

27 January 2017

Initial response to CIMIC Takeover Offer:**TAKE NO ACTION****Do not sell now at \$0.145 per share****Key value considerations:**

Preliminary view of independent Directors (subject to further analysis) is that CIMIC's offer of \$0.145 per share does NOT represent fair value having regard to the following factors:

- The offer price of \$0.145 per share is less than the current NTA per share
- MAH has a robust balance sheet with minimal debt – strong net cash position
- Improving industry outlook – strong tender pipeline with significant growth opportunities at an advanced stage
- Major project (Tropicana) expanding in 2017 and likely to expand further in 2018 should Long Island proceed – MAH has a life of mine contract
- Other significant project (Telfer) set to breakeven in 2017 – also, likely near term expansion

Other important considerations:

- No need to sell on-market now – CIMIC's offer must remain open for at least one month from the date of the offer (ie until approximately 8 March 2017) and can only be withdrawn in very limited circumstances
- By selling now, shareholders will lose the opportunity to benefit from any future growth
- By selling now, shareholders will lose the opportunity to benefit from any potential superior offer that may arise from a competing bid
- By selling on-market now, shareholders will pay brokerage costs, which they will not have to do if they accept at a later date under the takeover offer

On 24 January 2017 CIMIC announced an intention to make an off-market offer to acquire all of the shares in Macmahon that it does not already own for \$0.145 cash per share (Offer). Since that time CIMIC has also been buying further shares in Macmahon on the ASX.

The Board of Macmahon has made an initial assessment of the Offer and CIMIC's Bidder's Statement. On the basis of this initial assessment, **Macmahon's Board strongly advises**

shareholders to **TAKE NO ACTION** in respect of their shares or the Offer until they receive further information from Macmahon, including a formal recommendation.

The Offer is unconditional (other than in respect of a "no prescribed occurrences" condition) and as such, CIMIC is only able to withdraw the Offer in very limited circumstances. **There is therefore no urgency** for shareholders to sell their shares, accept the Offer or take any action at all at this time.

The Board of Macmahon will provide a formal recommendation in Macmahon's Target's Statement, which will be released to shareholders in due course.

Improving Outlook

In addition to Macmahon's robust balance sheet and NTA position, key factors supporting the Board's preliminary view of the Offer include the recent improvement in the resources sector in general, as well as Macmahon's strengthening business pipeline.

Current Operations

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%¹ at the Tropicana Gold Mine, Macmahon's largest contract. This follows the recent 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, and flagged the potential for a 7 year life of mine extension at Tropicana, subject to the finalisation of the Long Island Study during H1 2017. Should the Long island study be approved, this is anticipated to materially increase the scope and term of Macmahon's life of mine contract at Tropicana.

At Telfer, Macmahon's second largest project, operational and financial performance is continuing to improve as anticipated, and Macmahon expects this contract to breakeven this calendar year, with profitability anticipated to improve thereafter.

In relation to Macmahon's operations in Nigeria, following a decision to terminate the Calabar contract, Macmahon has now ceased operations and has no material ongoing costs.

Furthermore, Macmahon's remaining portfolio of projects is currently performing at or above expected levels.

New Opportunities

With the continuing recovery of the resources sector, Macmahon is experiencing an improved opportunity pipeline and has several new material opportunities nearing preferred bidder status. Macmahon anticipates being in a position to announce details of a second contract in Indonesia in the coming weeks. Given CIMIC's participation in the industry through its subsidiary Thiess, CIMIC

¹ Based on a comparison of actual revenues for the calendar year ended 31 December 2016 and the currently anticipated revenues based on internal projections for the year ending 31 December 2017).

* References in this announcement to the Board of Macmahon are to all directors except Mr Vella, who was appointed by CIMIC and who has therefore not been involved in Macmahon's response to the CIMIC bid.

would be well aware of the improving market conditions and of Macmahon's progress with some opportunities in which Macmahon and Thiess are in direct competition.

Macmahon currently expects to release its FY17 H1 results during the second half of February 2017 and will provide a more detailed financial update at that point in time.

Next Steps

Based on details provided in CIMIC's Bidder's Statement, Macmahon expects the next steps and timetable for the Offer to be broadly as follows, in line with Corporations Act requirements:

- 1. Bidder's Statement:** CIMIC is expected to despatch its Bidder's Statement to Macmahon shareholders within 14 – 28 days from the date on which the Bidder's Statement was given to Macmahon (being no earlier than 7 February 2017).
- 2. Target's Statement:** Following despatch of CIMIC's Bidder's Statement, the Macmahon Board will provide shareholders with its formal recommendation and detailed response to the Offer in a Target's Statement to be provided no more than 15 days after despatch of the Bidder's Statement.
- 3. Offer Period:** CIMIC's Offer period will only formally open at or following despatch of the Bidder's Statement and is required to be open for at least 1 month (closing no earlier than approximately 8 March 2017).

As such, the Board strongly advises that shareholders TAKE NO ACTION in respect of their shares or the Offer until they receive further information from Macmahon, including a formal recommendation and reasons for that recommendation, which will be contained in the Target's Statement. There is no urgency for shareholders to do anything (including selling shares on market) before that time.

Macmahon has appointed Macquarie Capital (Australia) Limited to act as financial adviser and Ashurst to act as legal adviser in respect of the Offer.

The Board of Macmahon will continue to keep shareholders informed of all relevant material information and developments as they occur. The Board remains committed to pursuing and considering all opportunities which seek to maximise value for the benefit of all Macmahon shareholders.

*** ENDS ***

For further information, please contact:

Christian Sealey	General Manager – Investor Relations & Communications	+61 497 828 300
Ross Thornton	Domestique Consulting	+61 418 233 062

About Macmahon

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

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

ASX Release



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

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

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

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