

First Supplementary Target's Statement

by
Macmahon Holdings Limited

ACN 007 634 406

In response to the offer by CIMIC Group Investments Pty Limited ACN 126 876 953
(**CIMIC**)
to acquire all of your ordinary shares in Macmahon Holdings Limited ACN 007 634 406
(**Macmahon**)

1. INTRODUCTION

This document is a supplementary target's statement for the purposes of section 644 of the Corporations Act and is issued by Macmahon (**First Supplementary Target's Statement**).

This First Supplementary Target's Statement is issued in response to the offer by CIMIC to acquire all of your ordinary shares in Macmahon made pursuant to its Bidder's Statement dated 24 January 2017 (as supplemented by a First Supplementary Bidder's Statement dated 31 January 2017, a Second Supplementary Bidder's Statement dated 9 February 2017 and a Third Supplementary Bidder's Statement dated 17 February 2017).

This document supplements, and must be read together with, Macmahon's Target's Statement dated 27 February 2017 issued in response to the Offer (**Original Target's Statement**).

Capitalised terms used in this First Supplementary Target's Statement have the same meaning given in Section 11 of the Original Target's Statement, unless the context otherwise requires. Section 11 of the Original Target's Statement also sets out certain rules of interpretation, which apply equally to this First Supplementary Target's Statement.

This First Supplementary Target's Statement prevails over the Original Target's Statement to the extent of any inconsistency.

This First Supplementary Target's Statement, which includes the Annexure, does not take into account the individual investment objectives, financial or tax situation or particular needs of any person. It does not contain personal financial advice. You should seek independent legal, financial and taxation advice before making a decision as to whether or not to accept the Offer.

2. PROPOSED TRANSACTION WITH PT AMMAN MINERAL NUSA TENGGARA

Macmahon has entered into a non-binding heads of agreement with PT Amman Mineral Nusa Tenggara (**AMNT**), (**Heads of Agreement**). The Heads of Agreement outlines the key commercial terms under which Macmahon would acquire certain assets from AMNT, AMNT would become a significant shareholder in Macmahon and Macmahon would be awarded a life of mine contract to provide certain earthmoving and mining services at AMNT's copper-gold mine in Indonesia.

Macmahon's announcement to ASX of 1 March 2017 annexing a copy of the Heads of Agreement (with certain confidential pricing information redacted) is provided in the Annexure to this First Supplementary Target's Statement.

In light of the proposed transaction with AMNT, if CIMIC determines it is a 'competing proposal', CIMIC has the right to increase its Offer Price, should it elect to do so.

3. **NO CHANGE TO THE INDEPENDENT EXPERT'S OPINION OR YOUR DIRECTORS' RECOMMENDATIONS**

Loneragan Edwards & Associates Limited ACN 095 445 560 (**Independent Expert**), the independent expert which prepared the Independent Expert's Report comprising Annexure B of the Original Target's Statement, has confirmed that the Heads of Agreement does not change the Independent Expert's opinion in that report, which is that the Offer is neither fair nor reasonable to Macmahon Shareholders.

Your Directors continue to unanimously recommend that Macmahon Shareholders reject the Offer, for the reasons set out in the Original Target's Statement.

4. **CONSENT**

The Independent Expert, AMNT, Mr Michael Finnegan (Macmahon's CEO) and Mr Agus Projosasminto have given and have not, before lodgement of this First Supplementary Target's Statement with ASIC, withdrawn their consents:

- to be named in this First Supplementary Target's Statement in the form and context in which they are named; and
- to the inclusion of each statement they have made in the form and context in which the statement appears in this First Supplementary Target's Statement.

More specifically, the Independent Expert has given, and not withdrawn, before lodgement of this First Supplementary Target's Statement with ASIC, its written consent to the inclusion of the Independent Expert's opinion in relation to the Offer and references to that opinion and to the Independent Expert's Report, in each case in the form and context in which they appear in this First Supplementary Target's Statement.

AMNT has also given, and has not withdrawn, before lodgement of this First Supplementary Target's Statement with ASIC, its written consent to the inclusion of each statement said in this First Supplementary Target's Statement to be based on statements made by AMNT and to the references to its business, activities, assets, beliefs and intentions, in each case in the form and context in which they appear in this First Supplementary Target's Statement.

Each of Mr Michael Finnegan and Mr Agus Projosasminto has also given, and has not withdrawn, before lodgement of this First Supplementary Target's Statement with ASIC, his written consent to the inclusion of each statement said in this First Supplementary Target's Statement to be based on statements made by him, in each case in the form and context in which they appear in this First Supplementary Target's Statement.

Each of the Independent Expert, AMNT and Mr Agus Projosasminto:

- has not authorised or caused the issue of this First Supplementary Target's Statement;
- does not make, or purport to make, any statement in this First Supplementary Target's Statement or any statement on which a statement in this First Supplementary Target's Statement is based other than those statements which have been included in this First Supplementary Target's Statement with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this First Supplementary Target's Statement, other than a reference to its name and the statements which have been included in this First Supplementary Target's Statement with the consent of that party.

5. **ASIC AND ASX DISCLAIMER**

A copy of this First Supplementary Target's Statement was lodged with ASIC and provided to ASX on 1 March 2017. None of ASIC, ASX or any of their respective officers takes any responsibility for its contents.

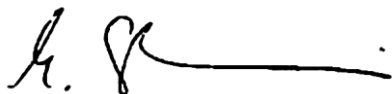
6. **SHAREHOLDER INFORMATION LINE**

If you have any questions about the Offer, the Original Target's Statement or this First Supplementary Target's Statement, please contact the Shareholder Information Line on 1300 449 257 (within Australia) or +61 2 8022 7948 (from outside Australia).

7. **AUTHORISATION**

This First Supplementary Target's Statement is dated 1 March 2017 and has been approved by a resolution passed by the Directors of Macmahon.

Signed for and on behalf of Macmahon Holdings Limited:

A handwritten signature in black ink, appearing to read 'E. Skira', followed by a long horizontal line extending to the right.

Eva Skira
Non-Executive Director

Annexure

1 March 2017

Macmahon signs Heads of Agreement with PT Amman Mineral Nusa Tenggara for a potentially transformational transaction

Macmahon Holdings Limited (**Macmahon**, ASX:MAH) is pleased to announce that it has signed a non-binding Heads of Agreement (**HOA**) with PT Amman Mineral Nusa Tenggara (**AMNT**). The HOA outlines the key commercial terms under which Macmahon would acquire certain assets from AMNT, AMNT would become a significant shareholder in Macmahon and Macmahon would be awarded a life of mine contract to provide certain earthmoving and mining services at AMNT's copper-gold mine in Indonesia (**Proposed Transaction**).

The Macmahon Directors believe that the Proposed Transaction has the potential to be transformational for Macmahon and to deliver substantial value to Macmahon's shareholders.¹ If completed, the Directors expect the Proposed Transaction will increase the scale, operational diversity, revenue and order book, profitability and growth prospects of Macmahon in the medium-term (although there is no guarantee that this will occur).

Prior to this announcement, the Proposed Transaction had not progressed to a stage where it was capable of being announced or included in Macmahon's Target's Statement.

Key Terms of the HOA

The key commercial terms of the Proposed Transaction are outlined in the HOA, a copy of which is included in Appendix A of this announcement. In essence, the HOA contemplates that the following agreements will become effective at completion:

- Macmahon and AMNT will enter into a life of mine, alliance style mining contract for the Batu Hijau copper-gold mine in Indonesia (**Mining Contract**). The initial scope of work (for Phase 7 of the Batu Hijau open-pit) is expected to have an order book² of approximately US\$2.7 billion over the life of the Batu Hijau operation (with approximately US\$2.0 billion occurring over the first 5 years from 1 January 2018). In addition, the work may be extended to include the development of the Elang deposit (located approximately 60km east of Batu Hijau) and the Nangka prospect which are controlled by AMNT;
- Macmahon will acquire certain existing equipment at Batu Hijau from AMNT (including loading equipment, trucks, ancillary and support assets and usable inventory) (**Sale Assets**)³ based upon an independent valuation (**Sale Assets Valuation**). Based on Macmahon's preliminary internal estimates the Sale Assets have an estimated value of approximately US\$150 million, but this is subject to variation as the independent valuation has not yet occurred; and

¹ Please refer to section 8.2 of Macmahon's Target's Statement dated 27 February 2017 (**Target's Statement**) for various risk factors which will also apply to the Proposed Transaction, the HOA and other information disclosed in this announcement. The information in this announcement is unaudited.

² The order book is the estimated future value of revenue potentially receivable by Macmahon for work or services to be performed by Macmahon, if a contract can be negotiated to provide those services to AMNT.

³ Macmahon will either acquire the equipment directly or all of the shares in a newly established Indonesian company which will hold the equipment and the Mining Contract whereby those shares would constitute the Sale Assets, with the structure to be determined following more detailed tax and legal advice.

- In consideration for the acquisition of the Sale Assets, Macmahon will issue AMNT with new Macmahon shares equivalent to between 40% and 50.1% of Macmahon's expanded share capital post completion (**Consideration Shares**). The number of Consideration Shares will be determined by dividing the Sale Assets Valuation by an agreed subscription price of A\$0.203 per Macmahon share (**Subscription Price**). The Subscription Price represents the high end of the Independent Expert's valuation range¹ included in Macmahon's Target Statement released to the ASX on 27 February 2017, or a 40% premium to CIMIC's Offer price of A\$0.145 per share.

The Proposed Transaction is subject to a range of conditions as outlined further below, including the approval of Macmahon's shareholders in a general meeting. Importantly, one of these conditions is that there be no change of control to Macmahon as result of CIMIC's Offer, which is defined as CIMIC acquiring greater than 40% voting power in Macmahon. The expected benefits of the Proposed Transaction will therefore not be available if CIMIC's shareholding in Macmahon increases to more than 40%.

About AMNT and Batu Hijau

AMNT is an Indonesian mining company which operates the Batu Hijau project, which is one of several prospects in the 25,000 hectare copper-gold concession held by AMNT on the island of Sumbawa, Nusa Tenggara, Indonesia. Batu Hijau is the second largest operating copper-gold mine in Indonesia and a world class asset that commenced production in 2000.

Since commencing production in 2000, Batu Hijau has produced approximately 8 million ounces of gold and 3.6 million tonnes of copper. Based upon the existing Batu Hijau open-pit mine plan, AMNT has assessed the mine life until at least 2025, followed by processing of long-term stockpiles until at least 2031. Importantly, there may be significant expansion potential through the development of the Elang deposit and the Nangka prospect, which are currently under assessment by AMNT.

In calendar year 2016, Batu Hijau produced approximately 216,000 tonnes of copper and approximately 800,000 ounces of gold. AMNT has a large fleet of mining equipment at the site with estimated capacity of 200 million tonnes per annum. The Batu Hijau facilities include a processing plant with a design capacity of 120,000 tonnes per day, a 112 mega watt coal-fired power plant, a port with ferry terminal, air services and an established town site.

The current owners of AMNT acquired their interest in Batu Hijau from, amongst others, Newmont Mining Corporation (**Newmont**) and Sumitomo Corporation of Japan in late 2016. Newmont sold its 48.5% economic interest in Batu Hijau for US\$1.3 billion², evidencing the scale and quality of the project.

¹ The Independent Expert (Lonergan Edwards & Associates Limited) assessed the value of Macmahon on a 100% controlling basis at between A\$0.177 and A\$0.203 per Macmahon share. See Annexure B of Macmahon's Target Statement released to the ASX on 27 February 2017 for further information.

² Newmont received total consideration of US\$1.3 billion for its 48.5% economic interest comprising gross cash proceeds of US\$920 million and contingent payments of US\$403 million tied to higher copper prices and any future development of the Elang deposit.

Benefits to Macmahon

The Proposed Transaction has the potential to be transformational for Macmahon and offers the prospect of delivering substantial value to Macmahon's shareholders. Based on preliminary estimates, the Mining Contract is expected to have an order book of approximately US\$2.7 billion over a 14 year period (with approximately US\$2.0 billion of that amount occurring over the first 5 years from 1 January 2018). Under the terms of the HOA, the Mining Contract is to be an alliance style contract which is similar to Macmahon's successful contract for the Tropicana project. The contract would be for the life of mine of Batu Hijau, including any expansion projects and the potential development of the Elang deposit and Nangka prospect.

Under the terms of the HOA, annualised costs and performance targets will be agreed at the start of each year and Macmahon will be paid the higher of an agreed profit margin or an agreed return on capital employed, subject to meeting agreed performance thresholds. These margins are commercially sensitive but have been determined based upon Macmahon's experience and broader industry accepted levels. To the extent that Macmahon exceeds the annualised performance and costs targets, any cost savings will be shared between Macmahon and AMNT. To the extent that Macmahon fails to achieve the annualised performance and cost targets, any cost overruns will be borne by Macmahon until its margin is reduced to nil, however AMNT will bear the risk of any losses thereafter.

The Proposed Transaction has the potential to deliver a number of significant benefits for Macmahon, based on the following assumptions:

- i. **Scale:** Macmahon's market capitalisation as at 27 February 2017 was A\$180 million, based on a closing Macmahon share price on the ASX of A\$0.15 per share.

Indicatively, and based on the assumptions in footnote 1 below, AMNT would be issued with approximately 959.6 million new Macmahon shares under the Proposed Transaction, being equivalent to 44.4% of Macmahon on a diluted basis.¹ Based on those assumptions and if Macmahon's share price was A\$0.15 per share after those shares are issued, this would equate to a total Macmahon market capitalisation of approximately A\$324 million.²

- ii. **Order book:** On a pro forma basis if the Proposed Transaction had been completed on 31 December 2016, Macmahon's order book is estimated to have increased by approximately 3.7x from A\$1,295 million (as at 31 December 2016), to approximately A\$4.8 billion inclusive of the Proposed Transaction.³
- iii. **Operational diversity:** Batu Hijau would be Macmahon's largest project and increase its diversity by contract, commodity, customer and geography, and at the same time introduce a new major customer in AMNT.

¹ The assumptions are:

- a. the Proposed Transaction is completed;
- b. at the time of completion of the Proposed Transaction, the AUD:USD exchange rate is 0.77;
- c. no other shares are issued by Macmahon; and
- d. the Sale Assets Valuation is US\$150 million.

² No forecast is made of what Macmahon's actual market capitalisation would be if the Proposed Transaction occurs, nor of the precise number of new Macmahon shares which may be issued under it (within the 40% to 50.1% range described above), due to variability in the assumptions above, risk factors such as those in section 8.2 of the Target's Statement and the unpredictable fluctuation of Macmahon's share price.

³ Based on an indicative Order Book for Batu Hijau contract of US\$2.7 Billion and an AUD:USD exchange rate of 0.77.

- iv. **Balance Sheet:** If the Proposed Transaction had been completed on 31 December 2016, Macmahon's pro forma shareholders' equity would have been expected to increase from A\$188 million to approximately A\$383 million.¹
- v. **New strategically aligned shareholder:** Macmahon would secure AMNT as its largest shareholder with this strategic investment assisting to align interests between Macmahon and AMNT in relation to this key contract. AMNT would also appoint two new directors to Macmahon's Board.
- vi. **Future Growth:** The Proposed Transaction is anticipated to significantly enhance Macmahon's credibility and expertise in mining contracts involving large-scale projects and materially expand Macmahon's existing capability in Indonesia, positioning the business well to pursue further growth opportunities in the region. In addition to the HOA and as part of a broader strategic alliance with Macmahon, AMNT has expressed a desire to work with Macmahon in facilitating discussions with PT Medco Mining and PT Ithaca Resources in relation to potential mining services opportunities.
- vii. **Attractive Subscription Price:** AMNT would be subscribing for shares in consideration for the transfer of the Sale Assets (rather than cash consideration), at a subscription price of A\$0.203 per share, which represents the high end of the Independent Expert's valuation range² for Macmahon on a 100% controlling basis.³ AMNT's confidence in Macmahon provides independent third party support of the underlying value of Macmahon and the attractive outlook for its business.

Macmahon's CEO, Michael Finnegan said:

"This transaction represents a very exciting opportunity for Macmahon and its shareholders, with the potential to generate long-term shareholder value. Batu Hijau is a world class mine with significant expansion potential through the Elang deposit and Nangka prospect. We have been developing the relationship with AMNT over the past 6 months. It's great to be able to present this potentially transformational opportunity to our shareholders for their consideration.

Whilst Macmahon has been operating in Indonesia since 2008 and has current operations at both the Martabe gold mine and a quarrying contract in Aceh, we believe that this strategic relationship with AMNT significantly strengthens our presence in the region. We are very excited at the prospects that this agreement may bring to our company, and look forward to working closely with AMNT to negotiate binding transaction documents, for the benefit of all of our shareholders."

¹ As at 31 December 2016. Analysis assumes Sale Assets Valuation of US\$150 million and an AUD:USD of 0.77. This results in AMNT being issued approximately 959.6 million new Macmahon shares at a Subscription Price of A\$0.203 per share, equivalent to 44.4% of Macmahon on a diluted basis. Actual results may differ.

² The Independent Expert (Lonergan Edwards & Associates Limited) assessed the value of Macmahon on a 100% controlling basis at between A\$0.177 and A\$0.203 per Macmahon share. See Annexure B of Macmahon's Target Statement released to the ASX on 27 February 2017 for further information.

³ As noted above, the Sale Assets Valuation, which will determine the number of Macmahon shares to be issued under the Proposed Transaction, is yet to be determined by an independent valuation.

AMNT's Director and significant shareholder, Agus Projosasmito said:

"We are delighted about the opportunity to partner with Macmahon at our Batu Hijau copper-gold mine and believe that Macmahon will drive significant value through operational efficiencies given their open-pit mining expertise. Mick Finnegan and the Macmahon team have considerable experience in the region and are respected members of the mining community, and we believe that Macmahon will assemble a strong and capable team at Batu Hijau.

Today's announcement is a win-win for both parties and we look forward to working with Macmahon to develop a market leading mining contracting business in both Australia and Asia. We see significant opportunities for Macmahon to assist us in achieving our growth ambitions given the potential expansion of the Elang deposit and the Nangka and other prospects, and partnership opportunities more generally in the region."

Key Conditions

The Proposed Transaction is subject to a number of key conditions, including:

- an independent expert concluding¹ that the Proposed Transaction is either fair and reasonable, or not fair but reasonable, to Macmahon shareholders;
- PT AMNT receiving FIRB approval;
- the Sale Assets Valuation is no less than the amount required to issue to PT AMNT at least 40% of Macmahon's expanded issued share capital, based on the Subscription Price;
- Macmahon receiving a legal opinion that confirms PT AMNT is entitled in Indonesia to award the Mining Contract and transfer the Sale Assets to Macmahon;
- PT AMNT fulfills relevant Indonesian regulatory requirements for the award of the Mining Contract and obtains all consents required from existing lenders;
- no change of control of Macmahon as result of the CIMIC Offer, which is defined as CIMIC acquiring greater than 40% voting power in Macmahon; and
- Macmahon receives shareholder approval.

The HOA is non-binding in nature and subject to a number of conditions, consequently there is no certainty that a binding transaction implementation deed (**Implementation Deed**) will eventuate. However, the HOA is relatively detailed and in Macmahon's view contains the key commercial terms to be reflected in the Implementation Deed.

Next Steps

Macmahon and AMNT will now negotiate a binding Implementation Deed and Mining Contract. It is anticipated that these negotiations will be completed by no later than 13 April 2017. Following execution of these agreements, a Notice of Meeting will be sent to Macmahon Shareholders which will include an Explanatory Memorandum containing further detail on the Proposed Transaction (**Explanatory Memorandum**). The Explanatory Memorandum will include all necessary information

¹ This would be a separate report from the report by Lonergan Edwards & Associates Limited set out in Annexure B of Macmahon's Target Statement released to the ASX on 27 February 2017.

required for investors to make an informed decision, and will also include an independent's expert's report for Macmahon shareholders.

Macmahon's Directors believe the Proposed Transaction has strong strategic rationale and the potential to deliver significant long-term value to Macmahon shareholders. A formal Board recommendation will be provided to Macmahon shareholders in the Explanatory Memorandum, after considering the independent expert's report in relation to the Proposed Transaction, the independent valuation of the Sale Assets and the final terms of the Mining Contract.

Importantly, Macmahon shareholders will have an opportunity to vote on the proposal before the Proposed Transaction can proceed.

CIMIC's Takeover Offer

CIMIC's takeover Offer of A\$0.145 per Macmahon share currently expires on 9 March 2017, unless otherwise extended by CIMIC. CIMIC's Offer is now unconditional.

As announced on 27 February 2017, the Macmahon Directors unanimously recommend that shareholders **REJECT CIMIC'S OFFER** and **TAKE NO ACTION** for the reasons outlined in Macmahon's Target's Statement (which shareholders are encouraged to read in conjunction with the accompanying Independent Expert's Report).

Macmahon shareholders can call the Shareholder information line: 1300 449 257 (within Australia) or +61 2 8022 7948 (outside Australia) with any questions in relation to the CIMIC Offer.

For further information, please contact:

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|------------------|---|-----------------|
| Christian Sealey | General Manager – Investor Relations & Communications | +61 497 828 300 |
| Ross Thornton | Domestique Consulting | +61 418 233 062 |

DISCLAIMER AS TO FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. These forward looking statements are based on, among other things, Macmahon Holdings Limited's ACN 007 634 406 (**Macmahon**) assumptions, expectations, estimates, objectives, plans and intentions.

Forward looking statements are subject to inherent risks and uncertainties. Although Macmahon believes that the expectations reflected in any forward looking statement included in this announcement are reasonable, no assurance can be given that such expectations will prove to be correct. Actual events, results or outcomes may differ materially from the events, results or outcomes expressed or implied in any forward looking statement.

Except as required by applicable law or the ASX Listing Rules, Macmahon does not undertake to update or revise these forward looking statements, nor any other statements whether written or oral, that may be made from time to time by or on behalf of Macmahon, whether as a result of new information, future events or otherwise.

None of Macmahon (nor any of its officers and employees), or any other person named in this announcement, or any person involved in the preparation of this announcement makes any representation or warranty (express or implied) as to the accuracy or likelihood or fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

The forward looking statements in this announcement reflect views held only as at the date of this announcement.

This announcement does not take into account the individual investment objectives, financial or tax situation or particular needs of any person. It does not contain financial advice.

ASX Release



Appendix A: Heads of Agreement



Heads of Agreement

Macmahon Holdings Limited

ABN 93 007 634 406

and

PT Amman Mineral Nusa Tenggara

2017

THIS AGREEMENT is made on 28 February 2017

BETWEEN:

- (1) **Macmahon Holdings Limited** ABN 93 007 634 406 whose registered office is at 15 Hudswell Road, Perth Airport WA 6105 (**Macmahon**); and
- (2) **PT Amman Mineral Nusa Tenggara**, a company established in the Republic of Indonesia whose registered office is at The Energy Building, Level 37, SCBD Lot 11A, Jl. Jend. Sudirman Kav 52-53, Jakarta 12190, Indonesia (**PT AMNT**).

THE PARTIES AGREE AS FOLLOWS:

1. **OBJECTIVES OF THE PARTIES**

- (a) The parties are seeking to work with each other in progressing and agreeing the Proposed Transaction in a constructive and co-operative manner.
- (b) Macmahon and PT AMNT will commit the necessary resources and time to seek to ensure that the Proposed Transaction (described in clause 3 below) is agreed and implemented in the shortest possible time.
- (c) PT AMNT would prefer to pursue any binding proposal with the indicative support of major Macmahon Shareholders.

2. **THIS DOCUMENT IS NOT LEGALLY BINDING**

The terms set out in this document are not legally binding but are proposed as the basis of a binding contract. Accordingly, no legal obligation arises unless and until the Implementation Deed is executed by the parties.

3. **KEY TERMS**

The parties must negotiate in good faith the terms of the Implementation Deed.

The Implementation Deed will include the Key Terms described below.

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| Proposed Transaction | <p>The Proposed Transaction is the subscription by PT AMNT or its nominated related body corporate (Subscriber) for a prescribed number of Macmahon Shares, which will be determined based on the valuation of the Sale Assets (as described further below) and the Subscription Price (as described further below) and which will comprise between 40% and 50.1% of all Macmahon Shares then on issue, in exchange for Macmahon (or its nominated related body corporate, which nominated body corporate may (at Macmahon's election) be the "Contracting Company", as described further below, as applicable) (Macmahon Indonesia):</p> <ul style="list-style-type: none">(a) acquiring the Sale Assets from PT AMNT or its applicable related body corporate; and(b) being contracted by PT AMNT or its applicable related body corporate to provide all earthmoving and mining services at the Batu Hijau copper and gold mine for the life of operations at that mine (as extended from time to time) under the terms of the Mining Contract. <p>To the extent that the Sale Assets Valuation (as described below) is insufficient to deliver to the Subscriber such number of Consideration Shares that comprises at least 40% of all Macmahon Shares then on</p> |
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| | <p>issue at the Subscription Price, then the parties may mutually agree to waive the Sale Assets Valuation condition (as described below) with the Subscriber electing to make the payment of the Subscription Price for the balance of the Consideration Shares through a cash payment from the Subscriber (of the Subscription Price multiplied by that number of Consideration Shares).</p> <p>(The parties will maintain the ability to structure the Proposed Transaction in a different manner to that described above until such time as the Implementation Deed is agreed, provided that the economic effect of the Proposed Transaction is the same in all material respects.)</p> |
| Sell down restrictions | <p>The parties agree that the Implementation Deed will prohibit the Subscriber from being able to sell, transfer or otherwise dispose of any interest in any of the Consideration Shares for a period of 12 months following the Implementation Date, subject to exemptions for participation by the Subscriber in any future takeover offers by a third party (not associated with PT AMNT) for all of the shares in Macmahon and the ability of third party financiers to exercise their enforcement rights (if any) over the Consideration Shares.</p> <p>In addition to the above, until such time as PT AMNT's shareholding in MAH is 5% or less, agreed "orderly sell down" restrictions will apply in relation to any sale, transfer or other disposal of Consideration Shares.</p> |
| Sale Assets | <p>The Sale Assets are: (i) the mobile mining equipment currently utilised by PT AMNT at the Batu Hijau copper and gold mine, including loading equipment, trucks, ancillary and support assets and usable inventory, with a detailed schedule of such equipment, assets and inventory to be agreed between the parties for inclusion in the Implementation Deed and being equipment, assets and inventory necessary for the provision of the services under the Mining Contract (the Mining Equipment) or; (ii) all of the shares in a newly established Indonesian mining services company which holds the Mining Equipment and the Mining Contract (the Contracting Company), as agreed between the parties.</p> <p>Among other things in respect of the Sale Assets, the Mining Contract will provide that any subsequent repair or rectification of Sale Assets required to be undertaken by Macmahon Indonesia is a reimbursement in favour of Macmahon Indonesia.</p> |
| Subscription Price | <p>The Subscription Price at which the Subscriber will subscribe for each Consideration Share is AUD0.203.</p> |
| Sale Assets Valuation and VAT | <p>The parties will agree (acting reasonably) to commission a reputable and independent valuer to undertake a valuation of the Sale Assets and prepare a report; so that the mid-point of the resulting valuation (the Sale Assets Valuation) is used to determine the number of Consideration Shares to be issued under the Proposed Transaction.</p> <p>At this stage, the parties envisage that the Sale Assets Valuation would be determined by the independent valuer on a market value basis.</p> <p>The Sale Assets Valuation will not contemplate any amount of value-added tax (VAT) payable under Indonesian legislative requirements in connection with the transfer of those Sale Assets to Macmahon</p> |

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| | <p>Indonesia under the Proposed Transaction. The Implementation Deed will contemplate that, to the extent there is any VAT payable by Macmahon Indonesia in connection with the Proposed Transaction, that VAT amount (Relevant Amount) will be funded (free of any charge to Macmahon Indonesia) and paid by the Subscriber and will be repayable to the Subscriber by Macmahon Indonesia as and when Macmahon Indonesia has received a refund of all or part of the Relevant Amount from the Indonesian taxation authorities.</p> |
| Mining Contract | <p>The Mining Contract will be entered into simultaneously with the Implementation Deed.</p> <p>PT AMNT will also agree to facilitate discussions between PT Medco Mining and PT Ithaca Resources (and their related bodies corporate) in relation to the potential award of mining services contracts from those companies to Macmahon Indonesia.</p> |
| Equipment Rental Contract | <p>To the extent that there is any additional mobile mining equipment currently utilised by PT AMNT at the Batu Hijau copper and gold (which is not part of the Sale Assets) and such equipment is necessary for the provision by Macmahon Indonesia of the services under the Mining Contract (the Leased Equipment), PT AMNT and Macmahon Indonesia will enter into an agreed form of equipment rental contract (Equipment Rental Contract) simultaneously with the Implementation Deed, under which Macmahon Indonesia would be entitled to use the Leased Equipment.</p> |
| Conditions Precedent | <p>The following conditions precedent (Conditions Precedent) will apply (either to the obligations to subscribe for and issue the Consideration Shares becoming binding on the parties, or to implementation of the Proposed Transaction, as the case may be):</p> <p>(a) (Proposed Transaction IER conclusion condition) The Independent Expert concludes in the Proposed Transaction IER that the Proposed Transaction is either fair and reasonable or not fair but reasonable to Macmahon Shareholders, and maintains that conclusion until the Relevant Date.</p> <p>(b) (FIRB approval condition) The Subscriber gives the Treasurer notice in accordance with the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth) (FATA) that the Subscriber proposes to acquire the Consideration Shares (the Action) and pays any applicable fee, and one of the following occurs:</p> <p>(i) the day that is 10 days after the end of the decision period mentioned in section 77 of FATA passes without an order prohibiting the Action having been made under section 67 or section 68;</p> <p>(ii) if an interim order is made under section 68 of FATA, the end of the period specified in the order passes without an order prohibiting the Action under section 67 having been made; or</p> <p>(iii) the Subscriber receives a no objection notice (within the meaning of the FATA) in respect of the Action, the notice being unconditional or subject only to standard tax conditions or conditions that are otherwise reasonably acceptable to both parties.</p> |

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| | <p>For the purpose of this FIRB approval condition, a standard tax condition is any condition included in the list of conditions published on the FIRB website at https://firb.gov.au/files/2016/05/Tax_conditions.pdf.</p> <p>(c) (Sale Assets Valuation condition) The Sale Assets Valuation is no less than the amount (based on the number of Macmahon shares on issue) required to issue to PT AMNT at least 40% of Macmahon's expanded issued share capital based on the Subscription Price;</p> <p>(d) (Indonesian Legal Opinion condition) Macmahon receives a legal opinion (in a form reasonably acceptable to it), which confirms that:</p> <p>(i) PT AMNT or its applicable related body corporate (as the case may be) is entitled and authorised under the laws of the Republic of Indonesia to:</p> <p>(A) award the Mining Contract to Macmahon Indonesia on its terms; and</p> <p>(B) sell and transfer title to the Sale Assets, to Macmahon Indonesia under the Proposed Transaction, on the terms of the Implementation Deed; and</p> <p>(ii) Macmahon Indonesia has all licences and authorisations required to enable it to:</p> <p>(A) perform the Mining Contract on its terms; and</p> <p>(B) acquire and accept title to the Sale Assets from PT AMNT or its applicable related body corporate (as the case may be) under the Proposed Transaction, on the terms of the Implementation Deed;</p> <p>(e) (Indonesian regulatory condition) Following announcement in the Indonesian local and national mass media, it is determined by PT AMNT that there is no local or national mining services company, in Indonesia, available (in the sense of financially and technically capable of and willing) to carry out the mining services which are the subject of the Mining Services Contract, and this is confirmed in writing by PT AMNT to Macmahon prior to the Relevant Date;</p> <p>(f) (Lender consents condition) PT AMNT obtains all consents required from its existing lenders to sell and transfer title to the Sale Assets to Macmahon Indonesia under the Proposed Transaction and on the terms of the Implementation Deed, and those required consents are obtained by PT AMNT prior to the Relevant Date;</p> <p>(g) (No change of control as a result of CIMIC Offer condition) Prior to the Relevant Date, CGI does not acquire voting power of more than 40% in Macmahon under the CIMIC Offer; and</p> <p>(h) (Macmahon shareholder approval condition) the Macmahon Shareholders' Resolution is approved by the requisite majority of Macmahon Shareholders.</p> |
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| <p>Macmahon Board Recommendation</p> | <p>The board of directors of Macmahon will determine whether to make the Macmahon Board Recommendation in the Macmahon Notice of Meeting.</p> <p>The Macmahon Board Recommendation means the board of directors of Macmahon (whether including or excluding Mr Vyril Vella) recommending that Macmahon Shareholders vote in favour of the Macmahon Shareholders' Resolution, subject to the Independent Expert concluding that the Proposed Transaction is either fair and reasonable or not fair but reasonable to Macmahon Shareholders and in the absence of a superior proposal.</p> |
| <p>Co-operation and assistance</p> | <p>The parties will co-operate with respect to the preparation and issue of the Macmahon Notice of Meeting, and compliance with the associated regulatory requirements.</p> <p>Among other things, this will involve (but will not be limited to):</p> <ul style="list-style-type: none"> (a) each party providing the Independent Expert with such information as is reasonably needed by the Independent Expert to prepare the Proposed Transaction IER; (b) PT AMNT providing Macmahon such information as is reasonably needed by Macmahon to prepare the Macmahon Notice of Meeting and to comply with all applicable laws and policies in preparing and issuing the Macmahon Notice of Meeting. Such information will include, but will not be limited to, PT AMNT's intentions for Macmahon and its business and other information about PT AMNT and its business, including details of PT AMNT's intention to nominate up to two directors to the board of directors of Macmahon; (c) each party doing, and procuring that its representatives do, such things as are reasonably necessary to expedite the preparation, issue and dispatch of the Macmahon Notice of Meeting; and (d) Macmahon considering in good faith all reasonable and timely comments received from PT AMNT and its external legal and other advisers on the draft Macmahon Notice of Meeting. |

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| <p>Conduct of business</p> | <p>The Implementation Deed will impose certain restrictions on the conduct of:</p> <ul style="list-style-type: none"> (a) Macmahon's business during the period up to implementation of the Proposed Transaction, including prohibiting Macmahon from undertaking any of the "prescribed occurrences" contemplated by section 652C(1) of the Corporations Act (other than those expressly contemplated by the Proposed Transaction itself) without PT AMNT's prior agreement; and (b) PT AMNT's business during the period up to implementation of the Proposed Transaction, including (but not limited to) requiring that PT AMNT continues to maintain the Sale Assets in good repair and to take reasonable steps to ensure the ongoing operation of the Batu Hijau copper and gold mine in accordance with the mine plan contemplated by the Mining Contract. |
| <p>Implementation and timing</p> | <p>Customary implementation mechanics will be outlined in the Implementation Deed, including with respect to the issue of the Consideration Shares.</p> <p>Implementation of the Proposed Transaction will occur on the Implementation Date.</p> |
| <p>Representations and warranties</p> | <p>Customary representations and warranties for a transaction of the type contemplated by the Proposed Transaction will be included in the Implementation Deed, including but not limited to representations and warranties in relation to:</p> <ul style="list-style-type: none"> (a) (subject to satisfaction of the Conditions Precedent) receipt of all authorisations and approvals necessary to enter into and perform the Implementation Deed, and undertake the Proposed Transaction; (b) title to and condition of the Sale Assets; (c) currency and standing of licences to operate the Batu Hijau copper and gold mine and award the Mining Contract to Macmahon Indonesia. |
| <p>Costs</p> | <p>The parties will share (each as to 50%) all costs incurred in:</p> <ul style="list-style-type: none"> (a) negotiating, preparing, stamping and registering the Implementation Deed (including expenses incurred in obtaining any legal, financial or other advice); (b) convening and holding the Macmahon Shareholders' Meeting; and (c) otherwise undertaking the Proposed Transaction and matters incidental to it. |
| <p>Governing Law</p> | <p>Western Australia, Australia</p> |

4. **CONSULTATION ABOUT PRINCIPAL, OUTSTANDING ISSUES**

The parties will continue to consult about the following principal, outstanding issues, which are to be resolved and documented in, or simultaneously with, the Implementation Deed:

- (a) the valuation of the Sale Assets and the percentage of total issued Macmahon Shares that the Consideration Shares will comprise;
- (b) the agreed form of the Mining Contract that is to be annexed to the Implementation Deed (and which will incorporate the material terms outlined in Schedule 1 to this document); and
- (c) the agreed form of any Equipment Rental Contract that is to be annexed to the Implementation Deed.

5. **CO-OPERATION AND SHARING INFORMATION**

From the date of this document, each party is to co-operate with the other party in good faith and exchange such information which needs to be exchanged to enable the parties to comply with the terms of this document and to work towards agreement of the Implementation Deed.

5.1 **End date for negotiations**

The parties will cease all negotiations between them concerning the Proposed Transaction after 13 April 2017, if they have not signed the Implementation Deed by that date.

6. **LIABILITY FOR EXPENSES**

Each party must pay its own expenses incurred in negotiating, preparing, stamping and registering this document (including expenses incurred in obtaining any legal, financial or other advice).

7. **CONFIDENTIALITY**

- (a) Subject to the balance of this clause 7, the confidentiality deed between the parties dated 13 February 2017 applies to the existence and terms of this document.
- (b) Promptly and without delay after the execution of this document, Macmahon proposes to make an announcement to ASX about the Proposed Transaction.
- (c) Where a party is required by applicable law, the ASX Listing Rules or the rules of any other applicable stock exchange to make an announcement or other disclosure about the Proposed Transaction (including, in the case of Macmahon, in any target's statement or supplementary target's statement with respect to the CIMIC Offer), it may do so only after it has:
 - (i) given the other party as much notice as is reasonably practicable in the circumstances, having regard to (among other things) the applicable legal, regulatory or policy requirements that apply to the making of the announcement or other disclosure; and
 - (ii) consulted with the other party as to the content of that announcement or other disclosure.

8. INTERPRETATION

The following definitions apply in this document (other capitalised terms used in this document have the meaning given to them in the balance of this document).

ASX Listing Rules means the listing rules of ASX Limited.

CGI means CIMIC Group Investments Pty Limited ACN 126 876 953.

CIMIC Offer means CIMIC Group Limited's offer, through its wholly owned subsidiary CGI, to acquire all the Macmahon Shares that it does not already own pursuant to an off-market takeover at a price of \$0.145 per Macmahon Share.

CIMIC Offer IER means the independent expert's report opining on whether the CIMIC Offer is fair and reasonable to Macmahon Shareholders (other than CGI), included in the target's statement issued by Macmahon in response to the CIMIC Offer and dated 27 February 2017.

Consideration Shares those Macmahon Shares to be subscribed for by PT AMNT (or its nominee) and issued by Macmahon, in accordance with the Implementation Deed.

Corporations Act means *Corporations Act 2001* (Cth).

FIRB means the Foreign Investment Review Board.

Independent Expert means the independent expert to be appointed by Macmahon to opine on whether the Proposed Transaction is fair and reasonable to Macmahon Shareholders and provide the Proposed Transaction IER for inclusion in the Macmahon Notice of Meeting.

Implementation Date means the date on which the Proposed Transaction will be implemented, which will be a date agreed between the parties but which will be no more than 30 days after satisfaction or waiver of the last of the Conditions Precedent to be satisfied or waived.

Implementation Deed means a binding implementation agreement to be entered into between the parties that will fully document the terms of the Proposed Transaction.

Macmahon Notice of Meeting means the notice of meeting to be sent to Macmahon Shareholders for the purpose of convening the Macmahon Shareholders' Meeting; which will include, among other things, the Macmahon Board Recommendation and the Proposed Transaction IER.

Macmahon Share means a fully paid ordinary share in the capital of Macmahon.

Macmahon Shareholder means a holder of a Macmahon Share.

Macmahon Shareholders' Meeting means the general meeting of Macmahon Shareholders to be convened to consider the Macmahon Shareholders' Resolution.

Macmahon Shareholders' Resolution means the resolution or resolution to approve the Proposed Transaction for all purposes, including (without limitation) for the purposes of section 611, item 7 of the Corporations Act and Rule 7.9 of the ASX Listing Rules.

Mining Contract means the mining contract, the material terms of which are set out in Schedule 1 to this document.

Proposed Transaction IER means the independent expert's report to be provided by the Independent Expert and included in the Macmahon Notice of Meeting.

related body corporate has the meaning given by sections 9 and 50 of the Corporations Act.

Relevant Date means the register cut-off date for determining entitlements to vote at the Macmahon Shareholders' Meeting.

voting power has the meaning given in section 610 of the Corporations Act.

SCHEDULE 1

Materials terms of Mining Contract

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| Scope of Works | <p>All earthmoving and mining services (excluding extraction and handling of ore which will, at all times, be performed by PT AMNT Entity (see definition below) in accordance with applicable Indonesian laws and regulations (Reserved Works)) at the Batu Hijau copper and gold mine for the life of operations at that mine as may be extended from time to time, including (but not limited to):</p> <ul style="list-style-type: none"> (a) preparation of short-term (twelve months or shorter) mine plans and monthly material scheduling; (b) drilling and blasting operations (based on mutually agreed blast designs prepared by PT AMNT Entity) including pre-split and ground depressurisation holes; (c) loading and hauling of waste; (d) rehabilitation work; (e) pit dewatering and drainage of all mining operational areas including the long term stockpiles and the waste dumps; (f) pit wall maintenance including trimming and scaling; (g) supplying associated services and facilities to support the mining operations; and (h) supplying all equipment, facilities, manpower and services required to enable PT AMNT Entity to carry out the Reserved Works using such equipment, facilities, manpower and services, <p>(together, the Works).</p> <p>To avoid any doubt, the Works will extend to any new prospects that are developed in the same mining area (as the Batu Hijau copper and gold mine) by PT AMNT Entity or a related body corporate of PT AMNT; including, without limitation, the Elang or Nangka prospects.</p> |
| Pricing | <p>The consideration payable by PT AMNT (or its nominated related body corporate) (PT AMNT Entity) to Macmahon Indonesia for the performance of the Works will be based on an alliance model, as follows:</p> <p>██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p>██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> <p style="padding-left: 20px;">██</p> |

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| | <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED] rates.</p> |
| Payment Terms and Security | <p>The payment terms are to be agreed by the parties having regard to the payment security that can be provided by PT AMNT.</p> |
| Variations | <p>During the term of the Mining Contract, the "Alliance Management Team" may determine to increase or decrease the quantity of work above or below an agreed range, or vary the method or manner of performing the work generally, and the parties will then agree a corresponding amendment to the Agreed Performance Framework.</p> |
| Costs Transparency | <p>The parties agree that it is of the utmost importance to the success of the Mining Contract that all information relating to financial, commercial, physical and operational aspects of the Works and the Reserved Works, including all cost incurrences and any payments made or to be made by a party to any third party, are fully and freely shared between the Macmahon</p> |

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| | <p>Indonesia and PT AMNT Entity in an open-book arrangement. The parties further agree that all aspects of the Works and the Reserved Works shall be administered transparently and performed in accordance with the terms of the Mining Contract.</p> <p>With this in mind, the parties will agree to establish an Alliance Management Team, on which each of Macmahon Indonesia and PT AMNT Entity will be equally represented.</p> <p>Each party and its sub-contractors must maintain true and accurate records (including, but not limited to, receipts, time-sheets and invoices) in relation to the performance of the Works and the Reserved Works and the incurrence of costs in relation to the Works, including (but not limited to) the incurrence of any non-site cost items and any other indirect cost items that are not directly reported, such as corporate overheads, plant provisions, finance, over-recoveries and rebates received (collectively, the Records).</p> <p>Each party shall be granted access to the Records maintained by the other party to verify compliance with the Mining Contract.</p> <p>PT AMNT Entity shall be granted reasonable access to the Records and other information reasonably requested by PT AMNT Entity to allow PT AMNT Entity to review, verify and/or audit the costs incurred by Macmahon Indonesia in the performance of the Works and compliance with the Mining Contract.</p> <p>PT AMNT Entity will have the right to make reasonable suggestions for the timing of costs decisions (delaying or bringing forward) for the performance of the Work by Macmahon Indonesia, to line up with PT AMNT Entity's long term plan and forecasted revenues.</p> |
| <p>Effective Date</p> | <p>The rights and obligations of the parties under the Mining Contract will only become legally effective from the Implementation Date of the Proposed Transaction.</p> |
| <p>Macmahon Indonesia Obligations</p> | <p>Macmahon Indonesia will be responsible for:</p> <ul style="list-style-type: none"> (a) ensuring compliance with all applicable Indonesian laws and regulations in relation to the performance of the Works (including in relation to environmental, health and safety and local content laws and matters); (b) performing the Works to the standards of diligence, skill and care normally exercised by similarly qualified and competent persons in the performance of work comparable to the Works; (c) ensuring that all plant and equipment used in performing the Works (whether owned by Macmahon Indonesia or PT AMNT Entity) are maintained in a safe and working order and in compliance with all applicable Indonesian laws and regulations; (d) managing its own and its sub-contractor's industrial relations; and (e) maintaining insurance policies typically obtained for the performance of work comparable to the Works. |

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| <p>PT AMNT Entity Obligations</p> | <p>PT AMNT Entity will be responsible for:</p> <ul style="list-style-type: none"> (a) ensuring compliance with all applicable Indonesian laws and regulations in relation to the performance of the Reserved Works; (b) providing Macmahon Indonesia (and its sub-contractors and employees) safe access to the relevant sites for the performance of the Works; (c) providing or making available and maintaining the facilities, fuel and other items to be provided by PT AMNT Entity for the performance of the Works, as agreed between the parties; (d) obtaining and maintaining all necessary government approvals, permits and licenses required to be held by PT AMNT Entity in connection with the mining activities; (e) managing its own industrial relations; and (f) maintaining insurance policies typically obtained by principles for the performance of work comparable to the Works. |
| <p>IP Rights</p> | <p>Any intellectual property rights supplied, created, discovered or used during the term of the Mining Contract will remain the property of the party that created them. However, if a party creates intellectual property rights during the term of the Mining Contract then that party will grant to the other party a royalty free licence to use those rights for the purposes of the Mining Contract, including for the purpose of securing any necessary regulatory approvals.</p> |
| <p>Term and Termination Rights</p> | <p>The Mining Contract will be awarded to Macmahon Indonesia for the life of the Batu Hijau open pit, subject to customary mutual termination rights related to:</p> <ul style="list-style-type: none"> (a) unremedied material breaches of the terms of the Mining Contract by either party; (b) sustained force majeure events affecting the performance of the Mining Contract by either party; (c) bankruptcy, insolvency or liquidation of either party; and (d) a change of control of either party (defined as a change in the ability to control 50% or more of the voting shares or control the board of the company). <p>Further, PT AMNT Entity may terminate the Mining Contract by notice to Macmahon Indonesia if, in any rolling 365 day period, PT AMNT bears all cost overruns in excess of the Downside Cap for 120 of those days, whether or not in a consecutive period.</p> <p>If the Mining Contract is terminated for any reason then PT AMNT Entity will be required to purchase (and Macmahon Indonesia will be required to sell) the Sale Assets for a purchase price (in cash) equivalent to the book value ascribed to those Sale Assets by Macmahon Indonesia at the time of termination of the Mining Contract. Macmahon Indonesia will record the book value of the Sale Assets at the Sales Asset Valuation amount, and that value will be amortised over the shorter of the remaining useful life of the relevant Sale Asset and the expected term of the Mining Contract.</p> |

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| Assignment and Sub-contracting | <p>Macmahon Indonesia must not assign all or any part of its rights and obligations without the prior written approval of PT AMNT Entity.</p> <p>Macmahon Indonesia may not engage a sub-contractor to perform all or any part of the Works without the prior written approval of PT AMNT Entity, not to be unreasonably withheld.</p> |
| Governing Law | The laws of the Republic of Indonesia. |
| Dispute Resolution | The parties will seek to amicably resolve any dispute that arises out of or in connection with the Mining Contract and all disputes will otherwise be resolved through international arbitration at (and pursuant to the rules of) the Singapore International Arbitration Centre. |

EXECUTED as an agreement.

EXECUTED by **PT AMMAN MINERAL
NUSA TENGGARA:**

Signature of director

Signature of director

Name

Name

EXECUTED by **MACMAHON HOLDINGS
LIMITED:**

Signature of director

Signature of director/secretary

Name

Name