

ASX ANNOUNCEMENT

05 July 2018

NED Salary Sacrifice Plan and Incentive Arrangements

Macmahon Holdings Limited (ASX: MAH) wishes to advise the following:

NED Salary Sacrifice

The Board has put in place a new Non-Executive Director salary sacrifice plan (**NED SSP**) pursuant to which Non-Executive Directors of the Company may elect to take all or part of their annual pre-tax directors' fees and committee fees (excluding superannuation) in the form of share rights. Each share right will entitle the holder to be transferred one fully paid ordinary share on vesting. Vesting is contingent on the Non-Executive Director remaining continuously engaged by Macmahon as a Non-Executive Director and will occur in two tranches (with 50% vesting on the day after release of Macmahon's half year results for the relevant financial year and the remaining 50% vesting on the day after release of Macmahon's full year results for the relevant financial year).

Once vested, shares held for a particular Non-Executive Director will be held on trust and trading in those shares will be restricted until the earliest of the Non-Executive Director ceasing to be a Non-Executive Director, the date a change of control of Macmahon occurs or 15 years after the date the relevant share rights were granted to the Non-Executive Director. A Non-Executive Director may also request earlier removal of vested plan shares from trading restrictions on the grounds of severe financial hardship or to the extent the Non-Executive Director holds more securities than required to meet the Board's minimum shareholding requirements under the Board's policy for share ownership by Non-Executive Directors. This share ownership policy was adopted by the Board on 09 May 2018 and stipulates that, in order to increase alignment between the interests of Non-Executive Directors and the interests of shareholders, Non-Executive Directors should have a shareholding in Macmahon (directly or indirectly) that meets or exceeds the following minimum values (determined based on the volume weighted average price of Macmahon shares on ASX over the 30 calendar day period prior to the most recent financial year end) within the following timeframes:

- (a) 25% of their remuneration value within the latter of one year after their initial appointment as a director and 30 June 2019;
- (b) 50% of their remuneration value within the latter of two years after their initial appointment as a director and 30 June 2020;
- (c) 75% of their remuneration value within the latter of three years after their initial appointment as a director and 30 June 2021; and
- (d) 100% of their remuneration value within the latter of four years after their initial appointment as a director and 30 June 2022.

All shares to be acquired by participating Non-Executive Directors on vesting of share rights will be acquired on-market (and will not be newly issued shares). Accordingly, the NED SSP will not dilute

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existing shareholder interests and shareholder approval under the ASX Listing Rules will not be required for Non-Executive Directors to participate in the NED SSP.

As the share rights will be paid for out of a Non-Executive Director's after tax remuneration, if any share rights lapse or fail to vest, then all salary sacrifice contributions made by that Non-Executive Director will be refunded to that Non-Executive Director (including accumulated interest earned on those contributions, but after deducting any applicable taxes).

Given that share rights under the NED SSP are not "securities" as defined in the ASX Listing Rules, Macmahon does not propose to disclose the number of share rights on issue in its Appendices 3B (unless ASX requires such disclosure).

New Senior Manager LTIP

The Board has established a new long term incentive arrangement as an incentive and retention tool for its senior management (**Plan**). The terms of the Plan are along similar lines to the existing Macmahon Executive Equity Plan (see below) in that it offers performance rights that will be subject to vesting conditions. If relevant vesting conditions are satisfied, the holder will receive 1 fully paid ordinary share for each vested performance right. All shares to be awarded in satisfaction of vested performance rights (if any) will be acquired by the Plan trustee on market rather than being newly issued so will not dilute existing equity holders.

Pursuant to this new Plan, Macmahon has (today) issued 64,649,575 performance rights to five key executives. Vesting of the performance rights will be subject to the achievement of a performance hurdle involving Macmahon's total shareholder return achieving a target compound annual growth rate. Vesting will also be subject to shareholders approving the Plan for the purposes of part 2J.3 of the *Corporations Act*. It is expected that such approval will be sought at Macmahon's annual general meeting later this year. No approval is required under the ASX Listing Rules, though Macmahon may seek ratification of any issue in the future in order to refresh its ASX Listing Rule 7.1 capacity.

The attached annexure sets out the material terms of the Plan, including details of the relevant tranches of performance rights and the performance hurdles.

Existing Executive Equity Plan

Consistent with prior years, the Board has determined that it will shortly make an issue of performance rights under its existing Executive Equity Plan (**EEP**). The relevant details are being finalised and will be announced in a further Appendix 3B once those performance rights are issued. Shares to be awarded in satisfaction of vested EEP performance rights will either be acquired by the EEP trustee on market, or will be newly issued.

None of the recipients of performance rights under the Senior Manager LTIP will receive performance rights under the EEP. No shareholder approval will be sought in respect of the proposed EEP issue

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(although Macmahon may seek ratification of any issue in the future in order to refresh its Listing Rule 7.1 capacity).

Lapse of previously issued performance rights

Further to the above, Macmahon wishes to advise that a total of 1,390,983 previously issued employee performance rights have recently lapsed and been cancelled, in accordance with the terms of the Company's EEP (for issues made in 2016 and 2017). The number of existing Performance Rights that have lapsed is as set out below:

Previous balance in Appendix 3B (02/03/2018)	19,271,077
Less no. of Performance Rights Cancelled	1,390,983
Balance (excluding new issues under the Plan referred to above)	<hr/> 17,880,139

An Appendix 3B in respect of the above matters is attached.

Yours sincerely



Greg Gettingby
Company Secretary

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Annexure - Senior Manager Long Term Incentive Plan

- Eligible executives will be offered share performance rights that entitle the holder to receive one fully paid Macmahon share per performance right.
- The performance rights are issued in three tranches (of 25%, 25% and 50% respectively of the total number of performance rights issued). The first tranche will be measured over two years; the second tranche will be measured over three years; and the third tranche will be measured over four years. Each of these periods constitutes the performance period for the performance rights in that tranche.
- In order for any performance right in any tranche to vest:
 - The recipient must remain an employee of the Macmahon Group at the end of the relevant performance period (for that tranche);
 - A TSR vesting condition must be satisfied in respect of the relevant tranche (described further below); and
 - The Plan must have been approved by shareholders for the purposes of section 260C(4) of the Corporation Act.
- In addition, in respect of the tranche 3 performance rights only, 50% of any shares that vest upon satisfaction of the relevant vesting condition (in respect of that tranche 3) will be subject to a one year retention period – meaning that the holder must remain an employee of the Macmahon Group (and cannot withdraw any vested Plan shares from the Plan trust) for one year following the vesting of those shares.
- Each tranche of performance rights will be measured over the performance period relevant to that tranche. Those performance rights will vest in accordance with the following table:

Macmahon's Absolute TSR Performance hurdle (over relevant Performance Period)	Proportion of Share Performance Rights (in relevant Tranche) that are eligible to vest
Less than 17% compound annual growth in TSR over Performance Period.	0%
17% compound annual growth in TSR over Performance Period.	50%
Between 17% and 25% compound annual growth in TSR over Performance Period.	50% plus a straight line increase in % award until Target TSR is achieved.
At 25% or above compound annual growth in TSR over Performance Period.	100%

- The TSR vesting condition applies separately in respect of each tranche of performance rights and will be measured over the performance period specific to it, and will not be retested. If the TSR hurdle is not met at the end of a relevant period, then all performance rights in that tranche will lapse (unless otherwise determined by the Board).
- The Board has an ongoing discretion to deem unvested performance rights to have lapsed, and to deem any vested Plan shares that remain subject to a retention period to be forfeited, in certain circumstances of fraud, dishonesty or breach of obligation.

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- Performance rights carry no entitlements to shares or dividends or other benefits unless and until they vest.
- Performance rights (and vested shares that remain within the trust) may not be transferred, encumbered or subject to any hedging or derivative instrument intended to limit the economic risk of holding them.
- The Board may determine that some or all unvested performance rights should vest: if a person acquires a relevant interest in more than 50% of Macmahon's issued capital; if a takeover bid is made to acquire more than 50%; if a court orders a meeting to consider (or shareholders approve) a scheme of arrangement which would result in a person holding more than 50%; if Macmahon is wound up; if Macmahon is delisted or disposes of substantially all of its business or assets; or if the participant ceases to be employed because of circumstances beyond the participant's control.
- If Macmahon reorganises its capital, the performance rights will be changed to the extent necessary to comply with the ASX Listing Rules.

*** ENDS ***

For further information, please contact:

Chris Chong, Manager Investor Relations and Corporate Development +61 408 774 365

About Macmahon

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

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

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.

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

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

MACMAHON HOLDINGS LIMITED

ABN

93 007 634 406

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | Performance Rights |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 64,649,575 Senior Manager Performance Rights issued under the Senior Manager Long Term Incentive Plan as announced on 05 July 2018 |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | The principal terms of the Senior Manager Performance Rights are described in the ASX Announcement dated 05 July 2018 |

+ See chapter 19 for defined terms.

4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>No - Performance Rights are not quoted securities, and do not confer the right to vote or participate in dividends or distributions</p> <p>If and when a Performance Right vests, the resulting fully paid ordinary share will rank equally with all then issued ordinary shares.</p>
5	Issue price or consideration	Nil
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Performance Rights are granted as equity compensation benefits to certain senior managers (under the Senior Manager Long Term Incentive Plan)
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	N/A
6b	The date the security holder resolution under rule 7.1A was passed	N/A
6c	Number of +securities issued without security holder approval under rule 7.1	N/A
6d	Number of +securities issued with security holder approval under rule 7.1A	N/A

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A	
6f	Number of +securities issued under an exception in rule 7.2	N/A	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	N/A	
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	05 July 2018	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		2,154,985,818	Ordinary

+ See chapter 19 for defined terms.

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	64,649,575	Senior Manager Performance Rights
		17,880,139	Executive Performance Rights
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Refer to item 4 of this Appendix 3B	

Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the +securities will be offered	N/A
14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A

+ See chapter 19 for defined terms.

20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

- 32 How do security holders dispose of their entitlements (except by sale through a broker)? N/A
- 33 ⁺Issue date N/A

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of ⁺securities
(tick one)

(a) ☐ ⁺Securities described in Part 1

(b) ☐ All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
- 1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought	N/A					
39	+Class of +securities for which quotation is sought	N/A					
40	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	N/A					
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another +security, clearly identify that other +security)</p>	N/A					
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>N/A</td> <td></td> </tr> </tbody> </table>	Number	+Class	N/A		
Number	+Class						
N/A							

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:


.....
(Director/Company secretary)

Date: 05 July 2018

Print name: Greg Gettingby

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	
Add the following: <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	
“A”	

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“C”	
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	
Total [“A” x 0.15] – “C”	<i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	
“E”	

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	
Total [“A” x 0.10] – “E”	<i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.