

20 February 2015

Macmahon to conclude operations at Christmas Creek

Macmahon Holdings Ltd (ASX:MAH) has today been advised by Fortescue Metals Group that it will be consolidating its two Christmas Creek Mines in Western Australia and engaging a single contractor to manage both operations. As a result, Macmahon's mining services contract at the Christmas Creek Expansion Project will conclude on 20 April 2015.

Macmahon's Executive Chairman, Jim Walker, said that whilst the decision to reduce the contract term was deeply disappointing, he acknowledged the financial challenges being faced by iron ore mining companies at present and the need for them to rapidly reduce costs.

He added that the Christmas Creek contract contributed approximately A\$260 million to Macmahon's annual revenue and that Macmahon would move quickly to restructure its business model to accommodate the reduction in revenue.

"We have already begun the process of resizing the business including consolidating our Perth offices and reducing overheads," he said.

"While the business will be smaller over the near term, the Company still has several quality contracts underway and is pursuing potential opportunities both here in Australia and overseas.

"Contracting by its very nature requires the ability to flex up and down quickly. Macmahon has been around for more than 50 years and has successfully done this many times during that period," Mr Walker said.

The Company's revenue forecast for the full year is now in the range of A\$600 million to A\$700 million.

Banking considerations

In September 2014 Macmahon entered into a three year A\$317.5 million Syndicated Facility Agreement (SFA) with nine lenders. The Company currently has A\$159 million drawn under the capital expenditure tranche of this facility as well as A\$8.9 million of outstanding bank guarantees. As at 31 December 2014, the Company had cash on hand of A\$124.7 million.

Due to the material nature of the Christmas Creek contract, over the next 90 days Macmahon and the SFA lenders will discuss the impact the reduction in revenue will have on the Company and, if required, negotiate in good faith any amendments to the current SFA terms.

At the completion of the review period, lenders will have the option to withdraw from the facility. If a lender exercises this option then that lender's portion of the drawn debt will be required to be repaid within 60 days from the date the review period ends.

The Company is confident that sufficient funding options will be available to meet any potential facility reduction or repayment.

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For further information, please contact:

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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.