

9 November 2012

2012 ANNUAL GENERAL MEETING

Chairman's Address

Chairman - Mr Ken Scott-Mackenzie

This morning I would like to provide an overview of the Company's activities for the 2012 Financial Year, before touching on the significant subsequent events that have impacted on Macmahon's operations for the current year.

I will then hand over to our new Chief Executive Officer, Ross Carroll, to provide a more comprehensive review of the current activities of your business.

Shareholders will be given an opportunity later in the meeting to ask questions and raise any relevant matters with the Board for discussion, through me.

2012 Highlights

First, I would like to take a moment to reflect on the 2012 Financial Year. Macmahon recorded a \$56.1 million net profit after tax, in a year that saw \$2 billion worth of new work won by the business.

The Company also recorded its highest ever revenue at \$1.9 billion, with the order book standing at \$3.1 billion by year end.

Overall, the Company achieved good results, with Mining performing particularly well. Mining delivered margin growth across its operations, achieving greater efficiencies in plant utilisation, coupled with more effective project management.

Of note, Macmahon was awarded a mining contract at Tavan Tolgoi in Mongolia, which represents a major step forward in the Company's strategic focus of delivering geographic diversification. Mining operations commenced in January and we look forward to progressing with this project in the current year and beyond. As a cost plus form of contract, this project has been structured to mitigate the risks of moving into a new jurisdiction. In terms of establishing a medium to long term revenue base, this overseas work in Mongolia will blend well with existing work in Australia, such as Orebody 18, Tropicana and the prospective Christmas Creek 2, taking in the commodities of coal, iron ore and gold.

Our Construction business also secured a number of new projects throughout the year and delivered a record amount of work on key infrastructure projects for major resource companies and government enterprises.



2012 Dividend

Macmahon's good profit for the 2012 Financial Year enabled the Company to deliver a return to our shareholders as we declared a fully franked final dividend of 2.5 cents per share at the full year.

This brought the total dividend for the year to 4 cents per share, representing a payout ratio of 52.7 per cent.

Our people

The high level of work won during the year also saw Macmahon's direct employee numbers rise to more than 4750 as we worked to deliver a range of new projects.

The considerable growth in work and employees over the year was not without challenges. Fortunately, this was managed well across the majority of our business; however, we did experience some problems in WA Construction, particularly in light of skill shortages in that State at both the engineering and experienced operator levels.

The overall growth of our workforce also resulted in an increased focus on training and development. Both our apprenticeship and graduate programs were significantly extended, while our commitment to Indigenous employment and training was boosted by the launch of the ROCKSTAR program.

Safety

The safety of our people is of paramount importance and we continue to focus on improving the Company's performance in this regard.

One of the key challenges of a period of rapid growth is maintaining safety standards at the highest possible level. With Macmahon delivering a record amount of work in the year, unfortunately we did experience some deterioration in our safety performance, which was clearly an unacceptable result.

A refreshed approach to safety has been implemented across the business to help meet this challenge, with the Company introducing a range of initiatives to reinforce the importance of safety in all that we do. This included the development of integrated management systems to ensure consistent safety protocols across the business, the creation of a leaders' guide to provide practical support for improving safety, a legal review to ensure alignment with current and proposed legislation and the refinement of the Company's internal audit schedule.



2013 Earnings guidance

All of the good things included in the 2012 Annual Report have been overshadowed by extremely disappointing developments, which have seen a deterioration in the value of your investment in Macmahon.

Since the release of the Company's full year results for 2012, Macmahon has revised its earnings guidance with respect to 2013 in response to the outlook for new construction work and our performance on the Hope Downs 4 contract. As announced, the earnings guidance for 2013 is now a profit of between \$20 million and \$40 million.

First of all, with the softening of commodity prices over the past few months, we have seen a significant reduction in new resources-related construction work in the market, with a range of large projects and planned expansions within the sector being deferred over the last few months.

As a result, there is less visibility in the pipeline for new work for our Construction business, flowing through to the amount of work which we expect to win and recognise during the 2013 Financial Year.

The second impact on our earnings guidance for the current year was our performance at the Hope Downs 4 Rail Earthworks contract in Western Australia. The project did not achieve the required earthworks productivities, and while the Company will deliver a high quality project within the client's revised timeframe, it will do so at a significant loss.

The scale of the project and its accelerated schedule of works presented a range of challenges for the project team in an extremely tight labour market. The quality of operators and equipment on the project were affected by shortages in the industry in general and the WA construction business' high level of work. This affected productivities and programming on site and led to a significant delay.

Due to the high level of expenditure associated with the project, that delay led to a significant loss that was only identified and quantified recently; that loss being due to the cumulative effects of lower than forecast productivity rates and subsequent acceleration costs to meet the client's program.

The scale of spend on this project was significant given the tight timeframe; a relatively small delay in programming can have this sudden, adverse effect on the profit or loss on a project under these circumstances.

Due to these issues, the Board and Management team confirm that the Company will re-focus WA construction to target a suite of projects to better match the management capabilities within this business.



We are undertaking a strategic review of all our businesses and are currently looking at all available options. The Board is committed to ensuring we get this process right and will take the necessary time to complete a full assessment of our operations and consider all options to set the correct approach for a sustainable business in the future.

Financial position

It is important to note that the major current challenges we are facing are primarily in WA Construction; we do not underestimate the magnitude of these challenges. I am pleased to report that our Mining business is delivering consistently good results, as are our Construction operations in the Northern Territory. For East Coast Construction, the short term outlook for work in Queensland is limited, but tendering activity in New South Wales has increased.

The Company will record a loss for the first half of this financial year, but we expect a return to regular profit margins in the second half to achieve the Company's earnings guidance. There does remain ongoing risk over major Construction projects; however, many of these projects are currently near completion and we are focused on delivering them as efficiently as possible.

Your Board is very much aware of the need to maintain a strong balance sheet. The Company will proactively manage its gearing levels towards its self-imposed maximum levels. However, following the earnings downgrade, gearing levels are forecast to increase beyond these levels in the near term. It is important to note that this gearing level is not an external banking covenant. As of today, we are operating within all of our banking covenants. Furthermore, current forecasts do not project a breach of those covenants. We will proactively manage the situation in the future.

Management team changes

To ensure we can deliver the changes to the business required, the Company has restructured its management team. Mark Hamilton was appointed as the Chief Operating Officer of Construction in September and will oversee required changes to that business, particularly in Western Australia. As Mark will now be overseeing all of Construction, he will be better placed to more effectively allocate limited resources.

The Board is also pleased to announce the expansion of Angie Young's role to include People and Safety. The increased scope of her role to include safety will help harness the natural synergies between people management and safety performance, and will assist in maintaining the focus on the safety of all our employees.



Chief Executive Officer

The Company recently confirmed the resignation of its Chief Executive Officer, Nick Bowen. The Board thanks Mr Bowen for his service over twelve and a half years during a time of growth and diversification for the Company. The terms and conditions of his resignation were announced through the ASX on 8 November, 2012.

Your Board was pleased to announce Mr Ross Carroll was appointed as Chief Executive Officer to replace Mr Bowen and I welcome him to the position. Ross has extensive experience both at Macmahon and in the broader resources industry and will be a great asset to the Company in his new role.

Ross' appointment is the culmination of a considered succession plan for the Company and the Board has every confidence in his ability to lead Macmahon. His leadership of the Mining business during a time of international expansion and profit growth highlights his ability to deliver good results and he has a strong understanding of the demands of our operations throughout his time in that role. Furthermore, Ross has had extensive experience managing the financial aspects of the business as the former Chief Financial Officer and he has a broad and balanced understanding of the contracting sector.

I would like to take this opportunity to congratulate Ross on his appointment and the Board looks forward to continuing to work with him in the future.

New initiatives

At this point I would like to summarise the initiatives we have implemented to address the current problems.

- 1. First, the people changes we have made:
 - a. Ross Carroll has been appointed the CEO to replace Nick Bowen. Ross is not only the best person for the job, his appointment was also the necessary decisive action needed to provide the impetus to immediately address issues and avoid any long disruptive search process;
 - b. Mark Hamilton was appointed the COO of Construction;
 - c. Tom Fallon has been appointed the General Manager of WA Construction; and
 - d. A new senior project team has been appointed to close out Hope Downs 4.
- 2. Second, we will for the time being limit the total value of work taken on in WA and the size of any one project to ensure we operate within the capabilities of known and proven resources.
- 3. Third, we have implemented a range of cost saving measures.
- 4. Fourth, we will review all capital expenditure requirements.
- 5. Fifth, we are creating an independent project review group that will continually review projects across the Company and report directly to the CFO (and not line management).



6. Last, the short term strategy will focus on closing out projects in WA. In parallel, we are expediting a complete review of all our businesses to set a more manageable risk profile to better ensure consistent results – this review may take time to ensure we get it right.

In his presentation, the Chief Executive Officer, Ross Carroll, will cover in more detail some of these immediate initiatives which he has implemented relating to business rationalisation and cost savings.

Looking ahead

Recent events have obviously had an adverse impact on the value of your investment in Macmahon and I would like to assure you that your Board is focused on delivering sustainable profits to rebuild shareholder value. We understand that consistent performance is an essential part of delivering shareholder value and this remains at the forefront of our minds as we navigate the challenges of the immediate future.

The Board understands the importance of creating certainty for our shareholders. We must achieve sustainable profits and ensure we are consistently delivering on what we say we will do. This will be achieved by limiting the risks of the business, particularly in WA, and taking a more considered approach to tendering for new projects. We will focus on the skills and experience of our people and bid for work in which they have proven expertise.

Strategy

The Board will continue to work towards its long term strategy of developing a broad based business across a range of commodities and geographic areas with a strong customer base. While the short term focus will be on achieving the right balance for our construction operations, we will continue to pursue our existing strategy of building a robust and diverse suite of mining projects within Australia and overseas.

Ultimately, our focus remains on delivering a strategy that supports a sustainable business model which delivers consistent returns to our shareholders.

Board renewal

Your Board is very conscious of the need to renew its membership. In 2009 I joined the Board, in 2010 David Smith and in 2011 Eva Skira. If re-elected today, Barry Ford will step down from the Board within the next twelve months clearing the way for a new Director. Barry Ford is seeking re-election today as it is important we maintain continuity at the Board level while we work through our current issues.



Closing remarks

Finally, on behalf of the Board I would like to thank our employees for their continued hard work, particularly during what has recently been a challenging period for the Company. Our people are critical to our success and it is through their loyalty, dedication and depth of talent that the Company will continue to grow.

I would like to recognise the support of our clients and suppliers, who continue to be an essential part of Macmahon's business. Our clients continue to offer Macmahon the chance to work on exciting projects in many different locations, and we look forward to meeting the challenges of new opportunities.

Most importantly, I would like to acknowledge our shareholders. We appreciate your ongoing loyalty and support during these difficult times. Your Board is committed to maintaining a focus on delivering sustainable profits and, in turn, shareholder returns.

To my fellow Directors, thank you for your continued support throughout the year – your efforts are greatly appreciated.



2012 ANNUAL GENERAL MEETING

Chief Executive Officer's Report

Chief Executive Officer - Mr Ross Carroll

It is with great pleasure that I am here today as the Chief Executive Officer of Macmahon and I would like to thank the Board for the confidence they have placed in me.

While I take on the role at a time when the Company faces some challenges, it is an honour and a privilege to be leading an organisation with such a rich history in contract mining and construction.

I am confident that the Board and the management team will work together and lead Macmahon back to a position of strength.

Management team

Firstly, I would like to acknowledge Macmahon's Executive Leadership Group, who are all attending today. We have an outstanding group of people on our management team that are well equipped to lead the Company to a more sustainable and profitable future.

The management team has an appropriate blend of time in the job and a mix of Macmahon and non-Macmahon experience.

Greg and Fraser are the relative long termers, they were both internal promotions into their roles approximately three years ago. They have been running the two largest parts of our successful Mining business.

Everyone else has been in their current roles for two years or less. Ashley and Theresa joined Macmahon from other contractors while Stewart, Angie and Mark have all been promoted from within.

So relatively speaking it is a new management team with a complementary blend of skills and experience.

If you are staying for a coffee or a sandwich, I would encourage you to seek them out and have a chat.

Since my appointment, I have travelled to a number of our projects to speak with our people on the ground. I have also spent some time talking to the investment community. I remain impressed with the dedication of our people on all of our projects and thank them for their efforts and feedback. It has been very important to hear from the operational levels of our organisation.



I have also gathered a significant amount of feedback from our shareholders and other stakeholders in the investment community. That feedback is being considered as we rebuild the business in order to achieve sustainable profits.

Strategy

I would like to start by outlining the Company's strategy, both in terms of the work that needs to be done over the coming months through to the measures that we need to put in place to ensure our long term profitability and success. We want to achieve positive results and do it consistently, and we will do this by developing a robust business model that promotes sustainable profits over time.

Our strategy is to continue to develop a diverse, multi-disciplinary contracting business that is able to adapt quickly to prevailing market conditions. Our diversity by sector, discipline, geography, client base, commodity and contract delivery model is pursued to ensure the Company is not dependent on any one market. We believe this is the best way to deliver acceptable returns to our shareholders.

Our financial strategy is aimed at creating a strong balance sheet to allow investment in the latest plant and equipment and the provision of bonds to meet the capital requirements of a growing business in a sustainable way.

The last few months have shown we need to manage the growth of the Company more carefully and we are reviewing our strategy at the moment to determine the best approach for striking the balance between pursuing new projects and achieving sustainable results.

Since my appointment, we have adopted a more co-ordinated, whole of business approach, to best deploy our people and plant resources across the Company. For example, we anticipate many employees who have been working on the construction of the Solomon Rail Spur for FMG will transfer to the new Christmas Creek 2 surface mining project. We will also better utilise our plant resources across the whole business.

Getting the strategy back on track

In order to get the strategy back on track, and I say this in the context that every strategy has to deliver shareholder value, the Management team are taking the following initiatives:

- Focus on the quality of earnings rather than revenue growth. I would rather we were
 operating at revenue levels where we could manage the workload comfortably and earn
 higher profit margins instead of stretching to a higher turnover level and putting our earnings
 at risk;
- Continue to build on the success of our Mining business but investigate low capital intensity options for growth;
- Continue to assess further opportunities for Mining in Africa;
- We have undertaken an organisational review which I will talk about shortly;



- De-risk the Construction business, particularly Western Australia. We will do this by being
 far more careful and disciplined in relation to the complexity and size of the projects we
 tender, the amount of work we take on at any one time, and the availability of quality
 management to execute these projects;
- Assess our current regional structure to ensure we have the appropriate organisation for a business of this size;
- Implementation of cost saving initiatives;
- Reduction in capital expenditure and seek to increase utilisation and operating efficiency of the current fleet:
- Embracing a culture of risk management and being realistic. I will talk more about risk management shortly as well; and
- Creation of an independent project review team that reports into Corporate, not line management.

Risk management

I have touched on the issue of risk management before, however I would like to emphasise the Company's philosophy on this issue going forward. Since my appointment to the role, risk management has been a major focus.

I also want to reiterate that there is nothing wrong with our risk management processes or our reporting systems. They can only be effective if we have appropriate management in place.

I have already mentioned that we have to ensure we are not taking on work that is beyond our capabilities. In addition, we must have the right culture to ensure our people are empowered to speak up if they have any concern about how a project is progressing. The creation of an independent project review team will also assist the broader organisation in not only assessing risk but also improving profitability. I am confident that the measures now in place will foster that culture and provide a more considered approach to all aspects of project management. I am confident that a disciplined and focused approach to risk management will assist the delivery of consistent and sustainable profits in the future.

Organisational review and cost reductions

In response to market conditions, a review of Macmahon's organisational structure was recently completed. This review actually commenced in August as we began to see market conditions tightening. The Company engaged external consultants to undertake the review, benchmarking the existing structure against that of our peers and undertaking a detailed investigation of potential efficiencies in this area. I also initiated a review of our costs to identify areas where savings could be achieved throughout the business.



The outcomes of the external review were communicated to our employees on October 31. We have centralised key corporate and support functions to reduce duplication and improve efficiencies and responsiveness across the business. This has, unfortunately, meant that some roles were made redundant. While this has not been an easy process for our people, the changes we have put in place will be essential to driving business improvement and cost efficiency. I am confident the outcome will greatly enhance the long term sustainability of our business and improve the engagement between support services and project teams.

In addition to the change in our structure, every member of the Executive Leadership Group has volunteered a 10 per cent reduction in their salaries for the remainder of this financial year to support the Company's cost saving initiatives. I am pleased to report that the management team was united on the importance of taking this step during a challenging time for the Company. It was essential that the Executive Management team lead from the top as we strive to reduce costs

Further cost savings have also been achieved through a range of initiatives being implemented across the business. Initiatives taken to reduce our overheads have included:

- a reduction in discretionary expenditure;
- a review of insurance policies to achieve price reductions;
- a deferral of the 2012 salary review;
- a rationalization of office space; and
- a staff hiring freeze except for crucial revenue generating positions;

Overall, these actions will lead to an annualised cost savings in excess of \$10 million, partially offset by redundancy costs in the 2013 Financial Year. The management team and I are confident we now have the right balance of people, skills and organisational structure to improve our performance across the business.

Our clients

Overall, Macmahon's business is based on maintaining strong client relationships across our projects. Our client base includes of a range of blue chip companies that have a proven reputation within the industry and we are proud to be supporting their projects and their ambitions for growth.

Even through the difficult times in Construction, we have maintained a strong relationship with our clients. This is no more evident than in the recent preferred contractor status for Christmas Creek 2, which was secured following the establishment of our relationship with Fortescue Metals Group on the Solomon Rail Spur. Our commitment to working productively with our clients during every step of their projects is a significant asset and greatly assists with rolling over existing contracts and winning new work.



Winning work

Winning work remains a key strategic imperative for Macmahon. 2012 was a fantastic year for us with winning work, culminating in a record order book of \$3.1 billion at the end of the financial year.

Some of the key contracts which were won included:

- The Tropicana gold mine;
- The Inpex site development works project;
- The Solomon Rail Spur project;
- The Tavan Tolgoi coal mine; and
- The Darwin Marine Supply base.

Although the amount of available work has reduced coming into the 2013 Financial Year, we have been successful in securing an extension to the Olympic Dam contract and I expect we will have the Christmas Creek 2 contract signed up by the end of the month.

Christmas Creek 2 was particularly pleasing as we beat a strong field of competitors to win the contract. It was also pleasing for me as we utilised a different approach as part of our win strategy this time. We had a bid manager to manage the overall bid and the relationship with the client and we appointed our most experienced mining tendering officer to manage the technical and pricing aspects of the tender. Previously we would have one person trying to do both but this time we were more in tune with the customer's requirements.

We thank Fortescue for the opportunity to do this project and I believe it will be a very successful project for both parties.

The likely award of Christmas Creek, the continued ramp up of Tropicana and Tavan Tolgoi and the continuation of the Olympic Dam and Orebody 18 projects will mean that the Mining business will continue to grow in a market that is perceived by many to be shrinking.

Over the remainder of this financial year, our objectives will be to:

- Roll over the Orebody 18 contract;
- Win some new work for the Underground mining business;
- Fill the order book for NSW and QLD construction; and
- Selectively win some smaller jobs here with Western Australia.



Our people

You often hear it said that people are a Company's most important resource. Sometimes it is said lightly but with a company like Macmahon, and any other contractor for that matter, we have three key ingredients:

- 1. Our brand or reputation;
- 2. Our people; and
- 3. Our equipment.

I think those key ingredients speak for themselves. However, with a contractor, you only get the reputation and the equipment if you have good people. We can't rely on an iron ore deposit or a manufacturing plant or intellectual property, we can only rely on our people – to win us work and make us profitable.

In order to continue to develop our people, we are focused on the following:

- Leadership development programs for our high potential senior staff, our project managers, potential project managers and graduates;
- Our graduate and apprenticeship programs were expanded during the 2012 Financial Year
 to include a total of 57 graduates and 127 apprentices and are continuing to develop the
 next generation of our workforce. This represented a 73 per cent and 37 per cent increase
 respectively;
- Similarly, the ROCKSTAR program is continuing to lead the industry in Indigenous employment and training programs and we are very proud of its achievements since its launch earlier this year. We anticipate 300 indigenous people graduating through Rockstar over the next two years; and
- Finally as part of our organisation review, we will be focusing on consistent processes and teamwork which will make our employees' jobs easier.

Now I would like to take the opportunity to talk about both our businesses.

Construction

As mentioned, the area of the business that is currently subject to review is our construction operations in Western Australia. Since my appointment, I have been conducting a detailed review of that business with the support of the COO of Construction, Mark Hamilton. There are two issues that are vitally important at the moment:

- completing our remaining large projects including Hope Downs 4 and Solomon Rail Spur;
 and
- developing a clear direction for the future of the business unit.



At the moment, we are focused on substantially completing Hope Downs 4 and Solomon by Christmas, which is within both clients' required timeframe. I am confident that we are progressing well in that regard.

Measures have also been implemented to ensure we will not take on projects that are beyond our capability and that the tendering process includes a critical review of the people and plant we have available to do the job, and their ability to do it profitably.

In terms of the strategic review of the business, this is a very thorough process which will enable us to make the right decisions to generate long-term value for Macmahon and its shareholders. We cannot rush this review. We are taking the time to ensure the strategic review process is as rigorous as possible and the outcomes position the Company to achieve consistent profitability. All options are being considered and nothing has been ruled out.

I will provide you with an update on the outcomes of the review once the exercise is complete.

Our construction projects

I would now like to update you on a few of our key Construction projects.

The Northern Territory has continued to deliver outstanding results over the last year. While this part of our business has always performed very well, it has been extremely successful in starting new projects associated with the oil and gas industry.

The site development works for the Ichthys LNG onshore facilities are underway. This \$340 million project is being delivered as part of a 50:50 joint venture with John Holland and includes access roads, earthworks, drainage and ground improvement works. This is a significant project for the Company and one that places Macmahon in the heart of the growth of the Northern Territory's oil and gas developments.

Also in the Territory is the construction of the Darwin Marine Supply Base. Macmahon is completing the \$100 million project for the Northern Territory Government as the construction partner in the ShoreASCO Consortium. The project involves the design and construction of a special purpose wharf and dockside infrastructure to service offshore supply vessels.

Both of these projects highlight the success of our Northern Territory operations under the leadership of the NT Construction General Manager, Robert Wilson.

In New South Wales, Macmahon recently completed the Glenfield Transport Interchange, one month ahead of schedule. Macmahon delivered the \$170 million rail project as part of the Glenfield Junction Alliance, providing improved rail services in Sydney's west. The project has reduced congestion at the junction, which is a high use area for both passenger and freight trains. The successful completion of the project highlights Macmahon Rail's specialist capabilities in managing the complex logistical challenges of working in a live rail environment.



In South Australia, the South Road Superway project is progressing, with the impressive elevated roadways that are a hallmark of the project now taking shape. Macmahon is delivering the project – the largest investment in a road project by the South Australian Government – in joint venture with John Holland and a local contractor, Leed.

Here in Western Australia, the design and construction of the Great Northern Highway Realignment is underway, with the project team mobilised to site in Port Hedland. This \$220 million contract is a significant project for Main Roads WA and will greatly improve road conditions within the Greater Port Hedland region.

Also in the Pilbara region is our Solomon Rail Spur project, which is nearing completion. This has been a very challenging job, with much of the rail line passing through the Chichester Ranges. The project team has worked incredibly hard to manage the unique challenges and deliver what will be a high quality piece of infrastructure for the client, Fortescue Metals Group.

Our mining projects

Moving onto Mining.

This area of the business has traditionally performed extremely well and has continued to deliver good margins across its projects. We have proven our ability to maintain strong and mutually beneficial relationships with our clients over many years and this is a key part of our competitive advantage within the Mining business.

Macmahon has one of the broadest service offerings globally and can deliver services to both the surface mining and underground mining sectors. This broad knowledge of all elements of the sector means that we are well equipped to apply innovation and industry best practice to achieve the best possible results for our clients.

Recent contract wins and extensions are evidence of the strength of our client relationships across the Mining business. It has been particularly pleasing to see our overseas projects increase in size and number, with this part of our operations growing in terms of its overall significance to Macmahon.

In Australia, the start of mining operations at the Tropicana Gold mine has been a significant milestone. Our 10 year, greenfield mining contract for AngloGold Ashanti will underpin the Company's surface mining operations for the next decade. We have made a significant investment in new mining equipment for this project, with the first of our Caterpillar 793F dump trucks arriving on site a few months ago. Our new, on-site workshops are now largely complete and the mining of overburden is underway. The first gold pour will occur towards the end of next year.

Looking ahead, there is potential to explore the implementation of automated equipment at this site. All the new equipment we have purchased is equipped with the technology to be automated. When this occurs, it will be a great step forward for Macmahon.



Macmahon's Underground operations in Australia are also delivering consistent results through its capability and strong client relationships. The Company recently announced the extension of its Olympic Dam contract for a further three years. This project has been a cornerstone of the Underground business since initial award in the 2004 Financial Year.

The contract award of the Ranger 3 Deeps project for ERA earlier this year was also an important win for the Company. This was the first contract to be shared between our Northern Territory Construction business and our Underground operations. The collaborative effort of both teams highlights our ability to deliver multi-disciplinary projects requiring a range of specialist capabilities. The construction element of the project is nearing completion, with our Underground project team now on site.

In addition to these contract awards and extensions, we have also continued operations at our flagship mining project. In the Pilbara, mining operations at BHP Billiton's Orebody 18 and Wheelarra deposits are progressing well. The client is looking to increase production there as it increases its output across its Pilbara operations.

Now to International Mining.

Mining operations commenced in Mongolia earlier this year, representing a significant step forward in our international expansion. As a sign of Macmahon's versatility, we started this project when the temperatures were minus 30 or lower. Our contract at Tavan Tolgoi has the potential to underpin our international operations for many years to come and helps establish the Company in this emerging mining region.

Tavan Tolgoi is one of the world's largest coal deposits – it contains around 7 billion tonnes of coal – and we are very excited to be mining there. As well as being an extremely large and low cost mine, it is only 250km from the Chinese border, one of the world's largest importers of coal.

You may be aware of some of the press regarding Mongolia recently. This has occurred following the election of a new government back in June. The major cause of this press is around the nationalisation of mining resources, including the massive Oyu Tolgoi project.

Macmahon is not impacted by this move as it is already operating a mine that is 100 per cent owned by the Mongolian government and their people.

Mongolia is a complex environment to operate in. However, Macmahon believes it is as well protected as it can be. We have:

- a cost plus contract where the margin is calculated in accordance with the value of the capital invested on site;
- The client has placed six months' worth of contract payments into an escrow account that only we can access;
- If the contract ends, the client is obligated to purchase all our equipment at a guaranteed value; and



 And as I mentioned earlier, this is an extremely large, high quality and low cost mine located close to the Chinese border which largely insulates it against falling commodity prices.

We are currently trying to finalise the financing arrangements for the project. This will essentially be project finance with very limited recourse back to the Group.

Africa also remains an area of focus for Macmahon, with two projects now well established in Nigeria. Quarry operations started at Calabar during the 2012 Financial Year and this project is delivering consistently good results for the Company. Our work at Calabar reflects a growing relationship with Lafarge Cement. Having two projects operating effectively in Nigeria provides us with the critical mass to grow further in Africa.

In Asia, our quarry operations in Malaysia and Indonesia continue to perform well under the leadership of our General Manager Asia, Peter Binsted. These projects created the relationship with Lafarge and continue to deliver strong results for the Company and were the foundation of our international expansion.

Outlook

In terms of the overall outlook, the next six months will be a challenging time for the business. However, through the measures I have outlined today, we are prepared to meet these challenges head on and come out stronger at the end.

Changing market conditions mean there is now more competition within the bidding process and increased uncertainty surrounding the pipeline of work, particularly for the Construction business. The Company will navigate through that environment with the strong focus on the risk management that I have detailed, particularly around tendering and project management. This should ensure we can deliver on what are promising.

Despite the uncertainty, there continues to be opportunities for growth that Macmahon will pursue in order to deliver sustained and reliable profits for our shareholders.

Closing remarks

I would just like to finish up by saying that I realise that the Company has let its shareholders down over the last few months. And the next six months will be challenging as we finish some very substantial projects and manage our balance sheet as the Company continues to grow its Mining business.

However, I remain confident about the future – otherwise I wouldn't have been so keen to take the job on. Macmahon as a whole is not broken. We have certain underperforming elements that have overwhelmed the good parts of the business. I can assure you that these poor performing parts of the business will be addressed during our strategic review.



As I said earlier, Macmahon's Mining business remains very strong. It will be the foundation of the turnaround of the Company.

My pledge is that you will see a new Macmahon. A Company that delivers improved profitability in conjunction with consistent and sustainable results.

Macmahon will return to the position where it ought to be - a Company that not only looks after its clients and its employees, but more importantly, delivers sustainable returns to its shareholders.

Thank you.

*** ENDS ***

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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.

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