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ASX Announcement

3 September 2014

ASX: DSB

Board of Directors

Gordon Galt – Chairman

Stephen Bizzaca – Managing
Director – CEO

Glyn Dawkins – Non Executive
Director

Geoff Garside –Executive Director

Company Secretary

Geoff Garside

Principal Contact

Stephen Bizzaca – Managing
Director – CEO

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Registered office

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Website: www.deltasbd.com.au

To : Australian Securities Exchange

Company Announcement

“FY 2014 Annual Results Presentation”.

Please find attached ASX Yearly Results
Presentation for the year ended 30 June 2014.

Yours Faithfully

Geoff Garside

Company Secretary



2014 Yearly Results Presentation

September 2014

Stephen Bizzaca, Managing Director & CEO
Geoff Garside, Finance Director & Company Secretary



Agenda



1. Overview
2. Financial Review
3. Operational Review
4. Strategy
5. Outlook





1. Overview



Overview



Significant steps taken to reposition business

- Debt reduction achieved
- Net debt forecast 1QFY15 \$4.9m (-72%)
- Equipment debt forecast 1QFY15 \$1.0m (-93%)

Maintained top quartile safety performance

- Leading zero harm indicators target 1 per 10 hours achieved
- Total recordable injury frequency rate improved by 29%
- Maintained OH&S and Environmental international accreditation

Sector downturn impacting financials

- Impairment of \$39.6m (goodwill \$29.3m, equipment \$10.3m)
- Underlying NPAT -\$1.4m (-117%)
- Underlying EBITDA \$2.1m (-88%)
- Revenue \$69.4m (-52%)
- 2H improvement in all underlying measures
- Cash underlying profit after tax positive

Competitiveness improved

- New national enterprise agreement
- Maintaining long term work – new contracts awarded
- New mines/clients obtained
- New type of work obtained

Continue to deliver operational excellence

- Client relationships extended and created
- Another eight longwall projects completed
- First international longwall project completed

Note: Cash Underlying Profit after tax is underlying NPAT adjusted for non cash items



2. Financial Review



Financial Review - Summary



	Change		FY2014	FY2013
NPAT (excluding impairment)	(146%)	↓	(\$3.3m)	\$7.1m
Underlying NPAT	(117%)	↓	(\$1.4m)	\$8.0m
Revenue	(52%)	↓	69.4m	\$145.1m
EBITDA	(100%)	↓	0.0m	\$16.6m
Underlying EBITDA	(88%)	↓	2.1m	\$18.0m
Intangible assets (goodwill)	(100%)	↓	\$0.1m	29.4m
Cash on hand	(82%)	↓	\$1.1m	\$5.9m
Net debt	(19%)	↓	\$14.1m	\$17.5m
Equipment debt	(53%)	↓	\$11.2m	\$24.0m
Earning per share	(121%)	↓	(3.8c)	17.8c
Net Tangible Assets per share	(47%)	↓	34c	64c

Note: Impairment - \$29.3m goodwill and \$10.3m assets (PPE). NPAT includes \$1.7m in restructuring costs

1H and 2H FY 2014



➤ 2H improvement

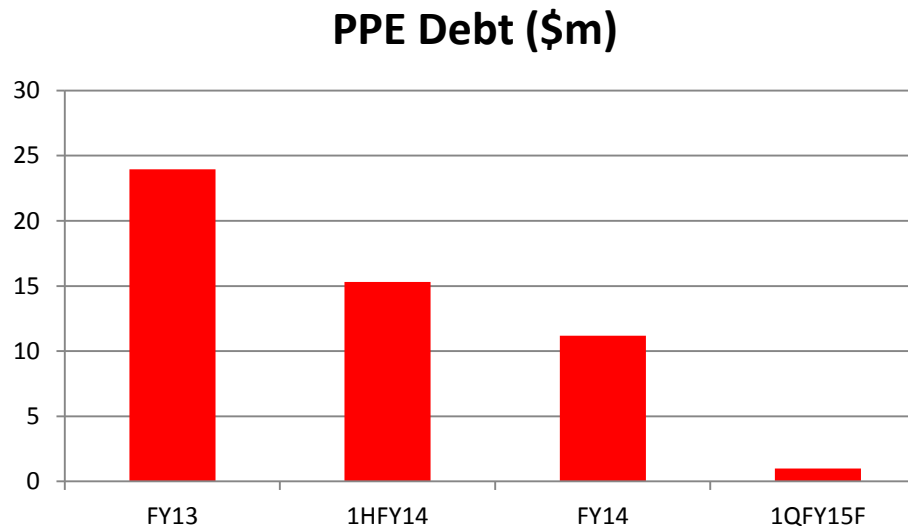
	Change		2HFY2014	1HFY2014
NPAT	61%	↑	(\$12.1m)	(\$30.7m)
NPAT (excluding impairment)	(33%)	↓	(1.87m)	(\$1.4m)
Underlying NPAT	63%	↑	(\$0.4m)	(\$1.0m)
Revenue	(4%)	↓	\$34.0m	\$35.4m
EBITDA	(75%)	↓	(\$0.5m)	\$0.5m
Underlying EBITDA	226%	↑	\$1.6m	\$0.5m
Cash on hand	16%	↑	\$1.1m	\$0.9m
Net Debt	(2%)	↓	\$14.1	\$14.4m
Debt	(27%)	↓	\$11.2m	\$15.3m
Impairment	(65%)	↓	\$10.3m	\$29.3m
Employee benefits	36%	↑	\$5.3m	\$3.9m

Note: NPAT impacted by impairment and restructuring costs, some of which will occur in FY15 which is reflected by the increase in Employee benefits

Debt reduction



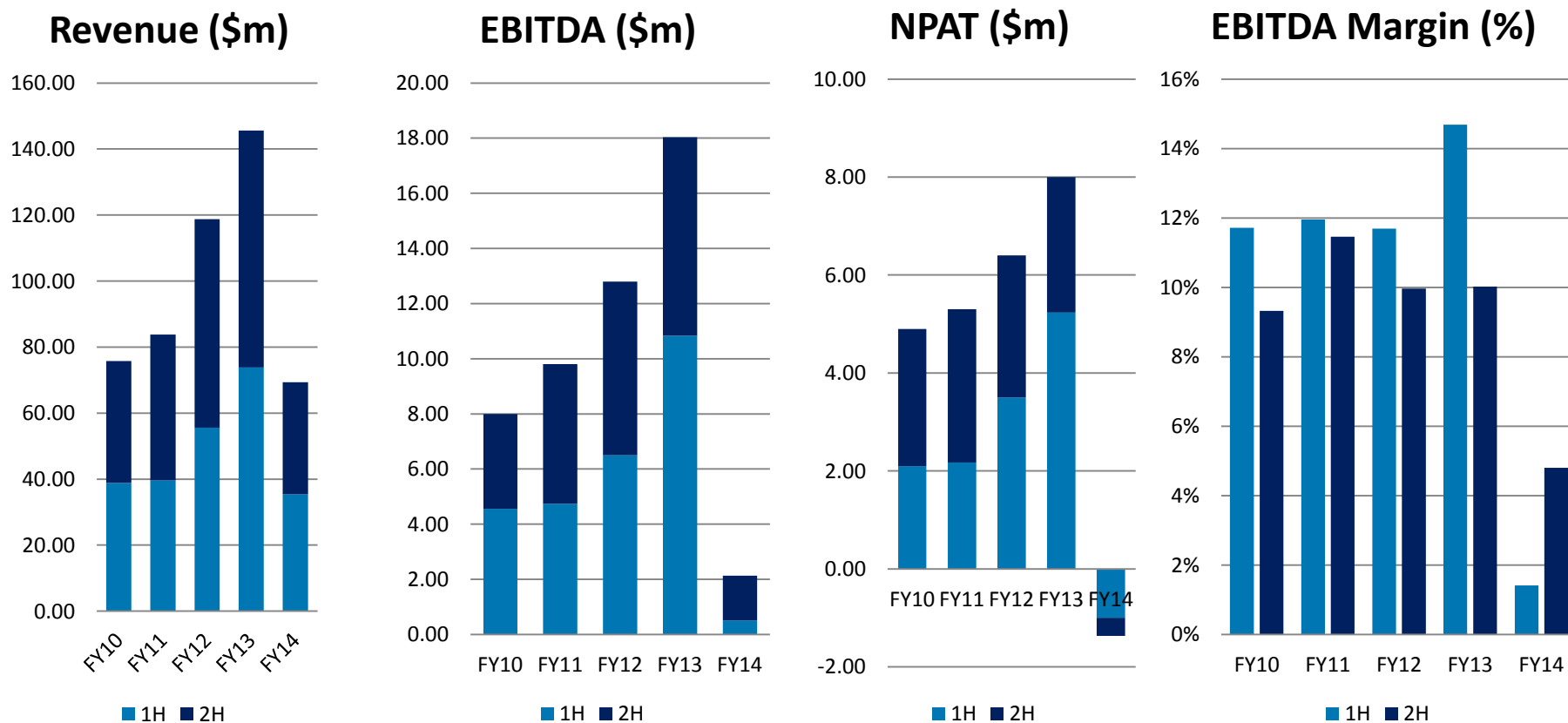
- Target achieved
 - All asset sales proceeds used to reduce debt
 - Debt reduction has delivered a positive cashflow impact of \$500k per month



Note: 1QFY15F is based on a likely outcome from confirmed asset sales which occurred in 1QFY15

Financial Trends (underlying)

- Impacted by sector downturn – 2H improvement on flat revenue



Balance Sheet & Cashflow



Balance Sheet	FY14	FY13
Cash (\$m)	1.1	5.9
Total Assets (\$m) (excluding intangible assets)	42.8	82.6
Total Shareholder funds (\$m) (excluding intangible assets)	16.1	29.9
Net Debt (\$m)	14.1	17.5
Net Debt to Equity	87%	30%
Cashflow	FY14	FY13
Operating activities (\$m)	(1.12)	12.22
Investing activities (\$m)	4.32	(10.12)
Financing activities (\$m)	(8.09)	(1.27)
Net (decrease)/increase in cash (\$m)	(4.89)	0.83
Cash at beginning of year (\$m)	5.93	5.10
Closing cash (\$m)	1.05	5.93

Note: cashflow affected by \$10m in PPE loan repayments

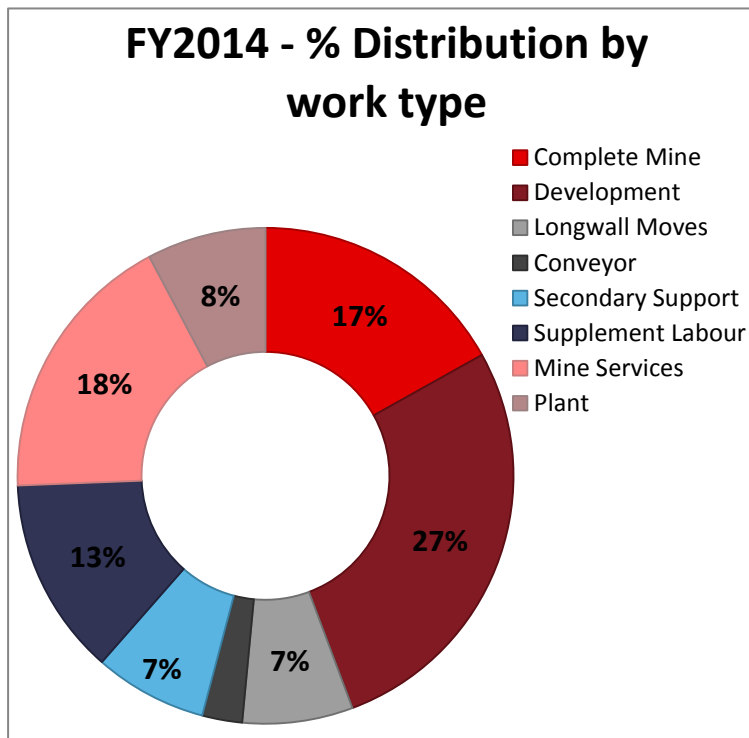


3. Operational Review

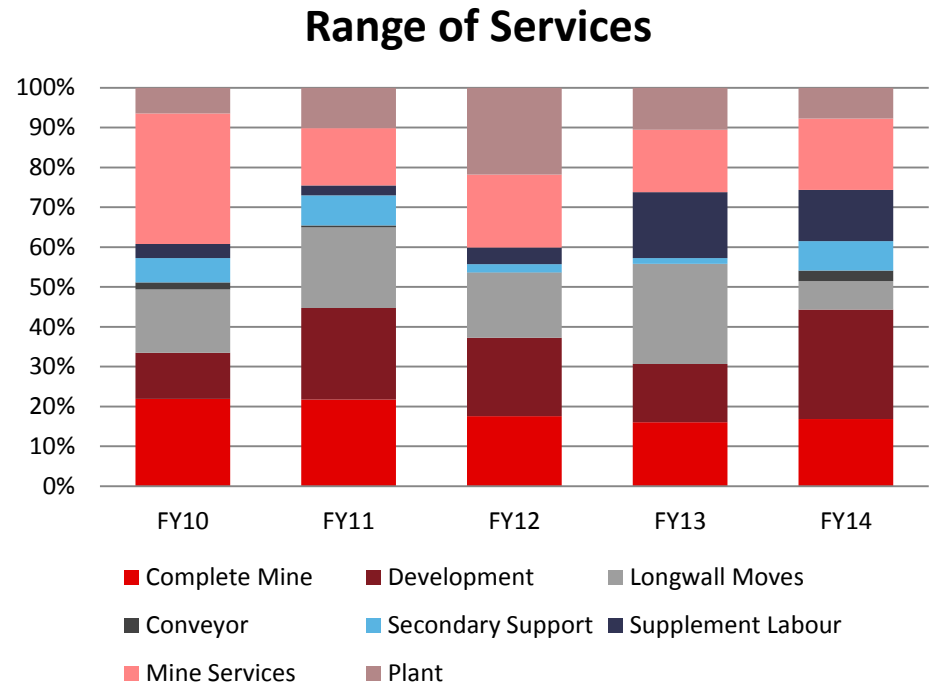


Diversity – Range of Services

➤ Large spread of services













➤ Consistency of services range



Sustainability & Diversification



Client	Mine	Location	Services	FY10	FY11	FY12	FY13	FY14	FY15	FY16
	Grasstree	Bowen Basin, Qld	Longwall Relocations							
	Berrima	Illawarra, NSW	Whole Mine Operations							
	Appin	Illawarra, NSW	Roadway Development							
		Illawarra, NSW	Mine Services							
		Illawarra, NSW	Supplementary Labour							
		Illawarra, NSW	Civils & Conveyors							
	Dendrobium	Illawarra, NSW	Equipment Hire							
	West Cliff	Illawarra, NSW	Supplementary Labour							
	Broadmeadow	Bowen Basin, Qld	Longwall Relocations							
		Bowen Basin, Qld	Equipment Hire							
	Crinum	Bowen Basin, Qld	Conveyor Installations							
	Narrabri	Western Coalfields, NSW	Longwall Installation							
	KME	Bowen Basin, Qld	Longwall Installation							
	Adriyala	Andhra Pradesh, India	Longwall Installation							
	Ulan #3	Upper Hunter Valley, NSW	Longwall Relocations							
	Ulan West	Upper Hunter Valley, NSW	Longwall Installation							
	Blakefield	Hunter Valley, NSW	Longwall Relocations							
	Tahmoor	Illawarra, NSW	Longwall Relocations							
	Metropolitan	Illawarra, NSW	Mine Services							
	Wambo	Hunter Valley, NSW	Longwall Relocations							
		Hunter Valley, NSW	Conveyor Installations							
	North Goonyella	Bowen Basin, Qld	Longwall Relocations							
	Integra	Hunter Valley, NSW	Longwall Relocations							
		Hunter Valley, NSW	Longwall Installation							
	Narrabri	Western Coalfields, NSW	Roadway Development							
			Longwall Relocations							
	Austar	Hunter Valley, NSW	Longwall Relocations							

Current Contract

Previous contract

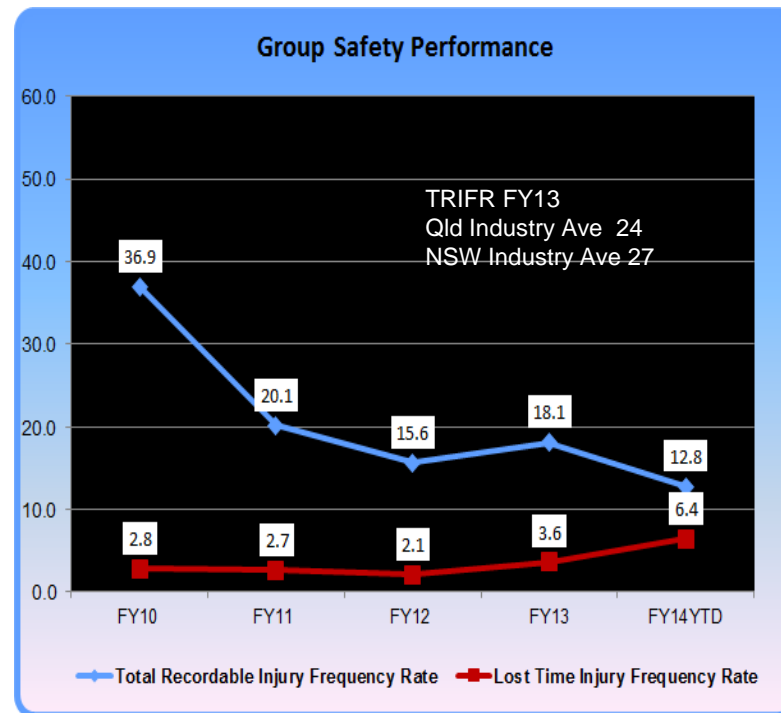
Contract options

Likely Re-occurring work

Safety



- Overall safety performance remains in top quartile of UG coal mine operators
- Safety performance improved – total recordable injury frequency rate decreased by 29%



Frequency rates based on 1,000,000 hours

People



- New national enterprise agreement (EA) approved by FWC
- 74 new starters in 2H, 66% under new EA



Average Hours Worked per Week



- Worked hours impacted by sector downturn

Sustaining work



- BHP Billiton's Appin mine (NSW) - Roadwork development (two units), secondary support, dyke drill and blast excavation and other mine services activities
- Peabody's Metropolitan mine (NSW) - Secondary support and other mine services activities
- Boral's Berrima mine (NSW) - Whole mine operations transitioned to care and maintenance



Re-occurring work



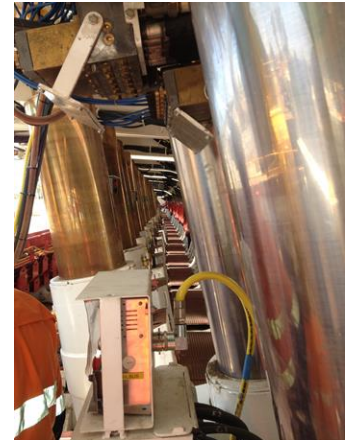
- Longwall projects
 - Whitehaven's Narrabri mine (NSW)
 - Peabody's Wambo mine (NSW)
 - Glencore's Blakefield mine (NSW)
- Conveyor projects
 - BHP Billiton's Appin mine (NSW)
- Equipment Hire
 - Whitehaven's Narrabri mine (NSW)
 - BMA's Broadmeadow mine (Qld)
 - BHP Billiton's Appin, Dendrobium and Westcliff mines (NSW)



New work



- Longwall projects
 - Glencore's new Ulan West mine and Tahmoor mine (NSW)
 - Peabody's Wambo mine (NSW)
 - Yancoal's Austar mine (NSW)
 - Singareni Collieries Company Limited's new Adriyala mine (India)
- Conveyor projects
 - Peabody's Wambo mine (NSW)
- Equipment Hire
 - Glencore's Ulan West mine (NSW)
- Other Major Projects
 - Drill & blast civil excavations at BHP Billiton's Appin mine (NSW)





4. Strategy



Business Strategy



- Proactive Safety Management
- Providing competitive value-add services to clients
- Forging profitable long term partnerships
- Diversity of client base and service/product offerings
- Focus on Asset Management
- Developing and implementing innovative mining solutions
- Using efficient internal management systems and controls
- Rebuilding shareholder value

Industry Downturn Strategy Update



The Plan

- Higher focus on sustainability of work
- Improve value adding to our clients
 - Reduce cost base & improve competitiveness
- Restructure organisation to reduce costs
- Continue debt reduction program
- Increase pipeline options, target all areas as no labour skills shortage

The Achievements

- No contract work lost, replacement contracts awarded to DSB
- New national enterprise agreement approved by FWC
- Significantly lower costs and significantly lower prices to clients and improved competitiveness, resulting in new contracts awarded
- New company based on new EA
- Management reduced to match revenue
- PPE \$24m debt reduced to \$1.0m
- New conveyor contracts and clients



5. Outlook



- Metallurgical coal (currently DSB's main client base)
 - USD spot price of coking coal up 10% from the low point and the AUD has slightly depreciated
 - Australian production is actually growing and we believe the pressure to further increase production from current mines
 - Australian long-term production is forecast to increase
- Steaming coal
 - Pricing remains subdued
 - Coal will continue to be a major source of energy
 - Australian long-term production is forecast to increase

Our Outlook



- Market conditions will remain challenging
 - Continued pressure from clients to reduce prices
 - Extremely competitive environment in the state
- Opportunities derived from:
 - Our new competitiveness
 - Cheaper outsourcing option for clients
 - New flexible national EA
 - Mining innovation
- Ability and capacity to pursue appropriate growth opportunities

New Contracts commencing in 1QFY15



- BHP Billiton's Appin mine (NSW) – Secondary support and mine services (2 year term)
- BHP Billiton's Appin and West Cliff mines (NSW) – Supplementary labour (2 year term)
- BMA's Crinum mine (Qld) – Conveyor salvages and installations (8 month term)

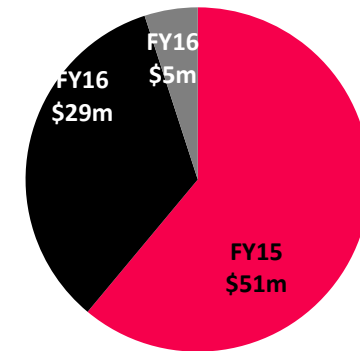


Workbook and Pipeline



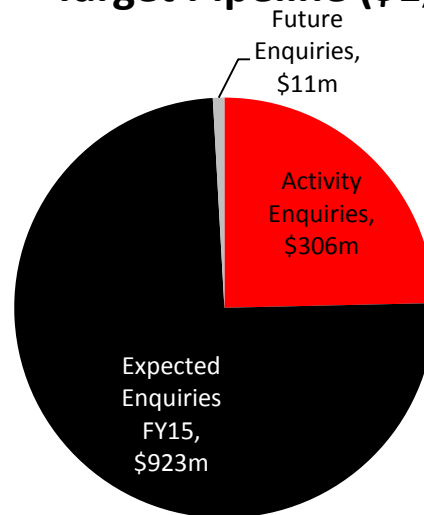
- Workbook still impacted by sector downturn, but remains positive
- Workbook excludes uncommitted “Recurring Work” which also continues to be positive

Workbook - \$84m

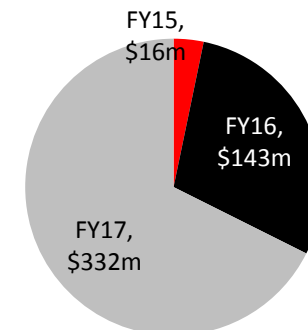


- Targeted pipeline significantly increased
- Potential short term revenue also significantly increased

Target Pipeline (\$1,240m)



Target Pipeline - Potential Revenue by FY (\$491m)



Summary



Safety	Improved safety performance
Sector	Increased metallurgical coal production Steaming coal production to remain subdued
Market	Maintain outsourcing competitiveness Increased contractor demand expected
Sustainability	Maintain our excellent client relationships Focus on improving adding valuing
Opportunities	Targeted all areas of pipeline Poised for upturn
Profitability	Well positioned to return to positive profit and growth
Shareholders	Focus on improving returns



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Appendices

Corporate Overview



➤ Capital structure

➤ Shares on issues	47,367,146
➤ Options	3,437,500

➤ Shareholders – Top five

➤ Stephen Bizzaca entities	36.2%
➤ Glyn Dawkins entities	27.4%
➤ Delta SBD Employee Trust*	7.1%
➤ Gardner entities	2.2%
➤ Nehemine Pty Ltd	2.0%

** Excludes Stephen Bizzaca shares, included in "Stephen Bizzaca entities"*

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