ASX Release

MACMAHON

7 November 2014

2014 ANNUAL GENERAL MEETING

Chairman's Address

Chairman: Jim Walker

2014 has been a defining year for Macmahon.

Following last year's result, the Board and the Executive Management Team have worked to stabilise the business and return your Company to profitability.

During the year all remaining construction projects were either completed or sold, enabling the business to focus on its contract mining operations. Importantly these operations have continued to perform well, and I am pleased to report, that for the 2014 financial year, Macmahon achieved a profit after tax of $30.4 million.

This is a solid turn-around from where we were just 12 months ago. Whilst the Board recognises this positive shift, it has determined that a dividend will not be declared for the year ending 30 June 2014. At this time we are focusing on reducing debt and further strengthening the Company's balance sheet.

Turning briefly now to our operations.

Throughout the 2014 financial year Macmahon recorded a number of significant achievements.

These included:

- improved production and safety performance at Christmas Creek - including the implementation of real-time monitoring and analysis systems;
- increased material movement at Tropicana following the commencement of second and third fleets;
- the award of a 2 year contract extension at the Waihi Gold Mine in New Zealand;
- the award of a 4 year raise drilling contract at Olympic Dam in South Australia; and
- the successful completion of our Orebody 18 and Cameby Downs operations.

Pleasingly the Company's safety performance also improved significantly during the year. This reflects our commitment and determination to set the industry standard when it comes to safety.

The Company also made further progress towards meeting its commitment to employing 500 indigenous people by the end of 2015. As of June this year Macmahon has employed 420 Aboriginal and Torres Strait Islanders, for example, at our Christmas Creek 2 operations approximately 18% of our workforce are Indigenous Australians.

This year also saw a further strengthening of the Executive Team, with the Company appointing Sybrandt van Dyk as its new Chief Financial Officer in March. Sybrandt joined Macmahon from the WesTrac Group, where he held a number of senior roles, including Chief Operating Officer and Chief Financial Officer.

During the year Roger Hughes and David Todd also formally joined the Executive Team in their respective roles and Group General Manager of Human Resources and Group General Manager of Health, Safety, Environment and Quality. On behalf of the Board I am pleased to officially welcome Sybrandt, Roger and David to the Macmahon Executive Team.

As part of the Board's continual renewal process, further changes were also made to the Board during the year. Following the retirement of directors Barry Ford and David Smith in November 2013, Ken Scott-Mackenzie retired from the Board in March this year. I would like to take this opportunity to thank Ken for his contribution to the Company over the past five years.

At last year's AGM we also earmarked the upcoming retirement of Barry Cusack. The Board is currently working with recruitment consultants to seek a suitable replacement for Mr Cusack. As always, we will ensure that this process is undertaken in an orderly manner.

It's also important to note that the membership of the Board has reduced from 7 directors to 6.

Looking to the future, and Ross will talk more about this shortly, we expect market conditions to remain challenging. Commodity price volatility continues to place increasing pressure on mining companies to reduce costs across their operations. Accordingly we expect that investment activities from blue chip miners will remain subdued over the foreseeable future.

With less new work available competition has increased significantly which has a natural flow on effect to margins. To remain competitive in this environment, we are continually reviewing our operations to ensure that Macmahon is operating as efficiently as possible. Specifically, we are:

- reviewing our cost structures;
- restricting capital expenditure;
- implementing company-wide business improvement initiatives; and
- identifying and pursuing new opportunities in existing and new markets and capitalising on the infrastructure that Macmahon already has in place.

To close, on behalf of the Board, I would like to thank our employees for their dedication and hard work during what continues to be a challenging period for the Company. Our people are critical to our success and I thank them for their efforts.

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 what continues to be a challenging period for the industry.

I now invite our Chief Executive Officer, Ross Carroll, to provide an update on the Company's operations before I return to discuss the items outlined in the Notice of Meeting.

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MACMAHON

2014 ANNUAL GENERAL MEETING

Chief Executive Officer's Address

Chief Executive Officer: Ross Carroll

Thank you Jim and good morning ladies and gentlemen.

2014 has certainly been a challenging year for the business.

On the back of our result in 2013 due to the underperformance of our Construction business unit, the Board and the Executive Team have worked to return the company to profitability. Pleasingly we were able to turn around the Company's profitability from a loss of $29.4m in 2013 to a profit of just over $30m in 2014.

I would like to take this opportunity to thank my Executive team and all Macmahon employees for their sustained efforts in turning the Company's performance around. I would also like to thank our shareholders for their patience as we rebuild the Company.

Notwithstanding our financial result, unfortunately we have seen the market deteriorate in the second half of the financial year.

Current market sentiment, particularly around the key commodities of iron ore, coal, copper and gold, is clearly subdued and until pricing improves and the market regains some confidence in the resources outlook, mining services companies such as Macmahon will face the challenge of navigating through this subdued economic cycle.

As an indication of how difficult our markets are:

- Iron Ore prices have fallen close to 40% during the 2014 calendar year;
- Thermal and coking coal prices have fallen on average, by 20% this year – and that is on the back of significant falls in 2012 and 2013;
- Copper prices have fallen by close to 10%; and
- Gold prices have decreased by close to 3% - and that follows very significant falls in the gold price in 2012 and 2013.

The outcome of the weaker commodity prices is that very few of our customers are making satisfactory financial returns. When our customers are battling, it is a sure sign that pressure will be placed on the service providers to the mining industry.

As a consequence of the market difficulties, there is a lack of new projects globally, and more specifically here in Australia. With some projects finishing as the mine life exhausts, and in some cases, owners bringing their work in-house, the competition for what new projects there are, is particularly strong.

We can take some comfort that a lot of our work is with low cost operators on long-term projects so in many ways, we are better placed than many of our peers. However, we should be under no illusion about how tough the market is at the moment.

Adding to the difficult macro conditions, our Mongolian contract has also been particularly challenging. As communicated to the market our operations on site have been suspended by our client, Erdenes Tavan Tolgoi (ETT). The suspension relates to a number of factors, but most importantly for us, is primarily due to their non-payment for services provided by our Mongolian subsidiary, TTJVCo.

The Tavan Tolgoi project was budgeted to deliver approximately $100M in revenue during the 2015 Financial Year. At this point in time, we are unsure if production will re-commence. We will be pursuing all avenues to recover our investment as per our contractual rights. Some of these avenues, specifically in the case of arbitration, will take time to resolve and are likely to extend past the end of this financial year.

Whilst the current situation is extremely frustrating, particularly given the commitment we have made to Mongolia and this project in extreme climatic conditions, we need to bear in mind the following:

- we have performed well at this project. We have never caused the customer to miss a coal shipment and in fact, have had to curtail production frequently because of full stockpiles;
- our safety performance is exemplary. We have not had a recordable injury there for nearly 2 and a half years;
- whilst our client is currently short of cash, there is a major asset here – there is 7 billion tonnes of high quality coal close to the Chinese border; and
- our contractual entitlements are very clear.

Rather than go to International Arbitration, we are trying to negotiate a commercial settlement. We are cautiously optimistic of reaching an amicable solution. However, should we get to the stage where we feel that negotiations have reached an impasse, we will not hesitate in commencing International Arbitration. And, as I mentioned earlier, we believe we have a strong case.

We understand our shareholders' frustration over the time it is taking to resolve this issue. However, we hope you understand that Mongolia is a particularly challenging place to do business. Resolution of this issue will take time; however it remains a key focus for the Board and the management team.

Turning now to our operations, and our two major surface projects - being Christmas Creek and Tropicana – which remain a key focus for the business. Together these projects underpin the business and we have worked hard during the year to overcome a number of operational challenges that have arisen. Over the past 12 months we have lifted both our productivity and safety performance on these projects and we are continuing to invest significant time and effort into improving our performance. However, we do need to be cognisant of the fact that mine owners are constantly reviewing their operating methods so we cannot afford to be complacent.

Our operations at Eaglefield in Queensland performed extremely well. We are now in the process of demobilising from site in line with the scheduled end of mine life. This has been a fantastic project for the Company and we retain a very strong relationship with Peabody Energy. Furthermore, our safety record on this project has been exemplary and we achieved 8 years on that project without a lost time injury. It is one of the safest, if not the safest mine, in Peabody's portfolio.

In New Zealand our operations at Waihi are progressing well. Recognising our ongoing performance, at the year-end we were granted an extension to the contract which will take us through until 2016 and the end of the mine life.

Moving to our underground business, our major operation at Olympic Dam continues to perform well. During the year the Company was awarded a 4 year raise drilling contract which will utilise a number of different sized drill rigs.

Separately we were also engaged to drill a major shaft using our Big Rig which is the world's largest, most powerful raise drill. An important feature of this rig, in addition to its productivity, is its high level of automation which delivers enhanced safety benefits. It is pleasing to note that we are now nearing the completion of this shaft well ahead of schedule. Reflecting this performance we have just been awarded a second major capital shaft contract at Olympic Dam which we expect to commence in early January 2015.

At the Ranger Uranium mine, operations progressed in line with expectations and we're in discussions with ERA regarding the next phase of the project.

Internationally, our operations in Malaysia and Indonesia continued to perform well and we are currently negotiating a contract extension at Kanthan in Malaysia.

In Africa, we are continuing to drive productivity improvements across our Nigerian operations. More broadly in Africa, we see a lot of opportunity, and we are well positioned to tender for this work.

With that said, it is important to note that whilst our profitability will be lower in FY15, our balance sheet remains very healthy and we are well positioned to see through the downturn in the cycle.

As Jim mentioned, over the past 18 months we have been disciplined with our capital expenditure and we have substantially reduced our debt profile. We are also continuing to manage our cost base down to fit the lower revenue profile of the business.

We have strong financing arrangements in place. In September this year we successfully secured a new three year $317.5 million financing facility. This new facility gives us the stability and certainty of funding to enable future growth.

Our current order book stands in excess of $2 billion. This is underpinned by long term contracts with blue-chip clients in key markets. We are also tendering for a lot of work, although as we have said, competition is very tough.

In a macro sense, we also believe that the fundamentals remain strong. China is continuing to grow albeit at a lower rate. There also seems to be a renewed impetus in India to promote economic growth. While we have the two largest populations in the world industrialising, the demand for energy and for steel and copper products must continue to grow. Consequently, new projects will have to be developed in order to meet the demand for commodities brought on by increased human consumption and the exhaustion of existing mines.

Which brings me to our strategy. Our Strategy is to be a leading provider of services to the resources sector. By leading, I mean:

- providing a great service to our customers;
- providing interesting and fulfilling careers for our employees; and
- providing sector leading returns to our shareholders.

We understand that we have got some way to go to achieve this but we believe that we are putting the right building blocks in place. The foundation for the achievement of our strategy is the 4 pillars of success:

The first is safety. Overall we saw a 15% improvement in our safety performance for 2014 Financial Year and we are seeing that trend continue into FY15. This places us amongst the industry leaders. We are continuing to focus on our safety performance, particularly around visible leadership by supervisors and management.

The second is business improvement. The REACH business improvement program continues to build momentum across the Group. With a strong focus on a “back to basics” approach to deliver increased operational effectiveness, we are starting to see significant savings through improved productivity at a number of project sites. These improvements will now be translated into our tender models allowing us to be more competitive on future bids. While much has been achieved, we remain relentless in our pursuit of performance improvement and cost reduction. The good work underway on some sites is now being replicated on all sites, including our international projects.

The third pillar is people. We are continuing to develop our people and drive a culture of leadership and accountability across the business. Importantly, we have also taken advantage of the downturn in the employment market to recruit highly skilled people to lift the level of expertise across the Company. Looking forward, we will continue to adjust our employee levels in accordance with our project profiles and revenues.

The final pillar is business development and we are rapidly improving in this area. Given the tough competition for new work in the market, it is imperative that we are on the top of our game when it comes to business development. During the year, we overhauled our business development function and we are now starting to see many new opportunities coming to the fore.

Although Australia is quieter in general, we are seeing some activity in Queensland. In addition to Adani’s new greenfield project, Carmichael, there are a number of opportunities at existing operations where the mine owners are seeking to reduce costs by utilising the flexibility of contractors.

Africa is also presenting a number of opportunities at the moment. The projects, mainly in West Africa, are in gold and copper and they are both surface and underground operations. It is fair to say that Africa is the most prospective of all geographies at present.

We are also starting to re-establish ourselves in the mainstream Indonesian market in South East Asia. We believe that this will lead to a number of tendering opportunities in the New Year.

And finally, our position in Central Asia will likely be dependent on the outcome of the situation in Mongolia. We have established ourselves as a “cold weather or arctic” operator and Mongolia and many other Central Asian countries are resource rich.

In light of the situation in Mongolia and the tightness in the current market which has resulted in a shortage of new work, we have revised our forecast revenue for the 2015 Financial Year to a range of $750m – $850m which is down from $750m – $1 billion.

Whilst the current market is very challenging and competitive, it is important to recognise the discipline that we are applying when bidding for new work.

The strength of our order book has enabled us to maintain our position and not compromise our margins to unsustainably low levels. This may be resulting in a lower win/loss ratio at present, but over the long term it will put us in a stronger position.

Importantly, as I said earlier, we have invested significantly in our business development capabilities and now have dedicated resources in each of our key markets.

In closing, as I mentioned in my opening remarks there are significant headwinds facing the sector as a whole and therefore our business. However we are determined to work through these in order to grow a strong company so we can capitalise on the market recovery when it occurs. We will do so by improving the business but at the same time reducing costs and maintaining a strong balance sheet.

I wish to thank our shareholders for their support during this challenging period.

Thank you.

*** ENDS ***

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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.