DeltaSBD

safer better dependable

Annual Report 2012

"We invest in the best mining equipment to maximise efficiency with safety."

Delta SBD Limited

ABN 18 127 894 893

Annual Report

30 June 2012

DELTA SBD LIMITED

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Notes to financial report

Chairman's Letter

Delta SBD is a leading Australian Mining Services Company operating in the Australian underground coal mine contracting sector. We offer our customers an excellent management team and an extensive range of fit-for-purpose equipment.

The entities which form the Company have now been providing high quality service to this sector for fifteen (15) years. In the 2011/12 financial year the Company has fully delivered on its earnings forecasts.

Delta SBD is committed to continue providing a safe working environment for employees, satisfying our customers' needs and creating value for all our shareholders by extending our range of services and products in the years ahead.

People – Plant – Growth - Coal

Dear Fellow Shareholder**,**

I am very pleased to present Delta SBD's operating results and Annual Report for the 2011/12 year. In last year's report we gave details of who DSB is and how we intend to grow shareholder value into the future based on our core values of employee safety and client satisfaction. This is in many respects the first chance for shareholders to score us on progress to date.

During the 2011/12 year we have demonstrated our continuing commitment to the highest safety standards. We had a 17% improvement in total recordable injury frequency rate – our main metric for safety outcomes - compared to the previous year and we attribute this to our proactive safety approach. Properly anticipating potential workforce dangers and creation of a state of safety awareness mean we can avoid the vast majority of issues and that we are prepared to deal with the unpredictable situations that can occur in underground mines. We are pleased to note that we obtained international OHSAS 18001 accreditation for our safety systems during the year.

Client satisfaction is evidenced by the growth in our client base and the substantial increase in our revenue for the year (up 42% to $119m). In recognition of the value we add to our clients operations and our excellent safety performance, our biggest client by revenue for the year - Illawarra Coal (BHP Billiton) - recently gave us the prestigious "Underground Supplier of the Year 2012" award. We continued our whole of mine operations for Boral at Berrima in NSW and we were pleased to obtain substantial contracts with Whitehaven Coal at Narrabri, also in NSW. We were involved in eight further longwall moves during the year which brings our total to 98.

Reflecting the above, the year has also been financially rewarding for shareholders, with an underlying NPAT result of $6.4 million, representing earnings of 14.5 cents per share, and a statutory net profit after tax (NPAT) for the year of $6.19 million. These figures are up by 20%, 11% and 30% respectively on the comparative figures for the 2010/11 financial year. These are excellent results and demonstrate that the company can sustain strong growth in what is a very competitive industry.

Financially we are - and will remain - a conservative Company. We have increased our debt level during the year for the purchase of new equipment, but the Board has been careful to insulate the company from any weaknesses in the industry with the vast majority of our debt being fully, and only, secured against the equipment which we have purchased.

We also maintained a significant net cash balance throughout the year. We have paid dividends to our shareholders for each of the past four years and we will again pay a significant portion of our NPAT as a dividend for the year just completed. An interim dividend for FY12 was paid in March 2012 of 1.5 cents per share, totaling $661,000. Since the end of the financial year, the Directors have declared a final ordinary dividend of 2.5 cents per share. These dividends are fully franked and will be paid on 21 September 2012.

Chairman's Letter continued

It is pleasing to note that the number of shareholders on our register has increased to 544 as at 30 June 2012. One of our aims is to further expand our shareholder base in the coming year and we are looking at ways to improve liquidity in the company's shares. The Board is very pleased with the performance of the company and its achievements during the financial year. We expect to be able to maintain growth for the coming years with further uptake of our equipment fleet, deployment of new equipment that is on order and ongoing contracts in our traditional areas. We are continuously looking for other growth opportunities through mergers and acquisitions and although we assessed a number of opportunities during the year, we have not yet found anything that would fit well with our business and enhance value for shareholders.

On behalf of the Board and all shareholders, I would like to thank Stephen Bizzaca, our Managing Director and CEO, and his team which now includes more than 500 employees, for their significant contribution to the Delta SBD business.

Finally, I wish to again thank all DSB shareholders for your continued support and I look forward to the reporting on further progress in the future.

Gordon Galt
Chairman
Delta SBD Limited

Dated 27 August 2012

Managing Director and Chief Executive Officer's Report – Mr Stephen Bizzaca

This has been another very successful year for Delta SBD (the Group) with key operating and financial highlights listed below:

2012 operating highlights

- Safety improvement on all key indicators, with a 17% reduction in total recordable injury frequency rate over the past twelve (12) months
- Delta SBD demonstrated further commitment to safety with international OHSAS 18001 accreditation
- Increased personnel numbers by 29%
- Delivered growth through additional new contracts throughout the east coast of Australia, including:
  - Roadway development at Whitehaven Coal's Narrabri Mine
  - Longwall surface build and underground installation at Whitehaven Coal's Narrabri Mine for Caterpillar Global Mining
- Completion of another eight (8) longwall projects during 2011/12 year
- Newly acquired diesel fleet immediately and successfully deployed into operations
- Acquired additional coal drivage development equipment for future growth opportunities
- Illawarra Coal (BHP Billiton) award for 'Underground Supplier of the Year 2012', the pinnacle of both achievement and recognition for consistent performance and attention to customer specific details

2012 financial highlights

- Net profit after tax (NPAT) increased by 30% to $6.19 million (2011: $4.76 million)
- Underlying NPAT increased by 20% to $6.40 million (2011: $5.32 million)
- Revenue increased by 42% to $118.8 million (2011: $83.8 million)
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 34% to $12.542 million (2011: $9.376 million)
- Underlying EBITDA margin of 10.7% (2011: 11.7%)
- Strong balance sheet with cash and cash equivalent and non current security deposits on hand 2011/12 year year-end $7.1 million (2011: $9.8 million)
- Total dividend for 2011/12 year 4.0 cents (2011: 3.60 cents). An interim dividend for 2011/12 year was paid in March 2012 of 1.5 cents per share, totaling $661,000. Since the end of the financial year, the Directors have declared a final ordinary dividend of 2.5 cents per share. These dividends are fully franked and will be paid on 21 September 2012 to shareholders on the register at 12 September 2012.
- Increased Earnings Per Share (EPS) to 14.03 cents (2011: 11.68 cents).

The company continues to entrench the health and safety of our employees as a core value of the business. The Group's safety performance continues to show strong year on year improvement with a 17% reduction in the total recordable injury frequency rate and a positive 66% increase in the proactive risk mitigation initiatives (safety interactions). This improvement in the company's safety performance has been consolidated by the improvements in the health and safety management systems which were recognised with the group receiving certification to OHSAS18001 and AS/NZS4801. The accreditation shows that Delta SBD has an occupational health and safety (OH&S) management system, which enables the company to further control its OH&S risks and improve its OH&S performance.

Managing Director and Chief Executive Officer's Report – Mr Stephen Bizzaca continued

The Group continued to expand its longwall move capability, with additional purchases of one (1) 60 Tonne Loader, two (2) 5 Tonne Loaders, five (5) Chock Trailers and a 130 Tonne Industrea Longwall Shearer Carrier. All these units where successfully deployed on the Narrabri longwall installation project.

To enable the Group to undertake turnkey roadway development work, various assets were acquired including two Continuous Miners.

During the period the Group continued:

- The whole of mine operations at Berrima coal mine in Medway NSW. Berrima mine produces coal by the pillar extraction method and primarily supplies Boral's cement works in Berrima. During 2011/12 year Boral received approval for its part 3A application for the long term extraction of coal from the Berrima mine
- Roadwork development, secondary support, drill and blast activities at Illawarra Coal's Appin mine
- Secondary support and outbye services at Peabody's Metropolitan mine
- Longwall move and support services at Xstrata's Ravensworth and Ulan mines
- Longwall moves, at Peabody's Wambo mine, Anglocoal's Grasstree mine and BMA's Broadmeadow mine

The Group generated revenue of $118.8 million and achieved an improvement in underlying net profit after tax of 20%. Our commitment to safety, quality and customer satisfaction has continued to be a focus during the financial year.

The Group is one of the largest contract companies servicing the Australian underground coal mining industry, providing an extensive range of services and skills available to our clients, which includes most of the major coal mining companies. The Group has the financial strength, skills base, experience and equipment to provide outstanding services to the underground coal mining sector.

Delta SBD provides clients with a large pool of resources (both labour and equipment), cross fertilisation of ideas, systems and techniques, and the ability to attract and retain experienced and qualified management personnel and employees.

The Company continued to focus on safety, quality service and customer satisfaction. Being a service provider, customers are an important part of our business. We continually strive for new business opportunities with both our existing customers as well as potential new customers.

We are responsive to our clients' needs and assist them to achieve their targets by working with them to provide tailored solutions for their specific situations.

Directors' Report

The Directors present their Report together with the financial report of the Delta SBD Group (the Group) and the auditor's report thereon for the financial year ended 30 June 2012. The Group consists of Delta SBD Limited (the Company) and its wholly owned subsidiaries.

1. Directors

The Directors of the Company during or since the end of the 2012 financial year are:

Gordon Thomas Galt Chairperson BEng Mining (Hons), BComm, Grad Dip Applied Finance, MAusIMM, MAICD Director and Chairman since 8 October 2007	Gordon has worked in the resources and finance industries for more than 35 years and is currently a principal of an Australian based resources investment fund manager. He has extensive technical, operational, project management and senior managerial experience in the Australian coal industry at Thiess, Capricorn Coal, Exxon Coal and Minerals, Ulan Coal Mines and Cumnock Coal. He has served as Managing Director at Cumnock Coal, Newcrest Mining and Magnesium International and also spent several years as a Managing Director at ABN AMRO Bank Australasia focused on the Energy, Pharmaceutical and Chemical sectors. Gordon is currently a Non-Executive Director of the following ASX listed companies: • Aquila Resources Limited (2007 – present) • Discovery Metals Limited (2007 – present) • US Masters Holdings Ltd (2010 – present) • NuCoal Resources Limited (2010 – present)
Stephen John Bizzaca Managing Director and Chief Executive Officer BAppSc Director since 8 October 2007	Stephen is an electrical engineer with more than 30 years experience in the underground coal and metalliferous coal mining industries. Stephen has extensive experience in large project management. This includes longwall moves, conveyor installations and maintenance, and operational management in mining and engineering. He has extensive knowledge of the industry, particularly in the Bowen Basin in Queensland. Stephen was responsible for the purchase and commissioning of Queensland's first modern longwall at Central Colliery in 1985 and subsequently was the Project Director for the design and development of the Southern Colliery Project in 1988. In 1989 he became Project and Operations Manager for TiWest Ltd and later became Project Manager for feasibility studies for Newcrest's Telfer expansion. Stephen founded the SBD business in 1995 and has led its growth since then to merge with Delta to form Delta SBD. Stephen has a Bachelor of Applied Science (Electronic Engineering) from Curtin University (formerly Western Australian Institute of Technology).

1 Directors report continued

Glyn Dawkins Non-Executive Director Mechanical Engineering Certificate (AMEME Hons), Mine Mechanical Engineers Certificate of Competency in UK and NSW Director since 8 October 2007 Non-Executive Director since July 2010	Glyn has more than 40 years experience in the underground coal industry. Glyn began his career at Six Bells Colliery in Wales, United Kingdom, in 1964. He immigrated to Australia in 1978 and started at Appin Colliery as Assistant Mechanical Engineer. He was promoted to Mechanical Engineer in Charge at Appin Colliery in 1980 and remained in that role until 1997 when he left Appin to join Aklynd Engineering. Glyn founded the Delta business in 1998 and has remained a Director throughout the merger with SBD Services to form Delta SBD. Glyn has an Honours Certificate in Mining Mechanical Engineering from the Association of Mining Electrical and Mechanical Engineers, United Kingdom and a Mine Mechanical Engineers Certificate of Competency in both the United Kingdom and NSW. Glyn is a member of the Australian Institute of Company Directors. Glyn is currently the Chairperson of the Delta SBD's Remuneration and Risk Committees.
Geoffrey Stuart Garside Non-Executive Director FCPA, FCIS, FAICD Non-Executive Director since 5 May 2011	Geoff has worked in manufacturing, health care, corporate advisory and financial services industries for more than 40 years. Geoff is a member of the Australian Institute of Company Directors, Chartered Institute of Secretaries and CPA Australia (FAICD, FCIS, FCPA). Geoff continues to be principal and corporate advisor to several financial services companies and manufacturing entities. Geoff is currently the Chairperson of the Delta SBD's Audit and Compliance Committee and a member of the Remuneration and Risk Committee's. Geoff has previously been a Non-Executive Director of ASX listed Avastra Limited (2006-2009) and a Non-Executive Director of Delta SBD Limited (2007-2009)

2. Company Secretary

Anthony McFadden	BComm, CPA, FTIA, FCIS, JP	Appointed 28 May 2010

3. Officers who were previously partners of the audit firm

There were no officers of the Company during the financial year who were previously partners of the current audit firm, KPMG.

4. Directors' Meetings

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings		Audit & Compliance Committee Meetings		Remuneration Committee Meetings		Risk Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr Gordon Galt	9	8	2	1	1	1	2	2
Mr Stephen Bizzaca	9	9	2	2	1	1	2	2
Mr Glyn Dawkins	9	9	2	2	1	1	2	2
Mr Geoffrey Garside	9	9	2	2	1	1	2	2

A: Number of meetings held during the time the Director held office during the year
B: Number of meetings attended.

5. Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

5.1 Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing and removing the Chief Executive Officer (CEO) and ensuring policies are prepared for senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for management of the Group to the Chief Executive Officer and Executive Management. Responsibilities are delineated by formal authority delegations.

Board processes

The Board holds up to ten (10) scheduled meetings, plus Committee meetings, strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

Role of the Board

The agenda for meetings is prepared in conjunction with the Chairperson, Chief Executive Officer and Company Secretary. Standing items include the Chief Executive Officer's report (including health and safety), financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to business operations, for contact with a wider Group of employees.

5.1 Board of Directors continued

Director induction and executive education

The Group has a formal induction process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of Directors. Directors also have the ongoing opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has a formal process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Independent professional advice and access to company information

Each Director has the right of access to all Group information and to the Group's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of the Board

The composition of the Board is determined according to the following principles:

(a) the Board should comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business;

(b) there must be at least three Directors;

(c) the number of Directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified;

(d) the Chairman must be a non-executive Director who should also be Independent;

(e) the Chairman is responsible for the leadership of the Board and for the efficient organisation and conduct of the Board. The Chairman should facilitate the effective contribution by all Directors and promote constructive and respectful relations between Directors; and

(f) the ultimate long term objective of the Board is that at least half of the Board must be non-executive Directors at least two of whom should also be Independent. This will occur however, will be subject to the size and nature of the Company's activities from time to time.

Independence

The Board has adopted the following definition of an Independent Director:

An independent Director is a Director who is not a member of management (a non-executive Director) and who:

(a) is not a substantial shareholder (within the meaning of section 9 of the Corporations Act) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;

(b) has not, within the last three years, been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;

5.1 Board of Directors continued

Independence continued

(c) is not and has not been, for the last three years, a principal of a professional advisor to the Company or another Group member, or an employee materially associated with the service provided, except in circumstances where the adviser might be considered to be independent notwithstanding their position as a professional advisor due to the fact that fees payable by the Company to the advisor's firm represent an insignificant component of its overall revenue;

(d) is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;

(e) has no material* contractual relationship with the Company or another Group member other than as a Director;

(f) is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

(g) has not served on the Board for a period which could, or could reasonably be assessed by the Board to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board will regularly assess the Independence of each Director in the light of the interests disclosed by them, and each Director will provide the Board with all relevant information for this purpose. The Independence of Directors will be disclosed in the annual report. Where the Independence of a Director is lost, this will be immediately disclosed to the market.

** The Board considers, 'material', in this context, to be where any Director-related business relationship has represented, or is likely in the future to represent the lesser of at least 10 per cent of the relevant segment's or the Director-related business's revenue. The Board considered the nature of the relevant industries' competition and the size and nature of each Director-related business relationship, in arriving at this threshold.*

The size and structure of the Board is set to reflect the current operations and complexity of the Group. At present the Board does not contain a majority of independent Directors as required by ASX Corporate Governance Statement 2.1.

Committees

The Board has established Committees to assist in carrying out its function and for its effective and efficient performance and has also adopted a charter for each Committee dealing with the scope of its responsibility and relevant administrative and procedural arrangements.

The Committees are the following:

i) Remuneration Committee;

ii) Audit & Compliance Committee; and

iii) Risk Committee.

5.2 Nomination Committee

At present a nomination Committee is not currently in place as it is not considered necessary given the current operations and complexity of the Group. The Board has elected that responsibility is performed by the Board. The Board oversees the appointment and induction process for Directors and committee members, and the selection, appointment and succession planning process of the Group's chief executive officer. The Board considers the appropriate skill mix, personal qualities and expertise of each position. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the skills deemed necessary. The Board then appoints the most suitable candidate.

As there is currently no nomination Committee, the requirements of ASX Corporate Governance Statement 2.4 have not been met.

5.3 Remuneration Committee

The Remuneration Committee has a written charter, approved by the Board.

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and Directors of the Group. It is also responsible for recommending share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and Director and officer insurance arrangements.

Committee Membership

Members must have the appropriate skill and time to fulfill their role on the Committee, they must also have an understanding of the industry in which the Group operates. The Committee will be appointed by the Board and will comprise of a minimum of 3 persons, none of whom are executives, one who is a non-executive Director and independent. The Remuneration Committee's charter is available as a part of the corporate governance charter.

The members of the Remuneration Committee during the year were:

- Glyn Dawkins – Non-executive Director (Committee Chairperson)
- Gordon Thomas Galt – Independent Non-executive Director
- Geoffrey Garside – Independent Non-executive Director

The Committee met once during the year.

Standard invitees to include:

- Company Secretary, who shall be the Secretary of the Committee
- Chief Executive Officer

Quality and integrity of personnel

Formal appraisals are conducted annually for all key employees. Training and development and appropriate remuneration with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements and resignations occur.

5.4 Audit and Compliance Committee

The Audit and Compliance Committee has a written charter, approved by the Board.

The objective of the Committee is to assist the Board to discharge its responsibility to exercise due diligence and skill in relation to:

- reviewing the annual, financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is consistent with Committee members' information and adequate for shareholder needs;
- assessing management processes supporting external reporting;
- assessing corporate financial risk assessment processes;
- establishing procedures for selecting, appointing, and if necessary, removing the external auditor;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- assessing the adequacy of the internal control framework;

5.4 Audit and Compliance Committee continued

- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board;
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office (ATO), Australian Securities and Investments Commission (ASIC), and financial institutions.

The Audit and Compliance Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit plan, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the preliminary final report prior to lodgement with ASIC, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual financial report, and recommend Board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

The Committee meets these objectives by providing a forum for communication between the Board, management and the external auditor. The Audit and Compliance Committee is currently required to meet twice annually. The Audit and Compliance Committee's charter is available as a part of the corporate governance charter.

Committee Membership

Members must have the appropriate skill and time to fulfill their role on the Committee, they must also have an understanding of the industry in which the Group operates. The Committee is appointed by the Board and all members must be non-executive Directors with the majority being independent. The Chairperson may not be the Chairperson of the Board. The Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the Audit and Compliance Committee during the year were:

- Geoffrey Garside (Committee Chairperson) – Independent Chairperson until 5 May 2011. Appointed Independent Non-executive Director 5 May 2011;
- Gordon Galt – Independent Non-executive Director; and
- Mr Glyn Dawkins – Non-executive Director.

Standard invitees to include:

- Company Secretary, who shall be the Secretary of the Committee;
- Chief Executive Officer; and
- The external auditors of the Group.

The Committee has met two (2) times during the year.

Financial Reporting

The Chief Executive Officer and the Chief Financial Officer declared in writing to the Board that the financial records of the Group for the financial year have been properly maintained, that the Group's financial reports for the financial year ended 30 June 2012 comply with accounting standards, present a true and fair view of the Group's financial position and operational results and that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively .

5.4 Audit and Compliance Committee continued

The Chief Executive Officer and the Chief Financial Officer have provided assurance in writing to the Board that the Group's financial reports are founded on a sound system of risk management and internal compliance and control which implement the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

5.5 Risk Committee

The Risk Committee has a written charter, approved by the Board.

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System, excluding financial risk. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the Group (including sustainability risk). The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

The role of the Committee is to support and advise the Board in order for it to meet its responsibilities and objectives in relation to Occupational Health, Safety, Environmental and Compliance (HSEC) matters arising out of the activities and operations of the Company.

The Committee is to provide advice and make recommendations to the Board to enable it to discharge its responsibilities by:

- recommending to the Board an HSEC policy, clearly setting out the commitments of the Group to manage HSEC-related matters effectively;
- monitoring the performance of the Group with respect to the implementation of a HSEC management system designed to ensure the commitments made in the policy are being met and that HSEC-related risks are being assessed, eliminated, avoided or controlled;
- reviewing and recommending targets for HSEC performance and assessing progress by the Group towards those targets; and
- reviewing investigations of significant HSEC incidents within the Group and considering appropriate actions and measures to minimise the risk of recurrence.

Environment regulation

The Groups operations are subject to environmental regulation under both Commonwealth and State legislation in relation to its coal mining operations.

The Group is committed to achieving a high standard of environmental performance and has an HSEC General Manager. The General Manager is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations, including:

- where appropriate, setting and communicating environmental objectives and quantified targets;
- monitoring progress against these objectives and targets;
- implementing environmental management plans in operating areas which may have a significant environmental impact;
- identifying where remedial actions are required and implementing action plans; and
- regular monitoring of license requirements, with performance against licence conditions reported to the various State regulators on a regular basis.

There are established and regular internal reporting processes. Environmental performance is reported from appropriate sites up through management to the Board on a regular basis. Compliance with the requirements of environmental regulations was achieved across all operations with no instances of non-compliance in relation to licence requirements noted.

The Committee's role in meeting these objectives is to provide a forum for communication between the Board, management and employees.

5.5 Risk Committee continued

Committee Membership

Members must have the appropriate skill and time to fulfill their role on the Committee, they must also have an understanding of the industry in which the Group operates. The Committee will be appointed by the Board and will comprise of a minimum of 3 persons, none of whom are executives, one who is a non-executive Director and independent.

The members of the Risk Committee during the year were:

- Glyn Dawkins (Committee Chairperson) – Non-executive Director – Appointed 16 April 2011;
- Geoff Garside – Independent Advisor until 5 May 2011. Appointed Independent Non-executive Director 5 May 2011; and
- Gordon Galt – Independent Non-executive Director.

Given the size of the Board / company it is not possible to have 3 independent Non Executive Directors serving on this Committee.

Standard invitees to include:

- Company Secretary, who shall be the Secretary of the Committee;
- Chief Executive Officer; and
- General Manager HSEC.

The Committee has met two (2) times during the year.

5.6 Ethical standards & Values

The objective of this code of conduct is to give the Directors guidance to be followed in performing their duties with a view to enabling them to achieve the highest possible standards in the discharge of their obligations and give them a clear understanding of best practice in corporate governance. Directors (as well as Officers, management and employees) are expected to act honestly and ethically at all times remembering that their conduct and actions should never bring disrepute to the reputation of the Company or its people.

The Group's corporate governance policy highlights ethical standards and values which gives guidance for Directors, managers and employees who are expected to perform their duties with honestly and ethically at all times remembering that their conduct and actions should never bring disrepute to the reputation of the Group or its people. These codes and associated policies are communicated as part of Group's inductions and may be viewed on the Group's website. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

5.7 Trading in Company securities by directors and employees

The key elements of the Trading in Ordinary shares for Directors and nominated employees is set out in the Company's Securities Trading Policy, which is communicated to the relevant employees and may be viewed on the Group's website.

Directors and nominated employees (all employees from general manager upwards) plus other employees as highlighted by the Chief Executive Officer have been identified as those restricted from trading.

Prohibited trading

(a) subject to any permission granted under clause 1.8 of the Delta SBD Securities Trading Policy, any person to whom this policy applies will be prohibited from Trading in Securities between:

  i) 1 July and 1 trading day following the announcement of the Company's full year results to the ASX; and

  ii) 1 January and 1 trading day following the announcement of the Company's half year results to the ASX.

5.7 Trading in Company securities by directors and employees continued

(b) additionally, any person to whom this policy applies will be prohibited from:

i) Trading in securities whilst that person is in possession of Price-Sensitive Information or where trading is for short-term or speculative gain; and

ii) entering into transactions or acquiring certain financial securities or products which have the intention to limit risk in participating in unvested entitlements under any equity based remuneration offered to that person.

Other key elements of the Group's Securities Trading Policy are:

- to raise the awareness of legal prohibitions including transactions with colleagues and external advisers;
- to raise awareness that the Group prohibits entering into transactions that limit economic risks related to unvested share-based payments and that the Group requires annual declarations of compliance with this particular policy;
- to require details to be provided of intended trading in the Company's shares;
- to require details to be provided of the subsequent confirmation of the trade; and
- the identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website and in the Group's announcements provided to the ASX.

5.8 Communication with shareholders

The Board provides shareholders with information using a Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities. The Group recognises it needs to fully comply with ASX continuous disclosure requirements.

In summary, the Continuous Disclosure Policy operates as follows:

- the continuous disclosure obligations are a standing agenda item for all Board general meetings;
- the Chief Executive Officer, the Chief Financial Officer and Company Secretary are responsible for interpreting the Group's policy and where necessary informing the Board;
- the full annual report is made available to all shareholders including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments; and
- the external auditor attends the annual general meeting to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals.

5.9 Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures to assist Directors to disclose potential conflicts of interest and is a standing agenda item for all Board general meetings. Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned will not be present at the meeting while the item is considered.

5.10 Diversity

The Board is committed to having an appropriate blend of diversity on the Board and in the Group's senior executive positions.

The Group supports the principles of equity and diversity in a workplace that is free from all forms of discrimination and harassment. The Group is committed to ensuring that all employees are treated in a fair and equitable manner based on the employee's individual merit and performance.

The Group's policies prohibit unlawful discrimination i.e. subjecting employees to unfair decisions, or harassment because of their sex, marital status, pregnancy, race, age, disability, religion, carer responsibilities, homosexuality or transgender (transsexuality). The Group's diversity and equity policy is available on the Group's website.

Gender representation within the organisation for the current and prior years are as follows:

	30 June 2012		**30 June 2011**	
Gender representation	**Female (%)**	**Male (%)**	**Female (%)**	**Male (%)**
Board representation	0%	100%	0%	100%
Key management personnel representation	10%	90%	10%	90%
Group representation	3%	97%	4%	96%

The Board considers the Group's key management personnel excluding Directors, to be the Group's senior executives (managers reporting to Chief Executive Officer and/or Chief Operating Officer).

The Board has not set any measureable objectives to achieve further diversity other than those discussed above. The Board considers the diversity policy to be appropriate for the size and nature of the organisation.

6. Principal Activities

The principal activities of the Group during the course of the financial year were the provision of contract mine services for the underground coal industry within Australia embodying the following activities:

- total mine operation;
- roadway development;
- longwall relocations;
- bord and pillar extraction;
- equipment rental;
- mine services, including:
  - secondary support;
  - conveyor extensions;
  - underground civil works;
  - dyke excavation;
  - longwall and Development support; and
  - supplementary labour.

There were no significant changes in the nature of the activities of the Group during the year.

Objectives:

The Group is one of the largest contract companies servicing the Australian underground coal mining industry. The Group is geographically diversified, with offices in Campbelltown NSW, Rutherford NSW and Mackay QLD and work undertaken in all major coal regions (the Illawarra, the Hunter Valley, the Western and Gunnedah regions of NSW and Bowen Basin in Queensland). The Group is also very client diversified (Anglo Coal, BHP Billiton, BMA, Boral, Peabody Coal, Vale, Whitehaven Coal and Xstrata) and coal type (thermal and metallurgical).

The Group's objective is to provide value-add services to our clients by forging profitable long term partnerships. We provide each project/ mine with competent work teams, fit for purpose equipment and excellent site management backed by a supportive corporate management Group. We use safe and efficient work methods that enable on time completion of all works and services to the clients' requirements.

7. Operating and Financial Review

Overview of the Group

Statutory Profits

A summary of the operating results is as follows:

Summary of Consolidated Financial Results	**2012**	**2011**	**Pct increase**
In thousands of dollars			
Revenue	118,796	83,809	42%
EBITDA	12,542	9,376	34%
Profit attributable to owners of the company (NPAT)	6,187	4,755	30%
Basic EPS	14.03c	11.68c	20%

7 Operating and Financial Review continued

Overview of the Group

Underlying Profits (not subject to audit procedures)

Underlying profit is profit after tax before interest payments to shareholders, IPO transactions costs and the settlement of a claim. Underlying profit is non-IFRS financial information and has not been subject to audit by the Group's external auditors. Underlying profit has been presented to assist in the assessment of the relative performance of the Group.

To determine underlying net profit after tax, adjustments have been made including costs of interest on shareholder loans repaid as part of the IPO ($nil) (2011: $155 thousand), costs of employee share-offer as part of the IPO ($nil) (2011: $97 thousand), the valuation of options being a non-cash item which was not part of our normal course of business and was directly related to the IPO ($131 thousand) (2011: $313 thousand), and a claim settlement ($80 thousand refer note 25 of financial report).

Summary of Underlying Financial Results	**2012**	**2011**	**Pct increase**
In thousands of dollars			
Revenue	118,796	83,809	42%
EBITDA	12,753	9,786	30%
Profit attributable to owners of the company (NPAT)	6,398	5,320	20%
Basic EPS	14.51c	13.07c	11%

At present the Group provides mining services in the Illawarra, Hunter Valley and the Western regions of NSW, and the Bowen Basin in Queensland. The company has expanded operations into the existing and developing Gunnedah coal fields of NSW. Our clients are blue-chip mining and resource companies, including Anglo Coal, BHP Billiton, BMA, Boral, Caterpillar Global Mining, Peabody Coal, Vale, Whitehaven Coal and Xstrata. The Group prides itself on its long term relationships, with some clients having been with the Group for more than ten (10) years.

With more than 540 personnel, the Group is proud of its expanding workforce and its focus on their safety and welfare. The Group is different from other underground contractors in that we utilise a high supervision to employee ratio so that we can get the job done safely and efficiently. The Group decided some time ago that we needed our own equipment fleet to do this properly, so we have continued to invest in fit for purpose specialist equipment over the past few years. The Group is the premier contractor for longwall moves in particular and have now completed over ninety eight (98) longwall moves for our clients over the past 15 years. No other contractor comes even close to this achievement.

As at the 30 June 2012 94% of our debt is asset based funding which we have purchased for our business. Apart from this secured debt the Company has a significant net cash balance. The Group has paid dividends to our shareholders for each of the past four (4) years.

The Group has continued to grow during FY12 and has been working on growth plans for the years ahead.

The Group continued to expand and improve performance of its equipment fleet, with additional purchases of one (1) 60 Tonne Loader, two (2) 15 Tonne Loaders, five (5) Chock Trailers, a 130 tonne Longwall Shearer Carrier, three (3) personnel transporters, and various drill rigs. The Company expanded its mining and development assets by the acquisition of the Leighton's coal mining fleet including one (1) Continuous Miner, one (1) Feeder Breaker, four (4) RAM Cars, one (1) Shuttle Car, two (2) Sub Stations, two (2) Auxiliary Ventilation Fans, one (1) Brumby tool carrier, two (2) Distribution Control Boxes, two (2) Drift Runner Personnel and Equipment Transporters and two (2) Load Haul Dump Vehicles.

7 Operating and Financial Review continued

Significant Changes in the State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

8. Environmental regulation

Other than operations undertaken as part of contracts of work with clients, the Group is not directly subject to any specific State or Federal licence conditions. The Group holds the license for the Berrima mine and there were no material breaches of any licence conditions during the year.

The Group is committed to achieving a high standard of environmental performance. Management and staff are responsible for regular monitoring of environmental exposures and compliance with environmental regulations.

All other operations are undertaken as part of works with clients.

9. Dividends

Dividends paid or declared by the Group to shareholders since the end of the previous financial year were declared and paid during the 2012 financial year without previously being recognised as a liability.

Declared and paid during the year 2012

In thousands of dollars	**Cents per share**	**Total Amount**	**Franked / Unfranked**	**Date of payment**
Final 2011 ordinary	3.60	$1,587	Franked	5 September 2011
Interim dividend 2012	1.50	$661	Franked	15 March 2012

Declared after the end of year

After the balance sheet date the following dividends were proposed by the Directors. The dividends have not been provided at 30 June 2012 and there are no income tax consequences.

In thousands of dollars	**Cents per share**	**Total Amount**	**Franked / Unfranked**	**Date of payment**
Final 2012 ordinary	2.50	$1,121	Franked	21 September 2012

Franked dividends declared as paid during the year were franked at the rate of 30%.

10. Remuneration Report - audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including Directors of the Group and other executives. Key management personnel comprise the Directors of the Group and senior executives for the Group.

In relation to remuneration matters, the Board has charters and policies that are established to review the remuneration arrangements and practices of the Group to ensure that it remunerates fairly and responsibly. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain desirable Directors and key management personnel.

The remuneration structures reward the achievement of objectives that result in the outcome of creation of value for shareholders. The Remuneration Committee reviews and recommends to the Board matters of remuneration policy, specific recommendations in relation to senior management and matters concerning equity plans and awards.

Compensation packages include a mix of fixed and variable compensation (short-term and long-term performance-based incentives).

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel and contributes to a post-employment superannuation fund of their choice on their behalf.

10 Remuneration Report – audited continued

Executive Remuneration

There are three (3) general components of remuneration used to reward key employees, including Executive Directors', depending on their role and responsibility within the Group:

1. Total fixed remuneration;
2. Short term incentives (payable as cash); and
3. Long term incentives (payable in shares).

Total fixed remuneration

Total fixed remuneration comprises base salary, any relevant allowances, other non-monetary benefits including motor vehicle allowances and the statutory superannuation guarantee contribution. Total fixed remuneration is set with reference to market data, reflecting the scope of the role and the performance of the person in the role. Total fixed remuneration also reflects any market premium required for roles that are in short supply or with a unique skill set. Remuneration is reviewed annually using market surveys, and internal feedback as to market conditions, to provide analysis and advice to ensure competitive remuneration is set to reflect the market for comparable roles, wherever comparisons to similar roles within relevant market sectors can be made.

Short Term Incentive Plan (STIP)

The Group has established a Short Term Incentive Plan (STIP) to achieve the following objectives:

- focus key employees on the achievement of key Group and business unit targets as well as individual contribution that the Board believes will lead to sustained and improved business performance; establish a variable remuneration arrangement that links performance with reward; and reward and recognise superior performance, if achieved; and
- clear and focused performance targets are important to both the Group and its key employees. The incentive offered under the STIP will vary depending upon relative performance against Board approved targets which measure the Group's, business unit and individual performance.

The STIP design is based on financial, health, safety and environmental and personal metrics, the financial metrics include performance measures so that incentives are not paid in circumstances where the financial performance of the Group and/or business unit is below expectations. Conversely, the available incentive increases in line with the performance of the Group and/or business unit and the commensurate increase in shareholder value.

The metrics, weightings and performance measures are regularly reviewed to ensure business needs are met and the overall STIP is consistent with general market practices. Such plans are a key tool to allow the Group to attract and retain talented employees and ensure the interests of employees are aligned with those of Shareholders in creating long-term Shareholder value.

The performance evaluation in respect of the year ended 30 June 2012 has taken place in accordance with this process.

Long Term Incentive Plan (LTIP)

The objective of the Long Term Incentive Plan (LTIP) is to recognise the commitment and efforts of selected key personnel for their contribution to the success of the business and in growing the Group.

The Group has implemented a LTIP with the following objectives:

- the retention of key personnel;
- enhance employee involvement and focus;
- earnings per share growth

10 Remuneration Report - audited continued

Long Term Incentive Plan (LTIP) continued

- wealth creation and distribution among the key personnel; and
- focus key personnel on the achievement of targets leading to improved Group performance and ultimately generation of Shareholder wealth.

The LTIP is offered to nominated key employees shares in the company under a service condition. It is based on a percentage value of their current salary package allocated in the form of shares. These shares are held in trust via the Employee Share Plan (ESP) and no entitlement exists until service conditions are achieved including being an employee at that date. The new LTIP offers also take into account EPS growth compared to peer Companies.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee has regard to the following indices in respect of the current financial year and the previous three (3) financial years.

In thousands of dollars	**2012**	**2011**	**2010**	**2009**
Profit attributable to owners of the company	$6,187	$4,755	$4,584	$3,162
Dividends paid *Dividends are recognised in the year paid but are based on prior years profits.*	$2,248	$1,376	$700	$531
Change in share price (in dollars)	($0.05)	$0.00	N/A	N/A
Return on capital employed	22%	22%	24%	31%

Profit is considered as one of the financial performance targets in setting the STIP. Profit amounts for the above periods have been calculated in accordance with Australian Accounting Standards.

The overall level of key management personnel compensation takes into account the performance of the Group over a number of years. The key management personnel STIP bonus is made up of Company and personal Key Performance Indicators (KPI). This takes into account the performance of the Group including EPS growth for the respective year.

Service Contracts

It is the Group's policy that service contracts for key management personnel are for a minimum five (5) year term and are capable of termination with a minimum of three (3) months' notice.

The key management personnel are entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of remuneration paid to the key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year by the Remuneration Committee with recommendations to the Board taking into account cost-of-living changes, any change in the scope of the role performed, industry and comparable ASX Company benchmarking and any changes required to meet the principles of the remuneration policy.

10 Remuneration Report - audited continued

Non-Executive Director Remuneration

Fees

Non-Executive Director fees are determined within an aggregate Directors' fee pool limit, which will be periodically approved by shareholders in a general meeting (the current limit is $450,000). During the year ended 30 June 2012, $219,000 (2011: $142,487) has been expensed. The increased expenditure in Director's fees included the appointment of a Non-Executive Director effective 5 May 2011.

It is important that Directors are paid comparable with market practice, so as to be able to attract and retain Directors who have appropriate skills, experience and expertise necessary for a the Group's Board membership.

- Directors were paid in the following manner:
    - $96,000 per annum for the Group's Chairman, with no further payments to be made in respect of Committee positions held; and
    - $48,000 per annum for other Non-Executive Director's. If they serve as a Chairman of a Committee that assist and provides recommendations to the Board to enable the Board to carry out its function, they will receive additional payment at a rate of $6,000 per annum for this task. If they serve as a member of a Committee of the Board they will receive an additional payment at a rate of $3,000 per annum for this task. If they provide any other tasks as requested by the Chairman and or Chief Executive Officer they will receive additional payment of $2,000 per day. All payments are inclusive of superannuation payments required under law.

Retirement Benefits

Non-Executive Directors' do not receive retirement benefits.

10 Remuneration Report - audited continued

Remuneration report Directors' and executive officers' remuneration

Details of the nature and amount of each element of remuneration of each Director of the Company, each of the named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel of the consolidated entity are:

			Short Term					Post Employment	Long Term						
In dollars		**Start date**	**Salary**	**Directors fees**	**Committee fees**	**Non-monetary benefits**	**Short Term Incentive Cash Bonus**	**Super-annuation benefits**	**Long Term Incentive Shares Bonus**	**Long Service Leave**	**Total**	**Options and rights**	**Total**	**Proportion of remuneration performance related**	**Value of options as proportion of remuneration**
			$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Directors **Non-Executive Director's**															
Mr. G. Galt	2012		-	96,000	-	-	-	-	-	-	96,000	-	96,000	-	-
	2011		-	80,000	-	-	-	-	-	-	80,000	-	80,000	-	-
Mr. G. Garside	2012			48,000	12,000	-	-	-	-	-	60,000	10,969	70,969	-	15%
Non-Executive Director	2011	Appointed 5 May 2011	-	6,237	10,000		-	-	-	-	16,237	27,717	43,954	-	63%
Mr. G. Dawkins	2012		9,727	48,000	15,000	-	-	51,199	-	-	123,926	-	123,926	-	-
	2011		126,471	40,000	6,250	-	-	11,382	-	-	184,103	-	184,103	-	-
Executive Directors															
Mr S. Bizzaca	2012		268,397	-	-	90,000	193,100	22,959	133,762	5,881	714,099	-	714,099	46%	-
	2011		278,454	-	-	90,000	35,600	22,861	80,258	12,846	520,019	-	520,019	22%	-
Executives															
Mr A McFadden	2012		264,606			30,000	116,934	22,213	72,900	6,664	513,317	-	513,317	37%	-
(Chief Financial Officer and Company Secretary)	2011		261,676	-	-	30,000	96,336	22,015	72,900	6,605	489,532	-	489,532	35%	-
Mr T Jackson	2012		288,482	-	-	30,000	93,767	24,750	82,438	6,279	525,716	-	525,716	34%	-
(Business Development and Executive General Manager)	2011	Appointed 28 February 2011	83,103	-	-	10,000	26,702	7,479	27,555	2,206	157,045	-	157,045	35%	-

10 Remuneration Report - audited continued

Remuneration report Directors' and executive officers' remuneration continued

			Short Term					Post Employment	Long Term						
In dollars		**Start date**	**Salary**	**Directors fees**	**Committee fees**	**Non-monetary benefits**	**Short Term Incentive Cash Bonus**	**Super-annuation benefits**	**Long Term Incentive Shares Bonus**	**Long Service Leave**	**Total**	**Options and rights**	**Total**	**Proportion of remuneration performance related**	**Value of options as proportion of remuneration**
			$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Mr. A. De Santis (Chief Operating Officer) (Resigned 30 June 2011)	2012		-	-	-	-	-	-	-	-	-	-	-	-	-
	2011		269,189	-	-	30,000	110,880	22,929	-	6,879	439,877	-	439,877	25%	-
Mr J. Richardson (General Manager NSW North)	2012		261,853	-	-	25,000	61,553	23,133	73,830	5,968	451,337	-	451,337	30%	-
	2011		249,459	-	-	25,000	43,586	22,340	73,830	8,233	422,448	-	422,448	28%	-
Mr D. Jones (General Manager Queensland) (To 27 February 2012)	2012		233,879	-	-	16,667	14,268	21,392	-	3,591	289,797	-	289,797	4%	-
	2011		249,847	-	-	25,000	-	21,672	-	6,618	303,137	-	303,137	-	-
Mr N. Marvell (General Manager NSW South)	2012		238,519	-	-	-	66,375	21,467	61,313	6,339	394,014	-	394,014	32%	-
	2011		212,699	-	-	-	53,044	18,696	61,313	5,609	351,361	-	351,361	33%	-
Mr G. Janson (General Manager Berrima)	2012		234,547	-	-	-	37,319	19,925	55,507	5,301	352,599	-	352,599	26%	-
	2011		211,924	-	-	-	56,700	18,557	-	5,270	292,451	-	292,451	19%	-

10 Remuneration Report - audited continued

Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each Director of the Company, each of the named Company executives and relevant Group executives and other key management personnel are detailed below:

In dollars	Short Term incentive bonus		
	Included in remuneration	**% vested in year**	**% forfeited in year (b)**
Directors			
Executive Directors			
Mr S Bizzaca (Managing Director CEO)	193,100	95%	5%
Executives			
Mr A McFadden (Chief Financial Officer and Company Secretary)	116,934	100%	0%
Mr T Jackson (Business Development and Executive General Manager)	93,767	98%	2%
Mr J Richardson (General Manager NSW North)	61,553	95%	5%
Mr D Jones (General Manager QLD)	14,268	100%	0%
Mr N Marvell (General Manager NSW South)	66,375	100%	0%
Mr G Janson (General Manager Berrima)	37,319	67%	33%

(a) amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of safety, financial and personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2012 financial year; and

(b) the amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

Options granted to directors and executives of the Group

The following options have been issued as part of the consideration for acting as an advisor to the company. It is the opinion of the Directors that the advisory roles are not material to the Group.

Party	Number of options and Shares to which they relate	Exercise price (being 25% above the Offer Price)	Exercise period	Vesting conditions for the exercise of the options	Expiry date
Geoffrey Garside Non Executive Director	312,500 exercisable over 312,500 ordinary shares	$1.00	From the date that is one year after the Quotation Date until the Expiry Date	The vesting conditions described in the paragraph below*	4 years after the date the Quotation on ASX - 20 December 2014

* The options issued to Geoffrey Garside can only be exercised if the share price on or after the beginning of the exercise period exceeds the share price that shares would have attained if they had appreciated at a rate which was at or above the small ordinaries accumulation index over the period since the ASX listing. In addition, they must continue to be engaged as either a Director or a consultant to the Company at the exercise date.

10 Remuneration Report - audited continued

In dollars	Options and Rights		
	Included in remuneration	**% vested in year**	**% forfeited in year**
Directors			
Independent Non Executive Director			
Mr G. Garside 2012	10,969	-	-
Mr G. Garside 2011	27,717	-	-

No options have been granted to Directors or Executives of the Group during or since the end of the financial year.

11. Directors' interests and share options

The relevant interest of each Director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, at the date of this report is as follows:

Shareholder	**Related party of**	**Delta SBD Limited – Ordinary Shares**
Stephen John Bizzaca (through SBD Nominees as trustee for SBD Trading Trust)	Stephen Bizzaca	12,475,256 (26.2%)
Stephen John Bizzaca (through Titanwood Holdings Pty Ltd)	Stephen Bizzaca	1,236,282 (2.6%)
Stephen John Bizzaca (through Stephen Bizzaca and Denise Peggs S/F Account)	Stephen Bizzaca	2,083,467 (4.4%)
Dawkins Enterprises Pty Ltd	Glyn Dawkins	9,336,483 (19.6%)
Glyn Dawkins and Pamela Dawkins (Dawkins Family S/F Account)	Glyn Dawkins	1,731,275 (3.6%)
GP Dawkins Pty Ltd	Glyn Dawkins	1,000,000 (2.1%)

Options granted to directors and executives of the Group

The following options have been issued as part of the consideration for acting as an advisor to the company. It is the opinion of the Directors that the advisory roles are not material to the Group.

Party	Number of options and Shares to which they relate	Exercise price (being 25% above the Offer Price)	Exercise period	Vesting conditions for the exercise of the options	Expiry date
New Holland Capital (an entity associated with Gordon Galt, a Director)	2,500,000 exercisable over 2,500,000 ordinary shares	$1.00	From Quotation Date until the Expiry Date	12 months from quotation date	5 years after quotation on the ASX - 20 December 2015
Geoffrey Garside Non Executive Director	312,500 exercisable over 312,500 ordinary shares	$1.00	From the date that is one year after the Quotation Date until the Expiry Date	The vesting conditions described in the paragraph below*	4 years after the date the Quotation on ASX - 20 December 2014

11 Directors' interests and share options continued

* The options issued to Geoffrey Garside can only be exercised if the share price on or after the beginning of the exercise period exceeds the share price that shares would have attained if they had appreciated at a rate which was at or above the small ordinaries accumulation index over the period since the ASX listing. In addition, they must continue to be engaged as either a Director or a consultant to the Company at the exercise date.

Options granted to Directors and executives of the Group

In dollars	Options and Rights		
	Included in remuneration	**% vested in year**	**% forfeited in year**
Directors			
Independent Non Executive Director			
Mr G. Garside 2012	10,969	-	-
Mr G. Garside 2011	27,717	-	-

No options have been granted to Director's or Executives of the Group during or since the end of the financial year.

12. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

13. Likely developments

The Group will continue to pursue its policy of increasing the profitability and market share of its major business activities during the next financial year. This will require further investment in areas such as underground mining equipment, information management systems and investigations into potential acquisitions will continue.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

14. Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify the following current Directors, advisors and officers of the Company:

- Gordon Galt – Chairman and Non-Executive Director;
- Stephen Bizzaca – Executive Director and Chief Executive Officer;
- Glyn Dawkins – Non-Executive Director;
- Geoff Garside – Independent Non-Executive Director ; and
- Anthony McFadden – Company Secretary and Chief Financial Officer.

against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or officers of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or pecuniary penalty order under Corporations Act 2001 section 1317G or a compensation order under Corporations Act 2001 section 1317H or 1317HA. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

14 Indemnification and insurance of Directors and Officers continued

The Company has agreed to indemnify the current Directors of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith or pecuniary penalty order under Corporations Act 2001 section 1317G or a compensation order under Corporations Act 2001 section 1317H or 1317HA. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to also indemnify certain senior executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or pecuniary penalty order under Corporations Act 2001 section 1317G or a compensation order under Corporations Act 2001 section 1317H or 1317HA.

Insurance premiums

During the financial year the Company has paid premiums of $25 thousand (2011: $12 thousand) (exclusive of stamp duty and GST) on behalf of the parent and its subsidiaries in respect of Directors' and officers' liability for the year ended 30 June 2012. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been Directors or executive officers of the parent and its subsidiaries.

15. Proceedings on behalf of the Company

As previously highlighted in note 25 (page 64) of the Delta SBD Annual Report 2011, Delta Mining Pty Limited was being prosecuted over an incident that occurred on 7 July 2006 under the Occupational Health and Safety Act 2000. The Company paid $80 thousand dollars in full and final settlement of the matter in the period.

16. Non-Audit Services

During the year KPMG, the Group's auditor, has performed other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Compliance Committee, is satisfied that the provision of those non audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons.

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provide do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting as an advocate for the company or jointly sharing risks and rewards.

16 Non-Audit Services continued

Details of the amounts paid to the auditor of the Group, KPMG and its related practices for audit and non-audit services provided during the year are set out below.

In dollars	**2012**	**2011**
Audit services		
Auditors of the Group *KPMG Australia*:		
Audit and review of financial reports	144,239	134,850
Other audit services	-	-
Total of audit and review services	144,239	134,850
Other services		
KPMG Australia:		
Tax Compliance and Advisory	26,626	29,458
AUSCOAL Superannuation Guarantee Contribution	980	1,900
Contributions Coal Mines long service leave Board	980	1,900
Tax advisory in relation to Research & Development	53,000	48,000
Total recurring other services	81,586	81,258
Investigating accountants report (IPO)	-	49,875
Total other services	81,586	131,133

17. Lead Auditors' independence declaration

The Lead Auditors' independence declaration is set out on page 78 and forms part of the Directors' report for the financial year ended 30 June 2012.

This report is made with a resolution of the Directors.

18. Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors

Gordon Galt
Chairperson
Place: Campbelltown
Date: 27 August 2012

Stephen Bizzaca
Director
Place: Campbelltown
Date: 27 August 2012

Statement of Financial Position

As at the 30 June 2012

In thousands of dollars	***Note***	**Consolidated 2012**	**2011**
Assets			
Cash and cash equivalents	9	5,097	9,847
Trade and other receivables	10	24,251	15,320
Inventories	11	593	192
Other current assets	12	318	137
Current tax assets	17	-	-
Total current assets		30,259	25,496
Deferred tax assets	17	1,462	1,145
Trade and other receivables	10	895	1,367
Other non-current assets	12	2,030	-
Property, plant and equipment	13	39,117	20,150
Intangible assets	14	29,384	29,443
Total non-current assets		72,888	52,105
Total Assets		103,147	77,601
Liabilities			
Trade and other payables	15	14,778	9,174
Loans and borrowings	16	9,009	4,170
Employee benefits	18	5,578	3,819
Current tax payable	17	1,393	19
Total current liabilities		30,758	17,182
Loans and borrowings	16	16,885	10,134
Employee benefits	18	117	223
Deferred tax liabilities	17	2,134	1,449
Total non-current liabilities		19,136	11,806
Total liabilities		49,894	28,988
Net assets		53,253	48,613
Equity			
Share capital	19	37,101	36,613
Reserves	21	946	732
Retained earnings		15,206	11,268
Total equity attributable to equity holders of the Company		53,253	48,613
Total equity		53,253	48,613

The notes on pages 36 to 74 are an integral part of these financial statements

Statement of Comprehensive Income

For the year ended 30 June 2012

In thousands of dollars	***Note***	**Consolidated 2012**	**2011**
Continuing operations			
Revenue	6	118,796	83,809
Gain on sale of assets		27	16
Employee benefits expense		75,445	54,814
Materials and consumables		23,182	15,476
Other expenses		7,654	4,159
Depreciation		2,970	2,420
Intangibles amortisation		75	2
Results from operating activities		9,497	6,954
Finance income	7	174	129
Finance costs	7	(1,652)	(1,498)
Net finance costs		(1,478)	(1,369)
Profit before income tax		8,019	5,585
Income tax expense	8	1,832	830
Profit from continuing operations		6,187	4,755
Other comprehensive income		-	-
Total comprehensive income for the period		6,187	4,755
Basic Earnings per share (cents)	20	14.03c	11.68c
Diluted Earnings per share (cents)	20	13.01c	10.78c

The notes on pages 36 to 74 are an integral part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2012

Consolidated	Share capital	Reserves	Retained earnings	Total
In thousands of dollars				
Balance at 1 July 2010	29,160	376	7,889	37,425
Total comprehensive income for the period				
Profit	-	-	4,755	4,755
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	4,755	4,755
Transactions with owners, recorded directly in equity				
Employee Share Plan	2,328	-	-	2,328
Information memorandum (rights issue) November 2010	3,475	-	-	3,475
Listing ASX Capital Raising	3,300	-	-	3,300
IPO Costs	(1,650)	-	-	(1,650)
Dividend to equity holders (November 2010)	-	-	(1,376)	(1,376)
Share based payment transactions	-	356	-	356
Balance at 30 June 2011	36,613	732	11,268	48,613

Consolidated	Share capital	Reserves	Retained earnings	Total
In thousands of dollars				
Balance at 1 July 2011	36,613	732	11,268	48,613
Total comprehensive income for the period				
Profit	-	-	6,187	6,187
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	6,187	6,187
Transactions with owners, recorded directly in equity				
Employee Share Plan	570	-	-	570
IPO Costs	(82)	-	-	(82)
Dividend to equity holders (September 2011)	-	-	(1,588)	(1,588)
Dividend to equity holders (March 2012)	-	-	(661)	(661)
Share based payment transactions	-	214	-	214
Balance at 30 June 2012	37,101	946	15,206	53,253

The notes on pages 36 to 74 are an integral part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2012

In thousands of dollars		**Consolidated**	
	Note	**2012**	**2011**
Cash flows from operating activities			
Cash receipts from customers		109,338	78,503
Cash paid to suppliers and employees		(98,232)	(68,057)
Cash generated from operations		11,106	10,446
Interest paid		(1,652)	(1,498)
Income taxes paid		(90)	(102)
Net cash from operating activities	9b	9,364	8,846
Cash flows from investing activities			
Interest received		174	129
Proceeds from sale of assets		18	-
Acquisition of property, plant and equipment		(21,928)	(5,311)
Acquisition of intangibles		(16)	(47)
Net cash (used in) investing activities		(21,752)	(5,229)
Cash flows from financing activities			
Proceeds from the issue of share capital		327	6,739
HP funding received for acquisition of PP&E		18,224	3,285
Payment of non current security deposits		(2,030)	-
Payment of IPO costs		-	(954)
Payment of hire purchase loan liabilities		(5,621)	(2,667)
Repayment of loans from shareholders		(1,000)	(5,044)
Payment of finance lease liabilities		(13)	(8)
Cash payment of dividends to ordinary shareholders		(2,249)	(1,376)
Net cash from/(used in) financing activities		7,638	(25)
Net (decrease)/increase in cash and cash equivalents		(4,750)	3,592
Cash and cash equivalents as at 1 July		9,847	6,255
Cash and cash equivalents at 30 June	9	5,097	9,847

The notes on pages 36 to 74 are an integral part of these financial statements

1. Reporting Entity

Delta SBD Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 220, 4 Hyde Parade Campbelltown NSW, 2560. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity primarily involved in the provision of a full range of services to the underground coal mining industry along the Australian eastern seaboard. The services include whole of mine management, longwall relocations, underground roadway development, general labour and equipment hire in support of customer requirements.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on the 27 August 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- share based payment transactions are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 16 – lease classification; and
- note 28 – determining the cash generating unit of the Group.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

2 Basis of preparation continued

(d) Use of estimates and judgements continued

- note 28 – Measurement of the value in use of the cash generating unit containing goodwill;
- note 25 – Consideration of contingent liabilities; and
- note 26 – Measurement of share based payments.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Delta SBD Limited as at 30 June 2012 and the results of its subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the Group entity.

i) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

3 Significant accounting policies continued

(a) Basis of consolidation continued

ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial accounts from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

v) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets comprise trade and other receivables and cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances with original maturities of three months or less.

3 Significant accounting policies continued

(b) Financial instruments continued

ii) Non-derivative financial liabilities

The Group initially recognises non-derivative financial liabilities on the date they are originated. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial liabilities and assets are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(c) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and, any other costs directly attributable to bringing the asset to a working condition for its intended use and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

ii) Subsequent costs

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

3 Significant accounting policies continued

(c) Property, plant and equipment continued

iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line or units of production (UOP) basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

Class	Life	Basis
Plant and equipment – Owned	2-10 years	Straight Line/UOP
Plant and equipment – Financed	2-10 years	Straight Line/UOP
Motor Vehicles	5 years	Straight Line
Fixtures and Fittings	5 years	Straight Line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Intangible assets

i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a)(i).

ii) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

v) Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- business systems: Three (3) years (2011: Three (3) years)

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

3 Significant accounting policies continued

(e) Leased assets continued

Assets held under finance leases are initially recognised at the lower of their fair value or at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Subject to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(f) Work in progress

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Work in progress is presented as part of trade and other receivables in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the statement of financial position.

(g) Impairment of assets

i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a material negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at both specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by Grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether the current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss.

ii) Non financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3 Significant accounting policies continued

(g) Impairment of assets continued

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 recognised.

(h) Employee benefits

i) Short Term Benefits – Wages and salaries, annual leave, sick leave and annual bonus

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the employee benefits provision in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii) Long Term Benefits – Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The Group participates in a compulsory coal mine long service scheme. A payroll levy is contributed to an industry fund that is liable for the payment of long service leave benefits.

iii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

iv) Share based payments

Share based compensation benefits are provided as detailed in Note 26.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

3 Significant accounting policies continued

(h) Employee benefits continued

(iv) Share based payments continued

The fair value at grant date is determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

v) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

i) Services

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

ii) Contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

An expected loss on a contract is recognised immediately in profit or loss.

3 Significant accounting policies continued

iii) Equipment

Equipment is charged at a fixed rate per week or included as part of fixed price contracts. Revenue for the hire of equipment is recognised in the profit and loss in the period in which the equipment was utilised.

(k) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(l) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(m) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- for taxable temporary differences arising on the initial recognition of goodwill.

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

3 Significant accounting policies continued

(m) Income Tax continued

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events.

New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

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

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

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares and all share options.

3 Significant accounting policies continued

(p) Segment reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group' s other components. All operating segment's operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(q) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective, but not mandatory for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for *AASB 9 Financial Instruments*, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

c) Share-based payment transactions

The fair value of employee stock options is measured using a binomial model. Measurement inputs include share price on measurement date, strike price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. Controlled Entities

Delta SBD Limited is the ultimate Parent Entity of the Group. The country of incorporation is Australia.

Name of Entity	Country of incorporation	Principal Activity	2012 Percentage Owned (%)	2011 Percentage Owned (%)
Delta Mining Pty Ltd	Australia	Mining Services	100%	100%
SBD Services Pty Ltd	Australia	Mining Services	100%	100%
Delta Coal Mining Pty Ltd	Australia	Mining Services	100%	100%

6. Revenue

In thousands of dollars	2012	2011
Contracting services	118,796	83,809
Total Revenue	118,796	83,809

7. Finance income and finance costs

Recognised in profit or loss.

In thousands of dollars	2012	2011
Interest income	174	129
Finance income	174	129
Interest expense on financial liabilities measured at amortised cost	(1,652)	(1,498)
Finance costs	(1,652)	(1,498)
Net finance costs recognised in profit or loss	(1,478)	(1,369)

The above finance income and finance costs include the following in respect of assets (liabilities) (not at fair value through profit or loss):

Total interest income on financial assets	174	129
Total interest expense on financial liabilities	(1,652)	(1,498)

8. Income tax expense

In thousands of dollars		
Current tax expense	**2012**	**2011**
Current year	1,623	415
Adjustment for prior periods	(159)	(4)
	1,464	411
Deferred tax expense		
Origination and reversal of temporary differences	368	419
Income tax expense from continuing operations	1,832	830
Income tax expense from discontinuing operations	-	-
Total income tax expense	1,832	830

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of dollars	**2012**	**2011**
Profit for the year	6,187	4,755
Total income tax expense	1,832	830
Profit excluding income tax	8,019	5,585
Income tax using the Company's domestic tax rate of 30%	2,406	1,676
Increase in income tax due to:		
Non-deductible expenses	92	123
Decrease in income tax due to:		
Tax incentives including research & development, investment allowance	(437)	(845)
Other deductible expenses	(99)	(100)
	1,962	854
Under/(over) provided in prior years	(130)	(24)
Total income tax expense	1,832	830

9. Cash and cash equivalents

In thousands of dollars	**2012**	**2011**
Current		
Bank balances	5,097	9,847
Total cash and cash equivalents in the statement of cash flows	5,097	9,847

9b Reconciliation of cash flows from operating activities

In thousands of dollars	**2012**	**2011**
Cash flows from operating activities		
Profit for the year	6,187	4,755
Adjustments for:		
Depreciation	2,970	2,420
Amortisation of intangible assets	75	2
Net finance costs	1,478	1,369
Options granted / (forfeited)	132	313
Employee share offer (IPO)	-	97
Long term incentive plan	660	442
Gain on sale of property plant and equipment	(27)	(16)
Income tax expense	1,832	830
Operating profit before changes in working capital and provisions	13,307	10,212
Change in trade and other receivables	(8,876)	(3,795)
Change in inventories	(401)	(29)
Change in trade and other payables	5,605	3,351
Change in other assets	(181)	76
Change in employee benefits	1,652	631
Interest paid	(1,652)	(1,498)
Income taxes paid	(90)	(102)
Net cash from operating activities	9,364	8,846

10. Trade and other receivables

In thousands of dollars	**2012**	**2011**
Current		
Trade receivables	21,568	13,580
Loans to related parties	396	472
Amounts due from customers for contracts (work in progress)	2,287	1,268
	24,251	15,320

	2012	**2011**
Non current		
Loans to related parties	895	1,367
	895	1,367

Trade receivables are non-interest bearing and settlement terms are generally within 30 days.

A provision for impairment is recognized when there is objective evidence that an individual or trade receivable is impaired.

There is $2,287,000 (2011: $1,268,453) receivable for construction contracts for assets which are not completed and services performed at 30 June 2012 for which an invoice has not been raised. This amount is disclosed net of GST.

11. Inventories

In thousands of dollars	**2012**	**2011**
Raw materials and consumables – at cost	593	192
	593	192

12. Other current assets

In thousands of dollars	**2012**	**2011**
Current		
Prepaid insurance	167	112
Other	151	25
	318	137

	2012	**2011**
Non-current		
Security deposits	2,030	-
	2,030	-

13. Property, Plant and Equipment

In thousands of dollars	**2012**	**2011**
Plant and equipment cost		
Balance at start of year	8,572	6,614
Additions	4,427	1,958
Disposals	(47)	-
Balance at end of year	12,952	8,572
Depreciation and impairment losses		
Balance at start of year	(3,288)	(2,413)
Depreciation for the year	(1,184)	(875)
Disposals	47	-
Balance at end of year	(4,425)	(3,288)
Carrying value at end of year	8,527	5,284
Plant and equipment – under finance cost		
Balance at start of year	17,789	14,504
Additions	17,396	3,285
Balance at end of year	35,185	17,789
Depreciation and impairment losses		
Balance at start of year	(3,184)	(1,799)
Depreciation for the year	(1,686)	(1,385)
Balance at end of year	(4,870)	(3,184)
Carrying value at end of year	30,315	14,605
Motor Vehicles cost		
Balance at start of year	508	540
Additions	70	-
Disposals	(72)	(32)
Balance at end of year	506	508
Depreciation and impairment losses		
Balance at start of year	(397)	(350)
Depreciation	(73)	(80)
Disposals	65	33
Balance at end of year	(405)	(397)
Carrying value at end of year	101	111
Fixtures & Fittings cost		
Balance at start of year	464	396
Additions	51	68
Balance at end of year	515	464
Depreciation and impairment losses		
Balance at start of year	(314)	(234)
Depreciation for the year	(27)	(80)
Balance at end of year	(341)	(314)
Carrying value at end of year	174	150
Total property, plant and equipment		
Total cost	49,158	27,333
Total accumulated depreciation and impairment losses	(10,041)	(7,183)
At year end	39,117	20,150

14. Intangible assets

In thousands of dollars	**2012**	**2011**
Goodwill cost		
Balance at start of year	29,247	29,247
Additions	-	-
Balance at end of year	29,247	29,247
Amortisation and impairment losses		
Balance at start of year	-	-
Amortisation for the year	-	-
Impairment loss	-	-
Balance at end of year	-	-
Carrying value at end of year	29,247	29,247
Business systems cost		
Balance at start of year	289	242
Additions	16	47
Balance at end of year	305	289
Amortisation and impairment losses		
Balance at start of year	(93)	(91)
Amortisation for the year	(75)	(2)
Balance at end of year	(168)	(93)
Carrying value at end of year	137	196
Carrying amounts		
At year end	29,384	29,443

For the purpose of impairment testing, goodwill totaling $29,247 thousand has been allocated to the Group's sole Cash Generating Unit (CGU).

The impairment test of Delta SBD's CGU was based upon value in use, determined by discounting the estimated future cash flows to be generated from the continuing use of the unit. Unless indicated otherwise, value in use during the year ended 30 June 2012 was determined similarly as during the year ended 30 June 2011. The calculation of the value in use was determined by discounting the estimated future cash flows to be generated from the continuing use of the CGU and was based on the following key assumptions:

- consistent with the Group's focus on maximising customer satisfaction and profitability the Directors have determined that the Group has one (1) CGU for the year ended 30 June 2012. This is consistent with the increased interdependence of cash flows of the Group's assets and the revised approach to asset management within the Group to maximise its opportunities to meet its objectives;
- cash flows were projected based on actual operating results, budgets and market announcements regarding expected growth. The budget is based on contractual obligations where appropriate and then expectations of growth based on historical data. Cash flows after five (5) years are based upon maintaining assets existing at the time and revenue projections increasing at a conservative 4.5%, which does not exceed the long term average growth for the industry. Management believes that this forecast was justified due to the long-term nature of the mining business;

14 Intangible assets continued

- a pre-tax discount rate of 20.3% (2011: 20.5%) was applied in determining the recoverable amount of the units. The discount rate was estimated based on an industry average weighted average cost of Capital, which was based on a possible range of debt leveraging of 31% at a market interest rate of 9%; and
- the values assigned to the key assumptions represent management's assessment of future trends in the mining industry and are based on both external sources and internal sources (historical data). There is an expectation that the coal mining industry in NSW and Queensland will continue to increase productivity based on increased export demand and growing demand for energy and steel production predominantly from China and India.

The impairment tests show no write down of goodwill is required. A reasonably possible change in variables included in the value in use calculation will not result in an impairment at 30 June 2012.

15. Trade and other payables

In thousands of dollars	**2012**	**2011**
Trade payables	10,579	7,328
Non-trade payables and accrued expenses	4,199	1,846
	14,778	9,174

16. 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.

In thousands of dollars	**2012**	**2011**
Current		
Hire purchase loans	9,011	4,010
Unexpired hire purchase charges	(1,653)	(853)
Finance lease liabilities	-	13
Loans from shareholders	1,651	1,000
	9,009	4,170

In thousands of dollars	**2012**	**2011**
Non-current		
Hire Purchase loans	18,554	9,372
Unexpired hire purchase charges	(1,669)	(889)
Finance lease liabilities	-	-
Loans from shareholders	-	1,651
	16,885	10,134

The balance of the loans at 30 June 2012 has been classified based on the revised repayment schedule being $1.651 million repayable during financial year 2013.

16 Loans and borrowings continued

Hire Purchase Liabilities

Hire Purchase Liabilities of the Group are payable as follows:

In thousands of dollars	Future minimum lease payments **2012**	Interest **2012**	Present value of minimum lease payments **2012**	Future minimum lease payments **2011**	Interest **2011**	Present value of minimum lease **2011**
Less than one year	9,011	1,653	7,358	4,010	853	3,157
Between one year and five years	18,554	1,669	16,885	9,372	889	8,483
More than five years	-	-	-	-	-	-
	27,565	3,322	24,243	13,382	1,742	11,640

The hire purchase liabilities are fixed interest liabilities with an average interest rate of 8.5% and contractual terms of up to five (5) years.

Hire purchase liabilities are secured against the individual assets with a carrying value of $30,315 thousand (refer note 13).

Hire purchase loans are secured against individual assets.

Further details of the hire purchases and lease repayments are included at note 22(c).

Change in classification of unexpired hire purchase charges

The classification of unexpired hire purchase charges in the 30 June 2012 financial statements has changed from prior periods.

Previously, unexpired hire purchase charges were classified as Trade and Other Receivables. The current financial statements disclose unexpired hire purchase charges as an offset against the hire purchase liabilities. This reclassification has been made to ensure that loans and borrowings clearly reflects the principle debt level of the organisation.

As a result, the 2011 comparative figures in the statement of financial position for current trade and other receivables have decreased by $853 thousand and non-current trade and other receivables have decreased by $889 thousand with a corresponding decrease in current loans and borrowings of $853 thousand and non-current loans and borrowings of $889 thousand. The 2011 comparative figures in Note 9b have also been updated to reflect the reclassification resulting in a reduction of $1,742 thousand to the change in trade and other receivable and change in trade and other payables.

Improving the disclosure of the hire purchase funding arrangements has also resulted in a change to the 2011 comparative figures in the statement of cash flows. Funding received from hire purchase arrangements has been separately disclosed from the acquisition of property, plant and equipment funded by these arrangements. The amendment has resulted in a change to the 2011 comparative figures by increasing cash used to acquire property, plant and equipment of $3,285 thousand to $5,311 thousand and the inclusion of a new line item, HP funding received for acquisition of PP&E of $3,285 thousand. The change has impacted on the total comparative funding used by investing and financing activities but has had no impact on the net increase in cash for the 2011 financial year.

This reclassification has no impact on the operating results or net assets of the Group.

17. Tax assets and liabilities

Current tax assets and liabilities

The consolidated entity's current tax liability of $1,393 thousand (2011: $19 thousand liability) represents the amount of income tax payable in respect of current and prior periods that arise from the payment of tax in deficit of the amounts due to the relevant tax authorities.

17 Tax assets and liabilities continued

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of dollars	**2012**	**2011**
Deferred tax asset		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	11	6
Merger capital costs	9	14
Finance leases	2	2
Employee provisions	1,261	1,006
Other accruals	179	19
Tax losses recognised	-	98
Total tax assets	1,462	1,145
Current tax assets		
Income tax receivable	-	-
Total current tax receivable	-	-
Current tax liabilities		
Income tax payable	1,393	19
Total current tax liability	1,393	19
Deferred tax liability		
The balance comprises temporary differences attributable to:		
Public listing costs	-	21
Property, plant and equipment	1,930	1,428
Inventory	178	-
Prepayment	26	-
Net tax assets/(liabilities)	2,134	1,449
Movements		
Deferred Tax Asset		
Opening balance at 1 July	1,145	1,049
(Charge)/credit to the income statement	317	96
Closing balance at 30 June	1,462	1,145
Deferred Tax Liabilities		
Opening balance at 1 July	1,449	934
Charge/(credit) to the income statement	685	515
Closing balance at 30 June	2,134	1,449

18. Employee benefits

In thousands of dollars	2012	2011
Current		
Liability for employee entitlements	5,578	3,819
Total employee benefits – current	5,578	3,819

	2012	2011
Non-current		
Liability for employee entitlements	117	223
Total employee benefits – non-current	117	223

Superannuation contributions for the year amounted to $4,616 thousand (2011: $3,483 thousand).

19. Capital

Share capital

In thousands of AUD (except for shares)	2012	2011
a) Share capital		
Authorised, issued and fully paid up ordinary shares 44,820,242 (2011: 44,096,195)	37,101	36,613

b) Movements in shares on issue

	Consolidated 30 June 2012	
	No. of shares (000's)	**$000's**
Beginning of the period	44,096	36,613
Ordinary shares		
Employee share plan	724	570
IPO Costs	-	(82)
Total	44,820	37,101

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Dividends

The following dividends were declared and paid by the Group:

In thousands of dollars	Cents per share	Total Amount $'000	Franked/ Unfranked	Date of payment
2012				
Interim 2012 Ordinary	1.50	$661	Franked	15 March 2012
2012				
Final 2011 Ordinary	3.60	$1,587	Franked	5 September 2011

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

19 Capital continued

Dividends

The cents per share is post IPO Conversion where shares were converted at a rate of .32583 for every share held. That is 1000 shares pre IPO post conversion equaled 326 shares value at IPO 80c per share on ASX listing date of 20 December 2010.

Declared after the end of year

After the balance sheet date the following dividends were proposed by the Directors. The dividends have not been provided and there are no income tax consequences.

In thousands of dollars	**Cents per share**	**Total Amount**	**Franked / Unfranked**	**Date of payment**
Final 2012 ordinary	2.50	$1,121	Franked	21 September 2012

In thousands of dollars	**2012**	**2011**
Dividend franking account 30% franking credits available for subsequent financial years – Group	2,128	1,596
30% franking credits available for subsequent financial years – Company	361	241

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

a) franking credits that will arise from the payment of the current tax liabilities;

b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

c) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon the ability to declare dividends.

The above amounts represent the balance of the franking account adjusted for franking credits that will arise from the payment of any current tax liability. The Group is not consolidated for tax purposes.

20. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $6,187 thousand (2011: $4,755 thousand) and a weighted average number of ordinary shares outstanding of 44.1 million (2011: 40.7 million), calculated as follows:

In thousands of dollars	**2012**	**2011**
Profit attributable to ordinary shareholders		
Profit / (loss) for the period	6,187	4,755
Weighted average number of ordinary shares		
In thousands of shares		
Issued ordinary shares at 1 July	44,096	32,583
Effect of shares issued – Employee Share Plan July 2010	-	2,185
Effect of shares issued - Rights Issued November 2010	-	3,707
Effect of shares issued – Capital Raising December 2010	-	2,169
Effect of shares issued – Employee Share Plan May 2011	-	59
Effect of shares issued – Employee Share Plan June 2011	-	13
Effect of shares issued – Employee Share Plan June 2012	10	-
Weighted average number of ordinary shares (basic)	44,106	40,716
	Cents per share	Cents per share
Basic Earnings per share	14.03c	11.68c

Diluted Earnings per share

The calculation of diluted earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $6,187 thousand (2011: $4,755 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 47.5 million (2011: 44.1 million), calculated as follows:

Profit attributable to ordinary shareholders	**2012**	**2011**
In thousands of dollars		
Profit / (loss) for the period	6,187	4,755
Weighted average number of ordinary shares (diluted)		
In thousands of shares		
Issued ordinary shares at 1 July	44,096	32,583
Effect of shares issued – Employee Share Plan July 2010	-	2,185
Effect of shares issued – Rights Issued November 2010	-	3,707
Effect of shares issued – Capital Raising December 2010	-	2,169
Effect of shares issued – Employee Share Plan May 2011	-	59
Effect of shares issued – Employee Share Plan June 2011	-	13
Effect of options issued* – (refer to note 26)	3,438	3,388
Effect of shares issued – Employee Share Plan June 2012	10	-
Weighted average number of ordinary shares (diluted)	47,544	44,104
	Cents per share	Cents per share
Diluted earnings per share	13.01c	10.78c

21. Share options reserve

	2012	2011
Balance as at 1 July	732	376
Movement in share options reserve	214	356
Balance as at 30 June	946	732

The fair value of equity plans granted is recognised in the employee compensation reserve over the vesting period. This reserve will be reversed against shares when the underlying shares vest to the employee.

22. Financial Instruments

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

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

a) Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

b) Credit Risk

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

i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 67% of the Group's revenue is attributable to sales transactions with three customers (2011: 64% and two customers). These customers for financial year 2012 and the customers in financial year 2011 are rated A1 by Moody's and A+ by Standards & Poor's. Geographically there is no concentration of credit risk.

Risk associated with customer revenue concentration are managed through the maintenance of regular customer contact and the monitoring of the delivery of service quality and customer satisfaction as well as the provision of a diverse range of specialised services to these customers plus other customer sites.

22 Financial instruments continued

(b) Credit risk

New customers are analysed individually for creditworthiness before the Group's standard payment and conditions are offered. The Group's review includes external ratings, when available.

More than 79% (2011: 90%) of the Group's customers have been transacting with the Group for over five (5) years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including parent company, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. The Group's trade and other receivables relate to the Group's wholesale customers. Customers that are graded as "high risk" are closely monitored by the senior management team.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

In thousands of dollars	*Note*	**2012**	**2011**
Cash & cash equivalents	*9*	5,097	9,847
Other non-current assets	*12*	2,030	-
Trade Receivables	*10*	21,568	13,580
Loans to related parties	*10*	1,291	1,839
Amounts due from customers for contracts	*10*	2,287	1,268
		25,146	16,687
		32,273	26,534

The ageing of trade and other receivables and related party receivables at the reporting date was as follows:

In thousands of dollars	**Gross 2012**	**Impairment 2012**	**Gross 2011**	**Impairment 2011**
Not past due	19,222	-	13,741	-
Past due 0 to 30 days	3,215	-	2,202	-
Past due 31 to 90 days	2,149	-	503	-
Past due 91 to 180 days	560	-	38	-
More than 181 days	-	-	203	-
	25,146	-	16,687	-

Trade receivables are non interest bearing and settlement terms are generally within 30 days.

The movement in the allowance for impairment in respect of loan and receivables during the year was as follows:

In thousands of dollars	**2012**	**2011**
Balance at 1 July	-	81
Impairment loss recognised	-	(81)
Balance at 30 June	-	-

Based on historic default rates, the Group believe that no impairment allowance is necessary in respect of trade and other receivables not past due nor impaired.

22 Financial instruments continued

(b) Credit risk

ii) Investments

The Group limits its exposure to credit risk by only investing in major Australian Banks which have a credit rating of at least A-1 from Standard and Poor's and A from Moody's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

c) Liquidity Risk

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

The Group uses activity-based costing to its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- $4,000,000 borrowing facility with Westpac Banking Corporation at a rate of BBSW plus 190 basis points. The facility is subject to quarterly reviews and a 30% equity ratio covenant. For the purpose of calculating the ratio, shareholders loans are subordinated and Grouped with shareholder funds. Westpac has a fixed and floating charge over the assets of the Group as security for this facility.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2012	Carrying amount 2012	Contractual cash flows	Less than one year	1-5 years
Trade and other payables	14,778	14,778	14,778	-
Hire purchase obligations	24,243	27,565	9,011	18,554
Finance lease liabilities	-	-	-	-
Shareholder loan repayments	1,651	1,705	1,705	-
	40,672	44,048	25,494	18,554

30 June 2011	Carrying amount 2011	Contractual cash flows	Less than one year	1-5 years
Trade and other payables	9,174	9,174	9,174	-
Hire purchase obligations	13,382	15,124	4,863	10,261
Finance lease liabilities	13	14	13	1
Shareholder loan repayments	2,651	2,795	1,000	1,795
	25,220	27,107	15,050	12,057

22 Financial instruments continued

(c) Liquidity risk

It is not expected that the cashflows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The interest rate is based on market rates at the time of draw down.

d) Market risk

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

i) Interest Rate risk

The Group adopts a policy of ensuring that between 25% and 100% percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into fixed interest hire purchase agreements for financing major asset purchases.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of dollars	**Carrying amount**	
	2012	**2011**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	25,894	14,302
	25,894	14,302
	2012	**2011**
Variable rate instruments		
Financial assets	7,127	9,847
Financial liabilities	-	-
	7,127	9,847

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit and loss after tax by $181 thousand (2011: $100 thousand) .

A change of 100 basis points in interest rates would have increased or decreased the Group's equity by nil (2011: $nil).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

22 Financial instruments continued

(d) Market risk

Cash flow sensitivity analysis for variable rate instruments

In thousands of dollars	Profit or loss after tax		Equity	
30 June 2012	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Variable rate instruments	50	(50)	-	-
	50	(50)	-	-
30 June 2011	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Variable rate instruments	69	(69)	-	-
	69	(69)	-	-

e) Capital management

The Board's position is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, and retained earnings of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

At present the Board has not set specific targets for employee holdings of the Company's shares, but does encourage participation by employees in acquisition of share capital.

Following is a summary of the current debt to equity position of the Group. The Board periodically reviews the financial ratios and targets at each meeting and the reported position is in line with financial risk management policy.

	Consolidated	
In thousands of dollars	**2012**	**2011**
Total liabilities	49,894	28,988
Less: cash and cash equivalents and non-current deposits	7,127	9,847
Net debt	42,767	19,141
Total equity	53,253	48,613
Debt-to equity ratio at 30 June	80%	39%

f) Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

In thousands of dollars	30 June 2012		30 June 2011	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
Assets carried at fair value				
Nil	-	-	-	-
	-	-	-	-
Assets carried at amortised cost				
Loans and receivables	25,146	25,146	16,687	16,687
Cash and cash equivalents and non-current deposits	7,127	7,127	9,847	9,847
	32,273	32,273	26,534	26,534

22 Financial instruments continued

(f) Fair values

In thousands of dollars	**30 June 2012**		**30 June 2011**	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
Liabilities carried at fair value				
Nil	-	-	-	-
	-	-	-	-
Liabilities carried at amortised cost				
Trade and other payables	14,778	14,778	9,174	9,174
Hire purchase obligations	24,243	24,243	11,640	11,640
Finance lease liabilities	-	-	13	13
Shareholder loan repayments	1,651	1,651	2,651	2,651
	40,672	40,672	23,478	23,478

The basis for determining fair value is disclosed at note 4.

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on market rates at the reporting date plus an adequate credit spread, and were as follows:

	2012	**2011**
Loans and borrowings	8.56%	8.99%
Hire purchase finance and leases	8.5%	9.0%

23. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of dollars	**2012**	**2011**
Less than one year	214	182
Between one and five years	180	80
	394	262

The Group leases a number of office facilities under operating leases. The leases typically run for a period of five (5) years with an option to renew the lease after that date.

During the year ended 30 June 2012 $310 thousand was recognised as an expense in profit or loss in respect of operating leases (2011: $297 thousand).

The leases were entered into as combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlord of the building is increased by the consumer price index at annual intervals, and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the leases are operating leases.

24. Capital commitments

In thousands of dollars	**2012**	**2011**
Plant and equipment		
Contracted but not provided for and payable		
Within one year	5,504	13,134
One year or later and no later than five years	-	1,099
	5,504	14,233

24 Capital commitments continued

The company has placed orders for additional diesel “fit for purpose equipment” including chock trailers and a Joy Manufacturing Company Pty Ltd 12CM30 Continuous Miner which was delivered in July 2012.

25. Contingent liabilities

As previously highlighted in note 25 (page 64) of the Delta SBD Annual Report 2011, Delta Mining Pty Limited was being prosecuted over an incident that occurred on 7 July 2006 under the Occupational Health and Safety Act 2000. The Company paid $80 thousand dollars in full and final settlement of the matter in the period.

26. Share-based payments

The following options have been issued as part of the consideration for acting as advisors to the Company. It is the opinion of the Directors that the advisory roles are not material to the Group.

Party	Number of options and Shares to which they relate	Exercise price (being 25% above the Offer Price)	Exercise period	Vesting conditions for the exercise of the options	Expiry date
New Holland Capital (an entity associated with Gordon Galt, a Director) (1)	2,500,000 exercisable over 2,500,000 shares	$1.00	From Quotation Date until the Expiry Date	12 months from quotation date	5 years after quotation on the ASX - 20 December 2015
Geoffrey Garside (1)	312,500 exercisable over 312,500 shares	$1.00	From the date that is one year after the Quotation Date until the Expiry Date	The vesting conditions described in the paragraph below*	4 years after the date the Quotation on ASX - 20 December 2014
Sydney Capital Partners (2)	625,000 exercisable over 625,000 shares	$1.00	From 1 July 2012 till 5 years after the Quotation Date	12 months from quotation date	5 years after quotation on the ASX - 20 December 2015

1) the fair value of employee share options is measured using a binomial model. Measurement inputs include share price on measurement date, strike price of the instrument, expected volatility (based on weighted average volatility adjusted for changes expected due to holder behavior), and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value; and

2) the Sydney Capital Partners options has been calculated based on the fair value and was measured at a market price for the services received.

Details of the number of share options:

	Number of shares
Outstanding at the beginning of the period	3,437,500
Granted during the period	-
Forfeited during the period	-
Outstanding at the end of the period	3,437,500

Share based payments expensed during the year ended 30 June 2012 are $131 thousand (2011: $313 thousand).

The Options issued to Geoffrey Garside can only be exercised if the Share price on or after the beginning of the exercise period exceeds the Share price that Shares would have attained if they had appreciated at a rate which was at or above the small ordinaries accumulation

26 Share based payments continued

index over the period since the Quotation Date. In addition, he must continue to be engaged as either a Director or a consultant to the Company at the exercise date.

The Group has previously implemented an Employee Share Plan (ESP) trust to achieve objectives supporting employee retention, enhanced employee involvement and focus, and increased wealth distribution among the nominated employees. Participation in the ESP is by way of unit holding in the trust. One (1) unit represents one (1) share. Loans to nominated employees will be repaid over five (5) years at not less than 20% per annum. No interest is chargeable on the loan. The units in the ESP must be held for three (3) years.

27. Related party transactions

Transactions with key management personnel

In addition to their salaries, the Group also provides non-cash benefits to executive Directors and executive officers, and contributes to a post-employment superannuation fund on their behalf.

The terms and conditions of the transactions with management persons and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm’s length basis.

Key management personnel compensation

Key management personnel compensation comprised:

	2012	2011
Short-term employee benefits	2,793,994	2,718,157
Long-term employee benefits (LSL)	40,024	54,266
Long-term incentive plan	479,750	315,856
Post-employment benefits	207,037	167,931
Share based payments	10,969	27,717
	3,531,774	3,283,927

Individual Director’s and executive’s compensation disclosures

Information regarding individual Director’s and executive’s compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 are provided in the remuneration report section of the Director’s report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors’ interests existing at year end.

Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties at any time in the reporting period, are as follows:

In dollars	**Balance 1 July 2011**	**Balance 30 June 2012**	**Interest not charged**	**Highest balance in period**
Tony De Santis	129,548	-	756	129,548
	Balance 1 July 2010	**Balance 30 June 2011**	**Interest not charged**	**Highest balance in period**
Tony De Santis	176,409	129,548	9,068	176,409

27 Related parties continued

Loans to key management personnel and their related parties continued

There were no unsecured loans to Directors issued during the year ended 30 June 2012 (2011: nil).

The loan to Tony De Santis was repaid in full by 31 July 2011. During the year $129,548 was repaid (2011: $46,861).

Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant were as follows:

	Transactions value		**Balance outstanding**	
	2012	**2011**	**2012**	**2011**
Titanwood Holdings Pty Ltd (1)	60,000	60,000	-	-
Titanwood Holdings Pty Ltd (2)	-	22,900	-	-
DeSantis Public Relations Pty Ltd (3)	-	8,100	-	-
Total	60,000	91,000	-	-

(1) On 2nd April 2007, the Group entered into a five (5) year contract with Titanwood Holdings P/L a company controlled by Mr. Stephen Bizzaca for the hire of a motor vehicle. The contract value is $300 thousand. Contract terms are based on market rates for the type of vehicle and amounts are payable on a monthly basis. This contract has been extended for a further 2 year period based on the same terms and conditions expiring 2 April 2014.

(2) The Group has entered into a professional services agreement with Titanwood Holdings P/L for the provision of administrative services for the period July to August 2010. Contract terms are based on market rates for the type of services provided and amounts are payable on a monthly basis.

(3) DeSantis Public Relations Pty Ltd (an entity associated with Tony De Santis) is engaged by the Group on a as need basis to undertake public relations and marketing activities. The entity is paid market rates on an hourly or project basis.

Other related party transactions

Details regarding loans outstanding at the reporting date from key management personnel and their related parties at year end, are as follows:

In dollars	**2012**	**2011**
Dawkins Enterprises Pty Ltd (1)	731,163	981,163
Titanwood Holdings Pty Ltd (2)	920,311	1,670,311
	1,651,474	2,651,474

27 Related parties continued

Other related party transactions continued

(1) interest bearing loan from Dawkins Enterprises Pty Ltd is to provide working capital to the Group. Dawkins Enterprises Pty Ltd is an entity controlled by Glyn Dawkins. $250 thousand was repaid 1 July 2011 with the balance of $731 thousand repayable by December 2012; and

(2) interest bearing loan from Titanwood Holdings Pty Ltd is to provide working capital to the Group. Titanwood Holdings Pty Ltd is an entity controlled by Stephen Bizzaca. $750 thousand was repaid 1 July 2011 with the balance of $920 thousand repayable by December 2012.

Details regarding interest payments on loans from key management personnel and their related parties at any time in the reporting period are as follows:

In dollars	**2012**	**2011**
Dawkins Enterprises Pty Ltd (1)	62,319	175,817
Titanwood Holdings Pty Ltd (2)	86,610	238,101
	148,929	413,918

(1) interest paid to Dawkins Enterprises on working capital loan disclosed above. The interest rate is 8.50% fixed which is at normal market rates. Interest is paid monthly; and

(2) interest paid to Titanwood Holding Pty Ltd on working capital loan disclosed above. The interest rate is 9.28% fixed which is at normal market rates. Interest is paid monthly.

27 Related parties continued

Movements in shares and options

Shares allocated as part of Delta SBD's Long Term Incentive Plan (LTIP) for Key Management Personnel (KMP) are disclosed in the Remuneration report and are not included below, as they only crystalise as a KMP entitlement after three (3) years from issue date.

No shares or options were granted to key management personnel during the reporting period as compensation in 2012 or 2011.

	Held at 1 July 2011	Purchases	Received on exercise of options	Disposal/ forfeited	Held at 30 June 2012
Directors					
Non Executive Director's					
Mr G. Galt	31,250	35,000	-	-	66,250
Mr. G. Dawkins	12,062,758	5,000	-	-	12,067,758
Mr. G. Garside	-	-	-	-	-
Executive Directors					
Mr S Bizzaca	15,795,005	-	-	-	15,795,005
Executives					
Mr A. De Santis Resigned 5 May 2011	1,041,378	-	-	(581,378)	460,000
Mr. A. McFadden (Chief Financial Officer and Company Secretary)	426,039	-	-	-	426,039
Mr. T. Jackson (Business Development and Executive General Manager)	173,913	-	-	-	173,913
Mr. J. Richardson (General Manager NSW)	179,207	-	-	-	179,207
Mr. D. Jones (General Manager Queensland)	732,516	-	-	(179,207)	553,309
Mr. N. Marvell (General Manager NSW)	275,596	-	-	-	275,596
Mr. G. Janson (General Manager Berrima)	179,207	-	-	-	179,207
Options					
Mr. G. Garside	312,500	-	-	-	312,500
Mr. A. Amer (ceased as consultant and options lapsed)	-	-	-	-	-

27 Related parties continued

Movements in shares and options continued

	Held at 1 July 2010	Purchases	Received on exercise of options	Disposal/ forfeited	Held at 30 June 2011
Directors					
Non Executive Director's					
Mr G. Galt	-	31,250	-	-	31,250
Mr. G. Dawkins	10,336,483	1,726,275	-	-	12,062,758
Mr. G. Garside Appointed as a Non Executive Director 5 May 2011	-	-	-	-	-
Executive Directors					
Mr S Bizzaca	13,534,616	2,260,389	-	-	15,795,005
Executives					
Mr A. De Santis Resigned 5 May 2011	879,670	161,708	-	-	1,041,378
Mr. A. McFadden (Chief Financial Officer and Company Secretary)	-	426,039	-	-	426,039
Mr. T. Jackson (Business Development and Executive General Manager)	-	173,913	-	-	173,913
Mr. J. Richardson (General Manager NSW)	-	179,207	-	-	179,207
Mr. D. Jones (General Manager Queensland)	553,309	179,207	-	-	732,516
Mr. N. Marvell (General Manager NSW)	70,609	204,987	-	-	275,596
Mr. G. Janson (General Manager Berrima)	-	179,207	-	-	179,207
Options					
Mr. G. Garside	312,500	-	-		312,500
Mr. A. Amer (ceased as consultant and options lapsed)	312,500	-	-	(312,500)	-

28. Segment reporting

The Group has one (1) reportable segment being Mining contracting. The Group has established the operating segment based on information provided to the Chief Operating Decision Makers ("CODM") demonstrating that resources are allocated to the whole Group based on supporting our clients with service combined with equipment in the underground coal mines throughout Australia.

The results and financial position of the mining contracting segment are prepared for the CEO on a basis consistent with Australian Accounting Standards (AASB) and adjusted for interest payments to shareholders, IPO transactions costs and the settlement of a claim. Segment underlying Net Profit After Tax (NPAT) for the Group as reported to the CEO for the year was $6,398 thousand (2011: $5,320 thousand). This is reconciled to statutory NPAT for the Group of $6,187 thousand (2011: $4,755 thousand) through the following adjustments made including costs of interest on shareholder loans repaid as part of the IPO ($nil) (2011: $155 thousand), costs of employee share-offer as part of the IPO ($nil) (2011: $97 thousand), the valuation of options being a non-cash item which was not part of our normal course of business and was directly related to the IPO ($131 thousand) (2011: $313 thousand), and a claim settlement ($80 thousand refer note 25 of financial report).

Entity wide disclosures in relation to the Group's Mining contracting, geographical and major customers are detailed below.

Mining contracting

The Group specialises in the provision of services for the underground coal mine industry within Australia embodying the following activities:

- whole of mine operations
- roadway development
- bord and pillar extraction
- mine service
  - secondary support installation
  - excavation
  - ventilation device installation
  - services/utility installation/recovery
- longwall relocations and support conveyor installations and maintenance
- plant hire and maintenance
- supplementary labour

Geographical information

Consolidated Group's operations are located in one (1) segment which is Australia. Accordingly, no secondary reporting on geographical segments has been applied.

Major customers

Revenues from three (3) customers of the Group represent approximately $79,227 thousand (2011: $54,038 thousand two (2) customers) of the Group's total revenues.

29. Group Entities

Parent and ultimate controlling party

Parent Entity	Country of ownership	Ownership interest 2012	2011
Delta SBD Limited		-	-
Significant subsidiaries			
Delta Mining Pty Ltd	Australia	100%	100%
SBD Services Pty Ltd	Australia	100%	100%
Delta Coal Mining Pty Ltd	Australia	100%	100%

30. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirement for preparation, audit and lodgement of financial reports, and Directors' Report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries. The Company will only be liable in the event that any creditor has not been paid in full after six months. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The deed took effect on 5 May 2011.

The subsidiaries subject to the deed are:

- Delta Mining Pty Ltd;
- SBD Services Pty Ltd; and
- Delta Coal Mining Pty Ltd.

As all subsidiaries in the wholly owned Group are a party to the deed, the consolidated statement of comprehensive income and consolidated statement of financial position disclosed in these financial statements represent the consolidated financial position and performance of the parties to the deed.

31. Auditors Remuneration

Auditor's remuneration

In dollars	**2012**	**2011**
Audit services		
Auditors of the Group *KPMG Australia*:		
Audit and review of financial reports	144,239	134,850
Total of audit and review services	144,239	134,850
Other services		
KPMG Australia:		
Tax Compliance and Advisory	26,626	29,458
AUSCOAL Superannuation Guarantee Contribution	980	1,900
Contributions Coal Mines long service leave Board	980	1,900
Tax advisory in relation to Research & Development	53,000	48,000
	81,586	81,258
Investigating accountants report (IPO)	-	49,875
Total other services	81,586	131,133

32. Subsequent Events

No matters or circumstance have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

33. Parent Entity Disclosure

As at, and throughout, the financial year ended 30 June 2012 the parent company of the Group was Delta SBD Limited.

In thousands of dollars	Company	
	2012	**2011**
Result in parent entity		
Profit for the period	164	114
Other comprehensive income	-	-
Total comprehensive income for the period	164	114
Financial position of parent entity at year end		
Current assets	2,132	4,169
Total assets	40,742	39,067
Current liabilities	1,799	1,059
Total liabilities	1,993	1,184
Net Assets	38,749	37,883
Total equity of the parent entity comprising of		
Share Capital	37,101	36,613
Options reserve	946	732
Retained profits/(losses)	702	538
Total Equity	38,749	37,883

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details on the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 30.

Directors' Declaration

1. In the opinion of the Directors of Delta SBD Limited ("the Company"):

   a) the consolidated financial statements and notes set out on pages 32 to 74 and the Remuneration report in section ten (10) in the Directors' report, are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

      ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   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.

2. There are reasonable grounds to believe that the Company and the Group entities identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2012.

4. The Directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Campbelltown 27 day of August 2012

Gordon Galt

Director

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

Report on the financial report

We have audited the accompanying financial report of Delta SBD Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2a, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Delta SBD Limited on 27 August 2012, would be in the same terms if given to the directors as at the time of this auditor's report.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2a.

Report on the remuneration report

We have audited the Remuneration Report included in Section 10 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Delta SBD Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

David Willcocks
Partner

Wollongong

Dated this 29th day of August 2012

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Delta SBD Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

David Willcocks
Partner

Campbelltown

Dated this 27th day of August 2012

ASX ADDITIONAL INFORMATION

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

SHAREHOLDINGS

Substantial shareholders

The number of shares held by substantial shareholders and their associates as advised in substantial shareholder notices to the Company are set out below:

Shareholder	Percentage (%) of capital held	Number of ordinary shares held
SBD Nominees Pty Ltd	26.2	12,475,256
Stephen Bizzaca and Denise Peggs S/F	4.4	2,083,467
Titanwood Holdings Pty Ltd	2.6	1,236,282
Total (related parties of Stephen Bizzaca)	33.2	15,795,005
Dawkins Enterprises Pty Ltd	19.6	9,336,483
Glyn Dawkins and Pamela Dawkins (Dawkins Family S/F Account)	3.6	1,731,275
GP Dawkins Pty Ltd	2.1	1,000,000
Total (related parties of Glyn Dawkins)	25.3	12,067,758

Voting rights

Ordinary shares

Refer to note 19 in the financial statements.

Options

There are no voting rights attached to the options.

Distribution of equity security holders.

Category	Number of equity security holders
1 – 1,000	47
1,001 – 5,000	170
5,001 – 10,000	169
10,001 – 100,000	126
100,001 and over	32

There are three (3) holders of options over ordinary shares. Refer to note 26 in the financial statements.

The number of shareholders holding less than a marketable parcel of ordinary shares is thirty two (32).

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange.

OTHER INFORMATION

Delta SBD Limited incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Twenty (20) largest shareholders.

ASX additional information continued

Name	Number of ordinary shares and options held	Percentage capital held
SBD Nominees Pty Ltd	12,475,256	26.2
Dawkins Enterprises Pty Ltd	9,336,483	19.6
Trinity Management Group Pty	3,123,577	6.6
Taurus Funds Management Pty Ltd	2,500,000	5.3
Stephen Bizzaca and Denise Peggs S/F	2,083,467	4.4
Glyn Dawkins and Pamela Dawkins (Dawkins Family S/F Account)	1,731,275	3.6
Titanwood Holdings Pty Ltd	1,236,282	2.6
G & P Dawkins Pty Ltd	1,000,000	2.1
Christine Gardner	985,305	2.1
Nehemine Pty Ltd	938,547	2.0
Omicron Enterprises Pty Ltd	675,587	1.4
Sydney Capital Partners	625,000	1.3
Nachal Pty Ltd	575,000	1.2
Tambuti Pty Ltd	550,809	1.2
Dianne Coller	545,255	1.1
Tania Withers	513,363	1.1
De Santis Public Relations Pty Ltd	450,000	0.9
Blade Equites Pty Ltd	448,719	0.9
Mase Investments Pty Ltd	351,868	0.7
C & L Dawkins Pty Ltd	323,719	0.7

This information is current as at 24 August 2012.

Number and class of securities subject to voluntary escrow on issue and the date the escrow period ends.

Class	Number	Date Escrow ends
Ordinary Shares	7,957,033	20 December 2012

DELTA SBD LIMITED

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Gordon Galt – Chairman
Steve Bizzaca – Managing Director and CEO
Glyn Dawkins – Non Executive Director
Geoff Garside – Non Executive Director

COMPANY SECRETARY
Tony McFadden

ADDRESS
Suite 220, 4 Hyde Parade
Campbelltown NSW 2560

CONTACT DETAILS
Ph: +61 2 4629 0300
Fax: +61 2 4629 0399

WEB ADDRESS
www.deltasbd.com.au

COUNTRY OF INCORPORATION
Australia

STOCK EXCHANGE LISTING
Australian Securities Exchange Ltd
ASX Code: DSB

AUDITOR
KPMG
Level 3, 63 Market Street
WOLLONGONG NSW 2500
Ph: +61 2 4229 2633
Fax: +61 2 4226 2273

SHARE REGISTRY
Boardroom Pty Limited
Level 7, 207 Kent St
SYDNEY NSW 2000
Ph: +61 2 9290-9600
Fax: +61 2 9279 0664

LEGAL ADVISERS
McCullough Robertson
Level 12, Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000

Gordon Galt
Chairperson

Geoff Garside
Non Executive Director

Stephen Bizzaca
Managing Director
and CEO

Glyn Dawkins
Non Executive Director

Tony McFadden
Chief Financial
Officer and Company
Secretary

“ Delta SBD expanding its ‘Fit for Purpose’ fleet of development and mining equipment.”

safer better dependable

DeltaSBD Limited
Suite 220, Centric, 4 Hyde Parade, Campbelltown NSW 2560
Telephone: 02 4629 0300 • Facsimile: 02 4629 0399
Email: office@deltasbd.com.au

ACN 127 894 893