

Interim Financial Report

For the six months ended 31 December 2012

Issued 26 February 2013



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 2012

Name of entity

MACMAHON HOLDINGS LTD

ACN

007 634 406

Compared with six months ended 31 December 2011

<i>All figures expressed in Australian dollars unless otherwise stated</i>				\$m
Revenue from continuing operations	up	25%	to	528.1
Profit from continuing operations after income tax	up	70%	to	23.1
Profit from discontinued operations after income tax	down	-732%	to	(60.7)
Dividends	Amount per security		Franked amount per security %	
Interim dividend declared	nil		n/a	
	31-Dec-12		31-Dec-11	
Net Tangible Assets per Ordinary Share	\$0.31		\$0.42	

For a brief explanation of the figures reported above refer to pages 3 to 24 of this Interim Financial Report.

Condensed consolidated interim financial report For the six months ended 31 December 2012

Contents

Directors' report	3
Review of operations	3
Lead auditor's independence declaration	12
Independent auditor's review report	13
Directors' declaration	15
Condensed consolidated statement of profit or loss and other comprehensive income	16
Condensed consolidated statement of financial position	17
Condensed consolidated statement of changes in equity	18
Condensed consolidated statement of cash flows	19
Notes to the condensed consolidated interim financial statements	20

Directors' report

The directors present their report together with the condensed consolidated interim financial statements for the six months ended 31 December 2012 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)
R A Carroll	(Chief Executive Officer and Managing Director) (appointed 19 September 2012)
N R Bowen	(Chief Executive Officer and Managing Director) (resigned 19 September 2012)
B R Ford	(Non-executive)
E Skira	(Non-executive)
D M Smith	(Non-executive)
V A Vella	(Non-executive)

Review of operations

On 12 December 2012, the Company announced its plan to become a dedicated full service mining contractor, following a strategic review of the Company's business activities. The review highlighted the future risk to earnings due to a number of challenges in the Construction Business. The new strategy was endorsed by shareholders who voted in favour of the sale of the majority of the Company's construction projects to Leighton Holdings Limited at an Extraordinary General Meeting held on 26 February 2013.

The decision to exit the Construction sector followed the announcement of significant losses by the Company's Construction Business, which had a history of earnings volatility. Consequently, the net operational results of the Construction Business for the current and the corresponding prior year six month period are disclosed separately as "profit / loss from discontinued operations (net of tax)" in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income. In addition, the assets and liabilities of this business as at 31 December 2012 are disclosed as "held for sale" in the Condensed Consolidated Statement of Financial Position.

These events have overshadowed what was an excellent performance by our Mining Business, which delivered a record half year revenue and profit result, and an order book which currently stands at a record \$3.6 billion. The strength of the Mining Business over several years reflects a solid foundation for a dedicated mining business, with further opportunities for growth evident through the Company's current international expansion.

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-12	Dec-11	Change
Operating revenue from continuing operations	528.1	422.0	25%
Joint venture revenue (net of joint venture recoveries)	5.2	1.2	333%
Total revenue from continuing operations	533.3	423.2	26%
Earnings before interest and tax (EBIT) from continuing operations	43.2	27.6	57%
Interest	(10.8)	(7.6)	42%
Profit before tax from continuing operations	32.4	20.0	62%
Tax	(9.3)	(6.4)	45%
Profit after tax from continuing operations	23.1	13.6	70%
(Loss) / profit from discontinued operations (net of tax)	(60.7)	9.6	-732%
(Loss) / profit for the period attributable to equity holders of the Company	(37.6)	23.2	-262%
(Loss) / earnings per share - basic (cents)	(4.9)	3.3	-248%
Earnings per share - basic (cents) - continuing operations	3.0	1.9	58%
Dividends declared per share (cents)	nil	1.5	
Mining order book as at 31 December ¹	1,840	2,219	-17%

¹Christmas Creek Mine expansion contract was awarded in January 2013 increasing the Mining order book value to \$3.6 billion. Excludes Construction order book.

Financial overview

Total revenue (including joint ventures) from continuing operations for the half year increased to \$533.3 million, up 26% on the prior corresponding period reflecting the strong performance of Macmahon's Mining Business. Profit after tax from continuing operations totalled \$23.1 million, up 70% on the prior corresponding period. The consolidated loss after tax of \$37.6 million includes a loss after tax of \$60.7 million from discontinued operations (the Group's Construction Business).

Directors' report (continued)

Review of operations (continued)

Continuing operations – Mining Business

\$ million	Dec-12	Dec-11	Change
Segment revenue	533.3	423.2	26%
Segment PBT	38.4	32.0	20%
PBT Margin	7.2%	7.6%	
Order book ¹	1,840	2,219	-17%

¹Christmas Creek Mine expansion contract was awarded in January 2013 increasing the Mining order book value to \$3.6 billion.

The Mining Business delivered an excellent result, reporting a record half year revenue of \$533.3 million, an increase of 26% on the prior corresponding period. Key drivers of the increase in revenue included new Surface Mining contracts at the Tropicana Gold Project and the Christmas Creek Mine expansion - where works commenced in November 2012. Underground Mining revenue growth was delivered through additional work at Xstrata's George Fisher mine in Queensland and increased development activities at Argyle. Mining operations at the Tavan Tolgoi Coal Mine in Mongolia ramped up to 2.4 mtpa of coal, resulting in a significant increase in revenue for the International Business. Engineering revenue grew as a result of the CSA project in New South Wales.

Profit before tax increased by 20% to a record \$38.4 million, however margins decreased slightly to 7.2% compared with 7.6% in the prior corresponding period. The decrease in margin was driven partially by the ramp-up of Christmas Creek and lower margins from the Tavan Tolgoi project, due to delays in the establishment of stand-alone asset financing. Margins were also impacted by productivities at Orebody 18 due to equipment availability issues which have now been addressed.

Mining Order Book

Mining's strong order book underpins the Company's new strategy to become a dedicated full service mining contractor. At 31 December 2012, the Mining Business order book stood at \$1.8 billion. On 22 January 2013, the Company was awarded the \$1.8 billion Christmas Creek Mine expansion contract for Fortescue Metals Group, bringing the Mining order book to approximately \$3.6 billion, the Company's highest ever.

The Christmas Creek contract represents the largest contract awarded to the Mining Business. Works for the contract include drill and blast, overburden removal, ore harvesting, maintenance of equipment and associated services. The capital requirements for this project will be met using existing gear and new equipment purchases expected to total approximately \$30 million over the life of the contract, a moderate commitment relative to the size of the project.

New Mining contracts / extensions

Included within the Mining order book at 31 December 2012 is \$405.2 million in new works and extensions awarded during the period:

- The Underground Mining business was successful in securing its sixth extension at the Olympic Dam project. The extension is valued at \$200 million over three years and reflects the strength of the relationship with BHP Billiton's Olympic Dam business and the quality of service provided by the Underground team
- Scope variations at existing projects and other minor projects totalled \$205 million including Mount Wright and George Fisher raise drilling and the Eaglefield / Lenton surface mining extension

Directors' report (continued)

Review of operations (continued)

Capital expenditure

Investment in capital expenditure for the period totalled \$76.2 million for Mining, as the Company expands its revenue base through projects such as Calabar, Tavan Tolgoi and the 10 year, \$900 million Tropicana Gold Project. Capital expenditure during the period included: surface mining capital for Orebody 24, Orebody 18, Eaglefield and Tropicana; underground mining capital primarily for the Company's new 'Big Rig' (RBR 900VF) raise drill and the new Ranger project; and international mining capital for Nigerian and Mongolian expansion activities.

Discontinued operations – Construction Business

\$ million	Dec-12	Dec-11	Change
Segment revenue	503.6	405.8	24%
Segment profit/(loss) before tax	(110.1)	14.2	-875%
Order book ¹	1,073	1,163	-8%

¹Order book value at 31 December 2012 includes \$938.3 million of contracts sold as part of the projects sold to the Leighton Holdings Limited.

Construction revenue increased by 24% to \$503.6 million when compared to the prior corresponding period. The increase in revenue was mainly driven by new Northern Territory contracts including the Ichthys LNG Project and the Darwin Marine Supply Base.

Construction reported a loss of \$110.1 million for the first half, compared to a profit before tax of \$14.2 million in the prior corresponding period. Major project write downs occurred at the Hope Downs 4, Solomon and Urban Superway projects and were attributable to productivities not being achieved on projects with rapid ramp-up periods and short project timelines.

Sale of Construction assets

On 24 December 2012, the Company entered into an Asset Purchase Agreement with Leighton Holdings Limited to sell the majority of Macmahon's Construction projects, subject to shareholder approval. The transaction was approved at an Extraordinary General Meeting held on 26 February 2013.

The sale represents a realignment of the Company's strategy to deliver a full suite of mining services, which seeks to reduce Macmahon's risk profile and deliver consistent, sustainable earnings for the Company's shareholders.

The sale is expected to result in an after tax profit of approximately \$9.2 million. This profit excludes costs for Construction employees being made redundant as a result of the sale and goodwill write-offs associated with the Macmahon Rail business, which is currently held for sale. The net after tax impact of these items will be reported in the second half result and is expected to total \$11.7 million.

Following approval of the sale, the Company has reissued guidance incorporating the impacts of the sale of Construction projects to Leighton and the wind down of its Construction Business activities. A full reconciliation of the earnings guidance is provided on page 9.

The transition process for transferring projects to the Leighton Group is well progressed and is expected to be largely complete by the end of March 2013.

A number of projects remain with Macmahon following the sale. Solomon, Hope Downs 4, Gladstone LNG and the ULAN Alliance are nearing completion and will demobilise before the end of April 2013. The Trangie Irrigation Project and XRL 822 Rail project are expected to be completed in 2013 and 2015 respectively. The remaining projects will be managed by a small team located in Brisbane and Perth who will also be responsible for the delivery of infrastructure services to support the Company's Mining operations.

Directors' report (continued)

Review of operations (continued)

Reported loss and dividend

The directors have not declared an interim dividend due to the reported half year loss of \$37.6 million.

Interest

Net interest expense for the half year was \$10.8 million, an increase of \$3.2 million from the prior corresponding period. The increase was due primarily to increased borrowings relating to the Company's capital expenditure program for Tropicana, Orebody 18, Eaglefield, Ranger 3 Deeps, Tavan Tolgoi and Calabar, in addition to the increased funding requirements associated with Construction losses.

Tax

The Group recorded a tax expense of \$9.3 million for continuing operations, compared to \$6.4 million for the prior corresponding period. The tax expense position represents an effective tax rate for the half year of 28.8%. The effective tax rate for continuing operations in the six months ended 31 December 2012 has been impacted by adjustments to prior period's current tax. The tax benefit in relation to discontinued operations of \$49.4 million represents an effective tax rate of 44.9% and has been impacted by \$16.3 million of prior period adjustments, including \$15.0 million of adjustments relating to tax losses not recognised for accounting purposes in prior periods.

Cash flow and balance sheet

The Company's balance sheet is in a strong position with low debt levels and greater working capital flexibility following the completion of the recent equity raising.

In December 2012, the Company announced an \$80.7 million fully underwritten 2 for 3 pro rata non-renounceable Entitlement Offer, which was completed in January 2013. The institutional component of the equity raise was completed on 20 December 2012, raising \$42.1 million. The retail component of the equity raise was completed on 22 January 2013 raising an additional \$38.6 million.

As at 31 December 2012, cash on hand totalled \$183.5 million, an increase of \$48.6 million since June 2012, reducing the Company's net debt and gearing to \$32.4 million and 9.4% respectively.

Cash from operations was \$77.5 million, down from \$85.3 million in the prior corresponding period. Operating cash flow in the current period included receipt of some \$60 million in overdue debtors from the June 2012 period. The prior corresponding period operating cash flow included \$30 million in prepayments (Solomon project). Adjusting for these two large timing items, the underlying cash from operations decreased by approximately \$40 million, this was mainly driven by cash losses on Construction projects (Solomon, Hope Downs 4 and Urban Superway), which will continue into the second half as supplier payments are made to complete these projects.

Capital expenditure for the half year totalled \$89.7 million, a substantial increase of 83% from the prior corresponding period, including \$76.2 million for Mining and \$12.0 million for Construction.

Funding

The current \$475.0 million banking facility signed in December 2011 remains in place and provides the Company with sufficient funding flexibility to meet its contractual commitments over the next 2 – 3 years.

As at 31 December 2012, the Company had drawn down \$251.5 million of its \$475.0 million syndicated funding facility. Of the \$251.5 million drawn, \$189.0 million was for equipment financing, \$20.0 million for working capital and \$42.5 million for bank guarantees. All banking covenants remain within limits. The outstanding balance for operating leases at 31 December 2012 was \$61.3 million.

Directors' report (continued)

Review of operations (continued)

Mongolia funding update

The long-term strategy to fund the Tavan Tolgoi project is to establish a stand-alone, non-recourse debt facility. This requires a sell-down of the Company's interest in the project before it commits to any long-term funding package and is also dependent on the project's broader funding strategy.

The client continues to progress longer term funding solutions for the project. An escrow account arrangement currently provides short-term funding certainty for Macmahon's project works.

People

Macmahon employee numbers totalled 4,349 employees as at 31 December 2012, with numbers remaining largely consistent throughout the first half of the financial year. This number was up from almost 4,000 direct employees for the prior corresponding period.

In October 2012, Macmahon completed a review of its organisational structure, centralising key corporate and support services to reduce duplication and improve efficiencies and responsiveness across the business. The review was conducted by external consultants and coincided with an internal focus on cost savings across the business in response to changing market conditions.

The organisational review led to 59 redundancies within the overhead structure, which will lead to annualised savings of more than \$9 million. While employee numbers have stabilised during the period, there remains a focus on retaining and developing skilled people to meet the needs of the business. In addition to the ongoing apprenticeship and graduate programs and Macmahon's Indigenous employment and training initiative, ROCKSTAR, the Company launched an expanded induction program during the period to improve new employees' introduction to Macmahon.

A new management structure has now been confirmed to support the Company's mining services focused future. Fraser Ramsay was appointed Chief Operating Officer – Surface Mining and Infrastructure Services and Nick Cernotta as Chief Operating Officer – Underground, International and Engineering. These two appointments are critical to implementing the Company's new strategy of delivering a full suite of mining services to clients throughout Australia and overseas.

Board appointments

After 12 years of service as the Company's Chief Executive Officer and Managing Director, Mr Nicholas Bowen resigned on 19 September 2012. Mr Bowen was responsible for the substantial growth and expansion of Macmahon's business into a larger, more diversified company during his tenure. The Board acknowledges Mr Bowen's commitment during those years.

On 19 September 2012, Mr Ross Carroll was appointed as the Company's Chief Executive Officer and Managing Director. Mr Carroll joined the Company in 2006 as Chief Financial Officer and was promoted to the role of Chief Operating Officer – Mining in early 2011.

Mr Carroll has significant experience in oil and gas, and mining, including 18 years with BHP Billiton. Prior to his employment at Macmahon, Mr Carroll was Chief Financial Officer of Woodside. Mr Carroll's previous roles with BHP Billiton included Vice President Commercial – Iron Ore and Vice President Finance and Planning Americas – Petroleum.

Safety performance

Macmahon's Total Recordable Injury Frequency Rate was 7.30 at 31 December 2012, and its Lost Time Injury Frequency Rate was 1.01 representing an improvement from 30 June 2012, when the TRIFR was 7.72 and the LTIFR was 1.38.

Directors' report (continued)

Review of operations (continued)

Throughout the last six months, the Company has focused on training and education, specifically with safety induction and supervisor training, which has resulted in a gradual improvement in performance. Work is continuing to further develop the Company's Safety Engagement Framework (SEF), which aims to appoint cross functional working committees to address key critical risks, benchmark performance and rectify any existing gaps with best practice approaches. This will focus on reducing the number of recordable injuries and is expected to have a significant impact on the Company's safety culture over the long term.

New strategy

The Company announced a new, mining focused strategy on 12 December 2012 when it signalled its intention to exit its Construction business. Macmahon's new strategy will see the Company provide the full suite of mining services, both in Australia and overseas, to deliver consistent and sustainable returns for shareholders over time. The Company's mining focused future will seek to leverage its existing, long-term relationships with blue-chip clients, with an emphasis on low cost operations that are less susceptible to fluctuations within global markets. The Company will continue to develop a diverse range of projects spanning a number of regional and commodity sectors.

Macmahon is actively seeking to identify new opportunities with low capital intensity requirements to build a strong earnings base to support future growth. It is expected the Company's new mining focused future will see the development of its Underground operations overseas – particularly in Africa, with an office recently established in Ghana. Further growth of the Engineering Business is also targeted.

Company outlook – FY13 earnings guidance following sale

Previous earnings guidance reported on 12 December 2012, was provided on the basis of a staged wind down of the Construction business over time and did not assume any of the impacts of a sale of the construction projects. The guidance outlined a number of factors which could impact the earnings projections made at that time which included:

- Potential sale implications not forecast
- Potential further losses on Construction projects
- Unanticipated weather events
- Material delay to either Tropicana or Christmas Creek ramp-up
- Securing short & long term funding for Tavan Tolgoi

The impacts of the sale of Construction projects and the wind down of the Construction Business against previous guidance are summarised in the table below. Taking into consideration these impacts, the Company's full year loss after tax is expected to be in the range of \$10 - \$20 million. Mining profit before tax is expected to be in excess of \$85 million, which remains within the range previously advised.

\$ million (figures shown are net of tax)	FY2013
Previous NPAT guidance (Construction wind down assumed)	0 – 25
Profit on sale of Construction projects	9
Construction closure costs including redundancies and goodwill write-off	(12)
Construction (mainly H2 profits previously forecast – now sold to Leighton)	(18)
Mining (wet weather, productivity and Mongolia funding delay)	(10)
Tax (prior period tax benefits)	11
Revised NPAT guidance (Construction sale assumed)	(10) – (20)

*The numbers in the table have been reconciled against the lower end of the earnings guidance range.

Directors' report (continued)

Review of operations (continued)

Business outlook

With the Australian and Asian economies remaining comparatively strong, Macmahon's geographically diverse mining services operations are well placed to take advantage of the economic stability and growth opportunities in these regions. The outlook for the Mining Business remains robust in FY14, with \$745 million of revenue already secured. Further, the expected extension of a number of projects would increase secured revenue to around \$960 million. Growth from the ramp-up of secured projects and the planned expansion in offshore mining activities is expected to deliver sustainable profits into the future.

Events subsequent to reporting date

On 12 December 2012, the company announced an \$80.7 million fully underwritten 2 for 3 pro rata accelerated non-renounceable Entitlement Offer. The offer consisted of an accelerated Institutional Entitlement Offer and a Retail Entitlement Offer. On 20 December 2012, the Company issued 263.5 million shares under the Institutional Entitlement Offer, raising gross proceeds of \$42.1 million. On 22 January 2013, the Company issued a further 241.2 million shares under the retail component of the entitlement offer, raising gross proceeds of approximately \$38.6 million of the total \$80.7 million.

On 24 December 2012, the Company announced it had finalised an Asset Purchase Agreement with Leighton Holdings Limited to sell the majority of its Construction projects and associated plant. Shareholder approval for the sale was obtained at an Extraordinary General Meeting held on 26 February 2013.

Other than the matters described above, the Directors are not aware of any matter or circumstance arising since 31 December 2012 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.

Directors' report (continued)

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

The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the six months ended 31 December 2012.

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.



Ross Carroll

Chief Executive Officer & Managing Director

Dated at Perth this 26th day of February 2013.

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 belief, in relation to the review for the half-year ended 31 December 2012 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

26 February 2013

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 2012, condensed consolidated statement of profit or loss and other 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 half-year.

Directors' responsibility for the half-year 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 internal 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 2012 and its performance for the half-year 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.

Independence

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

Independent auditor's review report (continued)



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 2012 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

26 February 2013

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 16 to 24 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 2012 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.



Ross Carroll

Chief Executive Officer & Managing Director

Dated at Perth this 26th day of February 2013.

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December

In thousands of AUD

	Note	2012	2011
Revenue		528,090	421,977
Other Income		53	1,128
		528,143	423,105
Materials and consumables used		(164,995)	(134,929)
Employee benefits expense		(231,290)	(173,346)
Subcontractor costs		(32,476)	(34,749)
Depreciation and amortisation expenses		(38,306)	(34,794)
Equipment and office expenses under operating leases		(9,618)	(9,953)
Other expenses		(8,924)	(7,993)
Results from operating activities		42,534	27,341
Finance income		1,253	1,325
Finance expense		(12,031)	(8,882)
Net finance costs		(10,778)	(7,557)
Share of profit in investments accounted for using the equity method (net of tax)		617	200
Profit before income tax from continuing operations		32,373	19,984
Income tax expense	7	(9,320)	(6,403)
Profit from continuing operations (net of tax)		23,053	13,581
(Loss) / profit from discontinued operations (net of tax)	12	(60,653)	9,624
(Loss) / profit for the period attributable to equity holders of the Company		(37,600)	23,205
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(66)	455
Effective portion of changes in fair value of cash flow hedges		(2,801)	(2,373)
Other comprehensive loss for the period (net of tax)		(2,867)	(1,918)
Total comprehensive (loss) / income for the period attributable to equity holders of the Company		(40,467)	21,287
Earnings per share			
Basic earnings per share (cents)		(4.92)	3.25
Diluted earnings per share (cents)		(4.92)	3.24
Earnings per share - continuing operations			
Basic earnings per share (cents)		3.01	1.86
Diluted earnings per share (cents)		2.93	1.81

Condensed consolidated statement of financial position

As at

In thousands of AUD

	Note	31-Dec-12	30-Jun-12
Assets			
Current assets			
Cash and cash equivalents		183,489	134,894
Trade and other receivables		151,372	348,671
Assets held for sale	12	125,343	-
Inventories		61,234	45,311
Current tax receivables		10,317	-
Total current assets		531,755	528,876
Non-current assets			
Investments accounted for using the equity method		632	11,127
Property, plant and equipment	8	386,687	417,754
Intangible assets		24,671	31,066
Deferred tax assets		15,679	173
Total non-current assets		427,669	460,120
Total assets		959,424	988,996
Liabilities			
Current liabilities			
Trade and other payables		174,555	306,306
Liabilities related to assets held for sale	12	160,054	-
Loans and borrowings	9	21,699	55,200
Employee benefits		38,569	58,724
Current tax liabilities		3,171	2,066
Provisions		8,218	14,255
Derivative financial instruments		12,136	8,134
Total current liabilities		418,402	444,685
Non-current liabilities			
Loans and borrowings	9	194,203	162,274
Employee benefits		2,341	4,101
Deferred tax liabilities		-	21,125
Total non-current liabilities		196,544	187,500
Total liabilities		614,946	632,185
Net assets		344,478	356,811
Equity			
Share capital	10	353,791	307,963
Reserves		(18,611)	(15,574)
Retained earnings		9,298	64,422
Total equity attributable to equity holders of the Company		344,478	356,811

Condensed consolidated statement of changes in equity

For the six months ended 31 December

In thousands of AUD

Note	Attributable to equity holders of the Company						Non-controlling interest	Total equity
	Share capital	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings	Total		
Balance at 1 July 2012	307,963	(5,112)	(5,694)	(4,768)	64,422	356,811	-	356,811
Loss for the period	-	-	-	-	(37,600)	(37,600)	-	(37,600)
<i>Other comprehensive loss</i>								
Foreign currency translation differences (net of tax)	-	(66)	-	-	-	(66)	-	(66)
Effective portion of changes in fair value of cash flow hedges (net of tax)	-	-	(2,801)	-	-	(2,801)	-	(2,801)
Total comprehensive loss for the period (net of tax)	-	(66)	(2,801)	-	(37,600)	(40,467)	-	(40,467)
Transactions with owners, recorded directly in equity								
Treasury shares purchased for compensation plans	-	-	-	(172)	-	(172)	-	(172)
Shares issued	45,828	-	-	-	-	45,828	-	45,828
Treasury shares allocated on vesting of performance rights	-	-	-	2	(2)	-	-	-
Dividends to owners	-	-	-	-	(18,286)	(18,286)	-	(18,286)
Share-based payment transactions	-	-	-	-	764	764	-	764
Total transactions with owners	45,828	-	-	(170)	(17,524)	28,134	-	28,134
Balance at 31 December 2012	353,791	(5,178)	(8,495)	(4,938)	9,298	344,478	-	344,478
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
<i>Other comprehensive income / (loss)</i>								
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 (net of tax)	-	455	(2,373)	-	23,205	21,287	-	21,287
Transactions with owners, recorded directly in equity								
Treasury shares purchased for compensation plans	-	-	-	24	-	24	-	24
Acquisition of non-controlling interest	-	-	-	-	(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

Condensed consolidated statement of cash flows

For the six months ended 31 December

In thousands of AUD

	Note	2012	2011
Cash flows from operating activities			
Receipts from customers		1,124,471	777,376
Payments to suppliers and employees		(1,032,204)	(677,602)
Net receipts / (payments) to joint venture entities		(1,909)	(7,463)
Cash generated from operating activities		90,358	92,311
Interest paid		(10,922)	(5,406)
Interest received		1,253	1,325
Income taxes paid		(3,188)	(2,884)
Net cash from operating activities		77,501	85,346
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		37,552	6,094
Payment for property, plant and equipment ¹		(80,409)	(46,335)
Net cash used in investing activities		(42,857)	(40,241)
Cash flows from financing activities			
Proceeds from issues of equity securities (net of share issue costs)	10	40,489	-
Purchase of own shares		(247)	-
Proceeds from borrowings		62,023	5,059
Repayment of borrowings		(67,150)	(25,000)
Repayment of hire purchase and finance lease liabilities		(6,065)	(4,511)
Payment of transaction costs relating to loans and borrowings		(69)	(1,048)
Dividends paid (net of dividends reinvested)		(12,947)	-
Net cash from / (used in) financing activities		16,034	(25,500)
Net increase in cash and cash equivalents		50,678	19,605
Effect of exchange rate changes on the balance of cash held in foreign currencies		(2,083)	(289)
Cash and cash equivalents at beginning of period		134,894	115,634
Cash and cash equivalents at end of period		183,489	134,950

¹ During the six months ended 31 December 2012, the consolidated entity acquired plant and equipment under finance lease agreements amounting to \$9.3 million (six months ended 31 December 2011: \$2.8 million) which is excluded from the cash flow.

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 2012 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 for the six months ended 31 December 2012 consisted 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 2012 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 2012.

The condensed consolidated interim financial statements were approved by the Board of Directors on 26th of February 2013.

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 2012.

Assets held for sale and discontinued operation

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use. Immediately before classification as held for sale, the assets or components are remeasured in accordance with the Group's other accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which: represents a separate major line of business or geographical area of operations; is part of a single co-ordinated plan to dispose of such a line of business or area of operations; or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

New accounting standards and interpretations

From 1 July 2012, 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.

Notes to the condensed consolidated interim financial statements (continued)

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 2012.

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 2012.

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 2012.

Information about reportable segments for the six months ended 31 December

<i>In thousands of AUD</i>	Mining		Construction (Discontinued operation)		Total	
	2012	2011	2012	2011	2012	2011
Revenue from consolidated entity and joint ventures	533,330	423,244	503,648	405,769	1,036,978	829,013
Reportable segment profit / (loss) before income tax	38,364	31,995	(110,099)	14,161	(71,735)	46,156

Reconciliation of reportable segment revenues and profit or loss

<i>In thousands of AUD</i>	2012	2011
Revenues		
Total revenue for reportable segments	1,036,978	829,013
Elimination of joint venture revenues	(177,475)	(106,741)
Elimination of joint venture recoveries	44,418	13,306
Consolidated revenue	903,921	735,578
Profit / (loss)		
Total (loss) / profit for reportable segments	(71,735)	46,156
Unallocated amounts: corporate expenses	(5,991)	(12,011)
Consolidated (loss) / profit before income tax	(77,726)	34,145

7. Income tax expense

The continuing operations effective tax rate is 28.8%. The discontinued operations effective rate of the income tax benefit is 44.9% and is impacted by increases in previously unrecognised losses of \$16.3 million attributable to the Construction Business. If the adjustments were excluded, the discontinued operation's effective tax rate would be 30.1%. The consolidated entity's effective tax rate is lower than the prior period due to adjustments for share based payments.

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

During the six months ended 31 December 2012, the consolidated entity acquired property, plant and equipment totalling \$89.7 million (six months ended 31 December 2011: \$49.1 million), of which \$9.3 million (six months ended 31 December 2011: \$2.8 million) was acquired via finance leases.

Property, plant and equipment with a carrying value of \$38.0 million (including \$36.2 million on sale and operating leaseback) was disposed during the six months ended 31 December 2012 (six months ended 31 December 2011: \$5.3 million), resulting in a loss on disposal of \$0.4 million (six months ended 31 December 2011 gain on disposal: \$0.8 million) which was included as other expense (six months ended 31 December 2011 gain on disposal was included as other income) in the condensed consolidated statement of comprehensive income.

Capital commitments

As at 31 December 2012, the consolidated entity had entered into contracts to purchase plant and equipment totalling \$185.0 million (as at 31 December 2011: \$150.5 million), of which \$80.3 million related to Tropicana, a ten year mining project for the joint venture between AngloGold Ashanti Australia Pty Ltd and Independence Group NL.

9. Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2012:

In thousands of AUD

	<u>Currency</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Year of Maturity</u>
Balance at 1 July 2012	AUD		217,474	
Capitalisation of borrowing costs	AUD		(624)	
Amortisation of borrowing costs	AUD		1,109	
New issues				
Syndicated Facility Agreement loans	AUD	6% - 6.75%	62,000	2015 - 2016
Finance lease liabilities	NGN	16%	9,272	2016
Other loans	AUD		23	
Repayments				
Hire purchase	AUD		(4,105)	
Syndicated Facility Agreement loans	AUD	6% - 6.75%	(66,000)	
Other loans	AUD	5%	(1,150)	
Finance lease liabilities	NGN	16%	(1,960)	
Finance lease liabilities- foreign exchange difference component	AUD	N/A	(137)	
Balance as at 31 December 2012	AUD		<u>215,902</u>	

Interest on loans drawn down under the Syndicated Facility Agreement (SFA) is charged at Bank Bill Swap Bid Rate (BBSY) plus a margin.

Macmahon Contractors Nigeria Limited entered into a number of new lease agreements with Stanbic IBTC Bank at a fixed interest rate of Prime Lending Rate 16.0%. These facilities mature on 30 July 2016.

During the period to 31 December 2012, all hire purchase liabilities were fully repaid.

As at 31 December 2012, the domestic operating lease facility was drawn down to \$61.3 million (as at 30 June 2012: \$37.8 million).

Notes to the condensed consolidated interim financial statements (continued)**10. Share capital**

	The Company	
	No. ordinary shares ('000)	
	2012	2011
On issue at 1 July	738,632	733,712
Issued during the period	281,907	4,920
On issue at 31 December	1,020,539	738,632

On 23 July 2012, the Company issued 2.7 million ordinary shares pursuant to the vesting of CEO Class B performance rights (2011: 4.9 million ordinary shares issued).

On 17 October 2012, the Company issued 15.7 million ordinary shares under the Dividend Reinvestment Plan ("DRP") in relation to the dividend paid on the same day, raising proceeds of approximately \$5.3 million.

On 12 December 2012, the Company announced a fully underwritten 2 for 3 pro rata accelerated non-renounceable Entitlement Offer of new ordinary shares in the Company. The offer consisted of an accelerated Institutional Entitlement Offer and a Retail Entitlement Offer. Funds raised were used to strengthen the balance sheet following recent Construction project write-downs and to fund the future growth of the Mining Business.

On 20 December 2012, the Company issued 263.5 million shares under the Institutional Entitlement Offer, raising gross proceeds of approximately \$42.1 million. Transaction costs associated with this share issue were approximately \$1.6 million.

Subsequent to the reporting date, on 22 January 2013, the Company issued 241.2 million shares under the Retail Entitlement Offer, raising gross proceeds of approximately \$38.6 million. Transaction costs associated with this share issue were approximately \$1.8 million.

11. Dividends

	Consolidated	
	2012	2011
<i>In thousands of AUD</i>		
Dividends paid during the period on ordinary shares:		
Final franked dividend for 2012: 2.5 cents per share (2011: nil cents per share)	18,286	-
	18,286	-

12. Discontinued operation**a) Description**

On 12 December 2012, the Company announced its planned exit from the Construction Business as it pursues its new strategy of becoming a dedicated full service mining contractor. The segment was not a discontinued operation or classified as held for sale as at 31 December 2011 and the comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Financial information relating to the discontinued operation for the period is set out below.

Notes to the condensed consolidated interim financial statements (continued)
b) Financial performance and cash flow information for discontinued operations

The financial performance and cash flow information presented are for the six months ended 31 December

In thousands of AUD

	2012	2011
Revenue	375,831	313,601
Expenses	(462,795)	(309,608)
Share of (loss) / profit in investments accounted for using the equity method	(23,135)	10,168
(Loss) / profit before income tax	(110,099)	14,161
Income tax benefit / (expense)	49,446	(4,537)
(Loss) / profit after income tax from discontinued operations	(60,653)	9,624
Net cash (used in) / from operating activities	(15,881)	17,145
Net cash (used in) / from investing activities	(12,057)	(16,290)
Net (decrease) / increase in cash generated from discontinued operations	(27,938)	855

c) Carrying amounts of assets and liabilities of discontinued operations

The carrying amounts of assets and liabilities as at 31 December 2012 were:

In thousands of AUD

	2012
Property, plant and equipment	41,954
Trade receivables	67,195
Investments accounted for using the equity method	11,941
Intangible assets	4,253
Total assets	125,343
Trade creditors	129,268
Employee benefits	14,988
Provisions	15,798
Total liabilities	160,054
Net assets / (liabilities)	(34,711)

13. Subsequent events

On 12 December 2012, the company announced an \$80.7 million fully underwritten 2 for 3 pro rata accelerated non-renounceable Entitlement Offer. The offer consisted of an accelerated Institutional Entitlement Offer and a Retail Entitlement Offer. On 20 December 2012, the Company issued 263.5 million shares under the Institutional Entitlement Offer, raising gross proceeds of \$42.1 million. On 22 January 2013, the Company issued a further 241.2 million shares under the retail component of the entitlement offer, raising gross proceeds of approximately \$38.6 million of the total \$80.7 million.

On 24 December 2012, the Company announced it had finalised an Asset Purchase Agreement with Leighton Holdings Limited to sell the majority of its Construction projects and associated plant. Shareholder approval for the sale was obtained at an Extraordinary General Meeting held on 26 February 2013.

Other than the matters described above, the Directors are not aware of any matter or circumstance arising since 31 December 2012 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.