MACMAHON HOLDINGS LIMITED & ITS CONTROLLED ENTITIES

31 December 2017 Interim Financial Report

Condensed consolidated interim financial report
For the six months ended 31 December 2017

Contents

Directors' report	3
Lead auditor's independence declaration	11
Independent auditor's review report	12
Directors' declaration	14
Condensed consolidated statement of profit or loss and other comprehensive income	15
Condensed consolidated statement of financial position	16
Condensed consolidated statement of changes in equity	17
Condensed consolidated statement of cash flows	18
Notes to the condensed consolidated interim financial statements	19

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 2017 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)
C R G Everist	(Non-executive resigned 18 December 2017 and appointed as Chief Financial Officer)
E D R Skira	(Non-executive)
V A Vella	(Non-executive)
A Ramlie	(Non-executive appointed 8 August 2017)
A W Sidarto	(Non-executive appointed 8 August 2017)

KEY FINANCIAL INDICATORS

For the six months ended 31 December:

A$ million except where stated	Dec-17	Dec-16
Total revenue (including joint ventures) from continuing operations	**270.0**	**168.3**
EBITDA from continuing operations before significant items	46.1	10.4
EBIT from continuing operations before significant items	9.9	(4.5)
Net finance costs	(0.7)	(0.1)
Tax expense	(1.0)	(0.4)
Profit / (Loss) after tax from continuing operations before significant items	**8.2**	**(5.0)**
Profit / (Loss) after tax from discontinued operations	0.2	(18.3)
Profit / (Loss) for the period attributable to equity holders of the Company	**8.4**	**(23.3)**
Reported basic profit / earnings per share (cents)	0.43	(1.94)
Reported basic profit / earnings per share (cents) – continuing operations	0.42	(0.42)
Dividends declared per share (cents)	nil	nil
Mining order book as at 31 December	5,321	1,295

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

Net profit from continuing operations for the half year is $8.2 million (2016: loss of $5.0 million). The net profit from discontinued operations for the half year is $0.2 million (2016: loss of $18.3 million). The consolidated entity's net profit after tax for the half year was $8.4 million (2016: loss of $23.3 million).

PRINCIPAL ACTIVITIES

Macmahon is an ASX listed company offering the complete package of mining services to miners throughout Australia and South East Asia. With more than 50 years' experience in both surface and underground mining, Macmahon has established itself as a contractor of choice for resources projects across a range of locations and commodity sectors. Macmahon is focused on developing strong relationships with its clients whereby both parties work in an open, flexible and transparent way to ensure mutually beneficial outcomes whilst also minimising risks for both parties.

DIVISIONAL ACTIVITIES

Macmahon's divisional activities include Surface Mining, Underground Mining and Asset Maintenance and Management.

Surface Mining

Macmahon's surface mining division offers the full suite of services including mine planning and analysis, mine management, drill and blast, bulk and selective mining, crushing and screening, fixed plant maintenance, water management as well as equipment operation and maintenance.

Project activity - Australia

- Tropicana Gold Mine - Macmahon is currently fulfilling a life of mine contact at Tropicana which is jointly owned by Anglo Gold Ashanti and Independence Group. In December 2017, phase 1 of the Long Island mining strategy was approved by the JV partners, which will further extend the life of the mine for several years.
- Telfer Gold Mine – Macmahon is also fulfilling a life of mine contract at Telfer in Western Australia for Newcrest. As previously disclosed, Macmahon has been working to resolve several issues on site that have resulted in Macmahon incurring significant losses. Over the past six months Macmahon has continued to work closely with the client to address these issues and the project is now well into a turnaround phase. As per the guidance provided to the market in August 2017, Macmahon expects this contract to report a breakeven result for FY18.
- St Ives Gold Mine - Macmahon is currently operating at St Ives also in Western Australia, where it is contracted by Goldfields to supply equipment and labour. This contract is scheduled to conclude in May 2018.
- Argyle Diamond Mine – Under its indigenous subsidiary, Doorn Djil, Macmahon is currently operating at Argyle where it is undertaking tailings work for Rio Tinto.
- Byerwen Coal Mine – In November 2017 Macmahon executed the final mining services contact for the establishment and operation of the new Byerwen Coal Mine near Glenden in Queensland's Bowen Basin. The three year contract is worth approximately $350 million in revenue to Macmahon and includes the provision of all open cut mining and bulk earthworks. Since commencing operations in August the Company has continued to make good progress on site.
- Mount Morgans Gold Mine – In December 2017 Macmahon was awarded a five year mining services contract by a subsidiary of Dacian Gold Limited. The contract includes the provision of open pit mining services including drilling and blasting, loading, hauling and technical services at the Mount Morgans Mine which is located 37km west-southwest of Laverton in Western Australia.
- Kanthan and Lhoknga Quarries - Macmahon is currently undertaking a range of mining activities for Lafarge Holcim in Malaysia and Indonesia. Macmahon has been operating at these sites for several years and has been successful in securing a number of contract extensions over this time.
- Martabe Gold Mine – Macmahon is part of a 50:50 joint venture which is contracted by PT Agincourt Resources to provide mining services at the Martabe gold mine, in the North Sumatra province of Indonesia. This project continued to perform exceptionally well during the period.
- Batu Hijau – In August 2017 Macmahon successfully completed a large transaction with PT Amman Mineral Nusa Tenggara ("AMNT") which resulted in Macmahon being awarded a life-of-mine mining services contract at the Batu Hijau Mine in Indonesia. Batu Hijau is a well-established, world class copper gold deposit and one of the largest mines of its kind in the world. Additionally, the transaction also saw a related company of AMNT acquire a 44.3% shareholding in Macmahon. During the period, Macmahon successfully established its site management team and the Company is currently in the process of transitioning over to full mining operations.

Underground Mining

Macmahon has a well-established and highly experienced underground division which specialises in high quality underground mining and engineering services. This service offering includes ground support services (rock bolting, cable bolting and shotcreting), the full suite of ventilation and access services including shaft sinking, raise drilling and shaft lining as well as a very capable engineering and fabrication department.

Project activity

- Olympic Dam - Macmahon is currently providing a range of raise drilling services at BHP Billiton's Olympic Dam Mine in South Australia. Current work includes the utilisation of five slot drilling rigs (which is a record for the Company). Meanwhile the Company is also utilising one of its specialised raise drills to deliver a series of surface shafts.
- Ranger – During the period the Company was awarded another six month contract extension at ERA's Ranger Mine in the Northern Territory where it has been providing ongoing care and maintenance services.
- Tujuh Bukit – In October 2017 the Macmahon / NKE joint venture was selected by PT Merdeka Copper Gold as the preferred proponent to develop an exploration decline at its Tujuh Bukit Porphyry Project in Indonesia. The contract was signed in January 2018.
- Mining Services – During the period Macmahon provided a range of services (including drilling, shotcreting, raise drilling, shaft sinking, cablebolting and engineering design) to a number of projects including the Mount Wright Gold Mine in Queensland for Carpentaria Gold, nearby at Pajingo Gold Mine for Evolution, Ballarat Gold Project in Victoria for Castlemaine Gold Fields and Newcrest Mining's Cadia Project in New South Wales. Macmahon also has a growing list of services for Metals X at Nifty Copper.
- Engineering – Separately, Macmahon was engaged to provide specialist engineering services at Oz Mineral's Prominent Hill Mine in South Australia, including installation of a rising main.

Projects completed

During the period Macmahon successfully completed

- ITH work at Telfer
- Vent shaft at Leinster
- Vent shaft at Cockeyed Bob
- Vent Shaft at Cracow

Asset Maintenance and Management

Macmahon owns and operates world-class plant maintenance facilities, giving it a unique ability to support frontline contracting services with plant maintenance services.

Macmahon's primary workshop, located in Perth, Western Australia, is a key operational asset with the ability to rebuild components and complete maintenance activities in-house at approximately 80% of external party cost. In addition to the benefits associated with lower overall maintenance costs, this facility provides Macmahon with the ability to rapidly and efficiently deploy supplies to key customer locations, conduct essential maintenance work and allow for fleet and personnel flexibility depending on customer demand.

Key Plant and Equipment

Macmahon's Surface Mining fleet currently includes a broad range of excavators, dump trucks, front end loaders, dozers, and drill rigs. Additional fleet is also utilised by way of client provision or short term hire. Macmahon's fleet is sourced from a range of providers including Caterpillar (approximately 90% of all fleet), Hitachi, Liebherr and Atlas Copco.

Macmahon's Underground Mining fleet is comprised of trucks, loaders, and drills. This equipment is predominantly sourced from Sandvik, Atlas Copco, and Caterpillar. Additional fleet is also utilised by way of client provision or short term hire.

Recent achievements:

- Telfer - delivery of additional 500 tonne excavator and five 180 tonne trucks.
- Tropicana fleet expansion including the commissioning of a second 6060 excavator.
- Non-operating plant and equipment reduced by $4.8 million.

Safety

Despite our ongoing commitment and focus on safety, the Company sustained two Lost Time Injuries on existing projects in the reporting period.

This has led to an increase in the Lost Time Injury Frequency Rate (LTIFR) for the half year 31 December 2017 to 0.57, compared to the half year ending 31 December 2016 LTIFR of 0.53.

At 31 December 2017, the rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) was 6.46, a 40.4% increase compared to 31 December 2016, where the TRIFR was 4.60.

The key safety initiatives and achievements for the period included:

- Safe and successful project launch of new projects across multiple jurisdictions and commodities, demonstrating the flexibility of Macmahon HSEQT systems and the support for project commencement.
- Mapping and preparatory work for the transition to the new 2015 ISO 9001 and 14001 Standards.
- Commencement of the FY 2017-18 Internal HSEQT Systems Audits.
- Rollout of internal Key Performance Indicators and Target Posters to all operations, in line with the Macmahon HSEQT Strategic Plan.
- Successful rollout of two Green Starter programs, involving screening and assessment centres, practical aptitude testing and site familiarisation aimed at identifying and preparing new workers for their career in Surface Mining Operations.
- Expansion of the Macmahon Registered Training Organisation Traineeship Program to an additional two Western Australian Surface Operations.
- Development of a Mental Health program for the benefit of all Macmahon operations and the wider stakeholder group.
- Apprenticeship Intake: Completion of the 2018 Apprenticeship Intake Program, resulting in all eight candidates that were shortlisted, accepting the offer.

People Performance

At 31 December 2017, the Company employed a workforce of 2,352 direct employees, an increase of 934 from 1,418 direct employees at 31 December 2016. This increase in manning is due to new projects commencing including Byerwen Coal, Batu Hijau, Tujuh Bukit (east Java), and Mount Morgans. Employee retention remains a challenge for the business with a tightening labour market.

Key achievements for the period included:

- Successful workforce ramp up for Byerwen with significant interest from ex-Macmahon east coast employees to return;
- Transition of Batu Hijau workforce from AMNT;
- Commenced ramp up of the workforce for Tujuh Bukit and Mount Morgans;
- Successful renegotiation of the Underground Enterprise Bargaining Agreement;
- Significant focus on engagement strategy for business including new climate and engagement survey and targeted retention programs at Telfer, Tropicana and Perth office; and
- Roll out of new Short Term Incentive Plan for all staff and Long Term Incentive Plan for key leaders within the business.

Senior Management Changes

On 18 October 2017 Mr José Martins tendered his resignation from his position as Chief Financial Officer to take up a senior role with a private resources company. Subsequently, on 18 December 2017 Mr. Giles Everist resigned from his position as a Non-Executive Director of Macmahon and was appointed as the Chief Financial Officer in an Executive position.

OUTLOOK

Over the period, Macmahon has experienced a steady improvement in market conditions. The Company's current pipeline of opportunities remains robust reflecting the improving market for commodities and mining services. This work includes both surface and underground projects in Australia and Overseas.

A key focus for the Company is re-establishing its underground development business which has been underutilised in recent years following the completion of the development contract at Olympic Dam.

Strategic Priorities

Macmahon's overarching goals are to successfully capitalise on its broad expertise, world class facilities, diverse geographic base, demonstrated relationship approach and robust balance sheet.

In particular the Company is focused on the following strategic priorities:

- Executing existing projects well – Macmahon is focused on ensuring all projects in its current portfolio perform on or at expectation.
- Leveraging strategic relationships with AMNT and NKE to further expand its presence in South East Asia.
- Increasing Macmahon's investment in innovation and technology, in partnership with key clients, to ensure services are delivered in the most efficient and productive manner.
- Instilling a proactive, positive culture where people are empowered to make decisions, are accountable for their actions and rewarded appropriately if successful.
- Developing deeper relationships with existing and potential clients – Macmahon is committed to fostering strong relationships with its customers. Early contractor engagement at the planning phase of new projects is one of the areas where the Company is applying greater resources, along with the development of new value-adding productivity based solutions.
- Diversifying service offering – Macmahon is committed to growing its core mining business, however it is also exploring opportunities to diversify its order book by utilising its existing capabilities in non-traditional applications.

Macmahon is focused on securing new work across a diverse spread of commodities, clients, and geographies, with clients who appreciate what the Company offers and have alignment on appropriate levels of return.

FINANCIAL OVERVIEW

Mining Business (excluding discontinued operations)

$ million	Dec-17	Dec-16
Segment revenue	270.0	168.3
Segment profit before tax	9.2	1.5
Segment profit before tax margin	3.4%	0.9%
Segment profit / (loss) before tax	9.2	1.5
Order book	5,321	1,295

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

The Mining Business reported half year revenue of $270 million, up from $168.3 million in the prior corresponding period. The increase in revenue was a result of new work commencing.

Profit before tax - before significant items, increased to $9.1 million compared to a profit of $1.5 million in the prior corresponding period. Profit before tax margins increased due to the commencement of a number of new projects and the reduction in losses on the Telfer project.

Finance Costs

Net finance costs increased to $0.7 million, from $0.1 million in the prior corresponding period due to increased debt levels across the period.

Tax

The Company's income tax expense for continuing operations was $1.0 million, compared to a $0.4 million expense for the prior corresponding half year period.

The effective tax rate for continuing operations for the half year was 11.2%, compared to the prior half year's tax rate of negative 9.7%.

The effective tax rate of 11.2% is primarily due to tax payable for foreign operations at the respective tax rates. The Australian tax expense has been reduced due to the recognition of previously unrecognised deferred tax assets. Excluding these adjustments, the effective tax rate for the current period for continuing operations would be approximately 30%.

Debt

As at 31 December 2017, cash on hand totalled $70.2 million (30 June 2017: $62.9 million).

At 31 December 2017 the Company has a Multi-Option Facility of $25.0 million (30 June 2017: $10.0 million). Finance leases amounted to $42.3 million (30 June 2017: $8.8 million) with the increase relating to plant and equipment located in Australia.

Depreciation

Depreciation of property, plant and equipment from continuing operations at 31 December 2017 was $36.2 million (31 December 2016: $14.9 million). The vast majority of the Company's plant and equipment is depreciated on cumulative hours worked.

Working Capital

Current trade and other receivables were $120.3 million at 31 December 2017 compared to $53.4 million at 30 June 2017.

Current trade and other payables were $112.1 million at 31 December 2017, compared to $74.0 million at 30 June 2017.

Inventory remained consistent at $31.8 million at 31 December 2017 in comparison to $32.1 million at 30 June 2017.

Working capital has significantly increased over the last six months due to the commencement of a number of new projects.

Non-current Assets

At 31 December 2017, the book value of the Company's property, plant and equipment totalled $310.8 million, compared to $122.7 million at 30 June 2017. The large increase in property, plant and equipment is primarily a result of the AMNT transaction that finalised in August 2017. This transaction resulted in $182.5 million of additional equipment to the balance sheet.

Capital Expenditure

The Company continued to transition equipment across projects where possible before purchasing new equipment. Capital expenditure for the half totalled $232.1 million, comprising $182.5 million for equipment acquired as part of the AMNT transaction, plant acquired under a finance lease of $34.5 million and $13.6 million of major componentry and additions.

Cash Flow

Cash generated from operating activities was an inflow of $22.8 million, compared to an inflow of $11.8 million in the prior corresponding period.

Events subsequent to reporting date

On 13 February 2018 Macmahon signed an agreement to purchase TMM Group, a civil construction and maintenance services company based in Brisbane and the Bowen Basin. TMM has annual revenue of approximately $60 million. For additional information see the ASX announcements titled *Macmahon to acquire TMM Group* published on 13 February 2018.

The Directors are not aware of any other matter or circumstance arising since 31 December 2017 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.

Dividends

The Directors have determined that no interim dividend will be declared.

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 2017.

Rounding of amounts

The consolidated entity is of a kind referred to in *ASIC Corporations (rounding in Financial/Directors' Report) instrument 2016/191* and in accordance with the legislative instrument 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.

Michael Finnegan

Chief Executive Officer

J A Walker

Director

23 February 2018

Perth

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 2017 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
23 February 2018

Independent Auditor's Review Report

To the shareholders of Macmahon Holdings Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Macmahon Holdings Limited.

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:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2017 and of 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*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2017
- 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
- The Directors' Declaration.

The ***Group*** comprises Macmahon Holdings Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Interim 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*
- 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 for the review of the Interim Financial Report

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 2017 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.

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

KPMG

KPMG

Trevor Hart
Partner

Perth
23 February 2018

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 26 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 2017 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.

Michael Finnegan

Chief Executive Officer

J A Walker

Director

23 February 2018

Perth

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December

In thousands of AUD	Note	2017	2016
Revenue from continuing operations		269,951	168,301
Other income		1,726	2,948
		271,677	**171,249**
Expenses			
Materials and consumables used		(114,933)	(84,280)
Employee benefits expense		(86,761)	(66,122)
Subcontractor costs		(10,396)	(2,558)
Depreciation and amortisation expense		(36,168)	(14,912)
Equipment and office expenses under operating leases		(7,906)	(7,401)
Other expenses		(6,385)	(2,093)
Net finance costs		(720)	(64)
		8,408	**(6,181)**
Share of profit of equity-accounted investees, net of tax		816	1,610
Profit / (Loss) before income tax from continuing operations		**9,224**	**(4,571)**
Income tax expense	6	(1,030)	(444)
Profit / (Loss) after income tax from continuing operations		**8,194**	**(5,015)**
Profit / (Loss) after income tax expense from discontinued operations		167	(18,314)
Profit / (Loss) after income tax expense		**8,361**	**(23,329)**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit and loss			
Foreign currency translation - foreign operations		2,708	(4,118)
Reclassification of foreign currency reserve on closure of foreign operation		-	9,656
Other comprehensive income/(loss) for the year, net of tax		**2,708**	**5,538**
Total comprehensive income/(loss) for the year		**11,069**	**(17,791)**
Total comprehensive income/(loss) attributable to:			
Continuing operations		**10,902**	**(5,486)**
Discontinued operations		**167**	**(12,305)**
		11,069	**(17,791)**
Earning per share for profit/(loss) from continuing operations attributable to the owners of Macmahon Holdings Limited			
Basic earnings/(loss) per share (cents)		0.42	(0.42)
Diluted earnings /(loss) per share (cents)		0.42	(0.42)
Earnings per share for profit/(loss) attributable to the owners of Macmahon Holdings Limited			
Basic earnings/(loss) per share (cents)		0.43	(1.94)
Diluted earnings/(loss) per share (cents)		0.43	(1.94)

The notes on pages 19 to 26 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of financial position

As at 31 December

In thousands of AUD	Note	31-Dec-17	30-Jun-17
Assets			
Current assets			
Cash and cash equivalents		70,196	62,925
Trade and other receivables	7	120,273	53,423
Lease receivable	8	1,114	-
Inventories		31,753	32,086
Income tax		2,309	12,963
		225,645	161,397
Assets classified as held for sale		2,432	3,079
Total current assets		**228,077**	**164,476**
Non-current assets			
Investments accounted for using the equity method		7,634	6,891
Lease receivable	8	9,710	-
Property, plant and equipment	9	310,826	122,679
Deferred tax		1,371	917
Total non-current assets		**329,541**	**130,487**
Total assets		**557,618**	**294,963**
Liabilities			
Current liabilities			
Trade and other payables		112,073	73,990
Borrowings	10	7,943	1,939
Employee benefits		12,975	12,111
Provisions		15,648	14,582
Total current liabilities		**148,639**	**102,622**
Non-current liabilities			
Borrowings	10	34,360	6,909
Employee benefits		437	441
Total non-current liabilities		**34,797**	**7,350**
Total liabilities		**183,436**	**109,972**
Net assets		**374,182**	**184,991**
Equity			
Issued capital	11	563,118	384,794
Reserves		(7,118)	(10,421)
Accumulated losses		(181,818)	(189,382)
Total equity		**374,182**	**184,991**

The notes on pages 19 to 26 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	Reserve for own shares	Foreign currency reserve, net of tax	Accumulated Losses	Profits Reserve	Total equity
Balance at 1 July 2017	384,794	(5,781)	(4,640)	(189,382)	-	184,991
Profit/(Loss) after income tax for the period	-	-	-	-	8,361	8,361
Other comprehensive income for the period, net of tax						-
Foreign currency translation	-	-	2,708	-	-	2,708
Total comprehensive income/(loss) for the period (net of tax)	**-**	**-**	**2,708**	**-**	**8,361**	**11,069**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Shares issued net of share issue costs (refer note 11)	178,324	-	-	-	-	178,324
Treasury shares purchased for compensation plans	-	595	-	(595)	-	-
Share-based payments	-	-	-	(202)	-	(202)
Total transactions with owners	**178,324**	**595**	**-**	**(797)**	**-**	**178,122**
Balance at 31 December 2017	**563,118**	**(5,186)**	**(1,932)**	**(190,179)**	**8,361**	**374,182**

Profits Reserve

The profits reserve represents current year profits transferred to a separate reserve to preserve their profit character. Such profits are available to enable payment of franked dividends in the future should the directors declare by resolution.

	Share capital	Reserve for own shares	Foreign currency reserve, net of tax	Accumulated Losses	Total equity
Balance at 1 July 2016	385,957	(6,523)	(6,410)	(165,649)	207,375
Profit/(Loss) after income tax for the period	-	-	-	(23,329)	(23,329)
Other comprehensive income for the period, net of tax					
Foreign currency translation	-	-	5,538	-	5,538
Total comprehensive income for the period (net of tax)	**-**	**-**	**5,538**	**(23,329)**	**(17,791)**
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
Share buy-back	(1,163)	-	-	-	(1,163)
Share-based payments	-	-	-	(248)	(248)
Total transactions with owners	**(1,163)**	**-**	**-**	**(248)**	**(1,411)**
Balance at 31 December 2016	**384,794**	**(6,523)**	**(872)**	**(189,226)**	**188,173**

The notes on pages 19 to 26 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	2017	2016
Cash flows from operating activities			
Receipts from customers		250,510	198,812
Payments to suppliers		(237,128)	(188,787)
Net receipts from joint venture entities		-	2,488
Interest received		134	182
Interest and other finance costs paid		(853)	(237)
Income taxes received/(paid)		10,156	(668)
Net cash from operating activities		**22,819**	**11,790**
Cash flows from investing activities			
Payment for property, plant and equipment	9	(13,641)	(16,511)
Proceeds from disposal of property, plant and equipment	9	568	9,899
Investment in joint venture received / (paid)		-	1,859
Net cash used in investing activities		**(13,073)**	**(4,753)**
Cash flows from financing activities			
Purchase of own shares	11	-	(1,163)
Repayment of finance lease liabilities	10	(2,442)	(705)
Net cash used in financing activities		**(2,442)**	**(1,868)**
Net increase/(decrease) in cash and cash equivalents		7,304	5,169
Cash and cash equivalents at beginning of period		62,925	56,699
Effects of exchange rate changes on the balance of cash and cash equivalents		(33)	(2,239)
Cash and cash equivalents at end of period		**70,196**	**59,629**

The consolidated entity acquired plant and equipment under finance lease amounting to $34.5 million (2016: $10.3 million) and acquired plant and equipment of US$145.6 million through the issue of shares during the half year. These have been excluded from the statement of cashflows.

The notes on pages 19 to 26 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 2017 comprise the Company and its subsidiaries (together referred to as the "consolidated entity" or "the Group") and the consolidated entity's interests in jointly controlled entities.

The principal activities of the consolidated entity for the six months ended 31 December 2017 consisted of the provision of contract mining services (inclusive of infrastructure services).

The consolidated annual financial statements of the consolidated entity as at and for the year ended 30 June 2017 are available upon request at the Company's registered office at 15 Hudswell Road, PERTH AIRPORT, 6105, 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 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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 2017.

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 2017.

The consolidated entity is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with the legislative instrument amounts in the Directors' Report and the Interim Financial Report have been rounded off to the nearest thousand dollars unless otherwise stated.

3. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the consolidated entity's annual financial statements as at and for the year ended 30 June 2017.

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. These have had no significant impact to the financial statements.

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 2017.

Notes to the condensed consolidated interim financial statements

5. Operating segments

Identification of reportable segments

The consolidated entity has identified its reportable segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

Management have identified three operating segments; Surface Mining, Underground Mining and International Mining. These segments have been aggregated into "Mining" due to all segments exhibiting similar characteristics in terms of the nature of the products and services, production processes, type or class of customers, methods used to provide their services and regulatory environments which these services are provided in.

For clarity and reconciliation to the statement of profit and loss, discontinued operations relating to Nigeria are separately disclosed.

Reportable segment information for the six months ended 31 December

Consolidated - 2017	Mining $'000	Nigeria Discontinued Operations $'000	Unallocated $'000	Total $'000
Revenue				
Total reportable segment revenue	269,951	-	-	269,951
Total revenue	269,951	-	-	269,951
Earnings before interest, tax, depreciation and amortisation	46,117	146	15	46,278
Interest income	54	-	80	134
Finance costs	(853)	-	-	(853)
Depreciation and amortisation	(36,168)	-	-	(36,168)
Profit/(loss) before income tax expense	9,150	146	95	9,391
Income tax expense				(1,030)
Profit after income tax expense				8,361
Add back:				
Income tax expense (including tax on discontinued operations)				1,030
Profit / (Loss) before income tax expense from discontinued operations				(167)
Profit / (Loss) before income tax from continuing operations				9,224
Assets				
Segment assets	480,071	1,995	75,552	557,618
Total assets				557,618
Liabilities				
Segment liabilities	174,185	2,335	6,916	183,436
Total liabilities	-			183,436
Capital Expenditure	232,097	-	-	232,097

Notes to the condensed consolidated interim financial statements

Consolidated - 2016	Mining $'000	Nigeria Discontinued Operations $'000	Unallocated $'000	Total $'000
Revenue				
Total reportable segment revenue	168,301	6,377	303	174,981
Total revenue	168,301	6,377	303	174,981
Earnings before interest, tax, depreciation and amortisation	15,546	(17,265)	(5,596)	(7,315)
Interest income	18	13	151	182
Finance costs	-	(4)	(233)	(237)
Depreciation and amortisation	(14,065)	(740)	(847)	(15,652)
Profit/(loss) before income tax expense	1,499	(17,996)	(6,525)	(23,022)
Income tax expense				(307)
Loss after income tax expense				(23,329)
Assets				
Segment assets	217,774	150	77,039	294,963
Total assets				294,963
Liabilities				
Segment liabilities	101,713	1,368	6,891	109,972
Total liabilities				109,972
Capital Expenditure	26,791	-	-	26,791

Geographical information

	Sales to external customers for the six months ending		Geographical non-current assets as at	
	31 December 2017 $'000	**31 December 2016 $'000**	**31 December 2017 $'000**	**30 June 2017 $'000**
Australia	239,551	162,365	147,589	120,248
Indonesia	28,181	4,119	180,090	8,378
Nigeria - Discontinued Operations	-	6,377	-	-
Other	2,219	2,120	1,862	1,861
	269,951	174,981	329,541	130,487

The Mining segment operated in the principal geographical areas – Australia and Indonesia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Notes to the condensed consolidated interim financial statements

6. Income tax expense

The Company's income tax expense for continuing operations was $1.0 million, compared to a $0.4 million expense for the prior corresponding half year period.

The effective tax rate for continuing operations for the half year was 11.2%, compared to the prior half year's tax rate of negative 9.7%.

The effective tax rate of 11.2% is primarily due to tax payable for foreign operations at the respective tax rates. The Australian tax expense has been reduced due to the recognition of previously unrecognised deferred tax assets. Excluding these adjustments, the effective tax rate for the current period for continuing operations would be approximately 30%.

7. Trade and Other Receivables

	Consolidated	
	31-Dec-17 $'000	30-Jun-17 $'000
Trade receivables	27,761	8,506
Less: allowance for doubtful debts	(216)	(216)
	27,545	8,290
Other receivables and prepayments	35,395	9,163
Accrued revenue	57,333	35,970
	120,273	53,423

8. Lease Receivable

During the six months ended 31 December 2017, the consolidated entity acquired new mining equipment which includes a put and call option. Due to the option clause in the contract, the equipment is classified as a lease receivable rather than property, plant and equipment.

The lease receivable is initially recognised at the amount equal to the net investment in the lease which equals the present value of the minimum lease payments and any unguaranteed residual value. When payments are received, the principal portion is recognised against the lease receivable and the interest portion is recognised in profit or loss as interest income.

	Consolidated	
	31-Dec-17 $'000	30-Jun-17 $'000
Lease receivable current	1,114	-
Lease receivable non-current	9,710	-
	10,824	-

9. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2017, the consolidated entity acquired plant and equipment of $232.1 million. This comprised $182.5 million for equipment acquired as part of the AMNT transaction, plant acquired under a finance lease of $34.5 million (six months ended 31 December 2016: $10.3 million) including $10.8 million of assets that are classified as lease receivable (refer note 8), $13.6 million (six months ended 31 December 2016: $16.5 million) of major componentry and additions and other of $1.4 million.

Property, plant and equipment with a carrying value of $0.5 million (including $0.4 million assets held for sale) was disposed during the six months ended 31 December 2017 (six months ended 31 December 2016: $4.5 million), resulting in a gain on disposal of $0.1 million (six months ended 31 December 2016 gain on disposal: $1.3 million) in the condensed consolidated statement of profit and loss.

Capital commitments

As at 31 December 2017, the consolidated entity had entered into contracts to purchase plant and equipment totaling $38.6 million (31 December 2016: $4.8 million).

Significant Asset Acquisition

The AMNT transaction was approved by Macmahon shareholders at a General Meeting on 12 July 2017. Completion of the Transaction occurred on 8 August 2017. This involved:

a) The issue of 954,064,924 new Macmahon shares to a related party of AMNT, bringing the total number of Macmahon shares on issue to 2,154,985,818;

b) AMNT transferring mobile mining equipment assets valued at US$145.6 million (AU$182.5 million) to Macmahon Indonesia;

c) The mining services contract with AMNT becoming effective; and

d) Two new Directors joining the Macmahon Board, Mr Alex Ramlie and Mr Arief Sidarto.

Following the completion of the transaction AMNT's related party has an interest in 44.3% of Macmahon's total shares on issue.

AASB 16 – Leases

AASB 16 will replace the current leasing standard AASB 117, and contains significant changes to the accounting treatment of leases around how to recognise, measure and disclose leases. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, with the exception of short term (less than 12 months) and low value leases. AASB 16 applies to annual reporting periods beginning on or after 1 July 2019.

The Group has not quantified yet the effect of the new standard; however the following impacts are expected on implementation date:

- Total assets and total liabilities will increase, due to the recognition of a "Right of Use Asset" and a "Lease Liability" grossing up the assets and liabilities in the Consolidated Statement of Financial Position
- Interest expense will increase due to the effective interest rate implicit in the lease, where the interest expense component is higher on early years on the lease;
- Depreciation charge will increase as the right of use assets is recognised;
- Lease rental expenses will decrease due to the recognition of interest and depreciation noted above; and

- Operating cash flows will be higher as a repayment of the principle portion of all lease liabilities will be classified as financing activities.

AASB 16 needs to be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach. AASB 16 contains a number of practical expedients, one of which permits the classification of existing contracts as leases under current accounting standards to be carried over to AASB 16. Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease. The Group is in the process of assessing the available options for transition.

10. Borrowings

During October 2017, the Company's multi-option facility was extended to 31 October 2018 and the limit increased from $10 million to $25 million. The facility was partially drawn at 31 December 2017 for bank guarantees amounting to $7.2 million. The Company maintains finance lease facilities with various financiers. As at 31 December 2017 the amount outstanding under these facilities is $42.3 million. The Company's finance lease liabilities are secured by the leased assets and in the event of default the leased assets revert to the lessor. The remaining Australian domiciled assets of the Company are pledged as security under the multi option facility.

The table below summarises movements in borrowings (both current and non-current) during the six months ended 31 December 2017:

In thousands of AUD	Currency	Carrying Amount
Balance at 1 July 2017	AUD	8,848
Movements		
New finance lease	AUD	34,519
Other short term finance	AUD	1,378
Repayment of finance lease liabilities	AUD	(2,442)
Balance at 31 December 2017	AUD	42,303

At 31 December 2017, the domestic operating lease facility was drawn to $31.1 million (30 June 2017: $39.9 million).

11. Issued capital

	The Company No. ordinary shares ('000)	
	2017	2016
On issue at 1 July	1,200,921	1,210,488
Issue of new Macmahon shares to related party AMNT	954,065	-
Repurchased and cancelled	-	(9,567)
On issue at 31 December	2,154,986	1,200,921

AMNT Transaction

The AMNT transaction was approved by Macmahon shareholders at General Meeting on 12 July 2017. Completion of the transaction occurred on 8 August 2017. This involved the issue of 954,064,924 new Macmahon shares to a related party of AMNT, bringing the total number of Macmahon shares on issue to 2,154,985,818. For details of the AMNT transaction please refer to the Notice of Meeting for the AMNT Transaction published on the ASX website on 13 June 2017.

12. Share based payments

For the half year, the consolidated entity issued a Macmahon Executive Equity Plan ("EEP") for executive personnel with two tranches.

The EEP provides senior personnel with the opportunity to receive fully paid shares in Macmahon for no consideration, subject to specific time restrictions, continuous employment and certain performance conditions being met. Each performance right will entitle participants to receive one fully paid ordinary share at the time of vesting. The EEP is designed to assist with employee retention, and to incentivise employees to maximise returns and earnings for shareholders.

Performance rights granted on 18 August 2017	**Performance rights granted on 18 August 2017** **3 years ending 1/07/2020** Tranche 1	**Performance rights granted on 29 November 2017** **3 years ending 1/07/2020** Tranche 2
Tranche and number of performance rights	13,669,315	482,075
Vesting performance condition		
Less than 17% CAGR in TSR	0%	0%
17% CAGR in TSR	50%	50%
25% or more CAGR in TSR	100%	100%
Between 17% and 25% CAGR in TSR	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%

Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Performance rights granted on 18 August 2017		**Performance rights granted on 29 November 2017**	
	Key management personnel	Senior employees	Key management personnel	Senior employees
Fair value at grant date	$0.085	$0.085	$0.130	$0.130
Share price at grant date	$0.175	$0.175	$0.220	$0.220
Expected volatility (weighted average volatility)	50.00%	50.00%	50.00%	50.00%
Option life (expected weighted average life)	2.9 years	2.9 years	2.6 years	2.6 years
Expected dividends	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	1.90%	1.90%	1.81%	1.81%

Expected volatility is estimated taking into account historic average share price volatility.

13. Contingent liabilities

Bank guarantees and insurance bonds are issued to contract counterparties in the normal course of business as security for the performance by Macmahon of various contractual obligations. Macmahon is also called upon to give guarantees and indemnities direct to contract counterparties in relation to the performance of contractual and financial obligations. The value of these guarantees and indemnities is indeterminable.

Macmahon has the normal contractor's liability in relation to its current and completed mining and construction projects (for example, liability relating to design, workmanship and damage), as well as liability for personal injury and property damage during a project. Potential liability may arise from claims, disputes and/or litigation against Group companies and/or joint venture arrangements in which the Group has an interest. Macmahon is currently managing a number of claims, disputes and litigation processes in relation to its contracts, as well as in relation to personal injury and property damage arising from project delivery.

On 9 November 2015, Macmahon was served with a shareholder class action filed in the Federal Court of Australia by ACA Lawyers. The action was filed on behalf of shareholders who acquired Macmahon securities between 2 May 2012 and 19 September 2012 and relates to disclosures by Macmahon in 2012 regarding the now completed Hope Downs 4 contract. Macmahon denies any wrong doing and is defending the proceeding.

Macmahon does not consider there is a reasonable basis on which to assess or estimate any potential liability and, therefore, continues to treat the proceeding as an unquantified contingent liability.

14. Subsequent events

On 13 February 2018 Macmahon signed an agreement to purchase TMM Group, a civil construction and maintenance services company based in Brisbane and the Bowen Basin. TMM has annual revenue of approximately $60 million. For additional information see the ASX announcements titled *Macmahon to acquire TMM Group* published on 13 February 2018.

The Directors are not aware of any other matter or circumstance arising since 31 December 2017 not otherwise dealt with within the condensed consolidated interim 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.