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**Annual
Review
2008**



MACMAHON

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About this report

The 2008 Annual Review is a summary report designed to provide our stakeholders with an overview of the Company including key performance areas, strategy, financials and outlook. For a copy of the full Annual Report, which includes the Remuneration Report, please visit www.macmahon.com.au.

About Macmahon

Macmahon is a leading mine contracting and civil construction company listed on the Australian Securities Exchange (ASX).

Operating for more than 45 years, Macmahon has grown to become an ASX/S&P 200 company with annual turnover of over \$1.2 billion, employing more than 3,600 employees across Australia, New Zealand and Asia.

Macmahon aims to maximise long term returns to shareholders through a strategy that focusses on the value of its people, customers, suppliers and communities in which it operates.

The Mining Business provides a total mining service for surface and underground operations, managing mines for some of the world's largest mining companies.

The Company has considerable experience in mining a variety of commodities including coal, iron ore, copper, diamonds, gold and phosphates.

With a track record of achievement in all facets of civil engineering, the Construction Business provides its customers with a partnership that is flexible, responsive and focussed on performance.

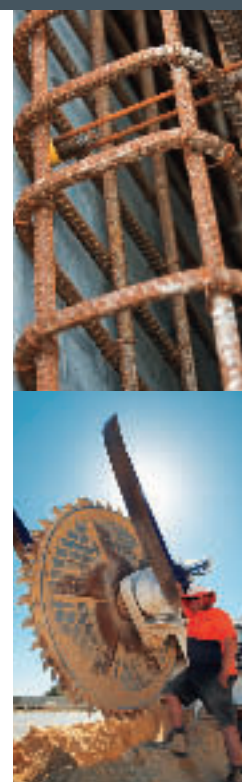
Over the past four decades, Macmahon has delivered some of Australia's key projects including roads, rail, bridges, dams, ports, pipelines and resources infrastructure.

Contents

Contents	Page
About this report	IFC
About Macmahon	IFC
Chairman's letter to shareholders	1
CEO's report	2
Financial highlights	3
Industry outlook	4
Key operations & strategy	5

Contents

Contents	Page
Board of Directors	6
Executive Leadership Group	7
Business review - construction	8
Business review - mining	16
People & community	22
Safety, health & environment	23
Investor information	25



Richard (Dick) Carter
Chairman



Chairman's letter to shareholders

Dear shareholder

2008 has been another outstanding year for Macmahon, as the Company goes from strength to strength.

Financially, we have never been in a stronger position, with revenue in excess of \$1.2 billion and net profit after tax of over \$48 million. This represents profit growth of more than 46 per cent over the 2007 underlying profit.

Delivering shareholder returns

The Company is committed to returning excess cash to shareholders in the form of increased dividends. Your Directors have declared a final dividend of 3.5 cents per share. Combined with the interim dividend of 2 cents per share, total dividends for the year have increased by 83 per cent to 5.5 cents per share. The final dividend will be paid on 10 October 2008.

In this year of significant equity market volatility and decline, Macmahon shares have delivered an exceptional performance, outperforming the ASX/S&P200 and many of its peers.

Total shareholder returns for the year were in excess of 30 per cent, an impressive result in the current difficult share market conditions.

Funding growth

Balance sheet management is an area that the Company has focussed on over the last two years. Given the state of current debt and equity markets, we are very pleased with how the Company is positioned.

During the year, Macmahon completed a major funding initiative, which included the refinancing of its term debt and guarantee facilities, as well as establishing an operating lease facility.

These facilities will fund the Company's projected organic growth, without diluting shareholder returns and increase the Company's flexibility through reduced gearing.

Forging strategic ties

In November 2007, Macmahon announced the signing of a Memorandum of Understanding with Leighton Holdings Limited. This agreement formalised a partnering relationship between the companies to pursue large infrastructure and resources related construction projects.

This partnership will allow Macmahon to increase our already strong presence in the east coast construction market, gaining additional skills and the ability to take on larger and more technical projects.

Corporate governance and social responsibility

The Board is committed to ensuring that the Company's obligations and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. The Directors undertake to perform their duties with honesty, integrity, care and diligence. They will act in good faith and in the best interests of the Company, in a manner that reflects the highest standards of corporate governance.

Acquisition strategy

Throughout the year, Macmahon examined several acquisition opportunities. As part of our strategy to diversify and pursue opportunities for growth, we will continue to consider acquisitions which add scale and capabilities to our business, as well as deliver an adequate return for our shareholders.

During the year Macmahon launched a takeover offer for Ausdrill Limited. The offer is due to close on 29 September 2008.

Board appointments

During the year, the Macmahon Board was strengthened by two new appointments.

Mr John Massey was appointed to the Board on 1 September 2007 and brings with him extensive and broadly based commercial experience, spanning many different industries.

Mr Vyril Vella was appointed to the Board on 19 November 2007 and has over 33 years experience in the property development and construction industries.

Our people

Our dedicated employees are central to the Company's success and I would like to take this opportunity to thank them for their efforts over the year.

With a strong management team in place and favourable industry conditions, your Company is ideally placed for future growth.

Richard (Dick) Carter
Chairman

CEO's report



Nick Bowen
Chief Executive Officer

Highlights

- Net profit of \$48.8 million, up 46%
- Revenue of \$1,244 million, up 29%
- EPS of 9.2 cents per share, up 44%
- Order book of \$2.1 billion

We are very proud to be reporting on another year of outstanding profit and revenue growth.

Macmahon continues to be performance driven and we constantly strive to ensure we provide our clients with projects which are on time and on budget.

The Company is experiencing a period of sustained growth, with the sectors in which we operate enjoying buoyant market conditions. The ongoing focus by the Australian government on infrastructure spending, coupled with strong commodity demand places Macmahon in an ideal position for growth.

Order book

A strong order book is a clear indicator of a contracting company's standing and pleasingly, we have not only sustained our order book, but also added to it. As at 30 June, the order book stood at more than \$2.1 billion - a record for the Group.

Macmahon has secured a number of new contracts, totalling more than \$800 million, as well as over \$570 million of extensions and renewals.

The Construction Business's focus on the Pilbara region of Western Australia is paying off, with a number of resource infrastructure projects including the \$84 million Newman Hub contract for BHP Billiton and the Mesa A project for Rio Tinto.

The major wins for our Mining Business include the \$98 million Sinclair Nickel Project in Western Australia for Xstrata Nickel, the \$75 million Saraji open cut mine in Queensland's Bowen Basin for the BHP Billiton Mitsubishi Alliance and the US\$60 million Lhokgna limestone mine for Lafarge in Indonesia.

Building on our established reputation with blue chip clients, Macmahon was successful in extending all contracts due for renewal during the year. A further year was added to the Saraji contract, as well as an additional 18 months to the Olympic Dam contract for BHP Billiton.

These extensions demonstrate the strong relationships we have forged and maintained with several of the world's largest mining houses and serve to highlight our ability to provide additional capacity and capabilities to our clients when they need it.

People and safety

At Macmahon, we are proud of our employees and are committed to providing them with a workplace which is both safe and rewarding. Our success rests with our people, whose talents and skills are imperative to the ongoing development and growth of the Company.

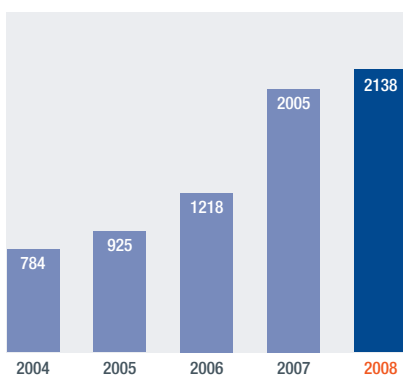
We are committed to the shared goal of an injury free workplace. The achievement of key safety measures is of paramount importance and we will continue to proactively identify initiatives that will assist in our ongoing safety improvement.

Outlook

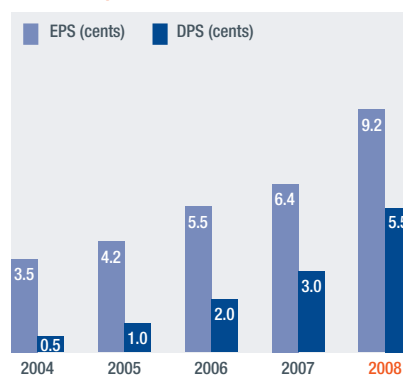
Macmahon is well positioned to capitalise on the current buoyant industry prospects and manage the challenges presented to us. We are committed to continuing our strong growth and expanding and developing our workforce to meet current and future needs.

Additionally, we will look overseas to further expand our operations as we prepare the Company for the next phase of growth.

Order book (\$m)

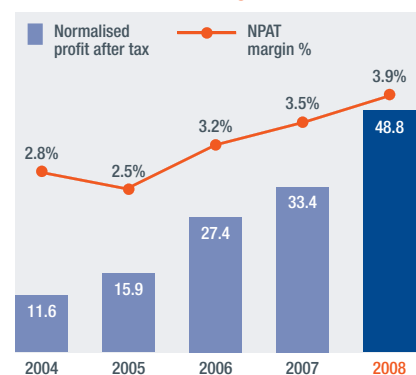


Earnings per share and dividends per share (cents)



All numbers are calculated on an underlying basis.

NPAT (\$m) and NPAT margin (%)



Financial highlights



Ross Carroll
Chief Financial Officer

"Financially, we have experienced another stellar year, with revenue up almost 29% to over \$1.2 billion. Our strong and consistently improving balance sheet sees the Company ideally placed for further organic growth and potential acquisitions."

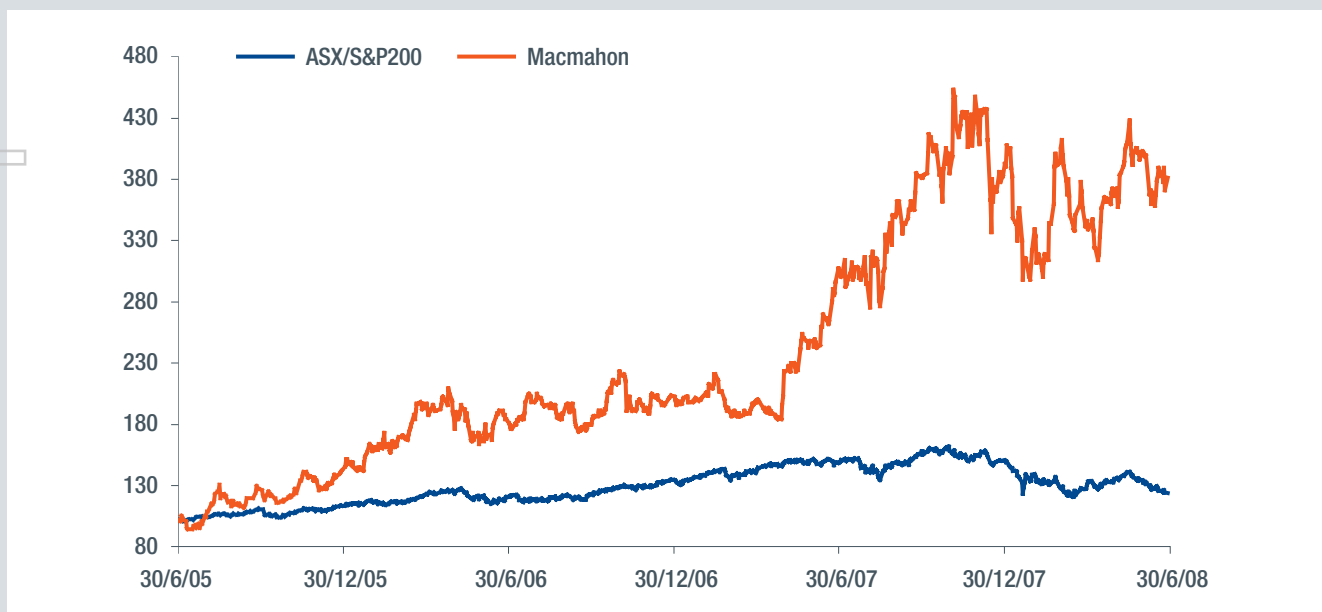
Five year summary

\$ million	2008		2007	2006	2005	2004
Total revenue	1,244.4	▲	966.0	863.7	637.3	420.8
EBIT	74.7	▲	59.7	46.9	27.4	18.7
NPAT	48.8	▲	33.4	27.4	15.9	11.6
EPS (cps)	9.2	▲	6.4	5.5	4.2	3.5
Dividend (cps)	5.5	▲	3.0	2.0	1.0	0.5
Gearing (net debt/equity) (%)	11.6	▼	25.9	43.6	50.7	51.8
Net interest cover (x)	9.9	▲	5.4	5.8	4.1	3.1
Return on equity (%)	19.4	▲	15.8	15.9	13.2	11.7
Capital expenditure [#]	47.0	▼	90.9	126.2	57.5	57.5
Order book	2,138	▲	2,005	1,218	925	784
New contracts and extensions	1,377	▼	1,753	1,100	739	862
Total recordable injury frequency rate	12.9	▲	12.7	14.1	18.6	22.1
Lost time injury frequency rate	2.0	▲	1.9	0.7	2.1	2.9

*All numbers are calculated on a underlying basis.

[#]2008 excludes \$22.2 million in equipment financed via operating lease.

Three year share price comparison



Macmahon and ASX/S&P200 have been rebased to 100 at 30/06/05.

Industry outlook



Construction

The Australian construction market is experiencing an unprecedented boom in activity levels, with demand for construction services at an all time high. Driving this growth is the strong public investment in transport, energy and water infrastructure, coupled with expanding resource projects particularly in iron ore and coal.

Approximately \$65 billion worth of resource infrastructure projects have been committed, or are currently in progress in Australia. With increasing coal and iron ore prices, production rates are at record levels, escalating the need to remove bottlenecks and upgrade capacity on Australia's coal and iron ore networks.

In addition, Australian federal and state governments have embarked on a strategy to make up for two decades of underinvestment in key public infrastructure, which is resulting in an exceptionally strong demand for construction services. It is estimated that Australian state governments will invest in excess of \$166 billion in infrastructure over the next four years. These projects are being driven by the ongoing population growth in Australia, and are focused on alleviating congestion and upgrading ageing or insufficient infrastructure, to better service the needs of the expanding nation.

The Australian federal government has allocated \$20 billion to infrastructure projects, including road and rail and an additional \$13 billion towards water infrastructure. In Western Australia alone, approximately \$7 billion of construction opportunities have been identified over the next four to five years, creating an excellent environment for Macmahon.

Mining

The outlook for the resource sector remains robust with demand for mining contracting services being driven by the global demand for resources, particularly from emerging economies.

Contract miners continue to benefit from this high level of demand, with ongoing expansion of existing operations and a number of new mining operations coming into production.

The rapid economic growth of China has seen steel consumption rise rapidly, with China accounting for the majority of growth in world steel demand. This growth is leading to an increased need for steel making raw materials.

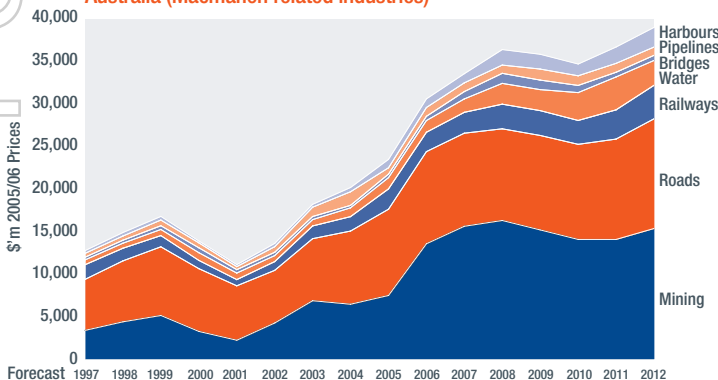
It is estimated that China's need for commodities has doubled over the last decade, with India also expected to become an increasingly significant consumer, as it undergoes rapid industrialisation.

Iron ore production is forecast to increase on average by around 15 per cent per annum to 2012, as the major mining houses continue to expand capacity. The expected increases in iron ore production over the next five years will require a significant amount of labour and associated resources, with contractors set to be key participants.

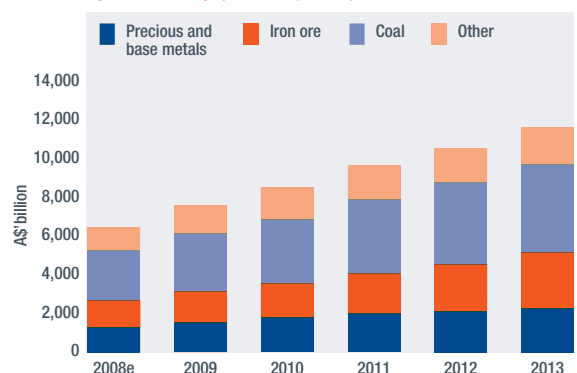
Surging coal prices combined with strong growth in consumption have resulted in a significant boom in coal related investment in Australia with contractors again expected to participate in the increased production.



Total engineering construction - Australia (Macmahon related industries)



Value of contract mining - by commodity (current prices)



Source: BIS Shrapnel, January 2008

Key operations & strategy



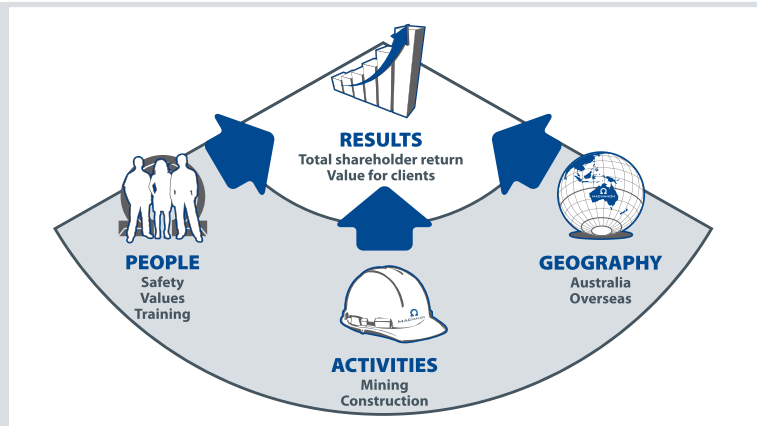
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Strategy for growth

Macmahon's strategy for growth rests first and foremost with our people. Safety, company values and training are critical to the Company's success. Our focus is on our core activities of construction and mining, with a strategic goal of growing the business within Australia and overseas.

The overarching purpose of this strategy is to deliver outstanding results and value to shareholders and clients.



Board of Directors



Richard (Dick) Carter CitWA, BCom, FTSE, FAusIMM, FAICD, FAIM
Independent Non-executive Chairman; appointed December 2004
Independent Non-executive Director since October 2001

Experience and expertise

Mr Carter is a company director and business adviser with special interests in the minerals industry, corporate governance, strategy formulation and occupational health and safety. His executive career spanned 37 years with the BHP Group, from which he retired in 1997 as BHP Minerals Executive General Manager and Chief Executive Officer.



Nick Bowen BE (Mining, Hons), FAICD, MAusIMM
Chief Executive Officer and Managing Director; appointed February 2000

Experience and expertise

Mr Bowen has 25 years experience in the contracting industry. His experience covers open cut mining, underground mining and civil engineering in Australia and overseas.



Barry Cusack BE (Hons), M.Eng.Sc, FTSE, FAusIMM, FAIM, MAICD
Independent Non-executive Director; appointed June 2002

Experience and expertise

Mr Cusack is an honorary life member of the Chamber of Minerals and Energy of Western Australia Inc. He joined CRA (now Rio Tinto - Australia) in 1966 and retired from the position of Managing Director of Rio Tinto Australia in December 2001. Mr Cusack was President of the Minerals Council of Australia from 2001 to 2003 (member since 1996).



Malcolm Kinnaird AO DUniv, BE (Civil), Hon FIEAust, FTSE
Independent Non-executive Director; appointed June 2004

Experience and expertise

Mr Kinnaird founded the consulting engineering firm, Kinnaird Hill de Rohan and Young, which became Kinhill Pty Ltd. Kinhill was acquired by Brown & Root (now KBR) in 1997 and Mr Kinnaird continues as a consultant to the organisation. A distinguished civil engineer and industrialist, Mr Kinnaird has been recognised by domestic and overseas governments for his contributions to the field of engineering and the wider community and the development of Australian industry abroad.



Barry Ford B.Econ (Adel), CPA
Independent Non-executive Director; appointed July 2006

Experience and expertise

The majority of Mr Ford's career was spent with the General Motors Corporation in both Australia and North America. He held various positions including Director of Financial Analysis and Planning for General Motors Overseas Operations in Detroit. In Australia, he was Treasurer and finally Director of Finance and Strategic Planning for General Motors Holden Ltd. During the 1990's, Mr Ford was Director of Finance and Chief Financial Officer of Goodman Fielder Limited, Chief Financial Officer of Southcorp Holdings and Finance Director of Pratt Industries Pty Ltd.

John Massey BCom, CPA, FAICD (Life), FAIM
Independent Non-executive Director; appointed September 2007

Experience and expertise

Mr Massey became a professional independent non-executive director in December 1997, and has extensive and broadly-based commercial experience as a Chairman, Director and Chief Executive spanning many different industries. Mr Massey has been actively involved in corporate governance issues and in 2006 was made a Life Fellow of the Australian Institute of Company Directors in recognition of his eminence in the field of directorship and for distinguished service.



Vyril Vella BSc, BE (Hons), M.Eng.Sc, FIEAust, FICD
Non-independent Non-executive Director; appointed November 2007

Experience and expertise

Mr Vella has 38 years experience in the civil engineering, building, property and construction industries. Mr Vella is a Fellow of the Institution of Engineers, a Fellow of the Australian Institute of Company Directors and is currently a Director of Devine Industries, representing major shareholder Leighton Holdings on the Board. Mr Vella is also a consultant to Leighton Holdings, where he advises that group on investment in the residential market, general property issues and major construction and infrastructure projects.

Executive Leadership Group

Mr Nick Bowen

(Chief Executive Officer/Managing Director)
BE (Mining, Hons), FAICD, MAusIMM

Mr Bowen has 25 years experience in the contracting industry. His experience covers open cut mining, underground mining and civil engineering in Australia and overseas.

Mr Ross Carroll

(Chief Financial Officer) BComm, CPA, AICD

Mr Carroll has over 20 years experience in the resources industry, including 18 years with BHP Billiton where he held roles in Iron Ore (Vice President Commercial) and Petroleum (Vice President Finance and Planning Americas). Mr Carroll joined Macmahon as Chief Financial Officer in 2006, prior to which he held the role of Chief Financial Officer at Woodside Petroleum Limited.

Mr Mark Hine

(Executive General Manager Mining) BE (Mining)

Mr Hine joined Macmahon in 2005 and has more than 20 years experience in the mining industry. Previously, Mr Hine held roles as General Manager for Pasmenco's New South Wales Operations and General Manager for Consolidated Rutile Limited. Mr Hine's original role at Macmahon was General Manager Underground until he was appointed as Executive General Manager Mining in 2006.

Mr Patrick Doyle

(Executive General Manager Construction) BE (Civil)

Mr Doyle has more than 29 years experience in the construction industry, including management of major projects for Leighton Contractors and Boulderstone Hornibrook. Mr Doyle joined Macmahon as the head of its Construction Business in 2008, prior to which he held the position of Executive General Manager Major Projects with John Holland.

Mr Neil Wilson

(Executive General Manager Health, Safety Environment and Quality) MBA, MAICD

Mr Wilson has in excess of 12 years operational and 10 years consultative experience in the national and international mining, exploration, manufacturing and civil construction industries. Mr Wilson held the position of General Manager Risk at Henry Walker Eltin, with other previous employers including Anglo American Corporation, Rio Tinto and De Beers.

Ms Michelle Narustrang

(Executive General Manager People and Organisational Development)
BBus (Human Resources and Industrial Relations), AICD, Postgrad Dip HRM, GAICD

Ms Narustrang has 15 years of cross-industry experience as a human resources and employee relations professional covering both strategic and operational functions. Ms Narustrang has held senior positions for Iluka Resources Limited, in addition to earlier leadership roles for Rio Tinto and BankWest. Ms Narustrang joined Macmahon as Executive General Manager People and Organisational Development in May 2008.



Business review - construction

Patrick Doyle
Executive General Manager Construction

"The Construction Business has built on its excellent half year performance, delivering \$628 million of revenue for the full year, up 56 per cent from the \$403 million recorded in 2007."



\$ millions	2008	2007	Change
Revenue	628.0	402.6	56.0%
EBIT	38.1	16.0	138.1%
EBIT Margin %	6.1	4.0	52.5%
Capex	5.4	4.1	31.7%
Order Book	974	933	4.4%
Employees	1,137	818	39.0%

Key achievements

- The award of the Goonyella to Abbot Point Expansion Project in the Bowen Basin, building on the strong relationship with Queensland Rail.
- The award of the Newman Hub project and SOBS rail and earthworks package, both for BHP Billiton and the MESA A rail extension for Pilbara Iron - Rio Tinto, have added to the business's resource infrastructure portfolio in Western Australia.
- Delivery of the Eyre Highway contract in Western Australia, four months ahead of schedule.
- The completion of the Boddington Gold Mine contract, as well as the substantial completion of the Millstream Link Project.

- Growth in our organisational capabilities, with increased focus on business development and tendering activities.
- Expanding presence in New South Wales, with a team and office now established.

The year has seen the business deliver another standout result, and I am pleased to report that EBIT was up a very impressive 138.1 per cent to \$38.1 million. The successful completion of a number of contracts assisted in delivering these improved results, with margins increasing by 52.5 per cent, up from 4.0 per cent to 6.1 per cent.

The growth in our business has been underpinned by ongoing federal and state government investment in infrastructure, including railways, roads, ports and dams. We are particularly focussed on growing our market share in the booming infrastructure states of Western Australia and Queensland, with several new contracts won in these states.

Additionally, we are benefiting from the numerous resource infrastructure contracts on offer in Western Australia's Pilbara region, which is being buoyed by the strong global demand for iron ore.

With over \$450 million of new contracts won, our order book as at 30 June 2008 stood at over \$970 million - a record for the Construction Business.

Outlook

The outlook for our business has never been stronger, with construction activity levels at an all time high. We are committed to winning larger and more technical construction contracts, with a strategic focus on pursuing joint venture opportunities and growing our east coast and resource infrastructure portfolios.



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Newman Hub & Mesa A

Macmahon has continued to build on its growing presence in the Pilbara region of Western Australia with the award of several key resource infrastructure contracts, including the \$84 million Newman Hub project for BHP Billiton Iron Ore and the \$65 million Mesa A contract for Rio Tinto.

Newman Hub

Newman Hub forms part of BHP Billiton Iron Ore's Rapid Growth Project 4 (RGP4) which is designed to expand BHP Billiton Iron Ore's capacity in the Pilbara, through improving the efficiency of its mine, port and rail investments.

Commencing in February 2008, Macmahon's scope of work includes the construction of extensive concrete foundations, which require approximately 30,000 cubic metres of structural concrete and will form the base for the new crushing and screening plant.

The contract win highlights Macmahon's strong relationship with BHP Billiton Iron Ore and demonstrates the business's ability to work successfully with the miner on both construction and mining related projects.

Macmahon has over 700 employees in the Pilbara region alone.

Mesa A

The Mesa A project is located 50 kilometres from Pannawonica and is an integral element in Rio Tinto's Pilbara production platform and rapid expansion plans in the Pilbara.

The project involves Macmahon constructing a 47 kilometre extension to the existing Deepdale rail line to the new mine site at Mesa A, together with an additional three kilometre rail siding at Churdy Pool.

Expanding capabilities

These projects further demonstrate Macmahon's expanding rail capabilities. This is also highlighted through BHP Billiton Iron Ore's Newman Satellite Orebody (SOBS) contract. This contract involves Macmahon's 60 per cent owned subsidiary, MVM Rail, undertaking earthworks, drainage and roadwork on four sections of rail line at Newman Loop, Orebody 25, Wheelarra Wye and Wheelarra Mine.

"We are pleased to expand on our portfolio of work for BHP Billiton Iron Ore and Rio Tinto in the Pilbara, and are focussed on delivering outstanding outcomes to our valued customers."

Nick Bowen CEO



Mamre Road

The Mamre Road Duplication Project in New South Wales involves the duplication of the existing two lane bridge, together with the associated roadworks for the M4 motorway exit and entry points. The bridge is over 79 metres in length and is due to be completed in early 2009. The project has achieved all its major milestones, including:

- Traffic control setup, with over 800 metres of barriers placed on the busy M4 motorway and Mamre Road
- Major earthworks at each approach completed
- All precast columns and headstock in place
- Two of four spans concreted

Importantly, all these milestones have been completed with no lost time injuries.



Darwin Waterfront



The Darwin waterfront project is a significant urban development project in Australia, transforming 25 hectares of disused industrial land into an iconic destination.

Awarded the contract in 2005, the \$94 million design and construction project managed by Macmahon incorporates dredging and construction of marine works, earthworks for the Darwin Convention Centre and civil works for the public domain including a man-made beach.

Throughout this project, Macmahon has been strongly committed to providing training and employment opportunities for indigenous and non-indigenous members of the Darwin community, which is highlighted by the numerous on site training programs conducted.

In 2007, the project was awarded the Northern Territory's Division of Engineering Excellence Award and People's Choice award for the seawall and Convention Centre pad, as well as the Northern Territory Civil Construction Case Earth Award (Category 4).

Once completed, new parkland will have the impression of being fully established with approximately 48,000 trees and shrubs to be planted by the end of 2008.

Mitchell Freeway

A flagship project for Macmahon, the construction of Perth's \$111 million extension to the Mitchell Freeway for Main Roads WA, is nearing completion.

Technically demanding, the new freeway is in the heart of a densely populated residential area in Perth's northern suburbs.

The scope of the project included design and construction of a freeway, comprising two lanes in each direction, with the capacity to expand to three lanes.

New traffic bridges have been built at three locations, along with a pedestrian overpass, noise walls, a principal shared path and all associated landscaping and utilities.

The project team constructed a 600 metre rail tunnel and decline structure which enabled the existing live passenger rail service to be relocated from the western side of the freeway reserve into the freeway median with minimal interruption to regular services.

Some of the key challenges for the project team were the construction of the Moore Drive Bridge, the Portmarnock footbridge and the rail re-alignment, all of which had to be completed in extremely short time frames.

Since the project's inception, the local community has played a significant role, with all design drawings being presented to the Construction Reference Group (CRG) for their comments at monthly meetings.

CRG member Tim Argus said the Mitchell Freeway team had worked effectively with the community to deliver positive results.

The success of this process culminated with Macmahon and Main Roads WA winning the prestigious award for Public Participation Enhanced Decision Making Australasia.

This award demonstrates the amount of work the team members have put in to ensure the community was strongly involved in every stage of the project.

The freeway is scheduled to be opened before the end of 2008.



This is Macmahon's largest metropolitan road contract with a team in excess of 200 people working on the project. A total of 18 beams, each measuring 28 metres long and weighing up to 90 tonnes, form the skeleton of the Moore Drive traffic bridge.

The Mitchell Freeway Extension Team is to be complimented for their community involvement, integrity and hard work to ensure delivery of all agreed CRG outcomes to date." Tim Argus CRG member

In order to switch rail services to the new train line between Joondalup and Currabine, the Mitchell Freeway team conducted three weekend shutdowns at the beginning of the year.

To avoid disruption to commuters, crews worked around the clock to move thousands of tonnes of material, realign tracks and install new electrical, signalling and fibre optic systems.



Hale Street & Eyre Highway

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Hale Street

Macmahon was awarded the Hale Street Link project in 2007, in an Alliance with Brisbane City Council, Bouygues, Seymour Whyte and Hyder Consulting. Construction has now started and is due for completion in 2010.

A major infrastructure project for the people of Brisbane, the artist's impression is indicative of the final Hale Street Link project.

More than 4,000 tonnes of reinforcement steel will be used on Hale Street Link.

More than 20,000 cubic metres of concrete will be poured.

Eyre Highway

Awarded in 2005, the \$111 million Eyre Highway contract for Main Roads WA was completed in December 2007, on budget and four months ahead of schedule.

The original contract involved the widening and overlay of 68 kilometres of road at the Balladonia and Caiguna East sections of the highway, before a variation to construct an additional 5.4 kilometres was issued in May 2006.

The project was constructed in four sections with the Caiguna and Balladonia West sections constructed under the original contract.

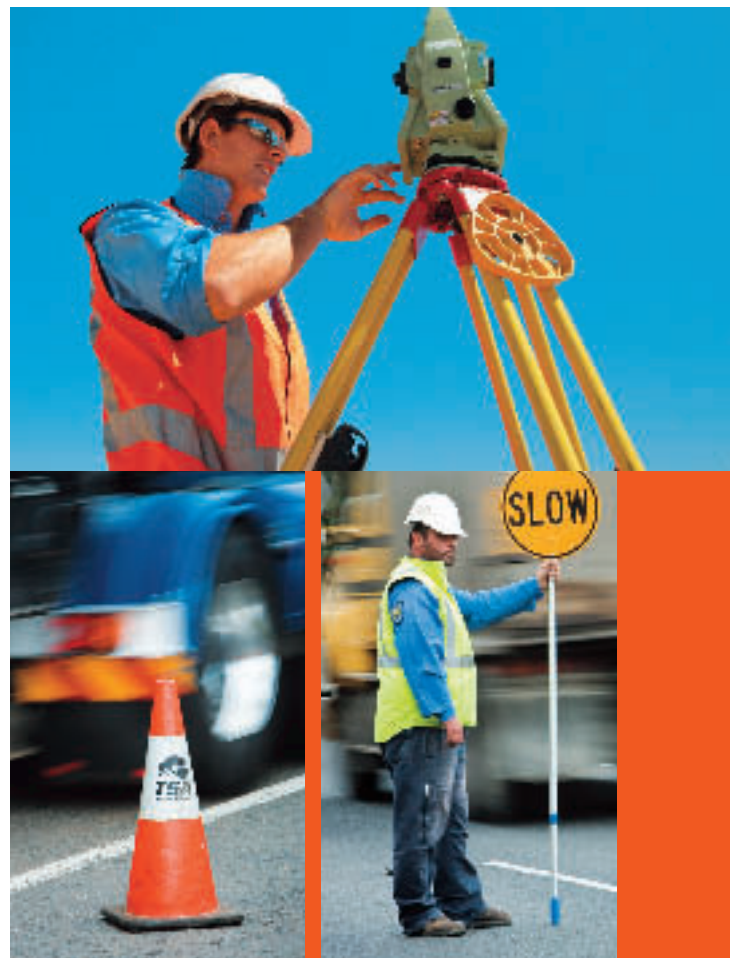
Following an announcement during the Federal Budget in 2006, a third variation to the contract was approved in October 2006 to construct an additional 91 kilometres through the Balladonia East and Heartbreak Ridge sections.

These variations allowed a total of 164 kilometres of Eyre Highway to be upgraded.

The remote location of the project proved to be challenging for the team, with temporary construction camps erected to accommodate the workforce. Additionally, during the winter months the wet weather precluded the removal of existing seal, with no pavement works permitted during this time.

Despite the constraints on the project, the team achieved production rates of 750 metres per day of finished pavement. The safety record was outstanding, with the project reaching two years and 500,000 hours without a Loss Time Injury (LTI) in September of 2007.

500,000 metres³ of gravel material was needed to construct the highway as well as 10,000 tonnes of cement.



Jilalan Rail Yard Upgrade

The Jilalan Rail Yard is located south east of Mackay in central Queensland. The rail is an integral link in the Goonyella system for processing coal trains operating to the Hay Point and Dalrymple Bay coal terminals.

As one of the largest coal rail infrastructure upgrades in central Queensland, the project is designed to increase the capacity of the current Goonyella coal rail network. Once completed, capacity is expected to increase from the current 29 trains per day carrying 92 million tonnes per annum (Mtpa) to 42 trains per day carrying 129 Mtpa.

Macmahon, as part of the Coal Stream Alliance, will deliver:

- Major earthworks associated with approximately 45 kilometres of new track-work
- Realignment of existing track-work
- Upgrades to existing roads and construction of rail crossings
- Construction of new wagon maintenance and administration facilities

Blasting has continued on a fortnightly schedule, with more than 500,000 metres³ of earth moved - a great outcome by the Alliance team.

In April 2008, Macmahon announced the award of additional work for Queensland Rail, within the Goonyella to Abbot Point Expansion project. The contract involves works for the Pring Rail Yard Upgrade and the Abbot Point Coal Terminal, north of Bowen.

The successful award of these contracts highlights Macmahon's strong reputation in Queensland for delivering quality projects for its clients.



MVM Rail

A 60 per cent owned subsidiary of Macmahon, MVM Rail operates throughout Australia and Asia and is working with Macmahon as part of the Coal Stream Alliance on the Jillian Rail Yard.

MVM Rail provides Macmahon with the capability to deliver clients a complete package of rail construction and maintenance, including earthworks and track-laying services.

Key contracts

- Southern Improvement Alliance - upgrade of the main rail line from Sydney to Melbourne, Australian Rail Track Consortium, NSW
- Newman RGP4 project - includes 21 kilometres of track work and associated works, BHP Billiton, WA
- Kingsgrove to Revesby Quadruplication - expansion of the rail line within the Sydney rail network, NSW Transport Infrastructure Development Corporation



Logan River



Macmahon is leading an Alliance to design and construct the Logan River Catchment Early Works project for Queensland Water Infrastructure.

The Alliance, which includes SMEC Australia and Hydro Tasmania, is responsible for the construction of the Cedar Grove Weir, the Bromelton Offstream Storage facilities and the access road for the proposed Wyaralong Dam.

Cedar Grove Weir is located on the Logan River, approximately 45 kilometres south of Brisbane.

Designed to improve the reliability of the Logan River Water Supply Scheme, particularly in drought conditions, this project will deliver the water necessary to meet the growing demand from urban and industrial development in the Beaudesert area. It will also provide an additional source for the South East Queensland Water Grid.

The works at the weir were structurally completed in December 2007 with the weir now at full capacity.

The \$39.7 million Bromelton Offstream Storage facility, located next to the Logan River near Beaudesert, will help deliver an additional 5,000 megalitres of water per year. The facility will provide water storage after major rainfalls, which can be released back into the Logan River and ultimately to Cedar Grove Weir when required.

Practical completion of Bromelton Offstream Storage facility was achieved nine months ahead of the March 2009 target.

The final stage of the project is now underway with the construction of the Wyaralong Dam access road and temporary water pipeline.

Kingston Foreshore

The Kingston Foreshore project involves the construction of a boat harbour and outdoor space to house boardwalks, cafés and accommodation.

The construction of the boat harbour on Lake Burley Griffin, in Canberra, includes 150,000 metres³ of landshaping, treatment of contaminated materials, dredging of navigation channels and construction of retaining walls.

Earthworks activities using 'wet' and 'dry' construction techniques are being employed to create new landforms, including the formation of a new island and canal.





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Business review - mining

Mark Hine
Executive General Manager Mining

“Building on the Company’s established reputation with its blue chip clients, the Mining Business was successful in extending all contracts due for renewal during the year, as well as winning a number of new contracts.”

Mining Business

\$ millions	2008	2007	Change
Revenue	616.4	555.9	10.9%
EBIT	54.4	50.6	7.5%
EBIT Margin %	8.8	9.1	(3.3%)
Capex	36.9	86.0	(57.1%)
Order Book	1,164	1,073	8.4%
Employees	2,337	2,102	11.2%

Key achievements

- The award of the four year, \$98 million Sinclair Nickel project. The project has started as an open pit contract, and will become an underground operation, highlighting the business’s capability to deliver a life-of-mine solution to its clients.
- The award of Moly Mines Spinifex Ridge Contract. Valued at \$1.1 billion, it is the largest contract ever won by the business, and with an expected mine life of over 20 years, Spinifex Ridge will be one of Australia’s largest metalliferous mining operations. This contract is subject to the client completing project financing.

- Further growth in Queensland coal with the award of two new contracts for the BHP Billiton Mitsubishi Alliance.
- ARD and CRE’s ongoing contribution to the business, with both continuing to exceed the acquisition parameters.

The Mining Business experienced another year of ongoing growth, with \$616.4 million of revenue for the full year, up 10.9 per cent. EBIT increased by 7.5 per cent, when compared to the comparative period. Pleasingly, we continued to build on our strong relationships with a number of our blue chip clients, with the award of several contract extensions.

Our Mining Services division, including ARD and CRE, has gone from strength to strength, providing increased revenues and adding further depth to the capabilities of our business.

Outlook

The outlook for the resource sector remains robust, with continued demand for mining services being driven by strong commodity prices and the global need for resources.

With ongoing expansions of existing operations and a significant increase in the number of new mining operations coming on line, the Mining Business is well placed to benefit from this additional activity.



Saraji

The Saraji Mine has a current production capacity of 6.5 million tonnes of high grade coking coal a year and is located in the Bowen Basin in Queensland.

In June 2007, Macmahon was awarded a two year surface coal mine contract at Saraji by the BHP Billiton Mitsubishi Alliance (BMA). The contract, which involves the removal of 12 million bank cubic metres of material each year, has since been extended for an additional year. The mining rate has increased to 26 million bank cubic meters in 2009 and 17 million bank cubic meters in 2010. This material movement is in what is referred to as "pre-strip" areas, where Macmahon excavates overburden material ahead of BMA's dragline, which in turn exposes the coal for BMA to extract.

Macmahon currently has a workforce of 240 personnel at the site and operates a fleet of four excavators and trucks. The contract extension will result in the excavators being upgraded to larger sized units and with the addition of four new trucks; the truck fleet now stands at 22.



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Fast facts

- Australia's coal production is based mainly in Queensland and New South Wales
- At approximately \$22.5 billion, coal is Australia's largest grossing export
- Coal is the world's most common fossil fuel and accounts for 75 per cent of Australia's fossil energy reserves

Kanthan & Lhoknga

Macmahon is establishing a solid foundation in South East Asia, with two contracts for the world's largest cement producer, Lafarge.

Macmahon has been working with Lafarge since 2002, successfully operating the company's Kanthan works limestone operation in Malaysia.

In late 2007, Macmahon was awarded an additional contract by the company, winning the US\$60 million Lhoknga contract in Indonesia's Northern Sumatra province of Aceh. This ten year contract involves the development and quarrying of limestone to supply the region's largest cement manufacturing plant.

Orebody 18/Wheelarra



"We have an excellent culture on site and I am proud of the positive impact that Macmahon is having on Newman and the surrounding communities."

Vahid Haydari Project Manger.

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Fast facts

- Iron ore is one of Australia's largest export earners
- Over the past 20 years iron ore has contributed more than A\$500 billion to Australia's wealth
- China is accounting for the majority of growth in world steel demand and is projected to account for around 80 per cent of the increase in global iron ore imports for the next five years
- Iron ore is the basic ingredient in the manufacture of steel and steel is used in everything from cars to kitchen sinks



BHP Billiton Iron Ore's mine Orebody 18 is located 34 kilometres east of Newman, in the Pilbara region of Western Australia. The four year contract was awarded in late 2005, with Macmahon winning BHP Billiton's adjacent mine site Wheelarra, in 2006. Wheelarra is run in conjunction with Orebody 18, with over 300 Macmahon employees on both of these sites.

The scope of work undertaken by Macmahon includes drill and blast, load and haul, crushing, stacking and train loading, as well as providing front line supervision for the workforce. In the past year Macmahon has continued to consolidate and improve its processes to ensure efficient practices are maintained.

Both sites use the open-cut method of mining, which involves drilling holes into the pit floor and inserting explosives to break up the solid rock. Blasting takes place several times a week, depending on production requirements.

Community support

Macmahon is strongly committed to supporting the communities in which it operates. Since opening a dedicated community relations office in Newman in 2003, Macmahon has initiated a number of strategies to assist the Newman people and those from surrounding areas.

Contributions over the past year include:

- \$15,000 donation towards the costs of paying for a full time paramedic for the town of Newman for a year
- Support of the School Apprenticeship Link program through the Newman Senior High School
- Involvement in the Newman Senior High School Mining Academy
- Indigenous Mining Skills Program and Traineeships





ARD & CRE

Macmahon acquired the specialised underground mining services businesses Australian Raise Drilling (ARD) and Combined Resource Engineering (CRE) in late 2006.

ARD provides vertical and horizontal raise drilling of large diameter shafts for mine ventilation, access and mine development.

CRE provides engineering design, manufacture and installation of underground mine infrastructure.

ARD and CRE have added to the Mining Business's capabilities and scope, with the business now offering a complete underground mine service to its clients.

The Robbins 85R rig (shown here at the NSBP tunnel in Brisbane) has recently completed the largest diameter shaft that has ever been raise drilled in Australia. The shaft was the 6.3 metre diameter No 1 Ventilation Shaft at the Beltana Blakefield South coal mine near Singleton in New South Wales.

Sinclair

The Sinclair Nickel Project is a four year contract related to the development and mining of Xstrata Nickel's new nickel sulphide project at Sinclair, located approximately 300 kilometres north of Kalgoorlie in the Goldfields.

Two years into the contract, the surface component is expected to be completed and the Sinclair Nickel Project will move to an underground mining operation.

Awarded in January 2008, the Sinclair Nickel Project is a prime example of how Macmahon has the capacity to deliver a life-of-mine solution to its customers.



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Argyle

Macmahon is now midway through a four year contract at Argyle Underground in the Kimberley of Western Australia and is achieving excellent results at the famous diamond mine.

Since starting the Argyle Underground project in November 2006, Macmahon has developed 17 out of a total contracted 34 kilometres. The first milestone has been reached, with the development and major excavation work completed in the Pump Station #1 chamber, which has been handed over to Argyle Diamond Mine Construction.

In the past year, the scope of the contract has changed from primarily decline development to flat undercut and extraction level work. This has required an increased level of accuracy and detail in the shift-by-shift mining.

A challenge faced by Macmahon employees is the inflow of ground water into the development. This requires a proactive approach to maintain workings without letting the area flood. In the wet season, the mine de-waters 400,000 kilolitres of water per month from the mine development systems.

"Including ARD and CRE employees, Macmahon has a total workforce of 480 at Argyle. While being a technically challenging mine, it provides our employees with an opportunity to work in a different environment and harness new skills." **Greg Miller** Project Director

Olympic Dam

Located 560 kilometres north of Adelaide, South Australia, BHP Billiton's Olympic Dam is Australia's largest underground mine. It is the world's fourth largest remaining copper deposit, fifth largest gold deposit, largest uranium deposit and contains significant quantities of silver.

The operation comprises of a fully-integrated underground mine and above-ground metallurgical complex. Macmahon has been working at the site since 2004, with the initial contract involving underground development and associated works.

A contract extension was awarded in January 2008, which added a further 18 months to the original contract. With 250 employees on site, Macmahon's scope of work during the next phase of this contract will involve delivering 18,000 metres of lateral development, installation of 100,000 metres of cable bolts and applying some 72,000 cubic metres of shotcrete.



"Each time BHP Billiton has asked us to step up and provide additional capacity, we have been able to deliver."

Nick Bowen CEO

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People & community

Michelle Narustrang
Executive General Manager People and Organisational Development

“Career path development, succession planning and the cultivation of team-based cultures are all part of Macmahon's People Strategy to retain and attract employees.”



Key achievements

- Winner of the 2008 Minister's Award for Excellence, for employers of Australian Apprentices - Northern Western Australian Region
- Winner of the 2008 WA Training Initiative Award for the Indigenous Mining Trainee Program
- Neil O'Connor - Semi-Finalist in the 2008 Indigenous Apprentice and Trainee of the Year Award
- Dayne Tierney - Winner of the 2008 NT Division of Engineers Australia Award for Young Engineering Associate of the Year

At Macmahon our growth and success is driven by our people. We are committed to providing our employees with a workplace which is safe, rewarding and fulfilling.

One of the greatest challenges currently being faced by the mining and construction sectors is the ability to source and retain good people.

It is pleasing to report that despite this tight labour market, Macmahon has continued to expand its workforce, with an increase of over 500 employees during the year. As at 30 June 2008, Macmahon's workforce stood at more than 3,600 people.

Our Apprentice Program has proved to be an excellent avenue to recruit and train additional employees, with more than 110 apprentices currently employed throughout Australia.

In July 2008, Macmahon announced the formation of the Aboriginal contracting business, Doorn-Djil Yoordaning. This initiative reflects the Company's strong commitment to the communities in which it operates, as well as ensuring diversity across the Group.

The expansion of the Macmahon Graduate program has resulted in participant numbers increasing by 64 per cent on the previous year. This program is helping us to address the issue of skilled labour, with a focus on recruiting graduate engineers and skill development.

Macmahon has also initiated an accelerated Leadership Program to identify and support our leadership development as we continue to grow.



“We see a huge rise in individual's self esteem, once they have completed the Indigenous Mining Skills Program. This program is an excellent way for participants to gain additional skills and training needed to enter the resource sector.”
Linda Howard Community Relations Manager

Case study

Indigenous Mining Skills Program

A partnership between Macmahon and BHP Billiton Iron Ore, the Indigenous Mining Skills Program (IMSP), is promoting the successful recruitment of indigenous employees into the resources industry.

Since the program's inception in 2006, five courses have been conducted with excellent outcomes. Of the participants who have completed the program, 81 per cent have gained employment within the mining industry.

The course is held over a 14 week period, with participants receiving training, support and mentoring in areas including numeracy and literacy and formal training in first aid and defensive driving. The final four weeks of the course involves mine site work experience, enabling participants to receive hands-on training.

Safety, health & environment



Neil Wilson
Executive General Manager
Health, Safety, Environment and Quality

Key achievements

- Finalist in the 2008 Chamber of Minerals and Energy Safety Innovation Awards
- Awarded full federal accreditation by the Federal Safety Commission
- Awarded Contractor of the Year by Lafarge for the third consecutive year
- Winner of the Industrial Foundation for Accident Prevention (AFAP) Gold award

The Total Recordable Injury Frequency Rate (TRIFR) for the year was 12.9, up slightly on the comparative period of 12.7. The Lost Time Injury Frequency Rate (LTIFR) was 2.0, compared to 1.9 in the previous year.

In order to keep up with the rapid expansion of operations, we are sourcing employees from other industries. This has necessitated an increased focus on training and education in relation to the health and safety aspects of the mining and construction industries.

We are dedicated to building on our proactive approach to safety and will continue to strive to deliver ongoing safety improvement across the Company.

Environment

At Macmahon, we recognise the importance of integrating environmental management into how we do business. We are committed to minimising the impact on the environment as a result of our business activities, and strive to work effectively in a diverse range of environments and social settings.

Energy efficiency has been a strong focus for the Group over the past year. A commitment was made to assess our energy usage and identify and evaluate cost effective energy saving opportunities. An Energy Efficiency Committee has been established, and will identify initiatives and coordinate improvement programs which look at reducing energy usage.



"At Macmahon, the health and safety of our people is paramount and we strive to achieve improvement in all areas of our safety performance."



Case study

Preserving the region's unique environment and lifestyle are key drivers for the Mitchell Freeway project team.

Engineering designers and environmental specialists worked closely with the Construction Reference Group to minimise the clearing footprint and preserve as much natural vegetation as possible.

As the freeway site is a natural habitat for a number of important species including the rare Carnaby's Black Cockatoo, construction was timed to avoid clearing native bush during spring when birds and animals were nesting. Additionally, wildlife specialists were employed to relocate fauna, including snakes and other reptiles to safe habitat.

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Investor information

Calendar of events

10 October 2008

Final dividend payment

7 November 2008

Annual General Meeting

February 2009

Release of half year results

August 2009

Release of full year results

Offices and officers

Company Secretaries

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K A Gunellas

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Locations of Share Registries

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Securities Exchange

The Company is listed on the Australian Securities Exchange.

The Company is listed as "Macmahon" with an ASX code of "MAH".

Other information

Macmahon Holdings Limited, incorporated and domiciled in

Australia, is a publicly listed company limited by shares.

Feedback

Macmahon would appreciate your feedback on this review.

Your input will assist us to improve as a business and develop our review further to suit your needs. To respond, please either email (investors@macmahon.com.au) or mail to:

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