

# INTERIM FINANCIAL REPORT

For the six months ended  
31 December 2016



 **MACMAHON**

### Condensed consolidated interim financial report For the six months ended 31 December 2016

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# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated interim financial statements of Macmahon Holdings Limited and its controlled entities ("consolidated entity") for the six months ended 31 December 2016 including the review report thereon.

### DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

J A Walker	(Chairman, Non-executive)
S J van Dyk	(Chief Executive Officer and Managing Director) (resigned 11 November 2016)
C R G Everist	(Non-executive)
E Skira	(Non-executive)
V A Vella	(Non-executive)

### KEY FINANCIAL INDICATORS

For the six months ended 31 December:

<i>A\$ million except where stated</i>	<b>Dec-16</b>	<b>Dec-15*</b>
<b>Total revenue (including joint ventures) from continuing operations</b>	<b>168.3</b>	<b>156.7</b>
EBITDA from continuing operations before significant items	10.4	29.4
EBIT from continuing operations before significant items	(4.5)	16.6
Net finance costs	(0.1)	(1.3)
Tax expense	(0.4)	(1.0)
<b>(Loss) / profit after tax from continuing operations before significant items</b>	<b>(5.0)</b>	<b>14.3</b>
Significant items: onerous lease	-	(2.1)
(Loss) / profit after tax from discontinued operations	(18.3)	(8.9)
<b>(Loss) / profit for the period attributable to equity holders of the Company</b>	<b>(23.3)</b>	<b>3.3</b>
Reported basic (loss) / earnings per share (cents)	(1.94)	0.27
Reported basic (loss) / earnings per share (cents) – continuing operations	(0.42)	0.98
Dividends declared per share (cents)	nil	nil
Mining order book as at 31 December	1,295	1,573

*\*Restated to remove discontinued operation.*

*Note: Numbers in the table may not add due to rounding. This table includes the presentation of sub-totals and line items which represent non IFRS financial information. The Directors consider this presentation to provide useful information to readers.*

### OPERATING RESULTS

Net loss from continuing operations for the half year is \$5.0 million (2015: profit of \$14.3 million before significant items of \$2.1 million). The net loss from discontinued operations for the half year is \$18.3 million (2015: loss of \$8.9 million). The consolidated entity's net loss after tax for the half year was \$23.3 million (2015: profit of \$3.3 million).

### PRINCIPAL ACTIVITIES

Macmahon is an international contracting company offering the complete package of mining services to clients in Australia and internationally. Headquartered in Perth, the Company has extensive knowledge and experience in both Surface and Underground Mining and Construction and Infrastructure Services.

# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### DIVISIONAL ACTIVITIES

Macmahon's divisional activities include Surface Mining, Underground Mining and Asset Maintenance and Management.

#### Surface Mining

Macmahon's surface mining division offers the full suite of services including mine planning and analysis, mine management, drill and blast, bulk and selective mining, crushing and screening, fixed plant maintenance, water management as well as equipment operation and maintenance.

Over its 50+ year history, Macmahon has operated across a broad range of commodities including coal, iron ore, gold, copper, nickel, uranium, manganese, limestone and phosphates. Internationally, Macmahon is currently operating at a number of mines in South East Asia and is actively pursuing new opportunities to further expand its footprint in this region.

#### *Project activity - Australia*

- Tropicana Gold Mine - Macmahon is currently fulfilling a life of mine contract at Tropicana which is jointly owned by Anglo Gold Ashanti and Independence Group. This contract was already Macmahon's largest and as announced on 25 January 2017, Macmahon is pleased to report increased volumes for the year ahead which is anticipated to see revenue increase by approximately 25% (based on a comparison of actual revenues for the calendar year ended 31 December 2016 and the forecast for the calendar year ending 31 December 2017). This follows the release by AngloGold Ashanti and Independence Group (Tropicana's owners) of their Tropicana value enhancement update which increased Reserves by 58% to 3.8Moz of gold. The Tropicana owners also flagged the potential for a life of mine extension at Tropicana to between 2027 and 2030 subject to the finalisation of a study midway through 2017. Should these studies be approved, this is anticipated to materially increase the scope and term of Macmahon's life of mine contract at Tropicana.
- Telfer Gold Mine – Representing the Company's second largest operation, Macmahon is also fulfilling a life of mine contract at Telfer in Western Australia for Newcrest. To date, Macmahon has been incurring significant losses at Telfer. However, Macmahon's operational and financial performance at Telfer is forecast to improve as work commences in new mining areas, and Macmahon anticipates that this contract will start generating monthly profits during the latter part of 2017 calendar year. Macmahon's approach to the contract has been to account for losses as and when incurred and has not made any underclaim provisions.
- St Ives Gold Mine - Macmahon is currently operating at St Ives also in Western Australia, where it is contracted by Goldfields to supply equipment and labour.
- Argyle Diamond Mine – Under its indigenous subsidiary, Doorn Djil, Macmahon is currently operating at Argyle where it is undertaking tailings work for Rio Tinto.

#### *Project activity - International*

- Kanthan and Lhok Nga Quarries - Macmahon is currently providing a range of mining activities for Lafarge Holcim in Malaysia and Indonesia. Macmahon has been operating at these sites for several years and has been successful in securing a number of contract extensions over this time.
- Martabe Gold Mine – Macmahon is part of a 50:50 joint venture which is contracted by PT Agincourt Resources to provide mining services at the Martabe gold mine, in the North Sumatra province of Indonesia. This project is performing very well and has provided the Company with a solid foundation.

#### *Projects completed*

- During the period the Company concluded its mining operations in Nigeria. Macmahon is in the process of disposing of surplus assets in Nigeria and has no material ongoing costs. Nigerian operations reported a loss of \$18.0 million. The Nigerian loss comprises an operating loss of \$4.0 million, impairment of \$1.7 million, a foreign currency closure loss of \$9.7 million, a foreign currency loss of \$0.9 million, an early termination fee of \$1.4 million, closure costs of \$0.9 million and a profit on sale of assets of \$0.6 million. At 31 December 2016 a provision of \$0.9 million for close out costs has been made and all remaining Nigerian assets have been written down. This is notwithstanding the fact that the remaining Nigerian assets will continue to be sold in the near term and may realise an amount greater than the value in the accounts at 31 December 2016.

#### Underground Mining

Macmahon has a well-established and highly experienced underground division which specialises in high quality underground mining and engineering services. This service offering includes ground support services (rock bolting, cable bolting and shotcreting), the full suite of ventilation and access services including shaft sinking, raise drilling and shaft lining as well as a very capable engineering and fabrication department.



# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### *Project activity*

- Olympic Dam - Macmahon is currently providing a range of raise drilling services at BHP Billiton's Olympic Dam Mine in South Australia. Current works including the utilisation of five slot drilling rigs (which is a record for the Company). Meanwhile the Company is also utilising one of its specialised raise drills to deliver a series of surface shafts.
- Ranger – During the period the Company was awarded another 6 month contract extension at ERA's Ranger Mine in the Northern Territory where it has been providing ongoing care and maintenance services.
- Mining Services - Macmahon is currently providing a range of services (including drilling, shotcreting, raise drilling, shaft sinking, cablebolting and engineering design) to a number of projects including the Mount Wright Gold Mine in Queensland for Carpentaria Gold, Ballarat Gold Project in Victoria for Castlemaine Gold Fields, Newcrest Mining's Cadia Project in New South Wales, the Leinster Nickel Mine for BHP Billiton Nickel West and the Cracow Mine for Evolution Mining.
- Engineering – Separately, Macmahon has been engaged to provide specialist engineering services at MMG's Dugald River Mine including the design of the mine's underground dewatering system.

### *Projects completed*

- During the period Macmahon successfully completed a large ventilation shaft contract for Goldfields at its Wallaby Mine in Western Australia.

### **Asset Maintenance and Management**

Macmahon owns and operates world class plant maintenance facilities, giving it a unique ability to support frontline contracting services with plant maintenance services.

Macmahon's primary workshop, located in Perth, WA, is a key operational asset with the ability to rebuild components and complete maintenance activities in-house at approximately 80% of external party cost. In addition to the benefits associated with lower overall maintenance costs, this facility provides Macmahon with the ability to rapidly and efficiently deploy supplies to key customer locations, conduct essential maintenance work and allow for fleet and personnel flexibility depending on customer demand.

### *Key Plant and Equipment*

Macmahon's Surface Mining fleet currently includes a broad range of excavators, dump trucks, front end loaders, dozers, and drill rigs. Additional fleet is also utilised by way of client provision or short term hire. Macmahon's fleet is sourced from a range of providers including Caterpillar, Hitachi, Komatsu and Atlas Copco.

Macmahon's Underground Mining fleet is comprised of trucks, loaders, and drills. This equipment is predominantly sourced from Sandvik, Atlas Copco, and Caterpillar. Additional fleet is also utilised by way of client provision or short term hire.

- *Recent achievements*
  - Telfer - major component refurbishment program
  - Tropicana fleet expansion including the commissioning of a new 6060 excavator.

## **BUSINESS REVIEW**

### **Safety Performance**

The Company's overall safety performance has continued to improve, with most of the projects remaining LTI free for the reporting period.

The Lost Time Injury Frequency Rate (LTIFR) as at 31 December 2016 has decreased to 0.53. This is a reduction of 57 percent compared to 31 December 2015 (1.23).

At 31 December 2016, the rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) was 4.60, a 4 percent increase compared to 31 December 2015 (4.42).

The key safety initiatives and achievements for the period included:

- Macmahon Registered Training Organisation: Listed as preferred Providers for Traineeships with the Department of Training and Workplace Development.
- Leadership / Safety Training: Coaching sessions for Supervisory Positions in Leadership including Safety.
- Communication: Better communication of topics, issues and information. Key topics such as mental health and fatigue.
- Change in Employee Assistance Provider: Utilising online and mobile connectivity to provide better coverage for workers.
- Focus on Safe Acts: Targeting the quality of the use of our key tools through a meaningful review and a performance indicator which measures quality.

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## 31 December 2016 Interim Financial Report

- Rewards: Deployment of the Macmahon Safety Solution program across all areas of the business, including the International operations
- Streamlined Systems: Simplified access to key policies, procedures and HSEQ documentation to assist those at the front line.
- Apprenticeship Intake: Completion of successful screening and intake through a detailed assessment centre.

### People Performance

At 31 December, the Company employed a workforce of 1,418 direct employees, up from 1,179 direct employees at 31 December 2015. This increase in manning is largely due to new projects commencing and expansion of existing projects. This adjustment in numbers includes the reduction in workforce in Nigeria by approximately 130 direct-hire employees. Employee retention remains a significant challenge for the business, however year on year comparison shows the Group voluntary turnover for wages personnel has reduced to 10.9% compared with 12.3% compared 31 December 2015 and staff voluntary turnover also reduced to 13% compared with 15.7% at 31 December 2015.

As at 31 December 2016, recruitment and training of new operators for the introduction of a new 600 tonne face shovel at Tropicana had been completed, as well as additional resourcing to support the St Ives project and the successful transfer of 90% of the Martaba workforce to permanent employment agreements. Recruitment for the Telfer project was completed and is now focussed on maintaining the required numbers.

There was a continued focus on the development of people during the period with 73 traineeships either in progress or completed in Certificate III, IV and Diploma in Surface Mining Extraction, Diplomas in Leadership and Management and Certificate IV in Business, along with continued support for 35 apprentices to complete their training programs. A successful selection process was undertaken to identify an additional 7 apprentices which have been offered a training program to commence in 2017.

Key achievements for the period included:

- closure of the Nigerian Calabar operations with no industrial disputes;
- successful renegotiation of 3 Enterprise Bargaining Agreements; and
- continued focus on new opportunities for Macmahon.

### Senior Management Changes

In November 2016 Sybrandt van Dyk resigned from the role of Chief Executive Officer and Managing Director. Mr van Dyk had been with Macmahon since April 2014.

Filling the vacancy created by Mr van Dyk's resignation, the Company appointed Michael Finnegan as Chief Executive Officer. Mr Finnegan is a professional mining engineer and has been with Macmahon since 2014. Mr Finnegan has over 20 years' experience in the mining industry.

### OUTLOOK

With the continuing recovery of the resources sector, Macmahon is experiencing an improved tender pipeline. Whilst securing new work is a clear priority, Macmahon is remaining disciplined in regards to tendering new work, especially given the sustainability of the Company's order book and current work levels.

#### *Strategic Priorities*

Macmahon's overarching goals are to successfully capitalise on its broad expertise, world class facilities, diverse geographic base, demonstrated relationship approach and robust balance sheet. In particular the Company is focused on the following strategic priorities:

- Delivering on existing projects – Macmahon is focused on ensuring all projects in its current portfolio perform on or at expectation. Currently, with the exception of Telfer, all Macmahon projects are performing well.
- Pursuing new capital light opportunities – the contract mining business has traditionally been capital intensive and as such the Company is also focused on pursuing projects that require limited new capital. Should the Company be successful in securing a new project which requires capital, rigorous testing regarding returns will be undertaken prior to contract finalisation. Furthermore, Macmahon is committed to achieving appropriate returns on capital and as such has a number of financial hurdles in place as part of its tendering approach.
- Expanding presence in Asia – building on its successful track record in Malaysia and Indonesia, Macmahon is seeking to expand its footprint in South East Asia. In Indonesia, Macmahon's unique joint venture arrangement with NKE has already assisted Macmahon in establishing a stronger local presence, and the Company is currently in discussions with a number of new clients regarding potential near-term opportunities.
- Reinvigorating the underground business – Macmahon has a sound reputation as one of Australia's leading underground mining contractors. Disappointingly, whilst the Company's mining services business has continued to perform strongly, its

# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

underground development business has had limited work since the closure of the Olympic Dam contract (which it held for more than 10 years). Macmahon is currently in the process of re-investing in people, plant and systems in order to improve its competitiveness.

- Developing deeper relationships with existing and potential clients – Macmahon is committed to fostering strong relationships with its customers. Early contractor engagement at the planning phase of new projects is one of the areas where the Company is applying greater resources, along with the development of new value-adding productivity based solutions.
- Diversifying service offering – Macmahon is committed to growing its core mining business, however it is also exploring opportunities to diversify its order book by utilising its existing capabilities in non-traditional applications. For example, the Company is currently aligned with a consortium who is looking to undertake mine rehabilitation work in Australia.

Macmahon is focused on securing new work across a diverse spread of commodities, clients, and geographies, with clients who appreciate what the Company offers and which have alignment on what the level of return should be. In addition to several major gold projects, the Company is currently tendering a number of new opportunities in Australia and overseas in bulk commodities including coal where the Company has had a strong track record of performance.

### FINANCIAL OVERVIEW

#### Mining Business (excluding discontinued operations)

\$ million	Dec-16	Dec-15
Segment revenue	168.3	156.7
Segment profit before tax - before significant items	1.5	19.9
Segment profit before tax margin - before significant items	0.9%	12.7%
Segment profit / (loss) before tax - after significant items	1.5	19.9
Order book	1,295	1,573

Note: This table includes the presentation of sub-totals and line items which represent non-IFRS financial information. The Directors consider this presentation to provide useful information to readers.

The Mining Business reported half year revenue of \$168.3 million, up from \$156.7 million in the prior corresponding period. The increase in revenue was a result of new work commencing offset to a large extent by the slow-down of a number of projects coming to an end.

Profit before tax - before significant items, decreased to \$1.5 million, down from a profit of \$19.9 million in the prior corresponding period. Profit before tax margins decreased due to losses at the Telfer project.

#### Finance Costs

Net finance costs decreased to \$0.1 million, from \$1.3 million in the prior corresponding period due to lower debt levels across the period.

#### Tax

The Company's income tax expense for continuing operations was \$0.4 million, compared to a \$1.0 million expense for the prior corresponding half year period.

The effective tax rate for continuing operations for the half year was negative 9.7 per cent, compared to the prior half year's tax rate of 7.4 per cent.

The effective tax rate of negative 9.7 per cent is due to the tax payable on overseas operations at the foreign tax rate. No Australian tax expenses are incurred or benefits recognised as the continuing operations are in a loss position. Excluding these adjustments, the effective tax rate for the current period for continuing operations would be approximately 30 per cent.

# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### Debt

As at 31 December 2016, cash on hand totalled \$59.6 million (30 June 2016: \$56.7 million).

At 31 December 2016 the Company has a Multi-Option Facility of \$10 million (30 June 2016: \$30 million). Finance leases amounted to \$9.8 million (30 June 2016: \$0.2 million) with the increase relating to the purchase of a new 600 tonne face shovel at Tropicana.

### Depreciation

Depreciation of property, plant and equipment from continuing operations at 31 December 2016 was \$14.9 million (31 December 2015: \$12.8 million). The vast majority of the Company's plant and equipment is depreciated on cumulative hours worked.

### Working Capital

Current trade and other receivables were \$46.0 million at 31 December 2016 compared to \$59.6 million at 30 June 2016.

Current trade and other payables were \$63.2 million at 31 December 2016, compared to \$61.4 million at 30 June 2016. An amount of \$3.0 million was also received in relation to unbilled work at the Telfer project and is treated as income in advance and included in current trade and other payables.

Inventory reduced from \$37.3 million at 30 June 2016 to \$35.4 million at 31 December 2016.

The above working capital items remained consistent in line with work levels, apart from a reduction of trade debtors arising from a receipt of all outstanding Nigerian debtors as a result of cessation of the Nigerian business, and improved payment terms at Telfer.

### Non-current Assets

At 31 December 2016, the book value of the Company's property, plant and equipment totalled \$123.3 million, compared to \$117.7 million at 30 June 2016.

### Capital Expenditure

The Company continued to transition equipment across projects where possible before purchasing new equipment. Capital expenditure of \$16.5 million increased in comparison to the prior corresponding period at \$10.2 million. The capital spend relates primarily to major component replacements. In addition plant acquired under a finance lease amounted to \$10.3 million.

### Cash Flow

Cash generated from operating activities was an inflow of \$12.5 million, compared to an inflow of \$11.7 million in the prior corresponding period.

### Events subsequent to reporting date

On 24 January 2017 CIMIC Group Limited announced its intention to make a final, unconditional offer (other than a no "prescribed occurrences" condition) to acquire the shares in Macmahon pursuant to an off-market takeover at \$0.145 per share.

The Independent Directors of Macmahon have advised shareholders to take no action in respect to the takeover offer and to wait until they receive the Target's Statement before they decide. The Target's Statement will be issued shortly.

The Directors are not aware of any other matter or circumstance arising since 31 December 2016 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.

### Capital management

In October 2016 the Company concluded the on-market share buy-back of up to 10% of its fully paid ordinary shares. This initiative was undertaken as part of the Company's ongoing capital management.

### Dividends

The Directors have determined that no interim dividend will be declared.

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

The lead auditor's independence declaration is set out on page 10 and forms part of the Directors' Report for the six months ended 31 December 2016.



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## Macmahon Holdings Limited & its Controlled Entities

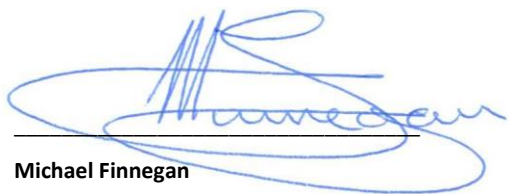
### 31 December 2016 Interim Financial Report

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#### **Rounding of amounts**

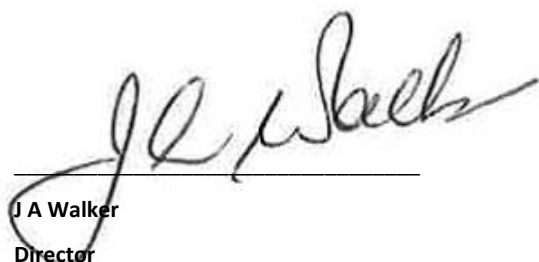
The consolidated entity is of a kind referred to in *ASIC Corporations (rounding in Financial/Directors' Report) instrument 2016/191* and in accordance with the legislative instrument amounts in the Directors' Report and the Interim Financial Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors.



**Michael Finnegan**

**Chief Executive Officer**



**J A Walker**

**Director**

26 February 2017

Perth



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

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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<sup>st</sup> December 2016 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

Denise McComish  
*Partner*

Perth

26 February 2017



# Independent Auditor's Review Report

To the shareholders of Macmahon Holdings Limited

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying **Interim Financial Report** of Macmahon Holdings Limited.

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:

- giving a true and fair view of the **Group's** financial position as at 31<sup>st</sup> December 2016 and of 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*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31<sup>st</sup> December 2016
- 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
- The Directors' Declaration.

The **Group** comprises Macmahon Holdings Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

### Responsibilities of the Directors for the Interim 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*
- 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 for the review of the Interim Financial Report

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<sup>st</sup> December 2016 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*.

KPMG

Denise McComish  
Partner

Perth

26 February 2017

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# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

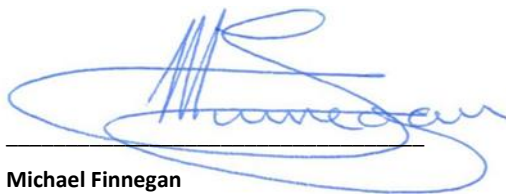
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### Directors' declaration

In the opinion of the directors of Macmahon Holdings Limited;

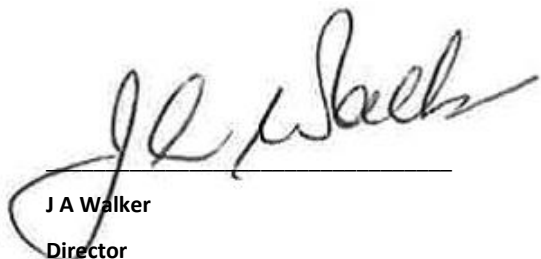
1. The condensed consolidated interim financial statements and notes of the consolidated entity set out on pages 14 to 25 are in accordance with the Corporations Act 2001 including:
  - a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its 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.



**Michael Finnegan**

**Chief Executive Officer**



**J A Walker**

**Director**

26 February 2017

Perth



# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December

In thousands of AUD	Note	Restated*	
		2016	2015
<b>Revenue from continuing operations</b>		168,301	156,739
Other income		2,948	2,763
		<b>171,249</b>	<b>159,502</b>
<b>Expenses</b>			
Materials and consumables used		(84,280)	(55,893)
Employee benefits expense		(66,122)	(55,441)
Subcontractor costs		(2,558)	(3,753)
Depreciation		(14,912)	(12,750)
Equipment and office expenses under operating leases		(7,401)	(9,182)
Other expenses		(2,093)	(5,843)
Net finance costs		(64)	(1,321)
		<b>(6,181)</b>	<b>15,319</b>
Share of profit of equity-accounted investees, net of tax		1,610	-
Onerous provision raised		-	(2,058)
<b>(Loss) / profit before income tax from continuing operations</b>		<b>(4,571)</b>	<b>13,261</b>
Income tax expense	6	(444)	(982)
<b>(Loss) / profit after income tax from continuing operations</b>		<b>(5,015)</b>	<b>12,279</b>
Loss from discontinued operations (net of tax)		(18,314)	(8,941)
<b>(Loss) / profit after income tax attributable to equity holders of Macmahon Holdings Limited</b>		<b>(23,329)</b>	<b>3,338</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit and loss</b>			
Net change in fair value of cash flow hedges reclassified to profit or loss (net of tax)		-	(251)
Foreign currency translation - foreign operations		(4,118)	(966)
Reclassification of foreign currency differences on closure of foreign operations		9,656	-
<b>Other comprehensive income/(loss), net of tax</b>		<b>5,538</b>	<b>(1,217)</b>
<b>Total comprehensive (loss) / income attributable to equity holders of Macmahon Holdings Limited</b>		<b>(17,791)</b>	<b>2,121</b>
Total comprehensive (loss) / income attributable to:			
Continuing operations		<b>(5,486)</b>	<b>10,917</b>
Discontinued operations		<b>(12,305)</b>	<b>(8,796)</b>
		<b>(17,791)</b>	<b>2,121</b>
<b>Earnings / (loss) per share</b>			
Basic (loss) / earnings per share (cents)		(1.94)	0.27
Diluted (loss)/earnings per share (cents)		(1.94)	0.26
<b>Earnings / (loss) per share - continuing operations</b>			
Basic (loss) / earnings per share (cents)		(0.42)	0.98
Diluted (loss)/earnings per share (cents)		(0.42)	0.97

\*The prior period has been restated for discontinued operations. Refer to note 11.

The notes on pages 18 to 25 are an integral part of these condensed consolidated interim financial statements.

# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### Condensed consolidated statement of financial position

As at

*In thousands of AUD*

	Note	31-Dec-16	30-Jun-16
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		59,629	56,699
Trade and other receivables		45,963	59,578
Inventories		35,436	37,264
Income tax receivable		13,218	12,750
		154,246	166,291
Assets classified as held for sale		4,176	9,210
<b>Total current assets</b>		<b>158,422</b>	<b>175,501</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method		6,173	6,294
Property, plant and equipment	7	123,349	117,653
Deferred tax		618	617
<b>Total non-current assets</b>		<b>130,140</b>	<b>124,564</b>
<b>Total assets</b>		<b>288,562</b>	<b>300,065</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		63,265	61,352
Borrowings	8	1,887	204
Income tax payable		-	193
Employee benefits		11,496	11,589
Provisions		15,407	17,135
		92,055	90,473
Liabilities directly associated with assets classified as held for sale		-	1,834
<b>Total current liabilities</b>		<b>92,055</b>	<b>92,307</b>
<b>Non-current liabilities</b>			
Borrowings	8	7,893	-
Employee benefits		441	383
<b>Total non-current liabilities</b>		<b>8,334</b>	<b>383</b>
<b>Total liabilities</b>		<b>100,389</b>	<b>92,690</b>
<b>Net assets</b>		<b>188,173</b>	<b>207,375</b>
<b>Equity</b>			
Issued Capital	9	384,794	385,957
Reserves		(7,395)	(12,933)
Accumulated losses		(189,226)	(165,649)
<b>Total equity</b>		<b>188,173</b>	<b>207,375</b>

The notes on pages 18 to 25 are an integral part of these condensed consolidated interim financial statements.

# Macmahon Holdings Limited & its Controlled Entities

31 December 2016 Interim Financial Report

## Condensed consolidated statement of changes in equity

For the six months ended 31 December

*In thousands of AUD*

	Share capital	Reserve for own shares	Foreign currency reserve, net of tax	Hedging reserve - cash flow hedges, net of tax	Accumulated Losses	Total equity
Balance at 1 July 2016	385,957	(6,523)	(6,410)	-	(165,649)	207,375
Loss for the period	-	-	-	-	(23,329)	(23,329)
Other comprehensive income for the period (net of tax)						
Foreign currency translation	-	-	5,538	-	-	5,538
<b>Total comprehensive income/(loss) for the period (net of tax)</b>	<b>-</b>	<b>-</b>	<b>5,538</b>	<b>-</b>	<b>(23,329)</b>	<b>(17,791)</b>
<b>Transactions with owners, recorded directly in equity:</b>						
<i>Contributions by and distributions to owners</i>						
Share buy-back (note 9)	(1,163)	-	-	-	-	(1,163)
Share-based payment transactions	-	-	-	-	(248)	(248)
<b>Total transactions with owners</b>	<b>(1,163)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(248)</b>	<b>(1,411)</b>
<b>Balance at 31 December 2016</b>	<b>384,794</b>	<b>(6,523)</b>	<b>(872)</b>	<b>-</b>	<b>(189,226)</b>	<b>188,173</b>

	Share capital	Reserve for own shares	Foreign currency reserve, net of tax	Hedging reserve - cash flow hedges, net of tax	Accumulated Losses	Total equity
Balance at 1 July 2015	391,390	(4,581)	2,862	251	(168,112)	221,810
Profit for the period	-	-	-	-	3,338	3,338
Other comprehensive loss for the period (net of tax)						
Foreign currency translation	-	-	(966)	-	-	(966)
Cash flow hedges - reclassified to profit or loss	-	-	-	(251)	-	(251)
<b>Total comprehensive income for the period (net of tax)</b>	<b>-</b>	<b>-</b>	<b>(966)</b>	<b>(251)</b>	<b>3,338</b>	<b>2,121</b>
<b>Transactions with owners, recorded directly in equity:</b>						
<i>Contributions by and distributions to owners</i>						
Share buy-back (note 9)	(1,152)	-	-	-	-	(1,152)
Share-based payment transactions	-	-	-	-	356	356
<b>Total transactions with owners</b>	<b>(1,152)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>356</b>	<b>(796)</b>
<b>Balance at 31 December 2015</b>	<b>390,238</b>	<b>(4,581)</b>	<b>1,896</b>	<b>-</b>	<b>(164,418)</b>	<b>223,135</b>

The notes on pages 18 to 25 are an integral part of these condensed consolidated interim financial statements.

# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### Condensed consolidated statement of cash flows

For the six months ended 31 December

*In thousands of AUD*

	Note	2016	2015
<b>Cash flows from operating activities</b>			
Receipts from customers		198,812	207,769
Payments to suppliers and employees		(188,787)	(196,189)
Net receipts from joint venture entities		2,488	134
<b>Cash generated from operating activities</b>		<b>12,513</b>	<b>11,714</b>
Interest paid		(237)	(1,695)
Interest received		182	736
Income taxes (paid) / received		(668)	(2,398)
<b>Net cash from operating activities</b>		<b>11,790</b>	<b>8,357</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and assets held for sale	7	9,899	8,595
Payment for property, plant and equipment	7	(16,511)	(10,227)
Investment in joint venture received / (paid)		1,859	(3,558)
<b>Net cash used in investing activities</b>		<b>(4,753)</b>	<b>(5,190)</b>
<b>Cash flows from financing activities</b>			
Share buy-back	9	(1,163)	(1,152)
Repayment of borrowings	8	-	(159,000)
Settlement of derivatives		-	(9,205)
Repayment of finance lease / hire purchase liabilities		(705)	(1,726)
<b>Net cash used in financing activities</b>		<b>(1,868)</b>	<b>(171,083)</b>
Net increase / (decrease) in cash and cash equivalents		5,169	(167,916)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(2,239)	(272)
Cash and cash equivalents at beginning of period		56,699	236,892
<b>Cash and cash equivalents at end of period</b>		<b>59,629</b>	<b>68,704</b>

The consolidated entity acquired plant and equipment under finance lease amounting to \$10.3 million (2015: nil) during the half year which has been excluded from the statement of cashflows.

*The notes on pages 18 to 25 are an integral part of these condensed consolidated interim financial statements.*

### Notes to the condensed consolidated interim financial statements

#### 1. Reporting entity

Macmahon Holdings Limited (the "Company") is a for profit company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "consolidated entity" or "the Group") and the consolidated entity's interests in jointly controlled entities.

The principal activities of the consolidated entity for the six months ended 31 December 2016 consisted of the provision of contract mining services (inclusive of infrastructure services).

The consolidated annual financial statements of the consolidated entity as at and for the year ended 30 June 2016 are available upon request at the Company's registered office at 15 Hudswell Road, PERTH AIRPORT, 6105, Western Australia or at [www.macmahon.com.au](http://www.macmahon.com.au).

#### 2. Basis of preparation

These condensed consolidated interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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 2016.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

The consolidated entity is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with the legislative instrument amounts in the Directors' Report and the Interim Financial Report have been rounded off to the nearest thousand dollars unless otherwise stated.

#### 3. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the consolidated entity's annual financial statements as at and for the year ended 30 June 2016.

##### *New, revised or amending Accounting Standards and Interpretations adopted*

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. These have had no significant impact to the financial statements.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### 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 2016.



# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### Notes to the condensed consolidated interim financial statements

#### 5. Operating segments

##### *Identification of reportable segments*

The consolidated entity has identified its reportable segments based on the internal reports that are reviewed and used by the CEO and Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

Management have identified three operating segments; Surface Mining, Underground Mining and International Mining. These segments have been aggregated into "Mining" due to all segments exhibiting similar characteristics in terms of; the nature of the products and services, production processes, type or class of customers, methods used to provide their services and regulatory environment.

For clarity and reconciliation to the statement of profit and loss, discontinued operations relating to Nigeria are separately disclosed. The comparative segment information for the operating performance of Nigeria has been restated.

##### *Reportable segment information for the six months ended 31 December*

	Mining \$'000	Nigeria Discontinued Operations \$'000	Unallocated \$'000	Total \$'000
<b>Consolidated - for the six months ended 31 December 2016</b>				
<b>Revenue</b>				
Total reportable segment revenue	168,301	6,377	303	174,981
<b>Total revenue</b>	168,301	6,377	303	174,981
<b>Earnings before interest, tax, depreciation and amortisation</b>	15,546	(17,265)	(5,596)	(7,315)
Interest income	18	13	151	182
Finance costs	-	(4)	(233)	(237)
Depreciation and amortisation	(14,065)	(740)	(847)	(15,652)
<b>Profit/(loss) before income tax expense</b>	1,499	(17,996)	(6,525)	(23,022)
Income tax expense				(307)
<b>Loss after income tax expense</b>				(23,329)
<b>Assets</b>				
Segment assets	215,097	-	73,465	288,562
<b>Total assets</b>				288,562
<b>Liabilities</b>				
Segment liabilities	98,519	-	1,870	100,389
<b>Total liabilities</b>				100,389
<b>Capital Expenditure</b>	26,791	-	-	26,791

# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### Notes to the condensed consolidated interim financial statements

#### 5. Operating segments (continued)

	Restated* Mining \$'000	Restated* Nigeria Discontinued Operations \$'000	Unallocated \$'000	Total \$'000
<b>Consolidated - for the six months ended 31 December 2015</b>				
<b>Revenue</b>				
Total reportable segment revenue	156,739	18,974	(1,209)	174,504
<b>Total revenue</b>	156,739	18,974	(1,209)	174,504
<b>Earnings before interest, tax, depreciation and amortisation</b>	34,113	(6,166)	(4,619)	23,328
Interest income	27	12	697	736
Finance costs	(2,857)	(1,067)	810	(3,114)
Depreciation and amortisation	(11,419)	(2,256)	(1,331)	(15,006)
Onerous lease provision	-	-	(2,058)	(2,058)
<b>Profit/(loss) before income tax expense</b>	19,864	(9,477)	(6,501)	3,886
Income tax expense				(548)
<b>Profit after income tax expense</b>				3,338
<b>Assets</b>				
Segment assets	231,733	n/a	68,332	300,065
<b>Total assets</b>				300,065
<b>Liabilities</b>				
Segment liabilities	81,240	n/a	11,450	92,690
<b>Total liabilities</b>				92,690
<b>Capital Expenditure</b>	10,633	392	238	11,263

\*Operating segments note in respect to the operating performance has been restated for the Nigeria discontinued operation.

#### Geographical information

	Sales to external customers for the period ended		Geographical non-current assets as at	
	31 December 2016 \$'000	Restated* 31 December 2015 \$'000	31 December 2016 \$'000	30 June 2016 \$'000
Australia	162,365	148,595	123,590	120,273
Nigeria - discontinued operations	6,377	18,974	-	n/a
Other	6,239	6,935	6,550	4,291
	174,981	174,504	130,140	124,564

\*The operating performance of Nigeria, previously included in Other segment, has been separately disclosed as the operations have been discontinued.

The Mining segment operated in two principal geographical areas - Australia and Other. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

### Notes to the condensed consolidated interim financial statements

#### 6. Income tax expense

The Company's income tax expense for continuing operations was \$0.4 million, compared to a \$1.0 million expense for the prior corresponding half year period.

The effective tax rate for continuing operations for the half year was negative 9.7 per cent expense, compared to the prior half year's tax rate of 7.4 per cent benefit.

The effective tax rate of negative 9.7 per cent expense is mainly due to the tax payable on overseas operations at the foreign tax rate. No Australian tax expenses are incurred or benefits recognised as the continuing operations are in a loss position. Excluding these adjustments, the effective tax rate for the current period for continuing operations would be approximately 30 per cent.

#### 7. Property, plant and equipment

##### *Acquisitions and disposals*

During the six months ended 31 December 2016, the consolidated entity acquired property, plant and equipment totalling \$16.5 million (six months ended 31 December 2015: \$10.2 million). Finance leases totalling \$10.3 million were entered into during the period (six months ended 31 December 2015: Nil).

Property, plant and equipment with a carrying value of \$4.5 million (including \$1.6 million assets held for sale) was disposed during the six months ended 31 December 2016 (six months ended 31 December 2015: \$7.0 million), resulting in a gain on disposal of \$1.3 million (six months ended 31 December 2015 gain on disposal: \$1.6 million) in the condensed consolidated statement of profit and loss. During the half year \$4.1 million cash was received for assets sold in the prior financial year.

##### *Capital commitments*

As at 31 December 2016, the consolidated entity had entered into contracts to purchase plant and equipment totalling \$4.8 million (31 December 2015: \$0.8 million).

#### 8. Borrowings

During November 2016, the Company's \$30 million multi-option facility matured. The facility was extended to 30 April 2017 at a reduced limit of \$10 million. The facility was partially drawn at 31 December 2016 for bank guarantees amounting to \$3.8 million. In December 2016, the Company entered into a domestic finance lease agreement for \$10.3 million. At 31 December 2016 the amount outstanding under this agreement was \$9.8 million. The consolidated entity's hire purchase/finance lease liabilities are secured by the leased assets and in the event of default the leased assets revert to the lessor. All remaining assets of the group are pledged as security under the multi option facility.

The table below summarises movements in borrowings (both current and non-current) during the six months ended 31 December 2016;

<i>In thousands of AUD</i>	<b>Currency</b>	<b>Carrying Amount</b>
Balance at 1 July 2016	NGN	204
<b>Movements</b>		
New finance lease	AUD	10,280
Repayment of finance lease liabilities	AUD	(500)
Repayment of finance lease liabilities	NGN	(204)
Balance at 31 December 2016	AUD	9,780

At 31 December 2016, the domestic operating lease facility was drawn to \$33.7 million (30 June 2016: \$37.3 million).

# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### Notes to the condensed consolidated interim financial statements

#### 9. Issued capital

	The Company	
	No. ordinary shares ('000)	
	2016	2015
On issue at 1 July	1,210,488	1,261,700
Repurchased and cancelled	(9,567)	(12,075)
On issue at 31 December	1,200,921	1,249,625

#### Share buy-back

In October 2016, the Company completed the on-market share buy-back of ten per cent of its fully paid ordinary shares over a twelve month period. A total of 9,566,980 shares have been purchased for \$1.2 million during the half year bringing the total shares purchased to 60,779,072 for the amount of \$6.6 million during the share buy-back period.

#### 10. Share based payments

On 1 July 2016 the consolidated entity issued a Macmahon Executive Equity Plan ("EEP") for executive personnel.

The EEP provides senior personnel with the opportunity to receive fully paid shares in Macmahon for no consideration, subject to specific time restrictions, continuous employment and certain performance conditions being met. Each performance right will entitle participants to receive one fully paid ordinary share at the time of vesting. The EEP is designed to assist with employee retention, and to incentivise employees to maximise returns and earnings for shareholders.

Performance rights granted on 12 August 2016	Performance period 3 years ending 1/07/2019 Tranche 1
Tranche and number of performance rights	19,603,945*
<b>Vesting performance condition</b>	
Less than 17% CAGR in TSR	0%
17% CAGR in TSR	50%
25% or more CAGR in TSR	100%
Between 17% and 25% CAGR in TSR	Pro-rata between 50% and 100%

\*At 31 December 2016 the number of performance rights decreased to 8,418,502 as a result of redundancies and resignations.

### Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Performance rights	
	Key management personnel	Senior employees
Fair value at grant date	\$0.075	\$0.075
Share price at grant date	\$0.125	\$0.125
Expected volatility (weighted average volatility)	55.00%	55.00%
Option life (expected weighted average life)	2.9 years	2.9 years
Expected dividends	0%	0%
Risk-free interest rate (based on government bonds)	1.42%	1.42%

Expected volatility is estimated taking into account historic average share price volatility.

### 11. Discontinued Operations and assets classified as held for sale

#### a) Discontinued operations - Nigeria

In October 2016 Macmahon ceased operations at the Calabar mine site in Nigeria. Operations ceased on 28 October 2016 and demobilisation commenced in November 2016. The contract was scheduled to conclude in 2018 but the operation has been underperforming due to ongoing low mining volumes linked to the client's production plant and high rental and maintenance costs.

A provision for project closure costs of \$936,000 has been included in the 31 December 2016 accounts.

The Nigerian discontinued operation has been accounted for using a parallel foreign exchange rate rather than the official exchange rate. The functional currency of the Nigerian operation is Naira and since May 2016 the Naira is no longer stapled to the United States Dollar and consequently is floating. The Directors are of the opinion that the official exchange rate at 31 December 2016 of USD/NGN 304.50 does not accurately reflect the market. Consequently, the Directors have used the parallel rate at 31 December 2016 of USD/NGN of 490.0 converted to an AUD/NGN rate of 354.56 using the official AUD/USD rate. These rates have been obtained by using two different data sources.

At 31 December 2016 the cash balance in the Nigerian operations totalled \$6.5 million. This balance is included in the Group cash balance however it is not readily available for repatriation at official exchange rates but is available over time through the government sanctioned parallel market. Of this balance an amount of \$3.6 million is required to meet the payables outstanding at 31 December 2016.



# Macmahon Holdings Limited & its Controlled Entities

## 31 December 2016 Interim Financial Report

### b) Results of discontinued operations - Nigeria and Other

	6 months to 31-Dec-16 \$'000	6 months to 31-Dec-15 \$'000
<i>Nigeria Discontinued Operations</i>		
Revenue	6,377	18,974
Expenses	(10,408)	(21,971)
<b>Results from operating activities</b>	<b>(4,031)</b>	<b>(2,997)</b>
Profit on sale of assets	557	-
Foreign currency difference on closure of foreign operations reclassified to profit and loss	(9,656)	-
Impairment	(1,683)	-
Early termination fee	(1,352)	-
Closure costs	(936)	-
Foreign currency exchange differences	(894)	-
Inventory writedown	-	(6,480)
<b>Results from operating activities</b>	<b>(17,996)</b>	<b>(9,477)</b>
Income tax benefit	-	434
<b>Loss after income tax expense - Nigeria</b>	<b>(17,996)</b>	<b>(9,043)</b>
<i>Other Discontinued Operations</i>		
Other	(318)	102
<b>Total Nigeria and Other discontinued operations</b>	<b>(18,314)</b>	<b>(8,941)</b>
Basic (loss) / earnings per share (cents)	(1.52)	(0.72)
Diluted earnings / (loss) per share (cents)	(1.52)	(0.72)

### c) Cash flows from (used in) discontinued operations - Nigeria

	31-Dec-16 \$'000	31-Dec-15 \$'000
Net cash flows from / (used in) operating activities	2,531	(2,215)
Net cash flows from / (used in) investing activities	3,417	(392)
Net cash flows (used in) / from financing activities	(150)	1,652
Exchange rate variations	(1,622)	4
<b>Net cash flow for the year</b>	<b>4,176</b>	<b>(951)</b>

### d) Assets classified as held for sale - Australia

Assets classified as held for sale include surplus mining plant and equipment which the company is actively marketing for sale amounting to \$4.2 million (30 June 2016: \$8.1 million). Discontinued operations comprise the remaining balance of the assets classified as held for sale amounting to nil (30 June 2016: \$1.1 million).

### 12. Contingent liabilities

Bank guarantees and insurance bonds are issued to contract counterparties in the normal course of business as security for the performance by Macmahon of various contractual obligations. Macmahon is also called upon to give guarantees and indemnities direct to contract counterparties in relation to the performance of contractual and financial obligations. The value of these guarantees and indemnities is indeterminable.

Macmahon has the normal contractor's liability in relation to its current and completed mining and construction projects (for example, liability relating to design, workmanship and damage), as well as liability for personal injury and property damage during a project. Potential liability may arise from claims, disputes and/or litigation against Group companies and/or joint venture arrangements in which the Group has an interest. Macmahon is currently managing a number of claims, disputes and litigation processes in relation to its contracts, as well as in relation to personal injury and property damage arising from project delivery.

On 9 November 2015, Macmahon was served with a shareholder class action filed in the Federal Court of Australia by ACA Lawyers. The action was filed on behalf of shareholders who acquired Macmahon securities between 2 May 2012 and 19 September 2012 and relates to disclosures by Macmahon in 2012 regarding the now completed Hope Downs 4 contract. Macmahon denies any wrong doing and is defending the proceeding.

Macmahon does not consider there is a reasonable basis on which to assess or estimate any potential liability and, therefore, continues to treat the proceeding as an unquantified contingent liability.

### 13. Subsequent events

On 24 January 2017 CIMIC Group Limited announced its intention to make a final, unconditional offer (other than a no "prescribed occurrences" condition) to acquire the shares in Macmahon pursuant to an off-market takeover at \$0.145 per share.

The Independent Directors of Macmahon have advised shareholders to take no action in respect to the takeover offer and to wait until they receive the Target's Statement before they decide. The Target's Statement will be issued shortly.

The Directors are not aware of any other matter or circumstance arising since 31 December 2016 not otherwise dealt with within the condensed consolidated interim 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.