

19 February 2013

**Vote FOR the resolution
at the Extraordinary General Meeting on 26 February 2013**

Sembawang's latest proposal NOT superior

Highlights:

Macmahon's Independent Directors reject Sembawang's latest proposal as:

- It is not capable of being practically implemented
- It requires Macmahon to retain significant exposure and risk as an ongoing contracted party to Construction projects being sold
- Sembawang has had sufficient time to develop a proposal addressing these issues. At a meeting on 15 February 2013, Sembawang agreed it would provide the Company with a revised proposal by the evening of 17 February 2013, but it has not yet done so
- Sembawang has not provided a proposal which demonstrates how the need for customer and joint venture partner consent will be obtained for the transfer of contracts when Sembawang has no operational presence in Australia nor the pre-qualifications and accreditations required by customers
- The offer price of \$35 million represents only 0.4 cents per share more than the Leighton offer of \$29.6 million. This is insufficient upside given the execution and ongoing risks to Macmahon
- It is therefore not superior to the Leighton proposal
- The Independent Expert has re-affirmed its opinion that the proposed transaction with Leighton is not fair but is reasonable, and that the non-associated shareholders of Macmahon are likely to be better off if the proposed transaction with Leighton proceeds
- The proposed transaction with Leighton remains the best and only transaction practically capable of being completed
- A vote against the sale to Leighton will potentially expose the Company to very significant project losses (well in excess of the \$5.4 million difference in offer prices) with the potential loss of key staff given their uncertain future

To vote FOR the resolution, proxies must be received by 2.00pm WST on Sunday 24 February 2013, or shareholders can vote in person at the meeting.

On 13 February 2013, Macmahon Holdings Ltd (ASX:MAH) received a further proposal from Sembawang Australia Pty Ltd ("Sembawang") to acquire the Construction projects proposed to be

acquired by Leighton Holdings Limited (“Leighton”) as described in the notice of meeting dated 18 January 2013, subject to a successful shareholder vote.

Sembawang offered to acquire the projects on the same terms as Leighton for a value of \$35 million, being only 0.4 cents per share more than the \$29.6 million offered by Leighton, subject to the execution of a formal sale and purchase agreement but otherwise unconditional and with no requirement for due diligence. Notwithstanding this, subsequent correspondence from Sembawang insisted on access to the data room and it also appeared their offer was conditional on Macmahon taking risk on the transfer of the contracts.

In order to enable the Independent Directors to make a proper assessment of the merits of Sembawang’s latest proposal for Macmahon shareholders, the Independent Directors sought further clarification from Sembawang. A meeting between the Company and Sembawang was held on 15 February 2013.

Following this meeting and subsequent interactions with Sembawang, Macmahon’s Independent Directors unanimously rejected the Sembawang proposal because:

- Sembawang has no operational or management presence in Australia, nor the pre-qualifications and accreditations required by Macmahon’s construction customers. This would make it extremely unlikely that our customers would transfer the contracts to Sembawang. Consequently, Macmahon would be required to continue to carry legal, occupational health and safety and counterparty risk in relation to the projects being sold even if the economic benefit was assumed by Sembawang. Leighton has all the necessary accreditations and pre-qualifications to assume the ongoing risk attaching to projects being sold – Sembawang does not.
- Any transfer of Macmahon’s Construction projects requires not only its customers’ consent but also the consent of its Construction joint venture partners. Approximately 38 per cent of Macmahon’s Construction order book is in joint venture with Leighton and their consent would be required for the transfer of these contracts.
- A further 12 per cent of its Construction order book is in joint ventures (other than with Leighton) where Macmahon, not its joint venture partner, brings the required accreditations. As Leighton has these accreditations but Sembawang does not, the Independent Directors remain concerned whether its joint venture partners would consent to the transfer of Macmahon’s interests in these joint ventures to Sembawang.
- The Sembawang proposal does not provide Macmahon shareholders with a clean exit from the Construction projects being sold. Again, a failure to transfer contracts, assign joint venture interests and transfer employees leaves Macmahon liable for all workplace health and safety obligations beyond the short-term, and exposed to counterparty risk in relation to

clients and joint venture partners irrespective of any arrangements to transfer the economic benefit of projects to Sembawang.

- As at the time of this announcement, Sembawang has not provided any acceptable solutions to the above issues. Many of these issues were highlighted in the Notice of Meeting released more than a month ago. Sembawang agreed it would provide the Company with a revised proposal by the evening of 17 February 2013, but it has not yet done so. In the Independent Directors' opinion, this casts serious doubts over Sembawang's ability in practice to provide Macmahon's shareholders with a deal on better terms than the Leighton transaction.
- The offer price of \$35 million represents only 0.4 cents per share more than the Leighton offer of \$29.6 million. This is insufficient upside given the execution and ongoing risks to Macmahon.
- Consequently, the Independent Directors have concluded that significant uncertainty and risk to completion surrounds Sembawang's proposal. In the Independent Directors' view, such uncertainty and risk would undermine Macmahon's ability to quickly implement its mining services focused strategy for the benefit of shareholders.

The proposed transaction with Leighton remains the best and only transaction practically capable of being completed.

Macmahon's Independent Directors stress that, should the resolution to approve the Leighton proposal not be successful at the Extraordinary General Meeting, Macmahon has no certain alternative exit from Construction. To not proceed with the sale to Leighton would destabilise the Construction Business and expose the Company to significant risks. With the Construction Business in a holding pattern under these circumstances, the retention of key staff becomes even more difficult exposing the Company to potentially significant project losses. This risk cannot be underestimated.

As such, shareholders would remain exposed to the risks associated with Macmahon's Construction Business until a viable and practical alternative sale is secured, and there is no guarantee one will be or that if one is, it will be on terms superior to the proposed transaction with Leighton. If no alternative sale can be secured, Macmahon would remain exposed to these risks until 2019.

The Independent Expert has re-affirmed its opinion that the proposed transaction with Leighton is not fair but is reasonable, and that the non-associated shareholders of Macmahon are likely to be better off if the proposed transaction with Leighton proceeds.

After thorough consideration, the Independent Directors re-affirm their decision that it would not be in the best interests of shareholders to walk away from the certainty of the proposed transaction with Leighton in the hope of being able to do a deal with Sembawang.

Extraordinary General Meeting – Vote FOR the sale of Construction projects to Leighton

The Independent Directors continue to unanimously support the proposed transaction with Leighton and recommend that shareholders vote **FOR** the Leighton resolution at the Extraordinary General Meeting of shareholders on 26 February 2013.

To vote **FOR** the resolution shareholders must lodge a proxy form (or an amended Proxy Form if you have already lodged one) **by 2pm (WST) on Sunday, 24 February 2013 or vote in person at the meeting**. For more information shareholders can call 1300 386 269 (within Australia) or +61 8 9415 4681.

*** ENDS ***

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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.