

26 February 2013

Chairman's Address: Macmahon Extraordinary General Meeting

Welcome to the Macmahon Holdings Limited (ASX:MAH) Extraordinary General Meeting to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, the disposal of the majority of Macmahon Holdings Limited's construction projects (including corresponding plant and equipment, and the transfer of certain personnel) to Leighton Holdings Limited, a substantial holder of Macmahon Holdings Limited for the purposes of ASX Listing Rule 10.1.3, or any one or more Leighton Holdings Limited nominees, on the terms and conditions of the Asset Purchase Agreement summarised in the Information Memorandum, be approved."

Attached to, and forming part of the Notice of Meeting there is an Information Memorandum (including the Independent Expert's Report prepared by Ernst & Young) that provides Shareholders with background information and further details on the Resolution to understand the reasons for, and the effect of, the Resolution, if approved.

The Independent Directors of Macmahon unanimously support the Proposed Transaction and recommend that Shareholders vote in favour of the Resolution to approve the Proposed Transaction.

The Independent Directors of Macmahon intend to vote in favour of the Resolution to approve the Proposed Transaction in respect of the Macmahon shares over which they have voting control.

Please note that as stated in the Notice of Meeting, the Company will disregard any votes cast on this resolution by Leighton or any of its Associates.

I would now like to take a moment to outline the Independent Directors' rationale on the Proposed Transaction.

Macmahon's strategy

The confirmation of the Proposed Transaction today will set Macmahon on the path to becoming a dedicated mining business, with a focus on delivering an end-to-end service offering for our mining clients across Australia and overseas.

Our Mining Business has achieved consistently good results in recent years, continuing to grow despite the market conditions of the last 12 months. Our Mining operations are generally based on long-term relationships with a range of blue-chip clients, and have what we consider to be a better risk profile when compared to the short term adversarial nature of Construction contracts.

The Board is confident the Company's mining focused future will deliver shareholders greater certainty with more consistent results, without the volatility of an underperforming Construction Business.

Exit from Construction

The exit from Construction will therefore position Macmahon for stronger, more sustainable results in the future. As such, the Independent Directors unanimously recommend that shareholders vote in favour of the transaction before us today.

There are many reasons the Independent Directors consider the transaction under consideration today to be in the best interests of shareholders. These include:

- the transaction's highly certain terms and limited conditions;
- the capped risk on further losses in respect of the Urban Superway project;
- Leighton's financial strength and ability to complete the proposed transaction;
- the removal of the pre-tax employee liability for transferring employees; and
- the significant reduction in potential closure costs in the event we were forced to wind-down our Construction Business.

The fact that 38 per cent of Macmahon's Construction operations are already in joint venture with Leighton companies means there are natural synergies that will ensure a successful transition for the transferring projects. The Board's decision to negotiate at arm's length with Leighton ensured we could complete the transaction without unnecessarily destabilising our people and projects through a public sale process. Their existing understanding of our business ensured the process could be completed quickly, while minimising the risks associated with such a change at the project level. Because the Company was able to agree a sale with Leighton on a confidential basis, we were able to avoid huge risks associated with destabilising the Construction Business that could have ended up in losses many times any possible sale premium achievable through a public tender process. Moving quickly was essential to mitigating the risk of these losses.

Independent Expert's Report

The Board notes the Independent Expert's report which concludes that the Proposed Transaction is not fair but reasonable to the Non-Associated Shareholders of Macmahon. Further, having regard to the nature of the Proposed Transaction and the advantages and disadvantages, it is the opinion of the Independent Expert that the Non-Associated Shareholders of Macmahon are likely to be better off if the Proposed Transaction proceeds.

The Board's view is that, on balance, the transaction would provide the certainty Macmahon requires for a stronger future. While the Independent Expert found the transaction was \$1.4 million outside of the fair range, that did not take into account the potential benefits associated with the cap on losses for the Urban Superway project, or the value that the certainty of a mining focused future will provide Macmahon.

The Independent Directors consider these factors to be of vital importance to Macmahon's future success and therefore considers this transaction an essential precursor to our future development.

