

15 November 2013

2013 ANNUAL GENERAL MEETING

Chairman's Address

Chairman: Ken Scott - Mackenzie

2013 was a transformative year for Macmahon.

Marking 50 years in operation, 2013 saw the Company move away from its formative roots in the Construction sector to become a dedicated provider of contract mining services.

Given the history of the Company and its origins in construction, this decision was very difficult; however, given the extremely poor performance of that business unit and a significant fall in market opportunities to support the overhead structure of a national operation, the Board had to take this decisive action. On reflection, given subsequent events and market conditions, the Board is very comfortable with its decision.

In line with this course of action, the Company sold its construction assets and in February successfully completed a fully underwritten pro-rata non-renounceable entitlement offer. Proceeds of the offer were used to strengthen the balance sheet and meet capital expenditure requirements for the Christmas Creek Mine project.

However, despite this significant effort, the losses arising from our construction business resulted in the Company reporting a net loss after tax of \$29.5 million for the 2013 Financial Year. Consequently, no dividend was declared. It should be noted that this loss included a before tax provision for doubtful debts of \$17.9 million (to which I will refer later) and a before tax impairment for plant and equipment of \$1.8 million, both allocated against the continuing mining operations.

This result was extremely disappointing for all of us, and the Board's utmost priority is to expeditiously return the Company to profitability and to improve investment returns for shareholders.

On a positive note, it's important to highlight the strong performance of the continuing mining business. This business has achieved year on year growth over the past five years and delivered consistent results over a long history.

I am confident that the Company's new mining focused business model will see Macmahon move beyond the challenges of recent times.

This confidence stems from a number of significant achievements reached during the year including:

- \$2.4 billion of new mining work won during the 2013 Financial Year;
- A record mining order book of \$3.2 billion as at June 30, 2013;
- Strong cash flows from continuing operations of \$118 million;
- Cash reserves of \$153 million at year end;
- Gearing of only 15.4% at year end which is well below our maximum target; and
- The establishment of a management team with a greater focus on safety, profitability and future growth.

These achievements clearly demonstrate the underlying strengths of the mining business.

Importantly, the Company has also completed its legacy construction projects. The Trangie Nevertire Irrigation Scheme project in NSW was completed just last week, and in the week prior to that the Company sold its 25% share of the Express Rail Link project in Hong Kong to Leighton Asia. This follows the sale of the Company's rail assets in March. The final sale of our construction assets and the close out of legacy projects proceeded as per the overall forecast or better, and this is a great credit to all those involved.

Whilst we have an ongoing liability for projects that we are obligated to warrant into the future, we think we have adequate provisions for this purpose. As such, the Board and I are now confident that the construction losses have been dealt with so the Company can now focus on delivering significantly greater returns to shareholders through its mining operations.

Company Performance

Setting aside the impact of the construction business, the Company's underlying net profit after tax was \$43.6 million for the 2013 Financial Year and as I said before, this was after provisions of \$19.7 million. Total mining revenues for the year increased 33 per cent to a record \$1.2 billion.

Operational highlights included:

- The award and commencement of the five year \$1.8 billion Christmas Creek Mine expansion project;
- The award of a two year extension of the Olympic Dam underground development contract in South Australia;
- The ramp-up of mining operations at the ten year \$900 million Tropicana Gold Project; and
- Record revenue and production at Orebody 18 with nearly 30 million tonnes of iron ore railed during the period.

Whilst the majority of our mining operations performed extremely well, there are two items which adversely impacted the reported mining result and led to the Company taking up provisions for doubtful debts totalling \$17.9 million.

The most significant of these was the sudden decision by our client at the CSA Mine in New South Wales to cease shaft sinking operations. Disappointingly, we have not yet been afforded a satisfactory explanation for this decision, but the client's real motivations would appear to relate to economic conditions rather than our performance. We intend to vigorously pursue our claims in this matter, and have now commenced proceedings against the client in the Supreme Court of New South Wales. In this litigation Macmahon is pursuing claims for unpaid work in relation to the project, and claims for damages arising from the termination. Costs associated with the closure of this project were brought to account in 2013.

The second item relates to payment delays at our Tavan Tolgoi project in Mongolia. We have been working closely with our client to settle the outstanding balance and resolve this issue. I intend to visit Mongolia again next month for further discussions with the Government and project representatives.

Strategy

Turning now to our strategy.

The Board is committed to developing a robust and diverse mining business that is capable of delivering sustainable investment returns to shareholders.

We will do this by:

- **Delivering on our promises** by focusing on our client's needs and developing solutions that create ongoing value for them and our shareholders;
- **Driving margin growth** through continuous improvement, in particular, business efficiencies and productivity gains;
- **Driving cost efficiencies** with the streamlining of overhead structures (or in other words, "right sizing" the business) and introducing better buying opportunities;
- **Being flexible** to respond to changing market conditions; and
- **Maintaining a strong balance sheet** to support future growth.

Ross will discuss in greater detail what we call our "four pillars of success" being safety, business development, business improvement and people which are integral to the implementation of our strategy and achievement of our goals.

We are working hard to expand our surface and underground mining operations both in Australia and overseas.

Domestically our surface and underground businesses are working in unison to ensure that we are cross-selling our capabilities and leveraging existing client relationships.

Internationally, we are continuing to selectively chase new opportunities and our three operational hubs in Asia, Africa and Mongolia are providing us with a solid foundation from which we can expand our existing operations.

We are also working hard internally to reduce costs and drive operational efficiencies. The Company is acutely aware of the pressures facing the industry at present and has embarked on a number of new initiatives to streamline our operations and bolster productivity levels.

I'm pleased to report that significant progress has already been made in this regard, particularly in relation to reduced overheads and better procurement arrangements. Ross will elaborate on these initiatives and others in his CEO Address.

Workplace Safety

Turning now to safety, which is our utmost priority.

Safety is one of Macmahon's core values and ensuring a safe and healthy working environment is an absolute priority for the Board and Management.

With this in mind, I am deeply saddened to report that we had a fatality in March. I would like to acknowledge our lost colleague, Jeremy Junk, and on behalf of the Board extend our deepest sympathies to his family and friends.

Macmahon is committed to maintaining its safety focus, and as such, the Company will continue to invest in education and training, as well as implementing hard engineering controls to address safety risks on all of our projects.

On a more positive note, the Company achieved a number of significant safety milestones including 6 years LTI free at our Eaglefield / Lenton project in Queensland and two years LTI free at our Waihi operation in New Zealand. A number of other projects completed during the year also did so without an incident, which is a strong achievement.

People

The past year has been very challenging for our people.

The Company's change in strategy resulted in an overhead reduction; with many positions made redundant and other roles reshaped to support the new mining focused structure.

Throughout this difficult period our people have continued to show tremendous dedication, competence and commitment to the Company. They are a credit to themselves and an asset to the organisation, and we thank them for their continued efforts.

Given our smaller structure, we are now focused on attracting and retaining the best and brightest people in the industry. The softening of the employment market is helping the Company significantly in this regard.

Developing our existing workforce remains a key focus for management and our training programs continue to be recognised as some of the best in the industry.

Remuneration Review

Which brings me to our Executive Team and our current remuneration structure.

This year, following extensive consultation with independent consultants and various shareholder representatives, the Board made a number of changes to the Company's Executive remuneration structure, which are outlined in the Annual Report.

These changes reflect current market conditions and align with our new business strategy. They also address many of the issues raised by Shareholders at our last Annual General Meeting.

We are confident that we now have the right remuneration structure to attract and retain the high calibre of executives needed to deliver the Company's strategy and deliver sustainable performance.

I will have more to say about this matter when Resolution 1 (Adoption of the Remuneration Report) is put to the meeting.

Board Renewal

At the 2012 AGM I reinforced the Board's commitment to renewing its membership in a structured and orderly manner. Today I have the pleasure of officially welcoming two new Directors to the Board, Mr Giles Everist and Mr Jim Walker.

Giles was appointed to the Board as a non-executive director in June this year and brings a wealth of commercial experience in the contracting and resources sectors.

Jim was appointed to the Board as a non-executive director in October after a long and distinguished career at the WesTrac Group. Jim's extensive knowledge and experience in the resources sector further strengthens the depth and breadth of mining expertise among our Board members.

The orderly appointments of both Giles and Jim preceded the retirement of Barry Ford and David Smith.

Barry and David have both made tremendous contributions to the Board over many years, and on behalf of the Board and Management, I thank them both for their commitment and dedication.

Changes at the Board level will be ongoing with one further appointment in the near term and, at the appropriate time next year, Barry Cusack and I intend to step down from the Board.

Outlook

Turning now to the current year and what lies ahead for 2014.

As I mentioned earlier, current market conditions in Australia are unlikely to improve dramatically in the near future. Indeed, we expect that mine owners will continue to put pressure on their contractors and suppliers to deliver efficiencies in order to maintain returns to their shareholders.

For Macmahon, this may result in a number of new opportunities as mine owners seek the most efficient means of operating. Encouragingly, tendering activity on the whole has increased in recent months, although, so too has the level of competition.

Which brings me to guidance for this financial year.

At our full year results in August, the Company provided revenue guidance of between \$0.9 and \$1.2 billion for the 2014 Financial Year. This took into consideration the challenges facing the industry and the variability and uncertainty surrounding new projects.

As I stated earlier, there is still a large degree of uncertainty in the market. Accordingly, the Board has decided to maintain its revenue guidance for the 2014 financial year of \$0.9 to \$1.2 billion.

In regards to capital management, the Board remains committed to a 50 per cent dividend payout ratio. The Company is focused on reducing debt and strengthening its balance sheet and payment of any final dividend will be determined at the time based on the level of cash reserves and capital commitments.

Closing Remarks

In closing, on behalf of the Board I would like to thank our employees for their dedication and hard work during what has been a challenging and transformative period for the Company. Our people are critical to our success and I thank them for their efforts.

I would also like to acknowledge and thank the partners and families of our employees for their ongoing support, sometimes under very demanding circumstances.

I would also like to acknowledge our clients, subcontractors and suppliers who continue to be an essential part of our business. We value the strong relationships we have with our clients and we look forward to supporting their goals and aspirations as we grow the Company.

To my fellow Directors, thank you for your continued support and efforts throughout the year.

Finally and most importantly, I would like to acknowledge our shareholders. We appreciate your patience and support over this past year and we look forward to delivering improved returns on your investment in the years ahead.

Thank you.

2013 ANNUAL GENERAL MEETING

Chief Executive Officer's Address

Chief Executive Officer: Mr Ross Carroll

Thank you Ken, good morning ladies and gentlemen. 2013 has indeed been a watershed year for Macmahon.

In our 50th year we have shifted our focus away from construction to become a dedicated mining contractor. This decision was not one that was taken lightly, however the unacceptable losses from the construction business meant that decisive action was needed to return the company to profitability and get us back into a position where we can deliver sustainable returns for shareholders.

We are now a leaner, more efficient and more disciplined organisation.

Our Executive Management Team has been restructured to ensure that we have the best people to lead our new mining business.

I would like to take a moment to introduce this team to you now.

Theresa Mlikota is our Chief Financial Officer. Theresa has been a driving force behind the sale of our construction assets and our reduction in overheads. She is also largely responsible for the current strong state of our balance sheet and her team is currently leading our strategic sourcing initiatives.

Fraser Ramsay is our new Chief Operating Officer for Surface Mining and Infrastructure Services. Fraser has been working for the company for a number of years leading our successful surface mining business. Most recently he was responsible for securing our major contract wins at both Christmas Creek and Tropicana. Fraser also plays a major role in the success of our apprenticeship program.

Nick Cernotta is our new Chief Operating Officer for Underground, International and HSEQ. Nick joined the company in February and is responsible for further developing our underground and international business. He has also taken the lead on our safety initiatives.

Greg Miller is our Executive General Manager of Underground Mining. Greg manages our underground business here in Australia and is also looking to expand overseas. Greg also spearheads our graduate program.

Rob Barker is our Group General Manager for Market Development. Rob was instrumental in the award of the Christmas Creek contract and is now leading our business development program and directing all our business improvement initiatives.

Roger Hughes is our General Manager for Human Resources. Roger is focused on the development of our people through up-skilling and leadership training. He is also in the process of automating a number of HR activities and is developing greater efficiencies around the processing of our people.

Last but not least, David Todd is our General Manager for Safety. David brings a wealth of experience and knowledge to Macmahon having spent more than 25 years with BHP Billiton in a range of senior safety roles. David is responsible for rolling out our Group Safety Improvement Plan and has been instrumental in developing our CEO significant incident review process.

I would also like to take this opportunity to thank our retiring directors Barry Ford and Dave Smith for their significant contribution to the Company and also for the assistance they have given me personally. It is also pleasing to formally welcome our new directors Giles Everist and Jim Walker. I look forward to working closely with them on the Board as we continue to reshape and grow the business.

Safety Performance

I would now like to take a moment to talk more about safety within Macmahon.

Providing a safe, injury-free workplace is an absolute imperative for the Executive Team. We join Ken in expressing our sympathies to the family of Jeremy Junk. It is a reminder to all employees of the need to keep ourselves and our workmates safe every day.

Safety is at the core of how we operate and I am personally committed to ensuring that all significant incidents are fully investigated, and that the key learnings are communicated throughout the business.

The slide behind me shows our safety performance over the past five years. As you can see, our results have slipped in recent times, which is extremely disappointing. We are determined to reverse this trend and ensure that Macmahon once again leads the industry when it comes to safety.

To this end, the Executive Team and I have been working closely with our operational staff to further embed safety into everything we do. As part of this process, we have developed a Group Safety Improvement Plan to make it easier for our people to access systems and procedures relating to safe work methods. We have also increased our efforts in regards to safety leadership.

We believe that communication is the key to improving our safety performance and that it is the responsibility of all our leaders to take time to talk to people about their commitment to health and safety. By engaging in meaningful conversations with the workforce, we are able to better assess the effectiveness of our safety systems and ensure that the controls we have in place are working.

Strengths of the Business

Moving now to the business more broadly.

I believe Macmahon has three key strengths that will continue to underpin the business in the years ahead. These are:

- The healthy and consistent performance of our mining business;
- Our strong, long-term relationships with blue-chip clients; and
- The diversity of our operations, by commodity, geography and by service delivery.

When you strip out the financial impact from our discontinued construction business you can see that our mining operations are very strong and have delivered year on year growth over the past 5 years. Our projects continue to deliver great results despite increasing margin pressure from clients. This hasn't happened by accident, and it highlights our culture of continuous improvement and business efficiency.

Our revenue is underpinned by a strong base of long-term mining contracts with blue chip clients. I'll talk about some of our projects in detail later, but what this says to me is that mine owners are looking for long term strategic partners to work with them through the highs and lows of the mining cycle.

Clients are looking for contractors who understand their business, align with their values and importantly are easy to work with. We call this 'pain-free contracting' and it is something that sets us apart from our peers. Our ability to maintain strong relationships with our clients, particularly when times are tough, highlights the exceptional service that we provide.

Our mining business is also very diversified – by the type of work we do, the commodities we focus on, the geographies we operate in and the clients we work for. This approach ensures that we're not dependent on any one particular market and it enables us to manage the volatility that is part and parcel of the industry in which we operate.

The Market

This brings me to the state of the market and the opportunities that lay ahead for Macmahon.

I'm sure you're all aware of the challenges currently being faced by the mining industry in Australia. Commodity price volatility continues to place significant cost and productivity pressures on mine owners, which in turn are being passed on to contractors and suppliers. Disappointingly, we have recently seen a number of mine owners scale back their operations and in some cases, defer projects altogether.

Importantly for Macmahon, the majority of our clients are blue chip, low cost producers which means they are less likely to be impacted by commodity price movements. Instead the increasing focus for our clients is generating ongoing efficiencies and long term productivity.

The message we're getting is clear and consistent. Our clients need to drive productivity across their operations and they are turning to us to help them achieve this. This is an area where we can really excel, and I believe our ability to deliver cost efficient, highly productive operations, could become a major differentiator for Macmahon as we move forward.

Strategy

Turning now to our strategy more broadly.

Our overarching goal is to be a sustainable, consistently profitable, contract mining business that delivers outstanding services for our clients and generates sound returns for our shareholders.

As Ken mentioned earlier, the last 12 months have been tough on the business and we have had to work hard to regain our momentum. Pleasingly we have made good in-roads in this regard.

We are taking full advantage of the quiet market conditions currently affecting the industry by using this time to refine our systems and processes and strengthen our core capabilities. Accordingly, we have developed what we call our 'four pillars of success,' and I'd like to spend a moment to elaborate on these.

The first pillar relates to safety – in particular, improving our safety performance. As I mentioned earlier, we are determined to once again lead the industry when it comes to operating safely. This determination flows from the Board right through to our people at the coal face, and we are continuing to invest significantly in this area to ensure that safety remains everyone's top priority.

The second pillar relates to improving our business development capabilities. We are up-skilling our client facing personnel and providing them with the resources necessary to build stronger, more

meaningful, relationships with our clients. We're also breaking down silos internally to ensure that our people are sharing ideas and leveraging our full capabilities.

The third pillar of success relates to business improvement and, in particular, how we can continue to achieve greater efficiencies across our business. Known internally as Reach, our business improvement program comprises a number of programs including our rapid and strategic sourcing initiatives, and a value-driver mapping program targeting onsite identification of key operational levers to increase the profitability of our projects.

In relation to the rapid and strategic sourcing initiatives, we've recently entered into pricing discussions with all of our major suppliers. These discussions will enable us to strengthen our purchasing power whilst significantly reducing the number of suppliers on our books.

The fourth pillar of success relates to our people; specifically, how we attract and retain the best people in the industry. We are committed to ensuring we have the right people in the right roles.

Our award-winning apprenticeship program continues to be a highlight for the Company, with more than 100 apprentices and trainees currently being employed throughout Australia.

Our commitment to supporting Indigenous training and employment is also as strong as ever, with our well known ROCKSTAR program offering indigenous people opportunities to create career pathways within Macmahon.

For our existing workforce, we have developed a range of training and development programs and we are continuing to drive a culture of leadership and accountability across the business. Importantly, we are also taking advantage of the downturn in the employment market to actively recruit highly skilled people to lift the level of expertise across the Company.

Key Projects

With that in mind, I'd now like to touch on some of our major projects, starting with our surface mining business here in Australia.

In January we announced the award of a 5 year, \$1.8 billion contract at Christmas Creek for Fortescue Metals - our largest ever mining contract. We successfully ramped up in just over two months which was a real testament to our onsite management and HR teams especially given the time of year. We are now operating at a steady state with almost 700 people on site.

In line with our strategy to reduce the capital intensity of the business, the majority of the equipment on this project has been provided by our client, Fortescue Metals. This has reduced our capital expenditure requirements and has reduced the risk profile on this project.

Moving on to our Tropicana project where we've entered into a 10 year alliance with our client. We're now at full production and have been operating three fleets since July this year. The project is performing exceptionally well and is leading our development of automation technologies onsite.

In October, we signed a short-term contract extension at Orebody 18 and discussions regarding additional work are continuing. The project is performing well and despite some challenges with equipment availability in the first half of the year, we achieved record production in 2013.

Works at Eaglefield were completed during the year and operations have since moved to the adjacent Lenton pit. We expect to complete the project towards the middle of the year, which will be close to six months ahead of schedule.

Moving now to underground.

Our operations at BHP Billiton's Olympic Dam project in South Australia continue to progress well with the scope of works being extended during the year. We have been operating at that project for almost 10 years which again demonstrates the ongoing value we provide to our clients.

In the Northern Territory, the Ranger 3 Deeps exploration decline is performing well and we are in discussions with ERA about phase 2 and 3 work and construction of a ventilation shaft.

Turning to our international business.

The establishment of our three operating hubs in South East Asia, Africa and Mongolia has given us a strong platform from which we can grow our international business.

This year we reached 19 years of operation in South East Asia. Our operations in Malaysia and Indonesia continue to perform well and we are currently tendering a number of new opportunities with our long-term client Lafarge.

In Africa, we are continuing to develop a strong local presence. Our Nigerian operations are performing in line with expectations and we have bolstered our management capability on the ground there in order to drive further improvements at both of these sites.

We have also opened an office in Ghana as part of our strategy to expand further into Africa. This will assist us in developing stronger relationships with local clients and suppliers as well as provide a base from which we can pursue new opportunities in the region with strong blue-chip clients.

Finally, in Mongolia, operations continue at our Tavan Tolgoi project, albeit at a reduced rate of production.

As Ken touched on earlier, we have been experiencing ongoing issues relating to late payments for work completed. While this is very disappointing, we are working closely with our client to find a solution to these issues.

Importantly, assuming we resolve this issue, we feel there is still merit in maintaining our involvement with this project. Tavan Tolgoi is one of the world's largest coal deposits with more than 7 billion tonnes of coal – much of which is high grade coking coal. Given its proximity to China, and the quality of the deposit, the project has the potential to be a profitable operation and a good platform for the development of new opportunities in Mongolia.

This is why we've been willing to work through these difficult issues with our client.

Outlook

Looking ahead, 2014 is shaping up to be another challenging year for the business.

As I have mentioned, the market is very tough and competition for new work is fierce. That said, there are a number of large projects coming online, and our tender pipeline currently sits at around \$2.5 billion which is healthy by anyone's standards.

In Australia, this includes work with a range of blue chip miners including BHP Billiton, Peabody, Adani, Vale, Newmont, Barrick and Rio Tinto. We are in discussions with all of these companies about opportunities that are on the horizon.

Our international operations will also be a key focus for us. We are currently tendering several projects with Lafarge, Anglo Gold and Newmont, and we are hopeful of securing some of this work in the near future.

These opportunities will help us to maintain our order book and position the business for future growth.

Summary

In closing, I wish to thank our shareholders for their patience and support during what has been a challenging period for the Company. We still have a long way to go, but we are now a leaner, stronger, more focused organisation, that is poised to deliver the level of returns that shareholders should rightly expect.

Notwithstanding the market, I am optimistic about our future. Our can-do attitude, our pioneering spirit and our ability to partner with clients to help them achieve their goals makes us a fantastic organisation to do business with and a great place for people to work.

We have incredible people and an exciting future ahead of us.

We also have a great story to tell and to finish, I'd now like to play a short video to introduce you to some of our people so you can experience first-hand their passion and commitment to succeed.

Thank you.

*** ENDS ***

For further information, please contact:

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About Macmahon

Macmahon is a leading Australian company providing the complete package of mining services to clients throughout Australia and in New Zealand, South East Asia, Mongolia and Africa.

An ASX listed company, Macmahon's diverse and comprehensive capabilities provide an end to end service offering to its mining and engineering clients.

Macmahon's extensive experience in both surface and underground mining has established the Company as the contractor of choice for resources projects across a range of locations and commodity sectors.

With an expanding international footprint, 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.