



SEDGMAN

25 NOVEMBER 2009

ANNUAL GENERAL MEETING – CHAIRMAN RUSSELL KEMPNIICH'S ADDRESS

Ladies and Gentlemen, welcome to Sedgman Limited's 4th Annual General Meeting.

When I addressed you at this time last year our world was dominated by fear and uncertainty – emotions which impacted business and market confidence worldwide.

In 2008 our key message to all Stakeholders was to have confidence in Sedgman and its preparedness to manage through the challenges presented and that your company might even benefit from a market shake-out.

While not completely immune from pain, Sedgman has survived the downturn as we said it would and emerged a stronger and more efficient company.

We now stand ready to capitalise on the opportunities that an improving global economy will provide – particularly as Australia enters what some of our most influential economic thinkers have described as “an unprecedented platinum age of prosperity”.

Much of this optimism is based on the continued growth of China, India and the other emerging Asian economies.

I will return to this theme later.

FY 2009 HIGHLIGHTS

The Company achieved a 3.8 percent increase in adjusted net profit after tax for FY2009 of \$29.8 million – exceeding our revised guidance.

Management's innovation, flexibility, and continued focus on client relationships enabled Sedgman to successfully expand internationally, win significant business and deliver a solid operating result.

We won projects in every growth area targeted under our international expansion strategy – southern Africa, South America and China/Mongolia – and we have continued to grow our opportunities in all of these areas.

Margins increased and earnings per share adjusted was up 2.5 percent to 16.5 cents, reflecting management's focus on improving efficiencies.

Sedgman remains committed to its metals sector growth strategy.

This is despite the short-term reduction of project work in this sector during the downturn which necessitated a \$20 million goodwill write down on Intermet's purchase and saw bottom line profit fall to \$7.1 million.

Your Directors declared a final fully-franked dividend of 3 cents per share, supported by more than adequate operating cash flows, taking the full year payout to 6.0 cents per share fully franked, compared to 8.0 cents previously.

CAPITAL RAISING

In conjunction with the announcement of our FY2009 results your Company conducted a successful capital raising from both institutional and retail investors.

The Directors foresaw difficulties in raising debt through conventional avenues and accordingly took prudent and decisive action to ensure Sedgman had access to the capital required to fund near term opportunities.

The Board decided that a maximum of approximately \$30 million should be raised via an institutional Placement and Share Purchase Plan (SPP) in order to fund these opportunities.

I am acutely aware of the disappointment retail investors may have experienced when the SPP was scaled back and would like to provide some further background and explanation on the rationale behind the allocation of the capital raising to clear up any misconceptions.

The Board took external advice on the expected retail take-up under the SPP. However, the SPP was unexpectedly embraced by more than half of our retail shareholders, resulting in applications for around \$15 million of capital.

Under these circumstances we had no choice but to scale back the applications. If we had not scaled these back and relied solely on the SPP, we would have raised only 50 percent of the required capital.

Lastly, it is important to note that the founding shareholders and Thiess Pty Ltd did not participate in the Placement, preferring to stand aside and be diluted in the interest of broadening the shareholder base to increase liquidity and thereby benefiting all shareholders.

Consequently, retail shareholder levels remained constant at approximately 27.5 percent both before and after the capital raising.

So please be assured that your Board will continue to act in the best interests of all shareholders in a balanced and considered way.

SUSTAINABILITY

Overall, the FY2009 result demonstrated Sedgman's strength and resilience, and underscored your Company's capacity to capitalise on increasing opportunities both in Australia and internationally as economic conditions improve and our target markets return to growth.

While we have seen some slippage in timing our \$4.8 billion targeted project pipeline remains robust as we continue replenishing our order book.

In fact, I believe Sedgman's future has never looked brighter.

Let me return to my opening reference to Australia's "platinum age of prosperity" and put that in context with the longer term outlook for both thermal and metallurgical coal over the next 10-to-20 years.

According to the US Government's Energy Information Administration, world coal consumption is forecast to increase by an average 1.7 percent each year from 2006 to 2030 when it will still account for 28 percent of total world energy consumption.

The International Energy Agency is also forecasting global thermal coal consumption to increase 60 percent by 2030 while China and India is expected to account for most of that growth in consumption.

It is important to recognise that some 1.6 billion people, nearly a quarter of the world's population, currently have no access to electricity.

So despite an increasing greenhouse emission policy-driven shift toward renewable and non-carbon energy alternatives, coal's share of the total demand pie is set to continue to increase, driving major investment in new thermal coal projects around the world over the next 20 years.

The International Energy Agency recently published a report on how the energy sector can deliver on climate change. This report focuses on the ambitious target of limiting atmospheric carbon dioxide or CO₂ to 450 parts per million by 2030.

Against this background the report forecasts that conventional coal-fired generation will increase by approximately 210 GW by 2020. While OECD countries reduce their dependence on coal-fired generation India and China will expand generation by as much as 340 GW – the equivalent of 340 new 1000 Megawatt power stations.

The application of Sedgman's leading-edge processing technologies can play a key role in servicing these growing markets while satisfying increased demand for improved efficiencies in the use of coal.

Your Company welcomes and supports initiatives being taken to move the world toward a lower carbon economy. We are committed to doing our part both within our business and through our approach to projects.

In this regard, Sedgman's technology leadership is focused on the development of more efficient processing plants which are being designed to produce cleaner products for our clients.

The outlook for metallurgical coal used in the production of steel is similarly robust.

As the world economy recovers, steel consumption will also return to growth and the majority of that growth will be in non-OECD Asia, i.e. China and India.

Around 70 percent of total global steel production is dependant on coking coal and both India and China are already net importers. Clearly this is a very positive situation for our business going forward.

In relation to China, Sedgman has a three-pronged exposure to growth in its coking coal requirements. Firstly, Australia will continue to be a strategic supplier and your Company will continue to play a major role in supporting Australian mining projects that service this important market.

Secondly, the emerging Mongolian coal mining sector where Sedgman has already established itself, will be focused on supplying China.

Thirdly, within the Chinese market itself we are targeting the drive by the Chinese mines to modernise and improve recoveries by upgrading existing processing plants and building new facilities.

Growth in the Asian steel industry also has a positive impact on Australia's other major resource sector, iron ore, and your Company is actively looking for opportunities to expand into that sector through Sedgman Metals.

So the global demand outlook for the sectors in which Sedgman operates appears very robust, positioning our business for strong long-term growth on the back of this so-called "platinum age of prosperity".

STRATEGIES FOR GROWTH

Our research has confirmed Australia as the source of Sedgman's strongest growth opportunities. However, Sedgman remains committed to international development in Southern Africa, China and Latin America.

We believe the Brazilian, Russian, Indian and Chinese or (BRIC) economies will continue to drive demand for our staple commodities and that is why Sedgman can be found working on projects which service these markets.

Importantly, we remain conservatively geared and as discussed earlier the Company's balance sheet has been strengthened by our recent capital raising program.

In line with our growth strategy, Sedgman continues to explore opportunities within the metals sector, including bulk commodities such as iron ore, as well as securing international projects within the coal sector.

We are also evaluating potential strategic acquisitions which make good commercial and strategic sense and can deliver accretive shareholder value.

As always, your Board actively supports management in the review and execution of Sedgman's strategic plan and objectives.

BOARD CHANGES

From a corporate governance perspective the Board and its Committees have operated well during the year.

However, without measured change an organisation cannot move forward effectively and grow, hence boardroom discussion has been ongoing about renewal and succession planning.

As recently advised, Peter Hay will resign from the Board after this Annual General Meeting. Peter's departure and the resulting vacancy has provided the Board with an opportunity to advance its renewal strategy.

Peter has been a Director since September 1998, including 10 years as Managing Director, and played a pivotal role in Sedgman's transformation from a private firm to a publicly listed company.

His role on the Board as a non-executive Director has been positive and constructive and particularly aided the smooth transition to new leadership under his successor Mark Read.

On behalf of the Board and all shareholders I would like to thank Peter for his valuable contribution and wish him every success in the future.

We have initiated a search for a suitable replacement with particular emphasis on the successful candidate's capacity to enhance the Board's existing skill sets.

Sedgman remains a "people" business and I want to take this opportunity to also thank each and every one of our employees for their contribution toward the Company's success.

CONCLUSION

Given the depth and breadth of growth opportunities before us, our company-wide commitment to a focused business strategy and the strength and skills of

our leadership and people, I am confident of Sedgman's continued success and return to strong growth as we look toward providing exceptional shareholder value through 2010 and beyond.

Our Managing Director and Chief Executive Mark Read will now tell you more about the Company's performance during the year in review and outlook for the current financial year.

Russell Kempnich
Chairman