

19 January 2016

Dear Shareholder,

As you are no doubt aware last Wednesday 13 January 2016, CIMIC Group Investments Pty Ltd, the company's largest shareholder, and a wholly owned subsidiary of CIMIC Group Limited (**CIMIC**) launched an unsolicited and unconditional bid to acquire the balance of shares in your Company that it did not already own ("the Offer").

At this stage you should TAKE NO ACTION in respect of your shares, the Offer or any documentation received from CIMIC.

The Offer price is final, and can only be increased should there be a competing offer. Although CIMIC is currently in the market buying shares, the Offer is still yet to formally open. For those shareholders who may be thinking of selling **I URGE YOU TO WAIT** until you have received and considered all of the information that will be issued by CIMIC and the Target's Statement issued by Sedgman in response, which will include the recommendation of your Board. The CIMIC offer price will remain, underpinning the Company's share price until the Offer closes.

As foreshadowed in the Company's ASX release on 13 January 2016, we have appointed Citi as our financial advisor and Norton Rose Fulbright as our legal advisor. Both of these firms are highly experienced and credentialed in takeover responses. They are also well known to your Board and the Company as they have been trusted advisors over recent years.

Appointment of Independent Expert

Your Company has appointed Lonergan Edwards as the Independent Expert for the purpose of providing an expert report on the Offer for inclusion in the Target Statement. This is required under the Corporations Act given CIMIC's current level of shareholding. Lonergan Edwards' report will be one of several factors that the Board will consider prior to making its recommendation to shareholders in the Target Statement.

Shareholder Information Line

An information line has also been established with Computershare, the Company's share registry. If you have any questions regarding the Offer or your shareholding, you can contact this information line on:

Within Australia - 1300 782 984

Outside Australia - 03 9415 4192

Timing and process of Offer documents

CIMIC's offer follows its actions at the 2015 Annual General Meeting which led to the removal of three Independent Directors. As detailed in my shareholder letter of 24 November 2015 CIMIC subsequently made a number of demands in respect of the Board and Company which, after considering the interests of all shareholders, were rejected.

The formal Bidder's Statement cannot be issued by CIMIC to Sedgman shareholders any earlier than 27 January 2016, and the Offer must remain open for a minimum of one month.

Your Board, excluding the CIMIC Nominee Director, will provide a recommendation in respect of the Offer via the Target Statement that will be issued by the Company in response within 15 days of the date that the Bidder's Statement is sent to shareholders.

Update on Company Performance

CIMIC's offer follows its actions at the 2015 Annual General Meeting which led to the removal of three Independent Directors from the Board. As detailed in my shareholder letter of 24 November 2015, CIMIC subsequently made a number of demands in respect of the Board composition and Company which, after considering the interests of all shareholders, were rejected.

I would like to reassure you that despite the recent uncertainties created by CIMIC's actions the Company remains focused on its core "Create – Build – Operate" business model and executing the Global Minerals strategy that has seen us as one of the standout performers in the mining services sector over the last 18 months.

In the 2015 Annual Report we foreshadowed a focus on building sustainable earnings through continued performance. The Company expects to deliver a first half reported NPAT for FY16 within the expected range of \$7.5m to \$8m, subject to review finalisation by our auditors KPMG. I expect to formally announce our half year result in the third week of February.

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.

You have told me that you very much appreciate our strong dividend policy. Our present intention to maintain our practice of announcing an interim fully franked dividend at the same time as the half yearly result, together with a fully franked special dividend notwithstanding the CIMIC Offer. CIMIC's offer fails to provide any clear guidance on how franking credits will impact the Offer consideration that may be received by shareholders.

Late last year we engaged a management search firm to help us replace the board talent lost as a result of voting at the Annual General Meeting. This process is well advanced and I hope to be making a further announcement about new appointments in the coming weeks.

I again reiterate that you should TAKE NO ACTION at this stage in regards to the Offer, your shares or any documentation you receive from CIMIC.

The Company will of course keep you informed of all relevant information and developments as they occur.

Thank you for your continued support.

Yours faithfully



Rob McDonald
Chairman