Interim Financial Report

For the six months ended 31 December 2014

Issued 24 February 2015

MACMAHON

Contents

Appendix 4D

Results for Announcement to the Market

For the six months ended 31 December 2014

Name of entity

MACMAHON HOLDINGS LTD

ACN

007 634 406

Compared with six months ended 31 December 2013

All figures expressed in Australian dollars unless otherwise stated				**$m**
Revenue from continuing operations ($m)	down	-30%	to	384.3
(Loss) / profit from continuing operations after income tax ($m)	down	-751%	to	-114.0
Profit from discontinued operations after income tax ($m)	down	-11%	to	1.6
(Loss) / profit for the period attributable to equity holders of the company ($m)	down	-680%	to	-112.5
Underlying profit for the period after tax ($m) [1]	down	-42%	to	11.3
				cents
Basic (loss) / earnings per share (cents)	down	-693%	to	-8.9
Underlying basic earnings per share (cents) [1]	down	-40%	to	0.9

Dividends	Amount per security	Franked amount per security %
Interim dividend declared	nil	n/a
	31-Dec-14	**31-Dec-13**
Net tangible assets per ordinary share	$0.26	$0.32

[1] The underlying result excludes non-cash items of impairment, inventory write-downs and onerous lease charges taken up during the period.

For a brief explanation of the figures reported above refer to pages 4 to 24 of this Interim Financial Report.

Condensed consolidated interim financial report
For the six months ended 31 December 2014

Contents

DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated interim financial statements of Macmahon Holdings Limited and its controlled entities ("consolidated entity") for the six months ended 31 December 2014 including the review report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

J A Walker	(Chairman, Non-executive) (Executive Chairman commencing 22 January 2015)
B L Cusack	(Deputy Chairman, Non-executive) (resigned 22 January 2015)
R A Carroll	(Chief Executive Officer and Managing Director) (resigned 22 January 2015)
C R G Everist	(Non-executive)
E Skira	(Non-executive)
V A Vella	(Non-executive)

KEY FINANCIAL INDICATORS

For the six months ended 31 December:

A$ million except where stated	Dec-14	Dec-13
Total revenue (including joint ventures) from continuing operations	**384.9**	**550.1**
EBITDA from continuing operations before significant items	55.9	89.4
EBIT from continuing operations before significant items	21.0	37.1
Net interest expense	(7.5)	(8.7)
Tax benefit / (expense)	2.8	(10.9)
Profit after tax from continuing operations before significant items	**9.7**	**17.5**
Profit after tax from discontinued operations	1.6	1.8
Significant items: impairment, inventory write down & onerous lease (net of tax)	(123.8)	-
(Loss) / Profit for the period attributable to equity holders of the Company	**(112.5)**	**19.4**
Reported basic (loss) / earnings per share (cents)	(8.9)	1.5
Underlying basic earnings per share (cents)	0.9	1.5
Reported basic (loss) / earnings per share (cents) – continuing operations	(9.0)	1.4
Underlying basic earnings per share (cents) – continuing operations	0.8	1.4
Dividends declared per share (cents)	nil	nil
Mining order book as at 31 December	1,325 [1]	2,826

[1] The mining order book as at 31 December 2014 excludes Tavan Tolgoi (Mongolia) and the Christmas Creek project.

Note: Numbers in the table may not add due to rounding. This table includes the presentation of sub-totals and line items which represent non IFRS financial information. The Directors consider this presentation to provide useful information to readers.

OPERATING RESULTS

The consolidated entity's net loss after tax for the half year was $112.5 million (2014: profit of $19.4 million). Excluding significant items, the Company reported a net profit after tax of $11.3 million.

DIVIDENDS

The Company continues to focus on reducing debt and strengthening its balance sheet and as a result the Directors have determined that an interim dividend will not be declared.

PRINCIPAL ACTIVITIES

Macmahon is an Australian contracting company offering the complete package of mining services to clients throughout Australia, New Zealand, South East Asia and Africa. In operation for more than 50 years, Macmahon has extensive knowledge and experience in both surface and underground mining across a broad range of commodities. The consolidated entity's revenue is earned predominantly from the resources sector.

DIVISIONAL ACTIVITIES

Macmahon currently operates through three divisions - Surface, Underground and International.

Surface Mining

Since the award of the Company's first mining contract in 1967, Macmahon has worked hard to establish a sound reputation as a leading surface mining contractor. Macmahon offers a full range of mining services, including (but not limited to) mine planning, drill and blast, bulk and selective mining, crushing and screening, materials handling, water management and plant operation and maintenance. The Company's expertise spans across a broad range of commodities including coal, iron ore, gold, copper, nickel, uranium, manganese, limestone and phosphates.

Project activity

- Macmahon is currently providing services at the Tropicana Gold Mine in Western Australia and Waihi Gold Mine in New Zealand for Anglo Gold Ashanti / Independence Group and Newmont respectively. Macmahon is also providing mining services at Christmas Creek for Fortescue Metals Group. This contract is scheduled to conclude on 20 April 2015.
- Macmahon continues to support Indigenous employment through its subsidiary Doorn Djil Yoordanning and provide opportunities through its ROCKSTAR training program. Projects include work at Argyle Tailings and the Tropicana light vehicle maintenance joint ventures.

Projects successfully completed

- During the period, operations at Peabody's Eaglefield Mine in Queensland were completed ahead of schedule and demobilisation activities were finalised safely and efficiently.
- Demobilisation at BHP Billiton's Orebody 18 Mine in Western Australia was also completed in July following the contract completion in June 2014.

Underground Mining

Following the acquisition of National Mine Management in 1994, and Combined Resource Engineering and Australian Raise Drilling in 2006, Macmahon has continued to develop its underground expertise to become one of Australia's leading underground mining contractors. The Company specialises in providing high quality underground and production services and its expertise extends to the provision of ground support services (rock bolting, cable bolting and shotcreting) as well as the full suite of ventilation and access services including shaft sinking, raise drilling and shaft lining.

Project activity

- Macmahon is currently providing a range of underground mining services at BHP Billiton's Olympic Dam Mine in South Australia. Additionally, the Company's Underground Mining Services business provides services to a number of projects including the Mount Wright Gold Mine in Queensland for Carpentaria Gold, Tritton Mine in New South Wales for Straits Resources and Lanfranchi and Savannah Mines in Western Australia for Panoramic Resources. The Company is continuing to undertake cablebolting activities at Newcrest Mining's Cadia Project in New South Wales where it has maintained a presence since 2008.

Projects substantially completed

- Construction of Energy Resources of Australia's Ranger 3 Deeps exploration decline in the Northern Territory was successfully completed during the period. Macmahon is currently undertaking care and maintenance work.
- The majority of works at Rio Tinto's Argyle Diamond Mine in Western Australia were completed in August 2014. The Company continues to conduct raise drilling activities for the client.
- The Company completed support services at Glencore's George Fisher Mine in Queensland and is currently tendering mining services work in the region.

Mining Services also completed shotcreting activities at Broken Hill's Perilya Mine in South Australia, shaft sinking activities at George Fisher mine and shaft recovery work at Ranger mine.

International Operations

Macmahon has been operating successfully overseas for over 25 years. The Company's international operations centre around three key hubs being Central Asia, South East Asia and Africa. Macmahon continues to seek new opportunities to further expand its footprint in these regions.

Project activity

- Macmahon is currently providing a range of mining activities for Lafarge in Malaysia, Indonesia and Nigeria. The Company has halted operations in Mongolia (see separate note later).

Projects successfully completed

- Quarrying activities at Lafarge's Rawang cement project in Malaysia were successfully completed following the end of the five year contract in mid-October.

Mongolia

In August 2014, operations were suspended at the Tavan Tolgoi coal project in Mongolia following a dispute with the client regarding payment delays for work completed. Failure to reach an agreement led both parties to enter into a standstill agreement in September 2014. The agreement protects the positions of both parties while further negotiations take place. Macmahon is continuing to work through this issue and will continue to update the market on new developments as and when appropriate.

BUSINESS REVIEW

Safety Performance

At 31 December, the rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) was 6.3, a 40 per cent improvement from 31 December 2013. The Lost Time Injury Frequency Rate (LTIFR) also improved to 0.84. This is significantly lower than both the Western Australian Mining industry average of 2.3 and the Safe Work Australia average for metalliferous mining of 3.4.

While the overall safety performance continues to improve, many of the Company's projects recorded exceptional safety results, with 94 per cent of all Macmahon projects remaining Loss Time Injury (LTI) free for the reporting period and 84 per cent of all projects Total Recordable Injury (TRI) free for the same period.

Macmahon continues to run its Safe Act Observation (SAO) program which involves managers, supervisors and other workers observing the specific work activities and behaviours of other team members.

Two new safety initiatives were also introduced to complement the existing SAO program. These include:

- Coached Safe Act Observations, which is an extension of the SAO program designed to improve the quality of the SAO's through a structured coaching process conducted by leaders within the business; and
- Layered Audits, an infield activity audit involving two or more layers of management who are connected by a reporting relationship.

All senior managers, including members of the executive team are required to conduct both coached SAO's and Layered Audits. These programs provide further opportunities for senior management to work with their teams and to better identify risks, challenge the status quo and assist in eliminating substandard work practices.

People

At 31 December, the Company employed a workforce of 2,097 direct employees, down from 2,467 direct employees at 30 June 2014. The decrease in employee numbers was due mainly to a reduction of overheads, the successful completion of the Eaglefield and Ranger projects, the reduction of scope at Argyle and productivity improvements at Christmas Creek.

In October, a review of the Company's overhead structure was conducted to ensure the business remains cost efficient in the current environment. This review saw further consolidation of functional support services and removal of a number of roles from the Company's corporate structure and site support functions.

Despite the reduction in workforce numbers, Macmahon has continued to maintain its commitment to Indigenous employment as well as the development of graduates and apprentices. During the period, 54 Indigenous workers were recruited across our operations. As of 31 December 2014, Macmahon employed 61 apprentices and 29 graduates, with a further intake of apprentices planned for 2015.

International and domestic leadership development remained a key focus over the period with frontline supervisors, superintendents and project managers undertaking intensive leadership training to ensure effective management of the Company's people and projects.

Senior Management Changes

In December 2014, Mr David Todd retired from the position as Group General Manager – Health, Safety, Environment and Quality (HSEQ). The Company thanks Mr Todd for his contribution and wishes him well in his retirement.

Following Mr Todd's retirement, the Company has appointed Mr Darren Batchler to head the HSEQ portfolio. Mr Batchler has over 16 years of experience in Health, Safety, Environment and Community roles, holding long-term managerial positions with a number of leading mining companies including BHP Billiton and Newmont Asia Pacific. The Company welcomes Mr Batchler to his new role.

During the period, Mr Rob Barker, Group General Manager – Market Development, also assumed the responsibility for operations in Africa. The Company views Africa as a potential market for future development.

Subsequent to 31 December 2014, Mr Ross Carroll resigned as Chief Executive Officer and Managing Director. The Company's Chairman, Mr Jim Walker, has assumed the role of Executive Chairman and the Board is currently seeking a replacement for Mr Carroll.

OUTLOOK

Market conditions are expected to remain subdued over the near term as commodity price volatility continues to put pressure on mining companies to reduce costs across their operations. Accordingly, competition for new work will continue to remain fierce and margins impacted as a result.

Given the challenges present, Macmahon's strategy over the forthcoming period is to:

- improve operational performance;
- aggressively pursue cost savings; and
- pursue targeted growth opportunities.

Macmahon is focused on improving its performance across all existing contracts and ensuring that all operations achieve benchmarked performance rates. The Company has also initiated a complete review of its business to ensure that the structure is properly aligned with current revenue projections.

FINANCIAL OVERVIEW

Mining Business

$ million	Dec-14	Dec-13
Segment revenue	384.9	550.1
Segment profit before tax - before significant items	12.1	33.5
Profit before tax margin - before significant items	3.1%	6.1%
Significant items before tax	(124.4)	-
(Loss) / profit before tax - after significant items	(112.3)	33.5
Order book	1,325 [1]	2,826

[1] The mining order book as at 31 December 2014 excludes Tavan Tolgoi (Mongolia) and the Christmas Creek project.

Note: This table includes the presentation of sub-totals and line items which represent non IFRS financial information. The Directors consider this presentation to provide useful information to readers.

The Mining Business reported half year revenue of $384.9 million, down from $550.1 million in the prior corresponding period. The decrease in revenue was a result of the slow-down of the resources sector with a number of projects coming to an end and a lack of new work commencing during the period. Revenue increases were achieved across key projects including Christmas Creek, Tropicana and Olympic Dam.

Profit before tax before significant items decreased to $12.1 million, down from $33.5 million in the prior corresponding period. Profit before tax margins declined to 3.1 per cent compared to 6.1 per cent in the prior corresponding period. The decrease was primarily a result of the completion of higher margin projects and operating issues at Tropicana.

Significant items represent impairment of property, plant and equipment and goodwill, and a write-down of inventory. For further details refer to note 6 of the interim financial statements.

Discontinued operations

Discontinued operations reported $2.2 million profit before tax. The profit is predominantly due to the settlement of a dispute arising from the completed Trangie Nevertire Irrigation Project.

Interest

Net interest expense decreased to $7.5 million, from $8.7 million in the prior corresponding period due to lower debt levels across the period.

Tax

The Company's income tax benefit for continuing operations was $2.8 million, compared to a $10.9 million expense for the prior corresponding period.

The effective tax rate for continuing operations for the half year was a 2.4 per cent benefit, compared to the prior half year's tax rate of 38.2 per cent expense. The effective tax for the current period was lower as no tax benefit was recognised for impairments totaling $108.0 million (tax affected approximately $32.6 million) as well as prior period adjustments for research and development tax concessions of $0.3 million (tax affected). Excluding these adjustments, the effective tax rate would be 30.1 per cent.

Leverage

As at 31 December 2014, cash on hand totalled $124.7 million.

Gearing remained low at 11.3 per cent net debt to equity, well within the Company's targeted maximum limit of 30 per cent.

Depreciation

Depreciation of property, plant and equipment from continuing operations at 31 December 2014 was $35.0 million. This represented a decrease of 33 per cent from the prior corresponding period following the closure of several projects. The vast majority of the Company's plant and equipment is depreciated on cumulative hours worked.

Working Capital

Current trade and other receivables were $130.3 million at 31 December 2014 compared to $139.0 million at 30 June 2014.

Current trade and other payables reduced to $84.4 million at 31 December 2014, compared to $120.5 million at 30 June 2014. This was largely due to a lower level of creditors resulting from reduced volume of work.

Non-current Assets

At 31 December 2014, the book value of the Company's property, plant and equipment totalled $332.0 million, a decrease of 25 per cent compared to 30 June 2014. During the period, the Company undertook a review of its asset carrying values. As challenging market conditions are likely to continue for the foreseeable future, the Company concluded it would impair the carrying value of certain equipment by $90.4 million.

Capital Expenditure

The Company continued to transition equipment across projects where possible before purchasing new equipment. This strategy combined with the lack of new work has resulted in a significant decrease in capital expenditure. Capital expenditure decreased 83 per cent from the prior corresponding period to $10.3 million. The majority of the expenditure related to the purchase of new haul trucks that replaced hire equipment at the Calabar project in Nigeria.

Cash Flow

Group cash from operations was an inflow of $27.2 million, compared to an outflow of $13.6 million in the prior corresponding period. The net outflow from operations in the prior period was a result of residual construction outflows of $50.1 million.

Debt

In September 2014, the Company completed the refinancing of its syndicated debt funding facility. A $317.5 million facility was successfully secured despite a challenging refinancing environment and came into effect on 10 September 2014. Backed by new and existing lenders, the facility provides the Company with access to funds to support the Company's growth strategy over the next three years.

The facility is comprised of three tranches, including working capital, bank guarantees and equipment financing. The new terms include the right for the lenders to review the facility in the event that there is a significant decline or termination of business from existing material contracts.

At 31 December, the Company had drawn down $167.9 million consisting of $159.0 million for equipment financing and $8.9 million for bank guarantees. The outstanding commitment for operating leases was $47.1 million.

Going concern

These interim financial statements have been prepared on the going concern basis.

At 31 December, the Group had drawn $159.0 million in equipment finance facility and $8.9 million of outstanding bank guarantees against its total approved syndicated debt facility of $317.5 million. In addition the Group held cash of $124.7 million at that date.

A risk for the Company is the concentration of its mining services order book whereby a significant portion of annual revenue is generated by a limited number of contracts.

On 20 February, the Company announced the early termination of its mining services contract at the Christmas Creek Expansion Project. Revenue from this contract for the six month period ended 31 December was $137.5 million. Under the terms of Macmahon's Syndicated Facility Agreement (SFA), this results in a Review Event. During the Review Event, the Company and the SFA Lenders have 90 days to discuss the impact the reduction in revenue will have on the Company and, if required, negotiate in good faith any amendments to the current SFA terms.

At the completion of the review period each syndicate lender has the option, if they choose, to withdraw from the facility. If this occurs, the lenders portion of the drawn debt will be required to be repaid within 60 days from the date the review period ends.

At 31 December, the Group has net current assets of $154.8 million and net assets of $322.3 million. Included in net assets is plant and equipment of $332.0 million, of which $97.7 million is recognised at its estimated fair value (refer Note 6). The Group has initiated a restructuring review with the aim of significantly reducing the cost base of the business consistent with its reduced revenue outlook in the near term.

The Directors have given consideration to scenarios where this Review Event leads to a repayment of drawn facility to the Group. In considering future scenarios the Directors have forecast that, by the end of the Lender's review period (90 days), the Group will continue to require a reduced facility to allow appropriate levels of liquidity in working capital for its anticipated operations.

The Directors are confident of the ability for the Group to continue as a going concern because in their opinion sufficient funding options are available in order to meet any potential facility repayment, including using existing cash reserves, selling assets and entering sufficient, alternative debt funding arrangements with existing or new lenders. In the event that sufficient debt facility is not agreed, then the Group may be required to pursue sales of surplus assets in a timeframe which might result in the realisation of values at amounts below their carrying values.

Events subsequent to reporting date

Key events subsequent to the reporting date were the changes in senior management and the termination of the Christmas Creek project as addressed in this report. The Directors are not aware of any other matter or circumstance arising since 31 December 2014 not otherwise dealt with within the condensed consolidated financial statements that has significantly affected or may significantly affect the operations of the consolidated entity and the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 11 and forms part of the Directors' Report for the six months ended 31 December 2014.

Rounding off

The consolidated entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 and in accordance with that Class Order amounts in the Directors' Report and the Interim Financial Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors.

JC Walker

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Jim Walker

Director

24th February 2015
Perth

Lead auditor's independence declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Macmahon Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Trevor Hart
Partner

Perth

24 February 2015

Independent auditor's review report

Independent auditor's review report to the members of Macmahon Holdings Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Macmahon Holdings Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Macmahon Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Independent auditor's review report (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Macmahon Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

24 February 2015

Directors' declaration

In the opinion of the directors of Macmahon Holdings Limited;

1. The condensed consolidated interim financial statements and notes of the consolidated entity set out on pages 15 to 24 are in accordance with the Corporations Act 2001 including:

   a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance for the six months ended on that date; and

   b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that Macmahon Holdings Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Jim Walker
Director

24th February 2015
Perth

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December

In thousands of AUD	Note	2014	2013
Revenue from continuing operations		384,324	549,450
Other income		11,563	780
		395,887	**550,230**
Materials and consumables used		(116,569)	(158,319)
Employee benefits expense		(179,233)	(240,674)
Subcontractor costs		(18,600)	(30,401)
Depreciation and amortisation expenses		(34,966)	(52,312)
Equipment and office expenses under operating leases		(14,716)	(10,264)
Other expenses		(10,921)	(21,228)
		20,882	**37,032**
Impairment of property, plant, and equipment and goodwill	6	(111,043)	-
Write down of inventory and onerous lease provision	6	(19,215)	-
Results from operating activities		**(109,376)**	**37,032**
Finance income		1,004	1,241
Finance expense		(8,541)	(9,929)
Net finance costs		**(7,537)**	**(8,688)**
Share of profit in investments accounted for using the equity method (net of tax)		75	55
(Loss) / profit before income tax from continuing operations		**(116,838)**	**28,399**
Income tax benefit / (expense)	7	2,811	(10,891)
(Loss) / profit from continuing operations		**(114,027)**	**17,508**
Profit from discontinued operations (net of tax)	11	1,574	1,845
(Loss) / profit for the year attributable to equity holders of the Company		**(112,453)**	**19,353**
Other comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation differences for foreign operations (net of tax)		3,653	1,719
Net change in fair value of cash flow hedges reclassified to profit or loss (net of tax)		1,129	1,523
Effective portion of changes in fair value of cash flow hedges (net of tax)		(3,216)	(381)
Other comprehensive income for the year, net of tax		**1,566**	**2,861**
Total comprehensive (loss) / income for the year attributable to equity holders of the Company		**(110,887)**	**22,214**
(Loss) / earnings per share			
Basic (loss) / earnings per share (cents)		(8.91)	1.54
Diluted (loss) / earnings per share (cents)		(8.51)	1.53
(Loss) / earnings per share - continuing operations			
Basic (loss) / earnings per share (cents)		(9.04)	1.39
Diluted (loss) / earnings per share (cents)		(8.62)	1.38

The notes on pages 19 to 24 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of financial position

As at

In thousands of AUD	Note	31-Dec-14	30-Jun-14
Assets			
Current assets			
Cash and cash equivalents		124,738	109,424
Trade and other receivables		130,309	138,980
Inventories	6	67,286	87,485
Income tax		-	14,801
		322,333	350,690
Assets of disposal groups classified as held for sale	11	3,430	3,895
Total current assets		**325,763**	**354,585**
Non-current assets			
Trade and other receivables		798	6,056
Investments accounted for using the equity method		156	220
Property, plant and equipment	6 & 8	332,016	442,875
Intangibles	6	31	18,368
Deferred tax		1,930	1,644
Total non-current assets		**334,931**	**469,163**
Total assets		**660,694**	**823,748**
Liabilities			
Current liabilities			
Trade and other payables		84,379	120,473
Loans and borrowings	9	4,091	141,344
Derivative financial instruments		-	1,053
Current tax		876	1,651
Employee benefits		28,458	34,313
Provisions		41,430	43,176
		159,234	342,010
Liabilities directly associated with assets classified as held for sale	11	11,700	15,190
Total current liabilities		**170,934**	**357,200**
Non-current liabilities			
Loans and borrowings	9	157,084	23,959
Derivative financial instruments		8,792	4,757
Employee benefits		1,578	1,619
Deferred tax		-	4,046
Total non-current liabilities		**167,454**	**34,381**
Total liabilities		**338,388**	**391,581**
Net assets		**322,306**	**432,167**
Equity			
Share capital		391,390	391,390
Reserves		(7,503)	(9,069)
Retained earnings		(61,581)	49,846
Total equity attributable to equity holders of the Company		**322,306**	**432,167**

The notes on pages 19 to 24 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 31 December

In thousands of AUD	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 July 2014	391,390	(9,069)	49,846	432,167
Loss for the period	-	-	(112,453)	(112,453)
Other comprehensive income for the period (net of tax)	-	1,566	-	1,566
Total comprehensive income for the period (net of tax)	**-**	**1,566**	**(112,453)**	**(110,887)**
Transactions with owners, recorded directly in equity:				
Contributions by and distributions to owners				
Share-based payment transactions	-	-	1,026	1,026
Total transactions with owners	**-**	**-**	**1,026**	**1,026**
Balance at 31 December 2014	**391,390**	**(7,503)**	**(61,581)**	**322,306**

	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 July 2013	391,390	(8,304)	18,115	401,201
Profit for the period	-	-	19,353	19,353
Other comprehensive income for the period (net of tax)	-	2,861	-	2,861
Total comprehensive income for the period (net of tax)	**-**	**2,861**	**19,353**	**22,214**
Transactions with owners, recorded directly in equity:				
Contributions by and distributions to owners				
Treasury shares purchased for compensation plans (net of tax)	-	(703)	-	(703)
Share-based payment transactions	-	-	1,052	1,052
Total transactions with owners	**-**	**(703)**	**1,052**	**349**
Balance at 31 December 2013	**391,390**	**(6,146)**	**38,520**	**423,764**

The notes on pages 19 to 24 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

For the six months ended 31 December

In thousands of AUD	Note	2014	2013
Cash flows from operating activities			
Receipts from customers		443,266	624,067
Payments to suppliers and employees		(425,630)	(599,702)
Net receipts from / (payments to) joint venture entities		1,084	(25,772)
Cash generated from / (used in) operating activities		**18,720**	**(1,407)**
Interest paid		(6,445)	(9,488)
Interest received		1,004	1,241
Income taxes received / (paid)		13,953	(3,940)
Net cash from / (used in) operating activities		**27,232**	**(13,594)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	8	2,756	28,806
Payment for property, plant and equipment	8	(10,278)	(59,324)
Net cash used in investing activities		**(7,522)**	**(30,518)**
Cash flows from financing activities			
Purchase of own shares		-	(1,003)
Repayment of hire purchase and finance lease liabilities	9	(1,507)	(1,533)
Payment of transaction costs relating to loans and borrowings	9	(4,807)	-
Net cash used in financing activities		**(6,314)**	**(2,536)**
Net increase / (decrease) in cash and cash equivalents		13,396	(46,648)
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,918	(877)
Cash and cash equivalents at beginning of period		109,424	153,450
Cash and cash equivalents at end of period		**124,738**	**105,925**

The notes on pages 19 to 24 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Macmahon Holdings Limited (the "Company") is a for profit company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The principal activities of the consolidated entity for the six months ended 31 December 2014 consisted of the provision of contract mining services (inclusive of infrastructure services).

The consolidated financial statements of the consolidated entity as at and for the year ended 30 June 2014 are available upon request at the Company's registered office at Level 3, 27-31 Troode Street, West Perth, Western Australia or at www.macmahon.com.au.

2. Basis of preparation

These condensed consolidated interim financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2014.

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the consolidated entity as at and for the year ended 30 June 2014.

Going concern

These interim financial statements have been prepared on the going concern basis.

At 31 December, the Group had drawn $159.0 million in equipment finance facility and $8.9 million of outstanding bank guarantees against its total approved syndicated debt facility of $317.5 million. In addition the Group held cash of $124.7 million at that date.

A risk for the Company is the concentration of its mining services order book whereby a significant portion of annual revenue is generated by a limited number of contracts.

On 20 February, the Company announced the early termination of its mining services contract at the Christmas Creek Expansion Project. Revenue from this contract for the six month period ended 31 December was $137.5 million. Under the terms of Macmahon's Syndicated Facility Agreement (SFA), this results in a Review Event. During the Review Event, the Company and the SFA Lenders have 90 days to discuss the impact the reduction in revenue will have on the Company and, if required, negotiate in good faith any amendments to the current SFA terms.

At the completion of the review period each syndicate lender has the option, if they choose, to withdraw from the facility. If this occurs, the lenders portion of the drawn debt will be required to be repaid within 60 days from the date the review period ends.

At 31 December, the Group has net current assets of $154.8 million and net assets of $322.3 million. Included in net assets is plant and equipment of $332.0 million, of which $97.7 million is recognised at its estimated fair value (refer Note 6). The Group has initiated a restructuring review with the aim of significantly reducing the cost base of the business consistent with its reduced revenue outlook in the near term.

The Directors have given consideration to scenarios where this Review Event leads to a repayment of drawn facility to the Group. In considering future scenarios the Directors have forecast that, by the end of the Lender's review period (90 days), the Group will continue to require a reduced facility to allow appropriate levels of liquidity in working capital for its anticipated operations.

The Directors are confident of the ability for the Group to continue as a going concern because in their opinion sufficient funding options are available in order to meet any potential facility repayment, including using existing cash reserves, selling assets and entering sufficient, alternative debt funding arrangements with existing or new lenders. In the event that sufficient debt facility is not agreed, then the Group may be required to pursue sales of surplus assets in a timeframe which might result in the realisation of values at amounts below their carrying values.

Notes to the condensed consolidated interim financial statements

3. Significant accounting policies

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2014.

Allowance for inventory obsolescence

The allowance for obsolescence of inventories requires a degree of estimation and judgement. The level of the allowance is assessed by taking into account the recent usage experience, the ageing of inventories and other factors that affect inventory obsolescence.

Goodwill

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including the continued performance of contracted work, estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

5. Operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The consolidated entity is organised into one operating segment, Mining Services (inclusive of infrastructure services).

Information about reportable segments for the six months ended 31 December

	Mining		Discontinued operations		Other		Total	
In thousands of AUD	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
Revenue from consolidated entity and joint ventures	384,851	550,065	4,212	24,797	-	-	389,063	574,862
Reportable segment profit/(loss) before income tax before significant items	12,117	33,494	2,248	461	1,303	(5,095)	15,668	28,860
Significant items before tax *	(124,437)	-	-	-	(5,821)	-	(130,258)	-
Reportable segment profit/(loss) before income tax after significant items	(112,320)	33,494	2,248	461	(4,518)	(5,095)	(114,590)	28,860

* Refer to note 6

Notes to the condensed consolidated interim financial statements

Information about reportable segments carrying amounts of assets and liabilities

	Mining		Discontinued operations		Other		Total	
In thousands of AUD	31-Dec-14	30-Jun-14	31-Dec-14	30-Jun-14	31-Dec-14	30-Jun-14	31-Dec-14	30-Jun-14
Reportable segment assets	521,934	686,152	3,430	3,895	135,330	133,701	660,694	823,748
Reportable segment liabilities	141,019	180,780	11,700	15,190	185,669	195,611	338,388	391,581

Reconciliation of reportable segment revenues for the six months ended 31 December

In thousands of AUD	31-Dec-14	31-Dec-13
Total revenue for reportable segments	389,063	574,862
Elimination of joint venture revenues	(527)	(20,214)
Elimination of joint venture recoveries	-	3,092
Consolidated revenue (including discontinued operations)	388,536	557,740

6. Impairment and write-downs

The decline in new work coupled with sustained unfavourable commodity prices has continued to impact margins as clients look towards further cost reductions. Accordingly management has identified idle assets and impaired them to their fair value less costs of disposal. The remaining assets have been tested for their recoverable amounts in accordance with their value in use. Inventory balances have been reviewed and written down to their net realisable values and onerous lease provisions made where necessary.

The total impact of the above adjustments (before income tax) to the interim financial report is summarised below:

In thousands of AUD	31-Dec-14
Plant and equipment	90,439
Goodwill	18,297
Inventories	15,700
Onerous lease provision and impairment of leashold improvements	5,822
Total	**130,258**

Plant & equipment

During the period a review of the consolidated entity's idle plant and equipment was carried out by an independent valuer.

The valuation indicated that the recoverable amounts (fair value less costs of disposal) were lower than the carrying value of the assets. As a result, an impairment charge of $90.4 million was recognised in the condensed consolidated statement of profit or loss. $82.4 million was to write-down the carrying values of equipment within the surface and underground mining business units on the basis that it has been identified as excess. $8.0 million related to write-down of assets located internationally.

In addition to this, the company has also impaired $2.3 million of leasehold improvements (furniture & fittings) attached to its leased office in respect of which an onerous provision has been raised.

Notes to the condensed consolidated interim financial statements

Goodwill

The Company has been carrying goodwill of $18.3 million recognised on acquisition of the underground mining and engineering businesses within the mining reportable segment. As outlined in Note 4, Macmahon regularly reviews the carrying value of goodwill and other intangible assets. Given the prolonged downturn in the resources sector, due largely to falling commodity prices, the Company recently reviewed its assessment of goodwill. Based on the Company's latest operational forecast and outlook, the review indicated that the recoverable amounts of the assets within the underground mining and engineering cash generating unit (CGU) were less than the carrying amount. This assessment has resulted in the impairment of goodwill of $18.3 million.

The recoverable amount using a value in use methodology was assessed by determining the present value of the estimated future cash flows of the CGU using a post-tax discount rate of 8.3 per cent (June 2014: 7.7 per cent) based on the cost of equity and debt. The cash flows are for a five year period based on forecast extrapolated to financial year 2019 with nil growth. Thereafter a terminal value using a 2.0 per cent growth rate has been utilised. Nil growth over the period reflects management's estimate for the near future after taking into account macro-economic factors.

A key factor driving the impairment was removal of any growth factor till financial year 2019 (previously 2.0 per cent) applied to current operations (reflective of tighter market conditions) as well as lower projected cash flows from existing projects.

The CGU recoverable amount is sensitive to changes in the discount rate and cash flow forecasts. An increase to the discount rate or a reduction to CGU forecast cash flows will indicate further impairment.

Based on the above and the ongoing unfavourable outlook for underground mining and related services, the Company has impaired the entire carrying value of the goodwill asset through the condensed consolidated statement of profit or loss.

Inventories

The Company reviewed the value of items in inventory and provided write-offs based on an assessment of current market conditions with the assistance of external valuations provided by an independent valuer. During the period, the Company recognised total write-offs of $13.2 million with the majority relating to surface mining tyres and rim stock.

In addition to the above, the Company has taken up an additional $2.4 million stock allowance for obsolescence based on an internal assessment of slow moving items across the business.

Onerous lease provision

A decision has been made by the Company to consolidate offices and relocate all West Perth based employees to the Hudswell Road airport facilities by the end of March 2015. In doing so, the company will endeavour to sub-let the West Perth office to save on rental expenses going forward. An onerous contract provision of $3.6 million has been taken up, which is based on the present value of future outgoings (rental payments) net of estimated recoveries (from sub-letting).

7. Income tax expense

The Company's income tax benefit for continuing operations was $2.8 million, compared to a $10.9 million expense for the prior corresponding period.

The effective tax rate for continuing operations for the half year was a 2.4 per cent benefit, compared to the prior half year's tax rate of 38.2 per cent expense. The effective tax for the current period was lower as no tax benefit was recognised for impairments totaling $108.0 million (tax affected approximately $32.6 million) as well as prior period adjustments for research and development tax concessions of $0.3 million (tax affected). Excluding these adjustments, the effective tax rate would be 30.1 per cent.

Notes to the condensed consolidated interim financial statements

8. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2014, the consolidated entity acquired property, plant and equipment totaling $10.3 million (six months ended 31 December 2013: $59.3 million). No finance leases were acquired during the period (six months ended 31 December 2013: Nil).

Property, plant and equipment with a carrying value of $2.9 million was disposed during the six months ended 31 December 2014 (six months ended 31 December 2013: $28.2 million), resulting in a loss on disposal of $0.2 million (six months ended 31 December 2013 gain on disposal: $0.6 million) in the condensed consolidated statement of profit and loss.

Capital commitments

As at 31 December 2014, the consolidated entity had entered into contracts to purchase plant and equipment totalling $28.0 million (as at 31 December 2013: $72.0 million).

9. Loans and borrowings

The consolidated entity entered into a new three year $317.5 million Syndicated Facility Agreement (SFA) on 4th September 2014. This SFA refinances and replaces the Company's previous SFA entered into on 16th December 2011. The new terms include the right for the lenders to review the facility in the event that there is a significant decline or termination of business from existing material contracts. A review event entitles each lender to review and consider the terms of the facility, including the available facility amount.

The table below summarises movements in borrowings (both current and non-current) during the six months ended 31 December 2014.

In thousands of AUD	Currency	Carrying Amount
Balance at 1 July 2014	AUD	165,303
Capitalisation of borrowing costs	AUD	(4,807)
Amortisation of borrowing costs	AUD	2,186
Repayments		
Finance lease liabilities	NGN	(1,507)
Balance at 31 December 2014	AUD	161,175

Interest on loans drawn down under the SFA is charged at the Bank Bill Swap Bid Rate (BBSY) plus a margin. All loans drawn under the SFA are repayable at maturity (September 2017).

At 31 December 2014, the domestic operating lease facility was drawn to $47.1 million (as at 30 June 2014: $52.6 million).

10. Share capital

	The Company No. ordinary shares ('000) 2014	 2013
On issue at 1 July	1,261,700	1,261,700
Issued during the period	-	-
On issue at 31 December	1,261,700	1,261,700

Notes to the condensed consolidated interim financial statements

11. Discontinued operations

A $1.6 million profit after tax was recognised during the period which was primarily driven by settlement of disputes net of costs incurred on completed projects. At 31 December, assets of disposal groups classified as held for sale were $3.4 million (30 June 2014: $3.9 million) and liabilities directly associated with assets classified as held for sale were $11.7 million (30 June 2014: $15.2 million).

12. Share-based payments

On 7th August 2014, the Company granted 21,100,000 performance rights under the 2014 Employee Executive Plan to executives (excluding the Chief Executive Officer "CEO") and senior managers. These have been valued using a combination of binomial tree and Monte Carlo simulation methods and amount to $1.9 million.

On the 13th November 2014, the Company granted Class D CEO Performance rights of 9,500,000 to the CEO. The Class D CEO Performance rights have the same performance conditions as the 2014 Employee Executive Plan. These have been valued using a combination of binomial tree and Monte Carlo simulation methods and amount to $0.7 million.

Subsequent event

The Chief Executive Office and Managing Director resigned in January 2015 and was paid out his termination dues according to his contractual entitlements. The following number and class of securities were forfeited on cessation of employment as of 22 January 2015; resulting in a profit and loss benefit of $0.2 million which will be recognised in the second half of the financial year:

- 4,232,527 Performance Rights under the Macmahon Executive Equity Plan
- 490,124 Class A CEO Performance Rights
- 735,186 Class B CEO Performance Rights
- 5,000,000 Class C CEO Performance Rights
- 9,500,000 Class D CEO Performance Rights

13. Contingent liabilities

Claims against the consolidated entity

A number of legal claims exist where the outcome is uncertain. Where required, provision has been made in the financial statements to recognize the estimated cost to settle the claims based on best estimate assumptions and legal advice where relevant. The actual amount settled in relation to the outstanding matters may differ to those estimated. The Board of Directors is of the opinion that any further information about the claims would be prejudicial to the interests of the consolidated entity.

Tavan Tolgoi (Mongolia) project

A subsidiary of the consolidated entity provides mining services at the Tavan Tolgoi mine in Mongolia pursuant to a contract with Erdenes Tavan Tolgoi (ETT). During the period, work under this contract was suspended by ETT as a result of disagreements between the parties over a range of matters. Discussions are currently being held in an effort to resolve the various matters of potential claim and counterclaim between the parties.The Board believes currently notified matters from ETT would be successfully defended. The Board also believes that impairment has been appropriately considered in accordance with the accounting policies of the Group.

14. Subsequent events

Key events subsequent to the reporting date were the changes in senior management and the termination of the Christmas Creek project as addressed in this report. The Directors are not aware of any other matter or circumstance arising since 31 December 2014 not otherwise dealt with within the condensed consolidated financial statements that has significantly affected or may significantly affect the operations of the consolidated entity and the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.