

ASX ANNOUNCEMENT

21 October 2020

2020 Annual General Meeting – Address to Shareholders

Non-Executive Chair: Eva Skira

Overview

2020 was another strong year for Macmahon. We reported record financial results and achieved our earnings guidance for the third consecutive year.

I'm sure you will agree this is a commendable performance given much of the global economy has been impacted by the COVID-19 pandemic. Our results demonstrate the agility and resilience of our business and the quality of our people. In response to the challenging conditions, Macmahon has taken, and continues to take, a significant number of proactive measures to ensure business continuity and to protect the safety and wellbeing of our workforce and the communities in which we operate.

During the year, Macmahon made significant progress on our strategy to expand our service offering across the mining value chain. Notably, we successfully expanded our underground business during this period by completing the acquisition of GBF Group in August 2019, a Western Australian specialist underground mining contractor.

In addition, sustainability is becoming an increasingly important issue for our shareholders and people. To that end, Macmahon remains committed to developing a business that is mindful of our environmental, community and social performance and we are pleased to have published a Sustainability Report in this year's 2020 Annual Report.

Board Refreshment

Last year, we welcomed three new independent Directors. We appointed Mr Vyiril Vella back to the Board in June 2019 and in October 2019 we were pleased to appoint Mr Bruce Munro and Mr Hamish Tyrwhitt. In addition, after a successful period as Chief Executive Officer since 2016, Michael Finnegan was appointed Managing Director in October 2019.

In my view, Macmahon has a skilled, experienced and well-functioning Board. We are always mindful to retain the right balance and mix of skills to realise our vision and create value for all our stakeholders. We will continue to review this on a regular basis.

Dividends

I am pleased to highlight that the Board has declared a final dividend for the 2020 financial year of 0.35 cents per share. This equates to a 2020 full year dividend of 0.60 cents per share, which represents a 20% increase over the prior year.

We recognise the importance of paying dividends to our shareholders, which we balance with the priority of retaining a strong balance sheet. This provides us with the financial flexibility to enable continued execution of our growth strategy.



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Overall, with a solid order book, strong balance sheet and a significant pipeline of new work opportunities with both existing and new clients, we are well positioned for continued growth.

Closing

In closing, on behalf of the Board, I would like to thank our CEO Mick Finnegan, the senior executive management team and all our people for their outstanding contribution during a challenging year.

Importantly, I would like to thank all our shareholders for your investment and ongoing support.

I will now hand over to Mick Finnegan for his CEO and Managing Director address.

Thank you.

Eva Skira
Non-Executive Chair



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CEO & Managing Director: Mick Finnegan

Thanks Eva, and good morning everyone.

Thank you for joining us today for the 2020 Annual General Meeting.

As Eva mentioned, Macmahon had another successful year. This includes meeting or exceeding guidance for the third consecutive year, delivering record earnings, maintaining a strong balance sheet and increasing our dividends. Achieving these excellent results in the current climate is particularly pleasing and a testament to the whole Macmahon team and the strength of the business.

Financial Performance

I would now like to provide a brief summary of our financial performance for the year.

The business reported revenue of \$1.38 billion for the year up 25% from the prior period. This top line growth translated into record earnings and cash flow, with underlying EBITDA up 32%, underlying EBIT(A) up 22%, and underlying EPS up 23%.

Similarly, our cash conversion was strong at over 91% of EBITDA, with operating cash flow up 73% from the prior year delivering significant free cash flow. Importantly, even after the GBF acquisition, we maintained our strong balance sheet while increasing dividends by 20%. We also improved our Return on Capital Employed to 14.8% and Return on Equity to 14.6%.

Operational Overview

I will now move to an overview of some key projects and developments over the year.

Firstly, at the world class Batu Hijau copper gold mine, the alliance management team on site are performing very well and are achieving top class productivities in several areas. The mine is now in copper gold ore and AMNT continue to investigate a significant cut back at the Batu Hijau pit. We anticipate if all goes to plan, that this significant extension could be awarded to us in the second half of FY21. We look forward to seeing further progress with this project over the coming year.

Meanwhile, all our other mining and quarry projects in Southeast Asia continue to perform well. For instance, at the Martabe gold mine, where we have been performing surface works since 2015, we secured a two year extension to 2023. Overall, we know this region well and have been operating there for over 15 years.

In Western Australia, we continue to perform well at the Tropicana gold mine where we have a close and positive relationship with operator AngloGold Ashanti and its joint venture partner Independence Group. The key development this year has been the successful ramp up of the new Boston Shaker underground mine, which has recently achieved commercial production with no recordable safety incidents. Our execution here has demonstrated our underground



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capabilities and the significant efficiencies of having one contractor perform both disciplines on the same site.

At the Telfer gold project, it was very positive for us to have resolved the dispute with Newcrest in November last year. Pleasingly, the project has performed in line with expectations and continues to be cash flow positive.

At the Mount Morgans gold project, I feel the collective team is building momentum. We have a great relationship with Dacian management and the project is well positioned for future success.

In Queensland, we continued to make excellent progress at the Byerwen coking coal project and achieved record production volumes last year. We were also delighted to announce the award of the \$700 million 3 year expansion and extension of this contract. QCoal is an excellent partner and we look forward to working with them on this high-quality long-life asset for many years to come.

A major achievement in FY20 was the significant growth in our underground division, and this was part of our strategy to expand and diversify our service offering across the mining value chain. Our underground business has tripled in size following the award of the Boston Shaker underground contract and the successful acquisition of GBF. The GBF team, of over 450 people, have integrated well and we are excited about the future growth opportunities. Notably, GBF recently secured two important contracts including a \$200 million extension with Silver Lake Resources and more recently a strategically important contract with Bellevue Gold. Our underground division also secured repeat services and engineering work. This included production drilling, cable bolting, raise drilling and shaft sinking and equipping activities at Fosterville, Olympic Dam, Granny Smith, Leinster and Ballarat.

Finally, our civil and rehabilitation business, TMM Group, successfully carried out a range of mine infrastructure and rehabilitation projects at Peak Downs, Saraji, Poitrel and South Walker Creek. Importantly, across our business we completed over 100 hectares of rehabilitation work for our clients. More recently, TMM was awarded a civil package for Strandline's Coburn mineral sands project. This marks its first major entry into Western Australia, and we look forward to building its presence here.

COVID-19, People and Safety

I would now like to touch on an essential part of our business – our people. Our workforce has now grown to a record 7,000 people globally and ensuring their safety and wellbeing remains our top priority.

What has been evident as COVID-19 rapidly emerged across the globe, was that our amazing team have pulled together incredibly well. I am particularly proud of their dedication and commitment to ensuring everyone's wellbeing. Our leaders have been outstanding and the can-do, agile culture we have been building over the past few years has been very visible.

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Overall, to date there has been minimal financial impact from COVID-19. However, we are not taking our fortunate position for granted, and remain pro-active as far as possible in managing the potential risks.

Notwithstanding our significant growth in the workforce, it was admirable to see that our safety performance continued to improve. In FY20, we reported a Total Recordable Injury Frequency Rate of 3.77 as well as a record low Lost Time Injury Frequency Rate of 0.12.

Moreover, a key focus for Macmahon has been the physical and mental wellbeing of our people through our program, “Strong Minds, Strong Mines”. I was delighted that our innovative program was recognised when we won the Western Australian Mentally Healthy Workplace Award. This program has been an important part of our COVID-19 response, and we are proud that it is now being offered to the wider mining industry.

Outlook

Looking forward, I am excited by the opportunities for our business and people.

Strategically, we will continue to strengthen the business through our ongoing investment in people, systems and mining technology. Targeting operational efficiencies and becoming an advanced mining contractor remains an ongoing priority. In addition, we remain focused on diversifying and expanding our service offering across the mining value chain.

I feel we are now well along the journey of creating a new more resilient Macmahon and we are well placed for sustainable growth. This is based on:

- Our scalable systems, processes and structure;
- A strong platform offering the full suite of services across the mining value chain;
- An excellent underlying business with \$4.5 billion of work in hand as at 30 June 2020;
- A strong balance sheet and underlying cash flows; and
- A committed and talented team in place.

Overall, I am pleased to confirm our financial year 21 guidance of revenue between \$1.4 to \$1.5 billion and underlying EBIT of between \$90 to \$100 million. This is underpinned by over \$1.2 billion of secured work, along with ongoing short term civil and underground work, and a significant tender pipeline of over \$7.5 billion.

Pleasingly, we have got off to a strong start this year having been awarded or selected as preferred contractor on three contracts, with a combined value of \$250 million. This includes open pit work at the Warrawoona gold project, civil work at the Coburn mineral sands project and underground work at the Bellevue gold project. The varied scope of work across these projects further highlights our diversified services offering.

With a robust balance sheet, we remain well positioned this year to pursue additional work from our extensive tender pipeline as well as assess strategic growth opportunities.



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Closing

In closing, I would like to thank everyone in the Macmahon team for their commitment and strong contributions during these challenging times.

I also acknowledge our clients who are essential to our business. We value our strong relationships and look forward to supporting their goals well into the future.

On another note, I would like to make special mention of Giles Everist who recently resigned as our Chief Financial Officer. Giles has made a significant contribution to the business for the last 7.5 years both as a director and more recently as our CFO since 2017. We wish him all the very best for the future. In addition, I'm pleased to introduce Peter Pollard today who is also seated at this table and is our new CFO. Peter has extensive experience in our sector, and we look forward to working with him.

Finally, I wish to extend my appreciation to Eva, the rest of the Board and the senior management team for their unwavering support, and importantly I would also like to thank our shareholders for their ongoing support.

With that, I will now hand back to Eva who will continue with the items outlined in the notice of meeting and take any questions. Thank you.

Mick Finnegan
CEO & Managing Director

***** ENDS *****

This announcement was authorised for release by the CEO and Managing Director.

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About Macmahon

Macmahon is an ASX listed company offering the complete package of mining services to miners throughout Australia and Southeast Asia.

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.

Macmahon is focused on developing strong relationships with its clients whereby both parties work in an open, flexible and transparent way to ensure mutually beneficial outcomes whilst also minimising risks for both parties.

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