



# Sedgman Limited

*2007 Half Year Results*



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# Contents

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Half Year Results

Pac-Rim Update

Order Book

Industry Outlook

Company Outlook

Summary





# Half Year Results

- Record 1<sup>st</sup> Half Result as follows:

	\$m	Growth <sup>1</sup>
<b>Combined Revenue<sup>2</sup></b>	<b>166.0</b>	<b>91% ↑</b>
<b>EBIT</b>	<b>13.1</b>	<b>58% ↑</b>
<b>NPAT</b>	<b>9.7</b>	<b>54% ↑</b>
<b>EPS (cents)</b>	<b>5.7</b>	<b>54% ↑</b>
<b>DPS (cents)</b>	<b>3.0</b>	

- FY2007 EBITA forecast upgraded to \$32.2M (pre-amortisation of intangibles) – approximately 27% higher than prospectus numbers. This equates to around 55% growth over FY2006.
- Continued strong cash flows and sound financial position.
- Fully Franked interim dividend of 3 cents per share.
- 62% Growth in personnel from June 2006 (430 v 266) due mainly to Pac-Rim acquisition.

#### Notes

1. Growth comparison between half year ending 31 December 2006 and 31 December 2005
2. This represents revenue of Sedgman together with Sedgman's share of revenues from Joint Ventures.



# Half Year Results

## Summary Income Statement

(Proportional Consolidation Method)

(\$million)	Half year ending	Half year ending
	31-Dec-05	31-Dec-06
Combined Revenue <sup>1</sup>	86.7	166.0
EBIT <sup>2</sup>	8.3	13.1
Interest	-	0.5
Taxation	(2.0)	(3.9)
<b>Net Profit after Tax</b>	<b>6.3</b>	<b>9.7</b>
Earnings Per Share (cents) <sup>3</sup>	3.7	5.7
Dividends Per Share (cents) <sup>4</sup>	-	3.0

- Includes one-month contribution from Pac-Rim.
- Expect 2<sup>nd</sup> Half to be stronger given timing of Engineering Services projects and also six months contribution from Pac-Rim.
- Greater than 95% of FY2007 revenue forecast locked in by current contracts and contracts under negotiation.

### Notes

1. This represents revenue of Sedgman together with Sedgman's share of revenues from Joint Ventures.
2. EBIT of Sedgman has been increased by \$2.7m in 1<sup>st</sup> Half FY2006 for consulting fees paid to shareholders. This arrangement terminated on 31 December 2005. Resulting adjustments for taxation and net profit have also been made.
3. Based on 170.4m shares on issue.
4. Excludes dividends declared prior to listing on ASX.

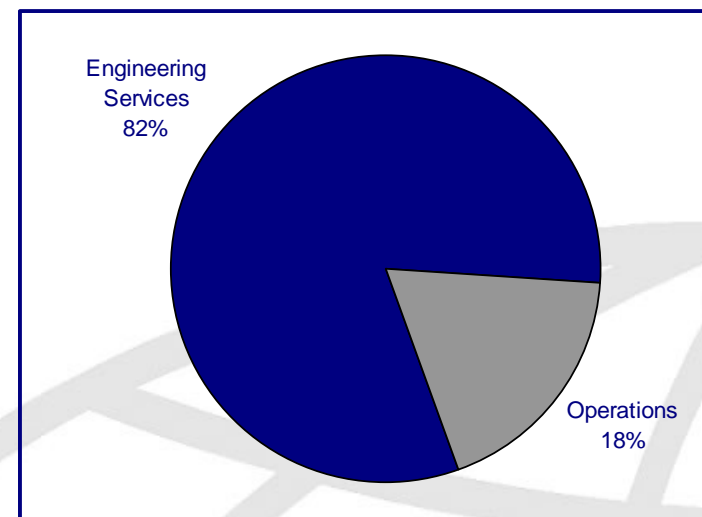


# Half Year Results

## Business Unit Performance

(\$million)	Half year ending	Half year ending
	31-Dec-05	31-Dec-06
<b>Revenue</b>		
Engineering Services	73.7	145.4
Operations	13.0	20.6
Combined Revenue <sup>1</sup>	86.7	166.0
<b>EBIT</b>		
Engineering Services	6.3	10.7
Operations	2.0	2.4
Total EBIT <sup>2</sup>	8.3	13.1
<b>EBIT Margins</b>		
Engineering Services	8.5%	7.4%
Operations	15.4%	11.7%
Total	9.6%	7.9%

## EBIT % Contribution - 31 Dec 06



- Expect further growth in the EBIT contribution from Operations.

### Notes

1. This represents revenue of Sedgman together with Sedgman's share of revenues from Joint Ventures.
2. EBIT of Sedgman has been increased by \$2.7m in 1<sup>st</sup> Half FY2006 for consulting fees paid to shareholders. This arrangement terminated on 31 December 2005.



# Half Year Results

## Summary Income Statement

(Equity Method)

(\$million)	Half year ending	Half year ending
	31-Dec-05	31-Dec-06
<b>Revenue</b>	<b>24.0</b>	<b>66.2</b>
<b>EBITDA</b>	4.5	9.6
Depreciation & Amortisation	(1.0)	(1.7)
Amortisation of Intangibles <sup>1</sup>	-	(0.3)
<b>EBIT before JV profits<sup>2</sup></b>	<b>3.5</b>	<b>7.6</b>
Sedgman share of JV profits <sup>3</sup>	4.8	5.5
<b>EBIT after JV profits</b>	<b>8.3</b>	<b>13.1</b>
Net interest (expense)/revenue	-	0.5
<b>Profit before Tax</b>	<b>8.3</b>	<b>13.6</b>
Income tax expense	(2.0)	(3.9)
<b>Profit after tax</b>	<b>6.3</b>	<b>9.7</b>

### Notes

1. Represents amortisation of Intangibles resulting from Pac-Rim acquisition.
2. EBIT of Sedgman has been increased by \$2.7m in 1<sup>st</sup> Half FY2006 for consulting fees paid to shareholders. This arrangement terminated on 31 December 2005. Resulting adjustments for taxation and net profit have also been made.
3. After allocation of indirect costs. No income tax is payable by the joint ventures.



# Half Year Results

## Consolidated Balance Sheet

(\$million)	Half year ending	
	30-Jun-06	31-Dec-06
Cash	45.3	25.5
Debtors	8.7	25.0
Investments <sup>1</sup>	23.2	0.6
Property, Plant & Equipment	9.7	44.9
Intangibles	-	37.1
Other	4.4	2.6
<b>Total Assets</b>	<b>91.3</b>	<b>135.7</b>
Trade Payables	3.8	7.7
Payable to Joint Ventures <sup>1</sup>	30.5	15.5
Debt	5.8	48.1
Provisions	8.8	8.8
Tax	3.5	1.0
Other	2.7	8.0
<b>Total Liabilities</b>	<b>55.1</b>	<b>89.1</b>
<b>Net Assets</b>	<b>36.2</b>	<b>46.6</b>

### Notes

- Investments comprise Sedgman's share of profits from Joint Ventures while the Payable comprises actual cash distributions from Joint Ventures. During FY2007 the Joint Ventures formally declared profits resulting in an offset between the Investment and Payable accounts. The balance of Investments at 31 December 2006 comprises undeclared profits.
- Forecast FY2007 Proforma EBIT divided by Proforma Interest Expense. Proforma assumes 12 month contribution from Pac-Rim.
- Net Debt divided by Net Debt plus Market Capitalisation. Market capitalisation is based on a share price of \$2.25 per share.

➤ Total Net Debt equals \$22.6m.

➤ Increase in Total Debt relates to acquisition of Pac-Rim.

➤ Debt ratios remain strong:

- Interest Coverage<sup>2</sup> = 7.9x
- Gearing<sup>3</sup> = 5.6%



# Half Year Results

## Summary Cash Flows

(\$million)	Half year ending	Half year ending
	31-Dec-05	31-Dec-06
EBIT <sup>1</sup>	8.3	13.1
Depreciation	1.0	2.0
Movement in working capital	0.7	(6.3)
Net interest	-	0.1
Timing difference between joint venture profit and cash	2.8	7.7
Income tax paid	(1.7)	(7.4)
<b>Net operating cash flow</b>	<b>11.1</b>	<b>9.2</b>
Proceeds/repayments of borrowings	(0.5)	31.4
Acquisition of Pac-Rim	-	(57.9)
Net capital expenditure	(0.8)	(2.5)
<b>Free Cash flow</b>	<b>9.8</b>	<b>(19.8)</b>
Opening Cash at 1 July	7.7	45.3
Adjustment to EBIT <sup>1</sup>	(2.7)	-
<b>Closing Cash at 31 Dec</b>	<b>14.8</b>	<b>25.5</b>

- Net outflow of funds mainly due to Pac-Rim acquisition.
- Net operating cash flow impacted by timing of tax payments i.e. \$3.5m of \$7.4m relates to FY2006.

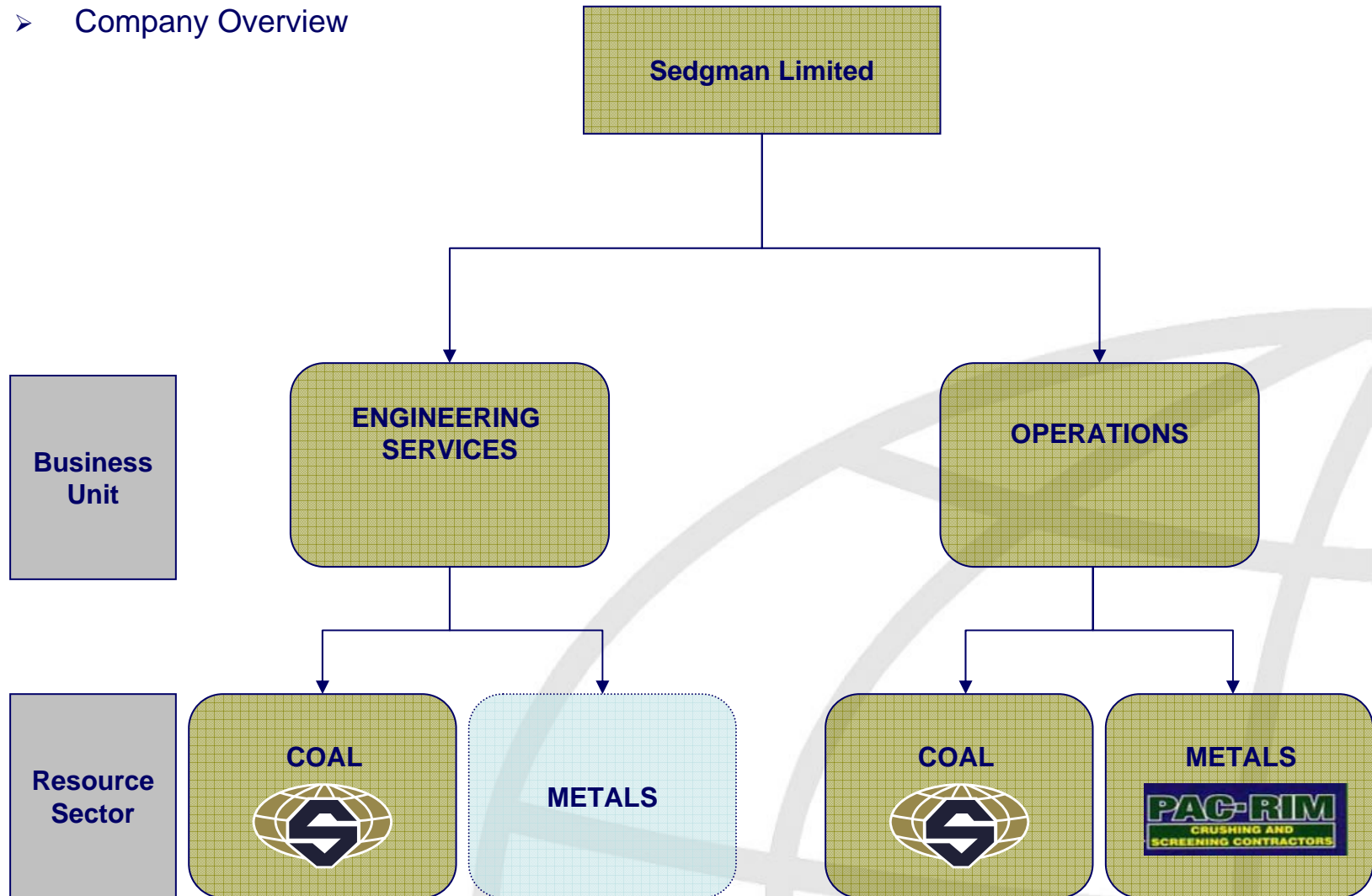
### Notes

1. EBIT of Sedgman has been increased by \$2.7m in 1<sup>st</sup> Half FY2006 for consulting fees paid to shareholders. This arrangement terminated on 31 December 2005. Resulting adjustments for taxation and net profit have also been made.



# Pac-Rim Update

➤ Company Overview





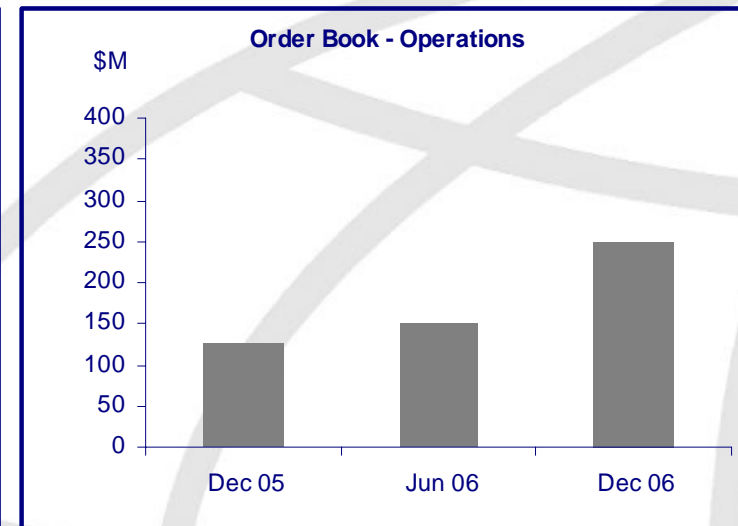
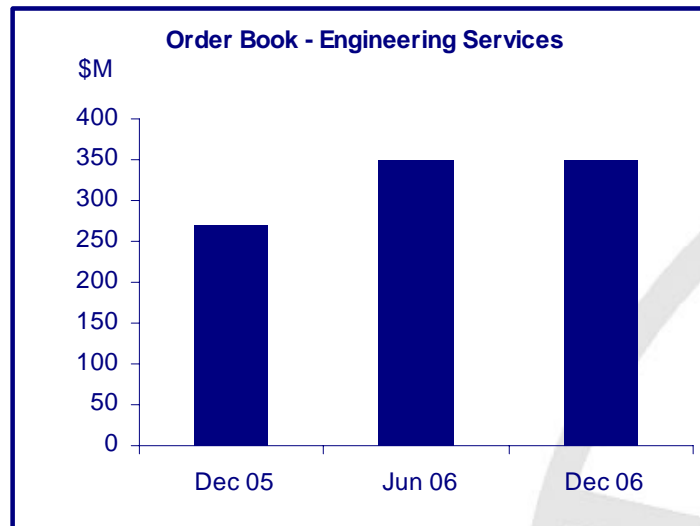
## Pac-Rim Update

- New Pac-Rim Chief Executive Officer and Manager Metallurgy appointed on 29th January 2007.
  - Mark Duffy (CEO) and Kristy Wood.
  - Both have come from ERA in the NT and have significant experience in metalliferous operations.
  
- December results have reaffirmed our expectations - this business will create significant value for Sedgman.
  
- Acquisition opens up major growth opportunities for the Company - three layers of growth identified:
  - i. Growth in existing crushing and screening activities
  - ii. Expansion of scope of services
  - iii. Develop the full spectrum of engineering and project services
  
- We are actively pursuing layer (i) above and formulating strategies for the implementation of layers (ii) and (iii).



# Order Book

- The order book at 31 December 2006 is approximately \$600 million:
  - Engineering Services - \$350 million
  - Operations - \$250 million
- Greater than 95% of FY2007 revenue forecast locked in by current contracts and contracts under negotiation.





# Order Book

## Engineering Services

### Current Contracts

Dawson  
Lake Lindsay  
Wilpinjong  
Acland  
Sonoma  
Moorvale Fines

### Contracts Under Negotiation<sup>1</sup>

Sonoma Stage 2  
Bengalla ROM

## Operations

### Current Contracts

Coppabella  
Moorvale  
Blair Athol  
Millennium (Consultancy)

### Contracts Under Negotiation<sup>1</sup>

Millennium / Red Mountain  
Sonoma

## Pac-Rim

### Current Contracts

Agnew  
Cannington  
Ernest Henry  
McArthur River  
Mt Isa

#### Notes

1. Commercial terms are being negotiated.



# Industry Outlook

## Coal

- Beyond FY2007 the project pipeline for Coal remains strong with approximately \$3.0 billion of potential projects being pursued domestically.
- The strength of the Australian coal market is highlighted by recent announcements:
  - Rio Tinto is spending \$950 million to develop the Clermont mine in Central Queensland. First coal shipments expected in 2010.
  - US-based iron ore miner Cleveland-Cliffs, which controls Australia's Portman Mining, has made its first coking coal investment, paying \$140 million for a 45 per cent stake in the Sonoma coal project. Coal production expected in 2007/08.
  - The Hunter Valley coal industry is planning to spend \$1.6 billion to expand production and exports to meet rising global demand for electricity.
  - Signing of Joint Venture Agreement (ATEC, IFM, QLD Rail, Xstrata Coal & Anglo Coal) and granting of Conditional Exclusive Mandate for the southern missing railway link in the Surat Basin. Potential to open up an estimated 4btpa of thermal coal for development and export.



# Industry Outlook

## Coal

- China continues to grow with recent data indicating that the market for Australian mining companies remains very buoyant particularly for exporters.
- CVRD have approved the commencement of preliminary engineering work for the Moatize project in southern Africa.

## Metals

- Global market for metals remains buoyant. Global economic growth expected to remain strong to support solid increases in demand for most metals.
- Metalliferous prices expected to remain at above-average levels.
- China will continue to provide strong demand side growth



# Industry Outlook

## Metals

- Strength of metalliferous market highlighted by recent announcements:
  - Iron Ore: Rio Tinto Board approved \$1.1 billion expansion to iron ore export facility at Pilbara (WA) which will lift annual capacity by 25mtpa.
  - Nickel: Lion Ore forecasting 2007 nickel production at 44.3ktpa with clear growth profile to 80.0ktpa by 2012.

Xstrata commits further \$120 million investment and commencement of pre-feasibility study in Western Tanzania.
  - Zinc: Zinifex announcement of aggressive mining expansion plan, supported by agreed takeover bid (\$392m) for Wolfden Resources, the owner of advanced polymetallic metals properties in Canada's frozen Nunavut Territory.



# Company Outlook

## Business Units

- The outlook for the coal and metals sectors remains strong. The continued growth of these markets will deliver substantial Engineering opportunities for Sedgman.
- Expansion of Operations remains a priority:
  - Pac-Rim operations acquired and further metals projects targeted for growth.
  - The Millennium operation is expected to commence during FY2007.
  - Sonoma expected to come on stream in FY2008.
  - Other coal projects identified and are actively being pursued.
- People and Safety
  - Continuous focus on people and safety. A full review of the HSE management system is being conducted with the aim to develop a '2007 and beyond' HSE strategy.



# Company Outlook

## International expansion

- International expansion is part of the growth strategy:
  - Southern Africa and India - evaluation of business partners is continuing.
  - China - implementing strategies to target this market. As highlighted at the AGM, the licensing arrangements with the American company were to cease in calendar 2007. This has now occurred allowing unrestricted access to China and Russia from 1 January 2008 and North America from 1 January 2009.

## Acquisitions

- The Company has demonstrated that it will penetrate additional markets by acquisition of complementary businesses. We continue to actively pursue this strategy.



# Company Outlook

## Ongoing Commitment to Research & Development

### ➤ Coal Preparation Plant

- Continued evolution of plant design is necessary for Sedgman to position itself as the leader in coal preparation technology.
- Previous optimisation of existing equipment has increased plant throughput and reduced both capital and operating costs. There are items that can be further optimised but limited new equipment is available to make the step change required.
- Future research and development must look at both innovative uses of equipment from outside the coal industry and development of new equipment and processes. Different areas of the CHPP represent specific challenges to the above.

### ➤ Sustainability

- Commenced early development, in association with ComEnergy, of a process involving technology to address the recovery of water from tailings through drying. In conjunction with this, specific power generation technology using the dried tailings will be developed.
- Evaluating an association with patented technology for the non-thermal upgrade of low rank coals prior to utilisation. This process will provide associated reductions in greenhouse gases and improved economic viability.



## Summary

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- Record 1<sup>st</sup> Half Result of \$9.7m NPAT (EBIT \$13.1m)
- FY2007 EBITA forecast upgraded by 27% to \$32.2m
- Pac-Rim acquisition on target
- Record order book of \$600m
- Favourable industry & company outlook