MACMAHON

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Boston Shaker, WA (AngloGold Ashanti / IGO)

Half Year Results FY 2020

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Financial Highlights and FY20 Guidance

MACMAHON

1H20 Revenue
$686.7m
▲ 27% on 1H19

1H20 Underlying EBITDA[1]
$114.0m
▲ 28% on 1H19

1H20 Underlying EBIT(A)[1]
$44.1m
▲ 11% on 1H19

1H20 Reported NPAT
$28.7m
▲ 22% on 1H19

1H20 Operating cash flow[2]
$90.7m
▲ 162% on 1H19

Order Book[3]
$4.5bn

Net Tangible Assets
20.8 cps
▲ 8% on 1H19

Return on Average Capital Employed[4]
14.6%

1H20 Dividend
0.25 cps

FY20 Revenue Guidance increased[5]
$1.3bn – $1.4bn
$1.3bn contracted

FY20 EBIT(A) Guidance increased[5]
$85m – $95m

1. Underlying numbers, refer to reconciliation on slide 27
2. OCF: Net operating cash flow excluding interest and tax and M&A costs
3. Includes SLR letter of intent
4. Underlying EBIT(A) annualised / Average (Total Assets – Current Liabilities)
5. Guidance assumes an exchange rate of AUD:USD 0.70, and excludes one-off items and amortisation related to the GBF Group acquisition.

1H20 Key Developments

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Financials	• Continued strong revenue and earnings growth • Majority of revenue is from mines at bottom half of global cost curve • Robust financial position – gearing 18.6% • Continued focus on capital discipline – cash conversion of 79.5% and ROACE of 14.6% • Interim dividend – 0.25 cents per share (30% franked)
Surface Mining	• Record production volumes at Batu Hijau, Byerwen and Telfer • Secured 2 year extension of Martabe contract to March 2023 • Telfer settlement for increased contract rates • Byerwen – final negotiations for an extension and expanded scope
Underground Mining	• Successfully completed the acquisition of specialist underground contractor, GBF Group • GBF integration well advanced • Successfully ramped up Tropicana Boston Shaker contract • Secured extension at Tujuh Bukit and expansions at Olympic Dam and Leinster

Outlook	• Increased FY20 guidance:
	  • **Revenue $1.3 – $1.4bn** (from $1.2 – $1.3bn)
	  • **EBIT(A) $85 – $95m** (from $80 – $90m)
	• FY20 secured work of $1.3bn
	• Order book of $4.5bn
	• 25 tender opportunities worth $7bn+, potentially $2 – $4bn to be awarded in 2020
	• Refreshed Board with significant industry experience

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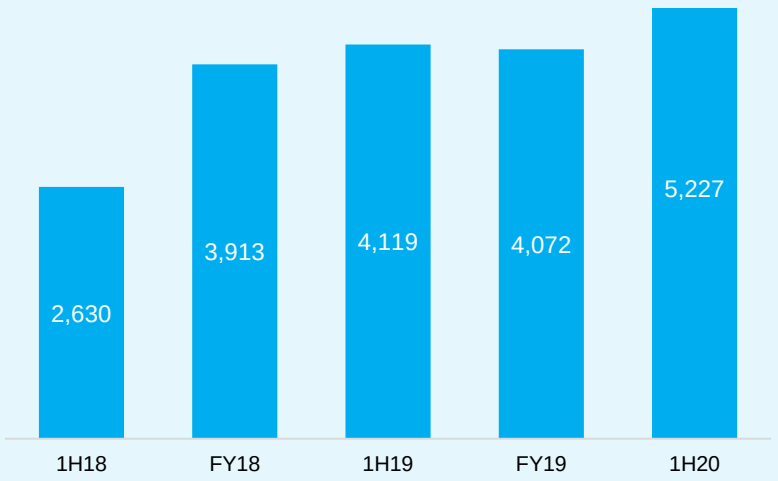
People and Safety

Group Employee Numbers[1]

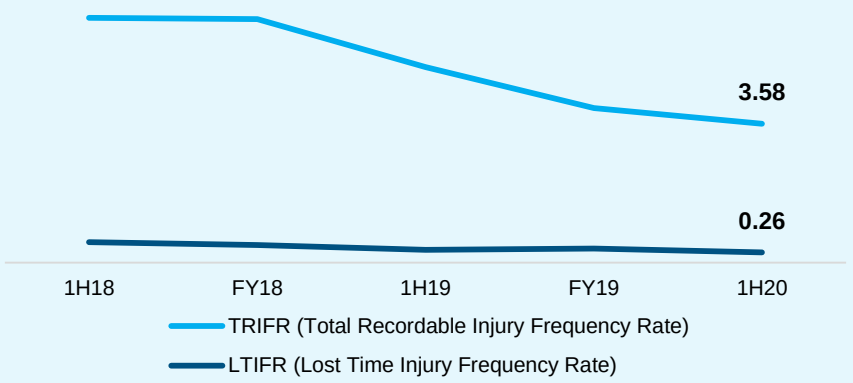


- Successful integration of GBF (460 people)
- Diversity is a key focus
  - 4.2% of Australian workforce is Indigenous
  - 14.3% of our total workforce is female

Strong Minds, Strong Mines program continues to improve mental health awareness – Winner of WA Mental Health Award 2019 'Mentally Healthy Workplace'

STRONG MINDS STRONG MINES
A MACMAHON COMPANY

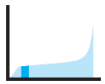
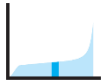
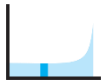
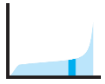
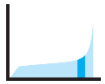
Injury Frequency Rates



- Safety remains a core business value
- Safety incidents and TRIFR at record lows
- 29% yearly improvement in TRIFR down to 3.58
- 21% yearly improvement in LTIFR down to 0.26

1. Group employee numbers includes Full Time Equivalent contractors

Key Projects

Project	Client	Location	Commodity	Type	Start	End	Global Cost Curve[1]	Comments
✓ **Batu Hijau**	AMMAN MINERAL	Sumbawa Indonesia	Copper-gold	Surface	Aug 2017	2031		• Alliance life-of-mine contract • Equipment depreciated on straight line basis over 5 years to August 2022 • Investigating extension of the Batu Hijau pit and development of large Elang deposit
✓ **Tropicana**	ANGLOGOLD ASHANTI / igo	WA Australia	Gold	Surface	Mar 2012	2023		• Alliance life-of-mine contract • Potential to extend scope 2023+
✓ **Byerwen**	QCOAL GROUP	QLD Australia	Coking coal	Surface	Nov 2017	Nov 2020		• 3 year contract • Put and call option on equipment • Final negotiations to extend and expand scope
✓ **Telfer**	NEWCREST MINING LIMITED	WA Australia	Copper-gold	Surface	Feb 2016	Jan 2023		• Life-of-mine contract – current estimate to January 2023 • Finalised rates increase
✓ **Mount Morgans**	DACIAN GOLD LIMITED	WA Australia	Gold	Surface	Dec 2017	Dec 2022		• Potential to extend and expand scope

1. Minespans 2020 data by McKinsey

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Key Projects

Division	Location	Commodity / Type	Comments

✓ **SE Asia**	Indonesia & Malaysia	Gold/Quarries Mining Services	• 50:50 joint venture in Indonesia:
			  • open cut mining at Martabe – extended by 2 years to March 2023
			  • developing an exploration decline at Tujuh Bukit – extended to May 2020
			• Limestone quarries in Malaysia and Indonesia

✓ **GBF Group** GBF	Australia	Gold Underground	• Silver Lake (Mount Monger) – LOI for extension by 3 years to March 2023 • Silver Lake (Deflector) • Pantoro (Nicolsons) • Mineral Ventures (Comet Vale)
✓ **Underground**	Australia	Various Mining Services	• Boston Shaker Tropicana alliance 5 year contract, commenced May 2019 • Production drilling, cable bolting, raise drilling, shaft sinking and support at Fosterville, Olympic Dam, Granny Smith, Leinster and Ballarat
✓ **Civil** TMM GROUP	Australia	Coking Coal Mining Services	• Civil and rehabilitation work at Peak Downs, Saraji, Poitrel and South Walker Creek

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Argyle, WA (Rio Tinto)

1H20 Results

Financial Performance

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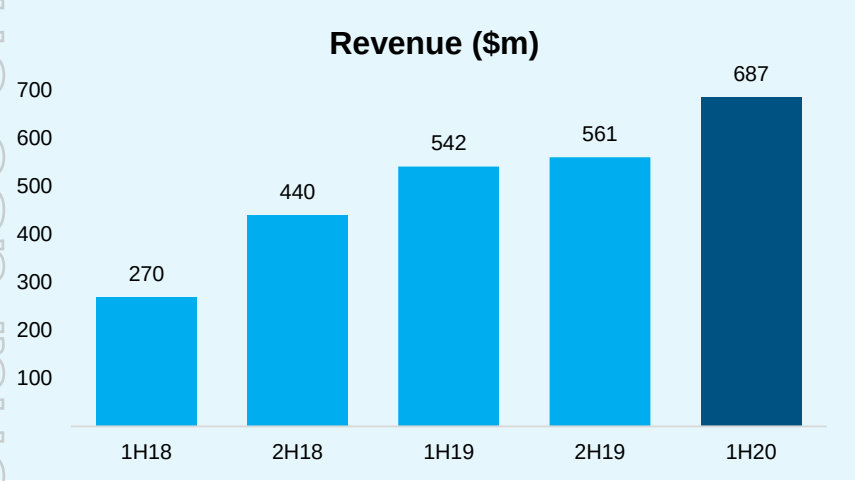
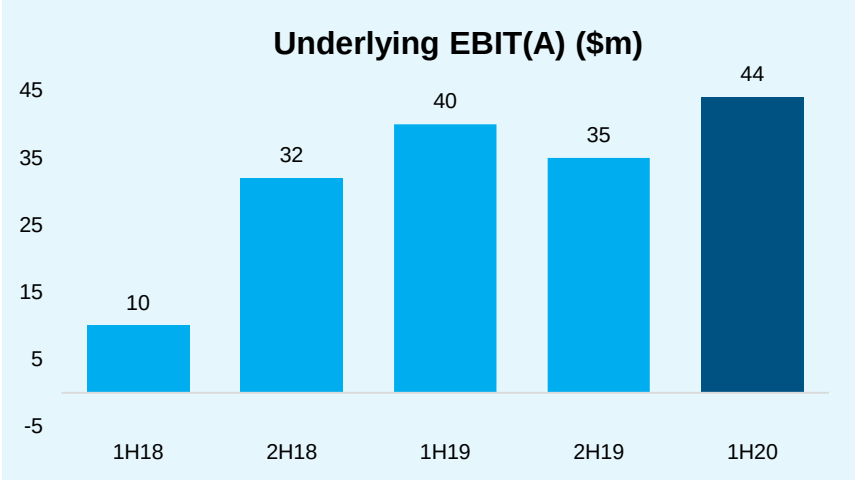
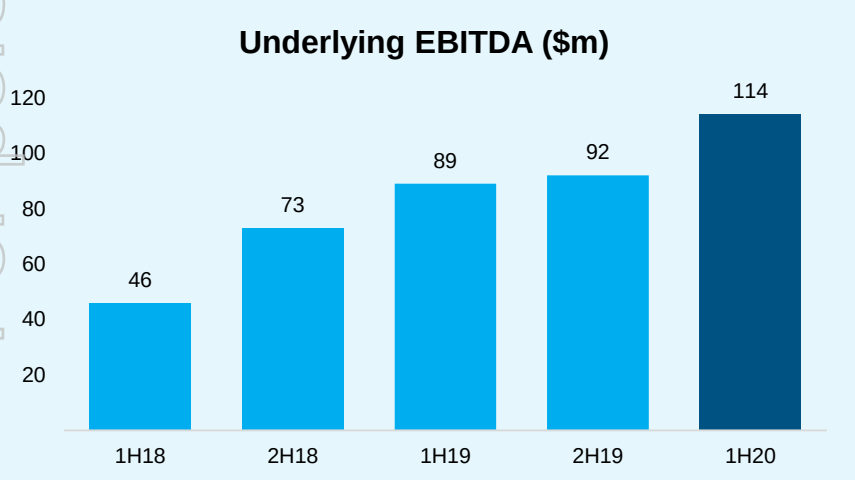
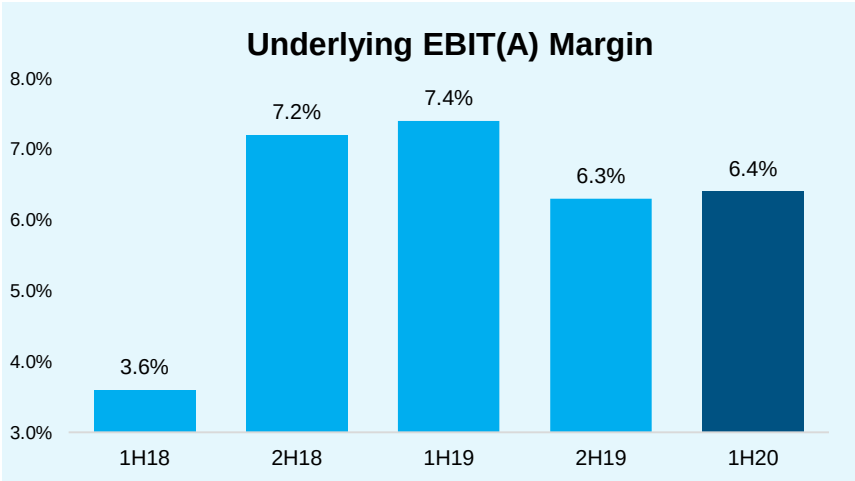
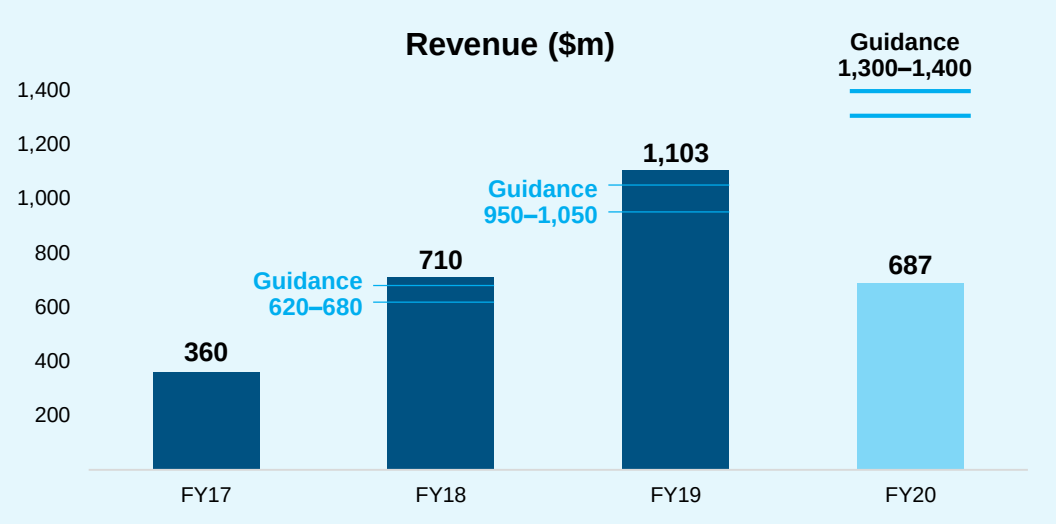


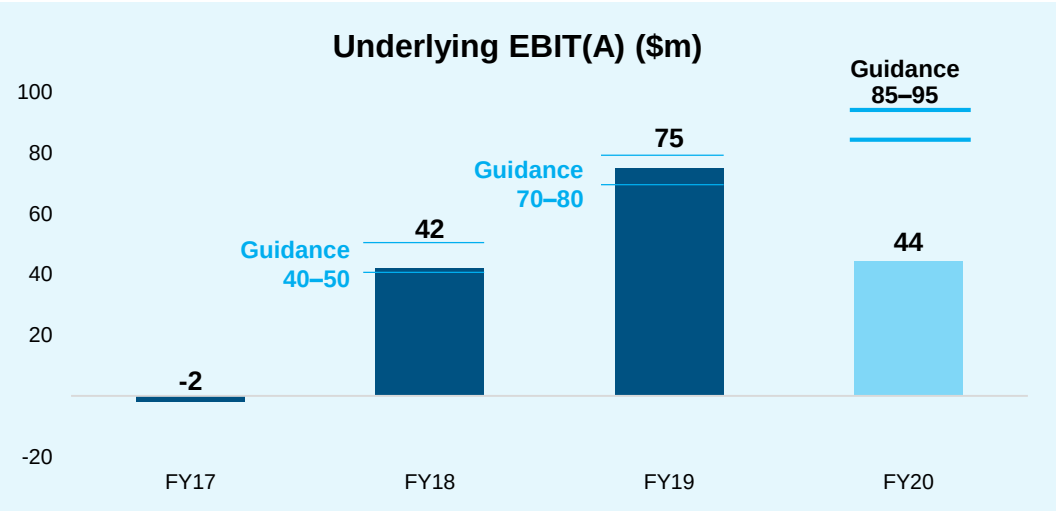






Delivering strong growth in line with guidance





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Profit and Loss

$ Millions	1H19	1H20	Change
Revenue	542.2	**686.7**	▲ 27%
EBITDA[1]	89.1	**114.0**	▲ 28%
EBITDA margin	*16.4%*	*16.6%*	
EBIT(A)[1]	39.9	**44.1**	▲ 11%
EBIT(A) margin	*7.4%*	*6.4%*	
Net finance costs	(4.8)	**(7.6)**	
PBT(A)[1]	35.1	**36.5**	▲ 4%
PBT(A) margin	*6.5%*	*5.3%*	
Tax expense	(2.8)	(5.0)	
Effective Tax rate	*7.9%*	*13.8%*	
NPAT(A)[1]	32.3	**31.5**	▼ 2%
NPAT(A) margin	*6.0%*	*4.6%*	
EPS(A)[1] **(basic)**	1.53 cps	**1.50 cps**	▼ 1%
Reported NPAT[2]	23.6	28.7	▲ 22%
Reported EPS[2] **(basic)**	1.11 cps	**1.37 cps**	▲ 23%
Dividends per share	-	**0.25 cps**	

- Strong result – 1H20 revenue and EBIT(A) of $686.7m and $44.1 million, up 27% and 11% respectively.
- Earnings driven by organic growth, GBF contribution (5 months) and new work including Boston Shaker.
- EBIT margin lower as expected. Includes lower margin in GBF business, to improve with scale as planned. Integration on track.
- No Australian tax expense due to deferred tax assets. Expect benefit over next 2 years and effective tax rate of ~15%.
- Interim dividend of 0.25 cps (30% franked) declared.
- Immaterial impact from AASB16 leases adoption, effective 1 July 2019 (see Appendix).

1. Underlying earnings from continuing operations, refer to reconciliation on slide 27
2. Continuing Operations
3. Columns may not add due to rounding

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1H20 Revenue Diversification

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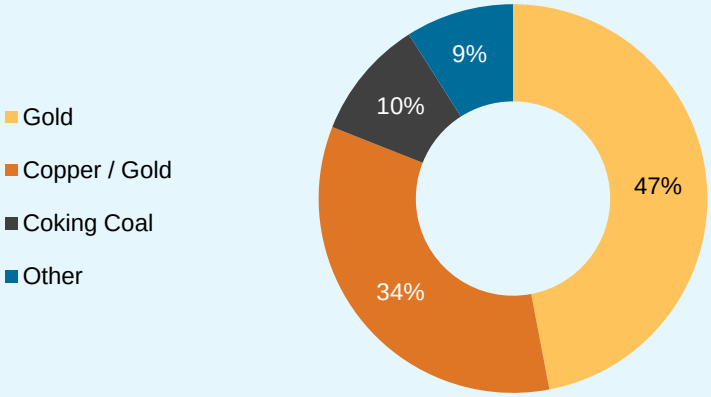
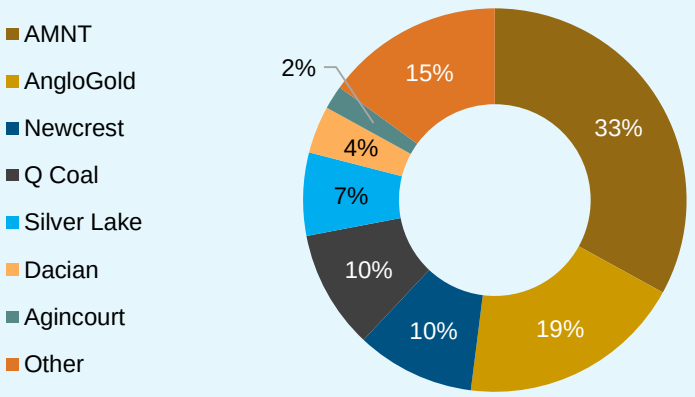
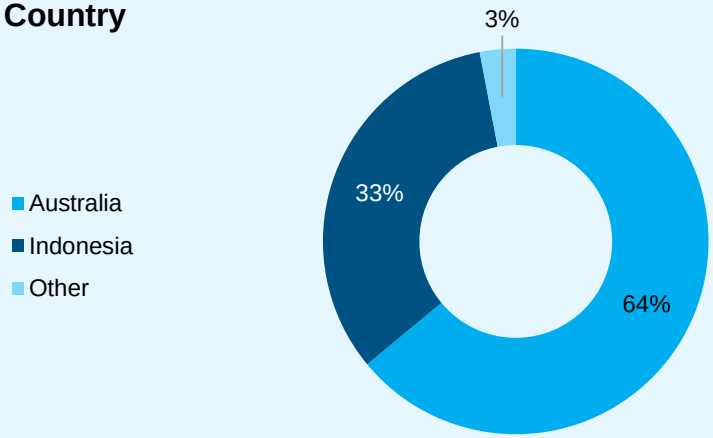
Commodity



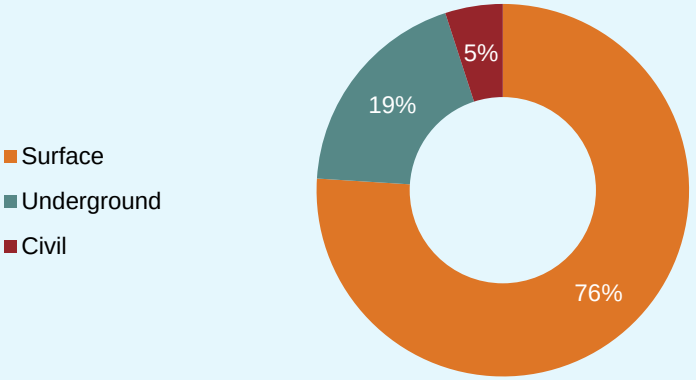
Clients



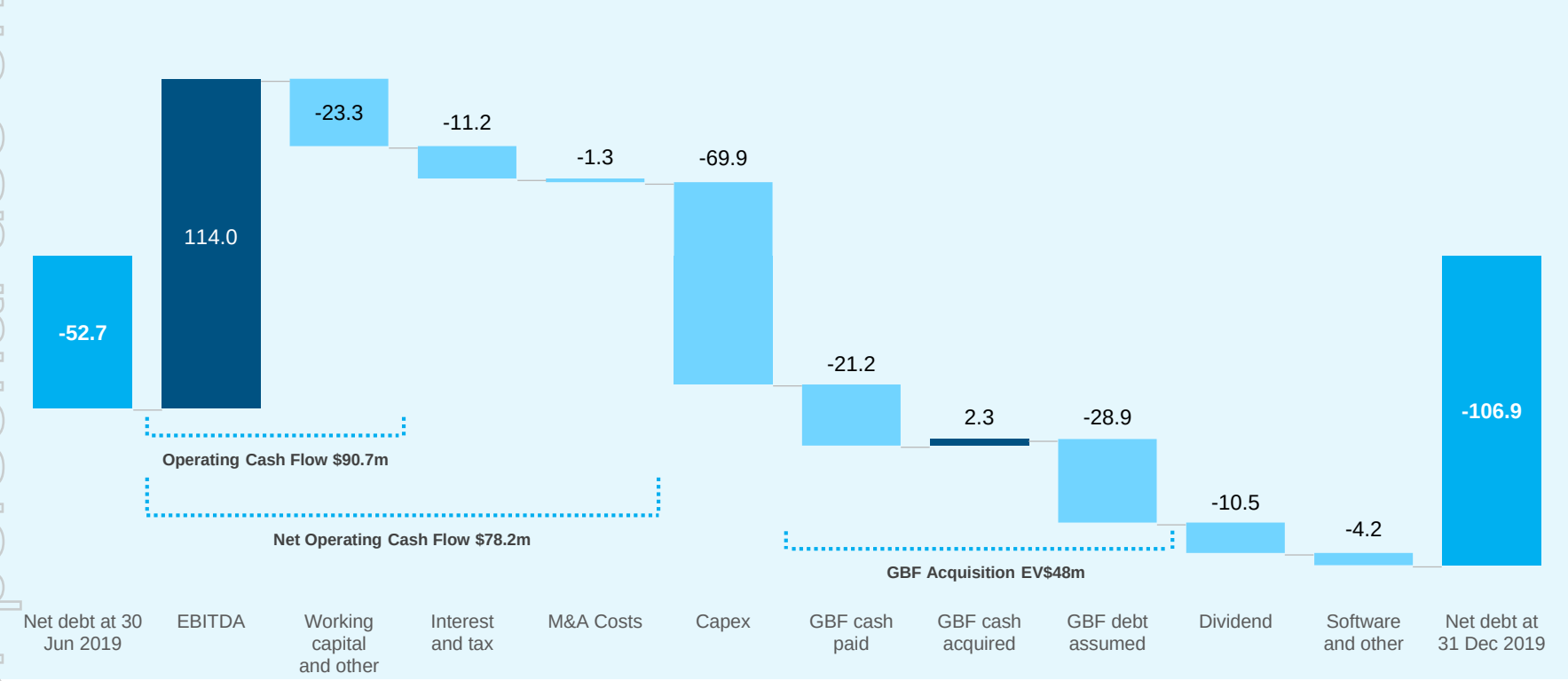
Country



Activity



Cash Flow – Net Debt waterfall



- Strong operating cash flow of $90.7m, up 162% on 1H19
- Solid EBITDA cash conversion of 79.5% – expect to improve in 2H in line with full year target of 85% conversion
- 1H20 capex $69.9m. FY20 capex expected to be $155m ($85m is sustaining capex) – supports existing and new contract wins (including Silver Lake), and adoption of new automated drills and diesel-electric trucks

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Balance Sheet

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$ Millions	FY19	1H20
Cash	113.2	114.2
Receivables	200.8	235.4
Inventories	45.8	55.8
Property, plant and equipment[1]	424.9	487.2
Intangible assets and goodwill	10.2	19.4
Other assets	30.0	28.0
Total assets	**824.9**	**939.9**
Payables	168.6	177.4
Financial debt	165.8	221.0
Lease debt		16.7
Other liabilities	42.8	57.3
Total liabilities	**377.3**	**472.4**
Total Equity	**447.6**	**467.5**
Net Debt / (Cash)	**52.7**	**106.8**
Net Tangible Assets (NTA)	**20.3 cps**	**20.8 cps**
Gearing[2]	**10.5%**	**18.6%**
ROACE[3]	**13.9%**	**14.6%**
ROE[4]	**13.2%**	**13.7%**

- Significant movement reflects GBF acquisition – including goodwill $5.8m
- Robust balance sheet – Gearing 18.6%, Net Debt/annualised EBITDA of 0.5x
- Balance sheet protection – 60% of PPE is subject to put call options and/or used on life of mine contracts
- Balance sheet supports continued sustainable dividends
- Financial debt comprises:
  - $204m equipment lease facilities (including $28.9m assumed on GBF acquisition)
  - $17m working capital facility (undrawn headroom of $41m)
- Lease debt recognised on adoption of AASB16 (see Appendix)

1. Includes lease receivable related to Byerwen excavators
2. Net Debt / (Net Debt + Equity)
3. Underlying EBIT (A) annualised / Average (Total Assets – Current Liabilities)
4. Underlying NPAT (A) annualised / Average Equity
5. Columns may not add due to rounding

Capital Allocation Policy & 1H20 Dividend

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Policy to balance growth and cash returns to shareholders			
Objectives	**1. Maintain financial strength**	**2. Invest in growth**	**3. Return capital to shareholders**
Priorities	1. Maintain strong balance sheet 2. Ensure appropriate liquidity and gearing with regard to revenue visibility and outlook 3. Retain flexibility to fund tender pipeline and accretive acquisitions 4. Return capital to shareholders		
1H20 Dividend	• Board has reinstated sustainable dividends • 1H20 interim dividend of 0.25 cents per share • 30% franked • Record date of 17 March 2020 • Payment date of 2 April 2020		

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Batu Hijau, Indonesia (PT AMNT)

Strategy and Outlook

Strategy on track

Our strong order book with excellent revenue visibility underpins a focus on execution of work in hand and pursuit of new opportunities

A premium provider of contract mining services across the mining value chain, delivering consistent returns and stable employment

Safety

Safety performance across operations a core priority

Execution and Relationships

Improve operating margins and ensure project performance at or above expectations with commitment to strong client relationships

Technology

Invest in innovation and technology striving for increased efficiency and productivity

People and Culture

Proactive, positive culture with people empowered to make decisions, who are accountable and appropriately rewarded

New Work

Macmahon remains focused on winning new work across a diverse spread of commodities, clients and geographies

Diversification

Grow our core mining business with a focus on underground and rehabilitation, including exploring M&A opportunities

Civil (TMM GROUP) → **Surface** → **Underground** (GBF) → **Rehabilitation Emerging**

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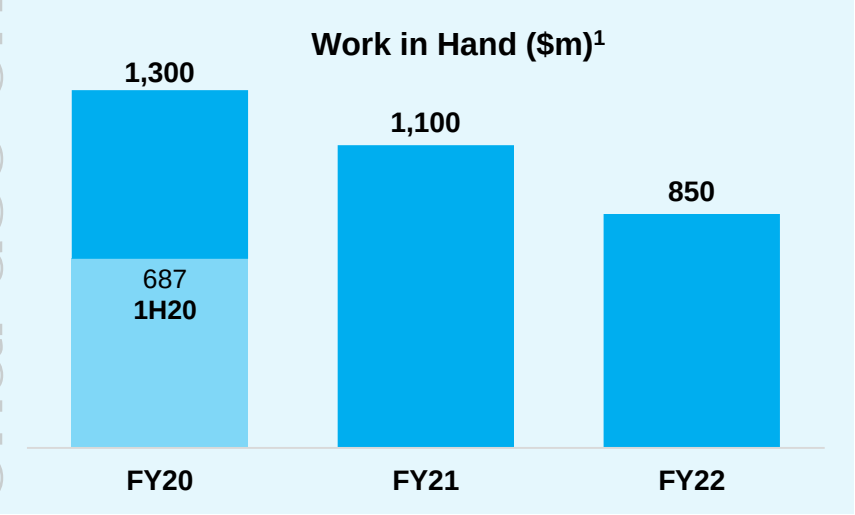
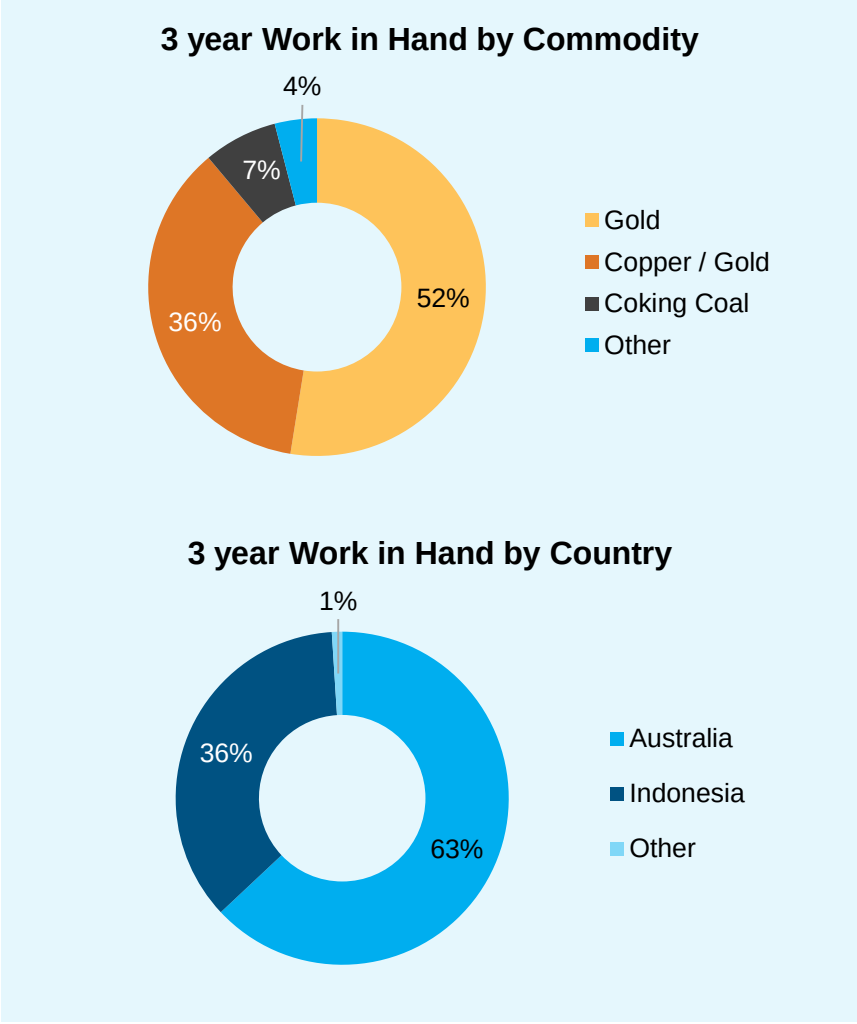
Work in Hand



- **Order book of $4.5 billion[2]**
- Existing order book underpins FY20 growth before any civil and underground churn work
- Solid medium term earnings visibility with largely long term alliance style contracts
- Majority of order book (88%) is exposed to Copper/Gold and Gold
- Majority of order book (63%) is Australian based earnings



1. Excludes Civil and JV revenue
2. Includes SLR letter of intent extension

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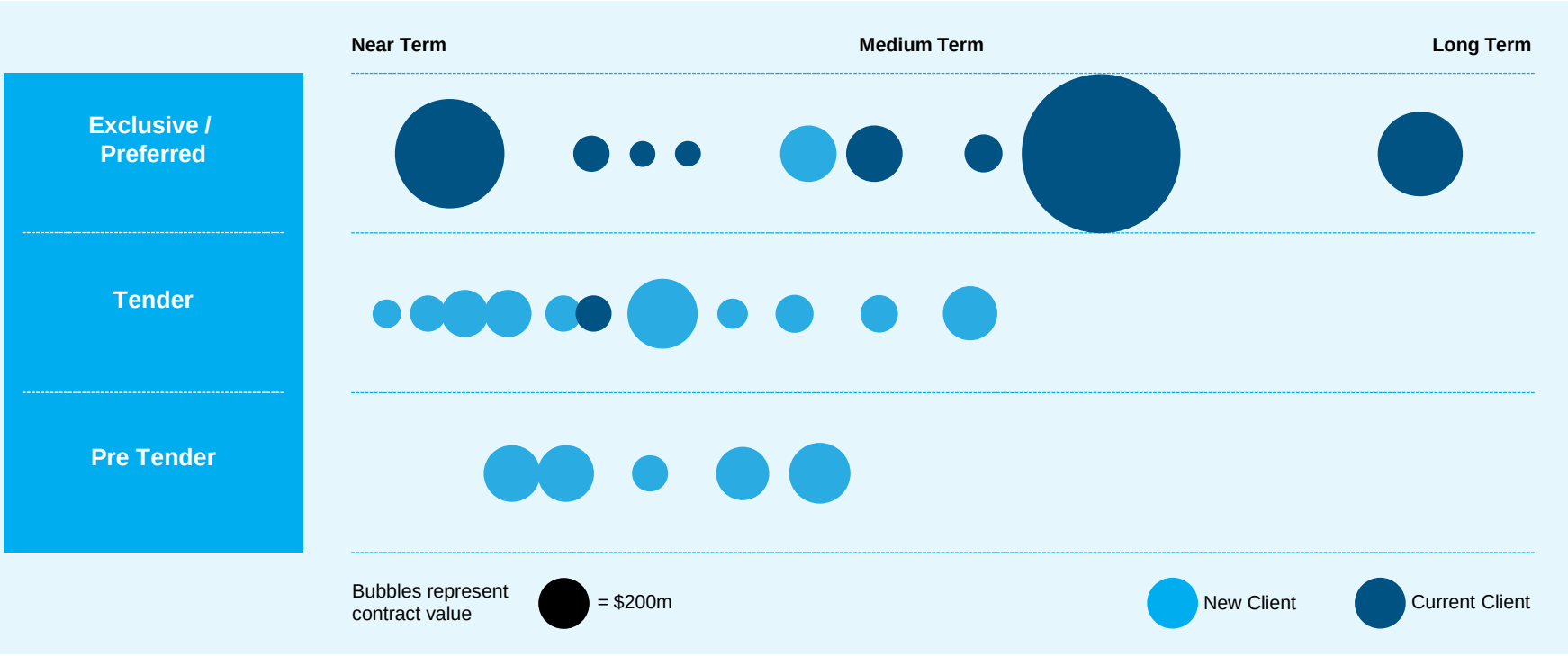
Tender Pipeline



- 25 tender opportunities worth $7bn+, split primarily between Australia and Indonesia, and gold, base metals, lithium and coking coal
- $4.5bn+ exclusive or preferred tenderer
- $4.5bn+ current clients
- Potentially $2 – $4bn to be awarded in 2020

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FY20 Priorities and Outlook

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FY20 priorities:

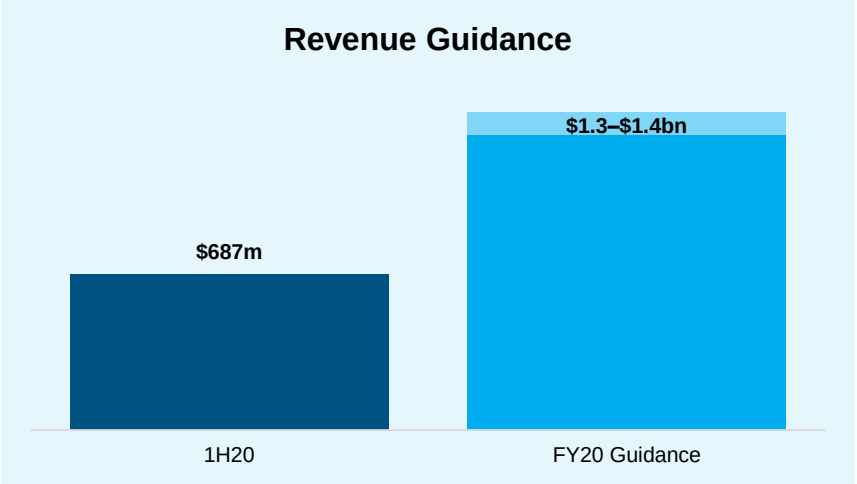
- Lock in additional contract expansions / new work
- Build on strong safety culture
- Enhance and diversify earnings by targeting further growth in underground and civil businesses
- Maintain disciplined management of capital to ensure strong returns on capital and cash conversion
- Invest in mining technology and digital transformation

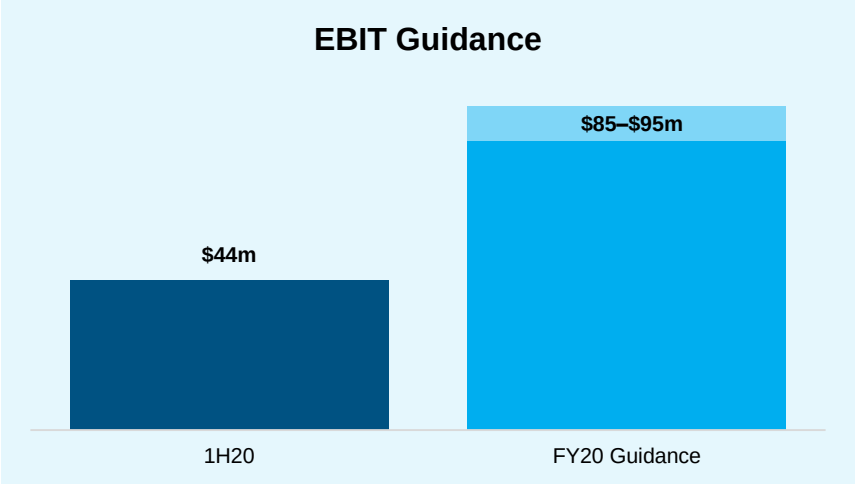
FY20 guidance[1] increased to:

- **Revenue of $1.3bn – $1.4bn**
- **EBIT(A) of $85m – $95m**

Positive outlook supported by:

- ✓ Order book of $4.5bn
- ✓ FY20 work in hand of $1.3bn
- ✓ $7bn+ tender pipeline
- ✓ Solid balance sheet – protected by security arrangements on significant fleet





1. Guidance assumes an exchange rate of AUD:USD 0.70, and excludes the impact of one-offs, and amortisation related to GBF Group acquisition

Thank You

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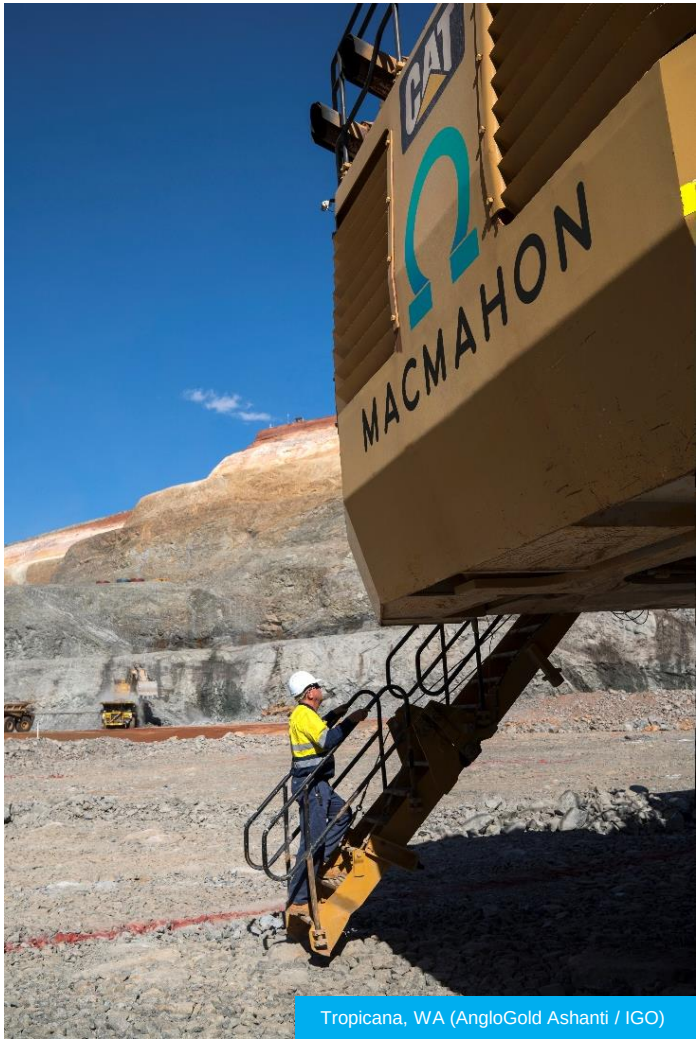

Tropicana, WA (AngloGold Ashanti / IGO)

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Tropicana, WA (AngloGold Ashanti / IGO)

Appendix

Corporate Overview

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Capital Structure

Share Price[1]	**$0.29**
Fully paid ordinary shares (m)	2,155
Market Capitalisation	**$625.0m**
Cash at 31 December 2019	$114.2m
Debt at 31 December 2019	$221.0m
Enterprise Value	**$731.8m**

Directors and Senior Management

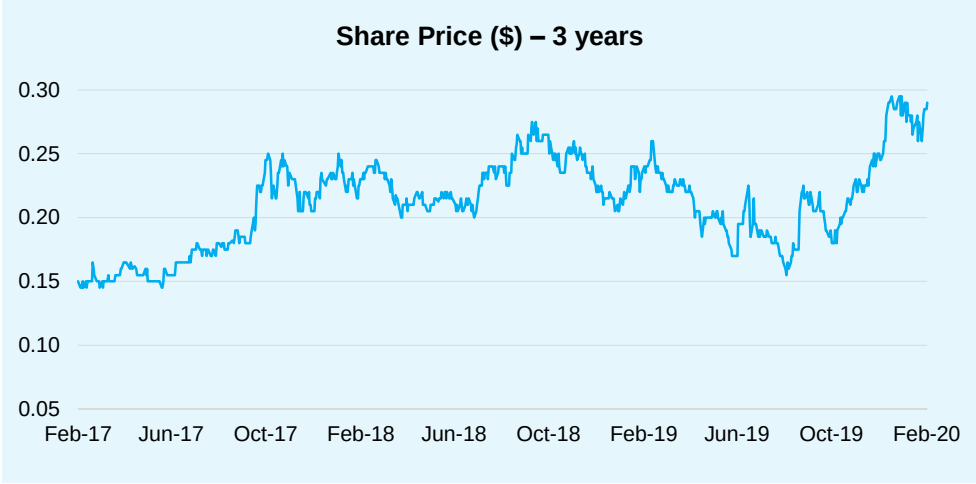
Eva Skira	Non-Executive Chair
Vyril Vella	Non-Executive Director
Alex Ramlie	Non-Executive Director
Arief Sidarto	Non-Executive Director
Bruce Munro	Non-Executive Director
Hamish Tyrwhitt	Non-Executive Director
Michael Finnegan	CEO and MD
Giles Everist	CFO
Greg Gettingby	Chief Development Officer

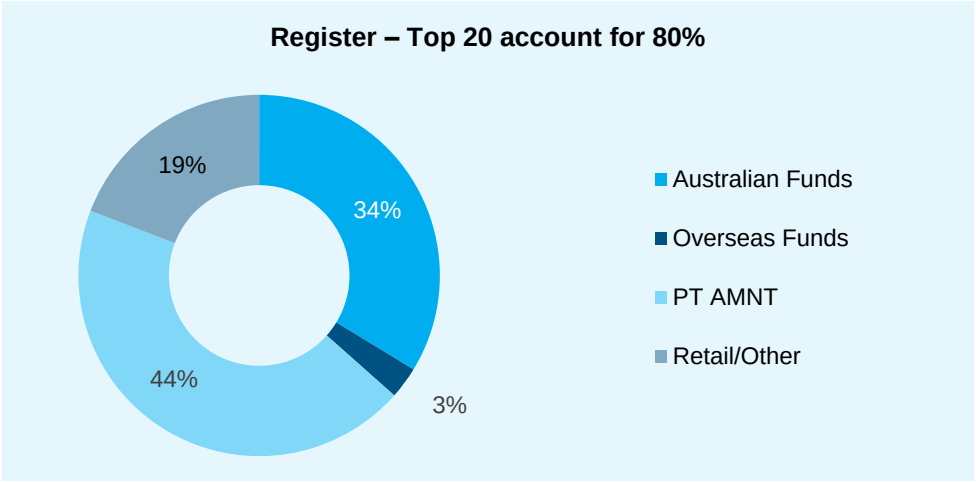
Analyst Coverage

Argonaut	Ian Christie
Euroz	Gavin Allen
Hartleys	Trent Barnett
Moelis	Sean Kiriwan

Index	ASX300
Liquidity - Daily Average Value	$400k+

1. As at 21 February 2020





Map of Operations

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Offices
1. Perth
2. Brisbane
3. Jakarta
4. Kalgoorlie

Workshops
1. Perth
4. Boulder
5. Coppabella
6. Lonsdale

Surface Mining
7. Argyle
8. Batu Hijau
9. Byerwen
10. Kanthan
11. Langkawi
12. Lhoknga
13. Martabe
14. Mt Keith
15. Mt Morgans
16. Telfer
17. Tropicana

TMM Group
18. Norwich Park
19. Peak Downs
20. Poitrel
21. Rolleston
22. Saraji

Performance Enhancement
23. Mogalakwena

Underground Mining/Services
24. Ballarat
25. Boston Shaker
26. Fosterville
27. Granny Smith
28. Leinster
29. Olympic Dam
30. Tanami
31. Tujuh Bukit

GBF Underground
32. Cock-eyed Bob
33. Comet Vale
34. Daisy Milano
35. Deflector
36. Maxwells
37. Nicolsons
38. Santa

Batu Hijau – world class asset

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AMNT

- AMNT is an Indonesian mining company that acquired 82.2% of Batu Hijau mine from Newmont and Sumitomo in November 2016
- Supportive strategic shareholder and two board representatives

Batu Hijau

- Open pit, copper-gold porphyry located on Sumbawa, Indonesia
- Second largest copper-gold mine in Indonesia (behind Grasberg)
- Infrastructure includes: 120ktpd processing plant, 158MW coal-fired power plant, Benete port, town-site
- First quartile of the global copper cost curve
- Conducting smelter feasibility currently
- Investigating significant extension of the Batu Hijau pit

Performance Update

- Project performing well – achieving record productivities
- FY20 guidance does not include any potential gain share

Elang

- Potential to extend scope of work to Elang if developed
- Elang is one the world's largest undeveloped copper-gold porphyry deposits with a 13 billion lb Cu/ 20 million oz Au resource[1]
- Potential production of ~365mlbs Cu and ~480k oz Au per annum[1]

1. PT Medco Energi Internasional Tbk company website (see www.medcoenergi.com)

Delivering value through technology

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Finance

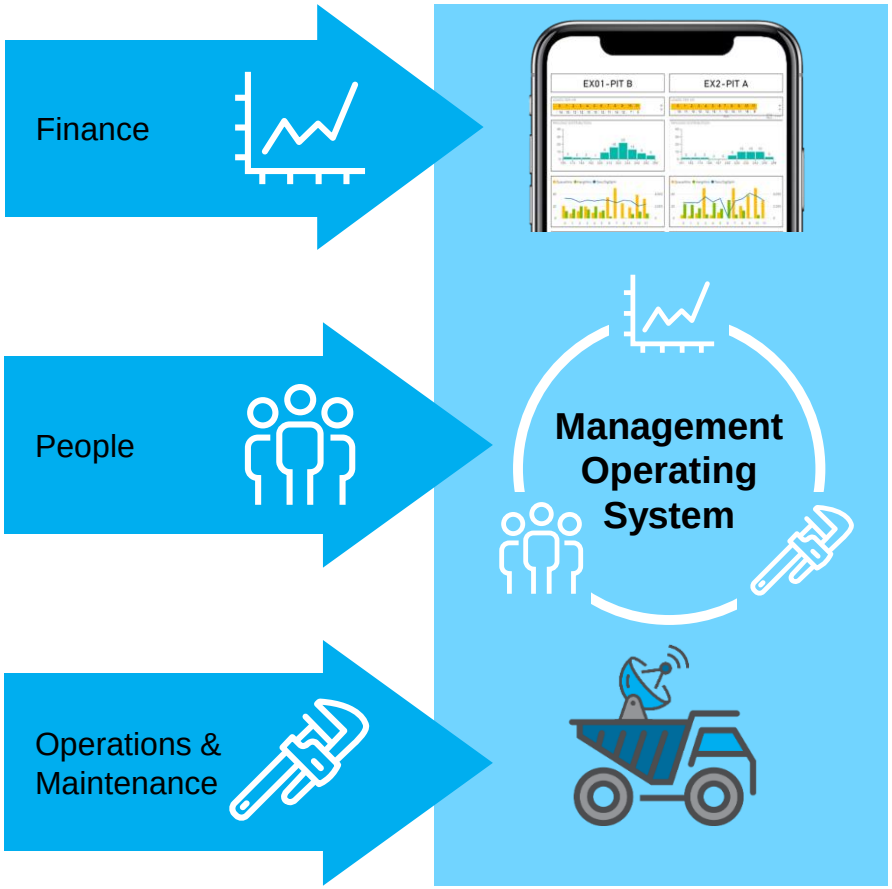
- Successful implementation of single ERP

People

- Rollout of Cloud Based HRM Technology - driving improved employee engagement, training outcomes and performance

Operations & Maintenance

- Deployed technology to unlock efficiencies, including:
  - Longer Tyre Life
  - Reduced consumable costs
  - Improved cycle times
  - Condition based maintenance
  - Improving data quality via in-house development of an Underground Production Reporting System



ESG – achievements and focus

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Environmental

- Rehabilitation – Batu Hijau, Tropicana, Peak Downs and South Walker Creek
- Installed solar panels at head office – produce 400,000kWh pa
- Climate Change Position Statement – seek continual improvement in energy efficiency across business to reduce carbon intensity
- Electric trucks – Byerwen and Tropicana
- Bio-fuels – Batu Hijau and Martabe
- ISO AS/NZS 14001 certified environmental system

Safety, Health, Quality

- Continued improvement in safety – record low TRIFR
- Promoted mental and physical health workplace
- Implemented Strong Minds, Strong Mines Program
- Winner of WA Mental Health Award 2019 'Mentally Healthy Workplace'
- Diversity Policy – specific areas of focus: Indigenous and gender
- Expanded apprenticeship and traineeship programs
- People turnover – 11.5%
- AS/NZC 4801, AS/NZS ISO 9001, OHSAS 18001 certification

Social & Community

- Cancer 200: Ride for Research – raised $235k
- Regional and local sporting club sponsorships
- Industry membership and education sponsorships
- Red Cross Bushfire support
- QCoal Ca$hEdUp program – support regional education
- Creation of Jangga Aboriginal Green program with QCoal
- Carey Mining – Get Into Mining program
- Doorn-Djil – subsidiary of Macmahon

Governance

- Code of Conduct Policy – Anti-bribery and Corruption and Conflict of Interest framework
- Induction and annual employee Code of Conduct training
- Updated Whistleblower policy
- 7 Board members – 4 independent (including Chair)

Reconciliation of Non-IFRS Financial Information

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$ Millions	1H19	1H20
Profit for the year (as reported)	**23.5**	**28.7**
Add back: Loss from discontinued operations (net of tax)	**0.1**	**-**
Less: Profit from discontinued operations (net of tax)	**-**	**-**
Net profit after tax from continuing operations (as reported)	**23.6**	**28.7**
Add back:		
• Share Based Payment expense	1.4	1.3
• Class Action Settlement	7.3	-
• M&A transaction costs	-	1.3
• GBF customer amortisation (A)	-	0.2
Underlying Net profit after tax (NPAT)(A)	**32.3**	**31.5**
Add back: Tax expense	2.8	5.0
Underlying Profit before tax (PBT)(A)	**35.1**	**36.5**
Add back: Net finance costs	4.8	7.6
Underlying earnings before interest and tax (EBIT)(A)	**39.9**	**44.1**
Add back: Depreciation and amortisation expense (excluding GBF customer amortisation)	49.3	69.9
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	**89.1**	**114.0**
Weighted Average Number of Shares (m)	**2,115**	**2,095**
Underlying basic EPS(A) (cents)	**1.53**	**1.50**

1. Columns may not add due to rounding

Lease Accounting – minor impact

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1H20 financial impact of new leasing standard – AASB16

- AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. Depreciation on the leased asset and interest on lease debt are recognised in the profit and loss statement.

Metric	Change	Comment
Profit & Loss		
EBITDA	▲ $1.8m	
EBIT	▲ $0.3m	
PBT	▼ $0.1m	
Balance Sheet		
PPE	▲ $16.4m	Primarily relates to office lease
Lease Debt	▲ $16.7m	Primarily relates to office lease
Cash Flow		No net impact, only change to classification
Operating Cash Flow	▲ $1.4m	
Financing Cash Flow	▼ $1.4m	

Cash Flow

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$ Millions	1H19	1H20
EBITDA	**89.1**	**114.0**
Movement in receivables	(30.3)	(8.8)
Movement in inventory	(3.8)	(2.9)
Movement in payables and provisions	(12.8)	(13.0)
Other	(7.5)	1.4
Interest and tax (paid) / received	(10.0)	(11.2)
Class Action Settlement	(7.6)	-
M&A costs	-	(1.3)
Net operating cash flow	**17.1**	**78.2**
Capital expenditure (cash)	(25.5)	(36.7)
Payment of software	-	(3.2)
Proceeds from sale of assets	0.2	0.9
Net repayment of financial & lease debt	(9.8)	(8.7)
Shares purchased on market for LTIP	(11.3)	-
GBF acquisition (net of cash acquired)	-	(18.9)
Dividends	-	(10.5)
Other	(3.8)	-
Net cash flow	**(33.1)**	**1.2**
Operating cash flow[1]	**34.6**	**90.7**
EBITDA conversion	**38.8%**	**79.5%**
Capex[2]	**87.6**	**69.9**

1. Net Operating cash flow excluding interest, tax, class action settlement and M&A costs
2. PPE and lease receivable
3. Columns may not add due to rounding

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