safer better dependable

ASX Announcement

28 February 2017

ASX: DSB

Board of Directors

Chairman – G Dawkins

Chief Executive Officer & Managing Director – N McAlary

Non-executive Director – S Bizzaca

Non-executive Director – G Garside

Company Secretary

M Etcell

Principal Contact

Chief Executive Officer – N McAlary

Registered office

Suite 220, Centric

4 Hyde Parade

Campbelltown NSW 2560

Telephone: +61 2 4629 0300

Facsimile: +61 2 4629 0399

Website: www.Delta.com.au

Results for announcement to the market

In accordance with ASX Listing Rules, Delta SBD Ltd (ASX:DSB) (**Delta** or **Company**) encloses for immediate release the following information:

1. Appendix 4D; and
2. Delta SBD Limited Interim Report for the half-year ended 31 December 2016.

For and on behalf of Delta SBD Ltd.

Megan Etcell
Company Secretary

Tel: +61 2 4629 0300

Half Year Report for the half-year ended 31 December 2016 as required by ASX listing rule 4.2A.3.

Momentum building for strong second half performance

Overview

- Revenue of $31.1 million, compared to $35.7 million in the pcp
- Loss after tax of $1.74 million, compared to a profit of $0.50 million for the pcp
- 1H performance impacted by industrial action at Illawarra mine and an extended ramp-up period at the Wongawilli Mine. Both issues now resolved and work at those mines is progressing well
- Significantly enhanced workbook, combined with increased activity in the sector driving confidence in 2H
- Client base increasingly diversified
- Strong safety performance

Financial Results

	December 2016 $'000	December 2015 $'000	Up/down	Movement %
Statutory				
Revenue from ordinary activities	31,136	35,708	Down	(13%)
EBITDA	(1,874)	1,751	Down	(207%)
Profit/(loss) from ordinary activities after tax attributable to members (including significant items)	(1,743)	506	Down	(444%)
Underlying*				
Revenue from ordinary activities	31,136	35,574	Down	(12%)
EBITDA	(1,874)	2,392	Down	(178%)
Underlying profit/(loss) from ordinary activities after tax attributable to members	(1,743)	1,147	Down	(252%)

** adjusted underlying profit/(loss) has been presented to assist in the assessment of the relative performance of the Group. To determine underlying net profits after tax for the December 2015 period, adjustments have been made including the write-off of Adani Tender costs (-$614k), settlement of other matters (+9k) and redundancy payments (-$36k). The underlying profit/(loss) is not subject to audit by the Group's external auditors.*

The Group recorded a statutory loss after tax from ordinary activities for the half year ended 31 December 2016 of $1.74 million, compared to a profit of $0.50 million for the prior corresponding period. The reported underlying position was consistent with the statutory position.

Net cash outflows from operating, investing and financing activities were $2.32 million compared to net cash outflows of $1.54 million for the prior corresponding period. The net asset position of the Group at 31 December 2016 was $17.17 million (30 June 2016: $18.28 million) while net debt (interest bearing debt less cash equivalents) increased to $4.46 million (30 June 2016: $2.37 million).

Commenting on the results, Delta's Chief Executive Officer Neville McAlary said:

"The recent addition of contract works in the Hunter Valley further diversifies Delta's client base and has resulted in 430 personnel now engaged in contracted works. The Company has an increasing order book and capacity to expand further.

"Our improved safety performance demonstrates the progress in Delta's focus on safety. The site-based project teams will now extend this focus to a systems-based approach to managing people and projects.

"Delta is the only Company in the underground coal sector to have secured a 'whole of mine' contract at which Prime Hard Coking Coal is produced which is solely utilised for the production of steel. The Company continues to be the premier Australian contractor for longwall moves in particular, having completed in excess of 120 longwall projects, including two international projects.

"The Company's operations and financial performance were impacted by the combined effects of industrial action at the Illawarra mine and an extended ramp-up period at the Wongawilli Mine. The industrial action has now been resolved and Delta has successfully recovered a number of claims with the client relating to the delays at Wongawilli positioning the Company well for the second half," he said.

Review Report

The independent review report for the Interim Report includes an emphasis of matter paragraph highlighting going concern which is detailed in Note 1(b).

Dividend Information

On 29 August 2016, the Directors resolved to pay a fully franked final dividend of 0.80 cents per share in respect of the 2016 financial year. The dividend was paid on 12 October 2016.

No dividends were paid or declared during 1H FY2015.

Net tangible assets per security

	31 December 2016	31 December 2015
Net tangible assets per security	$0.30	$0.37

Operational Review

Specific and general mine contracting and support works undertaken at:

- South32's Appin mine
  - Roadway development
  - Secondary support and out-bye services
  - Longwall support services
  - Project works for conveyor belt installations and ventilation
  - Provision of supplementary mine labour
- Glencore's Integra mine
  - Supply of production and maintenance workforce for underground mine operational readiness
- Peabody's Metropolitan mine
  - Secondary support and mine services
  - Coal mine waste backfill plant operation

  - Longwall relocation support
- Peabody's North Goonyella mine
  - Longwall relocation support services
  - Secondary support installation
- Longwall relocations support and services
  - Glencore - Ulan West, Ulan #3 and South Blakefield mines
  - Whitehaven - Narrabri mine
  - Peabody - Wambo mine
- Development assistance at Whitehaven's Narrabri mine
- Whole of mine operations at Wollongong Coal's Wongawilli Mine – including roadway development and pillar extraction. The Group is appointed as the statutory 'Mine Operator'
- Mine sealing and care and maintenance activities at Boral's Berrima Mine and supply of underground approved diesel equipment.
- Supply of Delta Grid for longwall recovery at Peabody's North Goonyella and Glencore's West Wallsend mines.

Safety Performance

Safety performance remains in the best quartile, with total recordable injury frequency rate over the past twelve months of 11.3 (per million hour's basis). As at 31 December 2016 the group was 111 days recordable incident free and proactive safety measures remain a key focus for the Group.

Outlook

While the first half of the 2017 financial year has presented numerous challenges, the Company's workbook is set to increase over the next two years underpinned by contracts secured with major mining organisations. This, combined with improved production rates at the Wongawilli Mine and a more buoyant outlook in the coal sector, position the Group well for the future.

Delta has successfully secured a number of new contracts that significantly increase the Group's workbook, including:

- A contract at Glencore's Integra mine in the Hunter Valley that will increase the Group's workbook by $21 million per annum for a two year period;
- New works in the Bowen Basin in Queensland, and is investigating options for increased project scope at the Wongawilli Mine;
- The Company has also retained a number of significant contracts at Illawarra mines.

These contracts will result in a work force of 550 FTE which is a reflection of the strengthening order book of $46 million for 2H FY2017 and a further $102 million for FY2018.

The Directors are confident that this improved order book position, combined with increased activity in the sector, will result in a return to profitability for the six month period ending 30 June 2017.

Additional Appendix 4D disclosure requirements can be found in the Interim Report which contains the directors' report and the 31 December 2016 Interim financial report and accompanying notes.

This report is based on the consolidated Interim Report which has been audited by Ernst & Young.

For media enquires please contact:
Geoff Fowlstone
Fowlstone Communications
T: 02 9955 9899
M: 0413 746 949
E: geoff@fowlstone.com.au

About Delta SBD Limited

Delta SBD is one of Australia's largest underground coal mining contractors servicing Australia's underground coal producers. The Group is geographically diverse, with operations across NSW at the Southern, Western, Hunter Valley and Narrabri coalfields and the Bowen Basin in Queensland.

The Group's objective is to provide value-added services to clients by forging profitable long term partnerships. Delta SBD provides each project/mine at which it works with competent work teams, "fit for purpose" equipment and excellent site management backed by a supportive corporate management. The Group uses safe and efficient work methods enabling on-time completion of works and services to client requirements.

Delta SBD Limited

ABN 18 127 894 893

Interim report for the half-year ended 31 December 2016

safer better dependable

Delta SBD Limited ABN 18 127 894 893
Interim report - 31 December 2016

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any announcements made by Delta SBD Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Delta SBD Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2016 (1H FY2017).

Directors

The directors of the Company during the whole of the half-year, and until the date of this report are:

Non Executive Chairman	Managing Director	Non-Executive Directors
Glyn Dawkins	Neville McAlary	Steve Bizzaca
		Geoff Garside

Review of Operations

The Group provides mining services in the Illawarra, Hunter Valley, Gunnedah, the Western regions of NSW, and the Bowen Basin in Queensland. Our clients are mining and resource companies, including Glencore, Peabody, South32, Whitehaven and Wollongong Coal. The Group prides itself on its long term relationships, with a number of clients having been with the Group for more than 10 years.

Key operating highlights of 1H FY2017:

Safety performance remains in the best quartile, with total recordable injury frequency rate over the past twelve months of 11.3 (per million hour's basis). As at 31 December 2016 the group was 111 days recordable incident free and proactive safety measures remain a key focus for the Group.

Specific and general mine contracting and support works undertaken at:

- South 32's Appin mine
  - Roadway development
  - Secondary support and out-bye services
  - Longwall support services
  - Project works for conveyor belt installations and ventilation
  - Provision of supplementary mine labour
- Glencore's Integra mine
  - Supply of production and maintenance workforce for underground mine operational readiness
- Peabody's Metropolitan mine
  - Secondary support and mine services
  - Coal mine waste backfill plant operation
  - Longwall relocation support services
- Peabody's North Goonyella mine
  - Longwall relocation support services
  - Secondary support installation
- Longwall relocations support and services
  - Glencore - Ulan West, Ulan #3 and South Blakefield mines
  - Whitehaven - Narrabri mine
  - Peabody - Wambo mine
- Development assistance at Whitehaven's Narrabri mine
- Whole of mine operations at Wollongong Coal's Wongawilli Mine – including roadway development and pillar extraction. The Group is appointed as the statutory 'Mine Operator'.
- Mine sealing and care and maintenance activities at Boral's Berrima Mine and supply of underground approved diesel equipment.
- Supply of Delta Grid for longwall recovery at Peabody's North Goonyella and Glencore's West Wallsend mines.

Directors' report (continued)

The recent addition of contract works in the Hunter Valley further diversifies the Groups client base and has resulted in 430 personnel (full time equivalent (FTE)) engaged in contracted works. The Group has an increasing order book and capacity to expand further.

Our improved safety performance demonstrates the progress in the Group's focus on safety. The site-based project teams will now extend this focus to a systems-based approach to managing people and projects.

The Group is the only organisation in the under ground coal sector to have secured a 'whole of mine' contract at which Prime Hard Coking Coal is produced. Under this contract, the Group is appointed as the Coal Mine Operator and provides all services from the coal face to the train loading facility.

The Group continues to be the premier Australian contractor for longwall moves in particular. The Group has now completed in excess of 120 longwall projects, including two international projects.

During 1H FY2017, works, business and financial results of the Group were significantly disrupted by two factors. Firstly, the Group was impacted by industrial action at the Illawara mine where the Group has a large team of workers engaged. This has now been resolved and work has recommenced.

Secondly, an extended ramp-up period at the Wongawilli Mine had an impact on the Company; this was the result of engineering delays at the 100 year old mine that had been idle for two years. These delays exceeded expectations and the Company successfully recovered a number of claims with the client relating to these delays. Recent maintenance shut-down during the December holiday period allowed a number of identified engineering issues to be attended to and during January the mine recorded much improved production rates.

Financial Review - Statutory Profit / (Loss)

The Group recorded a statutory loss after tax from ordinary activities for the half-year ended 31 December 2016 of $1.743 million compared to a profit of $0.506 million for the prior corresponding period. The reported underlying position was consistent with the statutory position.

Net cash outflows from operating, investing and financing activities were $2.323 million compared to net cash outflows of $1.540 million for the prior corresponding period. The net asset position of the Group at 31 December 2016 was $17.174 million (30 June 2016: $18.284 million) while net debt (interest bearing debt less cash equivalents) of the Group increased to $4.464 million (30 June 2016: $2.374 million).

A summary of the operating results for the six months ended 31 December 2016 is as follows:

	December 2016 $'000	December 2015 $'000	Up/Down	Movement %
Statutory				
Revenue from ordinary activities	31,136	35,708	Down	(13%)
EBITDA	(1,874)	1,751	Down	(207%)
Profit/(loss) from ordinary activities after tax attributable to members	(1,743)	506	Down	(444%)
Underlying*				
Revenue from ordinary activities	31,136	35,574	Down	(12%)
EBITDA	(1,874)	2,392	Down	(178%)
Underlying profit/(loss) from ordinary activities after tax attributable to members	(1,743)	1,147	Down	(252%)

** adjusted underlying profit/(loss) has been presented to assist in the assessment of the relative performance of the Group. To determine underlying net profits after tax for the December 2015 period, adjustments have been made including the write-off of Adani Tender costs (-$614k), settlement of other matters (+9k) and redundancy payments (-$36k). The underlying profit/(loss) is not subject to audit by the Group's external auditors.*

Directors' report (continued)

Business Strategy

Having undertaken a review of future underground coal mining activity in Australia the Group's focus during 2H FY2017 will be on:

1. Underground Coking Coal Operations
2. Being operationally active in all coal mining regions on Eastern Seaboard of Australia
3. Dealing with reputable, experienced and aligned Coal Mining Organisations
4. Whole of Mine Contract Mining Opportunities
5. Term contracts for Contract Mining such as Production Unit Operations (e.g.: Roadway Development Units)
6. Promoting Health and Safety at all levels of the business

The Group' business strategy is based on people, plant and products.

People – have an experienced Management Team and competent workforce

Plant – utilise fit for purpose plant and equipment to provide a safe and competitive advantage

Products – utilise and distribute products that maintain safety, improve efficiencies and lower costs.

Outlook

Whilst the first half of the 2017 financial year has presented challenges, looking ahead - the Group's current workbook for the next two years is set to increase as a result of a number of recent contracts secured with major mining organisations. This, combined with improved production rates at the Wongawilli Mine and a more buoyant outlook in the coal sector position the Group well for the future.

As indicated, the Group has successfully secured a number of new contracts that significantly increase the Company's workbook. These include a contract at Glencore's Integra mine in the Hunter Valley that will increase the Group's workbook by $21 million per annum for a two year period.

In addition to this, the Group has secured new works in the Bowen Basin in Queensland, is investigating options for increased project scope at the Wongawilli Mine and has also retained a number of significant contracts at Illawarra mines.

These contracts will result in a work force of 550 FTE which is a reflection of the strengthening order book of $46 million for 2H FY2017 and a further $102 million for FY2018.

The Directors are confident that this improved order book position, combined with increased activity in the sector, will result in a return to profitability for the six month period ending 30 June 2017.

Matters subsequent to the end of the half-year

Other than outlined in this report, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations or the state of affairs of the Group in the future financial years.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of this report.

Directors' report (continued)

Rounding of amounts

The company is of a kind referred to in ASIC Corporations Instrument 2016/191 and, in accordance with that Corporations Instrument, amounts in the Directors' Report and consolidated financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

This directors' report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the *Corporations Act 2001.*

This report is made in accordance with a resolution of the Directors.

G Dawkins
Chairman
Sydney, 28 February 2017

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Delta SBD Limited

As lead auditor for the review of Delta SBD Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

This declaration is in respect of Delta SBD Limited and the entities it controlled during the financial period.

Ernst & Young

Scott Jarrett
Partner
Sydney
28 February 2017

	Notes	**December 2016 $'000**	**December 2015 $'000**
Continuing operations			
Revenue		**31,136**	35,708
Gain on sale of assets		**10**	-
Reversal of impairment losses	1	**910**	-
Employee benefits expense		**(28,077)**	(30,155)
Materials and consumables		**(3,161)**	(2,146)
Other expenses		**(1,771)**	(1,656)
Depreciation		**(1,066)**	(874)
Intangibles amortisation		**(8)**	(42)
Results from operating activities		**(2,027)**	835
Finance income		**2**	6
Finance costs		**(296)**	(370)
Net finance costs		**(294)**	(364)
(Loss) / Profit before income tax		**(2,321)**	471
Income tax benefit		**578**	35
(Loss) / Profit from continuing operations		**(1,743)**	506
Other comprehensive income		**-**	-
Total comprehensive profit / (loss) for the period		**(1,743)**	506
		Cents	**Cents**
Basic Earnings/(loss) per share	7	**(3.2)**	1.1
Diluted Earnings/(loss) per share	7	**(3.2)**	1.1

The above Statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes

	Notes	December 2016 $'000	June 2016 $'000
Assets			
Cash and cash equivalents		**697**	3,020
Trade and other receivables		**9,841**	13,239
Inventories		**783**	758
Other current assets		**291**	131
Total current assets		**11,612**	17,148
Property, plant and equipment		**16,500**	14,445
Intangible assets		**17**	24
Deferred tax assets		**2,286**	2,113
Other non-current assets		**49**	88
Total non-current assets		**18,852**	16,670
Total Assets		**30,464**	33,818
Liabilities			
Trade and other payables		**4,073**	4,305
Loans and borrowings	4	**3,805**	4,700
Employee benefits		**2,869**	4,193
Total current liabilities		**10,747**	13,198
Loans and borrowings	4	**1,356**	694
Employee benefits		**10**	60
Deferred tax liabilities		**1,177**	1,582
Total non-current liabilities		**2,543**	2,336
Total liabilities		**13,290**	15,534
Net assets		**17,174**	18,284
Equity			
Share capital	6	**38,606**	37,533
Reserves		**2,878**	2,878
Retained earnings		**(24,310)**	(22,127)
Total equity		**17,174**	18,284

The above statement of financial position is to be read in conjunction with the accompanying notes

	Notes	Attributable to the owners of Delta SBD Ltd			
		Share capital	**Options reserve**	**Retained earnings**	**Total**
		$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2015		37,533	2,915	(23,298)	17,150
Profit / (Loss)		-	-	506	506
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	506	506
Transactions with owners, recorded directly in equity					
Share based payment transactions		-	(37)	-	(37)
Balance at 31 December 2015		**37,533**	**2,878**	**(22,792)**	**17,619**
Balance at 1 July 2016		37,533	2,878	(22,127)	18,284
Profit / (Loss)		-	-	(1,743)	(1,743)
Other comprehensive income		-	-	-	-
Total comprehensive income		37,533	2,878	(23,870)	16,541
Transactions with owners, recorded directly in equity					
Contributions of equity (net of transaction costs)	6	760	-	-	760
Shares issued under Dividend Reinvestment Plan (DRP)	6	313	-	-	313
Dividends paid - DRP	5	-	-	(313)	(313)
Dividends paid - cash	5	-	-	(127)	(127)
Balance at 31 December 2016		**38,606**	**2,878**	**(24,310)**	**17,174**

The above statement of changes in equity is to be read in conjunction with the accompanying notes

	Notes	December 2016 $'000	December 2015 $'000
Cash flows from operating activities			
Cash receipts from customers		**37,574**	31,263
Cash paid to suppliers and employees		**(40,105)**	(32,231)
Cash generated from operations		**(2,531)**	(968)
Interest received		**2**	6
Interest paid		**(296)**	(370)
Income taxes paid		**-**	(66)
Net cash used in operating activities		**(2,825)**	(1,398)
Cash flows from investing activities			
Proceeds from sale of assets		**10**	2
Acquisition of property, plant and equipment		**(592)**	(850)
Acquisition of intangibles		**-**	(55)
Net cash used in investing activities		**(582)**	(903)
Cash flows from financing activities			
Proceeds from share issue	6	**760**	-
Proceeds from repayment of employee share loans		**-**	42
Dividends paid	5	**(127)**	-
Proceeds from non-current security deposits		**39**	92
Proceeds of hire purchase loan liabilities and finance facility		**1,139**	537
Payment of hire purchase loan liabilities and finance facility		**(618)**	-
Proceeds of finance lease liabilities		**-**	90
Payment of finance lease liabilities		**(109)**	-
Net cash provided by financing activities		**1,084**	761
Net decrease in cash and cash equivalents		**(2,323)**	(1,540)
Cash and cash equivalents at the beginning of the financial year		**3,020**	3,116
Cash and cash equivalents at the end of the financial year		**697**	1,576

1 Basis of preparation of half-year report

The general purpose interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Delta SBD Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Basis of preparation

The half-year consolidated financial report is a general purpose financial report for profit-oriented entities, which has been prepared in accordance with the requirements of the *Corporations Act 2001, AASB 134 Interim Financial Reporting* and other mandatory professional reporting requirements. The interim financial report has been prepared on a historical cost basis, except for certain property, plant and equipment and exploration expenditure that were measured at fair value at the time of acquisition.

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Corporations Instrument 2016/191. The Company is an entity to which the Corporations Instrument applies.

For the purpose of preparing the interim financial report, the half-year has been treated as a discrete reporting period.

In preparing these half-year financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at 30 June 2016.

For a full understanding of the financial performance and financial position of the Group it is recommended that the half-year financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2016. Consideration should also be given to any public announcements made by the Company during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

(b) Going concern basis of accounting

This interim financial report has been prepared on a going concern basis that contemplates the realisation of assets and the settlement of liabilities in the normal course of business. For the half-year ended 31 December 2016, the Group incurred a net loss of $1.743 million, operating cash outflows of $2.825 million and had net current assets of $0.856 million.

The timing of receiving amounts owing from a key customer has been influenced by the timing of their coal shipments. This customer holds significant debtor balances with the Group and while the Group has historically been able to recover the amounts in full, there has been a history of delays in receiving payment. The delay in receipt of amounts owing from this customer could result in the Group being unable to pay its debts as and when due and consequently results in a material uncertainty in relation to going concern.

The Group continues to actively work with the customer to ensure timely payment of amounts owing and is considering options to extend its current financing facilities and obtain alternative financing if required. In addition, the Directors believe that the future outlook of newly executed contracts will provide future positive cash flows to mitigate the reliance of payments from this key customer. On this basis, the Directors have concluded that the use of the going concern assumption remains appropriate.

Given the above, the interim financial report does not include any adjustments related to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

1 Basis of preparation of half-year report (continued)

(c) Critical accounting estimates and assumptions

Revenue Recognition

Determining the stage of completion requires an estimate of expenses incurred to date as a percentage of total estimated costs. Where there are variations and claims made to contracts, assumptions are made regarding the probability that the customer will approve the variations and claims and the amount of revenue that will arise. Changes in these estimation methods could have a material impact on the financial statements of the Group.

Recovery of deferred tax assets

Deferred tax assets are only recognised for deductible temporary differences to the extent it is probable that sufficient future taxable profits will be available to utilise them against. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Impairment of assets

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been initially recognised.

Determination of potential impairment (or reversal of impairment) requires an estimation of the recoverable amount of particular assets and/or a group of assets. To ascertain the recoverable amount, the Group engages the services of an external professional valuer to appraise relevant plant and equipment of a material nature and to provide an independent valuation.

The Group relies on the expertise of the valuer to ascertain and report their independent professional opinion of asset values however management applies judgement to determine whether any impairment (or reversal of impairment) is required.

During the 1H FY2017, the Group obtained an independent third party valuation based on market value as there were indicators that a previously reported impairment no longer existed. The valuation obtained was able to confirm a significant increase in value for one of the Group's continuous miners, previously impaired in 2014. The miner is currently in use and is expected to be utilised at the same location for at least the next two years. Following a detailed assessment of the valuer's report - management determined to record a reversal of impairment in the consolidated statement of profit or loss to the value of $910 thousand.

(d) Standards and interpretations issued but not yet effective

The following recently issued standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this Financial Report.

- *AASB9 Financial Instruments* becomes mandatory for the Group's 2019 Financial Report and includes changes to the classification and measurement of financial assets including a new expected credit loss model for calculating impairment. It also includes the new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities.
- *AASB15 Revenue from Contracts with Customers* becomes mandatory for the Group's 2019 Financial Report and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and replaces *AASB 111 Construction Contracts, AASB 118 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for Construction of Real Estate, Interpretation 18 Transfer of Assets from Customers and Interpretation 131 Revenue-Barter Transactions involving Advertising Services*. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

1 Basis of preparation of half-year report (continued)

- *AASB 16* Leases becomes mandatory for the Group's 2020 Financial Report and removes the classification of leases between finance and operating leases effectively treating all leases as finance leases for the lessee. The purpose is to provide greater transparency of a lessee's financial leverage and capital employed.

The Group has not yet determined the potential effect of these standards on the Group's future Financial Reports.

(e) New and amended standards and interpretations

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in the annual financial statements for the year ended 30 June 2016. None of the standards and amendments which became mandatory for the first time in the interim reporting period commencing 1 July 2016 resulted in any adjustments to the amounts recognised in the financial statements or disclosures.

2 Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group operates in the coal industry in New South Wales and Queensland, Australia. Reporting is completed as one segment only; as such detailed segment reporting has not been performed.

3 Measurement of Fair Values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial asset liabilities.

The Group has established control framework with respect to the measurement of fair values. The management team has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors.

The management team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, is used to measure fair values, then the management team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASBs, including the level in the fair value hierarchy in which, such valuations should be classified. Significant valuation issues are reported to the Audit and Compliance Committee.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Set out below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2016 and 31 December 2016. All assets and liabilities within this table are categorised as Level 3.

	31 December 2016		**30 June 2016**	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	$'000	**$'000**	**$'000**	**$'000**
Assets carried at fair value				
Nil	-	-	-	-
	-	-	-	-

3 Measurement of Fair Values (continued)

	31 December 2016		30 June 2016	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	$'000	**$'000**	**$'000**	**$'000**
Assets carried at amortised cost				
Loans and receivables	**9,841**	**9,841**	13,239	13,239
Cash and cash equivalents and non-current deposits	**746**	**746**	3,108	3,108
	10,587	**10,587**	16,347	16,347
Liabilities carried at fair value				
Nil	**-**	**-**	-	-
	-	**-**	-	-
Liabilities carried at amortised cost				
Trade and other payables	**4,073**	**4,073**	4,305	4,305
Hire purchase obligations	**1,733**	**1,733**	107	107
Finance facility liabilities	**2,800**	**2,800**	4,659	4,659
Shareholder loans	**628**	**628**	628	628
	9,234	**9,234**	9,699	9,699

4 Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost.

	December 2016	June 2016
	$'000	**$'000**
Current		
Hire purchase loans	**1,005**	41
Finance Facility	**2,800**	4,659
Total current loans and borrowings	**3,805**	4,700
Non-current		
Hire Purchase loans	**728**	66
Loans from shareholders	**628**	628
Total non-current loans and borrowings	**1,356**	694

5 Dividends

	December 2016	December 2015
	$'000	**$'000**
Final franked dividend [(1)]	**440**	-
Total dividends declared and paid during the period	**440**	-

(1) On 29 August 2016, the Directors resolved to pay a fully franked final dividend of 0.80 cents per share in respect of the 2016 financial year. The dividend was paid on 12 October 2016.

6 Contributed Equity

a) **Share capital**	**December 2016 $'000**	**June 2016 $'000**
Opening balance	**37,533**	37,533
Proceeds raised from capital raising	**760**	-
Shares issued pursuant to the Dividend Reinvestment Plan	**313**	-
Closing balance	**38,606**	37,533

b) **Ordinary Shares**	**No. of shares**
Beginning of the period (1 July 2016)	**48,693,393**
Ordinary shares	
- Shares Issued pursuant to institutional placement to The Collins Street Value Fund (30 August 2016)	**6,075,000**
- Shares Issued pursuant to the Group's Dividend Reinvestment Plan (14 October 2016)	**2,502,277**
End of the period (31 December 2016)	**57,270,670**

7 Earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the loss attributable to ordinary shareholders of $1.743 million (2015: profit of $506,000) and a weighted average number of ordinary shares outstanding of 54,368,791 (2015: 47,659,787), calculated as follows:

	December 2016 $'000	**December 2015 $'000**
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**(3.2)**	1.1
Total basic loss per share attributable to the ordinary equity holders of the company	**(3.2)**	1.1
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**(3.2)**	1.1
Total diluted loss per share attributable to the ordinary equity holders of the company	**(3.2)**	1.1

8 Related party transactions

Details regarding loans and other debt facilities from key management personnel and their related parties outstanding at the half-year end are as follows:

(a) Shareholder Loans	**December 2016 $'000**	**June 2016 $'000**
Dawkins Enterprises Pty Ltd (1)	**290**	290
Titanwood Holdings Pty Ltd (2)	**338**	338
	628	628

(1) Interest bearing secured loan from Dawkins Enterprises Pty Ltd to provide working capital to the Group. Dawkins Enterprises Pty Ltd is an entity controlled by Non-Executive Chairman, Glyn Dawkins.

(2) Interest bearing secured loan from Titanwood Holdings Pty Ltd to provide working capital to the Group. Titanwood Holdings Pty Ltd is an entity controlled by Non-Executive Director, Stephen Bizzaca.

(b) Other Debt Facilities	**December 2016 $'000**	**June 2016 $'000**
Dawkins Enterprises Pty Ltd (1)	**707**	**-**
	707	**-**

(1) In December 2016, an invoice finance facility was entered into with Dawkins Enterprises Pty Ltd, an entity controlled by Non-Executive Chairman, Glyn Dawkins. The invoice discount facility was offered in respect of the Group's Wongawilli Coal Contract production invoices. The initial funding limit has been set at $700 thousand with an interest rate equal to 10% per annum and an annual service fee of 2.5%. The lender will provide a payment of up to 90% of approved invoices submitted by the Group. The facility expires upon completion of the Wongawilli Coal Contract.

9 Events occurring after the reporting period

Other than outlined in this report, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations or the state of affairs of the Group in the future financial years.

In the Directors' opinion:

(a) the financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standard *AASB 134 Interim Financial Reporting* and *Corporations Regulations 2001*, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of their performance for the half-year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

This declaration is made in accordance with a resolution of the Directors.

G Dawkins
Chairman
Sydney, 28 February 2017

200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent auditor's report to the members of Delta SBD Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Delta SBD Limited ("the Company"), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Delta SBD Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Building a better
working world

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Ernst & Young

Scott Jarrett
Partner
Sydney
28 February 2017

Corporate Directory

Directors	G Dawkins AMEME Hons *Chairman*
	N. McAlary B.Eng (Mining). MBus &Tech, 1st Class Mine Managers *Managing Director and Chief Executive Officer*
	S Bizzaca B.AppSc
	G Garside FCPA, FAICD, JP
Secretary	M Etcell B.Com, CA, MAICD
Principal registered office in Australia	Suite 220, 4 Hyde Parade Campbelltown NSW 2560
	Ph.: +61 2 4629 0300 Fax: +61 2 4629 0399
Share registry	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Phone: +61 2 9290 9600 Fax: +61 2 9279 0664
Auditor	Ernst and Young Ernst and Young Centre 200 George Street Sydney NSW 2000
Bankers	Bank of Queensland 138 Queen Street Campbelltown NSW 2560
Legal advisors	McCullough Robertson Level 12, Central Plaza Two 66 Eagle Street Brisbane QLD 4000
	Herbert Smith Freehills ANZ Tower 161 Castlereagh Street Sydney NSW 2000
Stock exchange listings	Delta SBD Ltd shares are listed on the Australian Securities Exchange – ASX: DSB. The home exchange is Sydney.
Website address	www.deltasbd.com.au