

2 May 2012

Update - Mongolian Tavan Tolgoi contract

Macmahon Holdings Limited (ASX:MAH) today provided an update on progress with the Tavan Tolgoi coal contract for Erdenes in Mongolia.

Since Macmahon commenced site operations on 2 January 2012, coal mining and overburden stripping is now well underway, temporary workshop facilities have been constructed and an experienced management team put in place.

Macmahon Chief Executive Officer Nick Bowen said the Macmahon start-up on site was further enhanced by the growth of the relationship with the client.

Negotiations over the last two months have resulted in Macmahon now taking over responsibilities for 100% of the contract (previously a 50:50 Joint Venture). This decision is in the best interests of the project and will assist in the rapid ramp up of production.

Planned production is 3mt of coal in 2012 and then around 6mt in 2013. Discussions have commenced with banking groups in relation to the establishment of stand-alone facilities for the Tavan Tolgoi project capex, which are expected to be non-recourse to Macmahon.

To facilitate the required rapid start up, the initial capex over the next few months will be funded from Macmahon's existing debt facilities. Notwithstanding the additional on balance sheet debt, overall gearing levels for the Group are expected to remain within maximum targeted levels.

Mr Bowen said Macmahon expects to return the contract to a 50:50 Joint Venture structure in calendar 2013, at which time the debt will come off balance sheet.

"Full control of the project during ramp-up will assist Macmahon to efficiently align the project with our well-established operational processes." Mr Bowen said.

"This is an exciting project for Macmahon on numerous fronts. It is a new client, a new environment and all amidst a growing market, utilising a number of our core capabilities"

"A very capable local workforce has enabled us to make a strong operational commencement," Mr Bowen said.

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Media Release



About Macmahon

Macmahon is a leading Australian contract mining and construction company with major projects throughout Australia, in New Zealand, Asia, Mongolia and Africa.

An ASX/S&P 200 company, Macmahon has played a major role in the delivery of many of Australia's largest multi-disciplinary mining and construction projects throughout its 49 year history.

Employing more than 4500 people, Macmahon offers the full range of underground and surface mining services and comprehensive construction capabilities spanning transport, marine, water and resource infrastructure services.

With a commitment to providing end to end services, 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.