

18 January 2013

## Macmahon shareholders to vote on sale of construction assets to Leighton

### Highlights:

- Independent Directors unanimously recommend that shareholders vote in favour of the Proposed Transaction with Leighton.
- The Independent Expert has concluded that shareholders are likely to be better off if the Proposed Transaction proceeds, notwithstanding that it concluded that it is not fair but reasonable to Non-Associated Macmahon shareholders.
- In the Independent Directors' view, the Leighton transaction is in the best interest of shareholders, with certain terms, limited conditions, and (accordingly) a low risk to completion.
- Macmahon to become a dedicated full-service mining contractor, in line with its new strategic direction.

Macmahon Holdings Limited (ASX:MAH) advises that a general meeting of shareholders will be held on Tuesday , 26 February 2013 to consider the proposed sale of a majority of the Company's construction projects and associated plant to Leighton Holdings Limited ("Proposed Transaction").

Macmahon's Independent Directors have unanimously recommended that shareholders vote in favour of the Proposed Transaction and have signalled their full support with an intention to vote their shares in favour of the Proposed Transaction, as detailed in the Notice of Meeting (**attached**). The Notice of Meeting contains the Independent Expert's Report from Ernst & Young on whether the Proposed Transaction is fair and reasonable to Macmahon shareholders not associated with Leighton ("Non-Associated Shareholders").

Macmahon entered into the Asset Purchase Agreement with Leighton – as announced on 24 December 2012 – in line with the Company's strategy to exit the construction division and become a dedicated full-service mining contractor.

Macmahon's Independent Directors believe that the Proposed Transaction is in the best interests of Macmahon's shareholders, providing certain terms, limited conditions, and (accordingly) low risk to completion. A comprehensive discussion regarding the reasons for the Independent Directors' recommendation can be found on pages 14-18 of the Chairman's Letter that is included in the Notice of Meeting and Section 3.18 of the Information Memorandum in the Notice of Meeting.

The Independent Directors also note that **the Independent Expert, Ernst & Young, has concluded that the Proposed Transaction is not fair but reasonable to Non-Associated**

**Shareholders.** A copy of the Independent Expert's Report is incorporated in the attached Notice of Meeting.

The Independent Expert has stated that the extent to which it assessed the Proposed Transaction to be not fair (a difference of \$1.4 million) was comparatively small relative to the market capitalisation of Macmahon and the potential costs that could be incurred in Macmahon's exit from construction if the sale was not completed. Importantly for shareholders, the difference in value is not considered by the Independent Directors to be material in the context of Macmahon's forward strategy and the certainty the Proposed Transaction provides the Company, particularly as any alternatives are not without material risk.

Furthermore, the Independent Expert also opined that, for the reasons detailed in the Independent Expert's Report and having regard to the nature of the Proposed Transaction, the potential advantages of voting in favour of the Proposed Transaction outweigh the potential disadvantages to the Non-Associated Shareholders, and that **Macmahon's shareholders are likely to be better off if the Proposed Transaction proceeds.**

Macmahon Chairman Ken Scott-Mackenzie said the Proposed Transaction provided certainty for Macmahon as the Company pursued its strategy of providing a full suite of services to the mining industry.

"The proposed transaction with Leighton allows Macmahon to focus on pursuing our strategy of growing and developing our successful mining operations, in line with our new strategic direction," Mr Scott-Mackenzie said.

"Our construction business was not positioned to be competitive or deliver sustainable earnings in the future due to its insufficient scale, high overheads, and challenges in attracting and retaining key management personnel.

"By selling the majority of our construction projects, we will be able to focus on building the strength and reputation of our mining operations, which reduces our risk profile and is expected to deliver more consistent and sustainable earnings.

"I would encourage shareholders not to be distracted by the recent approaches from Sembawang in relation to our construction business.

"The Independent Directors gave thorough consideration to the Sembawang approaches and unanimously rejected them upon considering all aspects of their proposals, including the limited information provided by Sembawang, the conditional nature of their proposals and overall uncertainty regarding completion of a transaction with Macmahon. To walk away from the certainty

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of the transaction with Leighton in the hope of doing a better deal with Sembawang based on a highly conditional, indicative proposal is an unacceptable risk which is considered not to be in the best interests of our shareholders. The actions of Sembawang to date certainly discourage any such leap of faith.”

\*\*\* 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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