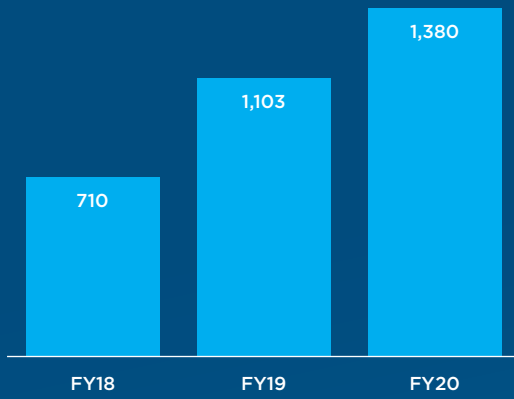


ANNUAL REPORT 2020



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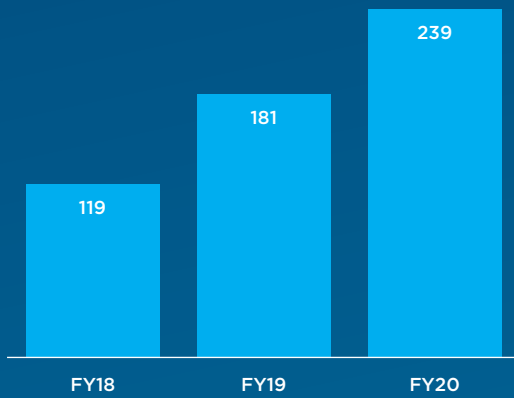
Revenue (\$m)

10.9%

Gearing

13.7%

Reported ROE



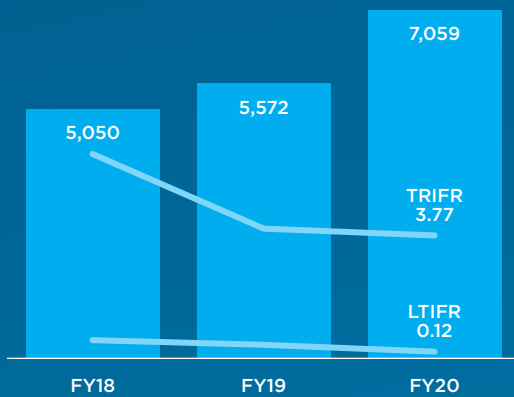
Underlying EBITDA (\$m)

14.8%

Underlying ROACE

0.60cps

Total FY20 Dividend



Workforce and Safety

3.77

TRIFR

0.12

LTIFR

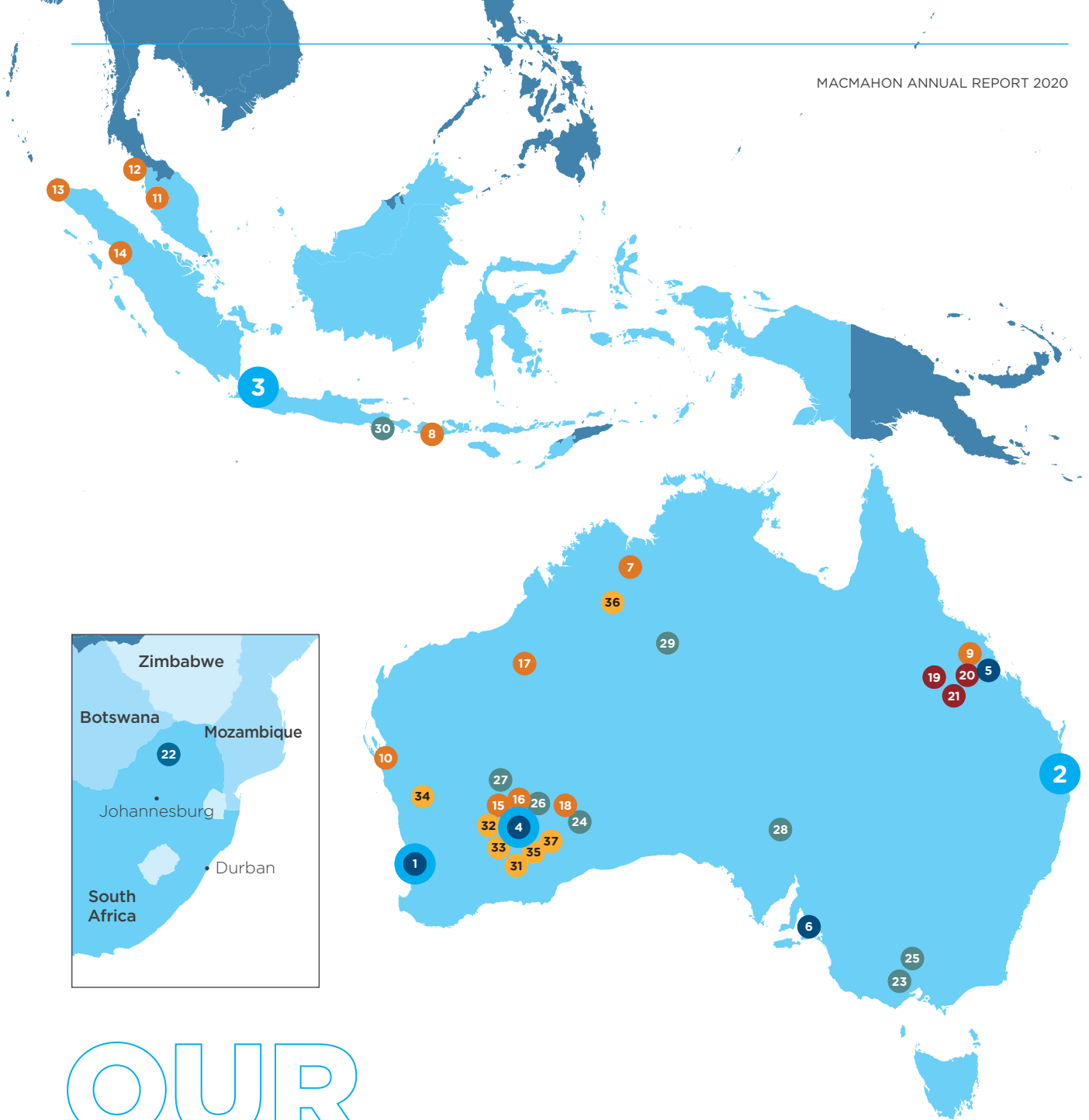
OUR BUSINESS

Macmahon is an ASX listed company that has been offering mining and construction services to clients for more than 55 years.

We seek to develop strong relationships with our clients in which both parties can work together in an open, flexible and transparent way.

Our approach to doing business, together with our capabilities in surface and underground mining, civil design and construction, performance enhancement, and mine site maintenance and rehabilitation services, has established Macmahon as a trusted partner on resources projects throughout Australia and internationally.





OUR OPERATIONS

Offices

- 1 Perth
- 2 Brisbane
- 3 Jakarta
- 4 Kalgoorlie

Workshops

- 1 Perth
- 4 Boulder
- 5 Coppabella
- 6 Lonsdale

Surface Mining

- 7 Argyle
- 8 Batu Hijau
- 9 Byerwen
- 10 Coburn
- 11 Kanthan
- 12 Langkawi
- 13 Lhoknga
- 14 Martabe
- 15 Mt Marven
- 16 Mt Morgans
- 17 Telfer
- 18 Tropicana

TMM Group

- 19 Peak Downs
- 20 Poitrel Levee
- 21 Saraji

Performance Enhancement

- 22 Mogalakwena

Underground Mining / Services

- 23 Ballarat
- 24 Boston Shaker
- 25 Fosterville
- 26 Granny Smith
- 27 Leinster
- 28 Olympic Dam
- 29 Tanami
- 30 Tujuh Bukit

GBF Underground

- 31 Cock-eyed Bob
- 32 Comet Vale
- 33 Daisy Milano
- 34 Deflector
- 35 Maxwells
- 36 Nicolsons
- 37 Santa

OUR CAPABILITIES

SURFACE MINING

Our surface mining division operates in Australia and overseas, offering a broad suite of services including:

- Mine planning and analysis
- Drill and blast
- Bulk and selective mining
- Crushing and screening
- Fixed plant maintenance
- Water management
- Equipment operation and maintenance

UNDERGROUND MINING

Macmahon has a growing and highly experienced underground division which specialises in high quality underground mining and engineering services. These services include:

- Mine development
- Mine production
- Raise drilling
- Cablebolting
- Shotcreting
- Remote shaft lining
- Production drilling
- Shaft sinking

CIVIL AND REHABILITATION

Macmahon, via its wholly-owned subsidiary TMM Group, offers a wide range of design, civil earthworks, mine rehabilitation and closure services to mine owners including:

- Topsoil and overburden stripping
- Bulk earthworks
- Road design and construction
- Train loading facilities
- Water infrastructure – dams, creek diversions, flood levies, and drainage structures
- Revegetation
- Rehabilitation monitoring and maintenance

EQUIPMENT MAINTENANCE AND MANAGEMENT

Macmahon offers a complete equipment maintenance and management support service for a wide range of modern mining equipment. Our facilities in Perth, Adelaide, and the Bowen Basin provide Macmahon with the ability to:

- Service and maintain equipment, rebuild components, and complete repairs in-house and on demand
- Rapidly and efficiently deploy supplies to customer locations
- Train and employ a range of experienced tradespeople for rapid deployment to remote sites

PERFORMANCE ENHANCEMENT

Macmahon offers an advisory operational improvement service which can provide mine owners with the benefit of our contracting experience at owner miner operations. This service can include:

- Operator coaching and training
- Cultural change programs for employees
- Advice and assistance with mine planning, maintenance and employee engagement



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VISION AND STRATEGY

Macmahon's vision is to be a premium provider of contract mining services, delivering consistent returns and stable employment. Our strategic pillars include:

SAFETY

Improving safety performance across all operations remains a core priority.

OPERATIONAL EXCELLENCE

Focusing on ensuring our current projects perform at or above expectations. Macmahon is also committed to fostering strong relationships with our customers through alliance style contract management.

COMPETITIVE ADVANTAGE

Investing in people, plant, operating technology and sustainability propositions to ensure that Macmahon's service offering has a clear competitive advantage in all of our markets.

NEW WORK

Macmahon remains focused on winning new work in our existing markets, while diversifying its business across a range of commodities, clients and geographies.

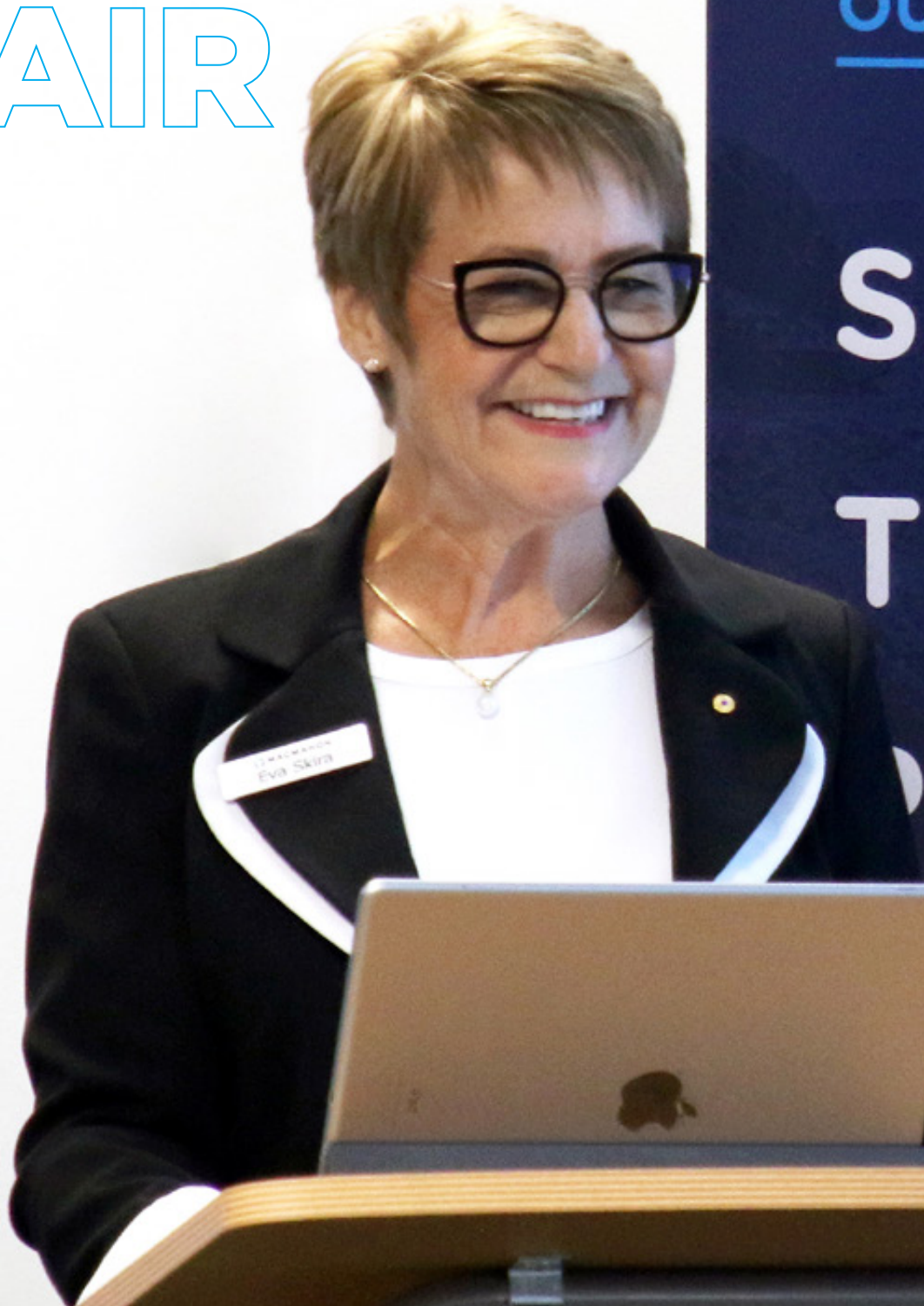
DIVERSIFICATION

Growing our core mining business while remaining aligned to the mining production cycle; a focus on underground, rehabilitation, consulting and new geographies; we will continue to explore M&A opportunities.



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LETTER FROM THE CHAIR



OUR CO

SAF

TEA

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Dear Shareholders,

On behalf of the Macmahon Board of Directors, I am pleased to report that Macmahon's business continued to perform well and delivered record earnings in financial year 2020.

The Group delivered both increased earnings and an improved safety performance, reporting revenue growth of 25.1% to \$1.38 billion and record statutory profit up 40.9% to \$64.9 million. Importantly, Macmahon achieved this in a period of increased market uncertainty, demonstrating the resilience of the strategy and business offering.

As I present this report to you, much of the global economy has been significantly impacted by the COVID-19 pandemic, which in addition to the ongoing health and safety consequences for society, has closed borders, disrupted trade, and created enormous uncertainty. Therefore, delivering on expectations and providing certainty for our clients, our employees and our shareholders has been a commendable performance.

Macmahon remains committed to creating a sustainable business and one that is mindful of broader stakeholder requirements in relation to our environmental, community and social performance. The Group is proud of the contribution it makes to the Australian and Southeast Asian communities, including a commitment to employing and training local and Indigenous people.

In addition to operational and financial efficiency, our business is increasingly focused on minimising environmental impacts. We see significant opportunity in the rehabilitation of existing mines and expanding our rehabilitation offering is therefore a key strategic focus.

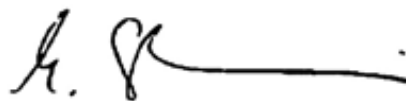
Changes to the Board that commenced last year continued with the appointment of three new independent Directors. We welcomed Mr Vyril Vella back to the Board in June 2019 and in October 2019 we were pleased to appoint Mr Bruce Munro and Mr Hamish Tyrwhitt, two highly credentialed, independent Non-Executive Directors.

After a successful period as Chief Executive Officer, Michael Finnegan was appointed to the Board as Managing Director in October 2019.

I am pleased to advise that the Board has declared a final dividend for the 2020 financial year of 0.35 cents per share, bringing the full year payout to 0.60 cents per share. This was supported by our good cash conversion and solid underlying financial position.

In line with the capital allocation policy we implemented last year, Macmahon is committed to paying a sustainable dividend, whilst preserving our strong balance sheet to provide the Group with the financial flexibility to pursue suitable opportunities and execute on its long-term growth strategy.

In closing, on behalf of the Board, I would like to thank our CEO Michael Finnegan, the senior executive management team and all of our people for the significant progress that has been achieved over this unprecedented period, and our shareholders, clients and suppliers for their ongoing support.



EVA SKIRA
 Independent Non-Executive Chair

CEO AND MD REPORT

The 2020 financial year had significant challenges for all businesses, but a disciplined execution of our strategy allowed Macmahon to again deliver on targets with continued growth in revenue, earnings and dividends.

KEY ACHIEVEMENTS

The business reported revenue of \$1.38 billion and an underlying EBIT(A) of \$91.6 million, which was in line with the increased earnings guidance range provided with our half year result. I am proud of the fact that Macmahon has now delivered on earnings guidance for three consecutive years and delivered record earnings.

Importantly, Macmahon has maintained a strong balance sheet and liquidity position, supported by high cash conversion. At 30 June 2020, net debt was \$60.9 million, representing a low gearing of 10.9%, along with \$197.9 million of cash and unutilised working capital facilities.

COVID-19, PEOPLE AND CULTURE

Our record results were achieved despite the additional challenges and uncertainty generated by COVID-19. Our workforce, clients and suppliers acted quickly to mitigate the impact of the virus. These actions included social distancing, screening and testing protocols, extending rosters to reduce the frequency of workforce changeover at sites, and relocating interstate fly-in-fly-out workers and their families. At our overseas projects additional controls such as the mandatory use of face masks were also implemented.

Our award-winning mental health program, *Strong Minds, Strong Mines*, has been very valuable for our workforce over this period, especially for those who have temporarily moved to extended rosters.

To date, we have experienced minimal impact to our productivity levels, supply chain or margins. However, we are not taking our fortunate position for granted and continue to carefully and proactively implement risk management measures across our business to protect our workforce and stakeholders, and also safeguard business continuity.

A positive outcome of this uncertain period has been the reinforcement of the “can-do” culture we have been building over the past few years. I am grateful to the Macmahon team who have extended themselves over the year to contribute to our results.



BUSINESS HIGHLIGHTS

Key operational achievements during the 2020 financial year included:

- Resolving the Telfer dispute, which is now operating on a cash flow positive basis
- Completing the acquisition of GBF
- Securing \$200m of additional work with Silver Lake Resources
- Ramping up of the Boston Shaker underground project
- Achieving record volumes at Batu Hijau and Byerwen
- Securing a \$700m extension and expansion of the Byerwen project
- Improving our Total Recordable Injury Frequency Rate (TRIFR) to 3.77 and our Lost Time Injury Frequency Rate (LTIFR) to 0.12
- Winning the 2019 WA Mental Health Award for our *Strong Minds, Strong Mines* program

Further details on our performance are contained in the Operational and Financial Review section.

STRATEGY

Operational efficiency and enhancing our margins remain an ongoing priority. We have recently initiated an operational excellence program to increase performance at all sites and benchmark outcomes.

Our aim is to be an advanced mining contractor and as such we are investing in our systems and technology. We are building a platform to connect our people, processes, equipment, and production plans to identify and eliminate waste, improve safety and increase production for our clients.

In addition, we remain focused on expanding our service offering across the mining value chain, with specific focus on the civil, underground and rehabilitation sectors.

POSITIVE OUTLOOK

Notwithstanding the recent global disruptions, these are exciting times for our business and our people.

The outlook for Macmahon remains positive for the 2021 financial year, underpinned by an order book of \$4.5 billion, a significant tender pipeline of \$7 billion and a solid balance sheet.

I would like to thank everyone in the Macmahon team for their commitment and strong contributions during the year. I would also like to thank Macmahon's clients for their continued support and shared approach to protecting the health and wellbeing of our people.

I also take this opportunity to extend my appreciation to the Board and my senior management team for their guidance as we continue to deliver value for shareholders.

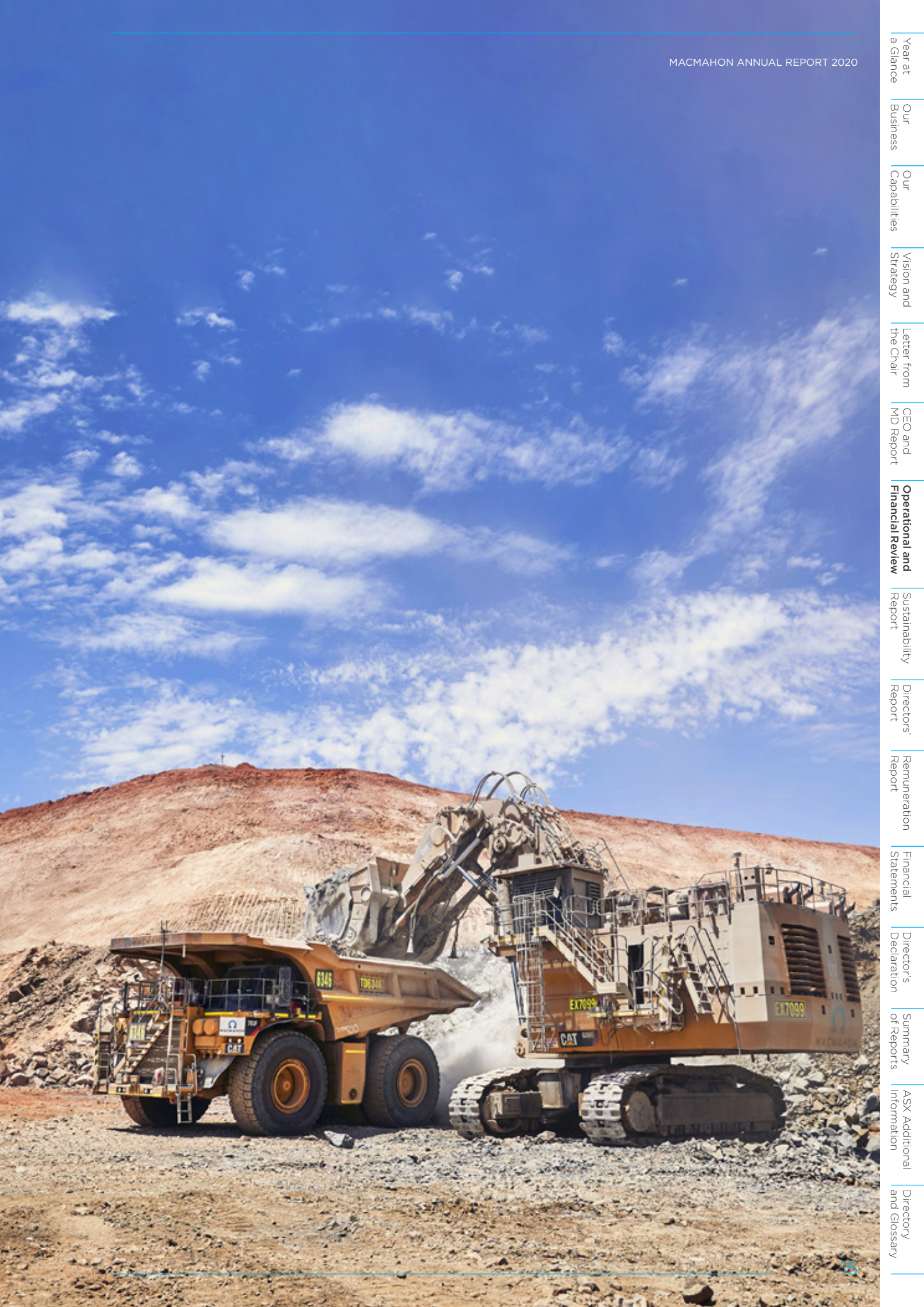
MICHAEL FINNEGAN

Chief Executive Officer and Managing Director

OPERATIONAL AND FINANCIAL REVIEW

Macmahon provides mining and infrastructure services to miners throughout Australia and internationally.

Headquartered in Perth, Western Australia, the Group derives revenue from activities including surface and underground mining, civil design and construction (primarily on mine sites), equipment repair and maintenance, advisory services, design and fabrication of mining infrastructure, and mine site maintenance and rehabilitation services.



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SURFACE MINING

Macmahon's surface mining division offers a broad range of services including mine planning, drill and blast, bulk and selective mining, crushing and screening, water management, as well as equipment operation and maintenance.

PROJECT ACTIVITY

During the year, Macmahon provided services to the following projects:

Tropicana Gold Mine

Macmahon is currently fulfilling a life of mine contract at the Tropicana project in Western Australia for AngloGold Ashanti and Independence Group. During the period, Macmahon invested in its first autonomous drill fleet to increase production and improve safety (forecast to December 2023).

Telfer Gold Mine

Macmahon is fulfilling a life of mine contract at the Telfer project in Western Australia for Newcrest. Macmahon concluded the contractual dispute over rates with Newcrest in November 2019 (forecast to January 2023).

Byerwen Coking Coal Mine

In November 2017, Macmahon executed a contract for the establishment and operation of the new Byerwen Coal Mine near Glenden in Queensland's Bowen Basin. In June 2020, Macmahon was awarded a \$700 million contract expansion and extension for another three years which increases production to 10 million tonnes per annum (forecast to November 2023). The extension includes a further two year option.

Mt Morgans Gold Mine

Macmahon is performing a mining services contract for the provision of open pit mining services including drilling and blasting, loading, hauling and technical services for Dacian Gold in Western Australia. In July 2020, Macmahon finalised a variation for additional work at the Mt Marven pit (forecast to December 2022).

Argyle Diamond Mine

Through its Indigenous employment subsidiary, Doorn-Djil Yoordaning, Macmahon is operating at the Argyle Diamond Mine in Western Australia, where it provides tailings dam earthworks, hauling of coarse tailings to the tailings storage facility, and associated services (forecast to December 2020).

Batu Hijau Copper / Gold Mine

Macmahon is performing its life of mine contract to provide all mining services at the Batu Hijau mine in Indonesia for PT Amman Mineral Nusa Tenggara (AMNT). Batu Hijau is a well-established, world class copper / gold deposit (forecast to April 2032).

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. In November 2019, Macmahon secured a two year extension of the contract (forecast to March 2023).

Kanthan, Langkawi and Lhoknga Quarries

Macmahon is currently fulfilling a mining services quarry contract on Langkawi Island (Malaysia) (forecast to December 2025). Macmahon completed two other quarry contracts at Kanthan (Malaysia) (February 2020) and Lhoknga (Indonesia) (June 2020).

Mogalakwena Platinum Mine

Macmahon is providing advisory services to the Anglo American Platinum mine in South Africa for an operational transformation program (forecast to April 2021).

In June 2020, Macmahon was awarded a \$700 million contract expansion and extension at the Byerwen Coal Mine for another three years.



In February 2020, GBF was awarded a three year contract extension worth \$200 million from Silver Lake Resources at its Mount Monger operations.



UNDERGROUND MINING

Macmahon's underground mining division offers underground development and production services, a broad range of ground support services, as well as services to facilitate ventilation and access to underground mines including shaft sinking, raise drilling and shaft lining.

PROJECT ACTIVITY

During the year, Macmahon provided underground services to several mines including:

Boston Shaker Gold Mine

Macmahon commenced a five-year contract in May 2019 to develop a new underground mine at the Tropicana site, which is a joint venture between AngloGold Ashanti and Independence Group.

Ballarat Gold Mine

Macmahon provides production drilling and cablebolting for Castlemaine Gold Fields in Victoria.

Granny Smith Gold Mine

Macmahon provides cablebolting services to Goldfields near Laverton in Western Australia.

Fosterville Gold Mine

Macmahon provides cablebolting services to Kirkland Lake Gold in Victoria.

Leinster Nickel Mine

Macmahon provides cablebolting services to BHP in the eastern Goldfields in Western Australia.

Nifty Copper Mine

Macmahon provided production drilling, cablebolting, box hole drilling and shotcreting to Metals X at Nifty Copper Mine in Western Australia with works completed in December 2019.

Mount Wright Gold Mine

Macmahon provided production drilling services to Carpentaria Gold at Mount Wright Gold Mine in Queensland with works completed in October 2019.

Tujuh Bukit Copper / Gold Mine

Macmahon through its 50:50 joint venture was contracted to construct an underground exploration decline at the PT Bukit Suksesindo Mine in East Java, Indonesia. The works have been completed with the project going into a care and maintenance phase from June 2020.

Macmahon continues to provide raise drilling services at **Olympic Dam** in South Australia for BHP. Macmahon has been active at Olympic Dam for over 10 years and is contracted to continue underground raise drilling work until June 2023.

Macmahon's engineering division also provided service crew personnel to BHP at **Leinster Nickel Operations**, fan installation at **Prominent Hill** for Oz Minerals, shaft sinking at **Fosterville** for Kirkland Lake Gold and shaft rehabilitation services at Olympic Dam for BHP.

GBF GROUP

Macmahon acquired GBF Underground Mining Group (GBF) in August 2019. GBF is a specialist underground mining contractor with a focus on the Goldfields region in Western Australia. Through the acquisition of GBF, Macmahon provided services to the following underground projects including:

Daisy Milano, Maxwells, Cock-eyed Bob and Deflector Gold Mines

GBF provides underground mining and development services for Silver Lake Resources at both its Mount Monger and Deflector operations. In February 2020, GBF was awarded a three year contract extension worth \$200 million from Silver Lake Resources at its Mount Monger operations, which included the development of its new **Santa** mine which commenced in March 2020.

Comet Vale Gold Mine

GBF provided mining services for Mineral Ventures at the Comet Vale Project owned by Orminex and Sand Queen.

Nicolsons Gold Mine

GBF provides fleet rental and equipment maintenance support at Pantoro's flagship project.

In addition to a wide range of underground mining services, GBF also designs and develops mine support infrastructure, such as underground refuge chambers, refuelling stations, escape ladderways, underground loader buckets, and trays and ute bodies.

CIVIL AND REHABILITATION SERVICES

Macmahon provides consulting, design, civil construction, equipment hire, maintenance and site rehabilitation services through the TMM Group.

PROJECT ACTIVITY

TMM projects during the year included:

Peak Downs Coking Coal Mine

TMM provides mine services works, top soil stripping, rehabilitation, tailings dam remediation and multiple civil works for the BHP Mitsubishi Alliance (BMA).

Saraji Coking Coal Mine

TMM provides equipment to the Saraji mine, also operated by BMA, including a full workshop and maintenance services along with dozers, graders, loaders, excavators and water carts and performs a number of smaller civil infrastructure design and construction projects and mine rehabilitation works.

Poitrel Coking Coal Mine

TMM's initial scope of work at the Poitrel Coal Mine, operated by BHP Mitsui Coal, included the construction of a flood protection levee for a pit expansion. TMM delivered a significant dam expansion and a successful mud removal project to allow the mine to progress after a ten year hiatus. TMM also constructed a sediment dam excavating waste material to increase capacity.

South Walker Creek Coking Coal Mine

TMM completed several projects at South Walker Creek including the design and construction of Stage 2 of the light vehicle / heavy vehicle separation project, mine rehabilitation works, train loadout pad extension, shutdown pad and timber clearing works.

Consulting

TMM's business activities also include consulting services to the mining industry. In 2020, TMM provided preliminary design and budget construction cost estimates for all non-process infrastructure at the Jervois Base Metal Project for KGL Resources. The consulting group provided ongoing design and engineering services to a number of long-term clients including Stanmore, BHP, Nyrstar, Carabella Resources and JT Boyd across several civil, structural and infrastructure projects.

Rehabilitation

TMM rehabilitated a total of 70 hectares across the Saraji, South Walker Creek and Peak Downs projects.

Macmahon's presence continues to grow on the east coast of Australia.



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Macmahon's primary workshop, located in Perth, Western Australia, is a key operational asset with the ability to rebuild both plant and components.



EQUIPMENT MAINTENANCE AND MANAGEMENT

Macmahon owns and operates world-class equipment maintenance facilities, giving it the 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 both plant and components. This facility allows Macmahon to keep maintenance activities in-house and to rapidly and efficiently deploy supplies to client locations and conduct essential maintenance work.

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. Macmahon's fleet is sourced from a range of providers including Caterpillar, Hitachi, Liebherr and Epiroc.

Macmahon's underground mining fleet is comprised of trucks, loaders, and drills. This equipment is predominantly sourced from Sandvik, Epiroc and Caterpillar.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

From operations before significant items

	1H20	2H20	2020	2019
Revenue				
Australia	442.1	459.8	901.9	700.2
Indonesia	230.8	223.2	454.0	388.9
Other International	13.8	10.7	24.5	13.9
Group Revenue	686.7	693.7	1,380.4	1,103.0
EBITDA (underlying)	114.0	124.7	238.7	181.4
EBIT(A) (underlying)	43.9	47.7	91.6	75.1
NPAT (underlying)	31.3	37.9	69.2	56.7
EBITDA (reported)	111.4	123.4	234.8	170.8
EBIT (reported)	41.3	46.0	87.3	64.5
NPAT (reported)	28.7	36.2	64.9	46.1

Note: With the exception of revenue and NPAT (reported) the other measures above are not defined by IFRS and are unaudited. Refer to Summary of Consolidated Reports section for reconciliation of underlying results.



PROFIT AND LOSS

Macmahon delivered revenue and earnings growth in line with its publicly stated guidance. Revenue for the Group increased by 25.1% from the prior period to \$1.38 billion. This was largely due to the generation of positive returns from the execution of projects, and the acquisition of GBF, net of dividends paid to shareholders. The increase in overall revenue was also due to inclusion of income related to the GBF Group acquisition from 1 August 2019. Statutory profit increased by 40.9% to \$64.9 million.

Underlying earnings before interest, tax and customer contracts amortisation (EBIT(A)) for FY20 was \$91.6 million, reflecting 21.9% growth compared to \$75.1 million underlying EBIT(A) in FY19. Similarly, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 31.6% over the year to \$238.7 million.

Depreciation, Amortisation and Net Finance Costs

Depreciation, amortisation and net finance costs for the year increased from \$106.2 million and \$10.7 million respectively to \$147.4 million and \$14.8 million. This was consistent with the growth in property, plant and equipment over the period, as well as the inclusion of GBF's assets.

Tax

The Group reported a tax expense of \$7.5 million. The effective tax rate was 10.4% primarily due to the recognition of previously unrecognised deferred tax assets. Excluding these items, the effective tax rate would have been 34.0%.

BALANCE SHEET

Net assets increased from \$447.6 million to \$497.8 million at 30 June 2020. This was largely due to the net effect of the execution of existing projects, commencement of new projects, inclusion of GBF from acquisition, and the dividends paid.

The Group's net tangible assets (NTA) increased by 8.9% over the year from \$437.4 million to \$476.5 million at 30 June 2020. As a result, NTA per share increased from 20.3 cents per share to 22.1 cents per share.

Working Capital

Investment in net working capital increased by approximately \$47.3 million during the period primarily due to an increase in receivables and inventory as a result of the expansion of existing projects, commencement of new projects and addition of GBF working capital.

Current trade and other receivables and inventory increased from \$181.5 million and \$45.8 million respectively to \$202.6 million and \$57.3 million at 30 June 2020. The current trade and other payables at 30 June 2020 of \$153.9 million reduced from prior year of \$168.6 million, following the early payment to smaller suppliers and reclassification of a contract liability following an amendment of the contract.

Net Debt

Macmahon had net debt at financial year end of \$60.9 million, representing a low gearing of 10.9%. This comprised cash on hand at 30 June 2020 of \$141.8 million (FY19: \$113.2 million), and total debt of \$202.7 million (FY19: \$165.8 million).

The increase in debt of \$36.9 million was primarily due to the purchase of plant and equipment to support new and existing projects, inclusion of GBF debt, and application of the AASB 16 *Leases* accounting standard (\$16.7 million) which was offset with debt repayments during the year.

Over the period, Macmahon increased its syndicated multi-option debt facility to \$75.0 million (from \$50.0 million) which expires in July 2021. This facility is currently drawn for bank guarantees for \$18.5 million and credit card guarantees of \$0.5 million.

As at 30 June 2020, cash and unutilised working capital facilities totalled \$197.9 million.

CASH FLOW

Operating cash flow (excluding interest, tax and GBF acquisition costs) for the year ended 30 June 2020 was \$218.4 million (FY19: \$125.9 million), representing a conversion rate from underlying EBITDA of 91.5%. This compared favourably to the 69.4% EBITDA conversion rate for the prior financial year.

Capital Expenditure

Capital expenditure for property, plant and equipment for the year totalled \$141.6 million, comprising \$63.9 million acquired through finance leases, \$2.3 million deferred other payables and \$75.4 million funded in cash. This was approximately \$10 million below the \$155.0 million capital expenditure guidance, primarily due to the timing of new equipment purchases.

DIVIDEND

The Board has approved the payment of a final dividend of 0.35 cents per share for FY20. This equates to a total dividend declared for FY20 of 0.60 cents per share.



RISK MANAGEMENT

Macmahon defines risk management as the identification, assessment and management of risks that have the potential to materially impact on its operations, people, reputation, and financial results.

Given the breadth of operations and the geographies and markets in which the Group operates, a wide range of risk factors have the potential to impact on Macmahon. While Macmahon attempts to mitigate and manage risks where it is efficient and practicable to do so, there is no guarantee these efforts will be successful.

Outlined below is an overview of a number of material risks facing Macmahon. These risks are not set out in any particular order and do not comprise every risk that Macmahon could encounter when conducting its business. Rather, they are the most significant risks that, in the opinion of the Board, should be considered and monitored by both existing shareholders and potential shareholders in the Company.

COVID-19 RISK

The global economy has been significantly impacted by the COVID-19 pandemic which has resulted in closure of borders, disrupted trade and various industries including mining, interrupted supply chains and created significant uncertainty in the global economy.

The health pandemic continues to affect many countries and is causing severe economic shocks in equity and credit markets. This includes, but is not limited to, financial market volatility, liquidity concerns, increases in government intervention, increasing unemployment, broad declines in consumer discretionary spending, and other restructuring activities.

Although the pandemic has had minimal financial impact to the Group during the year ended 30 June 2020, there is a risk that the prolonged continuation of these circumstances across the globe could have a material impact on the Group in the future.

PERFORMANCE OF THE BATU HIJAU PROJECT

The future financial performance of Macmahon, including during FY21, is partly dependent on outcomes at the Batu Hijau project.

The mining services contract for the Batu Hijau project requires agreements to be reached about certain matters on a regular basis, including annual performance targets. There is no guarantee this will occur.

The Batu Hijau mine is located in Indonesia, where the risk of earthquake, volcanic eruption and tsunami is higher than many other parts of the world.

GUIDANCE

Macmahon provides forecasts and predictions about its future performance (Guidance) on the basis of several assumptions which may subsequently prove to be incorrect.

Guidance is not a guarantee of future performance, and is subject to known and unknown risks, many of which are beyond the control of Macmahon.

Key identified risks that may result in Macmahon not meeting its Guidance include, but are not limited to, termination of key contracts, variability in cost and productivity assumptions, and inability to recover claims and variations from clients.

Macmahon's actual results may differ materially from its Guidance and the assumptions on which the Guidance is based.

CONTINGENT LIABILITIES

Macmahon is exposed to a number of contingent liabilities, including those described in the notes to this Annual Report.

The Guidance provided by Macmahon will be negatively impacted if those contingent liabilities that are currently unquantified crystallise into actual liabilities.

RELIANCE ON KEY CUSTOMERS

Macmahon's business relies on a number of individual contracts and business alliances and Macmahon derives a significant proportion of its revenue from a small number of key long term customers and business relationships with a few organisations. In the event that any of these customers fails to pay, reduces production or scales back operations, terminates the relationship, defaults on a contract or fails to renew their contract with Macmahon, this may have an adverse impact on the financial performance and / or financial position of Macmahon.

INDUSTRY AND COMMODITY CYCLES

Macmahon's financial performance is influenced by the level of activity in the resources and mining industry, which is impacted by a number of factors beyond the control of Macmahon. This includes:

- demand for mining production, which may be influenced by factors including (but not limited to) prices of commodities, exchange rates and the competitiveness of Australian and Indonesian mining operations
- government policy on infrastructure spending
- the policies of mine owners including their decisions to undertake their own mining operations or to outsource these functions
- the availability and cost of key resources including people, large earth moving equipment and critical consumables

Macmahon is indirectly exposed to movements in commodity prices, which are volatile and beyond Macmahon's control.

Adverse movements in commodity prices may reduce the pipeline of work in the mining sector and the level of demand for the services of Macmahon's mining business, which could have a material impact on Macmahon's operating and financial performance.

FAILURE TO WIN NEW CONTRACTS

Macmahon's performance is impacted by its ability to win, extend and complete new contracts. Any failure by Macmahon to continue to win new contracts and work will impact its financial performance and position.

Macmahon expects to continue to have a broad range of competitors across all of its operations, which impacts the margins obtainable on contracts. There is a risk that existing and increased future competition may limit the ability to win new contracts or achieve attractive margins.



EARLY CONTRACT TERMINATION AND CONTRACT VARIATIONS

Guidance is partly based on current contracts in hand and Macmahon derives a significant proportion of its revenue from providing services under large contracts. A client could terminate services on short term notice and as a result, there can be no assurance that work in hand will be realised as revenue in any future period. There could be future risks and costs arising from any termination of contract.

Early termination or failure to renew a contract by Macmahon's clients when that renewal is expected is likely to have an adverse effect on financial performance.

While Macmahon has no reason to believe any existing or potential contracts will be terminated, there can be no assurance that this will not occur.

Due to the nature of Macmahon's business, there is also a risk that Macmahon's claims for contract variations are disputed and not ultimately agreed or are insufficiently certain at a point in time such that they cannot be brought to account in a given accounting period.

PROJECT DELIVERY RISK

Execution and delivery of projects involves judgement regarding the planning, development and operation of complex operating facilities and equipment. As a result, Macmahon's operations, cash flows and liquidity could be affected if the resources or time needed to complete a project are miscalculated, if it fails to meet contractual obligations, or if it encounters delays or unspecified conditions.

MARGINS, OPERATIONS, SAFETY AND ENVIRONMENT

Cost overruns, unfavourable contract outcomes, serious or continued operational failure, adverse industrial relations outcomes, disruption at key facilities, disruptions to information and communication systems or a safety incident have the potential to have an adverse financial impact.

Macmahon is also exposed to input costs through its operations, such as the cost of fuel and energy sources, equipment and personnel. To the extent that these costs cannot be passed on to customers in a timely manner, or at all, Macmahon's financial performance could be adversely affected.

Macmahon's operations involve risk to personnel and property. An accident may occur that results in serious injury or death, damage to property and environment, which may have an adverse effect on Macmahon's financial performance, and reputation and ability to win new contracts.

CONTRACT PRICING RISK

If Macmahon materially underestimates the cost of providing services, equipment, or plant, there is a risk of a negative impact on Macmahon's financial performance.

COMMODITY PRICE EXPOSURE

Gold and copper are the two most important commodities contributing to Macmahon's order book and tender pipeline. If the gold and copper industries were to suffer, it would have a material adverse effect on Macmahon revenues and profitability.

EQUIPMENT AND CONSUMABLE AVAILABILITY

Macmahon has a significant fleet of equipment and has a substantial ongoing requirement for consumables including tyres, parts and lubricants. If Macmahon cannot secure a reliable supply of equipment and consumables, there is a risk that its operational and financial performance may be adversely affected.

KEY PERSONNEL

Macmahon's growth and profitability may be limited by loss of key operating personnel, inability to recruit and retain skilled and experienced employees or by increases in compensation costs.

The growth of activity in the mining sector has increased demand for quality resources, creating a tightening market and upward pressures to secure skilled mining leaders, professionals and personnel.

CURRENCY FLUCTUATION

Macmahon is exposed to fluctuations in the value of the Australian dollar versus other currencies due to international operations and as Macmahon's consolidated results are reported in Australian dollars. Consolidated financial results are reported in Australian dollars. If Macmahon generates sales or earnings or has assets and liabilities in other currencies, the translation into Australian dollars for financial reporting purposes could result in a significant increase or decrease in the amount of those sales or earnings and net assets.

PARTNER AND CONTROL RISK

Macmahon may undertake services through and participate in joint ventures or partnering / alliance arrangements. The success of these partnering activities depends on satisfactory operating and financial performance by Macmahon's partners. The failure of partners to meet performance obligations could impose additional financial and performance obligations that could cause significant impact on Macmahon's reputation and financial results, including loss or termination of the contract and loss of profits.

AMC (which is a related party of AMNT) is the largest shareholder of Macmahon with a 44.3% shareholding, giving AMC significant influence over Macmahon, with the ability to block special resolutions of shareholders and potentially to pass or block ordinary resolutions. AMC's interests as a shareholder of Macmahon may differ from the interests of other shareholders, and the existence of this shareholding (together with other major shareholdings) may reduce the prospects of persons making takeover bids for Macmahon in the future.

COUNTRY RISK

While Macmahon has significant operations in Australia, its largest project is in Indonesia. Macmahon also has projects in South Africa and Malaysia. The sovereign risk in these countries is higher than in Australia.

Operating in international markets can expose Macmahon to additional adverse economic conditions, civil unrest, conflicts, terrorism, security breaches and bribery and corrupt practices.

Some countries in which Macmahon operates, or may operate in the future, have less developed legal, regulatory or political systems than in Australia, which may be subject to unexpected or sudden change or in which it may be more difficult to enforce legal rights.

The financial performance and position of Macmahon's foreign operations may be adversely affected by changes in the fiscal or regulatory regimes applying in the relevant jurisdictions, changes in, or difficulties in interpreting and complying with local laws and regulations of different countries (including tax, labour, foreign investment law) and nullification, modification or renegotiation of, or difficulties or delays in enforcing contracts with clients or joint venture partners that are subject to local law.

FINANCING RISK

Macmahon has financing facilities with external financiers. A default under any of these facilities could result in withdrawal of financial support or an increase in the cost of financing.

ACQUISITION AND INTEGRATION RISK

In August 2019, Macmahon announced the completion of its acquisition of GBF. There is a risk this business will not perform as expected or that the integration of the business will be more difficult or costly than planned.

OTHER MATERIAL RISKS THAT COULD AFFECT MACMAHON INCLUDE:

- A major operational failure or disruption at key facilities or to communication systems which interrupt Macmahon's business
- Changing government regulation including tax, occupational health and safety, and changes in policy and spending
- Loss of reputation through poor project outcomes, unsafe work practices, unethical business practices, and not meeting the market's expectation of our financial performance
- Foreign exchange rates and interest rates in the ordinary course of business
- Loss of key Board, management or operational personnel

OUR BOARD

EVA SKIRA

Independent, Non-Executive Chair

Appointed as Non-Executive Director on 26 September 2011; appointed Chair on 27 June 2019

Qualifications: BA (Hons), MBA, SF Fin (Life Member Fin), FAICD, FAIM, FGIA, FCIS

Experience and expertise: Ms Skira has a background in banking, capital markets, stockbroking and financial markets, previously holding executive positions at Commonwealth Bank in the Corporate Banking / Capital Markets divisions and later with stockbroker Barclays de Zoete Wedd.

Ms Skira has served on a number of Boards in business, government and the not-for-profit sectors across a range of industries including engineering, infrastructure, health and finance.

She was Deputy Chair at Metrobus, Non-Executive Director of Doric Construction Group, Deputy Chancellor of Murdoch University and Board Member of MDA National Insurance.

She also has deep understanding of sustainability and environmental practices, having been the Chair of the Water Corporation of Western Australia and Forest Products Commission.

She is currently Chair of Trustees at St John of God Health Care Inc. and Board member at Western Power, WA Parks Foundation and the Western Australia Cricket Association. Ms Skira was recognised in the 2019 Australia Day honours list and awarded a Member of the Order of Australia for her significant service to business in Western Australia.

Current listed directorships: None

Former Australian listed directorships

(last 3 years): RCR Tomlinson Limited (resigned October 2018)

Committee memberships:

- Chair of the Nomination Committee
- Member of the Remuneration Committee
- Member of the Audit and Risk Committee

Interests in ordinary shares: 226,698

Interests in share rights: 277,809

MICHAEL FINNEGAN

Managing Director and Chief Executive Officer

Appointed as Managing Director on 1 October 2019

Qualifications: BSc

Experience and expertise: Mr Finnegan has more than 20 years' experience in the mining industry. The last 15 years have primarily been spent in senior line management positions. Mr Finnegan has a strong commercial and technical background and has spent time in operations on the east and west coast of Australia as well as a number of countries throughout Asia.

Current listed directorships: None

Former Australian listed directorships

(last 3 years): None

Committee memberships:

- Member of the Tender Review Committee

Interests in ordinary shares: 5,019,941

Interests in performance rights: 14,546,154

BRUCE MUNRO

Independent, Non-Executive Director

Appointed 1 October 2019

Qualifications: BE (Hons), FIEAust

Experience and expertise: Mr Munro has more than 40 years' experience as an engineer and manager with major construction and mining contractors in a number of countries including Australia, Asia, India and southern Africa. From 2011 until his retirement in 2015, Mr Munro was the Managing Director of Thiess Pty Ltd, which during this period had approximately 20,000 employees and annual revenues up to approximately \$7 billion. He has been involved as a contractor in the development and operation of numerous mines for clients including BHP, Glencore, Rio Tinto, BP, Peabody, Bumi Resources, Inco, Wesfarmers, Vale and Fortescue. Whilst Mr Munro held the role of CEO, Thiess was mining in excess of approximately 50 million tonnes per annum of coal.

Mr Munro was recently a Non-Executive Director of Australian Pacific Coal Ltd.



EVA SKIRA
Independent, Non-Executive Chair



MICHAEL FINNEGAN
Managing Director and Chief Executive Officer



BRUCE MUNRO
Independent, Non-Executive Director



ALEX RAMLIE
Non-Independent, Non-Executive Director



ARIEF SIDARTO
Non-Independent, Non-Executive Director



HAMISH TYRWHITT
Independent, Non-Executive Director



VYRIL VELLA
Independent, Non-Executive Director

Mr Munro is an Honours graduate from the University of New South Wales School of Civil Engineering and a Fellow of the Institution of Engineers Australia. Mr Munro was previously a Non-Executive Director of then ASX listed Sedgman Ltd. During his career, he served as a Director on a number of industry bodies, international business councils and diversity groups.

Current listed directorships: None

Former directorships (last 3 years): Australian Pacific Coal Ltd (resigned March 2020)

Committee memberships:

- Chair of the Tender Review Committee
- Member of the Audit and Risk Committee
- Member of the Nomination Committee

Interests in ordinary shares: 500,000

Interests in share rights: 312,117

ALEX RAMLIE

Non-Independent, Non-Executive Director

(AMNT Nominee) Appointed 8 August 2017

Qualifications: BA, MA (Economics)

Experience and expertise: Mr Ramlie is currently Director of Operations and Corporate Secretary of PT Amman Mineral Nusa Tenggara (AMNT) and played an instrumental role in the acquisition of PT Newmont Nusa Tenggara (now PT Amman Mineral Nusa Tenggara).

Prior to becoming a Director of AMNT, he was the President Director and Chief Executive Officer of PT Borneo Lumbung Energi & Metal Tbk from 2011 to 2015. Borneo is listed on the IDX and operates a hard coking coal mine in Tuhup, Central Kalimantan, which is held by its wholly-owned subsidiary, PT Asmin Koalindo Tuhup. Between 2012 and 2015, Mr Ramlie was also a Non-Executive Director of LSE listed Bumi PLC, Vice-President Commissioner/Vice-Chairman of IDX listed PT Berau Coal Energy Tbk and its subsidiary, PT Berau Coal, and held Commissioner positions in IDX listed PT Bumi Resources Tbk, PT Kaltim Prima Coal, and PT Arutmin Indonesia.

Mr Ramlie began his career as an investment banker at Lazard Frères & Co.

Current listed directorships: None

Former Australian listed directorships (last 3 years): None

Committee memberships:

- Member of the Nomination Committee

Interests in ordinary shares: 661,713

Interests in share rights: 633,275

ARIEF SIDARTO

Non-Independent, Non-Executive Director

(AMNT Nominee) Appointed 8 August 2017

Qualifications: MBA

Experience and expertise: Mr Sidarto brings his management experience from financial, mining and diversified business groups to the Board of Macmahon. He currently serves as Director of PT Amman Mineral Nusa Tenggara.

Previously, he was Managing Director and Member of the Board of PT Rajawali Corpora (RC), the holding company of a diversified business group in palm oil plantation, gold and other mining assets, transportation, infrastructure, hotels (St. Regis, Four Seasons, Sheraton Hotels), property and media. At RC, he was member of the Finance and Investment Committee, the Ethics Committee and the Audit and Risk Management Committee. Prior to that, he was Managing Partner of Samuel Group, a brokerage and investment banking firm with holdings in plantation, mining and real estate, and concurrently, Managing Director of Wellspring Capital Partners, a private equity firm.

His vast banking and financial experience extends to his career at Goldman Sachs in New York, working in its Structured Finance Division in 1991. He then relocated to Hong Kong and subsequently to Singapore to run investment banking as Chief Operating Officer. During his time, he was responsible for deal execution (M&As, LBOs, restructuring, debt and equity capital raisings), select client relationships and cross selling (commodities, asset-liability management products) and was a Member of Goldman Sachs' Asia Commitments Committee.

He also holds directorships in Singapore entities Slate Alt Pte Ltd and SM Investments Pte Ltd, among others, and is a President of PT Medco Daya Lestari.

Current listed directorships: None

Former directorships of Australian listed entities (last 3 years): None

Committee memberships:

- Member of the Nomination Committee

Interests in ordinary shares: 661,713

Interests in share rights: 633,275

HAMISH TYRWHITT**Independent, Non-Executive Director**

Appointed 1 October 2019

Qualifications: MIE Aust CPEng APEC Engineer (Fellow), ATSE (fellow), HKIE

Experience and expertise: Mr Tyrwhitt has three decades of senior leadership experience in the global engineering and construction sectors. Mr Tyrwhitt was the Group CEO of Dubai Financial Market (DFM) listed construction firm Arabtec Holdings from 2016 to 2019. In addition to his position as CEO of Arabtec Holding, he also held the position of Group CEO of Nasdaq Dubai-listed, interior solutions firm Depa Group, from 2016 to 2019.

Mr Tyrwhitt has served on the Board as an Executive Director of Depa Limited; as a Non-Executive Director of Design Studio Group Limited, a Singapore based subsidiary of Depa Group listed on the Singapore Stock Exchange; and as a Non-Executive Director of Jordan Wood Industries PSC, a listed Jordanian company which manufactures office and household furniture.

Prior to his roles at Depa Group and Arabtec Holdings, he held the position of CEO at Asia Resource Minerals Plc, an Indonesian coal mining company listed in London.

Earlier in his career, Mr Tyrwhitt worked for more than 25 years with Leighton Group (now CIMIC), where he served as Group CEO from 2011 to 2014. From 2007 to 2011, Mr Tyrwhitt oversaw Leighton's Asian operations as the Managing Director for Leighton Asia, from Leighton's Asian headquarters in Hong Kong.

Mr Tyrwhitt is a fellow of the Australian Academy of Technological Sciences and Engineering, a fellow of the Institution of Engineers Australia, a member of the Hong Kong Institute of Engineers and a member of the College of Civil Engineers, Australia.

Current listed directorships: None

Former Australian listed directorships (last 3 years): None

Committee memberships:

- Member of the Nomination Committee
- Member of the Audit and Risk Committee
- Member of the Remuneration Committee
- Member of the Tender Review Committee

Interests in ordinary shares: None

Interests in share rights: 146,503

VYRIL VELLA**Independent, Non-Executive Director**

Appointed 21 November 2007; resigned 31 October 2018; reappointed 29 June 2019

Qualifications: BSc, BE (Hons), M.Eng.Sc, FIEAust, FAICD

Experience and expertise: Mr Vella has over 40 years' experience in the civil engineering, building, property and construction industries. During Mr Vella's 34 years with the Leighton Group (now CIMIC) he held various positions including General Manager NSW, Director of Leighton Contractors Pty Ltd (now CPB Contractors), Founding Director of Welded Mesh Pty Ltd, Managing Director of Leighton Properties and Associate Director of Leighton Holdings. Mr Vella was also a consultant to Leighton Holdings, where he advised on investment in the residential market, general property issues and major construction and infrastructure projects. He also was Non-Executive Director at Devine Limited.

Current listed directorships: None

Former Australian listed directorships (last 3 years): None

Committee memberships:

- Chair of the Audit and Risk Committee
- Chair of the Remuneration Committee
- Member of the Nomination Committee

Interests in ordinary shares: 1,857,842

Interests in share rights: None

EXECUTIVE MANAGEMENT TEAM

MICHAEL FINNEGAN

Managing Director and Chief Executive Officer

Mr Finnegan was appointed as Managing Director in October 2019. He holds a Bachelor of Science (Mining) with more than 20 years' experience in the mining industry. The last 15 years have primarily been spent in senior line management positions. Mr Finnegan has a strong commercial and technical background and has spent time in operations on the east and west coast of Australia as well as a number of countries throughout Asia.

GILES EVERIST

Chief Financial Officer

Mr Everist was appointed as Chief Financial Officer in December 2017. He has more than 30 years' finance experience primarily within the resources sector. He holds a Bachelor of Science (Honours) in Mechanical Engineering from the University of Edinburgh and is also a Chartered Accountant. Prior to joining Macmahon, Mr Everist held the position of Chief Financial Officer and Company Secretary at Monadelphous Group.

GREG GETTINGBY

Chief Development Officer

Mr Gettingby joined Macmahon in 2002 and was appointed to the position of Chief Development Officer in December 2018. He previously held commercial management and legal roles with the Company across all divisions of its business. Prior to joining Macmahon, Mr Gettingby worked as a lawyer in private practice and holds a Bachelor of Arts and a Bachelor of Laws.

CARL O'HEHIR

General Manager, Civil and Surface Australia

Mr O'Hehir holds a Bachelor of Engineering (Mining) and is a Site Senior Executive under the Queensland Coal Mining Safety and Health Act. Mr O'Hehir has 20 years' experience in open cut mining in Queensland and in Africa across technical, operational and managerial roles. Prior to joining TMM in July 2010, Mr O'Hehir held senior positions at Thiess and BHP.

ANDREW DOE

General Manager, Underground

Mr Doe holds a Bachelor of Engineering (Mining) with more than 25 years' industry experience. Mr Doe has a predominantly underground hard rock background across a range of commodities, working for Australian and global producers. Prior to joining Macmahon, Mr Doe worked in a corporate role with a global mining house.

MICHAEL FOULDS

GBF Executive

Mr Foulds holds a Bachelor of Engineering (Mining), First Class Mine Managers Certificates in both Western Australia and the Republic of Fiji. Mr Foulds has more than 35 years' experience in the underground mining industry and was a major shareholder and managing director of GBF prior to the acquisition of GBF by Macmahon.

MARK HATFIELD

General Manager, Plant & Maintenance Services

Mr Hatfield has more than 17 years' experience within the mining and heavy equipment industry and has fulfilled numerous operational and senior leadership roles. Mr Hatfield has a strong technical background and has spent time in operations on the west coast of Australia as well as a number of countries throughout Asia.

ELIZABETH GRAY

General Manager, HSEQ

Ms Gray joined Macmahon as General Manager, HSEQ in 2020 and holds a Graduate Diploma in Occupational Health and Safety and a Bachelor of Nursing. Ms Gray has more than 20 years' experience in senior roles in health, safety and environment. Prior to Macmahon, Ms Gray held management positions with Peabody, Sandvik, BHP and AngloCoal.

PETER BINSTED

General Manager, Asia

Mr Binsted is a Civil Engineer with more than 30 years' experience in hard rock mining and the civil construction business. Since joining Macmahon in 1985, he has held various operational and managerial positions in Australia, with the last 24 years spent in Southeast Asia. Mr Binsted has a strong commercial and operational background gained from managing successful business units in Asia.



MICHAEL FINNEGAN
Managing Director and
Chief Executive Officer



GILES EVERIST
Chief Financial Officer



GREG GETTINGBY
Chief Development Officer



CARL O'HEHIR
General Manager,
Civil and Surface Australia



ANDREW DOE
General Manager,
Underground



MICHAEL FOULDS
GBF Executive



MARK HATFIELD
General Manager, Plant &
Maintenance Services



ELIZABETH GRAY
General Manager,
HSEQ



PETER BINSTED
General Manager,
Asia

SUSTAINABILITY REPORT

We believe that being sensitive to the impact we have on the environment and communities in which we operate is critical to creating long-term sustainable value for our shareholders.

As part of our commitment to sustainability, we have recently appointed Elizabeth Gray to the newly formed role of General Manager, Health, Safety, Environment and Quality (HSEQ), which is responsible for the health and wellbeing of our people and managing our environmental and social footprint.

We measure our sustainability with regards to:

- People
- Environment
- Community involvement
- Business conduct and ethics



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ENVIRONMENT, SOCIAL AND GOVERNANCE HIGHLIGHTS

Safety, Health and Wellbeing

STRONG MINDS

STRONG MINES

Strong Minds, Strong Mines

2019 WAAMH Award for
'Mentally Healthy Workplace'



Safety improvement

LTIFR - 0.12 (record low)
TRIFR - 3.77 (second lowest)

New role of GM, HSEQ

Health, Safety, Environment
and Quality

People development

Increased apprentice and
graduate numbers

Employee engagement

Employee active engagement
score - 77%

COVID-19 Response

Workforce support and assistance

People turnover

9.7%

Diversity Policy

Indigenous - 4.5% (Aus)
Female - 11.5%

Governance



Board of Directors

7 board members,
4 independent including Chair

Code of Conduct Policy

Anti-bribery and
Corruption and Conflicts

Whistleblower

Policy Updated

Social and Community Involvement



CME DETECT

Sponsor of COVID-19 project (\$25k)



The Perkins Institute

Cancer 200: Ride for Research (raised \$235k)

QCoal Ca\$hEdUp

Financial education in regional QLD

Carey Mining

'Get Into Mining' Indigenous program

Sponsorships

Regional and local sports clubs

Indigenous workforce

Jangga Aboriginal trainee program developed with QCoal

Doorn-Djil Yoordaning

Macmahon subsidiary supporting Indigenous regional employment

Environment

Renewable energy

Solar panels installed at head office expected to produce 650,000kWh pa

Rehabilitation

Completed 107 hectares across multiple sites

GHG emissions

(tonnes per CO₂-e)
Scope 1: 6,119 / Scope 2: 1,803



STATEMENT OF VALUES

In everything we do, we think and act according to our guiding principles.

Safety

Think Safe • Act Safe • Enforce Safety

- Lead by example
- Identify and report hazards
- Promote a “Zero-harm Culture”
- Do not accept unsafe acts and conditions

Teamwork

Work Smart • Work Hard • Work Together

- Create a positive and enjoyable environment
- Foster the potential of our people
- Share a common vision of success

Prosperity

Find Value • Drive Value • Achieve Value

- Continue to strive for ongoing efficiency, productivity and quality

Integrity

Be Reliable • Be Direct • Be Honest

- Act lawfully, ethically and responsibly
- Acknowledge the views of employees, stakeholders and communities
- Recognise and promote diversity, cultural heritage and ambitions
- Be trustworthy and fair in all dealings
- Pride, honesty and respect

Environment

Reduce • Recycle • Rejuvenate

- Promote environment awareness
- Minimise waste
- Invest in the environment



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PEOPLE

People are essential to Macmahon’s long term success. Our workforce at the end of June 2020 was 7,059 people, up 27% due to ongoing organic growth and the addition of 452 GBF employees.

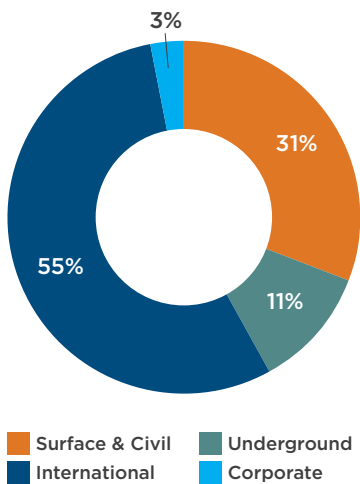
Workforce by location

	Employees	Contractors	Total Workforce
Australia	2,351	822	3,173
Southeast Asia	2,855	1,008	3,863
South Africa	23	0	23
Total	5,229	1,830	7,059

SAFETY, HEALTH AND WELLBEING

The safety and health of our employees, contractors and stakeholders is of primary importance and integral to the way we work. It is a core value of Macmahon. Our aim is to provide an environment free of injury and physical and mental illness.

Workforce by Business Unit

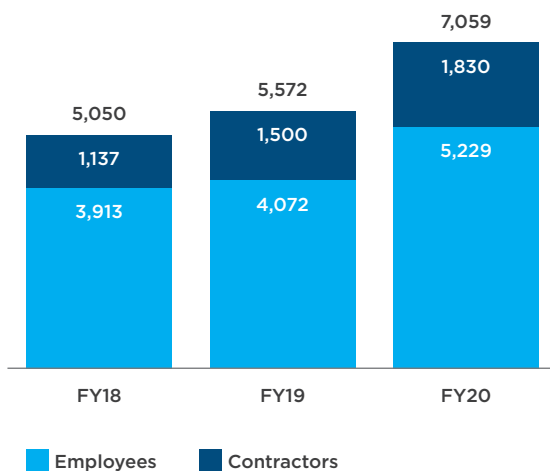


Macmahon measures safety performance using a range of benchmarks including Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR). We also measure various leading indicators and introduced a new Hazard Reporting Frequency measure in the period, which has led to a doubling in hazard reporting.

During the period safety performance measures continued to improve notwithstanding a significant increase in our workforce. Importantly, we had no fatalities or permanent disabling serious injuries.

Macmahon achieved a LTIFR of 0.12, which is well below industry average, and represents a 66.7% improvement from FY19 and is a new record low for the Group.

Workforce over the last three years



Similarly, the TRIFR for the period was 3.77, representing an improvement of 5.3% from FY19 and the Group’s second best TRIFR in its history. The Board and management are targeting further improvement in these performance measures over the coming year.

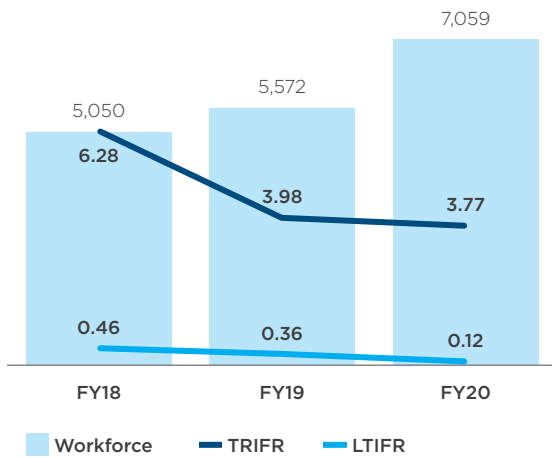
CASE STUDY

STRONG MINDS, STRONG MINES

Macmahon's in house wellness program combines physical and mental health initiatives for our people and their families. Additional online services have been provided to keep everyone connected including fitness classes and a monthly concert series.



Injury Frequency Rates and Workforce



Lost time injuries (LTIs) are defined as injuries that cause the injured person (employee or contractor) to be unfit to perform any work duties for one whole day or shift, or more, after the shift on which the injury occurred, and any injury that results, directly or indirectly, in the death of the person. The Lost Time Injury Frequency Rate (LTIFR) is the number of LTIs per million hours worked. Total Recordable Injuries (TRIs) are the number of LTIs + restricted work injuries (RWIs) + medically treated injuries (MTIs) for employees and contractors. Total Recordable Injury Frequency Rate (TRIFR) is the number of TRIs per million hours worked.

Macmahon aims to create a positive safety culture across the Group and the physical and mental wellbeing of our people remains an important focus. The success of our physical health and mental health program, *Strong Minds, Strong Mines*, was recognised in November 2019, when we won the 2019 Mentally Healthy Workplace award from the Western Australian Association for Mental Health. This program has been of great value during the COVID-19 pandemic, particularly for our site based workforce and their families. Macmahon is now offering this program as a service to other participants of the mining sector.

AUDITING AND ISO CERTIFICATION

Macmahon's Occupational Health and Safety Management Systems are accredited to the applicable Australian and International Standards including ISO 9001:2015, ISO 14001:2015, BS OHSAS 18001:2007 and AS/NZS 4801:2001. We conduct quarterly risk reviews and regular training. External audits are performed annually by both our clients and an independent third party for certification purposes.

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STRESS MANAGEMENT AND COVID-19

During the year we implemented a range of measures to continue to deliver mining services for our clients and at the same time to support and protect the health and wellbeing of our people in response to the COVID-19 pandemic. These measures included:

- Providing financial support to those directly impacted and quarantine assistance
- Securing accommodation for more than 150 interstate fly-in-fly-out (FIFO) workers required to temporarily relocate to the state in which they work
- Identifying high-risk members of our workforce and providing health plans managed by our Group Doctor
- Focusing on fatigue management including providing additional break times
- Continuing access to our 24 hour 7 day a week Employee Assistance Program
- Accommodating our Batu Hijau workforce on Lombok Island for a two-week quarantine period before transferring to the mine site on Sumbawa Island
- Requiring the use of face masks while on site at Batu Hijau

The COVID-19 situation across world and in the regions we operate remains dynamic. We continue to closely monitor the situation and will respond accordingly.

LABOUR RELATIONS AND EMPLOYEE ENGAGEMENT

Macmahon believes in providing flexible working conditions, leave and allowances to support overall wellbeing and a positive work-life balance for our people.

In Australia, at various sites we offer our FIFO workforce the flexibility to choose their preferred roster pattern for example either 2 weeks on / 1 week off or 2 weeks on / 2 weeks off. We also provide our Perth head office employees free access to on-site gym facilities and classes.

In Indonesia, we hold quarterly consultative committee meetings with representatives of the workforce to communicate and promote positive labour relations. We also offer production bonuses and health insurance for employees and their family members.

Macmahon conducted its third consecutive annual employee engagement survey during the year to gain further insights on vision and strategy, leadership, engagement and communication. Our active engagement score was 77%, which represents a slight improvement on the FY19 score.

Importantly, Macmahon’s turnover rate has improved significantly over the period. The following table sets out the Group’s turnover rates over a 12 month rolling average basis.

Turnover

	FY20	FY19
Staff turnover	9.7%	12.5%
Wages turnover	9.7%	12.4%

PEOPLE DEVELOPMENT

Macmahon is committed to investing in the ongoing development of our people and retaining core organisational skills and knowledge. We continued to invest in our apprenticeship, graduate and leadership programs throughout the year. In FY20:

- Our apprenticeship numbers increased from 33 to 51
- Over 300 people participated in a range of traineeship programs
- We hired 10 graduates
- 115 of our leaders participated in structured leadership programs and coaching

We also remain committed to several entry level development programs enabling newcomers to the industry to build a career with Macmahon. We held five assessment days during the year, and expanded this approach to our underground operations.

Additionally, we expanded several training initiatives including:

- Registered Training Organisation services to include Underground Metalliferous Mining, Certificate II in Air-conditioning and implemented an Open Cut Examiner (OCE) program at the Byerwen project
- Post-trade technical training program, which is focused on developing trade skills to match the range and technological advancements of our equipment

Following the acquisition of GBF, we have increased the number of employees and continued to invest in the business, ensuring a positive integration into the Group.

HUMAN RESOURCE SYSTEM

Over the year, Macmahon embarked on improving our people processes by implementing the cloud-based software, SuccessFactors. The first phase was completed in February 2020, which resulted in the standardisation of processes across the Group. The second phase of the project will be rolled out during FY21 and is designed to build on our talent management capabilities including the development of career pathways and online training.



**CASE STUDY
JANGGA INDIGENOUS
TRAINEE PROGRAM**

Macmahon provides a training and development program at the Byerwen coking coal mine in Queensland for the local traditional land owners (the Jangga people). Formal traineeships result in a Certificate III in Surface Extraction and a career in mining with Macmahon.

WORKPLACE DIVERSITY

Macmahon recognises the benefits of having a diverse workforce and seeks to create an inclusive workplace environment where the diverse experiences, perspectives and backgrounds of people are valued and utilised.

The Group’s Diversity Policy is available on the Macmahon website, and requires the Board to set and report against measurable diversity targets. The following table outlines our measurable objectives in relation to diversity and the progress made towards achieving those objectives at 30 June 2020:

Diversity Targets

	FY20 Target	FY20 Actual	FY21 Target
Indigenous Australian ²	5.5%	4.6%	5.5%
Female Directors	30%	14%	30%
Percentage of females in senior management positions ^{1,2}	20%	12%	20%
Percentage of female employees across the whole organisation	15%	11.5%	15%

1 For the purpose of this target, senior executive positions are defined as those with senior managerial responsibilities in either corporate or operational areas, and includes project managers
2 Australia only

Macmahon continues to support improvements in the industry’s gender ratio by actively encouraging female applicants and has set a target of 25% female appointments for entry level programs. The Group produced a separate report on its Gender Equality Indicators in accordance with the *Workplace Gender Equality Act 2012*. A copy of this report is available on our website.

In addition, Macmahon actively encourages the employment of Indigenous Australians and we continue to work with our clients in other areas to provide opportunities for Indigenous participation in our projects. In FY20:

- We had a 28% increase in Indigenous employees compared to last year
- 24 individuals from the Jangga people, the local Indigenous group from the Queensland Central Highlands completed our Jangga Job Readiness Program and commenced work at the Byerwen project
- Eight Indigenous employees participated in a traineeship at Tropicana

ENVIRONMENT

Macmahon’s Environmental Policy is to minimise the adverse impact on the environment as a result of our business activities.

ENVIRONMENTAL STRATEGY

The Group recognises the importance of integrating environmental management into how we do business. Macmahon’s ISO AS/NZS 14001 certified Environmental Management System provides the framework to enhance the Group’s environmental performance. We continued to implement environmental management strategies and plans to ensure compliance with all legal requirements regarding important issues such as biodiversity, waste, hazardous substances, water, noise and cultural heritage management. We are pleased to report that there were no major environmental incidents, prosecutions or infringements.

Increasing our market share in rehabilitation work is a key part of our business strategy and there are a number of rehabilitation projects in our tender pipeline. This work typically includes completing earthworks and revegetation on land disturbed by mining activities to ensure it is stable, safe and suitable for post-closure use. During the year, we rehabilitated a total of 107 hectares for our clients.

CLIMATE CHANGE

Macmahon’s Climate Change Position Statement, which is available on our website, acknowledges that climate change poses a threat to our environment. Macmahon had minimal exposure to thermal coal mining over the year and continues to mine commodities such as copper which will support the transition to a lower carbon economy.

The Group’s primary source of direct greenhouse gas (GHG) emissions is through the use of fuel in our mobile mining equipment. Fuel consumption will vary depending on factors such as the hardness of the rock being extracted and the depth of the mine.

Macmahon measures and reports its GHG emissions yearly via an independent consultant, in accordance with the National Greenhouse and Energy Reporting Scheme (NGERS 2007). During FY20, our scope 1 (direct) GHG emissions was 6,119 tonnes per CO₂-e, while our scope 2 (indirect) GHG emissions was 1,803 tonnes per CO₂-e. The increase in scope 1 GHG emissions is primarily due to the acquisition of GBF Group which predominantly sources its own fuel.

GHG Emissions

Total Tonnes CO ₂ -e	FY20	FY19	FY18	FY17	FY16
Scope 1	6,119	795	569	156	127
Scope 2	1,803	1,761	1,538	1,583	1,465

To reduce our GHG emissions, we have installed solar panels at our head office which are expected to produce 650,000kWh of electricity per year and decrease our consumption from the grid.

During FY21, we will engage an environmental specialist to target further reductions in our GHG emissions, strengthen our environmental management systems and oversee other measures to improve our environmental performance.

WASTE AND RECYCLING

Macmahon remains committed to ensuring that all waste materials are disposed of in an approved and environmentally responsible manner. This includes materials such as tyres, oils and lubricants and office waste. We often repair tyres to extend life but once they have reached a worn out state, they are disposed through Environmental Protection Authority approved channels and the use of certified waste disposal companies.



CASE STUDY
ENVIRONMENTAL SAMPLING

Macmahon is committed to reducing the impacts on water quality associated with its mining operations. Regular sampling and reporting takes place at the Sejorong River in Sumbawa, near Batu Hijau's copper-gold mine in Indonesia.

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In October 2019, Team Macmahon's 49 riders participated in the Cancer 200: Ride for Research to raise funds for The Harry Perkins Institute of Medical Research.



COMMUNITY INVOLVEMENT

Macmahon's approach to community relations is to treat our host communities with respect, to be sensitive regarding the impacts of our mining operations, and to deliver tangible and ongoing benefits.

During the year, Macmahon continued its partnership with The Harry Perkins Institute of Medical Research (the Institute), participating in its annual ride from Perth to Mandurah in Western Australia. Our team of riders has increased each year as has the amount of funds raised. In October 2019, Macmahon participated with 49 riders, including people from our Indonesian operations, and raised \$234,729. The ride provides an opportunity for our people to participate in the important and rewarding act of charitable giving. Money raised is used by the Institute to continue its efforts to find cures for hard to treat cancers.

Macmahon understands that sport plays an important role in rural, regional and remote Australia by bringing communities together and supporting mental and physical health. During the year, Macmahon proudly sponsored the Amateur Kambalda Football Team who play in the Goldfields Football League in Western Australia. In addition, Macmahon has partnered with the Perth Football Club to enable school children in Western Australia to participate in a program to help promote healthy lifestyle choices leading to happier, healthier and more motivated students.

Macmahon is also a supporter of the QCoal Foundation and has signed a three year commitment with the Foundation's Ca\$hED Up program. This program is designed to improve the financial knowledge of young Australians, with a particular focus on those living in regional and remote communities in Queensland.

As part of our COVID-19 response we have provided protective masks and industrial cleaning products to the Institute and also donated laptop computers to various charitable organisations to enable their employees to work from home.

BUSINESS CONDUCT AND ETHICS

HUMAN RIGHTS

Macmahon respects internationally recognised human rights principles. We support the overarching proposition that all businesses have a role to play in eliminating modern slavery in our operations and supply chains. Our Human Rights Policy includes a commitment that our employees, contractors and suppliers are entitled to work in an environment and under conditions that respect their rights and dignity. We also have human rights commitments in our Code of Conduct and policies on issues such as employment and diversity.

ETHICAL SOURCING

Macmahon is undertaking due diligence activities to identify, address, mitigate and prevent human rights impacts from our operations and supply chain through our procurement practices and contractual arrangements. This includes conducting supplier questionnaires and training employees in charge of procurement. We will publish a Modern Slavery Statement in FY21 in accordance with the *Modern Slavery Act 2018*.

ANTI-BRIBERY AND CORRUPTION

Integrity is one of Macmahon's five core values and we expect all employees to act lawfully, ethically and responsibly. Our expectations on anti-bribery and corruption are detailed in our Code of Conduct which is available on our website.

Macmahon's approach to bribery and corruption is supported by our Whistleblower Policy. We have a number of channels for making a report, including a whistleblower hotline for employees to call if they feel unable to raise actual or suspected unlawful, unethical or irresponsible behaviour. Where potential issues are reported, we have protocols in place where a Board-level committee will be confidentially alerted to these concerns.

All employees are required to complete training on our Code of Conduct in their induction program and annually thereafter.

There were no instances of fines or prosecutions for non-compliance with applicable Australian and international laws during the year.



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DIRECTORS

The following persons were Directors of Macmahon Holdings Limited during the financial year and up to the date of this report, unless otherwise stated:

- Eva Skira, 66 (Chair)
- Michael Finnegan, 45
(Chief Executive Officer and appointed Managing Director since October 2019)
- Vyril Vella, 71
- Hamish Tyrwhitt, 57 (appointed October 2019)
- Bruce Munro, 67 (appointed October 2019)
- Alexander Ramlie, 47
- Arief Widyawan Sidarto, 51

Particulars of their qualifications, experience, special responsibilities and any directorships of other listed Australian companies held within the last three years are set out in this Annual Report under the "Our Board" heading on pages 30 to 33 and form part of this report.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors (the Board) and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

Attendance	Regular		Special (A)		Audit and Risk Committee		Remuneration and Nomination Committee ¹		Remuneration Committee ¹		Nomination Committee ¹		Other Committee (B)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
E Skira	8	8	9	9	4	4	1	1	2	2	1	1	3	3
M J Finnegan⁵	6	6	5	5	*	*	*	*	*	*	*	*	2	2
V A Vella	8	8	9	8	4	4	1	1	2	2	1	1	2	2
A Ramlie⁴	8	8	9	7	1	1	1	1	*	*	1	1	*	*
A W Sidarto	8	8	9	7	*	*	*	*	*	*	1	1	*	*
H G Tyrwhitt²	6	6	5	5	3	3	*	*	2	2	1	1	1	1
B A Munro³	6	6	5	5	3	3	*	*	*	*	1	1	1	1

A Special Board meetings, unscheduled meetings called at short notice

B Other committees include sub-committees of the Board

* Not a member of the relevant committee

1 From 12 November 2019, the responsibilities of the Remuneration and Nomination Committee were split between a separate Nomination Committee and a separate Remuneration Committee each operating under their own charter approved by the Board

2 Mr Tyrwhitt was appointed as a Director of the Company on 1 October 2019 and a member of the Audit and Risk Committee, Remuneration Committee and the Nomination Committee on 12 November 2019

3 Mr Munro was appointed as a Director of the Company on 1 October 2019 and a member of the Audit and Risk Committee and the Nomination Committee on 12 November 2019

4 Mr Ramlie retired as a member of the Audit and Risk Committee and the Remuneration and Nomination Committee on 12 November 2019

5 Mr Finnegan was appointed as a Director of the Company on 1 October 2019

COMPANY SECRETARIES**Gregory Gettingby BA LLB**

Mr Gettingby holds a Bachelor of Arts and a Bachelor of Laws. Mr Gettingby joined Macmahon in 2002 and was appointed to the position of Chief Development Officer in 2018. He previously held commercial management and legal roles with the Company.

Prior to joining Macmahon, Mr Gettingby worked as a lawyer in private practice.

Katina Nadebaum B.Com, CA

Ms Nadebaum joined the Company in November 2018 as Joint Company Secretary. Previously, Ms Nadebaum was the Company Secretary of Macmahon Holdings Limited in May 2008 to February 2011 and recently the Company Secretary of Programmed Maintenance Services Limited.

Prior to that she has held the role of Company Secretary for various public companies and has also worked as an Accountant in public practice where she provided corporate and company secretarial advice.

PRINCIPAL ACTIVITIES

The principal activities of the Group consisted of providing mining and consulting services to mining companies throughout Australia, Southeast Asia and South Africa.

Apart from the above, or as noted elsewhere in this report, there were no significant changes in the nature of the activities of the Group during the financial year under review.

DIVIDENDS

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Declared and paid during FY20

	Cents	\$	Date of payment
Interim 2020 ordinary	0.25	5,237,996	2 Apr 20
Final 2019 ordinary	0.50	10,474,974	29 Oct 19

Declared after year end

After the balance sheet date, the following dividends were proposed by the Directors:

	Cents	\$	Date of payment
Final 2020 ordinary	0.35	7,350,514	29 Oct 20

As the final dividend was declared after the 30 June 2020, the financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2020.

REVIEW OF OPERATIONS

For the year ended 30 June 2020, the Group reported increases in revenue, EBIT and NPAT. This was driven by organic growth, including the commencement of the Boston Shaker Underground Project in May 2019 and increases in production volumes at the Batu Hijau Mine. The increases were also driven by the inclusion of the GBF Group from August 2019.

A review of and information about the operations of the Group during FY20 is contained on pages 14 to 25, which form part of this Directors' Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

Acquisition of 100% subsidiary - GBF Group

On 2 August 2019, the Group acquired 100% of GF Holdings (WA) Pty Ltd and its subsidiaries (GBF), a Perth based underground contractor. The acquisition of GBF is consistent with Macmahon's strategy of growing capability and scale in its underground division to capitalise on the significant level of underground opportunities.

For details of the acquisition please refer to note 32 of the consolidated financial statements and ASX announcements dated 18 June 2019 and 2 August 2019.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to 30 June 2020, the Board approved a final dividend on ordinary shares of 0.35 cents per ordinary share in respect of FY20.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Group in future financial years and the expected results of those operations have been included generally within the annual report.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

REMUNERATION REPORT (AUDITED)

The audited remuneration report is set out on pages 58 to 68 and forms part of this Directors' report.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

For the year ended 30 June 2020, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During FY20, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE PARENT ENTITY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the consolidated financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 29 to the consolidated financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board*, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity, acting as advocate or jointly sharing economic risks and rewards.

ROUNDING OF AMOUNTS

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to "rounding-off". Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.


AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 56.

AUDITOR

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



EVA SKIRA

Chair
26 August 2020
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 audit of Macmahon Holdings Limited for the financial year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

R Gambitta
Partner

Perth

26 August 2020

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REMUNERATION REPORT

This Remuneration Report for the year ended 30 June 2020 has been audited by the Company's external auditor.

The remuneration report details the remuneration arrangements for key management personnel (KMP) as defined by and in accordance with the requirement of the *Corporations Act 2001* (the Act) and its regulations.

1 EXECUTIVE REMUNERATION

1.1 Overview

The Company's approach to remuneration is to compensate employees in a way that is cost effective and appropriate for current industry conditions, but also sufficient to attract, retain and incentivise the calibre of personnel needed to effectively manage the Group's business. To this end the remuneration packages offered to senior executives have three components:

- market competitive fixed remuneration
- a short term incentive opportunity, or the opportunity to earn a cash bonus dependent on performance over an annual period
- a long term incentive opportunity, or the opportunity to earn Macmahon shares dependent on performance over multiple years

The targeted remuneration mix for executive KMP for the year ended 30 June 2020 is outlined below:

	Fixed remuneration	At risk	
		Short term incentive	Long term incentive
Michael Finnegan Chief Executive Officer and Managing Director	33%	33%	34%
Giles Everist Chief Financial Officer	43%	21%	36%
Greg Gettingby Chief Development Officer	42%	21%	37%

The percentage of the long-term incentive in this table reflects the accounting standard value as noted in the remuneration table and includes FY20 expense for performance rights granted in previous years.

1.2 Fixed remuneration

The fixed remuneration paid to executive KMP is based on the size and scope of their role, knowledge and experience, market benchmarks for that role, and to some extent the Group's financial circumstances. Fixed remuneration comprises base salary, any applicable role specific allowances, and superannuation.

Macmahon regularly reviews and benchmarks fixed remuneration to monitor how that remuneration compares to the market and relevant industry peers. Benchmarking was completed in late FY19 using industry surveys for executive KMP and a report for the CEO from Mercer Consulting (Australia) Pty Ltd (Mercer). Based on the results of the market benchmarking review, a 3% base salary increase was provided to executive KMP during the year.

1.3 FY20 Short term incentive (STI)

During FY20, the STI opportunity provided to executive KMP had the following features:

Purpose of the plan	Incentivise employees to achieve the Group's annual targets for EBIT(A) and ROE. These targets were derived from the Company's initial publicly stated EBIT(A) guidance range of \$80 million to \$90 million, which was provided with the release of the FY19 result. The STI was structured to commence upon achievement of the mid-point of the Company's publicly stated EBIT(A) guidance and ROE targets, and to increase in line with any additional EBIT(A) or ROE, up to a cap.
Reasons for using these targets	EBIT(A) and ROE were chosen as the targets for the STI to simplify administration of the plan, and to focus executive KMP on two key metrics used by shareholders of the Company.
Weighting of performance targets	Any STI payment is to be calculated 75% based on EBIT(A) performance, and 25% based on ROE.
Performance period	Performance against the STI targets relate to the period from 1 July 2019 to 30 June 2020.
Form of payment	Cash
Executive claw back	The after-tax STI payment to executive KMP may be claimed back by the Company at any time up to two years after payment in the event of: <ul style="list-style-type: none"> (a) a restatement of the Group's financial results (other than a restatement caused by a change in applicable accounting standards or interpretations), the result of which is that any STI awarded to the KMP would have been a lower amount had it been calculated based on such restated results; or, (b) fraudulent, dishonest or other improper conduct of the executive KMP
Board discretion	The Board has the right to modify, reduce or remove the STI opportunity at any time, including if there is a fatality.

Potential bonus awards

The table below shows the potential bonus awards, as a percentage of total fixed remuneration (TFR), available to the executive KMPs under the FY20 STI Plan.

	Performance level		
	Threshold (lower end of initial guidance range)	Target (high end of initial guidance range)	Stretch (capped at \$95 million EBIT)
M Finnegan	0% of TFR	100% of TFR	150% of TFR
G Everist	0% of TFR	50% of TFR	75% of TFR
G Gettingby	0% of TFR	50% of TFR	75% of TFR

1.4 Changes to the STI opportunity in FY21

For FY21, the Board has included two further targets related to safety and order book in the STI Plan. These targets are in addition to the previous EBIT and ROE targets.

The Board will have the right to modify, reduce or remove the STI opportunity at any time.

1.5 Long term incentive (LTI)

At the discretion of the Board, the Company provides a LTI opportunity to executive KMP through the grant of performance rights. These performance rights can vest into fully paid ordinary shares in the Company, for no consideration, subject to meeting a performance condition and a continued employment condition. The purpose of this LTI opportunity is to incentivise executive KMP to deliver sustained increases in shareholder wealth over the long term.

Performance condition

The vesting of performance rights is dependent on the Company's absolute level of compound annual growth rate (CAGR) of total shareholder returns (TSR) over a defined performance period.

The reasons for selecting this performance condition include that (a) it provides a straightforward measure of Group performance that is simple to communicate to employees and for them to continuously monitor; (b) it is an important metric for shareholders in a company of Macmahon's size and risk profile, many of whom have indicated that they seek absolute returns, rather than returns relative to an index, and (c) it should closely match the actual returns received by shareholders in the Company.

For the purposes of calculating TSR, the starting share price is based on the volume weighted average price (VWAP) over the 30 calendar days prior to the first day of the performance period, and the closing share price is based on the VWAP over the 30 calendar days up to and including the final day of the performance period.

For all performance rights on issue as of 30 June 2020, the portion of each grant of rights eligible to vest at various levels of increase in CAGR TSR is:

Company's TSR performance over the performance period	Proportion of performance rights that are eligible to vest at the end of the performance period
Less than 17 % CAGR TSR growth	0%
17% CAGR TSR growth	50%
Between 17% and < 25% CAGR TSR growth	50%, plus a straight-line increase in % award until 25% TSR is achieved
At 25% CAGR TSR growth and above	100%

Continued employment condition

Performance rights lapse if a holder ceases employment before the rights vest, unless the Board in its absolute discretion determines otherwise. There is no vesting of performance rights based solely on continued employment.

In addition, 22,627,351 performance rights issued to executive KMP during FY19 were subject to a condition of continued employment for one year after any vesting of those performance rights. Under this condition, if any of the relevant performance rights vest into shares, the holder must remain an employee of the Group for a further year before the shares are transferred to that individual.

Change of control

If a change of control occurs or if the Company is wound up or delisted, the Board may (at its absolute discretion) determine that all or a portion of the performance rights on issue will vest, notwithstanding that time restrictions or performance conditions applicable to the performance rights have not been satisfied.

Testing of the performance condition

Performance rights are tested for vesting only once at the end of the performance period. That is, there is no re-testing of performance rights.

Dividends and voting rights

Performance rights do not have dividend or voting rights. However, the shares allocated upon vesting of performance rights rank equally with other ordinary shares on issue.

Restriction on disposal of shares

The shares allocated to performance rights holders upon the vesting of those rights are initially held in a trust and are subject to disposal restrictions in line with the Company's Trading in Shares Policy.

Performance rights granted in FY20

No performance rights were granted to executive KMP during FY20. However, the Company granted performance rights to other employees of the Group during FY20. These performance rights have a three-year performance period and continued employment requirement. Details of all performance rights issued by the Company are set out in note 28 to the consolidated financial statements included in this Annual Report.

1.6 Statutory performance indicators (including variable remuneration measures)

The table below shows measures of the Group's financial performance over the past five years as required by the *Corporations Act 2001*. However, these measures are not all consistent with the measures used in determining the variable amounts of remuneration to be awarded to executive KMP. Consequently, there may not always be a direct correlation between statutory key performance measures and the variable remuneration awarded to executive KMP.

	FY20	FY19	FY18	FY17	FY16
Statutory performance indicators					
Profit / (loss) after income tax expense from continuing operations (\$m)	64.9	46.1	31.3	(5.5)	10.8
Reported basic earnings per share from continuing operations (EPS) (cents)	3.10	2.19	1.53	(0.47)	0.87
Dividends declared (cents per share)	0.60	0.50	-	-	-
Dividends paid (cents per share)	0.75 ¹	-	-	-	-
Share price at 30 June (cents)	25.5	18.5	21.5	16.5	8.8
Total Shareholder Return (TSR) (%)	41.9	(14.0)	30.3	87.5	33.3

¹ 0.75 cents per share includes the final dividend for 2019 of 0.50 cents per share and the interim dividend for 2020 of 0.25 cents per share

The FY20 STI Plan was designed to incentivise the achievement of a significant growth of earnings in line with the Group's initial FY20 EBIT guidance of \$80 to 90 million, while maintaining ROE. The Company's LTI Plans are intended to drive sustainable growth in TSR, which will benefit shareholders through increases in the price of their ordinary shares and the payment of dividends.

1.7 Employment contracts

The Company's executive KMP are engaged under employment contracts that are ongoing and have no fixed termination date. However, these contracts may be terminated by notice from either party.

Key details of the employment contracts of the current executive KMP are set out below:

	Annual fixed remuneration, including superannuation	Other remuneration	Notice periods to terminate	Termination payments
M Finnegan	\$643,750	Short term and long term incentive opportunities as described above.	3 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements; plus if the executive is terminated or resigns in certain circumstances following a change of control or delisting of Macmahon, a payment equal to 6 months of annual fixed remuneration, including superannuation. Any unvested performance rights held by the executive KMP lapses upon termination or resignation, unless the Board in its absolute discretion determines otherwise.
G Everist	\$515,000			
G Gettingby	\$463,500			

2 NON-EXECUTIVE DIRECTOR REMUNERATION

The structure of the remuneration provided to Non-Executive Directors is distinct from that applicable to executive KMP. Non-Executive Directors only receive fixed remuneration which is not linked to the financial performance of the Group.

The remuneration provided to Non-Executive Directors in FY20 is set out below:

	Cash remuneration ¹ \$	Salary sacrifice for share rights \$	Total \$
Eva Skira	152,048	40,685	192,733
Alexander Ramlie	18,676	91,324	110,000
Arief Sidarto	18,676	91,324	110,000
Vyril Vella	126,667	-	126,667
Bruce Munro	62,032	27,968	90,000
Hamish Tyrwhitt	71,872	13,128	85,000

¹ Cash remuneration includes salary, committee fees and superannuation

The maximum aggregate amount that can be paid to Non-Executive Directors is \$1,100,000 per annum, including superannuation (the Fee Pool). There has been no increase to the Fee Pool amount since its approval by shareholders at the 2008 Annual General Meeting.

Share rights

A Non-Executive Director Salary Sacrifice Plan (NED SSP) was initiated by the Company during FY19, pursuant to which Non-Executive Directors may elect to sacrifice all or a portion of their annual pre-tax directors' fees and committee fees (excluding superannuation) in the form of share rights. Vesting is contingent on the Non-Executive Director remaining continuously engaged by the Company as a Non-Executive Director. Excluding Directors appointed during the year, share rights were granted in two tranches on 2 August 2019 (50% vesting on the day after release of Macmahon's half year results and 50% vesting on the day after release of Macmahon's full year results). For Directors appointed during the year, share rights were granted on 16 December 2019 (vesting on the day after release of Macmahon's full year results). The share rights may be cash settled at the request of the Non-Executive Director prior to vesting.

For additional information on restrictions or failure to vest, refer to the ASX announcement, dated 5 July 2018.

In accordance with Australian Accounting Standards, as the share rights provide an option over equity, they have been fair valued as of their grant dates. Details of the share rights are provided in section 6.

3 REMUNERATION GOVERNANCE

The Board oversees the remuneration arrangements of the Company. In performing this function, the Board is assisted by input and recommendations from the Remuneration Committee (the Committee), external consultants and internal advice. The Committee is responsible for the overview, and recommendation to the Board, of remuneration arrangements for Non-Executive Directors and executive KMP. The CEO and Managing Director, in consultation with the Board, sets remuneration arrangements for other executive KMP. No employee is directly involved in deciding their own remuneration, including the CEO.

Further details of the role and function of the Committee are set out in the Remuneration Committee Charter on the Company's website at www.macmahon.com.au.

The Committee obtains advice and market remuneration data from external remuneration advisors as required. When advice and market remuneration data is obtained, the Committee follows protocols regarding the engagement and use of external remuneration consultants to ensure ongoing compliance with executive remuneration legislation. These protocols ensure that any remuneration recommendation from an external consultant is free from undue influence by any member of the Company's executive KMP to whom it relates.

The protocols for any external consultant providing remuneration recommendations prohibit them from providing advice or recommendations to executive KMP or Non-Executive Directors before recommendations are given to the Committee. These arrangements were implemented to ensure that any external party will be able to carry out its work, including information capture and formation of its recommendations, free from undue influence by the individuals to whom they relate.

In late FY19, the Company engaged Mercer to provide benchmarking information about market remuneration levels for the CEO in a peer group of ASX listed companies. This information was not a remuneration recommendation as defined by the Act, however, was considered by the Board in the FY20 remuneration review process.

The Board is satisfied that the remuneration benchmarking data provided by Mercer was free from undue influence by employees of Macmahon.

In November 2019, the Remuneration and Nomination Committee was separated into a Remuneration Committee and a Nomination Committee, each operating under their own Board approved charter.

4 VALUE PROVIDED TO KMP

4.1 Statutory remuneration for the year ended 30 June 2020

Details of the nature and value of each major element of remuneration provided to KMP of the Company during FY20 are set out in the table below. In this table, the value of share based payments has been calculated in accordance with Australian Accounting Standards.

Directors Non-Executive	Year	Short-term					Total short-term \$
		Salary \$	Committee fees \$	One off discretionary payments \$	Cash bonus / STI \$	Non- monetary benefits \$	
E Skira Chair	2020	176,012	-	-	-	-	176,012
	2019	91,324	13,699	-	-	-	105,023
A Ramlie	2020	100,457	-	-	-	-	100,457
	2019	91,324	-	-	-	-	91,324
A Sidarto	2020	100,457	-	-	-	-	100,457
	2019	91,324	-	-	-	-	91,324
V Vella	2020	92,846	22,831	-	-	-	115,677
	2019	33,486	-	-	-	-	33,486
B Munro ¹	2020	77,055	5,137	-	-	-	82,192
	2019	-	-	-	-	-	-
H Tyrwhitt ²	2020	77,626	-	-	-	-	77,626
	2019	-	-	-	-	-	-
Total compensation for Non-Executive Directors ³	2020	624,452	27,968	-	-	-	652,420
	2019	307,458	13,699	-	-	-	321,157

Executives	Year	Short-term					Total short-term \$
		Salary \$	Committee fees \$	One off discretionary payments \$	STI bonus ⁴ \$	Non- monetary benefits \$	
M Finnegan Chief Executive Officer and Managing Director ³	2020	622,690	-	-	735,714	1,021	1,359,425
	2019	604,389	-	106,000	132,550	1,142	844,081
G Everist Chief Financial Officer	2020	490,000	-	-	294,286	2,255	786,541
	2019	463,854	-	-	53,020	2,506	519,380
G Gettingby Chief Development Officer	2020	438,500	-	40,000	264,857	793	744,150
	2019	425,000	-	60,609	47,718	890	534,217
Total compensation executive personnel	2020	1,551,190	-	40,000	1,294,857	4,069	2,890,116
	2019	1,493,243	-	166,609	233,288	4,538	1,897,678
Total compensation for Directors and Executives ⁸	2020	2,175,642	27,968	40,000	1,294,857	4,069	3,542,536
	2019	1,800,701	13,699	166,609	233,288	4,538	2,218,835

1 Mr Munro was appointed as a Non-Executive Director in October 2019

2 Mr Tyrwhitt was appointed as a Non-Executive Director in October 2019

3 Mr Finnegan was appointed as Managing Director in October 2019

4 2019 STI includes 25% for shares purchased on market held in escrow until 1 July 2021

5 Other long term benefits relates to the movement in leave liabilities for each Executive

6 Represents the the fair value at grant date of the share rights issued for salary sacrificed over the vesting period of the award

7 Represents the statutory remuneration expense based on the fair value at grant date of the performance rights over the vesting period of the award

8 Total compensation for 2019 excludes KMP who resigned in June 2019

	Other long-term benefits \$	Post employment Super-annuation \$	Share-based payment ⁶ Options and rights \$	Performance related %	Non-Performance Related %	Compensation consisting of options and rights %	Total compensation \$
	-	16,721	752	-	100	-	193,485
	-	9,977	1,009	-	100	-	116,009
	-	9,543	1,820	-	100	-	111,820
	-	8,676	3,509	-	100	-	103,509
	-	9,543	1,820	-	100	-	111,820
	-	8,676	3,509	-	100	-	103,509
	-	10,989	-	-	100	-	126,667
	-	3,181	-	-	100	-	36,667
	-	7,808	366	-	100	-	90,366
	-	-	-	-	100	-	-
	-	7,374	172	-	100	-	85,172
	-	-	-	-	100	-	-
	-	61,980	4,930	-	100	-	719,330
	-	30,510	8,028	-	100	-	359,694

	Other long-term benefits ⁵ \$	Post employment Super-annuation \$	Share-based payment ⁷ Options and rights \$	Performance related %	Non-performance related %	Compensation consisting of options and rights %	Total compensation \$
	2,960	21,060	664,169	68	32	32	2,047,614
	25,380	20,611	725,587	53	47	45	1,615,659
	6,812	25,000	433,321	58	42	35	1,251,674
	12,089	31,931	433,321	49	51	43	996,721
	19,121	25,000	413,963	60	40	-	1,202,234
	53,827	25,000	454,434	47	53	-	1,067,478
	28,893	71,060	1,511,453	63	37	34	4,501,522
	91,296	77,542	1,613,342	50	50	44	3,679,858
	28,893	133,040	1,516,383	54	46	29	5,220,852
	91,296	108,052	1,621,370	46	54	40	4,039,552

4.2 Voluntary information – Remuneration received by executive KMP for the year ended 30 June 2020

The amounts disclosed below reflect the benefits actually received by each KMP during the reporting period:

	Fixed remuneration ¹ \$	One-off discretionary bonus \$	Awarded STI (cash) ² \$	Awarded STI (shares) ² \$	Vested LTI ³ \$	Realised remuneration Received \$
M Finnegan	643,750	-	99,633	33,211	479,063	1,255,657
G Everist	515,000	-	39,853	13,284	-	568,137
G Gettingby	463,500	40,000	35,868	11,956	315,670	866,994
Total	1,622,250	40,000	175,354	58,451	794,733	2,690,788

1 Fixed remuneration includes base salaries received and payments made to superannuation funds

2 The FY19 STI payment was settled in FY20 and represents 75% cash paid and 25% shares purchased on market during the current financial year. The FY20 STI is not payable in FY20

3 On 1 July 2019, the performance rights granted to executive KMP on 1 July 2016 vested in full. The value of this LTI, included above, has been calculated based on the Company's share price on 1 July 2019

The amounts disclosed above are not the same as remuneration expensed in relation to each KMP in accordance with Australian Accounting Standards (see Table 4.1).

Nevertheless, the Directors believe that remuneration received is relevant information for the following reasons:

- the statutory remuneration expense for performance rights is based on fair value determined at grant date for all unvested rights and does not reflect the fair value of the rights vested and actually received by the KMPs during the year
- the statutory remuneration shows benefits before they are actually received by the KMPs (deferral and claw back of STI payments)
- where performance rights do not vest because a market-based performance condition is not satisfied (e.g. absolute TSR), the Company must still recognise the full amount of expenses even though the KMPs will never receive any benefits

The accuracy of information in this section has been audited together with the rest of the remuneration report.

5 ANALYSIS OF STI BONUSES INCLUDED IN STATUTORY REMUNERATION FOR FY20

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to executive KMP are as follows:

	Included in statutory remuneration \$	Vested in year %
M Finnegan	735,714	114.28%
G Everist	294,286	114.28%
G Gettingby	264,857	114.28%

The actual award of 114.28% is based on the FY20 EBIT(A) achieved being above the target hurdle as referred to in section 1.3.

No amounts were forfeited during the year.

6 EQUITY INSTRUMENTS

6.1 Rights over equity instruments granted as compensation

Non-Executive Director share rights

Details of share rights over ordinary shares in the Company granted to Non-Executive Directors during FY20 as part of the NED SSP were as follows:

		Salary sacrificed \$	Number of rights granted ²	Fair value at grant date ³ \$	Vesting date
E Skira	Tranche 1	20,342	102,792	206	Feb 20
	Tranche 2	20,343	102,793	441	Aug 20
A Ramlie	Tranche 1	45,662	230,736	461	Feb 20
	Tranche 2	45,662	230,736	461	Aug 20
A Sidarto	Tranche 1	45,662	230,736	461	Feb 20
	Tranche 2	45,662	230,736	461	Aug 20
B Munro¹	Tranche 1	-	-	-	Feb 20
	Tranche 2	27,986	97,722	366	Aug 20
H Tyrwhitt¹	Tranche 1	-	-	-	Feb 20
	Tranche 2	13,128	45,689	172	Aug 20

1 Mr Munro and Mr Tyrwhitt were appointed as Non-Executive Directors on 1 October 2019

2 Share rights are issued under the NED SSP and are not in addition to their fixed remuneration

3 In accordance with Australian Accounting Standards, as the share rights granted includes an "option" over ordinary shares, the option element is required to be fair valued at grant date

Executive KMP performance rights and ordinary shares

During FY20, no performance rights were granted to executive KMP. However, 25% of the FY19 STI payment to executive KMP was deferred into shares purchased on-market as follows:

	25% of STI value \$	Number of shares
M Finnegan	33,211	134,511
G Everist	13,284	53,563
G Gettingby	11,956	48,153

These shares are subject to voluntary escrow until 1 July 2021.

6.2 Details of equity rights affecting current and future remuneration

Details of the vesting profiles of the performance rights over ordinary shares in the Company held by executive KMP during FY20 are as follows:

	Grant date	Number granted	Number vested in FY20	Number forfeited in FY20	Held at 30 June 2020	Financial year in which the grant vests, subject to performance
M Finnegan	12 Aug 16	2,456,731	(2,456,731)	-	-	FY20
	18 Aug 17	3,333,333	-	-	3,333,333	FY21
	1 Jul 18	19,394,872	-	-	19,394,872	FY21-FY24 (25% per year)
G Everist	2 Mar 18	1,070,093	-	-	1,070,093	FY21
	1 Jul 18	12,929,915	-	-	12,929,915	FY21-FY24 (25% per year)
G Gettingby	12 Aug 16	1,618,822	(1,618,822)	-	-	FY20
	18 Aug 17	1,205,189	-	-	1,205,189	FY21
	1 Jul 18	12,929,915	-	-	12,929,915	FY21-FY24 (25% per year)

6.3 Analysis of movements in performance rights

The movement during the reporting period, by number of performance rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2019	Granted as compensation	Vested during the year	Held at 30 June 2020
M Finnegan	25,184,936	-	(2,456,731)	22,728,205
G Everist	14,000,008	-	-	14,000,008
G Gettingby	15,753,926	-	(1,618,822)	14,135,104

6.4 Movements in ordinary shareholdings

The movement during FY20 in the number of ordinary shares in the Company held directly, indirectly or beneficially, by Non-Executive Directors and executive KMP, including their related parties, is as follows:

	Held at 1 July 2019	Deferral of STI ²	Other ³	Vested rights ⁴	Held at 30 June 2020
Directors					
E Skira	61,953	-	-	164,745	226,698
A Sidarto	215,489	-	-	446,224	661,713
A Ramlie	215,489	-	-	446,224	661,713
V Vella	1,857,842	-	-	-	1,857,842
B Munro¹	-	-	500,000	-	500,000
H Tyrwhitt¹	-	-	-	-	-
Executive KMP					
M Finnegan	554,100	134,511	-	2,456,731	3,145,342
G Everist	50,000	53,563	(50,000)	-	53,563
G Gettingby	730,817	48,153	-	1,618,822	2,397,792
Total	3,685,690	236,227	450,000	5,132,746	9,504,663

1 Mr Munro and Mr Tyrwhitt were appointed as Non-Executive Directors on 1 October 2019

2 Represents 25% of the FY19 STI deferred into shares held in escrow until 1 July 2021

3 Other changes represents shares that were purchased or sold during the year

4 Rights refers to share rights for Non-Executive Directors and performance rights for executives



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- CEO and MD Report
- Operational and Financial Review
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- Directors' Report
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- Financial Statements
- Director's Declaration
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FINANCIAL STATEMENTS

GENERAL INFORMATION

The financial statements cover Macmahon Holdings Limited (“the Company” or “the Parent”) as a consolidated entity (referred to hereafter as “the Group”) consisting of Macmahon Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company.

Macmahon Holdings Limited is a public company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

A description of the nature of the Group’s operations and its principal activities are included in the Directors’ Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 August 2020.

An accounting policy, critical accounting estimate, assumption or judgement specific to a note is disclosed within the note itself.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

15 Hudswell Road, Perth Airport,
Western Australia 6105

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2020 \$'000	2019 \$'000
Revenue	2	1,380,374	1,102,984
Other income	3	6,757	11,797
Expenses			
Materials and consumables used		(529,032)	(414,930)
Employee benefits expense		(467,085)	(337,234)
Depreciation and amortisation expense	4	(147,445)	(106,249)
Equipment and other short-term lease expenses	4	(43,797)	(90,346)
Subcontractor costs		(43,894)	(53,518)
Litigation settlements and related legal fees		-	(7,318)
Share based payments expense	28	(2,591)	(2,634)
Other expenses	4	(69,312)	(41,966)
Operating profit		83,975	60,586
Net finance costs	4	(14,839)	(10,672)
Share of profit of equity-accounted investees, net of tax	25	3,351	3,905
Profit before income tax expense		72,487	53,819
Income tax expense	5	(7,539)	(7,727)
Profit after income tax expense for the year		64,948	46,092
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation	20	(1,583)	4,093
Other comprehensive (loss) / income for the year, net of tax		(1,583)	4,093
Total comprehensive profit for the year attributable to the owners of the Company		63,365	50,185
	Note	2020 Cents	2019 Cents
Earnings per share for profit attributable to the owners of Macmahon Holdings Limited			
Basic earnings per share	6	3.10	2.19
Diluted earnings per share	6	2.99	2.12

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Note	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	141,837	113,165
Trade and other receivables	9	202,639	181,480
Inventories	10	57,277	45,818
Lease receivable	11	-	2,057
Income tax receivable	5	-	5,030
Assets classified as held for sale	15	829	2,159
Total current assets		402,582	349,709
Non-current assets			
Investments accounted for using the equity method	25	10,482	10,954
Trade and other receivables	9	8,574	19,289
Property, plant and equipment	15	456,996	399,607
Intangible assets and goodwill	16	21,330	10,245
Lease receivable	11	-	23,258
Deferred tax asset	5	23,058	11,843
Total non-current assets		520,440	475,196
Total assets		923,022	824,905
LIABILITIES			
Current liabilities			
Trade and other payables	12	153,933	168,606
Borrowings	18	49,258	29,553
Income tax payable	5	5,640	3,947
Employee benefits	13	45,594	26,158
Provisions	14	14,154	12,385
Total current liabilities		268,579	240,649
Non-current liabilities			
Trade and other payables	12	1,500	-
Borrowings	18	153,492	136,295
Employee benefits	13	1,620	343
Total non-current liabilities		156,612	136,638
Total liabilities		425,191	377,287
NET ASSETS		497,831	447,618
EQUITY			
Issued capital	19	563,118	563,118
Reserves	20	145	(2,004)
Net accumulated losses		(65,432)	(113,496)
TOTAL EQUITY		497,831	447,618

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2019	563,118	(2,004)	(192,396)	78,900	447,618
Profit after income tax expense for the year	-	-	-	64,948	64,948
Other comprehensive loss for the year, net of tax	-	(1,583)	-	-	(1,583)
Total comprehensive income for the year	-	(1,583)	-	64,948	63,365
<i>Transactions with owners in their capacity as owners:</i>					
Treasury shares allocated on vesting of performance rights	-	1,388	-	(1,171)	217
Treasury shares purchased for compensation plans (note 20)	-	(247)	-	-	(247)
Dividends (note 20)	-	-	-	(15,713)	(15,713)
Share-based payments expense (note 28)	-	2,591	-	-	2,591
Balance at 30 June 2020	563,118	145	(192,396)	126,964	497,831

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2018	563,118	3,842	(189,930)	32,804	409,834
Adjustment on initial application of AASB 9 (net of tax)					
Loss allowance on the Group trade receivables	-	-	(1,409)	-	(1,409)
Loss allowance on the trade and other receivables of the equity-accounted investment	-	-	(1,057)	-	(1,057)
Adjusted balance at 1 July 2018	563,118	3,842	(192,396)	32,804	407,368
Profit after income tax expense for the year	-	-	-	46,092	46,092
Other comprehensive income for the year, net of tax	-	4,093	-	-	4,093
Total comprehensive income for the year	-	4,093	-	46,092	50,185
<i>Transactions with owners in their capacity as owners:</i>					
Treasury shares allocated on vesting of performance rights	-	(4)	-	4	-
Reclassification of cash-settled share-based payments to equity	-	148	-	-	148
Share-based payments expense (note 28)	-	2,634	-	-	2,634
Treasury shares purchased for compensation plans (note 20)	-	(12,717)	-	-	(12,717)
Balance at 30 June 2019	563,118	(2,004)	(192,396)	78,900	447,618

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers		1,359,737	1,016,435
Payments to suppliers and employees		(1,147,236)	(893,053)
Receipts from joint venture entities		2,771	1,004
Payments to joint venture entities		(1,623)	-
Payment for settlement of class action		-	(7,560)
Dividends received from equity-accounted investments	25	3,403	1,518
Interest received		546	698
Interest and other finance costs paid		(15,385)	(11,370)
Income taxes paid		(8,520)	(15,165)
Net cash from operating activities	7	193,693	92,507
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		3,957	2,421
Payment for property, plant and equipment		(75,392)	(51,830)
Payments for intangible assets	16	(6,071)	(4,836)
Acquisition of subsidiary, net of cash acquired	32	(18,907)	-
Net cash used in investing activities		(96,413)	(54,245)
Cash flows from financing activities			
Purchase of own shares	20	(247)	(12,717)
Proceeds from interest-bearing loans	18	23,044	-
Repayment of interest-bearing loans	18	(21,790)	-
Repayment of lease liabilities	18	(54,547)	(22,891)
Dividends paid	20	(15,713)	-
Net cash used in financing activities		(69,253)	(35,608)
Net increase in cash and cash equivalents		28,027	2,654
Cash and cash equivalents at the beginning of the financial year		113,165	109,622
Effects of exchange rate changes on cash and cash equivalents		645	889
Cash and cash equivalents at the end of the financial year	8	141,837	113,165

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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A Results

1 Operating segments

Identification of reportable operating segments

The Group has identified its reportable segments based on the internal reporting which is reviewed and used by the Chief Executive Officer (the Chief Operating Decision Maker) in assessing the performance and in determining the allocation of resources between business units.

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 economic characteristics in terms of the nature of the products and services, production processes, type or class of customers and methods used in rendering their services.

The following describes the operations of each reportable segment:

Mining

The Group provides a broad range of mining services, which includes surface and underground mining, civil and rehabilitation services, equipment maintenance, rentals and management.

Financial performance is measured with reference to earnings before interest, tax and customer contracts amortisation (EBIT(A)), adjusted for significant, non-recurring items, as included in internal reporting reviewed by the Chief Executive Officer and is measured consistently with profit or loss in the consolidated financial statements. Segment EBIT(A) is used to measure financial performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. The financial performance of each reportable segment is set out below:

Consolidated – 2020	Mining \$'000	Unallocated \$'000	Total \$'000
Revenue			
Revenue from contracts with customers	1,181,498	-	1,181,498
Revenue from contracts with customers - non-cash consideration	198,876	-	198,876
Total revenue	1,380,374	-	1,380,374
Earnings before interest, tax, depreciation and amortisation (and significant, non-recurring items)	234,077	4,630	238,707
Depreciation and amortisation expense (excluding customer contracts)	(145,151)	(1,948)	(147,099)
Earnings before interest and tax (and significant, non-recurring items)	88,926	2,682	91,608
Finance income	-	546	546
Finance costs	(14,763)	(622)	(15,385)
Acquisition costs	-	(1,345)	(1,345)
Share based payments expense	-	(2,591)	(2,591)
Amortisation on customer contracts	(346)	-	(346)
Profit / (loss) before income tax expense	73,817	(1,330)	72,487
Segment assets	740,083	182,939	923,022
Segment liabilities	406,232	18,959	425,191
Capital expenditure	147,634	-	147,634

Consolidated – 2019	Mining \$'000	Unallocated \$'000	Total \$'000
Revenue			
Revenue from contracts with customers	1,044,754	-	1,044,754
Revenue from contracts with customers - non-cash consideration	58,230	-	58,230
Total revenue	1,102,984	-	1,102,984
Earnings before interest, tax, depreciation and amortisation (and significant, non-recurring items)			
	174,659	6,722	181,381
Depreciation and amortisation expense	(106,249)	-	(106,249)
Earnings before interest and tax (and significant, non-recurring items)			
	68,410	6,722	75,132
Finance income	-	698	698
Finance costs	(11,370)	-	(11,370)
Acquisition costs	-	(689)	(689)
Litigation settlements and related legal fees	-	(7,318)	(7,318)
Share based payments expense	-	(2,634)	(2,634)
Profit / (loss) before income tax expense	57,040	(3,221)	53,819
Segment assets	690,155	134,750	824,905
Segment liabilities	372,104	5,183	377,287
Capital expenditure	124,510	-	124,510

	Geographical revenue from contracts with customers		Geographical non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Australia	901,915	700,159	382,709	297,753
Indonesia	453,995	388,926	127,192	165,330
South Africa	17,527	-	-	-
Malaysia	6,937	13,899	10,539	12,113
	1,380,374	1,102,984	520,440	475,196

Major customers

The revenue information above is based on the location of customers. Revenue from three customers, individually greater than 10%, amounted to \$846.516 million (2019: One customer for \$382.271 million), arising from the provision of mining services.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Chief Executive Officer in making decisions about resource allocation and performance assessment, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, net foreign exchange differences, finance income, income taxes, share-based payments and acquisition costs. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

2 Revenue

	Consolidated	
	2020 \$'000	2019 \$'000
Revenue from contracts with customers	1,181,498	1,044,754
Revenue from contracts with customers - non-cash consideration	198,876	58,230
	1,380,374	1,102,984

Services revenue

The Group generates revenue from the provision of mining services, which includes surface and underground mining, civil and rehabilitation services, equipment maintenance, rentals and management. The activities for each contract were assessed as highly inter-related and, as a result, the Group determined that one performance obligation exists for each of its mining contracts.

The transaction price for each contract is based on agreed contractual rates to which the Group is entitled and may include a variable pricing element which is discussed below.

Revenue for services is recognised over time on the basis of the work completed and billed to the customer as the customer receives the benefit. Amounts billed to customers are not secured and are typically due within 5 - 60 days from the invoice date.

Variable consideration

Certain contracts with customers include a variable element which is subject to the Group meeting either certain cost targets or material movement KPIs. Variable consideration is recognised when it is highly probable that a significant reversal of revenue will not occur in a subsequent period.

For the year ended 30 June 2020, variable consideration amounted to \$54.385 million (2019: \$51.332 million) of which \$17.857 million (2019: \$19.884 million) was carried as a contract asset (note 9) and has subsequently been approved by customers.

Non-cash consideration

Where customers contribute materials to the Group to facilitate the fulfilment of the contract and the Group obtains control of the contributed materials, the cost of these materials have been included in revenue as non-cash consideration received from the customer and the expense is included in materials and consumables used in the consolidated statement of profit or loss and other comprehensive income.

3 Other income

	Consolidated	
	2020 \$'000	2019 \$'000
Net gain on disposal of plant and equipment	-	796
Net foreign exchange gain	4,630	7,600
Other	2,127	3,401
	6,757	11,797

Other income

Other income includes management fees from joint venture partners of \$1.078 million (2019: \$1.550 million). Refer to note 26.

4 Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	2020 \$'000	2019 \$'000
Depreciation		
Leasehold improvements	-	13
Plant and equipment	92,993	105,837
Right-of-use assets	52,583	-
Amortisation		
Software	1,523	399
Customer contracts	346	-
	147,445	106,249

	Consolidated	
	2020 \$'000	2019 \$'000
Other expenses		
Freight expenses	14,069	13,291
Consulting and other professional services	10,387	6,597
Recruitment, training and other employee incidentals	9,689	6,402
Travel and accommodation expenses	9,172	5,685
Insurance expenses	4,388	2,939
Expected credit loss (ECL) allowance	4,173	-
Administrative and facilities expenses	4,485	3,639
IT expenses	2,832	1,359
Acquisition costs	1,345	689
Legal costs in relation to client mediation	1,125	-
Net loss on disposal of plant and equipment	203	-
Other expenses	7,444	1,365
	69,312	41,966

	Consolidated	
	2020 \$'000	2019 \$'000
Lease expenses		
<i>2020 - Leases under AASB 16 Leases</i>		
Depreciation of right-of-use assets	(52,583)	-
Interest expense on lease liabilities	(13,699)	-
Expenses related to short-term leases and low-value assets	(43,797)	-
<i>2019 - Leases under AASB 117 Leases</i>		
Depreciation of leased assets	-	(27,098)
Interest expense on lease liabilities	-	(9,777)
Lease expense on operating leases	-	(90,346)
	(110,079)	(127,221)

Employee benefits expense

Employee benefits expense includes superannuation as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Superannuation		
Defined contribution superannuation expense	26,576	17,643
	26,576	17,643

Net finance costs

Finance costs include interest on lease liabilities and are expensed in the period in which they are incurred. Borrowing costs capitalised are amortised over the term of the facility.

	Consolidated	
	2020 \$'000	2019 \$'000
Interest income on term deposits	(546)	(698)
Interest expense on lease liabilities	13,699	9,777
Interest expense on interest-bearing loans	414	-
Amortisation of borrowing costs	1,272	1,593
	14,839	10,672

5 Tax

a) Income tax expense

	Consolidated	
	2020 \$'000	2019 \$'000
Income tax expense		
Current tax	18,103	18,937
Adjustment recognised for prior periods	651	(1,481)
Deferred tax - origination and reversal of temporary differences	(11,215)	(9,729)
Income tax expense	7,539	7,727
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	72,487	53,819
Tax at the statutory tax rate of 30%	21,746	16,146
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
Share-based payments	777	790
Non-deductible expenses / (non-assessable income)	(1,406)	321
Foreign tax rate differential	(1,725)	(1,491)
Utilisation of previously unrecognised unused tax losses	160	(262)
Net temporary difference previously unrecognised	(17,116)	(6,272)
Current year losses for which no deferred tax asset was recognised	5	(24)
Deferred tax asset derecognised due to change in income tax rates	3,750	-
Other	697	-
	6,888	9,208
Adjustment recognised for prior periods	651	(1,481)
Income tax expense	7,539	7,727

b) Current assets and liabilities - income tax

	Consolidated	
	2020 \$'000	2019 \$'000
Income tax (payable) / receivable - Australian operations	(605)	5,030
Income tax payable - International operations	(5,035)	(3,947)
	(5,640)	1,083

c) Non-current assets – deferred tax

	Consolidated	
	2020 \$'000	2019 \$'000
Deferred tax asset comprises temporary differences attributable to:		
Inventories	(5,654)	(1,411)
Property, plant and equipment	12,179	(8,521)
Contract assets	(18,287)	(13,459)
Employee benefits	18,831	16,320
Other payables	15,625	18,381
Other	364	533
	23,058	11,843
Unrecognised deferred tax asset		
Australian impairment and other deductible temporary differences	28,227	42,887
	28,227	42,887

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Macmahon Holdings Limited. Current income tax expense / benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable to / (receivable from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Group as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the unused tax losses can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to / (from) the head entity equal to the current tax asset / (liability) assumed by the head entity and any deferred tax loss asset assumed by the head entity, resulting in the head entity recognising an inter-entity payable / (receivable) equal in amount to the tax asset / (liability) assumed. The inter-entity payables / (receivables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

6 Earnings per share

	Consolidated	
	2020 \$'000	2019 \$'000
Profit after income tax attributable to the owners of Macmahon Holdings Limited	64,948	46,092
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	2,094,933,604	2,104,782,202
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	77,621,327	66,772,004
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,172,554,931	2,171,554,206
	Cents	Cents
Earnings per share for profit attributable to owners of Macmahon Holdings Limited		
Basic earnings per share	3.10	2.19
Diluted earnings per share	2.99	2.12

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit / (loss) attributable to the owners of Macmahon Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares (if any) and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

B Cash Flow Information

7 Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2020 \$'000	2019 \$'000
Profit after income tax expense	64,948	46,092
Adjustments for:		
Depreciation and amortisation expense	147,445	106,249
Net loss / (gain) on disposal of plant and equipment	203	(796)
Share of profit of equity accounted investees, net of tax	(3,351)	(3,905)
Share based payments expense	2,591	2,634
Net foreign exchange gain	(4,630)	(7,600)
Remeasurement of ECL allowance	4,173	-
Other	187	-
Income tax expense	7,539	7,727
Income taxes paid	(8,520)	(15,165)
Dividends received from equity accounted investees	3,403	1,518
Net cash received from equity accounted investees	1,148	1,004
Change in operating assets and liabilities:		
Decrease / (increase) in trade and other receivables	4,667	(41,519)
Increase in inventories	(4,430)	(3,834)
Decrease in trade and other payables	(36,402)	(8,536)
Increase in employee benefits	13,414	7,825
Increase in provisions	1,308	813
Net cash from operating activities	193,693	92,507

C Working Capital

8 Cash and cash equivalents

	Consolidated	
	2020 \$'000	2019 \$'000
Cash on hand	9	10
Cash at bank	141,828	113,155
	141,837	113,165

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

9 Trade and other receivables

	Consolidated	
	2020 \$'000	2019 \$'000
Current		
Trade receivables	42,684	60,672
Contract assets	117,107	109,549
Less: Provision for ECL	(5,582)	(1,409)
	154,209	168,812
Other receivables	43,095	8,256
Prepayments	5,335	4,412
	202,639	181,480
Non-current		
Other receivables	4,326	18,341
Agency receivables	4,248	948
	8,574	19,289

Trade and other receivables

Trade receivables are initially recognised at the fair value of the services provided to the customer and subsequently at amortised cost less expected credit loss allowances. Other receivables are initially recognised at cost and subsequently measured at amortised cost less expected credit loss allowances.

Due to the short term nature of these receivables their carrying amount approximates their fair value.

Other receivables include:

- Contracted reimbursements for project closure costs of \$6.789 million (2019: \$4.145 million) relating to the costs recognised as part of the provision for contract closure. Refer to note 14
- VAT receivable of \$27.173 million (2019: \$13.886 million classified as non-current other receivables) relating to the PT Amman Mineral Nusa Tenggara (AMNT) asset acquisition and input tax credits collected on goods and services consumed. The VAT receivable has been reclassified as current, in part, to the extent that the Group expects to receive this within the next 12 months. A VAT receivable of \$4.326 million continues to be classified as non-current as of 30 June 2020

Agency receivables

The Group entered into a tripartite agreement with a customer and financier regarding certain mining equipment acquired for the mining contract. The tripartite agreement provides the financier with a put option and the customer with a call option over the equipment, whilst the Group acts as an agent between the financier and the customer, to source and maintain the equipment. The feature of the put / call transaction results in control and risk or reward of the equipment not being with the Group. Lease costs paid by the Group in relation to the equipment (including interest) in excess to the receipts from the customer is recovered from the customer on exercise of the put / call, which is represented by a non-current receivable.

Contract assets

Contract assets relate to the Group's right to consideration of mining services rendered but not billed as of 30 June 2020. Contract assets are transferred to trade receivables when the Group issues an invoice to the customer.

The balance of contract assets vary and is dependent on the scale of mining services rendered for the claim period, which is ordinarily a calendar month, immediately preceding the end of the reporting period.

Receivables from related parties

For information on receivables from related parties refer to note 26.

10 Inventories

	Consolidated	
	2020 \$'000	2019 \$'000
Inventories at lower of cost and net realisable value	62,343	50,058
Less: Allowance for obsolescence	(5,066)	(4,240)
	57,277	45,818

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs to sell.

Allowance for obsolescence

The provision for impairment of inventories assessment requires a degree of estimation and judgment. The level of the provision is assessed by taking into account the recent sales experience, current market conditions, the ageing of inventories and other factors that affect inventory obsolescence.

11 Lease receivable

	Consolidated	
	2020 \$'000	2019 \$'000
Current	-	2,057
Non-current	-	23,258
	-	25,315

In prior periods, the Group acquired mining equipment which was subject to a put and call option with the customer. Per the contract Macmahon had a put option and the customer had a call option over the equipment which resulted in the mining equipment being recognised as a lease receivable rather than plant and equipment.

During the year, the Group transferred their put option to a financier which resulted in control and risk or reward of this equipment being removed from the Group. As a result the receivable and liability previously recognised relating to the equipment has been derecognised and an agency receivable recognised in non-current receivables. Refer to note 9.

Minimum lease payments receivable as at 30 June 2020 are as follows:

	Minimum lease payments		Interest income		Principal repayments	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Within one year	-	3,755	-	1,698	-	2,057
After one year but not more than five years	-	24,619	-	1,361	-	23,258
	-	28,374	-	3,059	-	25,315

12 Trade and other payables

	Consolidated	
	2020 \$'000	2019 \$'000
Current		
Trade payables	64,882	57,920
Accrued expenses	71,879	87,494
Other payables	15,172	23,192
Deferred consideration (note 32)	2,000	-
	153,933	168,606
Non-current		
Contingent consideration (note 32)	1,500	-
	1,500	-

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 to 60 days of recognition based on the credit terms.

Accrued wages and salaries between the last pay period and 30 June 2020 of \$8.764 million (2019: \$3.910 million) are included within accrued expenses.

Refer to note 17 for further details on financial instruments.

Contingent consideration

The acquisition of GF Holdings (WA) Pty Ltd and its subsidiaries (GBF) included a potential contingent consideration payment based on future earnings of GBF.

At acquisition date, the fair value of the contingent consideration was estimated to be \$1.500 million utilising a discounted cash flow method and future earnings assumptions for the years ended 30 June 2020 and 2021. The fair value of the contingent consideration was classified as Level 3 in the fair value hierarchy. Contingent consideration is classified as a non-current payable within the consolidated statement of financial position.

There were no changes in the key judgments or estimates which informed the valuation of contingent consideration between acquisition date and balance date. As a result, no gain or loss on remeasurement to fair value was recognised to profit or loss for the year ended 30 June 2020.

13 Employee benefits

	Consolidated	
	2020 \$'000	2019 \$'000
Current		
Annual leave	27,218	15,438
Long service leave	7,287	4,916
Other employee benefits	11,089	5,804
	45,594	26,158
Non-current		
Long-service leave	1,620	343
	1,620	343

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields on high quality corporate bonds at the reporting date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available. Contributions to a defined contribution plan which are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Superannuation plan

The Trust Company Ltd is the Trustee of the Macmahon Employees Superannuation Fund (the Fund) and is responsible for all areas of compliance with regard to the Fund. All members of the now closed defined benefit section were previously invited to transfer their entitlement to the accumulation section of the Fund. At 30 June 2020, 1 member (2019: 1 member) remained in the defined benefit section.

Other employee benefits

Other employee benefits include short term incentive plans (prior years deferred entitlements and current year estimates), site performance bonuses, sick leave accruals, religious holiday allowance for certain international staff and other short term benefits.

14 Provisions

Movements in each class of provision during the current financial year are set out below:

	Project closure \$'000	Client plant maintenance \$'000	Other \$'000	Total \$'000
At 1 July 2019	8,720	1,083	2,582	12,385
Arising during the year	4,692	-	-	4,692
Released during the year	-	-	(1,521)	(1,521)
Utilised during the year	(319)	(1,083)	-	(1,402)
At 30 June 2020	13,093	-	1,061	14,154

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax discount rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Provision for project closure

The provision for project closure requires a degree of estimation and judgement around contractual term and expected redundancy and demobilisation costs. The provision is assessed by taking into account past history of contract closures and likelihood of contract extensions.

Provision for client plant maintenance

The Group provides for its contracted obligation to replace major components and tyres for client owned equipment, which it operates under its mining service contracts. The provision represents the wear and tear of components and tyres up to the balance date. As components and tyres are replaced, these items are charged against that provision. The provision is utilised completely by the end of the contract term.

The provision for client plant maintenance requires a degree of estimation and judgement. The level of provision is assessed by taking into account actual and forecast utilisation of the fleet and current consumption rate and maintenance cost.

D Fixed Assets

15 Property, plant and equipment

Set out below are the carrying amounts of property, plant and equipment and right-of-use assets recognised and movements for the period:

Consolidated	Right-of-use assets			Plant & equipment \$'000	Total \$'000
	Buildings \$'000	Plant & equipment \$'000	Leasehold improvements \$'000		
At 30 June 2018	-	-	13	380,127	380,140
Additions	-	-	-	119,674	119,674
Transferred from held for sale	-	-	-	291	291
Disposals	-	-	-	(2,998)	(2,998)
Depreciation expense	-	-	(13)	(105,837)	(105,850)
Exchange differences	-	-	-	8,350	8,350
At 30 June 2019	-	-	-	399,607	399,607
Recognition of right-of-use asset on initial recognition of AASB 16 Leases (note 33)	13,740	2,703	-	-	16,443
At 1 July 2019	13,740	2,703	-	399,607	416,050
Transfers on initial recognition of AASB 16 Leases	-	149,772	-	(149,772)	-
Additions	454	63,402	-	77,707	141,563
Acquisitions through a business combination (note 32)	1,346	23,150	-	21,702	46,198
Transferred from held for sale	-	-	-	847	847
Disposals	-	-	-	(5,851)	(5,851)
Depreciation expense	(1,948)	(50,635)	-	(92,993)	(145,576)
Exchange differences	-	(27)	-	4,185	4,158
Write-off at closed sites	-	-	-	(393)	(393)
At 30 June 2020	13,592	188,365	-	255,039	456,996
Cost	-	-	3,183	885,030	888,213
Accumulated depreciation and impairment losses	-	-	(3,183)	(485,423)	(488,606)
Carrying amount at 30 June 2019	-	-	-	399,607	399,607
Cost	15,540	266,830	504	769,097	1,051,971
Accumulated depreciation and impairment losses	(1,948)	(78,465)	(504)	(514,058)	(594,975)
Carrying amount at 30 June 2020	13,592	188,365	-	255,039	456,996

At 30 June 2020, plant and equipment includes work-in-progress of \$22.774 million (2019: \$32.202 million).

Security

Leasehold improvements and plant and equipment are subject to a registered charge to secure banking facilities. Refer to note 18.

Property, plant and equipment

Property, plant and equipment is measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges from foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of plant and equipment is the estimated amount for which plant and equipment could be exchanged, on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of plant and equipment is based on external market appraisals from accredited, independent valuation specialists.

When parts of an item of plant and equipment have different useful lives, the items are accounted for as separate items (i.e. major components) of plant and equipment.

Depreciation and amortisation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation on buildings, leasehold improvements and minor plant and equipment is calculated on a straight-line basis. Depreciation on major plant and equipment and components is calculated on machine hours worked or straight-line over their estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed on regular basis with annual reassessments for major items and adjusted if appropriate.

The expected useful lives for the current and comparative years are as follows:

- Leasehold improvements: period of the lease
- Plant and equipment: 3-12 years
- Right-of-use assets: period of the lease

The carrying amounts of the Group's assets, other than inventories (see inventory accounting policy) and deferred tax assets (see income tax accounting policy), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see impairment of non-financial assets below).

For goodwill, the recoverable amount is estimated annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to profits reserve.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation expenses for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation expense will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible asset

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions; including the continued performance of contracted work, growth rates of the estimated future cash flows and discount rates based on the current cost of capital.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs of disposal. Costs of disposal are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

For non-current assets to be classified as held for sale, those assets must be available for immediate sale in their present condition and their sale must be highly probable.

Non-current assets classified as held for sale are separately presented on the face of the consolidated statement of financial position as a current assets.

16 Intangible assets and goodwill

Set out below are the carrying amounts of intangible assets recognised and movements for the period:

Consolidated	Goodwill \$'000	Customer contracts \$'000	Software \$'000	Total \$'000
Cost				
At 1 July 2018	3,025	-	2,783	5,808
Additions	-	-	4,836	4,836
At 30 June 2019	3,025	-	7,619	10,644
Additions	-	-	6,071	6,071
Acquisition through a business combination (note 32)	5,783	1,100	-	6,883
At 30 June 2020	8,808	1,100	13,690	23,598
Accumulated amortisation and impairment				
At 1 July 2018	-	-	-	-
Amortisation	-	-	(399)	(399)
At 30 June 2019	-	-	(399)	(399)
Amortisation	-	(346)	(1,523)	(1,869)
At 30 June 2020	-	(346)	(1,922)	(2,268)
Net book value				
At 30 June 2019	3,025	-	7,220	10,245
At 30 June 2020	8,808	754	11,768	21,330

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill is measured at cost, less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Customer contracts

Customer contracts are a separately identifiable intangible asset equal to the present value of future post-tax cash flows attributed to the portfolio of incomplete underground mining services contracts assumed at acquisition date through a business combination.

Customer contracts are carried at cost, less accumulated depreciation and impairment losses. Amortisation of customer contracts is included in depreciation and amortisation expenses in the consolidated statement of profit or loss and other comprehensive income. The expected useful life of customer contracts is 3 years.

Software

Development expenditure is capitalised only if development costs can be measured reliably or the process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use the asset. The software expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised software development expenditure is measured at cost less accumulated amortisation and impairment losses. The amortisation is included in depreciation and amortisation expenses. The expected useful life of software is 5 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

E Risk

17 Financial Risk Management

	Consolidated	
	2020 \$'000	2019 \$'000
Financial assets		
Cash and cash equivalents	141,837	113,165
Trade and other receivables	166,755	178,326
Lease receivables	-	25,315
	308,592	316,806
Financial liabilities		
Trade and other payables	149,198	160,941
Borrowings	202,750	165,848
	351,948	326,789

Trade and other receivables excludes prepayments of \$5.335 million (2019: \$4.412 million), contract closure reimbursements of \$6.789 million (2019: \$4.145 million), VAT receivable of \$31.499 million (2019: \$13.886 million) and other non-financial assets of \$0.835 million (2019: nil).

Trade and other payables excludes GST and other taxes payable of \$6.235 million (2019: \$7.665 million).

With the exception of contingent consideration, which is measured at fair value through profit or loss, financial assets and liabilities are otherwise measured at amortised cost.

Financial instruments not measured at fair value

Fair value of cash and cash equivalents, receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. This framework is designed to identify, monitor and manage the material risks throughout the Group, to ensure risks remain within appropriate limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by the Audit and Risk Committee, to which internal audit reports. Internal audit undertakes reviews of controls and procedures, the results of which are reported to the Audit and Risk Committee.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents qualitative and quantitative information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than respective functional currencies of entities within the Group, which are primarily the Australian Dollar (AUD), but also the US Dollar (USD), Indonesian Rupiah (IDR), Great British Pounds (GBP), Malaysian Ringgit (MYR), South African Rand (ZAR), Singapore Dollar (SGD) and Ghanaian Cedi (GHS). The Group is also exposed to foreign currency risk on plant and equipment purchases that are denominated in a currency other than AUD. The currencies giving rise to this risk are primarily USD and IDR.

The contracts for mining services and purchases are primarily denominated in the functional currencies of entities within the Group to minimise the foreign exchange currency risk.

In respect of other monetary assets and liabilities held in currencies other than the AUD, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The average exchange rates and reporting date exchange rates applied were as follows:

Australian Dollars	Average exchange rates		Reporting date exchange rates	
	2020	2019	2020	2019
USD	0.6713	0.7161	0.6865	0.7013
IDR	9,610	10,345	9,779	9,917
MYR	2.8234	2.9526	2.9417	2.9048
GBP	0.5327	0.5527	0.5582	0.5533
GHS	3.6825	3.5211	3.9748	3.6900
SGD	0.9299	0.9771	0.9568	0.9492
ZAR	10.5081	10.1130	11.8642	9.9225

The carrying amount of foreign currency denominated financial assets and financial liabilities at 30 June were as follow (AUD equivalent):

Consolidated	Financial assets		Financial liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
USD	56,966	51,490	(342)	-
IDR ¹	15,817	24,149	(18,344)	(33,756)
GBP	4,411	4,713	-	-
Other	1,202	210	(46)	-
	78,396	80,562	(18,732)	(33,756)

1 The Group is paid in IDR for services performed in Indonesia; however, the amount of these IDR payments are adjusted according to movements in the IDR:USD exchange rate on the last day of the month prior to the invoice.

The following analysis demonstrates the increase / (decrease) to profit or loss and other comprehensive income at the reporting date, assuming a 10 percent strengthening and a 10 percent weakening of the following transaction currencies against the functional currencies of the Group companies where the financial assets and liabilities are recorded. This analysis also assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019.

	Weakened by 10%		Strengthened by 10%	
	Effect on profit before tax \$'000	Effect on other comprehensive income \$'000	Effect on profit before tax \$'000	Effect on other comprehensive income \$'000
Consolidated – 2020				
USD	(5,662)	-	5,662	-
IDR	253	-	(253)	-
GBP	(441)	-	441	-
Other	(116)	-	116	-
	(5,966)	-	5,966	-
	Weakened by 10%		Strengthened by 10%	
	Effect on profit before tax \$'000	Effect on other comprehensive income \$'000	Effect on profit before tax \$'000	Effect on other comprehensive income \$'000
Consolidated – 2019				
USD	(5,149)	-	5,149	-
IDR	961	-	(961)	-
GBP	(471)	-	471	-
Other	(21)	-	21	-
	(4,680)	-	4,680	-

There were no financial instruments measured at fair value through other comprehensive income.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

Interest rate risk on variable rate borrowings is managed under the Group's approved Treasury Policy. Under this policy, interest rate exposures are managed by entering fixed rate finances for equipment purchases.

At 30 June, the Group was exposed to variable interest rate risk on financial assets as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Cash and cash equivalents	141,837	113,165
Net exposure to interest rate risk	141,837	113,165

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the increase / (decrease) to profit or loss and other comprehensive income at 30 June, assuming a change in interest rates of 25 basis points. This analysis also assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	25 basis point increase		25 basis point decrease	
	Effect on profit before tax \$'000	Effect on other comprehensive income \$'000	Effect on profit before tax \$'000	Effect on other comprehensive income \$'000
Consolidated - 2020				
Cash and cash equivalents	355	-	(355)	-
	355	-	(355)	-
	25 basis point increase		25 basis point decrease	
	Effect on profit before tax \$'000	Effect on other comprehensive income \$'000	Effect on profit before tax \$'000	Effect on other comprehensive income \$'000
Consolidated - 2019				
Cash and cash equivalents	283	-	(283)	-
	283	-	(283)	-

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and contract assets from customers.

Cash and cash equivalents

The Group limits its exposure to credit risk for cash and cash equivalents by only investing in liquid securities and with counterparties that have an acceptable credit rating where possible.

Guarantees

The Group's policy is to provide financial guarantees only to or for subsidiaries. Details of outstanding guarantees are provided in note 21.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the characteristics of each individual customer. The demographics of the Group's customer base, including the default risk of the industries and countries in which customers operate, has less influence on credit risk. For the year ended 30 June 2020, 61% (2019: 35% attributed to one customer) of the Group's revenue is attributable to revenue transactions with three customers. Geographically, the primary concentration of credit risk is in Australia and Indonesia.

Under the Group's systems and procedures, each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The exposure to credit risk is monitored on an ongoing basis. The Group's analysis includes external ratings, when available, and in some cases bank references. Credit risk is minimised by managing payment terms, receiving advance payments, receiving the benefit of a bank guarantee or by entering into credit insurance for customers considered to be at risk.

Exposure to credit risk

The carrying amount of the Group's financial assets represents its maximum credit exposure as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Cash and cash equivalents	141,837	113,165
Trade receivables	37,102	59,263
Contract assets	117,107	109,549
Other receivables	9,134	8,566
Agency receivables	4,248	948
Credit risk exposure	309,428	291,491

Other receivables excludes prepayments \$5.335 million (2019: \$4.412 million), contracted reimbursement costs for project closure costs of \$6.789 million (2019: \$4.145 million) and VAT receivable of \$31.499 million (2019: \$13.886 million) related to input tax credits collected on goods and services consumed and the AMNT asset acquisition.

The profile of trade and other receivables and contract assets by segment is as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Mining customers	168,762	175,022
Other	4,411	4,713
	173,173	179,735
Less: Provision for ECL	(5,582)	(1,409)
Credit risk exposure by customer	167,591	178,326

At 30 June, the exposure to credit risk for trade and other receivables and contract assets by geographic region was as follows:

Country	Consolidated	
	2020 \$'000	2019 \$'000
Australia	118,963	122,910
Indonesia	46,922	49,951
Other	7,288	6,874
	173,173	179,735

Expected credit loss allowance

	2020		2019	
	Gross carrying amount \$'000	Loss allowance \$'000	Gross carrying amount \$'000	Loss allowance \$'000
Consolidated				
Current (not past due)	150,486	(189)	165,123	-
Past due 0-30 days	8,426	(111)	9,467	-
Past due 31-60 days	2,911	(102)	2,590	-
Over 90 days overdue	11,350	(5,180)	2,555	(1,409)
	173,173	(5,582)	179,735	(1,409)

In determining the provision for ECLs, the Group allocates its exposure to a credit risk based on data that is determined to be predictive of the risk of loss (including, but not limited to external credit ratings, audited financial statements and available press information) and applying experienced credit judgement. Loss rates applied to a credit risk ratings are sourced from external credit rating agencies.

The following table provides summarised information of the exposure to credit risk on trade receivables and contract assets as at 30 June 2020:

Credit rating	Credit impaired	Loss rate	Gross carrying amount \$'000	Loss allowance \$'000
A- to AAA	No	0.008%	13,203	(1)
BBB- to BBB+	No	0.014%	22,140	(3)
BB- to BB+	No	0.038%	36,421	(14)
B+ to B-	No	0.234%	72,500	(170)
C to CCC	Yes	4.196%	9,820	(412)
D	Yes	87.296%	5,707	(4,982)
			159,791	(5,582)

The movement in the provision for ECLs is as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Opening balance	1,409	126
Adjustment on initial application of AASB 9 <i>Financial Instruments</i>	-	1,409
Adjusted opening balance	1,409	1,535
Net remeasurement of provision for ECL	4,173	-
Receivables expensed as uncollectible during the year	-	(126)
	5,582	1,409

The Group recognises a provision for ECLs on financial assets measured at amortised cost and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment. The Group assumes a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Information about changes in term facilities during the year is disclosed in note 18.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2020	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Trade payables	(64,882)	-	-	-	(64,882)
Accrued expenses	(71,879)	-	-	-	(71,879)
Other payables	(15,172)	-	-	-	(15,172)
Borrowings	(59,114)	(56,990)	(104,009)	(6,868)	(226,981)
Total non-derivatives	(211,047)	(56,990)	(104,009)	(6,868)	(378,914)

Consolidated – 2019	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Trade payables	(57,920)	-	-	-	(57,920)
Accrued expenses	(87,494)	-	-	-	(87,494)
Other payables	(23,192)	-	-	-	(23,192)
Borrowings	(39,645)	(39,057)	(115,965)	-	(194,667)
Total non-derivatives	(208,251)	(39,057)	(115,965)	-	(363,273)

The cash flows in the maturity analysis are not expected to occur significantly earlier than contractually disclosed above.

F Debt and Equity

18 Borrowings

	Currency	Interest rate (%)	Calendar year of maturity	Consolidated	
				2020 \$'000	2019 \$'000
Current borrowings					
Lease liabilities	AUD, MYR	2.93-7.49%	2020-2029	48,430	29,553
Interest-bearing loans	AUD	3.67%	2020	828	-
				49,258	29,553
Non-current borrowings					
Lease liabilities	AUD, MYR	2.93-7.49%	2020-2029	153,492	136,295
				153,492	136,295

The movement in lease liabilities is set out below:

Consolidated	Interest-bearing loans		Lease liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At 1 July	-	-	165,848	106,272
Recognition of right-of-use liabilities on initial application of AASB 16 <i>Leases</i> (note 33)	-	-	16,687	-
New borrowings	23,044	-	63,856	84,024
Finance leases returned	-	-	-	(1,546)
Assumed as part of a business combination (note 32)	1,307	-	28,933	-
Interest expensed	326	-	13,698	9,777
Interest paid	(326)	-	(13,698)	(9,777)
Principal repayments	(21,790)	-	(54,547)	(22,891)
Transfers	(1,733)	-	(18,774)	-
Exchange differences	-	-	(81)	(11)
At 30 June	828	-	201,922	165,848

Refer to note 17 for further information on financial instruments.

Lease liabilities

The Group leases offices, plant and equipment, and vehicles across the countries in which it operates. Lease contracts are for fixed periods between 6 months and 10 years, and may include extension options.

During the year \$18.774 million (2019: Nil) was transferred to the agency receivable. Refer note 11.

Term facilities

During the year the Group's multi-option facility was extended to July 2021 and the limit increased to \$75.000 million (2019: \$50.000 million). At 30 June 2020, the facility was partially drawn for bank guarantees of \$18.467 million (2019: \$19.902 million) and credit card guarantees of \$0.500 million (2019: \$0.500 million). Refer to note 21.

Assets pledged as security

The Group's lease liabilities are secured by the leased assets and in the event of default, the leased assets revert to the lessor. All remaining assets of the Group are pledged as security under the multi-option facility.

Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, borrowings are classified as non-current.

19 Equity – Issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
Ordinary shares - fully paid	2,154,985,818	2,154,985,818	563,118	563,118
Less: treasury shares	(60,365,895)	(66,455,927)	(16,159)	(17,755)
Ordinary shares	2,094,619,923	2,088,529,891	546,959	545,363
			Number of ordinary shares	
			2020	2019
On issue at 1 July			2,154,985,818	2,154,985,818
On issue at 30 June			2,154,985,818	2,154,985,818

Ordinary shares

Ordinary shares are classified as equity and entitle the holder to participate in dividends and the proceeds on the winding up of the Parent in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Parent does not have authorised capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the capital proceeds.

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Treasury shares

Ordinary shares purchased on market by the Company are recognised at cost, less incremental costs directly attributable to the ordinary shares purchased.

Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it may provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the Parent entity's current share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The Group monitors capital on the basis of the enterprise gearing ratio. The ratio is calculated as net debt divided by total equity and net debt. Net debt is calculated as 'borrowings' less 'cash and cash equivalents' as shown in the consolidated statement of financial position. Total equity is as shown in the consolidated statement of financial position. At 30 June 2020, the Group was in a net debt position.

The Group's policy is to keep the enterprise gearing ratio below 30%. The enterprise gearing ratio at 30 June is as below:

	Consolidated	
	2020 \$'000	2019 \$'000
Borrowings	202,750	165,848
Less: Cash and cash equivalents	(141,837)	(113,165)
Net debt	60,913	52,683
Equity	497,831	447,618
Gearing ratio	12.24%	11.77%
Enterprise gearing ratio	10.90%	10.53%

20 Equity - Reserves

	Consolidated	
	2020 \$'000	2019 \$'000
Reserve for own shares (net of tax)	(16,159)	(17,755)
Foreign currency reserve (net of tax)	10,898	12,481
Share based payments	5,406	3,270
	145	(2,004)

Reserve for own shares

The reserve for Company's own shares comprises the cost (net of tax) of the Company's shares held by the trustee of the Group's equity compensation plans which were purchased on-market in anticipation of vesting of share-based payment awards under the equity compensation plans. During the year 939,083 shares were purchased by the Company (2019: 55,453,154 shares). At 30 June 2020, there were 60,365,895 unallocated shares held in trust (2019: 66,455,927 shares).

Foreign currency reserve

The foreign currency reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on the net investments in foreign operations. The foreign currency translation reserve is reclassified to the profit and loss either on sale or cessation of the underlying foreign operation.

Share based payments reserve

The share based payments reserve is used to record the value of share based payments and performance rights to employees, including KMP, as part of their remuneration, as well as non-employees. Refer to note 28.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Reserve for own shares \$'000	Foreign currency \$'000	Share based payments \$'000	Total \$'000
Balance at 30 June 2018	(5,186)	8,388	640	3,842
Treasury shares purchased for compensation plans	(12,717)	-	-	(12,717)
Foreign currency translation	-	4,093	-	4,093
Treasury shares allocated on vesting of performance rights	148	-	(152)	(4)
Share based payments expense	-	-	2,634	2,634
Reclassification of cash-settled share-based payments to equity	-	-	148	148
Balance at 30 June 2019	(17,755)	12,481	3,270	(2,004)
Treasury shares purchased for compensation plans	(247)	-	-	(247)
Foreign currency translation	-	(1,583)	-	(1,583)
Treasury shares allocated on vesting of performance rights	1,843	-	(455)	1,388
Share based payments expense	-	-	2,591	2,591
Balance at 30 June 2020	(16,159)	10,898	5,406	145

Dividends

The Parent has paid and proposed dividends as set out below:

	2020 \$'000	2019 \$'000
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2019: 0.50 cents per share (2018: Nil)	10,475	-
Interim dividend for 2020: 0.25 cents per share (2019: Nil)	5,238	-
	15,713	-
Subsequent to year end - Proposed dividends on ordinary shares:		
Final cash dividend for 2020: 0.35 cents per share (2019: 0.50 cents per share)	7,351	10,475
	7,351	10,475
Dividend franking account		
Amount of franking credits at 30 June 2020 available to shareholders of the Company for future years	1,556	150

G Unrecognised Items

21 Contingent liabilities

The following contingent liabilities existed at 30 June 2020:

	Consolidated	
	2020 \$'000	2019 \$'000
Bank guarantees	18,467	20,488
Insurance performance bonds	11,424	14,125
	29,891	34,613

Bank guarantees and insurance bonds are issued to contract counterparties in the ordinary course of business as security for the performance by the Group of its contractual obligations. The Group is also called upon to provide guarantees and indemnities to contract counterparties in relation to the performance of contractual and financial obligations. The value of these guarantees and indemnities is indeterminable.

Other contingent liabilities

The Group has the normal contractor's liability in relation to its current and completed contracts (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. The Group 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.

There were no contingent assets as of 30 June 2020 or 30 June 2019.

22 Commitments

At 30 June 2020, the Group has capital expenditure commitments contracted for, but not provided for in the financial statements, of \$4.478 million (2019: \$59.555 million).

23 Events after the reporting period

Subsequent to 30 June 2020, the Directors declared a final dividend of 0.35 cents per share.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

H Other Information / Group Structure

24 Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Incorporated subsidiaries	Country of incorporation	Ownership interest	
		2020 %	2019 %
Macmahon Contractors Pty Ltd	Australia	100%	100%
Macmahon Mining Services Pty Ltd	Australia	100%	100%
Doorn-Dijil Yoordaning Mining and Construction Pty Ltd	Australia	100%	100%
Macmahon Underground Pty Ltd	Australia	100%	100%
Macmahon Contracting International Pte Ltd	Singapore	100%	100%
PT Macmahon Indonesia	Indonesia	100%	100%
Macmahon Constructors Sdn Bhd	Malaysia	100%	100%
TMM Group Pty Ltd	Australia	100%	100%
TMM Group (Consult) Pty Ltd	Australia	100%	100%
TMM Group (IP) Pty Ltd	Australia	100%	100%
TMM Group (Operations) Pty Ltd	Australia	100%	100%
Windsor Earthmoving Contractors Pty Ltd	Australia	100%	100%
Macmahon Maintenance Masters Pty Ltd (2019: Lycullin Equipment Hire Pty Ltd)	Australia	100%	100%
Macmahon Contractors (WA) Pty Ltd*	Australia	100%	100%
Macmahon (Southern) Pty Ltd	Australia	100%	100%
Macmahon Africa Pty Ltd*	Australia	100%	100%
Macmahon Malaysia Pty Ltd*	Australia	100%	100%
Macmahon Sdn Bhd	Malaysia	100%	100%
PT Macmahon Contractors Indonesia	Indonesia	100%	100%
Macmahon Singapore Pte Ltd*	Singapore	100%	100%
Progressive Services Mongolia Pte Ltd*	Singapore	100%	100%
Reactionary Services LLC*	Mongolia	100%	100%
Macmahon Contractors Nigeria Ltd*	Nigeria	100%	100%
Macmahon Contractors Ghana Limited*	Ghana	100%	100%
Macmahon Botswana (Pty) Ltd*	Botswana	100%	100%
Strong Minds Strong Mines Pty Ltd	Australia	100%	0%
GF Holdings (WA) Pty Ltd**	Australia	100%	0%
GBF Mining and Industrial Services Pty Ltd**	Australia	100%	0%
GBF North Pty Ltd**	Australia	100%	0%
GBF Number 3 Pty Ltd**	Australia	100%	0%
GBF Number 4 Pty Ltd**	Australia	100%	0%
GBF Number 5 Pty Ltd**	Australia	100%	0%
GBF Number 6 Pty Ltd**	Australia	100%	0%
RAMEX Services Pty Ltd**	Australia	100%	0%
GBF Project Services S.R.O**	Slovakia	100%	0%
Interest in trusts			
Macmahon Holdings Limited Employee Share Ownership Plans Trust	Australia	100%	100%
Macmahon Underground Unit Trust	Australia	100%	100%

* Entities were inactive for the financial year ended 30 June 2020.

** On 2 August 2019, the Group acquired 100% of the voting shares of GF Holdings (WA) Pty Ltd and its subsidiaries. Refer to note 32 for further details.

25 Interests in joint ventures

Interest in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the Group are set out below:

Incorporated joint venture	Country of incorporation	Ownership Interest	
		2020 %	2019 %
PT Macmahon Mining Services	Indonesia	50%	50%

	Consolidated	
	2020 \$'000	2019 \$'000
At 1 July	10,954	9,273
Adjustment on initial application of AASB 9 (net of tax)	-	(1,057)
Adjusted balance at 1 July	10,954	8,216
Share of profit of equity-accounted investees, net of tax	3,351	3,905
Dividends distributed	(3,403)	(1,518)
Exchange differences	(420)	351
At 30 June	10,482	10,954

PT Macmahon Mining Services is a joint venture in which the Group has joint control and holds a 50% ownership interest.

PT Macmahon Mining Services is structured as a separate vehicle and the Group has a residual interest in the net assets of the joint venture. Accordingly, the Group has classified its interest in PT Macmahon Mining Services as a joint venture. In accordance with the agreement between the shareholders of PT Macmahon Mining Services, the Group and the other investor in the joint venture have agreed to ensure the joint venture has sufficient funds to perform its contract to provide mining services at the Martabe project. The commitment has not been recognised in these financial statements.

The following tables summarises the financial information of the joint venture as included in their own financial statements, adjusted for fair value adjustments and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in joint ventures. The Group does not eliminate realised profit or loss transactions with equity investees.

Summary financial information of PT Macmahon Mining Services, unadjusted for the percentage ownership held by the Group is:

Summarised statement of financial position	Consolidated	
	2020 \$'000	2019 \$'000
Cash and cash equivalents	10,914	8,389
Other current assets	14,739	19,138
Total current assets	25,653	27,527
Total non-current assets	10,345	13,753
Total assets	35,998	41,280
Current payables	(10,898)	(11,722)
Current borrowings - external	(30)	(3,624)
Total current liabilities	(10,928)	(15,346)
Non-current borrowings - external	(2,396)	(2,347)
Other non-current financial liabilities	(1,711)	(1,680)
Total non-current liabilities	(4,107)	(4,027)
Total liabilities	(15,035)	(19,373)
Net assets	20,963	21,907
Share of net assets at 50% (2019: 50%)	10,482	10,954
Summarised statement of profit or loss and other comprehensive income		
Revenue	87,259	79,767
Net finance costs	(96)	(750)
Depreciation and amortisation expense	(6,150)	(6,635)
Other expenses	(72,414)	(61,892)
Profit before income tax	8,599	10,490
Income tax expense	(1,897)	(2,681)
Profit after income tax expense	6,702	7,809
Share of profit of equity-accounted investees, net of tax at 50% (2019: 50%)	3,351	3,905
Dividends received by the Group	3,403	1,518

To support the activities of the joint venture, the joint venturers have agreed to make additional contributions to the interest to make up any losses, if acquired.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income.

26 Related party transactions

Parent entity

Macmahon Holdings Limited is the ultimate parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 24.

Joint ventures

Interests in joint venture arrangements are set out in note 25.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report.

Transaction with related parties - joint venture

The following transactions occurred with related parties:

	Consolidated	
	2020 \$'000	2019 \$'000
Transactions recognised in profit or loss		
Costs incurred by the Group on behalf of and recharged to the joint venture	2,715	1,436
Costs incurred by the joint venture on behalf of and recharged to the Group	(1,517)	(441)
Management fee charged to joint venture	1,078	1,550
Purchases and sales of assets		
Sale of equipment to joint venture	-	1,007
Purchase of equipment from joint venture	-	(635)
Receivable from / (payable to) joint venture		
Receivable from / (payable to) joint venture	347	(124)

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Transactions with significant shareholders - AMNT

AMNT (including its related entities) is a significant shareholder of the Company. The following transactions occurred with AMNT in relation to the provision of mining services for the Batu Hijau mine, which is wholly owned by AMNT:

	Consolidated	
	2020 \$'000	2019 \$'000
Transaction recognised in profit or loss		
Revenue recognised from shareholder	446,012	382,271
Purchases made from shareholder	-	(107,006)
Non-cash materials and consumables utilised from shareholder	(198,876)	(58,230)
Receivables from significant shareholders		
Trade receivables and contract assets	44,544	47,539

During the year PT Macmahon Mining Services joint venture recognised revenue of \$0.322 million (2019: \$2.200 million) from AMNT. The amount owing from AMNT to the joint venture at 30 June 2020 was \$0.012 million (2019: \$0.600 million).

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

27 Compensation of key management personnel

Compensation

Key management personnel compensation for the financial year was as follows:

	Consolidated	
	2020 \$	2019 \$
Short-term employee benefits	3,542,536	2,479,020
Long-term employee benefits	28,893	91,296
Post-employment benefits	133,040	132,769
Share-based payments	1,516,383	1,622,592
	5,220,852	4,325,677

28 Share-based payments

The Group has the following equity compensation arrangements to remunerate non-executives, executives and employees of the Group:

- Macmahon Executive Equity Plan (EEP)
- Senior Manager Long Term Incentive Plan (LTIP)
- Non-Executive Director Salary Sacrifice Plan (SSP)

Executives and Senior Management Plans

EEP and LTIP Plans

The LTIP and EEP provides Executive and senior management with the opportunity to receive fully paid ordinary shares in the Company for no consideration, subject to specified time restrictions, continuous employment and performance conditions being met. Each performance right will entitle participants to receive one fully paid ordinary share at the time of vesting. The LTIP and EEP are designed to assist with employee retention, and to incentivise employees to maximise returns and earnings for shareholders. The Board of Directors determines which employees are eligible to participate and the number of performance rights granted.

Performance rights granted under prior years EEP plans are set out below:

	EEP performance rights 2017			
	Tranche 1	Tranche 1	Tranche 2	Tranche 3
Performance rights effective on	1 Jul 16	1 Jul 17	1 Jul 17	1 Jan 18
Grant date	12 Aug 16	18 Aug 17	29 Nov 17	2 Mar 18
Vesting date	1 Jul 19	1 Jul 20	1 Jul 20	1 Jul 20
Service period	3 years	3 years	3 years	2.5 years
Tranche and number of performance rights	12,659,501	13,669,315	482,075	1,070,093
Remaining number of rights at 30 June 2020	-	8,316,537	482,075	1,070,093
Fair value on grant date	\$0.075	\$0.085	\$0.130	\$0.125
Vesting performance condition				
Less than 17% CAGR in TSR	0%	0%	0%	0%
17% CAGR in TSR	50%	50%	50%	50%
25% or more CAGR in TSR	100%	100%	100%	100%
Between 17% and 25% CAGR in TSR	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%

	LTIP performance rights 2019				EEP performance rights 2019
	Tranche 1	Tranche 2	Tranche 3 ¹	Tranche 3 ¹	Tranche 1
Performance rights effective on	1 Jul 18	1 Jul 18	1 Jul 18	1 Jul 18	1 Jul 18
Grant date	1 Jul 18	1 Jul 18	1 Jul 18	1 Jul 18	5 Oct 18
Vesting date	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 21
Service period	2 years	3 years	4 years	5 years	3 years
Tranche and number of performance rights	16,162,394	16,162,394	16,162,394	16,162,392	8,660,803
Remaining number of rights at 30 June 2020	16,162,394	16,162,394	16,162,394	16,162,392	6,058,825
Fair value on grant date	\$0.094	\$0.090	\$0.090	\$0.090	\$0.138
Vesting performance condition					
Less than 17% CAGR in TSR	0%	0%	0%	0%	0%
17% CAGR in TSR	50%	50%	50%	50%	50%
25% or more CAGR in TSR	100%	100%	100%	100%	100%
Between 17% and 25% CAGR in TSR	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%

¹ 50% of shares that vest as a result of Tranche 3 LTIP performance rights is subject to a further retention period of 1 year.

Performance rights granted during the current year are set out below:

	EEP performance rights 2020
Performance rights effective on	1 Jul 19
Grant date	6 Aug 19
Vesting date	1 Jul 22
Service period	3 years
Tranche and number of Performance Rights	10,197,059
Remaining number of rights at 30 June 2020	8,486,853
Fair value on grant date	\$0.051
Vesting performance condition	
Less than 17% CAGR in TSR	0%
17% CAGR in TSR	50%
25% or more CAGR in TSR	100%
Between 17% and 25% CAGR in TSR	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 2020 EEP performance rights using the Monte Carlo simulation:

	EEP performance rights 2020
Fair value at grant date	\$0.051
Share price at grant date	\$0.170
Exercise price	Nil
Volatility factor	45.00%
Service period	2.9 years
Expected dividends	4.00%
Risk-free interest rate (based on government bonds)	0.71%

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

Non-Executive Director Salary Sacrifice Plan

The SSP provides Non-Executive Directors (NED) with the option to sacrifice a portion of their salary in return for a fixed number of rights over ordinary but restricted shares which will vest equally within 8 months and 14 months from grant date. Once vested, the shares will be held on trust on behalf of the recipients but will be subject to certain restrictions which limit the recipients' ability to sell the shares. Trading restrictions will generally end on the earliest of ceasing to be a Non-Executive Director, the date a change of control occurs or 15 years after the date the relevant NED share rights were granted.

The following assumptions were applied in the measurement of the fair values of NED share rights using the Black-Scholes option pricing model:

	NED share rights 2020			NED share rights 2019	
	Tranche 1	Tranche 2	Tranche 2	Tranche 1	Tranche 2
Share rights effective on	1 Jul 19	1 Jul 19	1 Jan 20	1 Jul 18	1 Jul 18
Grant date	2 Aug 19	2 Aug 19	16 Dec 19	1 Jul 18	1 Jul 18
Vesting date	21 Feb 20	25 Aug 20	25 Aug 20	1 Mar 19	1 Sep 19
Service period	8 months	14 months	8 months	8 months	14 months
Tranche and number of share rights	564,264	564,265	143,591	696,675	696,673
Remaining number of share rights at 30 June 2020	-	564,265	143,591	-	-
Share price at grant date	\$0.180	\$0.180	\$0.262	\$0.215	\$0.215
Discount for lack of marketability	30.00%	30.00%	30.00%	30.00%	30.00%
Implied fair value of restricted shares	\$0.126	\$0.126	\$0.183	\$0.151	\$0.151
Exercise price	\$0.198	\$0.198	\$0.286	\$0.213	\$0.213
Risk-free interest rate	0.94%	0.94%	0.77%	1.93%	1.92%
Volatility factor	45.00%	45.00%	45.00%	45.00%	45.00%
Dividend yield	0.00%	4.00%	4.00%	0.00%	0.00%
Implied discount to share price at grant date	99.00%	97.00%	98.00%	97.00%	94.00%
Fair value at grant date	\$0.002	\$0.005	\$0.004	\$0.006	\$0.012

Information about performance rights and share rights outstanding at year end

The following unvested unlisted performance rights were outstanding at year end:

	LTIP and EEP performance rights		NED share rights	
	2020	2019	2020	2019
Balance at start of year	87,517,607	17,880,139	492,929	-
Granted during the year	10,197,059	73,310,377	1,272,120	1,393,348
Vested during the year	(5,971,921)	-	(1,057,193)	(696,675)
Forfeited during the year	(2,678,788)	(3,672,909)	-	(203,744)
Balance at end of year	89,063,957	87,517,607	707,856	492,929

The following share-based payment expenses were recognised to profit or loss, disaggregated by equity-compensation arrangement:

	Consolidated	
	2020 \$'000	2019 \$'000
LTIP performance rights	1,899	1,899
EEP performance rights	687	726
NED share rights	5	9
	2,591	2,634

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined by using the Binomial, Black-Scholes or Monte Carlo model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities with the next annual reporting period but may impact profit or loss and equity.

Share-based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial, Monte Carlo or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

If any performance rights have been forfeited for failure to complete a service period, the costs of the performance rights costs are trued up i.e., amounts previously expensed are no longer incurred and accordingly reversed in the current year. This policy is applied irrespective of whether the employee resigns voluntarily or is dismissed by the Company.

29 Remuneration of auditors

The auditor of Macmahon Holdings Limited is KPMG Australia. Amounts paid or payable for services provided by KPMG and other non-KPMG audit firms are as follows:

	Consolidated	
	2020 \$	2019 \$
Group auditors		
Audit and review services - KPMG		
Audit or review of the financial statements - Australia	370,200	336,712
Audit or review of the financial statements - Network firms	27,989	59,840
	398,189	396,552
Other services - KPMG		
Taxation services - Australia	43,556	40,091
Taxation services - Network firms	20,003	64,890
Other assurance services - Australia	28,500	179,445
Other assurance services - Network firms	14,686	5,187
	106,745	289,613
	504,934	686,165
Subsidiary auditors		
Audit and review services		
Audit of the financial statements - PWC Indonesia	108,220	92,798
Other services		
Taxation services - PWC Indonesia	-	49,422
	108,220	142,220
	613,154	828,385

30 Deed of cross guarantee

Pursuant to *ASIC Corporation (Wholly-owned Companies) Instrument 2016/785* (the Instrument), the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* (the Act) requirements for preparation, audit and lodgement of their financial statements and Directors' Report.

It is a condition of the Instrument that the Parent and each of its subsidiaries (Extended Closed Group) below enter into a Deed of Cross Guarantee (Deed). The effect of the Deed is that the Parent guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Act. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given the same guarantees in the event that the Company is wound up.

The following entities are party to the Deed under which each member guarantees the debts of the others:

- Macmahon Contractors Pty Ltd
- Macmahon Underground Pty Ltd
- Macmahon Mining Services Pty Ltd
- TMM Group Pty Ltd
- TMM Group (Operations) Pty Ltd
- GF Holdings (WA) Pty Ltd
- GBF North Pty Ltd

GF Holdings (WA) Pty Ltd and GBF North Pty Ltd became party to the Deed during the year ended 30 June 2020.

Set out below is a consolidated statement of profit or loss and other comprehensive income, summary of movements in consolidated retained earnings and consolidated statement of financial position, comprising the Company and its controlled entities which are a party to the Deed, after eliminating transactions between parties to the Deed:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Consolidated	
	2020 \$'000	2019 \$'000
Revenue	727,516	693,498
Other income	26,794	33,894
Materials and consumables used	(88,296)	(150,436)
Employee benefits expense	(415,333)	(300,010)
Subcontractor costs	(35,577)	(45,551)
Depreciation and amortisation expense	(97,585)	(62,117)
Equipment and other operating lease expenses	(39,107)	(90,723)
Net finance costs	(12,482)	(7,526)
Other expenses	(22,889)	(83,008)
Profit / (loss) before income tax expense	43,041	(11,979)
Income tax benefit	7,406	2,770
Profit / (loss) after income tax expense	50,447	(9,209)
Other comprehensive income		
Foreign currency translation	-	-
Other comprehensive income / (loss) for the year, net of tax	-	-
Total comprehensive income / (loss) for the year	50,447	(9,209)

EQUITY - ACCUMULATED LOSSES

	Consolidated	
	2020 \$'000	2019 \$'000
Accumulated losses at the beginning of the financial year	(220,544)	(225,295)
Adjustment on initial application of AASB 9 <i>Financial Instruments</i> , net of tax	-	(1,409)
Adjusted accumulated losses at the beginning of the financial year	(220,544)	(226,704)
Profit / (loss) after income tax expense	50,447	(9,209)
Treasury shares allocated on vesting of performance rights	(1,171)	4
Dividends	(15,713)	-
Effect of adding TMM Group (Operations) Pty Ltd	-	15,365
Accumulated losses at the end of the financial year	(186,981)	(220,544)

STATEMENT OF FINANCIAL POSITION

	Consolidated	
	2020 \$'000	2019 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	120,272	83,238
Trade and other receivables	86,777	121,794
Inventories	49,566	45,412
Lease receivable	-	2,057
Income tax receivable	-	4,590
Assets classified as held of sale	829	2,159
Total current assets	257,444	259,250
Non-current assets		
Trade and other receivables	60,511	68,774
Other financial assets	52,413	49,369
Property, plant and equipment	336,606	245,300
Intangible assets and goodwill	21,330	10,245
Lease receivable	-	23,258
Deferred tax asset	8,347	-
Total non-current assets	479,207	396,946
Total assets	736,651	656,196
LIABILITIES		
Current liabilities		
Trade and other payables	117,253	129,673
Borrowings	45,984	26,968
Income tax payable	142	-
Employee benefits	42,575	23,272
Provisions	12,177	12,696
Total current liabilities	218,131	192,609
Non-current liabilities		
Trade and other payables	1,500	-
Borrowings	150,027	134,225
Deferred tax liabilities	-	930
Employee benefits	1,609	343
Total non-current liabilities	153,136	135,498
Total liabilities	371,267	328,107
NET ASSETS	365,384	328,089
EQUITY		
Issued capital	563,118	563,118
Reserves	(10,753)	(14,485)
Net accumulated losses	(186,981)	(220,544)
TOTAL EQUITY	365,384	328,089

31 Parent entity information

Set out below is the supplementary financial information of the Parent as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2020 \$'000	2019 \$'000
Profit after income taxes of the Parent	13,665	11,753
Total comprehensive income of the Parent	13,665	11,753

STATEMENT OF FINANCIAL POSITION

	2020 \$'000	2019 \$'000
Current assets	176,280	2,158
Total assets	337,390	283,737
Current liabilities	(83,018)	(33,367)
Total liabilities	(86,518)	(33,378)
Equity		
Issued capital	563,118	563,118
Share-based payments reserve	5,406	3,270
Reserve for own shares	(16,159)	(17,755)
Accumulated losses	(301,493)	(298,274)
Total equity	250,872	250,359

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The Parent has entered into a Deed with the effect that the Parent guarantees the debt of members of the Extended Closed Group. Further details of the Deed and the Extended Closed Group are disclosed in note 30.

Significant accounting policies

The accounting policies of the Parent are consistent with those of the Group.

32 Business combinations

On 2 August 2019, the Group acquired 100% of the voting shares of GF Holdings (WA) Pty Ltd and its subsidiaries (GBF), a private company located in Western Australia that specialises in the provision of underground mining services. The Group acquired GBF as it expands both its service portfolio and customer base in underground mining services. The financial statements include the results of GBF for the 11 month period from the acquisition date.

Consideration transferred

Purchase consideration is as follows:

	\$'000
Cash paid	21,203
Deferred cash consideration	2,000
Deferred cash consideration - current (note 12)	2,000
Contingent consideration - non-current (note 12)	1,500
Total consideration	26,703

Acquisition costs

The Group incurred acquisition costs of \$1.345 million (2019: \$0.689 million) in respect of external legal and due diligence professional service fees. Acquisition costs are included in other expenses in the consolidated statement of profit or loss and other comprehensive income. Refer to note 4.

Identifiable net assets

The assets and liabilities recognised as a result of the acquisition are as follows:

	\$'000
Assets	
Cash and cash equivalents	2,296
Trade and other receivables	23,781
Inventories	7,029
Income tax receivable	569
Property, plant and equipment	46,198
Customer contracts	1,100
	<u>80,973</u>
Liabilities	
Trade and other payables	(22,533)
Employee benefits	(7,280)
Borrowings	(30,240)
	<u>(60,053)</u>
Net identifiable assets acquired	20,920
Goodwill arising on acquisition	5,783
Purchase consideration transferred	26,703

Borrowings

The Group measures acquired lease liabilities using the present value of the remaining lease payments from the date of acquisition. The ROU assets were measured at an amount equal to the lease liabilities and adjusted to reflect favourable or unfavourable terms of the lease relative to market terms.

Goodwill

The goodwill recognised is attributed to the expected synergies and other benefits from combining the assets and activities of GBF with those of the Group.

Provisional accounting

The initial accounting of the acquisition of GBF has only been provisionally determined at the end of the reporting period. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the time, then the accounting for the acquisition will be revised.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable assets acquired and liabilities assumed. Any gain or bargain purchase is recognised in profit or loss immediately.

33 Other significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The accounting policies are consistent with those disclosed in the prior period financial statements, except for the impact of new and amended standards and interpretations, effective 1 July 2019. The adoption of these standards and interpretations did not result in any significant changes to the Group's accounting policies, with the exception of AASB 16 *Leases* (AASB 16).

The Group has not elected to early adopt any new or amended standards or interpretations that are issued but not yet effective.

Application of new and amended accounting standards and interpretations adopted

The Group has adopted AASB 16 *Leases* from 1 July 2019. Due to the transition method chosen by the Group in applying this standard, comparative information throughout these financial statements has not been restated.

AASB 16 *Leases*

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Depreciation on a leased asset and interest on lease liabilities are recognised in the consolidated statement of profit or loss and other comprehensive income.

Before the adoption of AASB 16, the Group classified each of its leases in its capacity as a lessee at inception as either a finance lease or operating lease. For operating leases, the leased item was not capitalised and the lease payments were recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis.

Transition to AASB 16 *Leases*

The Group adopted AASB 16 on 1 July 2019 using the modified retrospective approach and applied the following practical expedients:

- applied the exemption to not recognise right-of-use (ROU) assets and liabilities for leases with lease term of less than 12 months of lease term and low-value items
- a single discount rate used to a portfolio of leases with reasonably similar characteristics, and
- hindsight used when determining the lease term of the contract contains options to extend or terminate the lease.

At transition, for leases classified as operating leases under AASB 117 *Leases*, lease liabilities were measured at present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. ROU assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and incentives received from the lessor.

At 1 July 2019	\$'000
Property, plant and equipment	16,443
Borrowings	(16,687)
Prepayments	(10)
Trade and other payables	254

There was no impact on opening retained earnings with the adoption of AASB 16.

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted future lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average borrowing rate applied was 4.81%. Operating lease commitments disclosed at the end of 30 June 2019 are reconciled to the opening balance of lease liabilities as follows:

	\$'000
Operating lease commitments disclosed at 30 June 2019	25,362
Present value of discounting lease liabilities	21,636
Less: Short-term and low value leases	(4,949)
Lease liabilities recognised on 1 July 2019	16,687

Lease accounting policy applied from 1 July 2019

When a contract is entered into, the Group assesses whether the contract contains a lease. A lease arises when the Group has the right to direct the use of an identified asset where the lessor does not have a substantive substitution right and to obtain substantially all economic benefits from the use of the asset throughout the period of use.

The Group separates the lease and non-lease components of the contract and accounts for these separately. The Group allocates the consideration in the contract of each component on the basis of their relative stand-alone prices.

Leases as a lessee

Lease assets and lease liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which is the present value of future lease payments for any lease payments made at or before the commencement date, plus any make-good obligations and initial direct costs incurred.

Lease assets are depreciated using the straight-line method over the shorter of their useful life and the lease term. Periodic adjustments are made for any re-measurements of lease liabilities and for impairment losses, assessed in accordance with the Group's impairment policies disclosed at note 15.

Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using an effective interest rate. Minimum lease payments are fixed payments or index-based variable payments incorporating the Group's expectations of extension options and do not include non-lease components of a contract. A portfolio approach was taken when determining the implicit discount rate for leased assets with similar terms and conditions on transition.

The lease liability is remeasured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the lease assets, with any excess recognised in the consolidated statement of profit or loss and other comprehensive income.

Short-term leases and leases of low value assets

Short-term leases (i.e. lease term of 12 months or less) and leases of low value assets are recognised as incurred as an expense to the consolidated statement of profit or loss and other comprehensive income. Low value assets comprise of plant and equipment.

Leases as a lessor

The Group leases mining equipment to customers, including ROU assets. The Group has classified these leases as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under AASB 117 *Leases*. However, when the Group is an intermediate lessor, the sub-leases are classified with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. Operating lease income is recognised in other revenue in the consolidated statement of profit or loss and other comprehensive income.

Lease accounting policy applied prior to 1 July 2019

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfers from the lessor to the lessee substantially all of the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease. Major component expenditure on operating lease equipment is capitalised to plant and equipment and amortised over the shorter of the remaining lease term or the useful life of the component.

New Accounting Standards and Interpretations not effective for the Group at 30 June 2020 or early adopted

A number of new standards, amendments of standards and interpretations are effective for annual periods beginning from 1 July 2020 and earlier application is permitted, however the Group has not early adopted these standards in preparing these consolidated financial statements.

The Group has reviewed these standards and interpretations and has determined that none of these new or amended standards and interpretations will significantly affect the Group's accounting policies, financial position or performance.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* as appropriate for for-profit orientated entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements provide comparative information in respect of the previous period. For consistency with the current year's presentation, where required, comparative information has been reclassified.

The financial statements have been prepared under the historical cost basis, except for contingent consideration and certain other financial assets and financial liabilities, which are measured at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are included in the respective notes to the financial statements:

- Note 2 – revenue recognition: estimate of variable consideration
- Note 5 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised
- Note 17 – measurement of provision for ECL: key assumptions in determining the loss rate

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Macmahon Holdings Limited as of 30 June 2020 and the results of all subsidiaries for the year then ended. Macmahon Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Entities are deconsolidated from the date that control ceases.

Interest in equity accounted investees

The Group's interests in equity-accounted investees comprise interests in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method and are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Macmahon Holdings Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at the exchange rate at that date. The income and expenses of foreign operations are translated into Australian dollars at the average exchange rates for the period. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are recognised to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Goods and Services Tax (GST), Value Added Tax (VAT) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

DIRECTORS' DECLARATION

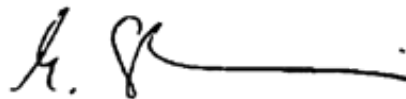
In the Directors' opinion:

- the attached financial statements and notes, and the remuneration report on pages 58 to 68 in the Directors' report, are in accordance with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 33 and throughout the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date and comply with Australian Accounting Standards and the *Corporations Regulations 2001*;
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee (pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*) described in note 30 to the financial statements.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5) (a) of the *Corporations Act 2001*.

On behalf of the Directors



MS E SKIRA

Independent Non-Executive Chair
26 August 2020
Perth



Independent Auditor's Report

To the shareholders of Macmahon Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Macmahon Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Macmahon Holdings Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Acquisition of GF Holdings (WA) Pty Ltd and its subsidiaries
- Revenue recognition

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



Acquisition of GF Holdings (WA) Pty Ltd and its subsidiaries (\$26.7 million)	
Refer to Note 32 Business combination	
The key audit matter	How the matter was addressed in our audit
<p>During the year the Group acquired 100% of the shares of GF Holdings (WA) Pty Ltd and its subsidiaries ('GBF') for purchase consideration of \$26.7 million.</p> <p>This was considered a key audit matter due to:</p> <ul style="list-style-type: none"> the financial significance of the transaction to the Group; significant judgements made by the Group relating to the purchase price allocation (PPA), in particular determining the fair values of plant and equipment for which the Group engaged the services of an external specialist and determining the fair value of intangibles; and significant judgements made by the Group to determine the fair value of the contingent consideration. The contingent consideration is dependent on forecast future performance of the acquired business and tends to be prone to greater risk for potential bias. <p>These conditions and the complexity of acquisition accounting required significant audit effort and involvement of senior audit team members in assessing this key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> Reading the Share Purchase Agreement to obtain an understanding of the structure, key terms and nature of the consideration; Involving senior audit team members to evaluate the Group's acquisition accounting against the criteria of a business combination in the accounting standards. Evaluating the Group's external specialist's valuation of assets acquired. This included: <ul style="list-style-type: none"> evaluating the valuation methodology against our knowledge of the industry practice and accounting standards; comparing the assumptions used by the Group's external specialist in the valuation of plant and equipment acquired to the underlying accounting records of GBF. Evaluating the Group's valuation of intangible assets acquired. This included: <ul style="list-style-type: none"> evaluating the valuation methodology against our knowledge of the industry practice and accounting standards; assessing the key underlying GBF customer contracts to understand the quantum and likelihood of existing contracted and future cash flows. We used our knowledge of GBF, its business and customers; and Evaluating the Group's determination of the contingent consideration amount which involved: <ul style="list-style-type: none"> Checking key inputs used in the contingent consideration estimation to the terms of the Share Purchase Agreement; Assessing the feasibility of key assumptions used in the contingent consideration estimation and consistency of application to industry trends and expectations and considered differences for the Group's operations. We used our knowledge of GBF, past performance, business and customers and our industry experience; Considering the sensitivity of the contingent consideration by varying key assumptions within a reasonably possible range to identify those assumptions at higher risk of bias; and Checking the mathematical accuracy of the contingent consideration estimation.



Acquisition of GF Holdings (WA) Pty Ltd and its subsidiaries (\$26.7 million) (continued)	
Refer to Note 32 Business combination (continued)	
The key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> Assessed the scope, competence and objectivity of external specialists engaged by the Group. Assessing the Group’s business combination disclosures in the financial report against our understanding obtained from our testing and the requirements in the accounting standards.

Revenue recognition (\$1,380.4 million)	
Refer to Note 2 Revenue	
The key audit matter	How the matter was addressed in our audit
<p>The Group’s revenue arises from rendering mining and mining related services based on contracts with customers. Revenue recognised is based on contractual rates or on a cost reimbursement basis as performance obligations are met.</p> <p>We focussed on this area as a key audit matter due to its significant value in the Group’s financial report and audit effort associated with a large number of customer contracts.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> Evaluating the Group’s revenue recognition policies against the requirements of the relevant accounting standards; Understanding the Group’s process for accounting for revenue across different contracts against the terms in the customer contracts; Testing key controls in the revenue recognition process such as approval of monthly progress claims by the Group’s project manager and customers prior to billing; Testing a statistical sample of invoices to underlying progress claims, customer approval, contract terms and payments received for these invoices; Testing a statistical sample of unbilled revenue accruals to underlying progress claims, contract terms, subsequent invoicing after customer approval and post year end payments received for these invoices (where available); Testing a sample of invoices recognised during the period under audit, and in subsequent periods, to the underlying progress claims to check revenue recognition in the correct period; Obtaining significant credit notes recognised post year end to check the Group’s recognition of revenue in the correct period; For key contracts where variable consideration is recognised, evaluating the Group’s evidence to meet the recognition requirements of highly probable by checking to subsequent customer approval of these amounts; and Evaluating the Group’s disclosures against our understanding obtained from our testing and the requirements of the accounting standards.



Other Information

Other Information is financial and non-financial information in Macmahon Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Macmahon Holdings Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

KPMG

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 58 to 68 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

R Gambitta
Partner

Perth

26 August 2020



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SUMMARY OF CONSOLIDATED REPORTS

Profit and loss (\$m)	2020	2019	2018	2017	2016
Revenue from continuing operations	1,380.4	1,103.0	710.3	359.6	312.2
Underlying EBITDA	238.7	181.4	119.2	31.8	42.5
Depreciation and amortisation (excluding customer contracts)	(147.1)	(106.2)	(77.7)	(33.5)	(28.8)
Underlying EBIT(A)	91.6	75.1	41.5	(1.7)	13.7
Significant, non-recurring items and impairment ¹	(4.0)	(10.6)	(0.3)	(3.4)	(2.1)
Amortisation of customer contracts	(0.3)	-	-	-	-
Reported EBIT	87.3	64.5	41.2	(5.1)	11.6
Net interest	(14.8)	(10.7)	(2.4)	(0.1)	(0.7)
Profit / (loss) before income taxes	72.5	53.8	38.8	(5.2)	11.0
Income tax expense	(7.5)	(7.7)	(7.5)	(0.3)	(0.2)
Profit / (loss) after taxes from continuing operations	64.9	46.1	31.3	(5.5)	10.8
Profit / (loss) after taxes attributed to Macmahon	64.9	46.1	31.3	(5.5)	10.8
Add: Significant, non-recurring items and impairment (net of tax) and amortisation of customer contracts ¹	4.3	10.6	0.3	3.4	2.1
Underlying net profit / (loss) after taxes attributed to Macmahon	69.2	56.7	31.6	(2.1)	12.9
Balance sheet (\$m)					
Plant and equipment	457.0	399.6	380.1	122.7	117.7
Total assets	923.0	824.9	723.3	295.0	300.1
Net assets	497.8	447.6	409.8	185.0	207.4
Equity attributable to the Group	497.8	447.6	409.8	185.0	207.4
Net debt / (net cash)	60.9	52.7	(3.4)	(54.1)	(56.5)
Cash flow (\$m)					
Underlying EBITDA	238.7	181.4	119.2	31.8	42.5
Net interest paid	(14.8)	(10.7)	(2.4)	(0.1)	(1.0)
Income tax (paid) / refund	(8.5)	(15.2)	6.3	-	(2.8)
Decrease / (increase) in working capital, provisions and other non-cash items	(21.7)	(63.0)	(17.3)	(1.5)	(29.7)
Net operating cash flows, including joint venture	193.7	92.5	105.8	30.2	9.0
Investing and financing cash flows (net)	(165.7)	(89.8)	(59.1)	(23.1)	(188.6)
Effect of exchange rates on cash	0.6	0.9	-	(0.9)	(0.6)
Cash at beginning of financial year	113.2	109.6	62.9	56.7	236.9
Closing cash and cash equivalents	141.8	113.2	109.6	62.9	56.7

1 Significant and non-recurring items include:
2020 includes acquisition costs and share-based payment expenses
2019 includes litigation settlements and related legal fees, acquisition costs and share-based payments expense
2018 includes share-based payments expense
2017 includes the takeover defence costs
2016 includes provision for onerous contracts
Due to rounding, numbers presented may not add

	2020	2019	2018	2017	2016
People and safety					
Number of employees	5,229	4,072	3,913	1,659	1,529
LTIFR	0.1	0.4	0.5	0.4	1.1
TRIFR	3.8	4.0	6.3	5.7	4.5
Order book					
Work in hand (\$bn) ³	4.5	4.5	5.4	5.0	1.5
New contracts and extension (\$bn) ²	1.4	0.2	1.2	3.9	0.6
Revenue growth (%)	25.1	55.3	97.5	15.2	(52.7)
Reported NPAT / Revenue (%)	4.7	4.2	4.4	(1.5)	3.5
Underlying NPAT / Revenue (%) ⁵	5.0	5.1	4.4	(0.6)	4.1
EBIT interest cover (x)	5.9	6.0	17.0	(33.8)	18.0
Reported basic EPS from continuing operations (cents)	3.10	2.19	1.53	(0.47)	0.87
Underlying basic EPS from continuing operations (cents)	3.30	2.69	1.55	(0.18)	1.03
Balance sheet ratios					
Gearing ratio	12.2	11.8	(0.8)	(29.2)	(27.2)
Enterprise gearing ratio	10.9	10.5	(0.8)	(41.3)	(37.5)
Reported return on average capital employed (ROACE) (%)	14.1	11.9	12.0	(2.5)	5.4
Underlying ROACE (%) ⁵	14.8	13.9	12.1	(0.8)	6.4
Reported return on equity (ROE) (%)	13.7	10.7	10.5	(2.8)	5.0
Underlying ROE (%) ⁵	14.6	13.2	10.6	(1.1)	6.0
Reported return on assets (ROA) (%)	7.4	6.0	6.1	(1.9)	2.6
Underlying ROA (%) ⁵	7.9	7.3	6.2	(0.7)	3.1
Net tangible assets (NTA) per share (\$)	0.22	0.20	0.19	0.15	0.17
Cash flow ratios (\$'m)					
Net operating cash flow per share (cents)	9.0	4.3	4.9	2.5	0.7
Shareholders					
Shares on issue (m) at 30 June	2,155.0	2,155.0	2,155.0	1,200.9	1,210.5
Share price at 30 June (cents)	25.5	18.5	21.5	16.5	8.8
Dividends declared (cents) ⁴	0.60	0.50	-	-	-
Percentage franked (%)	30	30	-	-	-
Market capitalisation (\$m)	549.5	398.7	463.3	198.2	106.5
Enterprise value (EV)	610.4	451.4	459.9	144.1	50.0
Price / NTA (x)	1.2	0.9	1.1	1.1	0.5

2 For 2017, new contracts and extensions includes the Batu Hijau contract

3 For 2017, the order-book includes the Batu Hijau contract. The order book for 2016 includes a proportional share of joint venture order books

4 Subsequent to 30 June 2020, the Board approved the payment of a final dividend of 0.35 cents per share. For the year ended 30 June 2020, the payment of an interim dividend of 0.25 cents per share was also approved by the Board

5 Adjusted for significant, non-recurring items and impairment

The Summary of Consolidated Reports uses non-IFRS financial information, such as underlying EBIT(A) and EBITDA, to measure the financial performance of the Group. Non-IFRS measures of financial performance are unaudited.

ASX ADDITIONAL INFORMATION

As at 19 August 2020

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDING SUMMARY

The following details of Shareholders of Macmahon Holdings Limited have been taken from the share register on 19 August 2020.

- a) The twenty largest Shareholders held 87.23% of the ordinary shares.
- b) There were 6,370 ordinary Shareholders as follows:

1-1,000	653
1,001-5,000	1,975
5,001-10,000	951
10,001-100,000	2,314
100,001 and over	477
TOTAL	6,370

SUBSTANTIAL SHAREHOLDERS

As at 19 August 2020, the register of substantial shareholders disclosed the following information:

Holders giving notice	Number of ordinary shares in which interest is held
Perpetual Corporate Trust Limited <Amman Mineral Contractors (Singapore) Pte Ltd A/C>	954,064,924
Paradise Investment Management Pty Ltd	107,842,089

VOTING RIGHTS

The voting rights attaching to ordinary shares are set out below:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

VOLUNTARY ESCROW SHARES

4,111,048 shares are held in voluntary escrow and are due to be released on approximately 22 September 2021.

FEEDBACK

Macmahon would appreciate your feedback on this report. Your input will assist us to improve as a business and develop our report to further suit your needs. To respond, please:

Email

investors@macmahon.com.au

Mail

Investor Relations
PO Box 198
Cannington WA 6987

Visit

www.macmahon.com.au
www.facebook.com/macmahonmining
www.linkedin.com/company/macmahon

CALENDAR OF EVENTS

Annual General Meeting – October 2020
Release of FY21 Half Year Results – February 2021
Release of FY21 Full Year Results – August 2021

Twenty largest Shareholders as at 19 August 2020

Rank	Name	Units	Percent
1	Amman Mineral Contractors (Singapore) Pte Ltd	954,064,924	44.27
2	J P Morgan Nominees Australia Pty Limited	304,758,167	14.14
3	HSBC Custody Nominees <Australia> Limited	151,872,695	7.05
4	Citicorp Nominees Pty Limited	125,949,959	5.84
5	National Nominees Limited	101,392,184	4.71
6	CPU Share Plans Pty Ltd <MAH LTR Unallocated A/C>	54,839,003	2.54
7	Zero Nominees Pty Ltd	41,400,000	1.92
8	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	28,004,970	1.30
9	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	26,692,885	1.24
10	BNP Paribas Noms Pty Ltd <DRP>	20,113,205	0.93
11	CPU Share Plans Pty Limited <MAH VEP Control A/C>	12,171,492	0.56
12	Mr Christopher Ian Wallin + Ms Fiona Kay Mcloughlin + Mrs Sylvia Fay Bhatia <Chris Wallin Super Fund A/C>	11,400,494	0.53
13	Neweconomy Com Au Nominees Pty Limited <900 Account>	9,977,079	0.46
14	Mr Amarjit Singh + Mrs Jaswant Kaur	6,200,000	0.29
15	BPM Capital Limited	6,000,000	0.28
16	UBS Nominees Pty Ltd	5,927,626	0.28
17	HSBC Custody Nominees <Australia> Limited-Gsco ECA	5,730,427	0.27
18	Mr Paulus Gerardus Brouwer + Mr Remy Paulus Brouwer <Windy Spur S/F Account>	5,600,000	0.26
19	Maitri Pty Ltd <Coci Super Fund A/C>	4,039,558	0.19
20	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	3,592,472	0.17
Totals: Top 20 Holders Of Ordinary Shares (Total)		1,879,727,140	87.23
Total Remaining Holders Balance		275,258,678	12.77

CORPORATE DIRECTORY AND GLOSSARY

DIRECTORS

E Skira (Non-Executive Chair)

M Finnegan (Managing Director and Chief Executive Officer)

B Munro (Non-Executive Director)

A Ramlie (Non-Executive Director)

A Sidarto (Non-Executive Director)

H Tyrwhitt (Non-Executive Director)

V Vella (Non-Executive Director)

COMPANY SECRETARIES

G Gettingby

K Nadebaum

PRINCIPAL REGISTERED OFFICE

15 Hudswell Road, Perth Airport
Western Australia 6105

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LOCATION OF SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace
Perth, Western Australia 6000

SECURITIES EXCHANGE

Macmahon is listed on the Australia Securities Exchange with an ASX code of "MAH".

AUDITOR

KPMG

235 St Georges Terrace
Perth, Western Australia 6000

OTHER INFORMATION

Macmahon Holdings Limited
ACN 007 634 406, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

GLOSSARY

EBIT	Earnings before net interest expense and tax expense
EBIT(A)	Earnings before net interest expense, tax expense and customer contract amortisation
EBITDA	Earnings before net interest expense, tax expense, depreciation and amortisation
EV	Enterprise value, being market capitalisation plus net debt
Enterprise gearing ratio	Net debt / equity plus net debt
Gearing ratio	Net debt / equity
LTIFR	Lost time injury frequency rate
TRIFR	Total recordable injury frequency rate
NPAT	Net profit after tax
NTA	Net tangible assets
ROACE	Return on average capital employed - EBIT(A) / average capital employed, where capital employed is total assets less current liabilities
ROE	Return on equity - NPAT / average net assets
ROA	Return on assets - NPAT / average assets

Note: Refer to Summary of Consolidated Reports for reconciliation to underlying results.



MACMAHON

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