

6 November 2012

The Manager
Company Announcements Officer
Australian Securities Exchange
Exchange Plaza, 2 The Esplanade,
Perth WA 6000

Dear Sir/Madam,

Letter to Shareholders

Macmahon Holdings Ltd (ASX:MAH) has dispatched the attached letter to shareholders.

*** ENDS ***

For further information, please contact:

Investors

Ken Scott-Mackenzie	Chairman	+61 8 9232 1200
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Media

Joeley Pettit-Scott	Group Communications Advisor	+61 467 775 376
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About Macmahon

Macmahon is a leading Australian contract mining and construction company with major projects throughout Australia, in New Zealand, South East Asia and Africa.

An ASX listed company, Macmahon has played a major role in the delivery of many of Australia's largest multi-disciplinary mining and construction projects throughout its 49 year history.

Macmahon offers the full range of underground and surface mining services and comprehensive construction capabilities spanning transport, marine, water and resource infrastructure services.

With a commitment to providing end to end services, Macmahon's reputation for outstanding teamwork, integrity and commitment to the environment is underpinned by the company's core value - safety.

Visit www.macmahon.com.au for more information.



MACMAHON

ABN: 93 007 634 406

┌ 000001 000 MAH
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

5 November 2012

Dear Shareholder

I would like to apologise to you for the recent earnings downgrade and the effect this has had on the value of your investment in Macmahon. As you are likely aware, Macmahon recently updated its earnings guidance following a review of the Hope Downs 4 Rail Earthworks contract in Western Australia and increased uncertainty about the outlook for new construction work given recent market volatility. The former CEO resigned following this earnings downgrade.

Your Board shares the extreme disappointment expressed by many of our shareholders and I want to assure you we are focused on measures to rebuild market confidence in your Company and increase the value of your investment.

Following the resignation of the former CEO, the Board was fortunate to have Ross Carroll step up and take over the role following a very successful period as the COO of our Mining Business. This business is performing very well across a number of geographical areas and continues to win new work and contract extensions as it successfully delivers on existing projects. The appointment of Ross forms part of the Company's succession planning, which is under continual review. The Board did consider alternate approaches but believed an immediate internal appointment was in the best interests of shareholders.

The Board is confident that, as CEO, Ross will play an integral role in confronting and addressing the challenges the Company is now facing. The immediate focus for management is to ensure the Hope Downs 4 project is completed in the most cost effective manner. We currently expect this contract to be substantially complete by Christmas 2012 and your Board will closely monitor it until completion.

In addition, in his short tenure, Ross has already implemented a number of important initiatives to restore confidence and value for the Company's shareholders, including:

- a review of capital and operating expenditure and overheads has been commenced across the Company;
- an evaluation of the Company's business mix and risk profile has been undertaken to achieve more consistent and stable returns for shareholders year on year; and
- constraints have also been placed on the size and type of projects tendered by the WA Construction Business as we review this business.

Macmahon Holdings Ltd ABN 93 007 634 406

Level 3, 27 to 31 Troode Street West Perth WA 6005 PO Box 198 Cannington WA 6987

Telephone: (08) 9232 1000 Facsimile: (08) 9232 1261 Web: www.macmahon.com.au <<http://www.macmahon.com.au>> Email: info@macmahon.com.au

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Further, and on an extremely positive note, Ross and the Mining team have just secured preferred contractor status for the \$1.8 billion Christmas Creek mining project. Negotiations regarding the final contract for this project are continuing and are expected to finalise by the end of November 2012.

Our CEO will address some of the details of these developments at the Company's AGM on 9 November.

We acknowledge that further action is required to restore value for shareholders and that the market is looking to see progress in the near term. However, our focus is to make the right decisions for the Company. Accordingly, we will take prudent and thorough actions in considering our options and will not rush into making decisions that do not represent long-term value for our shareholders. The Company will keep you informed in this regard.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Scott-Mackenzie', with a small flourish at the end.

Ken Scott-Mackenzie
Chairman, Macmahon Holdings