

14 October 2013

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

Dear Sir/Madam,

Letter to Shareholders

Macmahon Holdings Ltd (ASX:MAH) has dispatched the attached letter to shareholders.

*** ENDS ***

For further information, please contact:

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

About Macmahon

Macmahon is a leading Australian company providing the complete package of mining services to clients throughout Australia and in New Zealand, South East Asia, Mongolia and Africa.

An ASX listed company, Macmahon's diverse and comprehensive capabilities provide an end to end service offering to its mining and engineering clients.

Macmahon's extensive experience in both surface and underground mining has established the Company as the contractor of choice for resources projects across a range of locations and commodity sectors.

With an expanding international footprint, Macmahon's reputation for outstanding teamwork, integrity and commitment to the environment is underpinned by the Company's core value – safety.

Visit www.macmahon.com.au for more information.



14 October 2013

Dear Shareholder

Company Update

I am writing to advise you of the upcoming Annual General Meeting (AGM) of Macmahon Holdings Limited, to be held in Perth on 15 November 2013.

As you would be aware, since the AGM in 2012 your Company has undergone a major business transformation, following its exit from the Australian construction sector. With its new mining strategy firmly in place, we are now intently focused on growing the most successful parts of the business and delivering sustainable returns.

I am pleased to report that this business transformation has proceeded as planned despite very difficult market conditions, which is a real credit to our staff. Our CEO, Ross Carroll, has re-organised the Company to reflect the new business and the management team are currently implementing a range of initiatives designed to lift productivity and reduce costs across the business. Significant progress has already been made with reduced overheads and a move towards improved supplier arrangements.

At the AGM the CEO and I will provide you with a further update on the market and the actions we are taking to navigate our way through this period.

Annual General Meeting

Full details of the agenda for the upcoming AGM are set out in the notice of meeting enclosed with this letter. I hope you are able to attend the meeting in person or, if not, convey your views by voting on the resolutions that form part of the meeting by proxy.

At the Company's last AGM, the 2012 Remuneration Report was opposed by more than 25% of the votes cast. As a consequence and before you vote, I would like to remind you that the legislative requirement known as the "two strikes rule" will have a heightened significance at this AGM. As you may know, the two strikes rule requires that if a company's Remuneration Report is opposed at two successive AGMs by 25% or more of the votes cast, then shareholders will be asked to consider whether a further "spill meeting" should be held at which the non-executive directors who held their positions at the time the second Remuneration Report was signed will be required (if available) to seek re-appointment.

In my view, a strike against the Company's 2013 Remuneration Report and a subsequent spill meeting is unwarranted. Indeed, I believe these things would be contrary to the best interests of shareholders for the following reasons:

- 1) **As outlined in the 2013 Annual Report, a number of significant changes have been made to the Company's executive remuneration structure.** These changes follow extensive consultation with an independent remuneration consultant and external stakeholders and aim to drive strong individual and team performance. Importantly, the changes include a significant decrease in the total remuneration paid to the Company's

CEO compared to the previous CEO. Other remuneration highlights include a voluntary pay cut for the Board, the CEO and members of the Company's Executive team from November 2012 until June 2013, a permanent reduction in fees paid to Board members, a deferral of the annual pay review for most staff (in effect since 1 December 2011) and improvements to the STI and LTI programs in line with current good practice.

- 2) The Company has been in a process of transition over the last year following the sale of its construction business and the focus on a mining-only business model. The Board and management team are currently implementing this new strategy and rolling out a number of initiatives to deliver more consistent and sustainable returns for shareholders. **A vote against the Company's Remuneration Report, especially if it is followed by a further general meeting to spill non-executive directors, will simply detract from this focus and risk destabilising the business.**
- 3) Finally, the Board is already engaged in an orderly process of renewing its non-executive directors. Recently, Mr Giles Everist and Mr Jim Walker have joined the Macmahon Board. Mr Everist has a wealth of experience in the resources sector having held executive roles at various resources related companies including Monadelphous, Fluor Australia, and Rio Tinto. He also currently chairs the Board of engineering firm Decmil. Mr Everist has had an exemplary career as a Finance executive in the resources industry and will add significant value to Macmahon. Mr Walker is also well known within the resources sector having spent over thirty years with the WesTrac Group, including his role as Chief Executive Officer since 1999. Westrac is one of the world's most successful mining equipment dealers and Mr Walker's general industry knowledge and sales and marketing experience will be of great benefit to Macmahon.

Mr Everist and Mr Walker are intended to replace Mr Barry Ford and Dr David Smith, who will both resign from the Macmahon Board prior to the AGM. Further Board changes are expected in the near future once suitably qualified and experienced individuals are identified to replace existing directors. **A spill meeting will disrupt this well planned and carefully considered process.**

For these reasons, I strongly urge shareholders to vote in favour of the adoption of the Remuneration Report at the coming AGM and, if necessary, to vote against the calling of a further general meeting to spill non-executive directors.

I also encourage shareholders to support the existing board and management by voting for the re-election of our new directors Mr Giles Everist and Mr Jim Walker, and for the grant of performance rights to incentivize the CEO Mr Ross Carroll. These performance rights carry challenging hurdles that have improved alignment with the interests of shareholders as outlined on pages 42 & 43 of the 2013 Annual Report.

In summary, I urge you to vote as follows:

RESOLUTION	VOTE
1. Adoption of Remuneration Report	Yes
2. Re-election of Giles Everist as a Director	Yes
3. Re-election of Jim Walker as a Director	Yes
4. Grant of Performance Rights to the CEO	Yes
5. Spill Resolution (if necessary)	No

The Board acknowledges that the Company must deliver improved results over a prolonged period in order to increase the current share price. At the AGM we will discuss further our strategies to manage current market conditions and improve business performance.

I assure you that we are working on addressing all matters in a prudent and thorough manner.

Finally, I would like to thank the employees of Macmahon who have managed the Company through a particularly difficult time in our 50 year history. They have done this with absolute commitment, working very long hours to address the many issues.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Scott-Mackenzie', with a stylized, cursive-like script.

Ken Scott-Mackenzie
Chairman, Macmahon Holdings