

19 December 2012

NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

Non Renounceable Entitlement Offer – Letter to Ineligible Shareholders

Macmahon Holdings Ltd (ASX:MAH) has dispatched the attached Letter to Ineligible Shareholders for the retail component of its \$80.7 million fully underwritten 2 for 3 pro rata accelerated non-renounceable Entitlement Offer ("Offer") of new ordinary shares in Macmahon, announced to ASX on 12 December 2012.

Not for release or distribution in the United States

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction in which such an offer or sale would be unlawful. The securities to be offered and sold in the retail component of the Entitlement Offer have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended) (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Securities may not be offered or sold in the United States absent registration under the U.S. Securities Act or an exemption from registration. Accordingly, the securities to be offered and sold in the retail component of the Entitlement Offer may only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in accordance with Regulation S under the U.S. Securities Act.

*** ENDS ***

For further information, please contact:

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About Macmahon

Macmahon is a leading Australian contract mining and construction company with major projects throughout Australia, in New Zealand, South East Asia and Africa.

An ASX listed company, Macmahon has played a major role in the delivery of many of Australia's largest multi-disciplinary mining and construction projects throughout its 49 year history.

Macmahon offers the full range of underground and surface mining services and comprehensive construction capabilities spanning transport, marine, water and resource infrastructure services.

With a commitment to providing end to end services, 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.



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Dear Shareholder

Macmahon Holdings Limited Entitlement Offer – Notification to ineligible retail shareholders

Macmahon Holdings Limited ("**Macmahon**") has announced a fully underwritten 2 for 3 pro rata accelerated non-renounceable entitlement offer ("**Entitlement Offer**") to raise approximately A\$80.7 million. Details of the Entitlement Offer were announced to the Australian Securities Exchange ("**ASX**") on 12 December 2012. Under the Entitlement Offer, new fully paid ordinary shares in Macmahon ("**New Shares**") are being offered at an offer price of \$0.16 per New Share ("**Offer Price**").

This letter is to inform you about the Entitlement Offer, and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. This letter is not an offer to issue entitlements or New Shares to you, nor an invitation for you to apply for entitlements or New Shares. You are not required to do anything in response to this letter.

Details of the Entitlement Offer

The Entitlement Offer consists of an institutional entitlement offer ("**Institutional Entitlement Offer**") and a retail entitlement offer ("**Retail Entitlement Offer**"), with the shortfall under the Institutional Entitlement Offer to be taken up by certain eligible institutional shareholders and certain other institutional investors, and the shortfall under the Retail Offer potentially being taken up by other eligible shareholders or other institutional investors. The Retail Entitlement Offer is being made pursuant to an offer document sent to eligible retail shareholders on Wednesday, 19 December 2012 ("**Retail Entitlement Offer Booklet**"). The Retail Entitlement Offer is being made to eligible retail shareholders, as outlined below, on the basis of 2 New Shares for every 3 existing Macmahon shares held at 7.00pm (Sydney time) on Monday, 17 December 2012 ("**Record Date**").

Eligibility criteria

Shareholders who are eligible to participate in the Retail Entitlement Offer are Macmahon shareholders who:

- a) are registered as a shareholder of Macmahon as at 7.00pm (Sydney time) on the Record Date;
- b) have a registered address on the share register in Australia or New Zealand;
- c) are not in the United States and are not a U.S. Person (as defined in Regulation S under the *U.S. Securities Act of 1933* as amended) or acting for the account or benefit of a U.S. Person;
- d) did not receive an offer (other than as nominee) under the Institutional Entitlement Offer and were not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer; and
- e) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or offer document to be lodged or received.

The restrictions upon eligibility to participate in the Retail Entitlement Offer arise because of the legal and regulatory requirements in countries other than Australia or New Zealand and the potential costs to Macmahon of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of existing Macmahon ordinary shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled. Macmahon has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3) of the *Corporations Act 2001* (Cth) ("Act"), that it would be unreasonable to make or extend offers to shareholders in certain countries under the Retail Entitlement Offer.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an eligible retail shareholder stated above. Accordingly, Macmahon is unable to extend to you the opportunity to subscribe for New Shares in the Retail Entitlement Offer, and you will not be sent a copy of the Retail Entitlement Offer Booklet.

Macmahon has determined it would be unreasonable to make offers to shareholders in all countries due to legal limitations in some countries, the number of shareholders there, the number of shares they hold and the cost of complying with regulatory requirements in those countries.

To satisfy applicable *Corporations Act 2001* (Cth) conditions, Macmahon has appointed a nominee and will issue the nominee with entitlements to subscribe for the New Shares that would otherwise have been available for subscription by ineligible retail shareholders. The nominee will arrange the sale of those entitlements to certain institutional investors. Macmahon has applied for and obtained the approval of the Australian Securities and Investments Commission for the appointment of the nominee to sell the entitlements that would otherwise have been available to ineligible foreign shareholders for the purposes of, and in accordance with, section 615 of the *Corporations Act 2001* (Cth). As the Entitlement Offer is non-renounceable, there will be no proceeds from the sale of such entitlements and, accordingly, ineligible foreign shareholders will not receive any payment or value.

Further information

If you have any questions in relation to any of the above matters and this letter, please call the Macmahon Entitlement Offer Information Line on 1300 380 630 (within Australia) or +61 3 9415 4679 (from outside Australia) at any time from 9.00am to 5.00pm (Perth time) Monday to Friday during the Retail Entitlement Offer period or contact your stockbroker, accountant or other independent professional adviser.

On behalf of the directors of Macmahon, I thank you for your continued support of Macmahon.

Yours sincerely



Mr Ken Scott-Mackenzie
Chairman
Macmahon Holdings Limited

Important notices

Distribution of the materials relating to the Entitlement Offer outside Australia and New Zealand is restricted by law. In particular, materials relating to the Entitlement Offer may not be distributed in the United States.

This notice does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Neither the entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933 as amended (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States, unless they have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

Note: The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Before acting on the information, you should consider the appropriateness of the information, having regard to your objectives, taxation position, financial situation or needs.