

Delta Mining Pty Limited
ABN 74 056 692 883

Annual report
30th June 2008

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Delta Mining Pty Limited

Directors' report

For the year ended 30 June 2008

The directors present their report together with the financial report of Delta Mining Pty Limited ('the Company') for the financial year ended 30 June 2008 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Mr Glyn Dawkins - Appointed chairman 11th December 2008
Mr Leslie Gardner - Resigned 11th December 2007
Mr George McCreadie - Resigned 11th December 2007
Mr Stephen Bizacca - Appointed 11th December 2007
Mr Joe Hamilton Smith – Company Secretary appointed 11th December 2007

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. Officers Who Were Previously Partners of the Audit Firm

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

3. Principal activities

The principal activities of the Company during the course of the financial year were the provision of Contract Mine services for the underground coal industry in Australia embodying the following activities:

- ❖ Total mine operations
- ❖ Longwall relocations
- ❖ Roadway development
- ❖ Conveyor installation and maintenance
- ❖ Plant hire
- ❖ Mine services including:
 - Secondary support installation
 - Ventilation control device installation
 - Pipe / cable installation and recovery
 - Supplementary labour

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

Objective:

The Company's objectives are to forge long term profitable partnerships with clients by providing each project or mine with competent work teams and excellent site management backed by a supportive corporate management group. This will involve providing safe and efficient methods of work that enable on time (or better) completion of all works and services to the client's requirements with demonstrated added value to the client.

4. Operating and financial review

Overview of the Company

The year saw significant changes for Delta Mining Pty Ltd including:

- ❖ The merger with SBD Services Ltd at the end of October 2007.
- ❖ Award of Roadway development work at Appin and West Cliff Collieries. Increasing to 2 units at Appin in September 2007. Early termination of West Cliff development,
- ❖ Non award of any further West Cliff work.
- ❖ The award, then delay, in execution of Appin floor brushing contract due to changing customer priorities and a shortage of personnel.

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- ❖ An increased presence at Dendrobium undertaking Outbye services work employing up to 40 employees.
- ❖ The sale by BHP Billiton of the Elouera Colliery to NRE Gujarat.
- ❖ The signing with NRE Gujarat Wongawilli for the operation of the Wongawilli colliery.

Review of activities

Results for the year are summarised as follows:

Summary of Financial Results	\$
Revenue	44,890,880
EBITDA	867,940
Net Profit after Tax	93,695

The operating results have been affected by the following events

- ❖ BHPB Illawarra revenue and margins were low due to
 - Early termination of West Cliff development contract.
 - Non award of any further West Cliff work.
 - Delay in execution of Appin floor brushing contract due to changing customer priorities and a shortage of personnel.
 - Non award of Appin Longwall Move.
 - Remote mining conditions for both Development units at Appin West resulting in lower margins.
- ❖ NRE Gujarat Wongawilli
 - Significantly Higher revenue due to the supply of materials under the NRE contract continuing longer than expected. This will not continue as Delta Mining will be purchasing all requirements through NRE "systems" with estimated changeover being completed early 2009. All materials and other supplies are supplied at Cost.
 - Lower production levels have significantly affected profit margins
- ❖ Significant amount of work performed at cost at the beginning of the financial year
- ❖ Following eventual agreement with the CFMEU over the revised terms and conditions for Company Contribution fund a retrospective payment of \$760,000 was made to employee super account for the from 1st July 2006 to 1st February 2007.

Significant changes in the state of affairs

At the beginning of the financial year negotiations begun and were concluded in August with a memorandum of understanding being signed for the sale by way of scrip for scrip agreement with DeltaSBD Limited.

The objective of the merger was to build upon the strengths of each company which includes:

- ❖ Strong cash flows in dealing with the major coal mine owners such as BHPB, Xstrata, Anglo
- ❖ Significant investments in Longwall move equipment.
- ❖ Expanding presence in the Queensland and Hunter Valley Coal mines.

The effective date of the merger was the 29th October 2007 with final agreements signed on the 1st February 2008. The merged business is also capable of an ASX listing that will provide further opportunities to finance growth.

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Directors' report

For the year ended 30 June 2008

5. Environmental regulation

The Company's operations at Delta Colliery were subject to a license issued by the Environmental protection Agency of NSW. The license was transferred over to NRE Gujarat upon the completion of the sale by BHP Billiton. Up to the date of handover to NRE Gujarat there have been no material breaches of any license conditions.

6. Dividends

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

	Cents per share	Total amount \$'000	Franked/unfranked	Date of payment
Declared and paid during the year 2008				
Final 2007 ordinary	4.91	250	Franked	31-Aug-07
Interim 2008 Dividend	9.70	4,940	Franked	30-Sep-08
Interim 2008 Dividend	0.19	10	Franked	1-Oct-08
Interim 2008 Dividend	0.92	47	Franked	28-Oct-08
Total amount		5,247		

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

Declared after end of year

After the balance sheet date no dividends were proposed by the directors.

7. Events subsequent to reporting date

The following events have arisen that could have a material impact on the operations of the company:

- NRE Gujarat has advised that it wishes to assume control of the operations at Wongawilli and asked Delta Mining Proprietary Limited to enter into negotiations.
- Following the recent share market down turn it has been decided to postpone the listing of Delta SBD Ltd on the Australian Stock Exchange.
- Following discussions with major shareholders agreement has been reached for the rescheduling of shareholder loan principal repayments. Deeds of Variation are currently being draw up for all individual shareholders.
- On the 3rd of July the subsidiary Delta Mining Proprietary Limited has been charged that being an employer, on 7 July 2006 at the Douglas Mine, Appin Colliery at Douglas Park Road, Douglas Park, failed to ensure that employees, were not exposed to risks to their health, safety and welfare, contrary to Section 8(1) of the Occupational Health and Safety Act 2000 (NSW). To date no plea has been entered. The company will defend the charges.
- On 21 January 2009, BHP Billiton announced that 1,100 coal industry positions would be terminated across New South Wales and Queensland and that of these positions lost, 65% will relate to contractors. At the date this the financial report, the Director's have not received any communication from BHP Billiton as to the impact of this decision on the Company's current and future contracts with BHP Billiton and are not able to reasonably determine the impact (if any) that this decision will have on the Company. The Company will continue to work with BHP Billiton to maintain and develop our strong relationship. Due to the uncertainty, no adjustments have been made to the financial report.

Other than declared above 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 Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

8. Likely developments

Likely developments in the operations of the Company 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 Company.

Delta Mining Pty Limited

Directors' report

For the year ended 30 June 2008

9. Indemnification and insurance of officers and auditors

Indemnification

The ultimate parent entity Delta SBD LTD has agreed to indemnify the following current directors and officers of the Company,

- Stephen Bizzaca – Executive director and CEO
- Glyn Dawkins – Executive Director and Business Development Officer
- Joe Hamilton Smith – Company Secretary and Chief Financial Officer
- Antonio DeSantis – Chief Operating Officer

against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors 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.

The Company has also 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.

During the year, the Company entered into an agreement with their current auditors, KPMG, indemnifying them against any claims by third parties arising from their report on the Annual Financial Report, except where the liability arises out of conduct involving a lack of good faith or due diligence.

Insurance premiums

During the financial year the ultimate parent entity has paid premiums of \$6,600 (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 2008. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the parent and its subsidiaries.

Delta Mining Pty Limited
Directors' report
For the year ended 30 June 2008

10. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 32 and forms part of the directors' report for financial year ended 30 June 2008.

This report is made with a resolution of the directors:



Glyn Dawkins

Chairman

Sydney

23 January 2008

Delta Mining Pty Limited

Balance Sheet

As at 30 June 2008

	<i>Note</i>	2008	2007
Assets			
Cash and cash equivalents	<i>15</i>	2,201,501	2,062,888
Trade and other receivables	<i>13</i>	9,592,490	6,173,815
Other assets	<i>14</i>	213,828	235,972
Total current assets		<u>12,007,819</u>	<u>8,472,675</u>
Intangible assets	<i>12</i>	17,955	27,673
Deferred tax assets	<i>11</i>	515,521	330,286
Property, plant and equipment	<i>10</i>	2,060,293	2,002,766
Other assets	<i>14</i>	185,960	291,000
Total non-current assets		<u>2,779,729</u>	<u>2,651,725</u>
Total assets		<u>14,787,548</u>	<u>11,124,400</u>
Liabilities			
Trade and other payables	<i>19</i>	5,499,238	2,780,173
Loans and borrowings	<i>17</i>	7,284,293	535,618
Employee benefits	<i>18</i>	1,198,646	706,034
Current tax payable/(refund)	<i>11</i>	(161,923)	314,267
Total current liabilities		<u>13,820,254</u>	<u>4,336,092</u>
Loans and borrowings	<i>17</i>	294,924	573,274
Provisions	<i>18</i>	-	-
Deferred tax liabilities	<i>11</i>	103,025	-
Total non-current liabilities		<u>397,949</u>	<u>573,274</u>
Total liabilities		<u>14,218,203</u>	<u>4,909,366</u>
Net assets		<u>569,345</u>	<u>6,215,034</u>
Equity			
Share capital	<i>16</i>	1	492,600
Retained earnings	<i>16</i>	569,344	5,722,434
Total equity		<u>569,345</u>	<u>6,215,034</u>

The notes on pages 12 to 28 are an integral part of these financial statements.

Delta Mining Pty Limited
Statement of Changes in Equity
For the year ended 30 June 2008

	Share Capital	Retained Earnings	Total
Balance at 1 July 2006	100	4,227,995	4,228,095
Profit for the period	-	2,694,439	2,694,439
Total recognised in income and expense	<u>100</u>	<u>6,922,434</u>	<u>6,922,534</u>
Dividends paid to equity holders	-	(1,200,000)	(1,200,000)
Issue of ordinary shares	492,500	-	492,500
Balance at 30 June 2007	<u>492,600</u>	<u>5,722,434</u>	<u>6,215,034</u>
Balance at 1 July 2007	492,600	5,722,434	6,215,034
Profit for the period	-	93,695	93,695
Total recognised in income and expense	<u>492,600</u>	<u>5,816,129</u>	<u>6,308,729</u>
Dividends paid to equity holders	-	(5,246,785)	(5,246,785)
Issue of ordinary shares	144,910	-	144,910
Return of capital	(637,510)	-	(637,510)
Issue of ordinary shares	1	-	1
Balance at 30 June 2008	<u>1</u>	<u>569,344</u>	<u>569,345</u>

The notes on pages 12 to 28 are an integral part of these financial statements.

Delta Mining Pty Limited
Income Statement
For the year ended 30 June 2008

	<i>Note</i>	2008	2007
Revenue	5	44,890,880	55,308,977
Cost of sales		<u>(40,006,223)</u>	<u>(47,904,863)</u>
Gross profit		4,884,657	7,404,114
Other income	6	4,349	68,950
Occupancy expenses		(113,722)	(59,726)
Other expenses		(3,952,763)	(3,394,567)
Depreciation		(282,660)	(432,940)
Results from operating activities		<u>539,861</u>	<u>3,585,831</u>
Financial income		158,217	184,239
Financial expenses		<u>(561,109)</u>	<u>(83,704)</u>
Net financing costs	8	<u>(402,892)</u>	<u>100,535</u>
Profit before income tax		<u>136,969</u>	<u>3,686,366</u>
Income tax expense	9	<u>(43,274)</u>	<u>(991,927)</u>
Profit for the period		<u>93,695</u>	<u>2,694,439</u>

The notes on pages 12 to 28 are an integral part of these financial statements

Delta Mining Pty Limited
Statement of cash flows
For the year ended 30 June 2008

	<i>Note</i>	2008	2007
Cash flows from operating activities			
Cash receipts from customers		54,717,160	54,325,284
Cash paid to suppliers and employees		<u>(53,959,926)</u>	<u>(53,575,053)</u>
Cash generated from operations		757,234	750,231
Interest paid		(561,109)	(83,520)
Interest received		158,217	184,239
Income taxes paid		<u>(607,724)</u>	<u>(1,092,774)</u>
Net cash from operating activities	20	<u>(253,382)</u>	<u>(241,824)</u>
Cash flows from investing activities			
Dividends received		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of investments		-	-
Acquisition of property, plant and equipment		(338,945)	(835,316)
Acquisition of intangibles		-	(12,522)
Acquisition of other investments		-	-
Net cash from investing activities		<u>(338,945)</u>	<u>(847,838)</u>
Cash flows from financing activities			
Increase / (decrease) in Invoice Facility		2,010,986	-
Payment of finance lease liabilities		(323,613)	(318,391)
Issue of Ordinary Shares		144,910	-
Return of Capital		(637,510)	-
Net movement in loans to related parties		5,335,166	-
Dividends paid	16	<u>(5,246,785)</u>	<u>(1,200,000)</u>
Net cash from financing activities		<u>1,283,154</u>	<u>(1,518,391)</u>
Net increase (decrease) in cash and cash equivalents		690,827	(2,608,053)
Cash and cash equivalents at 1 July		1,510,674	4,118,727
Cash and cash equivalents at 30 June	15	<u>2,201,501</u>	<u>1,510,674</u>

The notes on pages 12 to 28 are an integral part of these financial statements.

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

1. Reporting entity

Delta Mining Pty 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, 2573. The company is primarily involved in the provision of a full range of services to the underground Coal mining industries in the Illawarra region. The services include whole of mine management, longwall relocations, underground roadway development and general labour hire in support of customer requirements.

2. Basis of preparation

(a) Statement of compliance

In the opinion of the director's, the company is not a reporting entity. The financial report of the company has been drawn up as a special purpose financial report for distribution to the owners and for the purpose of fulfilling requirements of the Corporations Act 2001.

The special purpose financial report has been prepared in accordance with the recognition and measurement aspects of all applicable Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements were approved by the Board of Directors on 23 January 09

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

The financial report does not include the disclosure requirements of the following pronouncements having a material effect:

- AASB 3 Business combinations
- AASB 7 Financial instruments disclosure
- AASB 110 Events after the balance sheet date
- AASB 112 Income taxes
- AASB 114 Segment reporting
- AASB 116 Property, plant and equipment
- AASB 117 Leases
- AASB 119 Employee provisions
- AASB 124 Related parties
- AASB 132 Financial instruments: Presentation
- AASB 137 Provisions, contingent liabilities and contingent assets; and
- AASB 138 Intangible assets.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements 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 estimate is revised and in any future periods affected.

Delta Mining Pty Limited
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3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation. In addition, the comparative income statement has been re-presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period.

a) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and Sales of financial assets in the ordinary course of business are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

(i) 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.

b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at the date of transition to AASBs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit or loss as incurred.

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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.

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 Company 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.

Depreciation

Depreciation is recognised in profit or loss on a straight-line 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 Company 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
Plant and equipment - Leased	2- 10 years	Straight Line
Fixtures and Fittings	5 years	Straight Line
Computer Hardware	3 years	Straight Line

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

c) Intangibles Assets

(i) Other intangible assets

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

(ii) 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.

(iii) Amortisation

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:

- Computer software 5 years

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Notes to the financial statements
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d) 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 Company. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at the lower of their fair value or at amounts equal to 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.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Refer to note 3(k).

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

e) 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 (see note 13) 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 Company's contract activities based on normal operating capacity.

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

f) Impairment of assets

(i) Financial assets

A financial asset 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 negative effect on the estimated future cash flows of that asset.

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.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

(ii) Non financial assets

The carrying amounts of the Company's non-financial 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

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discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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"). The 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.

g) 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 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.

(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

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.

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.

g) Employee benefits (continued)

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 Company 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 Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

h) Provisions

A provision is recognised if, as a result of a past event, the Company 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.

i) 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:

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.

Construction 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.

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

3. Significant accounting policies (continued)

j) 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.

k) Finance income and expense

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 Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets, that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

l) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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. To the extent dictated by individual transaction is, 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, and 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.
- 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. 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.

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

3) Significant accounting policies (continued)

l) Income Tax (continued)

A deferred tax asset is recognised 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 dividends are recognised at the same time as the liability to pay the related dividend is recognised.

m) 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 taxation authority, 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.

n) New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Company’s 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company’s disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Company’s 30 June 2010 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Company will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Company has not yet determined the potential effect of the revised standard on future earnings.
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Company’s 30 June 2010 financial statements. The Company has not yet determined the potential effect of the amending standard on the Company’s financial report.
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an investment in a subsidiary, jointly controlled entity or associate.*

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

4. Determination of fair values

A number of the Company'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.

(i) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) 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.

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

5 Revenue

	2008	2007
Mining Services Revenue	44,890,880	55,308,977
Total revenues	<u>44,890,880</u>	<u>55,308,977</u>

6 Other Income

	<i>Note</i>	2008	2007
Discounts received		4,349	10,551
Other revenue		-	58,399
		<u>4,349</u>	<u>68,950</u>

7 Personnel Expenses

	2008	2007
Wages and salaries	29,076,863	29,631,633
Other associated personnel expenses	2,447,158	2,616,313
Contributions to defined contribution plans	2,992,117	1,525,757
Increase/(decrease) in liability for annual leave	513,231	(46,294)
Increase/(decrease) in liability for sick leave	(16,023)	66,360
	<u>35,013,346</u>	<u>33,793,769</u>

8 Finance income and expense

	2008	2007
Interest income on bank deposits	158,217	184,239
Finance income	<u>158,217</u>	<u>184,239</u>
Interest expense on financial liabilities measured at amortised cost	(561,109)	(83,520)
Borrowing costs	-	(184)
Finance expense	<u>(561,109)</u>	<u>(83,704)</u>
Net finance income and expense	<u>(402,892)</u>	<u>100,535</u>

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

9 Income tax expense

Recognised in the income statement

	Note	2008	2007
Current tax expense			
Current period		125,804	991,927
Adjustment for prior periods		(320)	-
		125,484	991,927
Deferred tax expense			
Origination and reversal of temporary differences		(82,210)	-
		(82,210)	-
Total income tax expense		43,274	991,927

10 Plant and equipment

	2008	2007
Plant and Equipment	3,089,641	2,782,764
Less: Accumulated depreciation	(1,113,118)	(846,829)
	1,976,523	1,935,935
Motor vehicles	144,614	104,070
Less: Accumulated depreciation	(65,903)	(47,717)
	78,711	56,353
Furniture and fittings	6,659	13,893
Less: Accumulated depreciation	(1,600)	(3,415)
	5,059	10,478
Total Plant and Equipment	2,060,293	2,002,766

Leased plant and machinery

The Company leases underground mine equipment under a number of finance lease agreements. The leases are accounted for based the terms and conditions of the lease (see note 3(d)). The leased equipment secures lease obligations (see note 17). During the year the company reviewed equipment lives based on recent operating experience and determined that FBL's and other hire mining equipment would be used for a maximum period of ten years.

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

11. Tax assets and liabilities

Current and non Current assets and liabilities

	2008	2007
Current		
Current Tax Payable (Receivable)	(161,923)	314,267
	<hr/>	<hr/>
Non - Current		
Deferred tax liability	(103,025)	-
Deferred tax assets	515,521	330,286
	<hr/>	<hr/>

12. Intangible assets

	2008	2007
Software	61,770	63,012
Accumulated amortisation	(43,815)	(35,339)
	<hr/>	<hr/>
	17,955	27,673
	<hr/>	<hr/>

13. Trade and other receivables

	2008	2007
Trade receivables due from customers	9,243,354	4,983,653
Less: Provision for Doubtful Debts	(29,503)	(14,778)
Provision for novated lease running costs	62,244	52,742
Work in progress	137,125	-
Other trade receivables	179,270	1,152,198
	<hr/>	<hr/>
	9,592,490	6,173,815
	<hr/>	<hr/>

14. Other assets

	2008	2007
Current		
Prepayments	53,956	35,388
Prepaid borrowing expenses	-	484
Current Account - Delta SBD Ltd	58,808	-
Current Account - SBD Services Ltd	69,363	-
Loans Unsecured – Glyn & Pam Dawkins	-	100
Loans to employees/Directors	31,701	200,000
	<hr/>	<hr/>
	213,828	235,972
	<hr/>	<hr/>
Non-current		
Loans to employees/Directors	185,960	291,000
	<hr/>	<hr/>

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

15. Cash and cash equivalents

	2008	2007
Security deposits	33,942	33,051
Petty cash imprest	2,713	3,901
Cash at Bank / (Bank Overdraft)	56,350	(552,214)
Fixed term deposit	2,108,496	2,025,936
	<u>2,201,501</u>	<u>1,510,674</u>

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

16. Capital and reserves

Share capital

	Ordinary Shares	
	2008	2007
On issue at 1 July	492,600	100
Issued for cash	144,910	492,500
Return of Capital per Shareholder Resolution	(637,510)	-
Issued to Delta SBD Ltd	1	-
On issue at 30 June – fully paid	<u>1</u>	<u>492,600</u>

The Company does not have authorised capital or par value in respect of its issued shares.

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.

Retained earnings

	2008	2007
Retained earnings at the beginning of the financial year	5,722,434	4,227,995
Net profit attributable to members	93,695	2,694,439
Dividends provided for or paid	<u>(5,246,785)</u>	<u>(1,200,000)</u>
Retained earnings at the end of the financial year	<u>569,344</u>	<u>5,722,434</u>

Dividends

Dividends recognised in the current year by the Company are:

	Cents per share	Total amount Thousands	Franked / unfranked	Date of payment
2008				
Final 2007 ordinary	4.91	250	Franked	31-Aug-07
Interim 2008 Dividend	9.70	4,940	Franked	30-Sep-08
Interim 2008 Dividend	0.19	10	Franked	1-Oct-08
Interim 2008 Dividend	0.92	47	Franked	28-Oct-08
Total amount		<u>5,247</u>		
2007				
Final 2006 ordinary	5.208	250	Franked	21-Jul-06
Interim 2007 dividend	4.167	200	Franked	29-Oct-06
Interim 2007 dividend	4.167	200	Franked	25-Jan-07
Interim 2007 dividend	6.25	300	Franked	1-Mar-07
Interim 2007 dividend	5.208	250	Franked	4-May-07
Total amount		<u>1,200</u>		

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

Dividend franking account	2008
	2,835,333
30 percent franking credits available to shareholders of Delta SBD Limited for subsequent financial years	<u>850,600</u>

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

17. Loans and borrowings

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

	2008	2007
Non-current liabilities		
Hire purchase liability	294,924	573,274
	<u>294,924</u>	<u>573,274</u>
Current liabilities		
Bank overdraft	-	552,214
Hire purchase liability	278,350	323,613
Loans to Shareholders	5,335,166	-
Invoice facility loan account	1,670,777	(340,209)
	<u>7,284,293</u>	<u>535,618</u>

18 Employee benefits

Current

	2008	2007
Liability for sick leave	107,615	123,638
Liability for annual leave	1,091,031	582,396
Total employee benefits - current	<u>1,198,646</u>	<u>706,034</u>

Non-Current

	2008	2007
Liability for long-service leave	-	-
Total employee benefits – non current	<u>-</u>	<u>-</u>

19 Trade and other payables

	2008	2007
Trade payables	1,439,130	357,721
Sundry creditors	1,326,808	1,139,162
Provision for Fringe Benefits Tax	42,884	92,399
Non-trade payables and accrued expenses	2,690,416	1,190,891
	<u>5,499,238</u>	<u>2,780,173</u>

Delta Mining Pty Limited
Notes to the financial statements
For the year ended 30 June 2008

20 Reconciliation of cash flows from operating activities

	2008	2007
Cash flows from operating activities		
Profit for the period	93,695	2,694,439
Adjustments for:		
Depreciation	282,660	432,940
Amortisation	8,476	23,374
Hire purchase unexpired charges	55,539	61,130
Amounts set aside to provision for employee entitlements	-	20,066
(Gain)/loss on write off of property, plant and equipment	36,943	34,782
Income tax expense	43,274	-
Operating profit before changes in working capital and provisions	<u>520,587</u>	<u>3,266,731</u>
Change in trade and other receivables	(3,418,675)	(1,033,338)
Change in other assets	(146,155)	(22,891)
Change in trade creditors	1,081,409	(1,578,598)
Change in other payables/creditors	1,693,030	(797,513)
Change in tax payable	(476,190)	(59,808)
Change in provisions and employee benefits	492,612	(16,407)
Net cash from operating activities	<u>(253,382)</u>	<u>(241,824)</u>

Delta Mining Pty Limited

Notes to the financial statements

For the year ended 30 June 2008

21. Subsequent events

Subsequent to 30 June 2008 and due to the significant economic down turn; the Board of Delta SBD Ltd (the holding company) has decided not to proceed to an Initial Public Offer and list on the Australian Stock Exchange. As a result loan to shareholders as disclosed in note 17 are now not due and payable until the earliest of July 2010 or a decision to proceed to IPO is revisited. These loans should now be treated as Non Current when reading or analysing the results of the company.

On the 3rd of July 2008, Delta Mining Proprietary Limited has been charged that being an employer, on 7 July 2006 at the Douglas Mine, Appin Colliery at Douglas Park Road, Douglas Park, failed to ensure that employees were not exposed to risks to their health, safety and welfare, contrary to Section 8(1) of the Occupational Health and Safety Act 2000 (NSW). The company has appointed Middletons to represent its interests and in conjunction with relevant Delta Mining Pty Ltd Staff are currently assessing the brief of evidence supplied by the prosecutor. At the date of signing of this report no plea had been entered. Delta Mining Pty Ltd intends to defend the charge.

On 21 January 2009, BHP Billiton announced that 1,100 coal industry positions would be terminated across New South Wales and Queensland and that of these positions lost, 65% will relate to contractors. At the date this the financial report, the Director's have not received any communication from BHP Billiton as to the impact of this decision on the Company's current and future contracts with BHP Billiton and are not able to reasonably determine the impact (if any) that this decision will have on the Company. The Company will continue to work with BHP Billiton to maintain and develop our strong relationship. Due to the uncertainty, no adjustments have been made to the financial report.

22. Contingencies

The directors are of the opinion that there are no contingencies necessary for disclosure.

23. Auditors' remuneration

	Consolidated 2008
Audit services	
Auditors of the Consolidated Entities	-
<i>KPMG Australia:</i>	
Audit and review of financial reports	<u>65,950</u>
Other Services	
<i>KPMG Australia:</i>	
Tax Compliance and Advisory	6,000
AUSCOAL Superannuation Guarantee Contribution - Sign Off	3,100
Financial accounts pro-forma for the group	<u>15,950</u>
	<u>91,000</u>

Delta Mining Pty Limited Directors' declaration

In the opinion of the directors of Delta Mining Pty Limited ('the Company'):

- (a) the Company is not a reporting entity.
- (b) the financial statements and notes, set out on pages 8 – 28, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance, for the financial year ended on that date in accordance with the basis of accounting described in note 2; and
 - (ii) complying with Australian Accounting Standards, other mandatory professional reporting requirements to the extent described in note 2 and the Corporations Regulations 2001; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Glyn Dawkins
Director

Dated at Sydney, 23rd day of January 2009



Independent audit report to the members of Delta Mining Pty Ltd

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Delta Mining Pty Ltd (the company) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 8 to 29.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The directors' responsibility also includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 2, are appropriate to meet the needs of members. 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 and fair presentation of the financial report 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 reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 2 to the financial statements so as to present a view which is consistent with our understanding of the company's financial position, and of its performance.



The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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*.

Auditor's opinion

In our opinion the financial report of Delta Mining Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2;

(b) complying with Australian Accounting Standards to the extent described in Note 2 and the Corporations Regulations 2001.

KPMG

David Willcocks
Partner

Signed in Wollongong on this 23rd day of January 2009



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

To: the directors of Delta Mining Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'David Willcocks'.

David Willcocks
Partner

Signed in Wollongong on this 23rd day of January 2009