

ASX/MEDIA RELEASE

4 February 2016

Update on recent developments

Leading resource sector services company Sedgman Limited (ASX:SDM) ("Sedgman" or "the Company") today provides an update on recent developments and an update on the proposed takeover offer from the Company's largest shareholder, CIMIC Group Investments Pty Ltd ("CGI" or "the Bidder"), a wholly owned subsidiary of CIMIC Group Ltd (ASX:CIM) ("CIMIC") announced Wednesday, 13 January 2016 ("the Offer").

Takeovers Panel applications

Sedgman applied to the Takeovers Panel seeking orders that CIMIC address identified deficiencies in its original Bidder's Statement and clarify its intentions, including the treatment of dividends and deductions to the offer price if a dividend is paid.

Following Sedgman's application to the Takeovers Panel and the Takeovers Panel's decision to commence proceedings in relation to these matters, CIMIC has now amended its offer via a second supplementary 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-Market Share Purchasing by CGI

CGI currently hold 45.44% voting power in the Company (as at 1 February 2016), up from the 36.99% it held prior to announcing its intention to launch the Offer on 13 January 2016. These additional shares were acquired by CGI through on-market purchasing of Sedgman shares on the Australian Stock Exchange.

Timing and process of Offer documents

Given the submission of the Second Supplementary Bidder's Statement with amendments relating to the terms of the Offer, the despatch of CIMIC's formal Bidder's Statement to Sedgman shareholders is not expected to occur until at least 8 February 2016, and the Offer must remain open for a minimum of one month from the date of despatch of the Bidder's Statement.

Sedgman's Board, excluding the CIMIC Nominee Director, will provide a recommendation in respect of the Offer via a Target's Statement that will be issued in response as soon as possible after the Bidder's Statement is sent to shareholders. The Target's Statement will include an independent expert's report prepared by Lonergan Edwards & Associates Limited which will include an opinion on whether the Offer is fair and reasonable to Sedgman Shareholders.

The Sedgman Board (excluding the CIMIC nominee) continues to reiterate that shareholders should TAKE NO ACTION at this stage in regards to the Offer, your shares or any documentation you receive from CIMIC until you receive the Directors' formal recommendation.

Half Year Results

The Company will release its Half Year Results on Thursday 11 February 2016 and expects to report first half NPAT at the upper end of the range of \$7.5m to \$8m, subject to review finalisation by its auditors. The Company reiterates its earlier advice of its intention to declare a fully franked interim dividend and fully franked special dividend contemporaneously with the first half profit announcement.

Further Update to Chairman's ASX release of 19 November 2015

As foreshadowed in the "Chairman's Update to Shareholders" released on 19 November 2015 the Company has been undertaking a process to identify and recruit Non-Executive Directors to fill current Board vacancies. While the process has identified a short list of suitable, high quality candidates, the Board has suspended the process pending the final outcome of the Offer.

The Board has also implemented the Sedgman Share Appreciation Rights Scheme ("SAR Scheme"), a cash settled long term incentive plan, to provide appropriate remuneration arrangements for the CEO & Managing Director, Mr Peter Watson. The Board has issued 576,000 Share Appreciation Rights to Mr Watson which are subject to the same performance hurdles as Performance Rights issued under the existing Long Term Incentive Plan ("LTI Plan").

Accelerated vesting of LTI Plan & SAR Scheme

Following the Offer and pursuant to the Rules of the LTI Plan and the SAR Scheme, the Board has determined that a Vesting Event 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 the Company of greater than 50%; and
- The performance hurdles of the LTI Plan and SAR Scheme being tested as of 29 January 2016 in respect of each relevant tranche of Performance Rights or Share Appreciation Rights.

The performance hurdle testing has been completed and confirmed that the Company's Total Shareholder Return ("TSR") for each relevant tranche is in the top quartile. The Company 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 Rights¹ and Share Appreciation Rights² will vest upon CGI acquiring more than 50% of the voting power in the Company.

Amendments to Key Management Personnel Contracts

The Board (excluding the CEO & Managing Director) has also implemented amendments to Key Management Personnel ("KMP") employment contracts to ensure alignment with current market practices. This change was part of a review of the Company's remuneration policies by the Nominations and Remuneration Committee which has been ongoing throughout 2015 and has included seeking external advice from specialist remuneration advisors and legal advisors.

The amendment is the inclusion of a "Material Change" clause which provides additional termination rights and benefits to KMP in circumstances of a "Material Change Event" which is defined as a material adverse change to their role, remuneration or duties, including direct reporting line or reporting structure, role, authority or responsibilities.

¹ A total of 9,694,683 Performance Rights are currently eligible to vest

² A total of 576,000 Share Appreciation Rights are currently eligible to vest and be settled by cash payment

Pursuant to Listing Rule 3.16 the Company advises that the Material Change clause has been included in the CEO & Managing Director's contract and provides for a Material Change Severance Payment equivalent to 9 month's salary, exclusive of superannuation, to be payable if a Material Change Event occurs and is not remedied within 14 days of the CEO & Managing Director giving notice to the Company of the Material Change Event.

Sedgman will keep shareholders fully informed of further developments and will provide a formal recommendation on the takeover offer in ample time for shareholders to make a considered decision within the Offer period.

About Sedgman

Sedgman Limited (ASX: SDM) provides mineral processing and associated infrastructure solutions to the global resources industry. Our services range from concept, pre-feasibility and design through to construction, commissioning, operations, maintenance and asset management. Established in 1979, Sedgman listed on the ASX in June 2006 and has approximately 600 employees. Headquartered in Brisbane, Australia with offices in Perth, Townsville, Newcastle and Mackay, Sedgman has international offices in Shanghai, Santiago, Vancouver and Johannesburg. Sedgman delivers projects and operations across the globe.

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