevant Interest in any Sedgman securities in the period commencing 8 October 2015 (being the date which is 4 months prior to the date of the Offer) and ending on the day immediately before the date of this Target's Statement, other than Russell Kempnich who acquired:

- 100,000 Shares on 15 December 2015;
- 300,000 Shares on 16 December 2015;
- 168,000 Shares on 17 December 2015; and
- 500,000 Shares on 15 January 2016.

(5) **Conditional agreements**

No Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Offer.

(6) **Interests of Directors of Sedgman in any contract with CGI**

Other than Mr Antony Jacobs, who through his services company has a consulting contract with CIMIC in respect of the services he provides to CIMIC and various of its subsidiaries, no Sedgman Director has an interest in any contract entered into by them with CGI.

(7) **Payments and benefits**

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) will or may be given to a Director in connection with their retirement from office in Sedgman or a related body corporate of Sedgman.

11 Additional Considerations

(1) **Effect of the Offer on Sedgman's material contracts**

Following is a summary of material contracts which may be affected by any change in control of Sedgman.

Project and Operations Contracts

- **Kwinana Filtration Facility Project**

  There is a continuous notification obligation under the contract in respect in the change of any financial interest of a shareholder of Sedgman.

- **GEMCO Mineral Sands Beneficiation Project**

  There are no restrictions on change in control subject to compliance by all related entities with the anti-corruption provisions of the contract.

- **Jimblebar Expansion Project**

  There are no express restrictions on change in control subject to compliance by all related entities with anti-corruption provisions.

  However, there is a continuing warranty that there are no un-remedied defaults continuing under the Joint Venture Agreement (**JVA**) with Civmec (discussed below) which may give rise to rights for the client to remove work from the SCJV's scope or terminate the Contract. It may also give rights for the client to draw down on the Joint Venture Security (**JV Security**) that has been provided.

  Separately, there are also rights for the client to draw down on the JV Security in the event Civmec exercises its rights under the JVA in connection with a change in control event affecting Sedgman.

- **Agnew Operations Contract**

  Any change in control which, in the client's reasonable opinion may materially affect the quality or delivery of the Services is a fundamental breach of the contract entitling the client to exercise rights in respect of full or partial suspension or termination.

- **Curragh Train Load-Out Operations Contract**

  Any change in ownership of Sedgman of more than 20% of total issued share capital after the Commencement Date of the contract requires the consent of the client. Failure to obtain such consent may be grounds for the client withholding payment, suing Sedgman for damages or terminating the contract.

Joint Venture Agreements

- **Sedgman Civmec Joint Venture**

  Any change in ownership of more than 20% of shares in the Company after the Commencement Date is an Event of Default entitling the non-defaulting party to terminate the agreement or take-over the interest of the other party.

Material Lease Agreements

- Lease of 2 Gardner Close, Milton, Queensland

  If Sedgman ceases to be listed on the Australian Securities Exchange then consent of the Lessor, including guarantees or indemnities from any Controlling Persons, may be required.

Sedgman Finance Facility Agreements

Under the Common Terms Deed between Sedgman and its Club Financiers (being ANZ and NAB) a change in control will constitute a Review Event unless the prior unanimous consent of the Club Financiers has been obtained.

If prior unanimous consent is not obtained the consequences of a Review Event may include the Club Financiers varying the terms of the Facilities. If Sedgman does not agree with the proposed variation to terms within a prescribed period then each Club Financier may declare all amounts owing under the Club Facility due and payable within 90 days and require all issued bank guarantees to be cash backed.

(2) **Sedgman Share Capital**

As at the date of this Target's Statement, Sedgman's issued capital comprised:

- 227,059,277 Sedgman Shares; and
- 12,141,683 Sedgman Performance Rights.

There are 9,694,683 Performance Rights eligible to vest (as noted at (4) below) with a further 2,447,000 unallocated Performance Rights which will lapse.

Sedgman has no other securities on issue.

(3) **Details of Substantial Shareholders**

As at the day immediately before the date of this Target's Statement, the following Shareholders have notified substantial shareholdings to Sedgman:

Name	**No. of shares**	**%**
CIMIC Group Investments Pty Limited	105,449,545	46.44
Commonwealth Bank of Australia	21,689,355	9.55
Russell Kempnich and Related Parties	17,841,442	7.86

(4) **Effect of Offer on Sedgman's long term employee incentive schemes and securities issued under those schemes**

Following the Offer and pursuant to the rules of the LTIP and the SAR Scheme, the Board has determined that a 'vesting event' for the purposes of those schemes has, or is likely to occur and has exercised its discretion in respect of accelerated vesting of the Rights under the LTI Plan and SAR Scheme subject to the following conditions:

- CGI acquiring voting power in Sedgman of greater than 50%; and

- the performance hurdles of the LTIP and SAR Scheme being tested as of 29 January 2016 in respect of each relevant trance of Performance Rights or Share Appreciation Rights.

The performance hurdle test has been completed and confirmed that Sedgman's Total Shareholder Return (**TSR**) for each relevant tranche is in the top quartile. Sedgman notes that based on the share price at 31 December 2015, prior to the Offer being launched, the TSR performance for each tranche was also in the top quartile.

As such, all Performance Rights and Share Appreciation Rights will vest upon CGI acquiring more than 50% of the voting power in Sedgman.

(5) **Trading Update**

On 11 February 2016 Sedgman released its Interim Financial Report for the period ending 31 December 2015 to ASX.

Sedgman's Interim Financial Report can be found on the Company's website: www.sedgman.com.

(6) **Changes in financial position**

So far as known to any Director, the financial position of Sedgman has not materially changed between 30 June 2015 (the date of Sedgman's last audited financial report) and the date of this Target's Statement, except as disclosed in this Target's Statement and the Interim Financial Report for the period ending 31 December 2015 released on 11 February 2016.

(7) **Continuous disclosure**

Sedgman is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Sedgman to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Sedgman has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Sedgman Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au.

Copies of documents lodged with ASIC in relation to Sedgman may be obtained from, or inspected at, an ASIC office.

On request to Sedgman, and free of charge, Shareholders may obtain a copy of:

- the annual report of Sedgman for the financial year ended 30 June 2015 (being the annual report most recently lodged with ASIC before lodgement of this Target's Statement with ASIC);
- the half year financial report of Sedgman for the half year ended 31 December 2015;
- Sedgman's Constitution; and
- any continuous disclosure notice given to the ASX by Sedgman after the lodgement by Sedgman of the 2015 annual report referred to above and before the lodgement of this Target's Statement with ASIC.

Since the date of lodgement with ASIC of the 2015 annual report (being 16 October 2015), the following ASX announcements have been made in relation to Sedgman:

Date	Announcement
19 November 2015	SDM 2015 AGM Chairman and CEO Address
19 November 2015	SDM 2015 AGM Presentation
19 November 2015	SDM 2015 AGM Results
19 November 2015	SDM Chairman’s Update to Shareholders
19 November 2015	Appendix 3Z - Argent
19 November 2015	Appendix 3Z - Etienne
19 November 2015	Appendix 3Z - Richards
19 November 2015	Appendix 3Z - Vogel
24 November 2015	SDM Chairman’s Letter to Shareholders
04 December 2015	Appendix 3B – Issue of Performance Rights
21 December 2015	Appendix 3Y – Kempnich x 3
13 January 2016	CIM: Final Unconditional Offer For Sedgman By CIMIC
13 January 2016	Bidder's Statement - Off-market bid from CIM
13 January 2016	Change in substantial holding from CIM
13 January 2016	Directors response to CIMIC Offer
19 January 2016	Change in substantial holding from CIM
19 January 2016	Chairman's Letter to Shareholders
19 January 2016	CIM: First Supplementary Bidder's Statement
20 January 2016	TOV: Sedgman Limited - Panel Receives Application
20 January 2016	Appendix 3Y - Kempnich
21 January 2016	Change in substantial holding from CIM
22 January 2016	Change in substantial holding from CIM
28 January 2016	Change in substantial holding from CIM
1 February 2016	Change in substantial holding from CIM

Date	Announcement
3 February 2016	TOV: SDM Panel Declines to Make Declaration
4 February 2016	Update on recent developments
5 February 2016	Change in substantial holding from CIM
8 February 2016	CIM: Replacement Bidder's Statement
8 February 2016	CIM: Third Supplementary Bidder's Statement
9 February 2016	CIM: Completion of despatch of Bidder's Statement
11 February 2016	Appendix 4D and Half Yearly Accounts
11 February 2016	SDM HY2016 Results Release
11 February 2016	SDM HY2016 Results Presentation

(8) **Material litigation**

Sedgman does not believe that it is involved in any litigation or dispute which is material in the context of Sedgman.

(9) **Other information**

This Target's Statement is required to include all the information Sedgman Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any of the Sedgman Directors.

The Sedgman Directors are of the opinion that the information that Sedgman Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- the information contained in the Replacement Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- the information contained in Sedgman's 2015 Annual Report;
- the information contained in Sedgman’s Interim Financial Report for the period ending 31 December 2015; and
- the information contained in this Target's Statement.

The Sedgman Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Replacement Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). The Sedgman Board does not take any responsibility for the contents of the Replacement Bidder's Statement and is not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Sedgman Directors have had regard to:

- the nature of the Sedgman Shares;
- the matters Sedgman Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers of Sedgman Shareholders; and
- the time available to Sedgman to prepare this Target's Statement.

12 Consents

Each of the Directors has given and not withdrawn their consent to:

- be named in this Target's Statement in the form and context in which they are named; and
- statements attributable to them being included in this Target's Statement in the form and context in which they appear.

Lonergan Edwards & Associates Limited has given and has not, before this Target's Statement is lodged with ASIC, withdrawn, its consent to:

- be named in this Target's Statement in the form and context in which it is named;
- the inclusion of its Independent Expert’s Report in the form and context in which it is included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in that Independent Expert’s Report in the form and context in which they are included.

Lonergan Edwards & Associates Limited has not caused or authorised the issue of this Target’s Statement.

As at the date of this Target’s Statement, Citigroup Global Markets Australia Pty Limited as financial adviser to Sedgman has consented to being named in this Target’s Statement in the form and context in which it is named and has not withdrawn that consent. Citigroup Global Markets Australia Pty Limited has not caused or authorised the issue of this Target’s Statement.

As at the date of this Target’s Statement, Norton Rose Fulbright Australia as legal adviser to Sedgman has consented to being named in this Target’s Statement in the form and context in which it is named and has not withdrawn that consent. Norton Rose Fulbright Australia has not caused or authorised the issue of this Target’s Statement.

As at the date of this Target’s Statement, Computershare Investor Services Pty Limited as share registry to Sedgman has consented to being named in this Target’s Statement in the form and context in which it is named and has not withdrawn that consent. Computershare Investor Services Pty Limited has not caused or authorised the issue of this Target’s Statement.

As permitted by ASIC Class Order 13/521, this Target’s Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules). Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target’s Statement.

As required by Class order 13/521, Sedgman will make available a copy of these documents (or of relevant extracts from these documents), free of charge, within two Business Days of the request, to you and other Sedgman Shareholders who request it during the Offer Period. To obtain a copy of these documents (or the relevant extracts), you may telephone the Sedgman Shareholder Information Line on 1300 782 984 (within Australia) OR +61 3 9415 4192 (outside Australia) between 8:30 a.m. and 5:30 p.m. (Sydney time) Monday to Friday.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to that Class Order, the consent of persons to whom such statements are attributed is not required for inclusion of those statements in this Target's Statement.

As permitted by ASIC Class Order 07/429, this Target’s Statement includes references to ASX trading data. Pursuant to that Class Order, the consent of the person who prepared the trading data is not required for inclusion of that trading data in this Target’s Statement.

13 Glossary and Interpretation

(1) **Definitions**

The following definitions apply in this Target's Statement unless the context requires otherwise:

Acceptance Form means the Acceptance Form provided to you by CGI with its Replacement Bidder's Statement containing instructions on how to accept the Offer.

Announcement Date means 13 January 2016.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act.

ASX means ASX Limited or the market operated by it (as the context requires).

Bidder's Statement means the bidder's statement served on Sedgman by CGI on 13 January 2016, as amended by the First Supplementary Bidder's Statement dated 19 January 2016, the Second Supplementary Bidder's Statement dated 28 January 2016, the Third Supplementary Bidder's Statement dated 8 February 2016, and replaced by the Replacement Bidder's Statement.

Business Day means a day which is not a Saturday, Sunday or a public holiday in Sydney.

CGI means CIMIC Group Investments Pty Limited (ACN 126 876 953), a wholly owned subsidiary of CIMIC.

CGT means Capital Gains Tax.

CIMIC means CIMIC Group Limited (ACN 004 482 982).

CIMIC Nominee Director means Antony Jacobs.

Corporations Act means the *Corporations Act 2001* (Cth).

cps means cents per share.

Dividends means the dividends declared by Sedgman on 11February 2016, being:

1. a 3.5cps fully franked interim Ordinary Dividend; and
2. a fully franked Special Dividend of 8.8 cps,

totalling 12.3 cps, payable on 7 March 2016 to registered Shareholders as at the Dividend Record Date.

Dividend Record Date means 25 February 2016.

IBC means the independent board committee of independent Sedgman Directors comprising Mr Robert McDonald, Mr Russell Kempnich and Mr Peter Watson.

Independent Expert means Lonergan Edwards & Associates Limited.

Independent Expert's Report means the report of the Independent Expert contained in Annexure A.

Long Term Incentive Plan (LTIP) means the Sedgman Limited Long Term Incentive Plan.

Offer or the **CIMIC Offer** means the takeover bid by CGI to acquire all of the Sedgman Shares that it does not already own or control on the terms and conditions set out in section 1 of the Bidder's Statement.

Offer Price means $1.07 cash (less the value of any Rights) per Sedgman Share.

Offer Period means the period within which the Offer is open for acceptance in accordance with the terms of the Offer and the Corporations Act.

Official List means the official list of the ASX.

Ordinary Dividend means a 3.5cps fully franked interim dividend, payable on 7 March 2016 to registered Shareholders as at the Dividend Record Date.

Relevant Interest has the meaning given to that term in section 9 of the Corporations Act.

Replacement Bidder's Statement means the bidder's statement served on Sedgman on 8 February 2016 by CGI and which replaces the Bidder's Statement. It includes an Offer dated 8 February 2016.

Rights means all accretions, rights or benefits of whatever kind attaching or arising from or in respect of the Sedgman Shares directly or indirectly after 13 January 2016 (being the date on which the intention to make the Offer was announced by CGI), (including, but not limited to, all rights to receive dividends (but excluding any attaching franking credit)), to receive or subscribe for shares, units, notes, options or other securities and to receive all other distributions, capital returns or entitlements declared, paid, made or issued by Sedgman or any of its subsidiaries).

Sedgman or **Company** means Sedgman Limited (ACN 088 471 667).

Sedgman Board or **Board** means the board of directors of Sedgman.

Sedgman Director or **Director** means a director of Sedgman.

Sedgman Share or **Share** means a fully paid ordinary share in Sedgman.

Sedgman Shareholder or **Shareholder** means a person who is registered as the holder of a Sedgman Share in the Sedgman register of members.

Sedgman Share Registry means Computershare Investor Services Pty Limited.

Share Appreciation Rights Scheme (SAR Scheme) means the Sedgman Share Appreciation Rights Scheme.

Special Dividend means a fully franked special dividend of 8.8 cps, payable on 7 March 2016 to registered Shareholders as at the Dividend Record Date.

Target's Statement means this document, being the statement of Sedgman under Part 6.5 of the Corporations Act in relation to the Offer.

(2) **Interpretation**

The following rules of interpretation apply unless the context requires otherwise:

(a) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act (as is appropriate to the context).

(b) A gender includes all genders.

(c) The singular includes the plural, and the converse also applies.

(d) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.

(e) A reference to legislation or to a provision of legislation includes any modification or re-enactment of it, any legislative provision substituted for it and any regulations and statutory instruments issued under it.

(f) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.

(g) A reference to a right or obligation of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).

(h) A reference to an agreement or document is to the agreement or document as amended, supplemented, novated or replaced.

(i) Headings used in this Target's Statement are for ease of reference only and do not affect the meaning or interpretation of this Target's Statement.

(j) A reference to a Section or Annexure is to a section of, or annexure to, this Target's Statement unless otherwise specified.

(k) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(l) $, A$ or AUD is a reference to the lawful currency of Australia.

(m) All numbers in this Target's Statement, unless otherwise stated, have been rounded to two decimal places.

14 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors.

Signed for and on behalf of Sedgman Limited by:

Date 11 February 2016

Robert McDonald
Chairman and Independent Director

Shareholder Information

SEDGMAN LIMITED ACN 088 471 667 (ASX: SDM)

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Citigroup Centre
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Sydney NSW 2000

LEGAL ADVISER
Norton Rose Fulbright Australia
Level 18, Grosvenor Place
225 George Street
Sydney NSW 2000

Annexure A – Independent Expert's Report

LONERGAN EDWARDS
& ASSOCIATES LIMITED

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The Independent Sub-committee of Directors
Sedgman Limited
Level 2
2 Gardner Close
Milton QLD 4064

11 February 2016

Subject: Takeover offer for Sedgman

Dear Independent Directors

Introduction

1 On 13 January 2016, CIMIC Group Limited (CIMIC) announced an intention to make a takeover offer for all of the ordinary shares that it did not already own[1] in Sedgman Limited (Sedgman or the Company) at an offer price of $1.07 cash per share (the Offer)[2]. The Bidder's Statement in respect of the Offer was also lodged on 13 January 2016.

2 The Offer is unconditional and values the total equity in Sedgman at approximately $254 million. The offer price of $1.07 per share is final and cannot be increased during the offer period, in the absence of a competing proposal.

3 Sedgman provides mineral processing and associated infrastructure solutions to the global resources industry. Services provided range from concept, pre-feasibility and design through to construction, commissioning, operations, maintenance and asset management. Sedgman has expertise across a range of commodities including precious metals, base metals, coal, iron ore and industrial minerals and has delivered projects for some of the world's leading mining companies including BHP Billiton, Rio Tinto and Vale. The Company is headquartered in Brisbane, with offices in Perth, Townsville, Newcastle and Mackay, as well as international offices in Shanghai, Santiago, Vancouver and Johannesburg.

4 CIMIC, founded in Australia in 1949, is one of the world's leading international contractors and the world's largest contract miner. Previously known as Leighton Holdings Limited (Leighton), CIMIC was listed on the ASX in 1962 and has its head office in Sydney. CIMIC provides construction, mining, engineering, concessions, and operation and maintenance services to the infrastructure, resources and property markets. It operates in approximately

1 As at 13 January 2016, CIMIC held a 36.99% interest in Sedgman.

2 The Offer is being made by CIMIC Group Investments Pty Limited, a wholly owned subsidiary of CIMIC.

20 countries throughout the Asia Pacific, the Middle East, Sub-Saharan Africa and South America and employed approximately 23,000 people as at 30 September 2015.

5 CIMIC is currently the largest shareholder in Sedgman, with an interest of 36.99% at the date of announcement of the Offer. In addition, one representative of CIMIC is a director of Sedgman. Section 640 of the *Corporations Act 2001* (Cth) requires a target company to commission an independent's expert report (IER) when the bidder's voting power in the target is at least 30% of the target or when the bidder and the target have common directors. The first condition applies in the circumstances of Sedgman.

6 Accordingly the Independent Directors of Sedgman have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in LEA's opinion, the Offer is fair and reasonable.

7 LEA is independent of Sedgman and CIMIC and has no other involvement or interest in the outcome of the Offer, other than the preparation of this report.

Summary of opinion

8 LEA has concluded that the Offer is not fair but is reasonable. We have arrived at this conclusion for the reasons set out below.

Valuation of Sedgman

9 LEA has valued 100% of the shares in Sedgman at between \$1.11 and \$1.22 per share, as summarised below:

Value of Sedgman	Low $m	High $m
EBITDA	35.0	35.0
EBITDA multiple	5.5	6.0
Enterprise value	192.5	210.0
Net cash	70.0	75.0
Surplus assets	2.0	4.0
Less cash cost of share appreciation rights	(0.6)	(0.7)
Equity value	263.9	288.3
Fully diluted shares on issue	236.8	236.8
Value per share	$1.11	$1.22

Assessment of fairness

10 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111), an offer is "fair" if:

"The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."

11 This comparison is shown below:

Comparison of Offer consideration and Sedgman share value	Low $ per share	High $ per share	Mid-point $ per share
Value of Offer consideration	1.07	1.07	1.07
Value of 100% of shares in Sedgman	1.11	1.22	1.17
Extent to which the Offer consideration is less than the value of the shares in Sedgman	0.04	0.15	0.10

12 As the consideration offered by CIMIC of $1.07 cash per share is less than our assessed value of the ordinary shares in Sedgman on a 100% controlling interest basis, in our opinion, the Offer is not fair when assessed under the guidelines set out in RG 111.

Assessment of reasonableness

13 Pursuant to RG 111, an offer may be reasonable if, despite not being fair but after considering other significant factors, the expert is of the view that there are sufficient reasons for shareholders to accept the Offer in the absence of any higher bid before the close of the Offer.

14 In our opinion the Offer is reasonable in the circumstances. We are of this opinion primarily because:

(a) due to on-market acquisitions of Sedgman shares by CIMIC, as at 4 February 2016 CIMIC had increased its shareholding in Sedgman to 46.4%, and therefore already has effective control of Sedgman. Thus it is likely that CIMIC will be able to control future management decisions, the strategic direction of the business and the future dividend policy of Sedgman

(b) the Offer represents a significant premium of 26.3% above the three months volume weighted average market price (VWAP) of Sedgman shares prior to the announcement of the Offer

(c) a competing offer from another party is highly unlikely given CIMIC's current shareholding in Sedgman

(d) we expect that in the absence of the Offer Sedgman shares will trade materially below our valuation range and the Offer price (reflecting the difference between the value of Sedgman shares on a controlling interest basis and a minority interest basis). Sedgman shareholders are therefore likely to be better off (at least in the short term) by accepting the Offer.

15 Further, we note that the Offer has been declared final and will not be increased.

Other matters

16 Sedgman provides its services to the mining industry. The mining industry is inherently cyclical in nature and some industry participants consider it to be currently at or around the low point in the cycle. Accordingly, whilst on balance we have assessed the Offer as reasonable, Sedgman shareholders who accept the Offer will forego the opportunity to participate in the expected improvement in earnings as the industry moves into the next upswing in the mining cycle.

General

17 In preparing this report we have considered the interests of Sedgman shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

18 The taxation consequences of accepting the Offer depend on the individual circumstances of each investor. Shareholders should read the taxation advice set out in the Bidder's Statement and Target's Statement and should consult their own professional adviser if in doubt as to the taxation consequences of the Offer.

19 The ultimate decision whether to accept the Offer should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If shareholders are in doubt about the action they should take in relation to the Offer or matters dealt with in this report, shareholders should seek independent professional advice.

20 For our full opinion on the Offer, and the reasoning behind our opinion, we recommend that Sedgman shareholders read the remainder of our report.

Yours faithfully

Craig Edwards
Authorised Representative

Martin Holt
Authorised Representative

LONERGAN EDWARDS
& ASSOCIATES LIMITED

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Appendices

I Outline of the Offer

21 On 13 January 2016, CIMIC Group Limited (CIMIC) announced an intention to make a takeover offer for all of the ordinary shares that it did not already own[3] in Sedgman Limited (Sedgman or the Company) at an offer price of $1.07 cash per share (the Offer)[4]. The Bidder's Statement in respect of the Offer was also lodged on 13 January 2016.

Conditions

22 The Offer is unconditional and the offer price of $1.07 per share is final and cannot be increased during the offer period, in the absence of a competing proposal.

23 However, as indicated in the Bidder's Statement, the Offer price may be reduced in the event that certain rights attaching to the ordinary shares are effectively distributed to Sedgman shareholders prior to the close of the Offer period. Such rights include the payment of dividends, together with attaching franking credits.

24 The interim dividend for 1H FY16 is scheduled to be paid in March 2016 at an expected rate of 12.3 cents per share fully franked, including a special dividend of 8.8 cents per share.

25 On 28 January 2016 CIMIC released its second Supplementary Bidder's Statement which clarified the position of CIMIC with regard to franking credits attaching to any dividend declared and/or paid by Sedgman during the offer period. Based on the statements made, the value to be attributed by CIMIC to the franking credits attaching to the proposed Sedgman interim dividend of 12.3 cents per share would be nil.

26 Accordingly, in the event the offer remains open at the date shares in Sedgman trade without an entitlement to this interim dividend, the offer price will be reduced as follows:

Potential adjustment to Offer consideration	
	$ per share
Offer consideration	1.070
Sedgman dividend 1HFY16	(0.123)
Adjusted offer consideration	0.947

27 Sedgman shareholders should also note that as the Offer is unconditional, it is not subject to any minimum acceptance condition.

28 Furthermore, given the unconditional nature of the Offer, CIMIC has commenced buying shares in Sedgman on market during the offer period, at a price equal to the Offer consideration of $1.07 per share[5].

3 As at 13 January 2016, CIMIC held a 36.99% interest in Sedgman.

4 The Offer is being made by CIMIC Group Investments Pty Limited, a wholly owned subsidiary of CIMIC.

5 On 5 February 2016, being the latest ASX notification at the date of this report, CIMIC announced that it had increased its interest in Sedgman to 46.4% through on-market purchases of Sedgman shares.

II Scope of our report

Purpose

29 Section 640 of the *Corporations Act 2001* (Cth) requires a target company to commission an IER when the bidder's voting power in the target is at least 30% of the target or when the bidder and the target have common directors. The first condition applies in the circumstances of Sedgman.

30 Accordingly, the Independent Directors of Sedgman have requested that LEA prepare an IER stating whether, in LEA's opinion, the Offer is fair and reasonable.

31 This report has been prepared to assist the Independent Directors of Sedgman in making their recommendation to Sedgman shareholders in relation to the Offer and to assist the shareholders of Sedgman assess the merits of the Offer. The sole purpose of this report is to set out LEA's opinion as to whether the Offer is fair and reasonable. This report should not be used for any other purpose.

32 The ultimate decision whether to accept the Offer should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Offer or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

33 Our report has been prepared pursuant to s640 of the *Corporations Act 2001* (Cth). Consequently, in preparing our report we have given due consideration to the Regulatory Guides issued by ASIC, particularly RG 111.

34 RG 111 distinguishes "fair" from "reasonable" and considers:

(a) an offer to be "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. A comparison must be made assuming 100% ownership of the target company

(b) an offer to be "reasonable" if it is fair. An offer may also be "reasonable" if, despite not being "fair", the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

35 Our report has therefore considered:

Fairness

(a) the market value of 100% of the shares in Sedgman

(b) the value of the consideration offered i.e. $1.07 cash per Sedgman share

(c) the extent to which (a) and (b) differ (in order to assess whether the Offer is fair under RG 111)

Reasonableness

(d) the extent to which a control premium is being paid to Sedgman shareholders

(e) the extent to which a share of the synergy benefits likely to arise upon an acquisition of Sedgman by CIMIC is being paid to Sedgman shareholders

(f) the listed market price of Sedgman shares both prior and subsequent to the announcement of CIMIC's intention to make the Offer

(g) CIMIC's current shareholding in Sedgman and the potential for CIMIC to control Sedgman pursuant to the Offer

(h) the value of Sedgman to an alternative offeror and the likelihood of an alternative offer emerging, either prior to the close of the Offer, or sometime in the future

(i) the likely market price of Sedgman shares if the Offer is not successful

(j) other risks, advantages and disadvantages.

Limitations and reliance on information

36 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time and have been particularly volatile in recent times.

37 Our report is also based upon financial and other information provided by Sedgman and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

38 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Offer from the perspective of Sedgman shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

39 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.

40 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

41 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

III Profile of Sedgman

Overview

42 Sedgman provides mineral processing and associated infrastructure solutions to the global resources industry. Services provided range from concept, pre-feasibility and design through to construction, commissioning, operations, maintenance and asset management. Sedgman has expertise across a range of commodities including coal, precious metals, base metals, iron ore and industrial minerals and has delivered projects for some of the world's leading mining companies including BHP Billiton, Rio Tinto and Vale.

History

43 Sedgman was founded in 1979 by John Sedgman. The Company has since grown into an industry leader in the design, construction and operation of mineral processing plants. Sedgman has recently successfully diversified its projects portfolio from its traditional coal base to a more balanced commodity portfolio with expertise across base metals, precious metals and iron ore, as well as the associated mine site infrastructure.

44 The Company specialises in Engineering, Procurement and Construction (EPC) delivery with advanced commercial capabilities, such as delivery assurance and the provision of facilities performance guarantees, which has differentiated Sedgman within its sector. Sedgman has a proven track record in projects and operations, including the successful completion of more than 170 processing and handling projects across the world. The Company is also recognised for integrating new technological developments into plant designs and pioneering new and improved processes.

45 Sedgman was listed on the Australian Securities Exchange (ASX) on 8 June 2006. A summary of the Company's key milestones is shown below:

Sedgman – recent history

Date	Key development
2002	• Formed the Thiess Sedgman Joint Venture (TSJV)
2006	• Listed on the ASX • Acquisition of Pac-Rim which offered metalliferous mineral processing solutions
2007	• Acquisition of Intermet Engineering which provided process engineering and project management services to the gold, lead, zinc, copper and iron ore industries
2012	• Acquisition of Yeats Consulting which specialised in project approvals, planning and design
2014	• Formed an incorporated joint venture (JV) with South American contractor Graña y Montero
2015	• Formed an unincorporated JV with Western Australia based Civmec Construction and Engineering Pty Ltd • Formed an unincorporated JV with Canadian contracting firm CGT to target the Canadian resources market

Current operations

46 Sedgman is headquartered in Brisbane, with offices in Perth, Townsville, Newcastle and Mackay, as well as international offices in Shanghai, Santiago, Vancouver and Johannesburg. It employs approximately 600 staff. The Company is a market leader in the design, construction and operation of mineral processing plants and related mine infrastructure.

47 Sedgman's core strategy is to focus on the provision of end-to-end solutions for global resource projects (i.e. from concept through to design, build, maintenance, contract operations and asset management). Sedgman is structured along its business lines of Create, Build and Operate, which form the Company's Projects and Operations business units, as indicated below:

(a) **Projects business unit:**

(i) **Create** – covers the early stages of a project and involves resource planning and assessment, project definition, feasibility and development consulting services

(ii) **Build** – includes the delivery of a project through EPC and EPC management (EPCM) and commissioning services across the global minerals sector

(b) **Operations business unit:**

(i) **Operate** – involves the provision of services required to operate and maintain materials handling and processing plants, with an emphasis on asset optimisation (covering key performance indicators such as annual run hours, process efficiency and operating costs and safety)

(ii) **Operations consulting** – a specialist service which combines engineering and operations knowledge specifically in optimising facilities performance to maximise the value in use of existing operating assets.

48 The core business strategic platform outlined above is complemented by initiatives to expand Sedgman's services offering to include the following:

(a) associated mine site infrastructure – Sedgman provides engineering and design services and delivery implementation capability for mine site infrastructure to minerals projects as well as broader infrastructure services to the urban development market

(b) opportunity origination – the Company is leveraging its core skills into selected project development and implementation funding opportunities where Sedgman's technical, project delivery and operations capabilities can provide incremental assurance. This can be by way of offering structured finance (or under certain circumstances seed equity participation) to fund new project developments or operating assets.

49 Over the past ten years Sedgman has successfully delivered more than $4 billion of projects safely and on schedule, whilst consistently achieving or exceeding contracted performance obligations. This track record enables Sedgman to offer fixed price contracts and facilities performance guarantees, a key point of differentiation in the market.

Projects business unit

50 The Projects business unit incorporates expertise in the disciplines of process, mechanical, civil, structural and electrical engineering. The unit undertakes studies and projects in the major mining regions of Australia, Africa, Asia and the Americas. Current examples of projects being undertaken by the business unit include the EPC of a gold processing plant in Guyana, South America, design and construction of a sands-beneficiation plant, port stockpile expansion and associated infrastructure at Groote Eylandt and the delivery of a filtration plant at the Kwinana alumina refinery in Western Australia.

51 Sedgman established a global procurement network in 2008, including a sourcing hub in Shanghai to reduce project costs and deliver a commercial advantage. This was consolidated and centralised into a 'global procurement hub' managed from Shanghai in 2014 and is delivering significant cost benefits with fabrication work for major projects sourced through the centre and distributed around the globe.

52 Sedgman has a successful history of self-managed project delivery as well as joint venture (JV) arrangements where the complementary skills and capability of a contractor as a JV partner suit the particular challenges of a project size or location[6]. It typically enters into JVs with construction companies, having regard to the particular project challenges envisaged (e.g. size or location). A summary of the Company's ongoing JVs are as follows:

(a) **Thiess Sedgman JV (TSJV)** – the TSJV was formed between Thiess Pty Ltd (a subsidiary of CIMIC) and Sedgman in 2002. The unincorporated JV was formed as a project delivery vehicle for larger design and construction projects in Australia. Pursuant to the arrangements, all coal handling preparation plant (CHPP) projects in excess of $50 million located in Australia are to be undertaken by the JV[7]. Since its formation, the TSJV has delivered $2 billion of EPC projects, primarily for CHPP

(b) **Graña y Montero Sedgman JV (GSJV)** – in 2014 Sedgman and the South American contracting firm Graña y Montero formed the incorporated GSJV. The GSJV recently completed its first JV project, the Aurora Gold project in Guyana

(c) **Sedgman Civmec JV (SCJV)** – the unincorporated SCJV was recently formed between Sedgman and Civmec Construction and Engineering Pty Ltd. In September 2015, the SCJV was awarded a $145 million EPC contract to deliver civil, structural, mechanical, piping, electrical and commissioning works at the Jimblebar iron ore mine[8]

(d) **Sedgman CGT JV** – following the establishment of an office in Vancouver, Canada, Sedgman formed an unincorporated JV with CGT, a regional contracting firm servicing the Canadian mining industry. While still in its early stages, the JV has been shortlisted for an EPC role at the Ajax Copper project.

Operations business unit

53 The Operations business unit has developed systems that enable the Company to undertake contract operations of greenfield and brownfield mineral processing plants with minimal ramp-up times. The business utilises the services of experienced plant operators, asset managers, consulting engineers and operations support staff. In addition, the segment has an on-call operations consultancy that provides a range of services with respect to maintenance strategy, reliability engineering, processing, electrical engineering and controls systems.

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6 JVs are undertaken by the Projects business unit.

7 Each of the joint venture participants can decline to undertake a project.

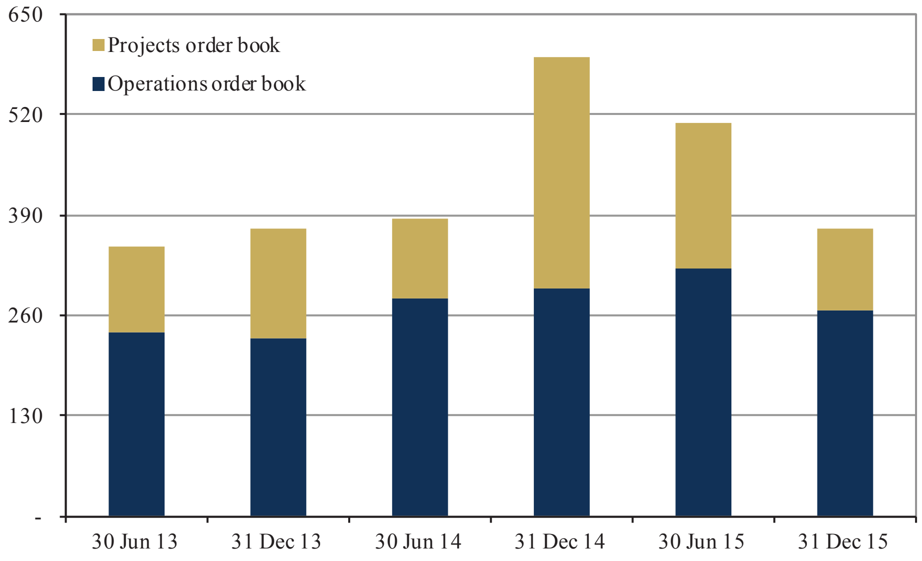
8 A BHP Billiton Ltd mine.

54 The Operations business unit primarily operates in Australia and has also undertaken work in Mongolia. Examples of processing plants currently managed and operated by Sedgman include the Red Mountain CHPP, the Middlemount CHPP, the Sonoma CHPP, the Agnew Gold Mine and the Mount Isa Lead / Zinc Mine. Due to the recurring nature of its contracts[9], the Operations business unit is generally able to achieve higher margins and lower revenue volatility than the Projects business unit.

Order book

55 Sedgman's order book (the value of work contracted) over the recent periods to 31 December 2015 is set out below:

Sedgman – order book
$million



56 Contracts undertaken for the Projects business unit tend to be of a more one off and shorter nature than those undertaken by the Operations business unit, which are typically of a recurring nature. As at 31 December 2015, the Operations business unit represented some 71% of the total order book.

57 Historically, the majority of Company revenues have been derived from services in connection with the construction and operation of CHPPs. However, particularly in more recent times, Sedgman has successfully diversified its commodity exposure, with non-coal projects representing 59% of current pipeline opportunities (with international projects representing 64% of current pipeline opportunities).

Financial performance

58 The financial performance of Sedgman for the three years ended 30 June 2015 and the half year ended 31 December 2015 (1HY16) is set out below:

9 Sedgman has successfully extended / renewed a number of contracts, in some instances effectively providing (economic) life of mine services.

Sedgman – statement of financial performance[1]	FY13 Audited $m	FY14 Audited $m	FY15 Audited $m	1HY16 Reviewed $m
Revenue from services (excluding JV revenue)	466.6	318.4	350.8	171.1
EBITDA before equity JV profits[2]	34.4	12.8	29.4	16.6
Depreciation and amortisation	(20.1)	(16.3)	(10.4)	(4.3)
EBIT before equity JV profits[3]	14.4	(3.5)	19.0	12.3
Sedgman share of equity JV profits[4]	(0.0)	1.0	2.6	0.3
EBIT after equity JV profits	14.3	(2.5)	21.6	12.6
Net finance income / (expense)	(0.9)	0.1	1.2	0.7
Profit before tax	13.4	(2.4)	22.8	13.3
Income tax expense	(4.0)	(5.3)	(6.3)	(5.1)
Profit after tax	9.4	(7.7)	16.5	8.2

Note:
1 Rounding differences exist.
2 Earnings before interest, tax, depreciation and amortisation.
3 Earnings before interest and tax.
4 Also includes other immaterial profits / losses from other associates.

59 A reconciliation of Sedgman's reported EBIT (after equity JV profits) to underlying EBITA[10] (also split by business unit), is presented below:

Sedgman – underlying EBITA	FY13 $m	FY14 $m	FY15 $m	1HY16 $m
Projects revenue (including JV revenue)[1]	243.9	221.1	278.6	168.8
Operations revenue	191.4	134.8	111.8	56.1
Total revenue	435.3	355.9	390.4	224.9
EBIT after equity JV profits	14.3	(2.5)	21.6	12.6
Adjustments for:				
Amortisation of acquisition intangibles	3.8	1.1	-	-
Contract claim settlement	-	-	(5.8)	-
Impairment of assets	6.4	-	2.3	-
Redundancy costs	3.0	1.7	1.7	0.6
Onerous contract rental lease cost	-	3.7	-	-
Tax on equity accounted JVs	-	-	0.7	-
Underlying EBITA	27.5	3.9	20.5	13.2
Projects underlying EBITA	11.4	(7.2)	8.0	7.0
Operations underlying EBITA	16.1	11.1	12.5	6.2
Underlying EBITA	27.5	3.9	20.5	13.2
Projects underlying EBITA margin (%)	*4.7*	*(3.3)*	*2.9*	*4.1*
Operations underlying EBITA margin (%)	*8.4*	*8.2*	*11.2*	*11.1*

Note:
1 Includes work in progress adjustments.
Rounding differences exist.

10 Earnings before interest, tax and amortisation.

60 Below is a summary of the key factors that have impacted on the financial performance of Sedgman in FY13, FY14, FY15 and 1HY16.

Year to 30 June 2013 (FY13)

– total revenue and underlying EBITA reduced by 33.1% and 57.0% respectively[11,12]. This was primarily attributable to the commencement of a marked downturn in the Australian mining industry that has impacted mining services companies from late 2012

– revenue and underlying EBITA for the Projects business unit reduced 48.7% and 76.0% respectively[11], due to lower mining capital expenditure. This was also reflected in a 50% reduction in the order book as at 30 June 2013 (in comparison to the previous year)

– revenue for the Operations business unit increased 8.9%, however underlying EBITA decreased by 4.7%

Year to 30 June 2014 (FY14)

– total revenue reduced by 18.2%, however underlying EBITA reduced significantly by 85.8%[11]. This was attributable to lower commodity prices (in particular coal) which continued to negatively impact mining industry capital expenditure

– as a result of the difficult industry conditions, Sedgman management realigned its cost base and reduced overhead expenses by some 10% (primarily through a reduction in staff numbers)

– revenue for the Projects business unit reduced by 9.3% and underlying EBITA reduced to a loss of $7.2 million[11]. The Projects business unit was particularly impacted by lower commodity and coal prices during the year which gave rise to a significant reduction in activity levels

– revenue and underlying EBITA for the Operations segment reduced by 29.6% and 31.1% respectively. This was primarily due to a number of facilities previously managed by this business unit either closing or being transitioned back to their owners. However, due to cost control initiatives and improved productivity, the underlying EBITA margin for the Operations segment remained similar to the prior corresponding period

Year to 30 June 2015 (FY15)

– total revenue increased by 9.7%, with underlying EBITA increasing significantly to $20.5 million[11]. The results reflected a combination of improved operational performance, new contract wins and overhead cost reductions

– through a combination of staff reductions, lower property rental expenses and lower information technology costs, management reduced overhead expenses by 18% from the prior corresponding period

– revenue for the Projects business unit grew 26.0%, with underlying EBITA returning to profitability (albeit at low EBITA margins)[11]. The Projects business unit won a number of contracts during the year (totalling $292 million) and undertook a number of cost control initiatives (including work sharing between regions which increased staff utilisation levels)

11 Includes revenue and earnings from Sedgman's share of JVs (and work in progress adjustments).

12 FY12 was a record year in terms of revenue and earnings for Sedgman.

– revenue for the Operations business unit reduced 17.1%, however underlying earnings grew by 12.6%, due to a combination of cost control initiatives and operational improvements

Results for the half year ended 31 December 2015

– total revenue and underlying EBITA increased by 40.3% and 68.4% respectively

– revenue for the Projects business unit grew 61.2% with underlying EBITA increasing by 119.9%. The results reflected the progression of a number of major EPC projects during the period

– revenue for the Operations business unit was similar to the prior corresponding period, increasing marginally by 0.9%. However, underlying EBITA increased by 33.4% due to management's focus on cost control and the continuous improvement in operational performance at client sites

FY16 outlook

– While Sedgman has not provided specific guidance for FY16, we note the following statement in the Chairman's letter to shareholders in response to the Offer dated 19 January 2016:

"The Company expects market conditions to remain subdued. While we are presently expecting a softer second half for FY16 we have identified a number of near term Projects and Operations opportunities in our pipeline which give us confidence in our order book for FY17 and beyond."

Financial position

61 The financial position of Sedgman as at 30 June 2015 and 31 December 2015 is set out below:

Sedgman – statement of financial position[1]	30 Jun 15 Audited $m	31 Dec 15 Reviewed $m
Debtors and prepayments	81.8	41.3
Assets held as available for sale[2]	1.5	1.5
Inventories	2.2	2.5
Net construction work in progress	(20.1)	23.6
Creditors, accruals and provisions	(68.8)	(64.7)
Net working capital	(3.4)	4.3
Financial assets	1.3	0.4
Plant and equipment	16.1	16.4
Intangible assets	37.2	37.1
Investments accounted for using the equity method[3]	5.7	6.3
Deferred tax assets	5.2	3.3
Provisions (non-current)	(1.6)	(1.2)
Other liabilities (non-current)	(0.2)	(0.1)
Total funds employed	60.4	66.4
Cash and cash equivalents	111.0	100.9
Interest bearing liabilities	(2.2)	(4.5)
Net cash / (borrowings)	108.8	96.4
Net assets attributable to Sedgman shareholders	169.3	162.9

Note:
1 Rounding differences exist.
2 Relates to property, plant and equipment and inventories at the Blair Athol site that Sedgman no longer operates.
3 Includes Sedgman's 50% share of net assets in the GSJV.

Working capital

62 Sedgman's net working capital levels vary dependent on the stage of a project and the number of projects underway at any point in time. This results in fluctuating levels of working capital between reporting periods (as illustrated above, Sedgman's working capital level moved from a negative position as at 30 June 2015 to a positive position as at 31 December 2015). The broadly neutral position disclosed is consistent with the payment terms generally reflected in the contractual arrangements entered into.

Intangibles

63 The composition of Sedgman's intangible assets is set out below:

Sedgman – intangible assets	30 Jun 15 $m	31 Dec 15 $m
Goodwill	34.0	34.0
Software intangibles	3.2	3.1
	37.2	37.1

64 As highlighted above, the major component of Sedgman's intangible assets is goodwill, which arose on prior acquisitions. Goodwill is allocated to Sedgman's cash generating units[13] and is tested annually for impairment using the value-in-use method. An after-tax discount rate of 11.4% was used for impairment testing in FY15.

Net cash

65 The net cash position of Sedgman is set out below:

Sedgman – net cash	30 Jun 15 $m	31 Dec 15 $m
Cash and deposits	110.0	100.9
Interest bearing liabilities	(2.2)	(4.5)
Net debt	108.8	96.4

66 As highlighted above, Sedgman has maintained a substantial net cash position. The cash holdings are in excess of the working capital needs of the Company and the surplus cash is effectively gradually being returned to shareholders pursuant to the current dividend policy of the Company.

[13] Being the Projects and Operations business units.

67 In addition, Sedgman management have advised that the cash holdings of the Company assist in securing contracts as they provide a (perceived) level of security to clients as to the financial capacity of Sedgman to meet its contractual obligations.

Share capital and performance

68 As at 13 January 2016, Sedgman had 227.1 million fully paid ordinary shares on issue. In addition the Company had 9.7 million unlisted performance rights on issue as part of the Company's Long Term Incentive Plan (the Plan). Performance rights that are issued under the Plan vest subject to the achievement of a specified performance benchmark[14].

69 There are also 576,000 share appreciation rights on issue under the Share Appreciation Rights Scheme (the Scheme) which are cash settled and cannot be converted into shares.

70 The performance measures for the Plan and Scheme, and vesting conditions, are identical.

Significant shareholders

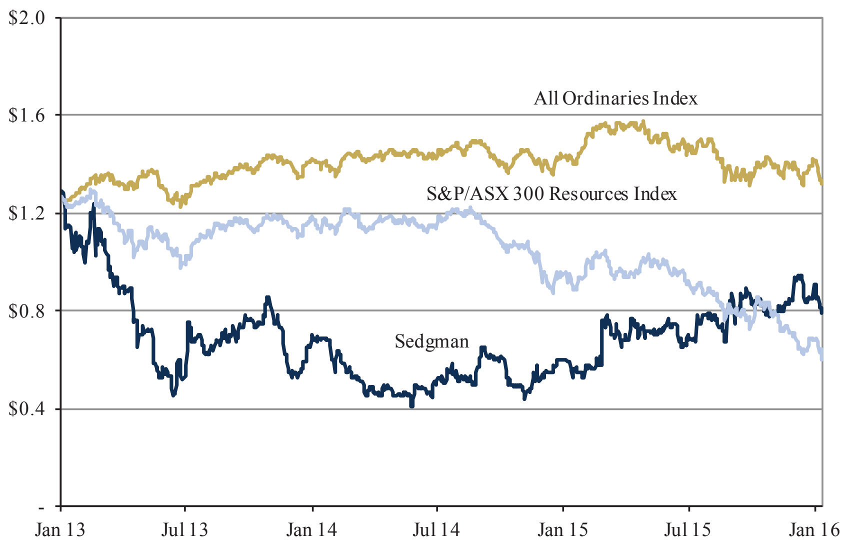
71 As at 13 January 2016 (the date of the announcement of the intention to make the Offer), CIMIC held 84.0 million Sedgman shares (representing 36.99% of the shares on issue). As noted in Section I of our report, reflecting the unconditional nature of the Offer, CIMIC has acquired Sedgman shares on market subsequent to the announcement of the Offer.

72 Additional significant shareholders in Sedgman at the Offer date included the Commonwealth Bank of Australia (which held 9.6% of the shares on issue) and Russell Kempnich and related parties (with a holding of 7.4% of the shares on issue).

Share price performance

73 The following chart illustrates the movement in the share price of Sedgman from 1 January 2013 to 12 January 2016[15]:

Sedgman – share price history
1 January 2013 to 12 January 2016



Source: Bloomberg.

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[14] Being total shareholder return relative to an identified group of 20 peer companies.

[15] Being the last trading day prior to the announcement of the Offer.

74 The decline in the share price of Sedgman up to mid 2013 coincided with the general deterioration in market conditions in the mining services industry, as mining companies focused on increasing productivity on existing mine infrastructure and reducing input costs. This impacted in particular mining service companies such as Sedgman, as mining companies lowered capital expenditure and brought operating activities back in-house.

75 Since mid 2014 the Sedgman share price has materially outperformed the S&P / ASX300 Resources Index (as well as Sedgman's mining services peer group). This is primarily attributable to:

(a) the cost reduction and operational improvement programme Sedgman has undertaken, notwithstanding the continued difficult industry conditions

(b) the related increase in reported earnings

(c) an improving Company outlook.

Liquidity in Sedgman shares

76 The liquidity in Sedgman shares based on trading on the ASX over the 12 month period prior to 13 January 2016[16] is set out below:

Sedgman – liquidity in shares

Period	Start date	End date	No of shares traded 000	WANOS(1) outstanding 000	Implied level of liquidity Period(2) %	Implied level of liquidity Annual(3) %
1 month	13 Dec 15	12 Jan 16	1,448	227,059	0.6	7.7
3 months	13 Oct 15	12 Jan 16	7,179	227,059	3.2	12.6
6 months	13 Jul 15	12 Jan 16	17,058	227,059	7.5	15.0
1 year	13 Jan 15	12 Jan 16	34,894	227,059	15.4	15.4

Note:
1 Weighted average number of shares outstanding (WANOS) during relevant period.
2 Number of shares traded during the period divided by WANOS.
3 Implied annualised figure based upon implied level of liquidity for the period.

77 As noted, the level of liquidity in Sedgman shares has been low, due in part to the presence of one major shareholder (CIMIC) and two other substantial shareholders over the year to 12 January 2016. Sedgman management have also attributed the implied low level of liquidity to the supportive nature of a number of institutional holders of Sedgman shares.

16 Being the announcement date of the Offer.

IV Industry overview

Introduction

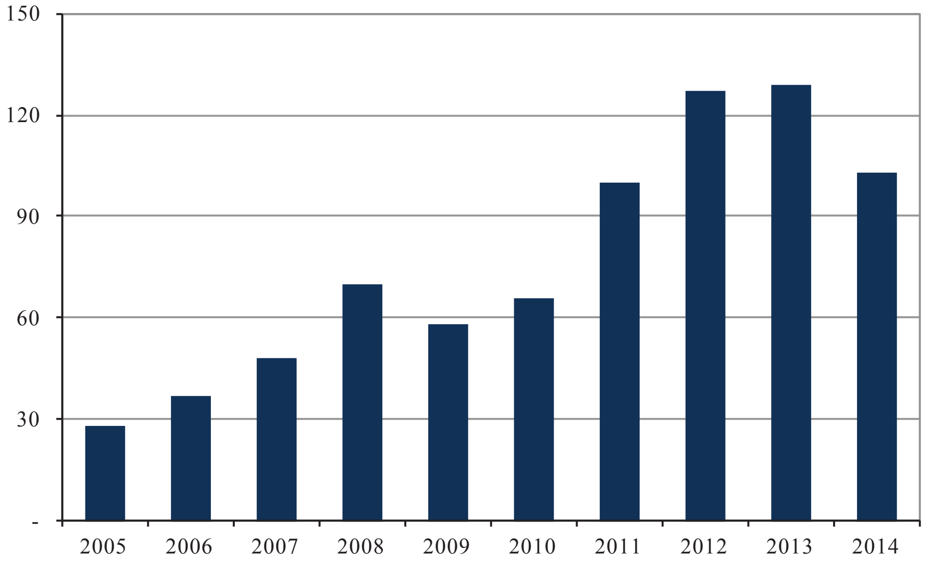
78 Sedgman is a market leader in the design, construction and operation of mineral processing plants and related mine infrastructure in Australia and internationally. The Company has expertise across a range of commodities including coal, precious metals, base metals, iron ore and industrial minerals. This section therefore focuses on the Australian and global mining and related mining services markets (i.e. the key determinants of demand for Sedgman).

Mining

Global mining industry

79 Over the ten years to 2013, the industrialisation of a number of developing economies (most notably China) increased demand for bulk and base metal commodities and generated robust investment in the mining sector. Over this period capital spending on mining projects reached record levels. This is evident in the following chart which shows the capital expenditure for the world's 40 largest mining companies by market capitalisation over the ten years to 31 December 2014[17]:

Top 40 mining companies – capital expenditure[(1)]
US$bn



Note:
1 Capital expenditure refers to payments for property, plant and equipment.
Source: PricewaterhouseCoopers.

80 As shown above, mining capital expenditure increased from US$28 billion in 2005 to the peak of US$129 billion in 2013 (the decrease in spending in 2009 was largely related to the impact of the global financial crisis, which materially reduced the level of available financing for mining projects). Due to a combination of oversupply (as new mines commissioned and constructed during the period of higher mineral and metal commodity prices were brought into production) and a slowing Chinese economy, bulk and base metal commodity prices have

17 The latest available year.

since declined materially. In response, mining companies have been forced to cut costs, improve productivity and reduce capital expenditure.

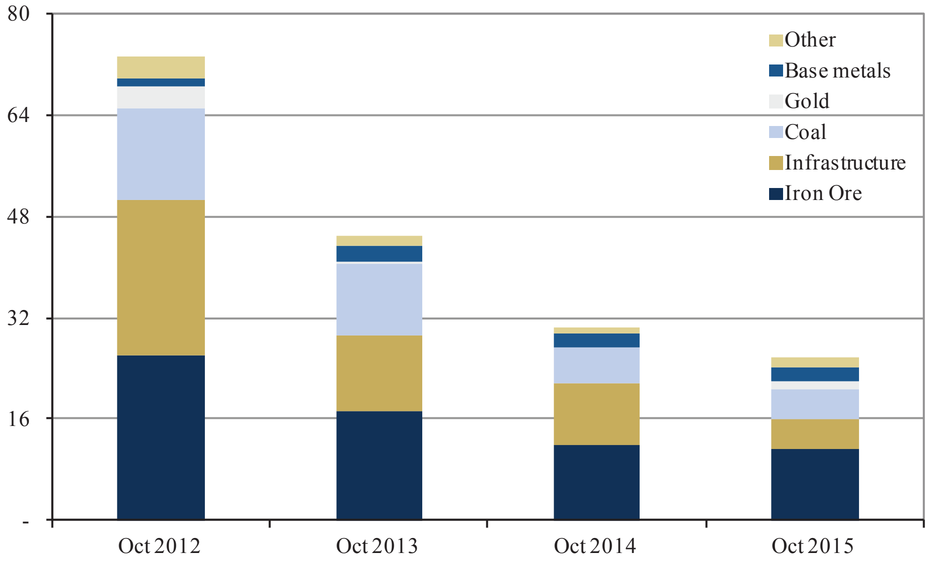
81 As a result the level of investment in new projects globally is currently reducing with Standard & Poor's 2015 Global Corporate Capital Expenditure Survey[18] forecasting global mining capital expenditure to decline by some 8% in 2015, with further declines expected in 2016 (14%) and 2017 (9%). However, these forecast declines should be considered in the context of the record levels of expenditure by mining companies in recent years.

Australian mining industry

82 Consistent with the global experience, strong demand for commodities since the early 2000s generated robust investment in the Australian mining sector. This was particularly evident in the bulk commodities sector, which has seen unprecedented levels of investment in recent periods (noting precious and base metals spending levels were also high). However, given the difficult industry conditions currently prevailing, Australian mining companies have shifted their focus from expansion to operational efficiency, and are generally more reluctant to commit to new projects. This is illustrated in the following chart, which shows the significant decline in the level of committed mining projects[19] in Australia as at October 2015 compared to the levels reported as at October 2012[20]:

Australian mining projects at the committed stage

$bn



Source: Department of Industry, Innovation and Science.

83 Given that exploration activities precede mining project development, the level of mining exploration provides an indication of future mining investment. Exploration expenditure in Australia for the year to 30 September 2012 peaked at close to $4 billion, and has since

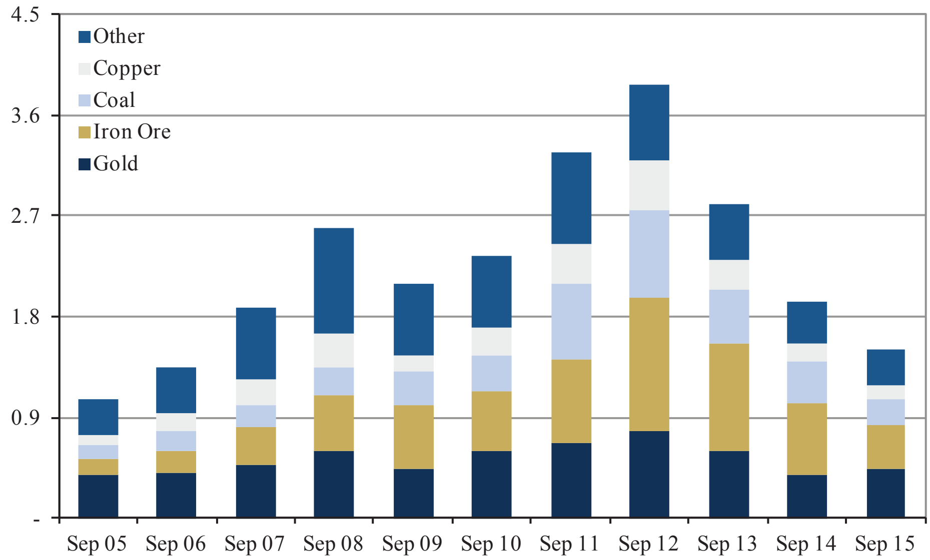
[18] Which was conducted in August 2015.

[19] As reported by the Australian Department of Industry Innovation and Science. Projects at the committed stage of the development cycle have completed all commercial, engineering and environmental studies, received all required regulatory approvals and finalised the financing for the project. Such projects are considered to have received a positive final investment decision from the owner (or owners) and are either under construction or preparing to commence construction.

[20] Being the date of commencement of this data source.

declined to an annual spend of $1.5 billion (for the year to 30 September 2015). In the most recent annual period, exploration expenditure declined for the majority of commodities (with the exception of gold), with spending for coal and iron ore in particular reducing by 38.3% and 38.7% respectively. The composition of Australian exploration expenditure over the ten years to 30 September 2015 is set out in the chart below:

Mineral exploration expenditure
$bn (rolling year ending 30 September)



Note: Other includes base metals, uranium, diamonds and mineral sands.
Source: ABS.

Mining services

Global mining services

84 The global mining services industry consists of companies that provide specialist services to mining companies across all stages of the mining project lifecycle. These services range from undertaking feasibility studies, the subsequent development and construction of a mining project and undertaking ongoing mining operations. Mining services companies are generally employed by mining companies for a number of reasons, including but not limited to:

(a) providing a specialist technical service

(b) reducing project capital requirements (i.e. capital expenditure is avoided in lieu of increased operational expenditure)

(c) providing operational expertise for new projects

(d) increasing productivity and efficiency; and

(e) reducing operating costs.

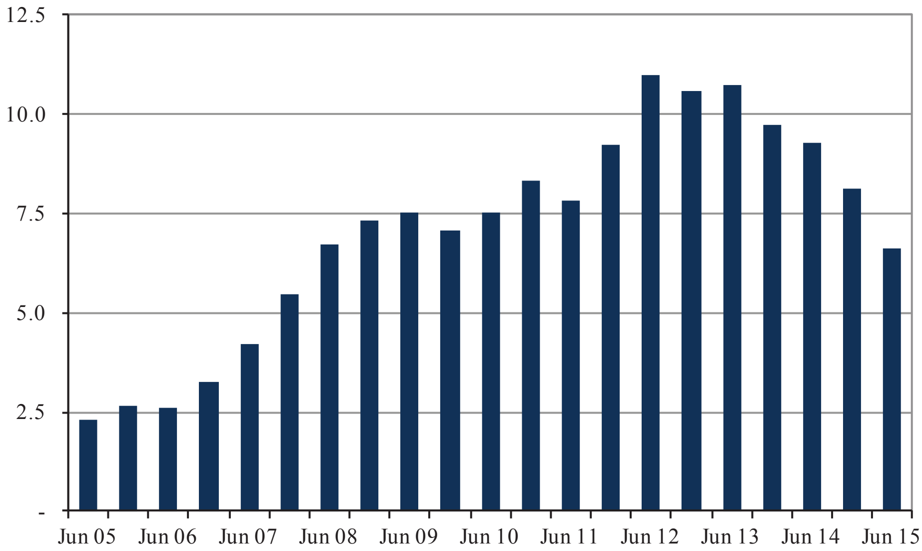
85 Demand for mining services is driven by the level of mining activity and investment. Whilst mining capital expenditure levels are currently reducing, given the substantial investments in mining projects over the last 10 years the number of mines in operation globally has increased significantly. Accordingly, there are ongoing opportunities for mining service companies,

particularly those with a more specialised offering that requires the use of proprietary intellectual property (such as Sedgman), as compared to companies providing basic contract mining services that are more easily replaced by in-house operations.

Australian mining services

86 Consistent with the experience overseas, the Australian mining services sector has been negatively impacted recently by the reduction in mining investment, with many large proposed mining projects either scaled back or cancelled altogether. As a result, some activities previously provided by mining services companies have been brought back in-house (as opposed to outsourcing) or renegotiated at lower rates. This has impacted the level of reported earnings for Australian mining services companies, which as at 30 June 2015 had reduced some 39.5% from peak levels, as shown below.

EBITDA of listed mining services companies
$bn (rolling 12 months to 30 June and 31 December)



Source: RBA (2015) *Financial Stability Review October 2015.*

87 Whilst mining services company earnings have reduced from recent peak levels, total industry profits remain above the level achieved in 2007. However, the number of companies operating in the Australian mining services sector is now substantially higher than in 2007 and as a result the prevalence of price based competition has increased. This has impacted mining service company earnings margins and appears to be eroding the financial viability of a number of mining service companies, some of which are disadvantaged by debt levels committed to in more favourable industry conditions.

Outlook

88 The global and Australian mining industries continue to be challenged by a combination of low commodity prices resulting from excess supply and deteriorating Chinese GDP growth, which has resulted in a reduction in the level of spending by mining companies[21,22]. To

21 The World Bank estimates that metal prices will decline on average by a further 10.2% in 2016. Source: The World Bank (2016) *Commodity Markets Outlook.*

22 China's GDP growth fell to 6.9% in 2015, marking the lowest level of annual economic growth in percentage terms in 25 years. Source: RBA Minutes February 2016.

remain competitive, mining companies are expected to continue focusing on improving efficiency, reducing costs and continuing to bring outsourced services back in-house.

89 In addition to the reduced levels of capital expenditure anticipated in the short to medium term in the resources sector, there also appears to be a strong preference by mining clients to increasingly seek lump sum, fixed price contracts. This is driven by a current strong desire on behalf of mining companies and their financiers (where applicable) to secure enhanced levels of delivery assurance around cost, schedule and facilities performance.

90 However, in a low commodity price environment there are also opportunities for those mining services companies that can deliver improved asset performance and/or outcomes for both existing and new mining developments. For example, given mining company constraints on capital expenditure, there are opportunities for mining service companies to extend the economic life of existing equipment through enhanced maintenance services and/or to provide replacement equipment under short to medium term hire arrangements.

91 Further, notwithstanding the challenging operating environment, new mining project development will continue to be necessary to replace depleted resources.

V Valuation approach

Valuation approaches

92 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

(a) the discounted cash flow (DCF) methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

93 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

94 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.

95 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

96 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no

longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company is adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodology selected

97 The market value of Sedgman has been assessed by aggregating the market value of the business operations together with the realisable value of surplus assets plus net cash.

98 The value of the business operations has been made on the basis of market value as a going concern. The primary valuation methodology used is the capitalisation of future maintainable earnings approach (using EBITDA). Under this methodology, the value of the business is represented by its (normalised) underlying EBITDA capitalised at a rate (or EBITDA multiple) that reflects the risks and growth prospects inherent in those earnings.

99 In our opinion, the capitalisation of EBITDA method is the most appropriate methodology for valuing the Sedgman businesses. This is because:

(a) despite the recent adverse market conditions that have negatively impacted on operating performance, Sedgman operates in relatively mature industry sector, has well established market positions and a demonstrated history of profitability, which over the medium to longer term is expected to continue

(b) we do not have long term cash flow projections which we regard as sufficiently robust to enable a DCF valuation to be undertaken[23]. Further, we note that it is difficult to reliably predict (on a year-by-year basis) the quantum and timing of any recovery in the various global market sectors in which Sedgman provides its services

(c) transaction evidence in the mining services sector is generally expressed in terms of EBITDA (and EBITA) multiples

(d) the EBITDA (and EBITA) multiples for listed companies exposed to similar industry sectors as Sedgman can be derived from publicly available information

(e) given the nature of Sedgman's activities, in particular the generally low capital intensive nature of the business operations[24], in our view, a capitalisation of EBITDA approach is more appropriate than a capitalisation of EBITA approach[25].

100 We have cross-checked our valuation of the equity in Sedgman by considering:

(a) the value implied by share market trading in Ausenco Ltd (Ausenco), which we regard as the most comparable ASX listed company to Sedgman

(b) the implied EBITA multiples

(c) the pre-bid market price of Sedgman shares adjusted for a premium for control.

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23 We note that Sedgman has prepared cash flow projections for financial reporting / impairment testing purposes. However, the objective of impairment tests is to opine on whether the carrying values of assets are appropriate rather than to assess market value of 100% of the equity of the entity.

24 Whilst the processing plants designed, engineered and built by Sedgman are of a capital intensive nature, these assets are paid for during the course of construction and ultimately owned by the mining customers of Sedgman.

25 Capital expenditure has been below depreciation over recent years.

VI Valuation of 100% of Sedgman

Overview

101 As stated in Section V, we have adopted the capitalisation of EBITDA method as our primary valuation method for the business operations of Sedgman. Under this methodology, the value of the business is represented by its (normalised) underlying EBITDA capitalised at a rate (or EBITDA multiple) that reflects the risks and growth prospects inherent in those earnings. The value of any surplus assets and net cash has then been added to derive our value of the equity in Sedgman.

102 We have cross-checked our valuation of the equity in Sedgman by considering:

(a) the value implied by share market trading in Ausenco, which we regard as the most comparable ASX listed company to Sedgman

(b) the implied EBITA multiples

(c) the pre-bid market price of Sedgman shares.

EBITDA

103 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of each business division, and have discussed each business division's financial performance, operating environment and prospects with Sedgman management.

Summary of financial performance

104 The revenue and underlying EBITDA achieved by the Company (by division) since FY12 is summarised below:

Sedgman – summary of financial performance

	FY12 Actual $m	FY13 Actual $m	FY14 Actual $m	FY15 Actual $m	1H16 Actual $m
Revenue[(1)]					
Projects	475.1	243.9	221.1	278.6	168.8
Operations	175.7	191.4	134.8	111.8	56.1
Total	650.8	435.3	355.9	390.4	224.9
Underlying EBITDA[(2)(3)]					
Projects	51.4	15.5	(3.8)	11.2	8.0
Operations	29.0	28.3	22.9	19.8	9.6
Total	80.4	43.8	19.1	31.0	17.6

Note:
1 Including share of revenue from joint ventures (and work in progress adjustments).
2 Including share of EBITDA from joint ventures.
3 Underlying EBITDA is shown before significant and non-recurring items.
Rounding differences may exist.

105 Average EBITDA over the earlier FY08[26] to FY12 period was $58.0 million[27], which reflected market conditions favourable to mining services providers such as Sedgman. However, challenging conditions in the mining sector since FY12 have lead to a significant decline in reported profitability. Average EBITDA over the longer period of FY08 to FY16[28] (which Sedgman management consider more closely reflects a mining cycle) reduces to $45.9 million[29].

Projects division

Historical profitability

106 The financial performance of the Projects division is summarised below:

Sedgman – Projects division	Actual FY12 $m	Actual FY13 $m	Actual FY14 $m	Actual FY15 $m	Actual 1H16 $m
Revenue	475.1	243.9	221.1	278.6	168.8
Underlying EBITDA	51.4	15.5	(3.8)	11.2	8.0
Underlying EBITA	47.1	11.4	(7.2)	8.0	7.0
EBITDA margin	*10.8%*	*6.4%*	*(1.7%)*	*4.0%*	*4.7%*
EBITA margin	*9.9%*	*4.7%*	*(3.3%)*	*2.9%*	*4.1%*
Order book at year end	224.0	113.0	104.0	188.0	106.0

107 Revenue and profitability fell sharply in FY13 and FY14 reflecting, in particular, weak conditions in the Australian coal sector. As noted above, the order book fell almost 50% over the FY13 year. EBITDA and EBITA margins also fell over the period due to lower utilisation of project staff and the impact of fixed costs being spread over a lower revenue base. The reported financial performance in FY13 and FY14 was also negatively impacted by bad debts of $7.6 million and $5.7 million respectively.

108 A significant improvement in financial performance occurred in FY15 despite continued weak conditions in the coal and resource sectors. The improved performance reflected the commencement of a number of significant EPC contracts (resulting in a 26% increase in revenues), lower operating costs and a $2.1 million recovery of previously provided for bad debts.

109 The EBITDA result in the six months to 31 December 2015 was also significantly ahead of the prior corresponding period, reflecting the progression of a number of major EPC projects during the period.

26 FY08 was the first full year of ownership of the Intermet Engineering business acquired in 2007.
27 Being $31.5 million for the Projects division and $26.5 million for the Operations division.
28 FY16 based on management's latest estimate.
29 Being $21.5 million for the Projects division and $24.4 million for the Operations division.

Outlook

110 Whilst Sedgman is widely recognised as the market leader in the design and operation of coal handling preparation plants (CHPP), in recent years the company has also developed significant expertise in other mining sectors, such that approximately 60% of potential opportunities (e.g. tenders) are now in the non-coal sector.

111 As at 31 December 2015 the level of contracted work on hand of $106 million represented approximately 4.5 months annual revenue (based on the level of revenue achieved in FY15). This was significantly lower than the level of contracted work on hand as at 30 June 2015, but was broadly consistent with the level of contracted work on hand as at 30 June 2013 and 30 June 2014.

112 Notwithstanding the low level of contracted work on hand as at 31 December 2015, management have identified (and are in related active discussions with potential clients) a number of near term opportunities which have the potential to deliver revenues of over $400 million in FY17 (with further revenue in subsequent years). Whilst Sedgman is unlikely to win all these opportunities, the Projects business currently has a significant pipeline of potential work opportunities.

113 However, we note that:

(a) project margins (which have reduced in recent years) are likely to remain under pressure in the short to medium term as competition for reduced opportunities intensifies as a result of the continued mining slowdown

(b) the financial performance of the Projects division can vary significantly from year to year due to, inter-alia, the number of large jobs being undertaken in any particular year and the timing of project commencements.

Operations division

Historical profitability

114 The financial performance of the Operations division is summarised below:

Sedgman – Operations division	Actual FY12 $m	Actual FY13 $m	Actual FY14 $m	Actual FY15 $m	Actual 1H16 $m
Revenue	175.7	191.4	134.8	111.8	56.1
Underlying EBITDA	29.0	28.3	22.9	19.8	9.6
Underlying EBITA	16.9	16.2	11.1	12.5	6.2
EBITDA margin	*16.5%*	*14.8%*	*17.0%*	*17.7%*	*17.1%*
EBITA margin	*9.6%*	*8.5%*	*8.2%*	*11.2%*	*11.1%*
Order book at year end	253.0	237.0	281.0	321.0	266.0

115 Revenue increased in FY13 due to the addition of operations at Narrabri (for Whitehaven Coal) and improved operating performance at the Red Mountain, Coppabella and Moorvale coal mines. However, EBITDA and EBITA margins declined.

116 Revenue and profitability fell sharply in FY14 as five operating sites maintained by Sedgman on behalf of clients were either shut down or transitioned back to owner operation.

117 During FY15 the company renewed operations contracts at Agnew, Mount Isa and Sonoma. However, four operating sites maintained for part of FY14 on behalf of clients were transitioned back to owner operation, resulting in an overall reduction in revenue. Notwithstanding this reduction in revenue, EBITDA and EBITA margins improved due to:

(a) a focus on cost control and the continuous improvement in operating performance at client sites

(b) tonnage increases at some sites as clients took advantage of improved plant availability.

118 The Operations division achieved EBITDA in the six months ended 31 December 2015 which was slightly above that achieved in the prior corresponding period, reflecting management's focus on cost control and the continuous improvement in operational performance at client sites.

Outlook

119 As noted above, the financial performance of the Operations division can vary significantly due to contract wins and losses. Sedgman is currently operating CHPP, ore crushing or screening plants for six clients.

120 With the exception of the Middlemount Coal contract, current contracts expire in calendar 2016 or 2017. The Middlemount Coal contract can also be terminated earlier than its initial term of 2022, however management consider this unlikely given the plant performance achieved by Sedgman at the site. Overall contract risk is therefore high.

121 Despite the short remaining term of some contracts, Sedgman has a long history with key clients. For example, Sedgman has been providing operating services to Goldfields (Agnew gold project) since 1997, Glencore (Mt Isa)[30] and Red Mountain since 2006, and Q Coal (Sonoma coal mine) since 2007.

122 A number of contracts have not been renewed in recent years as a result of the client deciding to owner operate. Whilst this remains a risk going forward (particularly during the current low commodity price cycle as miners seek to reduce costs), the higher cost of Sedgman involvement (compared to an owner operator) is often offset by the productivity and throughput benefits generated by having the operations managed by Sedgman.

123 Due to weak commodity prices new mine developments have stalled[31]. As a result the key growth opportunity for the Operations division is with new clients who have existing sites requiring productivity improvements and cost reductions. In addition, as the major miners divest non-core assets, opportunities exist for Sedgman to provide operating services to the new mine owners.

124 Currently, the Operations division is in advanced discussions regarding tenders for three new operations contracts. Success in any of these tenders will have a material positive impact on the profitability of the Operations division.

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[30] This contract is expected to cease in 2016 due to the present ore body being mined out.

[31] A significant proportion of Australian coal mines (for example) are unprofitable at current coal prices.

EBITDA adopted for valuation purposes

125 The divisional results shown above are stated after a full allocation of head office / corporate costs[32]. Whilst no further allowance for unallocated costs is therefore required, we note that there is no definitive allocation method which should be adopted. Further, there have been some minor changes in the allocation methods used over the period.

126 The key expertise of Sedgman is in relation to processing plants with the range of services provided reported in either (or both) of the two business divisions. Under the Company's ideal business model, the nature of the work undertaken by the Projects division (e.g. feasibility studies and a related EPC contract) leads to Sedgman securing subsequent operations contracts. In our opinion, therefore, it is inappropriate for valuation purposes to treat the Projects and Operations divisions as two discrete businesses.

127 Consequently, whilst we have had regard to the performance of each individual division, in our opinion, it is more appropriate to assess the total EBITDA of Sedgman when determining value.

128 The average underlying EBITDA of Sedgman over various periods is shown below:

Sedgman – average EBITDA

Period	Projects $m	Operations $m	Total $m
FY13 to FY16(1) (four years)	8.9	21.9	30.8
FY08 to FY12 (five years)	31.5	26.5	58.0
FY08 to FY16(1) (nine years)	21.5	24.4	45.9

Note:

1 FY16 reflects management's latest forecast (having regard to the actual results for the six months to 31 December 2015).

129 In relation to the above we note that:

(a) the average EBITDA of the Projects division over FY13 to FY16 of $8.9 million reflects the downturn in the mining sector during this period and included an EBITDA loss of $3.8 million in FY14. The profitability of the Projects division improved significantly in FY15 and in 1H16, generating underlying EBITDA of $11.2 million and $8.0 million (six months only) respectively

(b) the EBITDA of the Operations business has been impacted in recent years by the loss of a number of contracts. As a result the Operations business is expected to generate EBITDA in the short term (assuming no additional contract wins) below the average earnings shown above

(c) market conditions during FY08 to FY12 were significantly more favourable to mining services companies (such as Sedgman) than conditions currently prevailing.

130 Having regard to the above, we have adopted EBITDA for valuation purposes of $35.0 million for Sedgman. This reflects the weak commodity price environment currently prevailing.

32 The divisional results disclosed are also consistent with the segment results set out in Sedgman's financial statements.

131 As indicated above, substantially higher profits were generated by the business over FY08 to FY12. The business therefore has significant earnings upside potential once the current weak commodity price cycle turns. However, as the timing of more favourable market conditions is inherently uncertain, we consider the potential for higher profits is more appropriately reflected in the EBITDA multiple.

EBITDA multiple

132 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- The stability and quality of earnings
- The quality of the management and the likely continuity of management
- The nature and size of the business
- The spread and financial standing of customers
- The financial structure of the company and gearing level
- The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc
- The cyclical nature of the industry
- Expected changes in interest rates
- The asset backing of the underlying business of the company and the quality of the assets
- The extent to which a premium for control is appropriate
- Whether the assessment is consistent with historical and prospective earnings

133 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Sedgman.

Listed company multiples

134 The EBITDA multiples for Australian listed companies providing services to the mining / resources sector are shown below:

Listed multiples(1)

	Enterprise value(2) $m	EBITDA Multiple Historical(3) FY15 x	EBITDA Multiple Forecast(4) FY16 x
Sedgman(1)	103	3.3	2.9
Contract mining services			
NRW Holdings	123	nm	4.4
Decmil Group	112	1.8	4.6
MACA	119	0.8	1.2
Macmahon Holdings	34	0.3	0.8
Mastermyne Group	26	3.0	2.2
Mining equipment and services			
Bradken	473	3.5	4.2
Austin Engineering	123	8.1	11.1
Imdex	68	5.9	3.2
Saunders International	27	4.2	na

Listed multiples[(1)]			
		EBITDA Multiple	
	Enterprise value[(2)] $m	Historical[(3)] FY15 x	Forecast[(4)] FY16 x
Engineering consultancy services			
WorleyParsons	1,614	3.5	3.9
Cardno	587	5.4	8.6
Ausenco	99	nm	nm
GR Engineering Services	51	2.5	2.1
Mineral processing services and others			
Mineral Resources	653	2.5	2.9
Monadelphous Group	389	2.4	3.1
RCR Tomlinson	261	3.6	3.5
Southern Cross Electrical Engineering	12	1.0	1.1

Note:
1 Enterprise value and earnings multiples calculated as at 2 February 2016, with the exception of Sedgman which is shown as at 12 January 2016 (being the last trading day prior to the announcement of the Offer).
2 Enterprise value reflects market capitalisation plus net debt.
3 Historical earnings are based on latest statutory full year accounts and exclude non-recurring items, significant write downs, realised investment gains or losses, restructuring charges.
4 Forecast earnings are based on Bloomberg broker average forecast (excluding outliers and outdated forecasts).

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis.
na – not available. nm - not meaningful.

135 In relation to the above, we note that:

(a) none of the above listed companies are directly comparable to Sedgman. Whilst Ausenco[33] is considered the most comparable ASX listed company in terms of its operations, the business is not expected by investment analysts to be profitable at the EBITDA level in FY16 (and its profitability in FY15 was very low compared to prior years). As a result, the FY15 and FY16 EBITDA multiples for Ausenco as at 2 February 2016 do not provide a reliable value benchmark

(b) the above multiples are based on the listed market price of each company's shares, and therefore exclude a (takeover) premium for control

(c) empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company

(d) weak commodity prices and challenging market conditions have generally resulted in listed mining services companies trading at low values and EBITDA multiples. In such

33 Ausenco is an Australian based provider of engineering design, project management and operations solutions to the minerals and metals, process infrastructure and energy sectors. The company operates from 30 offices in 18 countries. Like Sedgman it has a global presence and provides mining services to the large (tier 1) mining companies.

circumstances, observed takeover premiums can significantly exceed the average premiums paid. For example:

(i) the recent takeover offer for Coffey International Limited (Coffey) in October 2015[34] represented a 176% premium to the volume weighted average price (VWAP) of Coffey shares in the three months prior to the announcement of the takeover

(ii) in July 2015, Duro Felguera SA acquired a cornerstone shareholding in Ausenco through a placement of new shares which was priced at a premium of 122% to the three months VWAP of Ausenco shares prior to the announcement of the placement

(iii) in December 2014, Pump Services LLC made a takeover offer for Resource Equipment Limited at a 69% premium to the three months VWAP of Resource Equipment shares prior to the announcement of the takeover offer.

Transaction evidence

136 There have been a number of transactions in the engineering consulting and mining services sectors in recent years. The related implied EBITDA and EBIT multiples (where available) are set out in Appendix D, noting we have excluded international transactions with a transaction value greater than $500 million. A summary of the EBITDA multiples implied by these transactions is set out below:

Transaction multiples – from 2012 onwards

Date[(1)]	Target	Acquirer	EV[(2)] million	EBITDA multiple x
Engineering consultancy services				
Nov 15	Coffey International[(3)]	TetraTech	A$186	7.3F
Oct 15	Willbros Prof. Services div.	TRC Companies	US$130	7.3H
Sep 15	Cardno[(3)(4)]	Crescent Capital Investors	A$933	7.6F
Aug 15	MMM Group	WSP Global	C$425	8.9H
Mar 14	Focus Group Holding	WSP Global	C$364	8.3H
Mar 14	PPI Group	Cardno	A$161	6.7H
Dec 13	Dynamics Research Corp.	Engility	US$207	8.9F
Oct 13	Sinclair Knight Merz[(3)]	Jacobs Engineering	A$1,250	7.1F
Aug 13	National Technical Systems	Aurora Capital Group	US$338	10.9F
Dec 12	Michael Baker Corporation	Int. Mission Solutions	US$290	8.8F
Mining services				
Jul 15	Ausenco (9.5% placement)[(5)]	Duro Felguera	A$155	7.0F
Dec 14	Resource Equipment[(3)]	Pump Services	A$141	5.6F
Jun 13	Brinderson	Aegion	US$150	6.3H
Oct 12	G&S Engineering Services	Calibre Group	A$94	5.5F
Jun 12	Marshall Miller & Associates	Cardno	A$30	5.6F
May12	Industrea	General Electric Company	A$701	5.3F
Jan 12	Ludowici	FLSmith & Co	A$389	11.8F
Other acquisitions				
Dec 15	Broadspectrum[(3)]	Ferrovial Services		
	- at offer price		A$1,166	4.2F
	- based on IE range		A$1,367	5.0F
Oct 14	Tenix	Downer	A$304	8.4F

34 Announcement date.

Note:
1 Date of announcement.
2 Enterprise value on a 100% basis.
3 Based on maintainable EBITDA as assessed by independent expert (IE).
4 Cardno multiple based on proportional offer of 50% of shares not held by Crescent. Subsequent to the close of the offer, Cardno announced a profit downgrade and a significantly discounted capital raising.
5 In July 2015 Ausenco announced a $10.7 million placement to a cornerstone shareholder, Duro Felguera S.A., which increased its ownership interest in Ausenco to 14.5%.
Source: LEA analysis using data from ASX announcements, analyst reports and company annual reports.

137 In relation to the transaction evidence it should be noted that:

(a) except where noted, the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a premium for control

(b) none of the above businesses are directly comparable to Sedgman

(c) the companies acquired differ materially in terms of their size and nature of operations. Accordingly, in our view, the median or average multiples implied by these transactions are not necessarily representative of the multiples which should be applied to Sedgman

(d) the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target company's "maintainable" earnings

(e) the transaction multiples for the engineering consulting companies are generally higher than the transaction multiples for the mining services companies. In our opinion, this generally reflects the more diverse client bases of the engineering consulting companies and, in the current market conditions, their much lower exposure to the mining / resource sector

(f) given the nature of Sedgman's operations, in our opinion, more regard should be had to the transaction multiples for the mining services companies. As noted above, the more recent transactions[35] in this sector have generally implied a multiple of between 5.3 times and 7.0 times forecast EBITDA.

Growth outlook and risks

138 In assessing the appropriate EBITDA multiple to apply when valuing Sedgman we have also considered the following.

Projects division

139 Due to the nature of the work, the Project division's assignments are short term in nature (performed over one to two years) and tend to be one off[36]. In addition, in the current market conditions clients have indicated a preference for fixed price contracts. Whilst the inherent nature of such fixed price contracts gives rise to the potential for loss, Sedgman has a long

35 Being those since May 2012.

36 However, the nature of the work undertaken (e.g. feasibility studies and related EPC contracts) can lead to Sedgman also securing the operations contract once the mine is in production.

history (over 25 years) of undertaking EPC contracts without any material losses being incurred.

140 Whilst the level of contracted work on hand represented only 4.5 months annual revenue as at 31 December 2015 (reflecting the nature of the work), we note that the Projects division also has a significant pipeline of opportunities.

Operations division

141 As stated earlier, the Operations division currently provides ongoing contract services to only six clients. The contractual term of these contracts is also short, notwithstanding that Sedgman has had a long history with key operations clients. Overall contract risk is therefore high.

142 However, we also note that the Operations division is in advanced discussions regarding tenders for three new operations contracts. Success in any of these tenders will have a material positive impact on the profitability of the Operations division.

Earnings potential

143 Whilst we have adopted EBITDA of $35.0 million for valuation purposes (which reflects the challenging conditions currently prevailing in the mining sector), as noted above the average EBITDA generated by Sedgman over the FY08 to FY16[37] period (which covers a period of both strong and weak conditions in the mining sector) was approximately $46 million.

144 The business therefore has significant earnings upside potential once the current weak commodity price cycle turns. However, as the timing of more favourable market conditions is inherently uncertain, we consider the potential for higher profits is more appropriately reflected in the EBITDA multiple.

Conclusion on EBITDA multiple

145 Based on the above, and the market leading position and reputation of Sedgman in the industry, in our opinion an EBITDA multiple of 5.5 to 6.0 is appropriate for Sedgman (inclusive of an appropriate premium for control).

Enterprise value

146 Given the above, we have therefore assessed the value of the Sedgman business (before net cash and surplus assets) as follows:

Value of Sedgman business	Low $m	High $m
EBITDA	35.0	35.0
EBITDA multiple	5.5	6.0
Enterprise value	192.5	210.0

[37] FY16 is based on management's latest estimate for that year.

Net cash

147 Sedgman held cash net of interest bearing liabilities of $96.4 million as at 31 December 2015. However, the net cash position can vary significantly from month to month (and within each month) depending on the Company's working capital requirements. As at 31 December 2015 Sedgman had also received some $9.9 million of revenue in advance. Adjusted net cash at 31 December 2015 was therefore $86.5 million[38].

148 In assessing the level of net cash to adopt for valuation purposes, we have therefore considered:

(a) Sedgman's working capital requirements

(b) the average net cash balances of Sedgman over the 12 months to 31 December 2015 (adjusted to recognise the level of revenue in advance)

(c) the covenants on Sedgman's performance bonds and debt facilities.

149 Having regard to the above, for valuation purposes we have adopted net cash of $70 million to $75 million.

Surplus assets

150 Sedgman owns a CHPP which is recorded in its financial statements as an asset held for sale. Sedgman has reached an agreement to sell the plant at a price which is significantly above the current carrying value of the plant. However, the pre-conditions to the sale have not yet been met and accordingly there is a risk that the sale will not proceed. Furthermore, should the sale proceed, the consideration will be paid by installments over approximately a two year period.

151 For valuation purposes we have therefore risk-adjusted the proposed sale price to reflect the time value of money and the above uncertainties and risks. Allowance has also been made for any associated tax liability. On this basis we have adopted a value of between $2.0 million and $4.0 million.

Share capital

152 Sedgman has 227.1 million fully paid ordinary shares on issue.

153 In addition there are:

(a) 9.7 million performance share rights on issue

(b) 0.6 million share appreciation rights on issue (which are to be cash settled).

154 In the event of a takeover or other control event Sedgman's Board can waive the performance hurdle requirements and accelerate the vesting of these rights. Accordingly, when valuing 100% of the shares in Sedgman, in our opinion, it is appropriate to assume that the additional shares in respect of the performance share rights will be issued.

155 For valuation purposes we have therefore assumed 236.8 million fully diluted shares on issue, and allowed for the cash costs to settle the share appreciation rights.

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[38] Being $96.4 million less $9.9 million.

Valuation summary

156 Based upon the above, the value of 100% of Sedgman on a controlling interest basis is as follows:

Value of Sedgman	Low $m	High $m
EBITDA	35.0	35.0
EBITDA multiple	5.5	6.0
Enterprise value	192.5	210.0
Net cash	70.0	75.0
Surplus assets	2.0	4.0
Less cash cost of share appreciation rights	(0.6)	(0.7)
Equity value	263.9	288.3
Fully diluted shares on issue	236.8	236.8
Value per share	$1.11	$1.22

Valuation cross checks

Cross-check based on value attributed to Ausenco

157 As noted above, we consider Ausenco to be the most comparable ASX listed company to Sedgman. As a cross-check we have therefore considered the potential value of Sedgman based on the listed market value of Ausenco (adjusted for a control premium and net debt).

158 As shown below, the recent profitability of both companies has been significantly impacted by the downturn in the mining sector:

Underlying EBITDA[(1)(2)]	FY11 $m	FY12 $m	FY13 $m	FY14 $m	FY15 $m	Average FY11-FY14 $m	Average FY11-FY15 $m
Ausenco	47.0	68.0	27.1	1.4	(13.0)	35.9	26.1
Sedgman	58.8	80.4	43.8	19.1	31.0	50.5	46.6

Note:
1 Before significant and non-recurring items.
2 It should be noted that Ausenco has a December year end, whereas Sedgman has a June year end.

159 We note the relative financial performance of Sedgman over the period has been superior to that of Ausenco. In particular, Sedgman has recently reported increased earnings as opposed to the operating loss indicated by Ausenco.

160 The potential value of Sedgman based on the listed market value of Ausenco (adjusted for a control premium and net debt) as a multiple of average EBITDA over the FY11 to FY14 (which excludes Ausenco's loss in FY15) and FY11 to FY15 periods is shown below:

Implied enterprise value of Sedgman	Based on FY11-FY14 average EBITDA $m	Based on FY11-FY15 average EBITDA $m
Ausenco market capitalisation(1)	52.3	52.3
Add 35% control premium(2)	18.3	18.3
	70.6	70.6
Add net debt(3)	54.3	54.3
Enterprise value of Ausenco (100% control basis)	124.9	124.9
Average Ausenco EBITDA	35.9	26.1
EBITDA multiple based on average EBITDA	3.5	4.8
Average EBITDA generated by Sedgman	50.5	46.6
Implied enterprise value of Sedgman	176.8	223.7

Note:
1 Based on the one month and three months VWAP to 2 February 2016 of $0.28 per share.
2 Given the recent significant decline in the Ausenco share price, we doubt that a premium of 35% above the VWAP would be sufficient to gain full control. In this regard we note that Duro Felguera S.A. acquired a further 9.5% interest in Ausenco at a substantially higher price in July 2015.
3 As at 30 June 2015, being the latest available reported position at the date of our analysis.

161 We note that the implied enterprise value for Sedgman of $176.8 million to $223.7 million is broadly consistent with our assessed valuation range (before net cash and surplus assets) of $192.5 million to $210.0 million.

Cross-check based on implied EBITA multiple

162 The EBITA multiple implied by our valuation is calculated below:

Implied EBITA multiple	Low $m	High $m
Enterprise value	192.5	210.0
EBITDA adopted for valuation purposes	35.0	35.0
Less allowance for depreciation(1)	(6.0)	(5.0)
Adjusted EBITA	29.0	30.0
Implied EBITA multiple	6.6	7.0

Note:
1 Whilst depreciation and amortisation is expected to be around $9.0 million in FY16, we note that capital expenditure averages around $5.0 million to $6.0 million over the FY12 to FY17 period. We understand that the higher depreciation and amortisation charges in FY16 arise from prior year accounting treatments.

163 Based on our review of the implied EBITA multiples for the listed comparable companies (refer Appendix C), the transaction multiples shown in Appendix D, together with our assessment of the characteristics of Sedgman's businesses, we consider the EBITA multiples implied by our assessed valuation range to be reasonable.

Comparison with listed market price

164 Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover).

165 In the one month and three month periods prior to the announcement of the Offer, the VWAP of Sedgman shares was $0.88 and $0.85 respectively. Our valuation therefore represents the following premiums above the one and three months VWAP of Sedgman shares:

Implied premium to VWAP		
	Low	**High**
Assessed value per share	1.11	1.22
Implied premium above:		
- 1 month VWAP ($0.88)	26%	39%
- 3 months VWAP ($0.85)	31%	44%

166 As noted above, Sedgman holds a significant net cash position. Accordingly, when considering the premium implied by our valuation range (and the Offer) we have taken into account the value of the cash holdings.

167 In order to measure the premium implied for the core business (excluding net cash[39]), it is necessary to adjust Sedgman's pre-bid market capitalisation in respect of the value of net cash reflected in the listed market price. Whilst this cannot be observed, in our view it is reasonable to assume that the net cash would be discounted by portfolio investors due to, inter-alia:

(a) the low rate of return being generated on the net cash balances

(b) the inherent inability of portfolio investors to control the cash position of a company

(c) the absence of any announcements by Sedgman prior to the announcement of the Offer of an intention to return all the surplus cash to shareholders (other than incrementally and in part through the proposed modest increases in dividends).

168 In simple terms, net cash balances are generally unlikely to be reflected in listed market values at (or close to) their full value unless investors are confident that the cash will be returned to them in the short term.

169 For the purpose of our calculations below, we have therefore attributed a value to the net cash holding of Sedgman of 85 cents in the dollar. On this basis the premium implied for the core business of Sedgman based on our assessed enterprise value is as follows:

Core business – implied premium		
	Low $m	**High $m**
Assessed enterprise value	192.5	210.0
Pre-bid market capitalisation(1) less net cash at 85%	139.7	139.7
Implied premium (excluding cash)	37.8%	50.3%

39 Net of income in advance.

Note:
1 Based on three months VWAP of $0.85 x 236.8 million fully diluted shares.

170 Whilst the above implied premiums are relatively high, we note that a number of recent transactions involving companies providing services to the mining services sector have also taken place at high implied premiums to the respective pre-bid listed market prices (as set out in paragraph 135(d)).

171 Furthermore, of relevance to the above cross-check (as noted in Section III), Sedgman shares are fairly illiquid. Accordingly, in our view, the pre-bid listed market price of Sedgman shares is of limited applicability as a reference point upon which to determine the underlying value of Sedgman shares.

VII Evaluation of the Offer

Summary of opinion

172 LEA has concluded that the Offer is not fair but is reasonable. We have formed this opinion for the following reasons.

Assessment of fairness

173 Pursuant to RG 111, an offer is "fair" if:

"The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."

174 This comparison is shown below:

Comparison of Offer consideration and Sedgman share value	Low $ per share	High $ per share	Mid-point $ per share
Value of Offer consideration	1.07	1.07	1.07
Value of 100% of shares in Sedgman	1.11	1.22	1.17
Extent to which the Offer consideration is less than the value of the shares in Sedgman	0.04	0.15	0.10

175 As the consideration offered by CIMIC of $1.07 cash per share is less than our assessed value of the ordinary shares in Sedgman on a 100% controlling interest basis, in our opinion, the Offer is not fair when assessed under the guidelines set out in RG 111.

Assessment of reasonableness

176 Pursuant to RG 111, an offer may be reasonable if, despite not being fair but after considering other significant factors, the expert is of the view that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

177 In our opinion the Offer is reasonable in the circumstances. We are of this opinion primarily because:

(a) due to on-market acquisitions of Sedgman shares by CIMIC, as at 4 February 2016 CIMIC had increased its shareholding in Sedgman to 46.4%, and therefore already has effective control of Sedgman. Thus it is likely that CIMIC will be able to control future management decisions, the strategic direction of the business and the future dividend policy of Sedgman.

(b) the Offer represents a significant premium of 26.3% above the three months VWAP of Sedgman shares prior to the announcement of the Offer

(c) a competing offer from another party is highly unlikely given CIMIC's current shareholding in Sedgman

(d) we expect that in the absence of the Offer Sedgman shares will trade materially below our valuation range and the Offer price (reflecting the difference between the value of Sedgman shares on a controlling interest basis and a minority interest basis). Sedgman shareholders are therefore likely to be better off (at least in the short term) by accepting the Offer.

178 Further, we note that the Offer has been declared final and will not be increased.

179 In concluding that the Offer is reasonable, LEA has considered:

(a) the extent to which a control premium is being paid to Sedgman shareholders

(b) the extent to which a share of the synergy benefits likely to arise upon an acquisition of Sedgman by CIMIC is being paid to Sedgman shareholders

(c) the listed market price of Sedgman shares both prior and subsequent to the announcement of CIMIC's intention to make the Offer

(d) CIMIC's current shareholding in Sedgman and the potential for CIMIC to control Sedgman pursuant to the Offer

(e) the value of Sedgman to an alternative offeror and the likelihood of an alternative offer emerging, either prior to the close of the Offer, or sometime in the future

(f) the likely market price of Sedgman shares if the Offer is not successful

(g) other risks, advantages and disadvantages.

180 These issues are discussed in detail below.

Extent to which a control premium is being paid

181 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium reflects the fact that:

(a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder

(b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds

(c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company

(d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

182 We have calculated the premium implied by the Offer consideration of $1.07 per share by reference to the market prices of Sedgman shares up to 12 January 2016, being the last trading day prior to the announcement of CIMIC's intention to make the Offer, as shown below:

Implied offer premium relative to recent Sedgman share prices	Sedgman share price $	Implied control premium %
Closing share price on 12 January 2016(1)	0.79	35.4
1 month VWAP(2) to 12 January 2016	0.88	21.6
3 months VWAP(2) to 12 January 2016	0.85	26.3

Note:
1 Being the last day of trading prior to the announcement of CIMIC's intention to make the Offer.
2 Volume weighted average price.

183 We note that the closing share price on 12 January 2016 was appreciably lower than the one month and three months VWAP. In considering the control premium implied by an offer, we would generally regard the VWAP over the periods indicated as a more representative basis of assessment than the price based on a single day's trading. This is particularly the case for a relatively low liquidity stock such as Sedgman.

184 Whilst the Offer consideration of $1.07 per share represents a significant premium to the VWAP of Sedgman shares prior to the announcement on 13 January 2016 of the Offer, in our opinion, the Offer consideration does not reflect the full underlying value of Sedgman shares.

185 With respect to the implied premium, we also note:-

(a) given the significant net cash position of Sedgman, intuitively we would expect the implied premium to be towards (or below) the low end of observed implied premiums paid in successful takeovers generally

(b) however, as noted in Section III, historically there has been a low level of liquidity in trading in Sedgman shares. In such circumstances we would regard an implied premium as a less reliable basis on which to assess the merits of an offer.

Extent to which shareholders are being paid a share of synergies

186 CIMIC's intentions with respect to Sedgman (should the Offer be successful) are set out in Section 4 of the Bidder's Statement. In summary, CIMIC's intention is to gain control of Sedgman as a result of the Offer. Should CIMIC gain voting control, CIMIC has stated that it intends to:

(a) reconstitute the Sedgman Board

(b) review the dividend and capital management policies of Sedgman

(c) continue the business of Sedgman including Sedgman's plans for increasing market and commodity diversification

(d) retain the services of Sedgman's current operational employees in the ordinary course[40].

40 In cases where particular roles may no longer be required, CIMIC will attempt to identify opportunities for alternative employment within the CIMIC group.

187 CIMIC has not estimated the level of synergies that it expects to realise in the event that it acquires 100% of Sedgman. However, if CIMIC acquires 100% of Sedgman we expect that CIMIC will be able to achieve some head office cost savings, and may be able to enhance the business opportunities potentially available to both companies (noting that CIMIC has an interest in the joint venture between Thiess (a wholly owned subsidiary of CIMIC) and Sedgman).

188 The existence of synergy benefits is one of the key reasons why a potential bidder often pays a significant premium above the pre-bid market price of the securities. Given the size of the premium implied by the Offer, it appears that a share of the potential synergies are being reflected in the Offer price (notwithstanding that, based on our assessed valuation range, we do not consider that the Offer reflects the full underlying value of Sedgman shares).

CIMIC's current shareholding in Sedgman

189 At the date of the Offer announcement CIMIC held a 36.99% interest in the issued capital of Sedgman. CIMIC (Leighton), via its wholly owned subsidiary Thiess Pty Ltd, initially acquired a 50% interest in Sedgman in 2001 to assist in the growth of the business at the time, prior to Sedgman listing on the ASX. This shareholding was subsequently diluted due to equity issues and the listing of the Company on the ASX. In 2012, the Thiess shareholding was transferred to CIMIC.

190 As a result of on-market purchases up to 4 February 2016, CIMIC has increased its shareholding in Sedgman to 46.4%. Consequently, CIMIC now has effective control of Sedgman.

191 Given CIMIC's current shareholding, in our view, it is highly likely that CIMIC will acquire more than 50% of Sedgman shares either under the Offer or through subsequent on-market purchases after the close of the Offer[41].

192 In such circumstances CIMIC will control Sedgman, including factors such as future management decisions, the strategic direction of the business and future dividend policy. The liquidity of Sedgman shares (which historically has been low) could also be adversely impacted due to the reduced free float of Sedgman shares, which could have an adverse impact on the listed market price.

Likelihood of an alternative offer

193 We have been advised by the Independent Directors of Sedgman that no formal alternative offers have been received subsequent to CIMIC's announcement of its intention to make the Offer on 13 January 2016.

194 Further, in our view, a competing offer from another party is highly unlikely given CIMIC's current shareholding in Sedgman.

Recent share prices subsequent to the announcement of the intention to make the Offer

195 As noted in Section I of our report, given the unconditional nature of the Offer, CIMIC has commenced buying shares in Sedgman on-market during the Offer period at a price of $1.07 per share (being the consideration under the Offer).

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41 Pursuant to the "creep" provisions of the Corporations Act, CIMIC will be able to increase its shareholding by 3% in every six month period without having to make a further takeover offer.

196 In the circumstances, virtually all share trades subsequent to the announcement of the Offer have been at the Offer price of $1.07 per share[42]. This is consistent with our view that a competing offer from another party is highly unlikely given CIMIC's current shareholding in Sedgman.

Likely price of Sedgman shares if the Offer is not successful

197 In our opinion, if the Offer lapses and no higher offer or alternative proposal emerges, it is likely (at least in the short term) that Sedgman shares will trade at a material discount to our valuation (consistent with the difference between the value of Sedgman on a portfolio basis and the value on a 100% controlling interest basis) and the Offer price. Sedgman shareholders are therefore likely to be better off (at least in the short term) by accepting the Offer.

Other matters

198 Sedgman provides its services to the mining industry. The mining industry is inherently cyclical in nature and some industry participants consider it to be currently at or around the low point in the cycle. Accordingly, whilst on balance we have assessed the Offer as reasonable, Sedgman shareholders who accept the Offer will forego the opportunity to participate in the expected improvement in earnings as the industry moves into the next upswing in the mining cycle.

Conclusion

199 Based upon the above we have concluded that the Offer is not fair but is reasonable when assessed under the RG 111 guidelines.

42 There have been a small number of trades at prices up to $1.08 per share.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Target's Statement to be sent to Sedgman shareholders in connection with the Offer.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at $120,000 plus GST.

9 Neither LEA nor its directors and officers receive any commissions or other benefits, except for the fees for services referred to above.

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 independent expert's reports to shareholders.

2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 20 years and 30 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Independent Directors of Sedgman to accompany the Target's Statement to be sent to Sedgman shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Offer is fair and reasonable to the shareholders of Sedgman.

Interests

4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Offer. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

6 As a condition of LEA's agreement to prepare this report, Sedgman agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Sedgman which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

7 LEA consents to the inclusion of this report in the form and context in which it is included in Sedgman's Target Statement.

Appendix C

Listed company multiples

1 The listed company multiples and other metrics for a range of Australian mining service and engineering consultancy services are set out below, with a brief description of company activities following:

Listed multiples summary[1]

	Most recent balance date	Most recent full year	EV[2] $m	Market capitalisation $m	Gearing %	EBITDA Multiple Historical[3] FY15 x	EBITDA Multiple Forecast[4] FY16 x	EBITDA Multiple Forecast[4] FY17 x	EBITA Multiple Historical[3] FY15 x	EBITA Multiple Forecast[4] FY16 x	EBITA Multiple Forecast[4] FY17 x
Sedgman	30 Jun 15	30 Jun 15	103	179	(73.3%)	3.3	2.9	2.9	5.1	4.2	3.8
Contract mining services											
NRW Holdings	30 Jun 15	30 Jun 15	123	15	87.7%	nm	4.4	3.2	nm	nm	24.7
Decmil Group	30 Jun 15	30 Jun 15	112	171	(52.5%)	1.8	4.6	3.4	2.0	6.5	4.4
MACA	30 Jun 15	30 Jun 15	119	179	(50.8%)	0.8	1.2	1.2	1.4	2.1	2.1
Macmahon Holdings	30 Jun 15	30 Jun 15	34	110	(224.7%)	0.3	0.8	0.8	0.9	4.0	3.2
Mastermyne Group	30 Jun 15	30 Jun 15	26	17	32.2%	3.0	2.2	2.1	19.2	4.9	3.4
Mining equipment and services											
Bradken	30 Jun 15	30 Jun 15	473	76	83.9%	3.5	4.2	3.9	5.8	7.0	6.3
Austin Engineering	30 Jun 15	30 Jun 15	123	29	76.7%	8.1	11.1	7.2	30.1	nm	16.2
Imdex	30 Jun 15	30 Jun 15	68	51	25.5%	5.9	3.2	3.0	nm	6.0	5.3
Saunders International	30 Jun 15	30 Jun 15	27	45	(65.5%)	4.2	na	na	4.7	na	na
Engineering consultancy services											
WorleyParsons	30 Jun 15	30 Jun 15	1,614	831	48.5%	3.5	3.9	4.0	4.2	4.9	5.1
Cardno	30 Jun 15	30 Jun 15	587	255	56.5%	5.4	8.6	7.8	6.9	11.1	9.5
Ausenco	30 Jun 15	31 Dec 14	99	45	54.9%	nm	nm	nm	nm	nm	nm
GR Engineering Services	30 Jun 15	30 Jun 15	51	117	(129.6%)	2.5	2.1	2.5	2.6	2.3	2.7
Mineral processing services and others											
Mineral Resources	30 Jun 15	30 Jun 15	653	759	(19.2%)	2.5	2.9	2.7	4.0	5.9	5.2
Monadelphous Group	30 Jun 15	30 Jun 15	389	576	(47.9%)	2.4	3.1	3.5	2.7	3.7	4.1
RCR Tomlinson	30 Jun 15	30 Jun 15	261	249	4.7%	3.6	3.5	3.4	4.7	4.4	4.2
Southern Cross Electrical Engineering	30 Jun 15	30 Jun 15	12	57	(359.1%)	1.0	1.1	1.7	2.1	2.4	5.6

Note:
1 Enterprise value and earnings multiples calculated as at 2 February 2016. Sedgman calculated as at 12 January 2016.
2 Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), preference shares, convertible notes, net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution, share placements (for the purpose of reducing debt) and buybacks and excludes surplus assets.
3 Historical earnings are based on latest statutory full year accounts and exclude non-recurring items, significant write downs, realised investment gains or losses, restructuring charges.
4 Forecast earnings are based on Bloomberg broker average forecast (excluding outliers and outdated forecasts).
5 Gearing equals net debt (cash adjusted for the effect of share placements and buybacks, special dividends and option dilution) divided by enterprise value.
6 Other companies such as LogiCamms, Lycopodium and Calibre Group have also been considered, however as these companies were either too small, or did not provide meaningful multiples, we have not included these companies above.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis.
na - not available. nm – not meaningful.

Appendix C

Contract mining services

NRW Holdings Limited

2 NRW Holdings is an Australian company providing diversified services to Australia's resource and infrastructure sectors. The company operates three business divisions, which focus on civil construction and mining services, drill and blast services and the sale of heavy and ancillary equipment (as well as equipment maintenance and repair). NRW Holdings operates in Western Australia, the Northern Territory, Queensland and Guinea, West Africa.

Decmil Group Limited

3 Decmil Group is an Australian listed company that is headquartered in Osborne Park, Western Australia. The company's key focus is on delivering integrated solutions to clients in the Australian oil and gas, mining and infrastructure sectors by providing design, engineering, construction, off site fabrication, maintenance and accommodation services for various projects. The company operates three business segments including Construction and Engineering, Accommodation Services and Technology.

MACA Limited

4 Maca is a mining and civil construction company offering contract mining, civil earthworks, crushing and screening and material haulage solutions to the mining industry throughout Australia. The company has two major divisions, Mining Contracting and Civil Contracting and employs over 1,000 staff. The services offered by Mining Contracting are structured as load and haul, drill and blast, crush and screen and materials handling.

Macmahon Holdings Limited

5 Macmahon Holdings is an Australian company providing mining services to clients throughout Australia, New Zealand, South East Asia, Mongolia and Africa. The company provides surface mining, underground mining, engineering, and plant and maintenance. Its specific services range from mine development to materials delivery, design, construction and on-site services for mining companies, across a variety of base and precious metals and commodities.

Mastermyne Group Limited

6 Mastermyne Group is a specialist provider of mining services to the Australian coal mining industry. The company provides an extensive range of outsourced services to existing and new coal mining operations. It also has a comprehensive range of underground mining equipment which complements its contracting operations. Mastermyne Group has an established presence in all major coal producing regions on the east coast of Australia and is structured into two key operating groups being Mastermyne Mining and Mastertec Products and Services.

Mining equipment and services

Bradken Limited

7 Bradken is a supplier of consumable and capital products to the mining and construction, rail, energy and general industrial markets. It employs some 4,000 staff across over 52 manufacturing, sales and service facilities throughout Australia, New Zealand, the US,

Canada, Asia, South Africa and the United Kingdom. The company supplies ferrous castings, fabrications and machining services and also designs, supplies and services wear components for the mining, mineral processing and quarry industries. It also offers freight rolling stock products and services.

Austin Engineering Limited

8 Austin Engineering is an engineering company focused on the mining and resources sector. The company has Australian manufacturing facilities in Brisbane, Perth, Mackay and Muswellbrook as well as overseas facilities in Wyoming (USA), Antofagasta (Chile), Colombia, Lima (Peru) and Batam Island (Indonesia). Each business division provides an array of manufacturing, repair and support services to the mining, oil and gas, aluminium and industrial sectors.

Imdex Limited

9 Imdex is a provider of drilling fluid products, advance down hole instrumentation, data solutions and geo-analytics services to exploration, development and production companies in the mining, oil and gas, water wells and civil engineering industries worldwide. Imdex supports a diverse range of customers at all stages of the mining cycle, from junior explorers to major producers across a wide range of commodities. The company has operational centres in key mining regions of the world, including Asia-Pacific, Africa, Europe and the Americas.

Saunders International Limited

10 Saunders International is a provider of engineering and construction services with a focus on the design, construction and maintenance of steel storage tanks and the project management of ancillary facilities. The company services a range of industries including oil and gas, mining and mineral processing, water and waste water infrastructure and fuel terminals. It also provides facilities and maintenance management to petroleum refineries and distributors and oil and gas producers.

Engineering consultancy services

WorleyParsons Limited

11 WorleyParsons is a global provider of professional services to the energy, minerals and metals and infrastructure and environmental industries. Its service capability covers the entire asset lifecycle from feasibility studies and design, to project management and maintenance services. The company's operations are centred on the North American hydrocarbons market, and also span Australia, Europe, the Middle East and Africa. WorleyParsons currently employs approximately 31,000 employees.

Cardno Limited

12 Cardno is a professional infrastructure and environmental services company, with specialist expertise in the development and improvement of physical, environmental and social infrastructure for communities around the world. Cardno's professional personnel plan, design, manage and deliver sustainable projects and community programs. Service roles range from environmental scientists, engineering professionals and planners, to economists, emergency response personnel, large scale project managers, technical experts, industry specialists and designers of sustainable projects and community programs.

Ausenco Limited

13 Ausenco is an Australian based diversified provider of engineering design, project management and operations solutions to the minerals and metals, process infrastructure and energy sectors. In addition, the company also provides environment and sustainability services. Ausenco currently operates from 30 offices located in Australia, Asia, Africa, Americas, and Middle East. The company's operations are largely focused on North and South America and it is heavily exposed to the mining sector.

GR Engineering Services Ltd

14 GR Engineering Services is an engineering, consulting and contracting company that specialises in fixed price engineering design and construction services for the resources and mineral processing industry. The company is headquartered in Perth, Western Australia and has offices in Brisbane and Indonesia, with further operations in Ghana, Mali, the Ivory Coast and the United Kingdom.

Mineral processing services and others

Mineral Resources Limited

15 Mineral Resources is an Australian based diversified mining service, contracting, processing and commodities production company. It has operations in building, mineral crushing, screening, processing and handling, commodity production and export and pipeline fabrication and installation. Mineral Resources has five brands within its portfolio including Crushing Services International, PIHA, Process Minerals International, Polaris Metals and Mesa Minerals (64% ownership).

Monadelphous Group Limited

16 Monadelphous Group is an Australian based engineering construction company. The company services a broad range of industries with core markets in the resource industry and a particular focus on iron ore, coal and mineral processing. Its services cover engineering and construction, maintenance, industrial and infrastructure. The company operates primarily in Australia but also has operations in Papua New Guinea and China.

RCR Tomlinson Limited

17 RCR is a multi-disciplinary engineering company with operations spanning over 120 locations across Australia, New Zealand and Asia. The group operates under three business units including; RCR Infrastructure, which offers engineering and construction services for electrical distribution, instrumentation and control systems for the resource and infrastructure sector; RCR Energy, a provider of turnkey solutions for utility, power and industrial energy projects and RCR Resources, a structural, construction and maintenance provider for the oil & gas and liquid natural gas industries.

Southern Cross Electrical Engineering Limited

18 Southern Cross Electrical Engineering is focused on providing large scale specialised electrical, control and instrumentation installation and testing services for the mining, oil and gas, infrastructure and heavy industrial sectors. The company has three main operating segments including Infrastructure, Construction and Services. It is headquartered in Perth and has operations in Australia, South America and the Caribbean.

Transaction evidence

Engineering consultancy sector transactions							
				EBITDA multiple		EBITA multiple	
Date[1]	Target	Acquirer	EV[2] million	Historical x	Forecast x	Historical x	Forecast x
Engineering consultancy services							
Nov 15	Coffey International	TetraTech	A$186	7.9	7.3[3]	12.5	9.1[3]
Oct 15	Willbros Prof. Services division	TRC Companies	US$130	7.3	na	8.3	na
Sep 15	Cardno[4]	Crescent Capital Investors	A$933	na	7.6[3]	na	9.5[3]
Aug 15	MMM Group	WSP Global	C$425	8.9	na	na	na
Mar 14	Focus Group Holding	WSP Global	C$364	8.3	na	na	na
Mar 14	PPI Group	Cardno	A$161	6.7	na	na	na
Dec 13	Dynamics Research Corporation	Engility	US$207	8.5	8.9	10.0	10.4
Oct 13	Sinclair Knight Merz	Jacobs Engineering	A$1,250	6.5	7.1[3]	7.3	8.2[3]
Aug 13	National Technical Systems	Aurora Capital Group	US$338	13.7	10.9	20.2	14.6
Dec 12	Michael Baker Corporation	Int. Mission Solutions	US$290	11.1	8.8	14.9	11.1
Oct 11	TEC	Cardno	A$49	na	6.9	na	na
Sep 11	Halcrow Holdings	CH2M HILL Companies	£224	7.4	na	9.8	na
May 11	MACTEC	AMEC	US$280	na	na	8.8	na
Aug 10	The PBSJ Corporation	WS Atkins	US$292	7.7	8.2	12.3	na
Jun 10	Scott Wilson Group	URS Corporation	£281	8.5	na	12.1	na
Jun 10	ENTRIX	Cardno	US$128	na	6.3	na	na
Mining services							
Jul 15	Ausenco[5] (9.5% placement)	Duro Felguera	A$155	9.7	7.0	20.3	10.4
Dec 14	Resource Equipment	Pump Services	A$141	na	5.6[3]	na	8.8[3]
Jun 13	Brinderson	Aegion	US$150	6.3	na	na	na
Oct 12	G&S Engineering Services	Calibre Group	A$94	na	5.5	na	na
Jun 12	Marshall Miller & Associates	Cardno	A$30	na	5.6	na	na
May 12	Industrea	General Electric Company	A$701	6.0	5.3	10.7	8.5
Jan 12	Ludowici	FLSmith & Co	A$389	12.5	11.8	15.9	14.9
Jul 11	Norcast Wear Solutions / Australian & Oversea Alloys	Bradken	C$222	na	7.9	na	na
Dec 10	Easternwell Group	Transfield Services	A$570	11.4	7.5	na	na

Appendix D

Engineering consultancy sector transactions

				EBITDA multiple		EBITA multiple	
			EV[2]	Historical	Forecast	Historical	Forecast
Date[1]	**Target**	**Acquirer**	**million**	**x**	**x**	**x**	**x**
Dec 10	Essa Australia Ltd	FLSmith	A$30	8.5	na	11.3	na
May 10	Almac Machine Works	Bradken	C$56	4.1	na	na	na
May 10	Ammtec Ltd	Campbell Brothers	A$152	11.9	7.3	14.2	8.3
Mar 10	Coote Industrial (Engenco)	Elph	A$168	5.7	5.7	na	na
Other companies							
Dec 15	Broadspectrum Limited[6]:	Ferrovial Services					
	- at offer price		A$1,166	4.4	4.2[3]	6.5	6.3[3]
	- based on IE range		A$1,367	5.2	5.0	7.6	7.4
Oct 14	Tenix	Downer EDI	A$304	8.4	8.4	10.3	10.3

Note:
1 Date of announcement.
2 Enterprise value on a 100% basis.
3 Based on maintainable EBITDA and EBITA as assessed by independent expert.
4 Cardno multiple based on proportional offer of 50% of shares not held by Crescent.
5 Ausenco multiple based on private placement representing a 14.5% interest in Ausenco.
6 In determining EBITA (as opposed to EBIT) we have adjusted the FY16 EBIT shown in the independent expert's report to allow for $10 million of acquisition intangibles (in FY15 the acquisition intangibles amortisation expense was $12.2 million).

Source: LEA analysis using data from ASX announcements, analyst reports and company annual reports.

Appendix E

Glossary

Term	Meaning
1HY16	The financial half year ended 31 December 2015
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Ausenco	Ausenco Ltd
CHPP	Coal handling preparation plant
CIMIC	CIMIC Group Limited
Coffey	Coffey International Ltd
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPC	Engineering, procurement and construction
EPCM	Engineering, procurement and construction management
EV	Enterprise value
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
GSJV	Graña y Sedgman Joint Venture
IE	Independent expert
IER	Independent expert's report
JV	Joint venture
LEA	Lonergan Edwards & Associates Limited
Leighton	Leighton Holdings Ltd
NPV	Net present value
Offer	CIMIC's offer of $1.07 cash per Sedgman share for the Sedgman shares that it does not already own
Plan	The Company's long term incentive plan
RG 111	ASIC Regulatory Guideline 111 – *Content of expert reports*
Scheme	Share Appreciation Rights Scheme
SCJV	Sedgman Civmec Joint Venture
Sedgman or the Company	Sedgman Limited
TSJV	Thiess Sedgman Joint Venture
VWAP	Volume weighted average price
WANOS	Weighted average number of shares outstanding