

Interim Financial Report

For the six months ended 31 December 2011

Issued 21 February 2012



MACMAHON



Contents

Appendix 4D **page 1**

Condensed consolidated interim financial report **page 2**



Results for Announcement to the Market

For the six months ended 31 December 2011

Name of entity

MACMAHON HOLDINGS LTD

ACN

007 634 406

Compared with six months ended 31 December 2010

<i>All figures expressed in Australian dollars unless otherwise stated</i>				\$m
Revenue excluding joint ventures	up	46%	to	735.6
Revenue from joint ventures (net of cost recoveries)	down	4%	to	93.4
Total revenue	up	38%	to	829.0
Profit after tax from ordinary activities attributable to members	up	276%	to	23.2
Dividends	Amount per security		Franked amount per security %	
Interim dividend declared	1.5¢		100%	
Ex-dividend date	15 March 2012			
Record date to determine entitlements to the dividend	21 March 2012			
Date the dividend is payable	5 April 2012			
	31-Dec-11		31-Dec-10	
Net Tangible Assets per Ordinary Share	\$0.42		\$0.37	

For a brief explanation of the figures reported above refer to pages 3 to 25 of this Interim Financial Report.

Condensed consolidated interim financial report For the six months ended 31 December 2011

Contents

Directors' report	3
Review of operations	3
Lead auditor's independence declaration	14
Independent auditor's review report	15
Directors' declaration	17
Condensed consolidated statement of comprehensive income	18
Condensed consolidated statement of financial position	19
Condensed consolidated statement of changes in equity	20
Condensed consolidated statement of cash flows	21
Notes to the condensed consolidated interim financial statements	22

Directors' report

The directors present their report together with the condensed consolidated interim financial statements for the six months ended 31 December 2011 including the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

K B Scott-Mackenzie	(Chairman, Non-executive)
B L Cusack	(Deputy Chairman, Non-executive)
N R Bowen	(Chief Executive Officer and Managing Director)
B R Ford	(Non-executive)
E Skira	(Non-executive) (appointed 26 September 2011)
D M Smith	(Non-executive)
V A Vella	(Non-executive)

Review of Operations

Half Year Financial Highlights

- Total revenue of \$829 million (up 38% on pcg)
- Profit after tax of \$23.2 million (up 27% on underlying pcg)
- Earnings per share of 3.3 cents (up 32% on underlying pcg)
- Return to dividends, interim dividend of 1.5 cents per share, fully franked
- Record order book of \$3.4 billion (up 63% on pcg), with \$2.2 billion of new contracts and extensions awarded since 30 June 2011
- Cash flow from operating activities of \$85.3 million up 124% pcg
- Surplus cash over debt of \$78.8 million
- Refinancing and upsizing of syndicated financing facility completed in December 2011

Strategic Highlights

- International footprint expanded into Mongolia
- MVM Rail now wholly owned
- New 'Macmahon Engineering' business established
- Meeting the challenge of attracting and retaining a skilled workforce
- Risk management initiatives delivering value

Directors' report (continued)

Review of Operations (continued)

Key financial indicators

For the six months ended 31 December:

<i>A\$ million except where stated</i>	Dec 2011	Dec 2010	Change
Operating revenue	735.6	504.2	46%
Joint venture revenue (net of joint venture recoveries)	93.4	96.8	(4%)
Total revenue	829.0	601.0	38%
Earnings before interest and tax (EBIT) – before significant item	41.7	31.4	33%
Interest	(7.6)	(5.8)	31%
Profit before tax (PBT) – before significant item	34.1	25.6	33%
Significant item			
- Write down of RGP5 Rail North contract (unaudited)	-	(48.9)	
Profit before tax (PBT)	34.1	(23.3)	
Tax benefit/(expense)	(10.9)	7.0	
Non-controlling interest	-	3.1	
Profit/(loss) after tax and non-controlling interest	23.2	(13.2)	
Earnings/(loss) per share – basic (cents)	3.3	(1.8)	
Dividends declared per share (cents)	1.5	-	
Order book as at 31 December	3,382	2,077	63%
New contracts and extensions/variations since 30 June	2,198	463	375%

Reconciliation of Profit/(loss) after tax and non-controlling interest to Underlying profit after tax and non-controlling interest:

Profit/(loss) after tax and non-controlling interest	23.2	(13.2)	276%
- Write down of RGP5 Rail North contract (after tax and non-controlling interests) (unaudited)	-	31.5	
Underlying profit after tax and non-controlling interests (unaudited)	23.2	18.3	27%
Underlying earnings per share – basic (cents)	3.3	2.5	32%

Directors' report (continued)

Review of Operations (continued)

Financial overview

Macmahon has delivered a strong result, reporting a half year net profit after tax of \$23.2 million. The Company's underlying profit after tax has risen 27 per cent on the prior corresponding period of \$18.3 million. Underlying earnings per share increased by 32 per cent, positioning the Company for a welcome return to dividends.

Total revenue for the half year increased to \$829 million, up 38 per cent on the prior corresponding period. Segment revenue increases were achieved across all business units with the addition of new projects including Boddington, George Fisher, Gladstone LNG, Solomon Spur Rail and Pilbara ISA. This was further supported by expansion across a number of existing projects.

Macmahon's balance sheet remains robust, with a cash balance of \$135.0 million and a cash surplus over debt of \$78.8 million as at 31 December 2011.

Dividend

The Directors have declared an interim dividend of 1.5 cents per share. The fully franked dividend reflects the strong profit result, earnings growth and positive outlook for the Company. The dividend will be paid on 5 April 2012, with a record date of 21 March 2012.

The dividend represents a 48 per cent payout ratio, in line with the Company's target payout ratio of 50 per cent.

Order book

At 31 December, the Company had a record order book of \$3.4 billion and was awarded \$2.2 billion of new work and extensions in the first half of the year.

Major new contracts to 31 December 2011:

Mining

- Tropicana Gold Project (Western Australia), mine planning, drill and blast, load and haul, crusher feed and other associated works. JV between AngloGold Ashanti Australia Ltd (70%) and Independence Group (30%), \$900 million, 10 years.
- Eastern Tavan Tolgoi Coal Mine (Mongolia), large scale open-cut mining operations. Erdenes Tavan Tolgoi JSC, US\$500 million, 50:50 JV, Macmahon share is US\$250 million, 5 years.
- Calabar Quarry (Nigeria), overburden removal, drilling, blasting, excavation and delivery of limestone, marl shale from the quarry to the cement crushers. United Cement Company of Nigeria Limited (UniCem), \$127 million, 7 years.
- Boddington Gold Mine (Western Australia), crusher feed and overburden stripping. Newmont Boddington Gold, \$40 million, 2 years.
- Orebody 24 and Jimblebar (Western Australia), development works. BHP Billiton Iron Ore, \$49 million, 1 year.
- Scope variations at existing projects and other minor projects, including Renison and George Fisher, totalling \$87 million.

Engineering

- CSA Mine (New South Wales), engineering design, fabrication, procurement, construction and management of the extension and upgrade of the CSA No. 1 Shaft. Cobar Management Pty Ltd, \$110 million.

Directors' report (continued)

Review of Operations (continued)

Construction

- Solomon Rail Spur (Western Australia), construction of 81km of rail formation, including four major bridges, six million cubic metres of earthworks, with sidings and associated drainage, plus the formation of level crossings over the Great Northern Highway and other roads in the region. Fortescue Metals Group, \$330 million.
- Pilbara Integrated Services Arrangement (Western Australia), operational road asset management services including network operations, maintenance management and delivery and capital works, incorporating 2276km of road network and 104 bridges across the Pilbara region. There is the opportunity to extend the agreement based on performance over the initial five years. Main Roads WA, \$170 million.
- Trangie Nevertire Irrigation Scheme (New South Wales), 50:50 JV with ADASA Sistemas SA, modernisation of the irrigation scheme and construction of a new stock and domestic pipeline network as part of Murray Darling Basin. Trangie Nevertire Co-operative Limited, \$52 million, Macmahon share is \$26 million.
- Scope variations at existing projects and other minor contracts, totalled \$109 million.

A reconciliation of movements in the order book is shown below:

	\$ million
Opening balance at 30 June 2011	2,012.8
Less: Work completed	(829.0)
Add: Variations/extensions	106.2
Add: New contracts	2,091.5
Closing balance at 31 December 2011	3,381.5

Interest

Net interest expense for the half year was \$7.6 million, an increase of \$1.8 million from the prior corresponding period. The increase was predominately due to the write-off of borrowing costs relating to the \$240 million Syndicated Facility Agreement executed on 18 May 2010, which was subsequently replaced by the larger \$475 million Syndicated Facility Agreement signed on 16 December 2011.

Tax

The Group recorded a tax expense of \$10.9 million, compared to a tax benefit of \$7.0 million for the prior corresponding period.

The effective tax rate for the half year was 32.0 per cent. However, this included a prior period tax return adjustment totalling \$0.5 million. Excluding this item, the Group's underlying effective tax rate is 30.5 per cent, primarily due to the non-deductibility of non cash, share based expenses.

Directors' report (continued)

Review of Operations (continued)

Cash flow and balance sheet

As at 31 December 2011, cash on hand totalled \$135.0 million.

Cash from operations was \$85.3 million, up from \$38.2 million in the prior corresponding period, as a result of \$30.0 million of advance payments on Construction contracts and improved operating performance across the Company. Advance payments on Construction contracts will reverse in the second half.

Capital expenditure for the half year totalled \$49.1 million (including \$2.8 million funded under finance leases and hire purchase agreements), a slight increase from the prior corresponding period. First half expenditure mainly consisted of equipment purchases for various mining and construction projects. Full year capital expenditure is forecast to be around \$200 million, with significant expenditure scheduled to take place in the second half of the financial year due to the mobilisation of the Tropicana Gold Project, which commences in early FY13.

Funding

As at 31 December 2011, the Company had drawn down \$99.1 million of its \$240 million term debt, working capital and bank guarantee facility. Of the \$99.1 million drawn, \$36.0 million was for equipment financing, \$10.0 million for working capital and \$53.4 million for bank guarantees. This facility remained in effect until 6 January 2012. The outstanding balance of operating leases at 31 December was \$52.7 million.

In December, the Company successfully completed the refinancing and upsizing of its syndicated financing facilities from \$240 million to \$475 million. The new facility which came into effect on 6 January 2012, was negotiated on reduced margins and improved terms and conditions. The new facility is expected to meet the Group's growth funding requirements (excluding Mongolia) over the next 3 - 4 years. Standalone funding for Mongolia capital expenditure is in the process of being arranged.

The facility is comprised of:

Tranche A – (3 years)	\$75 million working capital cash advance facility;
Tranche B – (3 years)	\$125 million bank guarantee facility; and
Tranche C – (3 and 4 years)	\$275 million equipment finance facility.

The Company's balance sheet remains in a strong position, well placed to capitalise on future growth opportunities.

Risk

Following the restructure of the Construction Business in FY11, Macmahon has implemented considerable changes to its group-wide risk management policy, focusing on the identification and management of the Company's material risks. Internal policies and procedures have been supplemented with a stringent assessment of the project selection and tendering procedures, in addition to heightened controls and reviews across project execution and reporting and the incorporation of ongoing risk reporting. Internal quarterly reviews across the business will be further supplemented by independent external project audits for major projects.

Acquisition of MVM

On 22 December, Macmahon completed the acquisition of the remaining 40 per cent of MVM Rail from COMSA EMTE of Spain. The total purchase consideration for the transaction was \$5.75 million, with payment due on 31 May 2012. Macmahon acquired the initial 60% of MVM Rail Pty Ltd on 1 February 2006.

The outright purchase of MVM will allow Macmahon to offer a more integrated and seamless civil and rail construction capability. To be branded as Macmahon Rail, the integration is also expected to help secure new projects, with a collaboration partnership agreement established, where Macmahon and COMSA EMTE will tender for large rail projects together. Macmahon will also have access to COMSA EMTE's dedicated Technical Services Department, plus the ability to second expert COMSA EMTE staff.

Directors' report (continued)

Review of Operations (continued)

Business Unit Results

Mining

\$ million	Dec 2011	Dec 2010	Change
Segment revenue	423.2	313.2	35%↑
PBT	32.0	22.4	43%↑
PBT margin	7.6%	7.2%	
Order book	2,219	1,273	74%↑

Mining reported a strong period of growth to 31 December, posting a record profit before tax of \$32.0 million. This represents a 43 per cent increase on the prior corresponding period.

Segment revenue across Mining grew by 35 per cent to \$423.2 million. Key drivers included the Surface Mining operations at Boddington Gold and expansion activities at Eaglefield and Cameby Downs. Underground Mining revenue growth came through new projects including Xstrata's George Fisher mine in Queensland and increased development activities at both Cadia Ridgeway and Argyle.

Margins increased to 7.6 per cent compared with the prior corresponding period due to more normal weather conditions and improved surface mining performance.

The Mining order book also reached a record level of \$2.2 billion, an increase of 74 per cent on the prior corresponding period. Mining has won in excess of \$1.6 billion in new work and extensions since 30 June 2011.

The Tropicana Gold Project, awarded in July, represents \$900 million of this work with a large number of underground contract extensions and renewals also secured, including an extension at Renison, variations at Cadia Ridgeway and new works at George Fisher. Macmahon continues to provide ongoing underground mining services at Olympic Dam, where it has been in operation for BHP Billiton since 2003.

The growth of Macmahon's international mining received a major boost with the Company's first contract in Mongolia, at the Eastern Tavan Tolgoi Coal Mine. This project win was built and secured through the solid reputation that Macmahon has established in surface mining works both domestically and overseas. The contract provides access into one of the world's largest emerging mining regions and supports Macmahon's international growth strategy.

Calabar, Macmahon's second quarrying contract in Nigeria was awarded in November. The contract was secured through a negotiation process resulting from the continued outstanding performance at the Lafarge quarries which the Company operates in Nigeria and SE Asia.

Established to deliver mine related engineering and infrastructure services, the new 'Macmahon Engineering' business was awarded its first contract in August, a two year \$110 million design and construction project at the CSA Mine for Cobar Management Pty Ltd.

Directors' report (continued)

Review of Operations (continued)

Construction

\$ million	Dec 2011	Dec 2010	Change
Segment revenue	405.8	287.8	41%↑
Underlying PBT	14.2	10.2	39%↑
Write-down of RGP5 Rail North contract	-	(48.9)	n/a
PBT	14.2	(38.7)	137%↑
Underlying PBT margin	3.5%	3.5%	
Order book	1,163	804	45%↑

The profit before tax for Construction was \$14.2 million for the first half, a 39 per cent increase compared to underlying profit in the prior corresponding period.

Construction segment revenue grew by 41% on the comparative period to \$405.8 million. Several key projects ramped up during the period including Gladstone LNG civil works in Queensland and the Urban Superway project in South Australia. In addition to this, the 81km Solomon Rail Spur project commenced in Western Australia.

Construction margins were steady at 3.5%. Margins in the first half were tempered due to Macmahon's profit recognition policy in relation to construction projects, whereby profit is typically only recognised once 15 per cent of the work is complete. Second half margins are forecast to increase as a number of key projects ramp-up.

Construction was successful in winning \$635 million of new work and scope variations in the first half, growing its order book by 45 per cent compared to the prior corresponding period. Major new contracts include Pilbara ISA, Solomon Rail Spur and the TNI Irrigation Scheme Upgrade.

Construction has had a positive half year and the outlook remains strong. The restructure of the business is complete and the focus remains on increasing profit and margins through better risk management across contract selection, tender preparation, contract finalisation, and project execution. The tendering pipeline remains healthy and there are opportunities for new work and extensions with its existing blue-chip client base.

Corporate Expenses

Corporate expenses increased by \$5 million to \$12 million, largely due to the write-off of borrowing costs associated with the existing Syndicated Facility Agreement which was replaced by the new facility on 6 January 2012 and increases in provisions.

People

Macmahon has continued to rapidly grow its workforce to meet the project requirements of the Company's ongoing expansion.

As at 31 December 2011, the Company employed a workforce of almost 4,000 people across Australia, in New Zealand, Asia, Africa and Mongolia, up from 3,536 at 30 June 2011. This has increased to 4,272 at the end of January 2012.

Across the resources and construction sectors, there remains a strong demand for skilled people. Macmahon has been proactively working to implement further recruitment and retention strategies to secure the workforce required to meet its growth projections.

Directors' report (continued)

Review of Operations (continued)

A key element of this strategy is to focus on the organic growth of skilled people. To that end, Macmahon is expanding its successful graduate and apprenticeship programs. Employing 73 apprentices and 38 graduates across the business at the end of the 2011 calendar year, Macmahon will welcome approximately 40 new graduates and 100 apprentices in FY12. Initiatives to support the continued growth of our workforce, particularly in the areas of trades, will be rolled out during the 2012 calendar year.

Macmahon's Indigenous contracting arm Doorn-Djil Yoordaning, continued to gain peer recognition for its outstanding contribution to Indigenous employment and training. This success has been bolstered by the establishment of the ROCKSTAR program (Real Opportunities & Careers – Kick Starting Today's Aboriginal Role-models). This program aims to provide training and employment to an additional 300 Indigenous people in the next two years, with partial funding through the Federal Government's Indigenous Employment Project.

Macmahon also has an active 457 visa programme, currently sponsoring 60 people. Numbers are expected to increase as required to supplement other domestic recruitment and organic growth initiatives.

Board appointments

On 26 September 2011, the Company welcomed the appointment of Ms Eva Skira to the Board as an Independent, Non-executive Director. Ms Skira brings extensive knowledge of the financial sector and has served on a number of boards in business, government and the not-for-profit sectors across a range of industries. Ms Skira was recently appointed to Macmahon's Audit Committee.

Safety performance

Macmahon's safety performance remains amongst the industry's top quartile. The Total Recordable Injury Frequency Rate at December 31 had risen slightly to 5.3 per million hours worked, from the 4.3 per million hours reported at 31 December 2010. The Company's Lost Time Injury Frequency Rate rose to 0.6 per million hours worked, compared to the record low of 0.2 per million hours worked set in the previous corresponding period.

While the accident statistics remain low, the fact remains that any safety incident is unacceptable. As the Company's workforce numbers increase we will continue to manage and improve all elements of the safety and well-being of our people.

Outlook

Mining outlook

The outlook for Macmahon's Mining business remains strong. Diversity in terms of geography, commodities and clients supports the Company's confidence in its ability to manage through any impact, especially with traditional indicators across the sector continuing to exhibit great resilience.

Commodity prices have remained well above historical averages, despite looming international economic threats, with Chinese demand remaining the main driver. The broad industry consensus is that China will avoid a 'hard landing' and maintain its important role, with growth in other emerging markets adding to world demand.

In Australia, commodities linked to steel and energy (iron ore, coking and thermal coal) are expected to enjoy the most favourable market conditions to date based on the robust Chinese and Indian demand, various supply restraints and stronger internal demand from main exporters. Australian exports appear set for double-digit value growth throughout 2012 and the investment in the pipeline remains extremely strong. Some \$29 billion of projects are underway or committed, with a further \$37 billion of investment for iron ore and major phases of coal development in the Galilee, Surat and Gunnedah Basins.

Healthy market conditions should also persist for the underground mining sector, and while the outlook is not quite as strong as surface mining, the pipeline of work remains significant. Macmahon's tailored service offering means it is well positioned to maximise opportunities at all levels.

Directors' report (continued)

Review of Operations (continued)

Construction outlook

Macmahon's diverse and comprehensive range of construction capabilities, delivered across both urban and remote locations, continues to make us a leading contractor to an extensive range of government and resource sector clients.

Much of the growth in the construction sector over the last few years has related to major mining and resource related projects and this is expected to play an even more important role looking forward. This includes direct works funded by the private sector and also publicly funded works for supporting infrastructure, however the strength of these influences will begin to wear off over the longer term as projects are delivered.

The drivers of construction in Western Australia and the resources revenues available to the State Government to fund public investment in infrastructure are likely to remain healthy for several years yet. As with many other aspects of their economy, construction in Western Australia is tied closely to the fortunes of Chinese fixed asset and residential investment and its demand for iron ore. The consensus for this segment of the Chinese economy is that, while in a process of adjustment at present, it will remain robust for some years to come.

Significant investment in ports and rail to accompany the ongoing phase of iron ore investment by the 'Big 3' (BHP, Rio Tinto and Fortescue), is likely to be joined by further port and rail developments including works for the Roy Hill project and development of the Oakajee and Anketell port projects. Additionally, there are the earthworks and supporting infrastructure phases for the massive LNG investments.

Western Australian transport investment is also expected to strengthen, while the water sector, despite coming off a long-term high, is expected to see strong levels of work to cope with population growth and insufficient rainfall.

Queensland focused coal investment is set to include major rail developments in the Galilee and Surat Basins, ongoing upgrades to the QR network, as well as a massive phase of port developments at Abbot Point, Dudgeon Point and Wiggins Island. The investment in NSW will not be as significant but will encompass further port and rail work in the Hunter Valley.

The required infrastructure development associated with the massive Olympic Dam expansion in South Australia promises to be both significant and multi-faceted given the project's isolation and size, while LNG resources and associated infrastructure in Western Australia, the Northern Territory and Queensland still have some way to run in terms of development.

The outlook across publicly funded construction works is less clear. General publicly funded construction is, in many cases, coming off long-term highs, mostly as a result of long-overdue programs of investment, however the biggest influence will be the push for financial discipline from Governments.

Assuming solid population increases, the ongoing growth and sprawl of major cities, and the resulting requirements for electricity and water, plus efforts to rectify past underinvestment, the overall demand for civil construction should remain solid for some time.

International

Macmahon is well-positioned to benefit from its existing international markets as well as its operational proximity and expertise in other jurisdictions. The outlook for Macmahon's current major overseas markets of Hong Kong, Mongolia, Nigeria, Malaysia and Indonesia are considered healthy despite the world economy being largely in an uncertain state of health.

Mongolia's plentiful coal resources and proximity to China will be supported by China's demand for both thermal and coking coal and will also drive the much-needed investment in necessary transport infrastructure to enable more prompt delivery of these resources. With Nigeria, Malaysia and Indonesia, the outlook for these markets is for relatively strong growth in the years to come, due to both domestic drivers and also due to robust economic conditions in these regions.

Directors' report (continued)

Review of Operations (continued)

Strategy

A record year in terms of both revenue and profit is forecast for Macmahon, as it enters what is expected to be the strongest growth phase of its 49 year history. The Company's strategy is focused on delivering 20% year on year growth with consistent and improved returns to shareholders. This will be achieved by continuing to broaden the Company's capabilities and offerings in civil construction, underground and surface mining across Australia, and in selected overseas markets.

Resources sector and government clients remain the focus of our Australian operations and Macmahon continues to update current and potential clients about our full service capabilities.

Macmahon's push to enhance the services provided to existing clients and develop new businesses has led to the creation of a separate engineering business, 'Macmahon Engineering'. The business, which previously serviced our Underground Mining Business, will now service external customers. Additionally, Macmahon's outright purchase of MVM Rail emphasises the importance of rail opportunities.

Macmahon's revised structure for Construction and a focus on enhanced work winning through more selective project tendering has already resulted in recent project wins and a strong order book for Construction West. Construction East remains focused on road, rail, water and resources infrastructure projects to build its order book.

Mining is performing particularly well in Western Australia and will continue to expand internationally, predominately in surface mining, to capitalise on the opportunities in South East Asia, Africa and Mongolia.

Coupled with the range of strategies being utilised to attract and retain key people, Macmahon has strong foundations for solid and consistent profit growth in future years.

Company outlook

Macmahon entered the 2012 financial year with a focus on delivering improved value to its shareholders. The first half total revenue of \$829 million and profit after tax of \$23.2 million has positioned the Company to deliver a record full year profit. Full year total revenue is expected to be in excess of \$1.8 billion, with \$1.7 billion already secured.

Profit after tax for the full year is expected to be in the range of \$55 to \$60 million, subject to any unforeseeable delays with the timing of project start and ramp-up dates which may impact the final profit outcome.

Supported by the expanded funding facility, the Company's strong operating cash flow and robust balance sheet form a strong financial base to take advantage of growth opportunities as they emerge. While gearing is forecast to increase as the Company grows, it is expected to remain below the Company's maximum levels.

With a record order book of \$3.4 billion and robust tendering pipeline, Macmahon is well positioned to achieve further growth in both revenue and profit for FY13.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' Report for the six months ended 31 December 2011.

Directors' report (continued)

Review of Operations (continued)

Rounding Off

The consolidated entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 and in accordance with that Class Order amounts in the Directors' Report and the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the directors.



Nick Bowen

Chief Executive Officer & Managing Director

Dated at Perth this 21st day of February 2012.

Lead Auditor's Independence Declaration



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Macmahon Holdings Limited

I declare that, to the best of my knowledge and beliefs, in relation to the review for the half-year ended 31 December 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



KPMG



Trevor Hart
Partner

Perth

21 February 2012

Independent Auditor's Review Report



Independent auditor's review report to the members of Macmahon Holdings Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Macmahon Holdings Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Macmahon Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Review Report (continued)



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Macmahon Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Trevor Hart
Partner

Perth

21 February 2012

Directors' declaration

In the opinion of the directors of Macmahon Holdings Limited;

1. the financial statements and notes of the consolidated entity set out on pages 18 to 25 are in accordance with the Corporations Act 2001 including:
 - a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2011 and of its performance for the six months ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that Macmahon Holdings Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Nick Bowen
Chief Executive Officer & Managing Director

Dated at Perth this 21st day of February 2012.

Condensed consolidated statement of comprehensive income

For the six months ended 31 December

In thousands of AUD

	Note	2011	2010
Revenue		735,578	504,238
Other income		1,128	339
		736,706	504,577
Materials and consumables used		(254,340)	(167,270)
Employee benefits expense		(275,207)	(216,538)
Subcontractor costs		(107,954)	(42,269)
Depreciation and amortisation expense		(36,526)	(26,110)
Equipment and office expense relating to operating leases		(11,068)	(13,075)
Other expenses		(20,277)	(19,767)
Results from operating activities		31,334	19,548
Finance income		1,325	771
Finance expense		(8,882)	(6,522)
Net finance costs		(7,557)	(5,751)
Share of profit / (loss) of jointly controlled entities accounted for using the equity method		10,368	(37,097)
Profit / (loss) before income tax		34,145	(23,300)
Income tax (expense) / benefit	7	(10,940)	6,974
Profit / (loss) for the period		23,205	(16,326)
Other comprehensive income			
Foreign currency translation differences for foreign operations net of tax		455	(4,184)
Effective portion of changes in fair value of cash flow hedges net of tax		(2,373)	78
Other comprehensive loss for the period net of tax		(1,918)	(4,106)
Total comprehensive income / (loss) for the period net of tax		21,287	(20,432)
Profit / (loss) attributable to:			
Equity holders of the Company		23,205	(13,228)
Non-controlling interest		-	(3,098)
Profit / (loss) for the period		23,205	(16,326)
Total comprehensive income / (loss) attributable to:			
Equity holders of the Company		21,287	(17,334)
Non-controlling interest		-	(3,098)
Total comprehensive income / (loss) for the period		21,287	(20,432)
Earnings per share			
Basic earnings / (loss) per share (cents)		3.25	(1.82)
Diluted earnings / (loss) per share (cents)		3.24	(1.82)

Condensed consolidated statement of financial position

As at 31 December 2011

In thousands of AUD

	Note	31-Dec-11	30-Jun-11
Assets			
Current assets			
Cash and cash equivalents		134,950	115,634
Trade and other receivables		200,184	168,010
Inventories		39,574	45,147
Current tax receivable		-	2,778
Total current assets		374,708	331,569
Non-current assets			
Investments accounted for using the equity method		4,941	4,237
Property, plant and equipment	8	320,853	311,201
Intangible assets		33,198	35,351
Deferred tax assets		111	3,367
Total non-current assets		359,103	354,156
Total assets		733,811	685,725
Liabilities			
Current liabilities			
Trade and other payables		255,687	217,054
Loans and borrowings	9	22,020	37,488
Employee benefits		46,639	37,166
Current tax liabilities		18,218	874
Provisions		8,754	7,739
Total current liabilities		351,318	300,321
Non-current liabilities			
Loans and borrowings	9	34,156	38,653
Employee benefits		4,145	3,713
Deferred tax liabilities		3,573	19,915
Total non-current liabilities		41,874	62,281
Total liabilities		393,192	362,602
Net assets		340,619	323,123
Equity			
Share capital	10	307,963	307,963
Reserves		(10,951)	(9,057)
Retained earnings		43,607	24,250
Total equity attributable to equity holders of the Company		340,619	323,156
Non-controlling interest		-	(33)
Total equity		340,619	323,123

Condensed consolidated statement of changes in equity

For the six months ended 31 December

In thousands of AUD

Attributable to equity holders of the Company

	Note	Share capital	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings	Total	Non-controlling Interest	Total equity
Balance at 1 July 2011		307,963	(4,285)	(29)	(4,743)	24,250	323,156	(33)	323,123
Profit for the period		-	-	-	-	23,205	23,205	-	23,205
Other comprehensive income / (loss)									
Foreign currency translation differences net of tax		-	455	-	-	-	455	-	455
Effective portion of changes in fair value of cash flow hedges net of tax		-	-	(2,373)	-	-	(2,373)	-	(2,373)
Total comprehensive income / (loss) for the period		-	455	(2,373)	-	23,205	21,287	-	21,287
Transactions with owners, recorded directly in equity									
Executive Equity Plan share issues		-	-	-	24	-	24	-	24
Acquisition of non-controlling interest	11	-	-	-	-	(5,825)	(5,825)	33	(5,792)
Share-based payment transactions		-	-	-	-	1,977	1,977	-	1,977
Total transactions with owners		-	-	-	24	(3,848)	(3,824)	33	(3,791)
Balance at 31 December 2011		307,963	(3,830)	(2,402)	(4,719)	43,607	340,619	-	340,619
Balance at 1 July 2010		307,963	1,283	-	(3,567)	30,331	336,010	3,728	339,738
Loss for the period		-	-	-	-	(13,228)	(13,228)	(3,098)	(16,326)
Other comprehensive income / (loss)									
Foreign currency translation differences net of tax		-	(4,184)	-	-	-	(4,184)	-	(4,184)
Effective portion of changes in fair value of cash flow hedges net of tax		-	-	78	-	-	78	-	78
Total comprehensive income / (loss) for the period		-	(4,184)	78	-	(13,228)	(17,334)	(3,098)	(20,432)
Transactions with owners, recorded directly in equity									
Executive Equity Plan share purchases		-	-	-	(1,680)	-	(1,680)	-	(1,680)
Dividends to owners		-	-	-	-	(10,885)	(10,885)	-	(10,885)
Share-based payment transactions		-	-	-	-	2,156	2,156	-	2,156
Total transactions with owners		-	-	-	(1,680)	(8,729)	(10,409)	-	(10,409)
Balance at 31 December 2010		307,963	(2,901)	78	(5,247)	8,374	308,267	630	308,897

Condensed consolidated statement of cash flows

For the six months ended 31 December

In thousands of AUD

	2011	2010
Cash flows from operating activities		
Receipts from customers	777,376	517,391
Payments to suppliers and employees	(677,602)	(489,271)
Net (payments to) / receipts from joint venture entities	(7,463)	15,092
Cash generated from operating activities	92,311	43,212
Interest paid	(5,406)	(5,590)
Interest received	1,325	771
Income taxes paid	(2,884)	(235)
Net cash from operating activities	85,346	38,158
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	6,094	661
Payment for property, plant and equipment ¹	(46,335)	(45,299)
Payment for other intangibles	-	(97)
Net cash used in investing activities	(40,241)	(44,735)
Cash flows from financing activities		
Executive Equity Plan share purchases	-	(1,680)
Proceeds from borrowings	5,059	40,000
Repayment of borrowings	(25,000)	(17,078)
Payment of transaction costs relating to loans and borrowings ²	(1,048)	-
Repayment of hire purchase and finance lease liabilities	(4,511)	(7,011)
Dividends paid	-	(10,885)
Net cash (used in) / from financing activities	(25,500)	3,346
Net increase / (decrease) in cash and cash equivalents	19,605	(3,231)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(289)	(2,488)
Cash and cash equivalents at beginning of period	115,634	102,193
Cash and cash equivalents at end of period	134,950	96,474

¹ During the six months ended 31 December 2011, the consolidated entity acquired plant and equipment under finance leases and hire purchase agreements amounting to \$2.8 million (six months ended 31 December 2010: nil) which is excluded from the cash flow.

² During the six months ended 31 December 2011, the consolidated entity incurred transaction costs in relation to the new syndicated facility agreement (SFA).

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Macmahon Holdings Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company for the six months ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The principal activities of the consolidated entity consist of the provision of civil construction and contract mining services.

The consolidated financial statements of the consolidated entity as at and for the year ended 30 June 2011 are available upon request at the Company's registered office at Level 3, 27-31 Troode Street, West Perth, Western Australia or at www.macmahon.com.au.

2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the consolidated entity as at and for the year ended 30 June 2011.

The condensed consolidated interim financial statements were approved by the Board of Directors on 21 February 2012.

3. Significant accounting policies

Apart from the changes in accounting policy noted below, the accounting policies applied by the consolidated entity in the condensed consolidated interim financial statements are the same as those applied by the consolidated entity in its consolidated financial statements as at and for the year ended 30 June 2011.

New accounting standards and interpretations

From 1 July 2011, various new and revised Standards and Interpretations were issued by the AASB effective for the current period, none of which have an impact on the consolidated entity.

The consolidated entity has not elected to early adopt any other new standards or amendments that are issued but not yet effective.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2011.

Notes to the condensed consolidated interim financial statements (continued)

5. Financial risk management

The consolidated entity's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2011.

6. Operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources. There have been no changes on the basis of segmentation since 30 June 2011.

Information about reportable segments for the six months ended 31 December

<i>In thousands of AUD</i>	Mining		Construction		Total	
	2011	2010	2011	2010	2011	2010
Revenue from consolidated entity and joint ventures	423,244	313,216	405,769	287,793	829,013	601,009
Reportable segment profit / (loss) before income tax	31,995	22,421	14,161	(38,689)	46,156	(16,268)

Reconciliation of reportable segment revenues and profit or loss

<i>In thousands of AUD</i>	2011	2010
Revenues		
Total revenue for reportable segments	829,013	601,009
Elimination of joint venture revenues	(106,741)	(131,433)
Elimination of joint venture recoveries	13,306	34,662
Consolidated revenue	735,578	504,238
Profit / (loss)		
Total profit / (loss) for reportable segments	46,156	(16,268)
Unallocated amounts: corporate expenses	(12,011)	(7,032)
Consolidated profit / (loss) before income tax	34,145	(23,300)

7. Income tax (expense) / benefit

The consolidated entity's effective tax rate in respect of continuing operations for the six months ended 31 December 2011 is 32.0% (for the six months ended 31 December 2010: 29.9%). The effective tax rate in the six months ended 31 December 2011 is impacted by adjustments to prior periods current tax. If this was excluded, the effective tax rate would be 30.5%. The consolidated entity's effective tax rate is higher mainly due to the non-deductibility of non-cash share-based expense. The comparative period effective tax rate was impacted by utilisation of previously unrecognised tax losses.

Notes to the condensed consolidated interim financial statements (continued)
8. Property, plant and equipment
Acquisitions and disposals

During the six months ended 31 December 2011, the consolidated entity acquired property, plant and equipment totalling \$49.1 million (six months ended 31 December 2010: \$45.3 million), of which \$2.8 million (six months ended 31 December 2010: \$nil) was acquired via finance leases and hire purchases.

Property, plant and equipment with a carrying value of \$5.3 million was disposed during the six months ended 31 December 2011 (six months ended 31 December 2010: \$0.6 million), resulting in a gain on disposal of \$0.8 million (six months ended 31 December 2010: \$0.05 million) which was included as other income in the condensed consolidated statement of comprehensive income.

Capital commitments

As at 31 December 2011 the consolidated entity had entered into contracts to purchase plant and equipment totalling \$150.5 million (as at 31 December 2010: \$8.2 million).

9. Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2011:

<i>In thousands of AUD</i>	Currency	Interest Rate	Face Value	Carrying Amount	Year of Maturity
Balance at 1 July 2011	AUD			76,141	
Amortisation of transaction costs relating to previous Syndicated Facility Agreement (SFA)				3,476	
Incurred transaction costs relating to new SFA				(1,756)	
New issues					
Finance lease liabilities	AUD	6.39% - 19.00%	2,767	2,767	
SFA Loans	AUD	9.46%	5,000	5,000	2013 ¹
Loan from minority shareholder	AUD		59	59	
Repayments					
Finance lease liabilities	AUD		(4,511)	(4,511)	
SFA Loans	AUD		(25,000)	(25,000)	
Balance as at 31 December 2011	AUD			<u>56,176</u>	

¹ During the six months ended 31 December 2011, the consolidated entity entered into one loan drawdown under the Syndicated Facility Agreement (SFA) dated 18 May 2010 at an interest rate of 9.46%. Interest on loans drawn under the SFA is charged at the bank bill rate plus a margin. The SFA had a maturity date of 18 May 2013, however a new \$475 million SFA was negotiated and signed on 16 December 2011 with financial close on 6 January 2012. The new SFA matures on 6 January 2016.

As at 31 December 2011, the domestic operating lease facility was drawn down by \$52.7 million (as at 31 December 2010: \$71.9 million). The facility expired on 31 October 2009. Outstanding individual lease agreements drawn under the facility remain in place until their expiry date.

Notes to the condensed consolidated interim financial statements (continued)

10. Capital and reserves

Share Capital

In thousands of shares

On issue at 1 July
Issued during the period
On issue at 31 December

The Company
No. ordinary shares
2011 2010

733,712	733,712
4,920	-
738,632	733,712

Ordinary shares issued during the period were as a result of the conversion of Class A Performance Rights granted to Mr Bowen as disclosed in section 11.5 of the Directors' report contained in the 2011 Annual Report and also in accordance with shareholder approval at the 2009 Annual General Meeting.

11. Acquisition of non-controlling interest

Summary of acquisition - 40% of the issued share capital of MVM Rail Pty Ltd (MVM).

On 22 December 2011, the consolidated entity acquired the remaining 40% of issued share capital of MVM Rail Pty Ltd (MVM), through Macmahon Southern Pty Ltd for \$5.75 million, resulting in a 100% ownership of MVM. The entity incurred acquisition-related costs of \$0.04 million. The impact of the transaction resulted in an adjustment to equity of \$5.79 million which has been recognised in the condensed consolidated statement of changes in equity.

MVM specialises in the provision of rail track construction and maintenance services in Australia and Asia.

12. Dividends

In thousands of AUD

Dividends declared and paid during the period on ordinary shares:

Final unfranked dividend for the six months ended 31 December 2011: nil
(2010: 1.5 cents)

Consolidated	
2011	2010
-	10,885
-	10,885

13. Subsequent Events

On 6 January 2012, as described in Note 9, the consolidated entity achieved financial close on a new \$475 million Syndicated Facility Agreement (SFA), resulting in a drawdown of \$52 million which was used to retire the debt drawn under the old SFA dated 18 May 2010. The new SFA matures on 6 January 2016.

On 21 February 2012, the Directors of the Company declared a fully franked interim dividend on ordinary shares in respect of the 2012 financial year. The total amount of the dividend is \$11.1 million, which represents a fully franked dividend of 1.5 cents per share and is payable on 5 April 2012.

Other than the matters described above, the Directors are not aware of any matter or circumstance arising since 31 December 2011 not otherwise dealt with within the condensed consolidated financial statements that has significantly affected or may significantly affect the operations of the consolidated entity and the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.