

24 October 2016

The Manager
Company Announcements Officer
Australian Securities Exchange
Exchange Plaza, 2 The Esplanade,
Perth WA 6000

Dear Sir/Madam

Letter to Shareholders

Macmahon Holdings Ltd (ASX: MAH) will today dispatch the attached letter to shareholders.

*** ENDS ***

For further information, please contact:

Christian Sealey General Manager – Investor Relations & Communications +61 497 828 300

About Macmahon

Macmahon is an international contracting company offering the complete package of mining services to clients in Australasia and Africa.

Listed on the ASX and headquartered in Perth, the Company has extensive knowledge and experience in Surface and Underground Mining, Engineering and Fabrication, Construction and associated contracting services.

With an 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.



24 October 2016

Dear Shareholder,

On behalf of the Board, I am pleased to invite you to the 2016 Annual General Meeting (AGM) of Macmahon Holdings Limited. The AGM will be held at 9.30am (Perth time) on Wednesday 30 November 2016 at Macmahon's Head Office, located at 15 Hudswell Road, Perth Airport.

Enclosed with this letter is:

- the Notice of Annual General Meeting;
- the 2016 Annual Report (incorporating the 2016 Financial Report), if you have elected to receive printed copies of these documents;
- a proxy form and a reply paid envelope

Online versions of the 2016 Annual Report are available from our website www.macmahon.com.au.

Business of the AGM

An agenda for the AGM accompanies this letter and the business of the AGM is set out in the Notice of Annual General Meeting and Explanatory Statement. The Notice of Annual General Meeting and Explanatory Statement contain important information about matters to go before shareholders at the AGM.

Company Update

2016 has proven to be another challenging year for the resources sector. The push for improved efficiencies and productivities has continued to put pressure on companies servicing the sector. Compounding this issue has been the limited availability of new work and the resultant increase in competition which has had a detrimental impact on margins.

Against this difficult backdrop, our core strategy has been to focus on our existing base load of work which is scheduled to deliver approximately \$320 million per annum over the next 5 years. We are also continuing to pursue select new opportunities as they arise, where the Board believes there is a positive return on investment.

CEO Succession

On 17 October 2016, Mr Sybrandt van Dyk announced that he would be resigning from his position as Chief Executive Officer and Managing Director to pursue an opportunity with another organisation where he has been offered an equity stake. I would like to personally thank Sy for his contribution since joining the Company in 2014. This has been a period of significant change and Sy has been instrumental in reshaping Macmahon into a leaner, more efficient organisation. On behalf of the Board, I wish Sy all the best in his future endeavours.

In line with the Board's succession planning responsibilities, we were pleased to be able to appoint a strong internal candidate, Mr Michael Finnegan, to the CEO role. Mr Finnegan is an experienced mining engineer and has held a range of senior operational roles at Macmahon and other major international mining contractors. The Board believes Mr Finnegan's strong operational and technical background will prove valuable as Macmahon continues to drive operational efficiencies across its business.

Operations

During the 2016 financial year, the Company was successful in securing two new projects in Australia and another new project in Indonesia (in joint venture with a local partner). The award of these mining contracts highlighted our ability to provide value added solutions to our clients at a time when they are needed most. The Company's ongoing focus on safety, and our commitment to working closely with our clients to provide a safe and productive workplace, was a critical component in securing this new work.

The Company continued to perform well at its largest contract, Tropicana, where Macmahon currently provides a full range of mining services for Anglo Gold Ashanti and Independence Group. During the year the Company introduced several new operating methodologies, resulting in the achievement of industry best productivity and efficiency benchmarks and record production levels towards the end of the reporting period.

We are very encouraged to note that discussions are currently underway with our client regarding a significant increase in our scope at Tropicana if a feasibility study determines that an expansion of the mine is economically viable. This feasibility study is due for completion early next year.

Financial Performance

As detailed in August in our full year results, the Company's recent financial performance has been significantly impacted by issues at our Telfer project and at our operations in Nigeria. The Board and I are continuing to work closely with management to address these matters.

Recently, the Company made the decision to terminate our contract at Calabar in Nigeria. This project has been underperforming due to ongoing low mining volumes linked to the client's production plant. The kidnapping incident in June 2016 also highlighted the deteriorating security environment in the local area.

The termination of the contract will result in an additional cost to the Company in this half-year period, but over the longer term, will deliver an improved financial outcome for Macmahon. We therefore decided it was the right option to pursue.

At Telfer, significant losses have been sustained since February 2016, primarily due to start-up costs, complicated site conditions and additional maintenance rectification costs for client supplied equipment. While we always expected this job to be challenging, the quantum of these losses has been greater than anticipated at the time of tender. Nevertheless, we forecast that the project will improve in the latter part of 2017.

The Board and I thank you for your patience and trust in the Company as we make our way through to better business conditions.

Yours sincerely

Jim Walker
Chairman