Sedgman Limited

Acquisition of MDM Engineering Group Ltd

28 November 2012

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Recognised for leading innovative solutions for the resource industry

1. Overview

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Overview

- Sedgman Limited (“Sedgman”) has entered into a Merger Implementation Agreement (MIA) to acquire 100% of the issued share capital in MDM Engineering Group Limited (“MDM”) for approximately £67.9m (A$104m)

- MDM is a South African based minerals process engineering and project management company currently employing approximately 270 personnel. MDM provides services to the metalliferous mining industry internationally, predominantly in Africa, and is listed on the Alternative Investment Market of the London Stock Exchange (AIM*)

- Completion of the Merger is expected to occur by March 2013, but remains subject to a number of conditions precedent, including the receipt of certain regulatory approvals in South Africa and Tanzania and an MDM minimum working capital, surplus cash and order book requirement

- To be implemented, the Merger must also be approved by greater than 75% of MDM shareholders voting in favour of the Merger. Sedgman has entered into voting agreements with certain key shareholders representing approximately 25% of MDM shares, and has undertakings from an additional 40% of shareholders to enter into such arrangements, pursuant to which those shareholders have irrevocably agreed to vote in favour of the Merger

- It is expected that MDM will send a Notice of Meeting to MDM shareholders in early December 2012, with a shareholder meeting expected to be held in the week commencing 17 December 2012

**Note: Alternative Investment Market of the London Stock Exchange*

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Transaction Summary

- Total consideration for the fully paid ordinary shares of MDM on issue of approximately £67.9m (A$104m) (includes an estimated MDM surplus cash balance of A$24m at completion)
- Sedgman will also acquire the outstanding unlisted options held by MDM option-holders for approximately £2.4m (A$3.7m)
- Acquisition price is equivalent to £1.81 per MDM share. This represents a premium of 23% to the MDM 1 month vwap
- Consideration is a mix of equity and cash, namely:
  - 15.4m Sedgman shares valued at A$13.6m issued to key MDM shareholders (representing approximately 7.1% of Sedgman's issued capital); and
  - Cash of approximately A$90.4m
- Of the Sedgman shares issued as consideration to key MDM shareholders, approximately 14.9m shares will be escrowed until the Sedgman 2014 AGM
- Cash consideration of A$90.4m (includes an estimated MDM surplus cash balance of A$24m at completion) to be funded via a mix of existing Sedgman cash and banking facilities
- Net Debt upon completion of the transaction is expected to be modest and well within existing banking covenants

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Acquisition Highlights

- The acquisition of MDM will significantly expand Sedgman's operations in Africa and in the metalliferous sector

- MDM provides a platform for growth in one of the largest and fastest growing mining regions in the world

- MDM will provide Sedgman with diversification benefits across geography and commodity creating a broader based business

- MDM capabilities include feasibility studies, plant design, construction and commissioning (EPC & EPCM) providing Sedgman the opportunity to leverage its core competencies into new geographic markets and client bases

- The acquisition is anticipated to be EPS accretive in FY13 pre amortisation of intangibles

2. MDM profile

MDM profile

Business overview

- MDM is a South African based minerals process engineering and project management company
- Originally established 23 years ago in 1989 as MDM Ferroman (Pty) Ltd
- Acquired by current management and majority shareholders in 2006 and renamed MDM Engineering
- Listed on London based AIM in May 2008
- Capabilities include feasibility studies, plant design, construction and commissioning (EPC & EPCM)
- Completed 66 bankable feasibility studies and constructed over 55 metallurgical plants
- Market cap approx. US$97m, net cash approx. US$25m, Enterprise Value approx. US$72m
- Headcount of approx. 270 personnel

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MDM profile

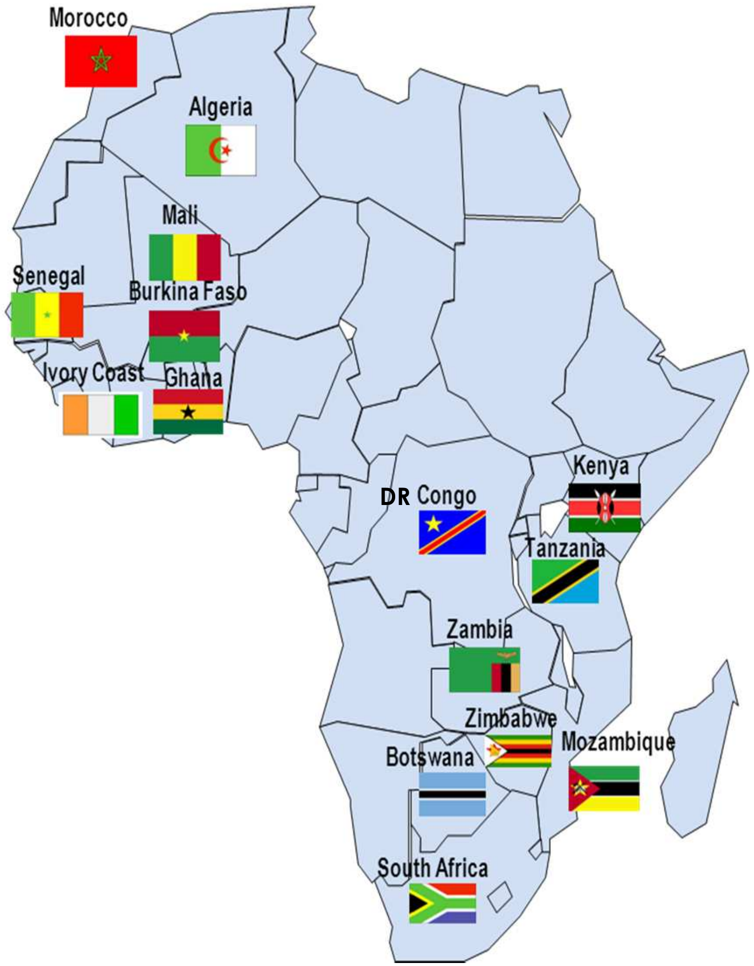
Core capabilities and experience

- *Metallurgical Process Development*
  - Interpretation of test-work results and development of suitable process designs
  - Assist clients in reviewing resource data
  - Has close links with many metallurgical laboratories
  - Develop innovative test-work programmes
- *Engineering and Design*
  - Execution and supervision of metallurgical test-work
  - Evaluation of test-work
  - Generation of process options
  - Development of process flow diagrams
  - Development of piping and instrumentation diagrams
  - Detailed design and engineering
  - Project execution
- *Detailed Engineering*
  - Develop, design and engineering from early concepts through to detailing and execution
  - In-house resources and associations: team consists of civil, structural, mechanical, electrical/ instrumentation engineers as well as CAD draftspersons
- *Project Management*
- *Construction Management*
  - Managers and supervisors are specifically skilled in the construction of metallurgical processing plants
  - Joint venture agreement with a South African blue chip construction company
  - Site safety and environmental issues
  - Civil work
  - Steel erection
  - Electrical and instrumentation installation
  - Mechanical erection/ installation
  - Quality control
  - Industrial relations
  - Site administration
- *Commissioning*
  - Done by commissioning team in collaboration with client's plant operators
- *Contracting*
  - Strong ties with outsourcing consultants and companies

Geographic reach

- MDM has experience managing mineral projects throughout Africa

- MDM have delivered projects across a range of commodities, namely:
  - platinum,
  - gold,
  - copper,
  - cobalt,
  - zinc,
  - uranium,
  - chromite and
  - manganese



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Client Profile

- MDM's traditional client base has consisted primarily of mid-cap miners with African projects which typically do not have the in-house capabilities to develop these projects alone
- MDM has recently increased its exposure to large international players such as African Barrick Gold, Gold Fields Limited and ENRC
- The following provides an overview of MDM's largest customers:

Key Customers

MDM profile

Examples of completed projects

Ezulwinin Uranium Project; Randfontein, South Africa

- Client: *First Uranium Corporation*
- Process: *Leaching, CCD, IX, SX, Precipitation*
- Commodity: *Uranium*
- Scope of work performed: *Full EPC implementation*
- Project value: *c. US$ 59m*

MWS Phase 1B Project; Stilfontein, South Africa

- Client: *First Uranium Corporation*
- Process: *Reclaim, Flotation, CIL, Leaching, CCD, IX, SX, Precipitation*
- Commodity: *Gold and Uranium*
- Scope of work performed: *Full EPC, construction and project implementation*
- Project value: *c. US$ 220m*

Tarkwa CIL Expansion Project; Ghana

- Client: *Gold Fields Ghana Limited*
- Process: *Crushing, Screening*
- Commodity: *Gold*
- Scope of work performed: *EPCM*
- Project value: *c. US$ 20m*

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MDM profile

Examples of current projects

Tharisa Expansion Project; South Africa

- Client: *Tharisa Minerals*
- Process: *Milling, Gravity, Separation, Flotation*
- Commodity: *Platinum group metal and Chromite*
- Scope of work: *EPC*
- Tharisa secured a US$123m syndicated senior secured debt financing facility to fund the expansion
- Commissioning of the new concentrator facilities is anticipated by the end of calendar Q3 2012, within budget

Banro Namoya Project; DRC

- Client: *Banro Corporation*
- Process: *Heap Leach*
- Commodity: *Gold*
- Scope of work performed: *EPCM*
- Project value: *c. US$ 60m*
- Process design has been signed off and engineering design has been secured to allow ordering of long-lead items
- All major earthworks equipment has now been procured and mobilization of this equipment to site is underway

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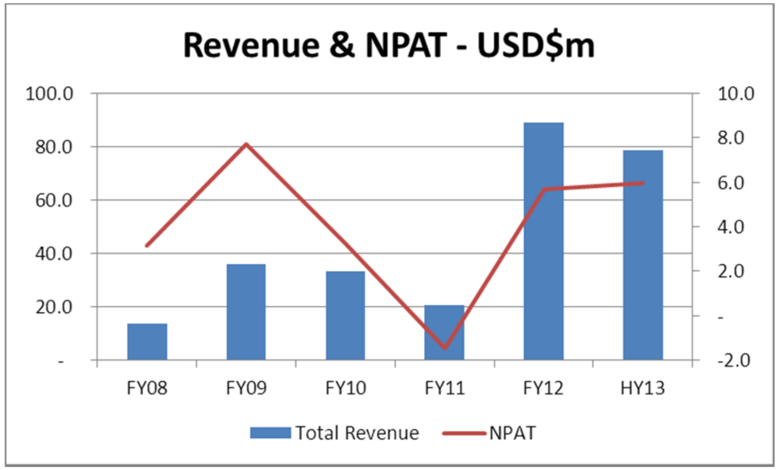
MDM profile

Financials

- MDM has principally been an EPCM business, developing its capability in EPC contracting since FY09
- Dip in FY11 largely driven by project slippage into FY12
- Growth in FY12 revenue due to the signing of a Platinum / Chrome EPC project with Tharisa Minerals for US $150m with the project due for completion around Jan 2013
- MDM has a number of opportunities in its pipeline that demonstrate an ability to continue to deliver strong growth in revenue and profits. In particular MDM have:
  - Nine execution projects in various stages of progress, representing project capex values in excess of US$ 1 billion of confirmed contract value work with leading industry names and a focus on Africa
  - Eight Bankable Feasibility Studies ("BFS") and a number of Pre-Feasibility Studies ("PFS") currently being undertaken
- MDM does not carry any debt on the Balance Sheet and does not have any banking facilities
- MDM will report strong growth in the 6 months to 30 Sept 2012, with revenue increasing by 398% to $US78.9m and NPAT increasing 150% to US$6m. This compares to revenue of $US89m and NPAT of $US5.8m for the 12 months to 31 March 2012



	FY12 Mar Actual	HY13 Sept Actual
Revenue	**89.12**	**78.86**
EBIT	**7.29**	**7.84**
NPBT	**7.82**	**8.06**
NPAT	**5.76**	**5.97**
EBIT margin	*8.2%*	*9.9%*
NPBT%	*8.8%*	*10.2%*
Tax rate	*26.3%*	*25.9%*

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MDM Board & Management

Bill Nairn, Non-Executive Chairman
B.Sc Eng (Mining) wits, Pr Eng
Bill has over 40 years experience in the mining industry, including four years as Anglo American plc group's technical director. Before joining Anglo American he was CEO of JCI Limited, and was involved in the management of JCI's Gold and Platinum mining operations for over twenty years. Bill has served on the boards of mining companies including Anglo Platinum Limited, Avmin Limited and Kumba Resources Limited; he is currently a non-executive Director of AngloGold Ashanti and Chairman of Pangea Diamond Fields plc. He was appointed Non-Executive Chairman in April 2008.

Martin Smith, Chief Executive Officer
B Eng (Electrical), PR Eng and GCC
Martin was appointed CEO of MDM Engineering in March 2010. Martin has over 25 years experience in the engineering and construction industries. He started his career at Sasol as a bursary holder, joined the construction industry for 15 years before moving into the EPC(M) contracting environment. Prior to joining MDM, Martin was MD of the Grinaker-LTA Metals & Minerals division and MD of Bateman, Sub-Saharan Africa region.

George Bennett , Executive Director,
Member JSE
George has almost 20 years experience in the investment banking industry, originally as a partner of Fergusson Bros, then Simpson McKie before its acquisition by HSBC. He was also Head of Mining Research Sales and Director of HSBC (South Africa). George became CEO of Shanta Gold in September 2004, which he listed on the London Stock Exchange (AIM) in July 2005. George resigned from Shanta Gold after forming MDM with Mike Nunn in February 2006.

Mark Summers , Non-Executive Director
CA (Hons) (SA)
Mark is a Chartered Accountant and Chartered Management Accountant. He was previously director of Mining Corporate Finance at HSBC. As a founding investor in Xceldiam Ltd, he was closely involved in the incorporation, development and listing of the company on AIM and subsequent sale of the business. He is currently the Chief Financial Officer of the Amari Holdings Group, a shareholder in MDM and is responsible for the evaluation of Amari's investments.

Dominique De La Roche, Financial Director
CA(SA), HDIPTAX
Dominique joined MDM Engineering in October 2008. A Chartered Accountant, he completed his articles at Price Waterhouse and began his career at Anglogold. He has also worked at various financial levels of local and international listed companies within the mining, manufacturing and banking sectors with his last position being Chief Financial Officer of a diamond mining company listed on the Johannesburg Stock Exchange and Toronto Stock Exchange.

Dave Dodd, Chief Metallurgist
B.Sc. (Hons) Chemical Engineering FSAIMM
Dave has over 35 years' experience in extractive metallurgy including 30 years of process plant design and commissioning and feasibility study management. He has been with MDM since its inception in 1989.

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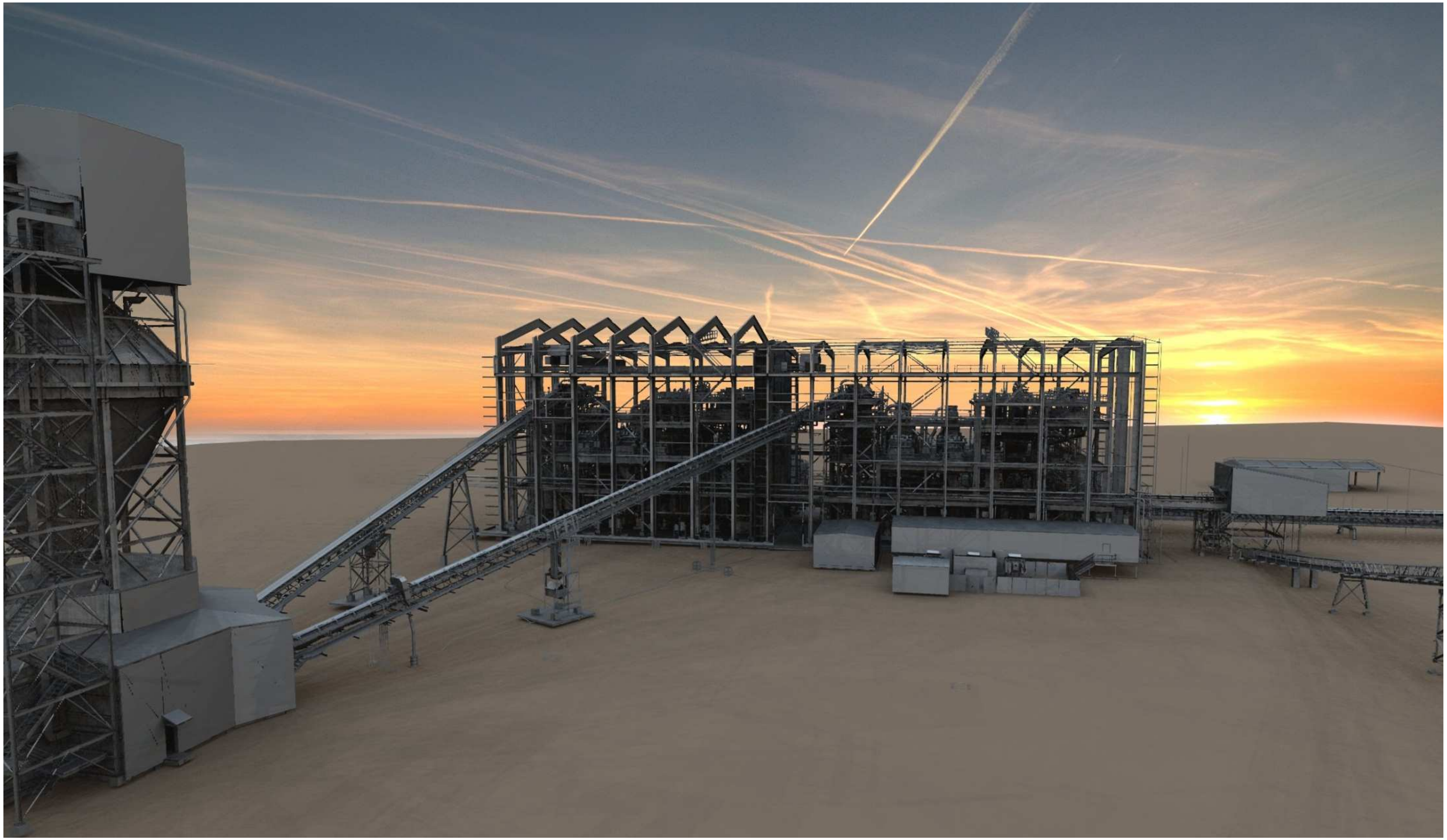
3. Appendix - Key MIA terms

Conditions Precedent

- The key conditions are as follows:
  - **Regulatory Approvals** - All required regulatory approvals being received including approval by the South African Competition Commission, Competition Tribunal or Competition Appeal Court (as the case may be), and by the Tanzanian Fair Competition Commission or the Fair Competition Tribunal (as the case may be).
  - **Merger Approval** – MDM shareholder approval being obtained by the requisite majority of in excess of 75%
  - No MDM prescribed events or material adverse change events having occurred.
  - **Agreements** - There is no exercise of any change of control right under a material contract which could result in monies becoming repayable under a material contract, a material contract being terminated or adversely modified or the business of any entity in the MDM Group being adversely affected.
  - **Litigation and investigations** – No litigation or any action taken by any Regulatory Authority against any entity of the MDM Group.
  - **Financial Arrangements** - Parties to financial arrangements confirming in a form acceptable to Sedgman, that they will not exercise rights under those financial arrangements in a manner which is adverse to MDM.
  - **MDM Options** - All outstanding MDM Options have been surrendered or cancelled on terms acceptable to Sedgman (acting reasonably).
  - **Contracts** - MDM provides written confirmation to Sedgman signed by two directors and the chief financial officer of MDM confirming, and Sedgman is satisfied in its discretion (acting reasonably), as to certain agreed aggregate revenue values, profit margins and terms and conditions for all contracts comprising the Order Book.
  - **Working Capital** - The working capital and cash position of MDM being at certain agreed values.

- Under the MIA, the parties have agreed that in circumstances where MDM has met certain working capital and cash requirements, there may be an increase in the consideration payable by Sedgman. Any additional consideration will be in the form of an increase to the Merger Consideration or by way of a special dividend payable to MDM Shareholders.



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