

FY16 Yearly Results Presentation

August 2016

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Agenda



1. Executive Summary and Highlights
2. Financial Results and Position
3. Operational Status and Workbook
4. Strategic Outlook
5. Summary

1. Executive Summary & Highlights



Executive Summary



- Organisation continued to embed safety as a value in all aspects of planning and work
- Integrating new people into the team with new networks and skills – forward looking with a value add approach
- Management maintained a strong focus on cash flow and cost control
- DSB Balance sheet is robust relative to other players in the sector
- Low Debt has been fundamental in DSB delivering projected positive results
- Provided positive return on investment and positioned to improve on this position
- As industry stabilises DSB is positioned to invest new capital in initiatives that have high returns with project based payback period

Highlights



Maintained top quartile safety performance

- Total recordable injury frequency rate 12.4 (per Mill hrs)
- Focus on Safety Leadership and Hazard Identification
- Operations and Equipment compliant with legislative requirements

Improved financials

- Delivered predicted underlying profit in a trying period for the sector

Sector faced continued pricing impacts. Clients searched for cost reductions and scope

- Revenue \$70.4m (+4%)
- Underlying NPAT \$1.6m (+87%)
- Underlying EBITDA \$4m (+17%)
- Underlying EBITDA margin 5.7% (+12%)
- Cash on Hand \$3m (Maintained)
- Value of NTA per security increased to \$0.37 (+7%)

Net Debt maintained at low level

- Equipment Debt reduced to NIL
- Net Debt* \$2.4m** (Maintained)

Work Booked increased Maintained Client Base

- Identified growth opportunities in Qld Bowen Basin
- Negotiating whole of mine and coal supply agreement with new client

Supply Mining Solutions

- New client proposals – presented contract mining options
- Unique equipment fleet supports current contract works and provides gateway to new works

*Note: All comparisons are YOY * Interest bearing debt only less cash and cash equivalents . **Includes \$4.0m associated with an invoice facility*

2. Financial Results and Position



Financial Review - Summary



➤ Key Statistics improved or in balance with prior year

	Change		FY2016	FY2015
➤ NPAT	50%	↑	\$1.2m	\$0.8m
➤ Underlying NPAT	78%	↑	\$1.6m	\$0.9m
➤ Revenue	4%	↑	\$70.4m	\$67.5m
➤ EBITDA	(12%)	↓	\$3.0m	\$3.4m
➤ Underlying EBITDA	14%	↑	\$4.0m	\$3.5m
➤ Underlying EBITDA margin	12%	↑	5.7%	5.1%
➤ Underlying earnings per share	85%	↑	3.40	1.84
➤ Cash on hand	(3%)	↓	\$3.0m	\$3.1m
➤ Net Debt*	0%	↔	\$2.4m**	\$2.4m**
➤ Equipment Debt	(100%)	↓	\$nil	\$0.9m
➤ Net Tangible Assets per security	9%	↑	37c	34c

* Interest bearing debt only less cash and cash equivalents . **Includes \$4.0m associated with an invoice facility

1H and 2H FY 2016



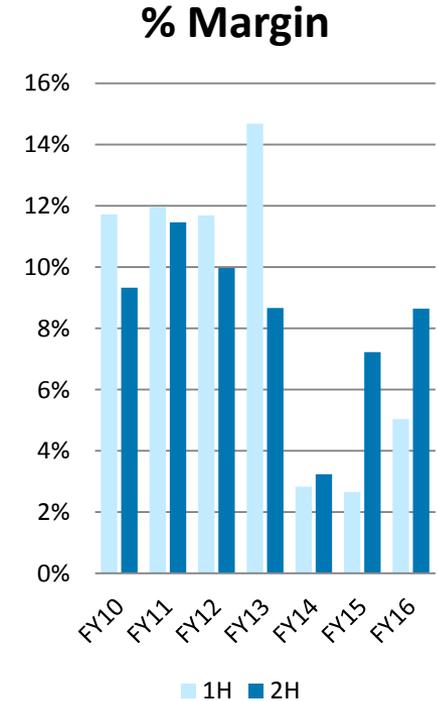
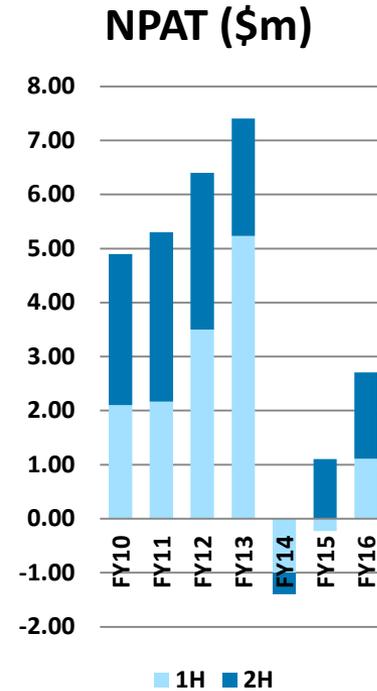
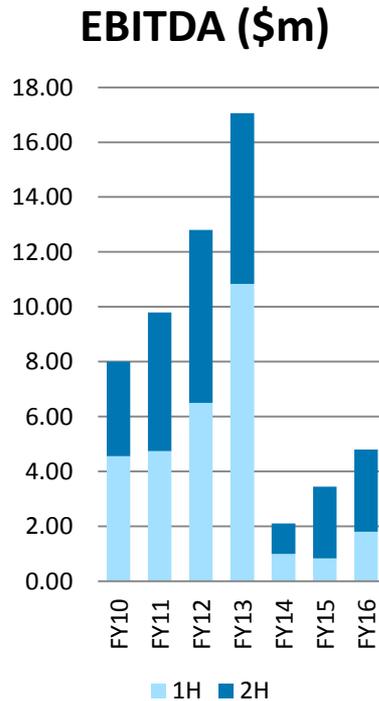
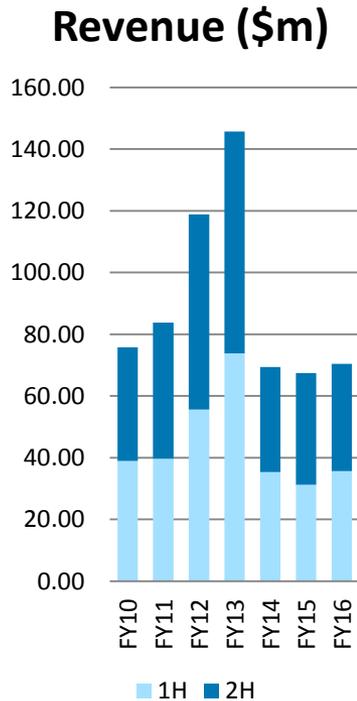
	Change		2HFY2016	1HFY2016
➤ NPAT	140%	↑	\$1.2m	\$0.5m
➤ Underlying NPAT	45%	↑	\$1.6m	\$1.1m
➤ Revenue	(3%)	↓	\$34.7m	\$35.7m
➤ EBITDA	67%	↑	\$3.0m	\$1.8m
➤ Underlying EBITDA	67%	↑	\$4.0m	\$2.4m
➤ Underlying EBITDA margin	71%	↑	11.5%	6.7%
➤ Underlying EPS	42%	↑	3.4c	2.4c
➤ Cash on hand	88%	↑	\$3.0m	\$1.6m
➤ Net Debt*	(48%)	↓	\$2.4m**	\$4.6m**
➤ Equipment Debt	(100%)	↓	\$nil	\$0.4m
➤ Net Tangible Assets per security	0%	↔	37c	37c

* Interest bearing debt only less cash and cash equivalents . **Includes \$4.0m associated with an invoice facility

Financial Trends (underlying)



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



Balance Sheet & Cashflow



Balance Sheet	FY16	FY15
Cash (\$m)	3.02	3.11
Total Assets (\$m) (excluding intangible assets)	33.79	31.84
Total Shareholder funds (\$m) (excluding intangible assets)	18.28	17.15
Net Debt (\$m)	2.4*	2.4*
Net Debt to Equity	13%	14%
Cashflow	FY16	FY15
Operating activities (\$m)	2.20	1.45
Investing activities (\$m)	-2.30	9.65
Financing activities (\$m)	0	-9.54
Net (decrease)/increase in cash (\$m)	-0.1	1.55
Cash at beginning of year (\$m)	3.12	1.56
Closing cash (\$m)	3.02	3.12

* Interest bearing debt and includes \$4.0m associated with an invoice facility

3. Operational Status and Work Book

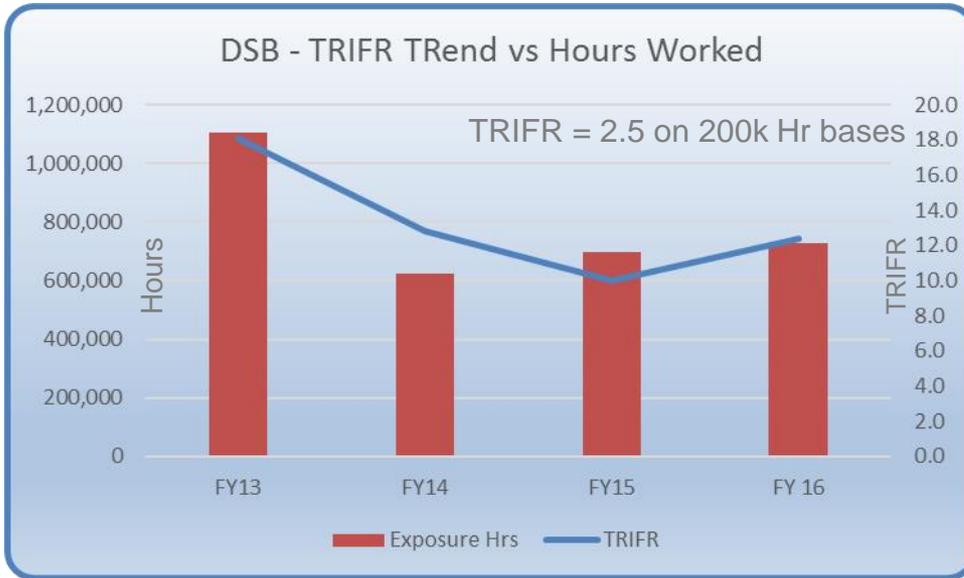


Safety



- Safety – FY16 resulted in 9 Recordable Safety Incidents yielding a 12.4 TRIFR (per Mill Hrs.)

- Maintained HSEC System Accreditation



- Development of FY 17-18 Health and Safety Plan includes Mental Wellbeing and attention to emerging issues
- Maintaining Safety System Accreditation and Equipment Compliance - sound governance and positions DSB for acceptance by New Clients

FY16 Executed Works Included



- South 32's Appin mine
 - Roadway development
 - Secondary support and out-bye services
 - Longwall support services
 - Project works for conveyor belt installations and civils
- Peabody's Metropolitan mine
 - Secondary support and mine services
 - Backfill Plant Project works
- Longwall relocations support and services
 - Glencore's - Ulan West, Ulan No.3 and South Blakefield mines,
 - Whitehaven's - Narrabri mine
 - Peabody's – Wambo and Metropolitan mines
- General Contracting Works
 - Development assistance at Whitehaven's Narrabri mine
 - Preproduction and general mine services work at Wollongong Coal's – Wongawilli Mine
 - Commencement of mine sealing and ongoing care and maintenance activities continued at Boral's, Berrima Mine
 - Supply of underground approved plant and diesel equipment continues as per contract
 - Supply of Delta Grid for longwall recovery at Peabody's North Goonyella and Glencore's West Wallsend mines.

DSB maintains a competitive edge:

- Experienced at all levels of mine management and mining operations. *Increasing formal contract control skills.*
- Work with clients to understand the desired outcomes and provides a total enterprise approach - delivered by skilled project teams.
- Focused on offering greater value to mine owners through cost benefits and greater service that underpins repeat work
- Right sized fleet of equipment for current works
- Strength of balance sheet will support growth opportunities.

Sustainability & Diversification



Client	Mine	Location	Services	FY14	FY15	FY16	FY17	FY18
BORAL	Berrima	Illawarra, NSW	Mine Operator C&M and Sealing of Mine	█	█	█	█	
South 32	Appin	Illawarra, NSW	Roadway Development Mine Services Supplementary Labour Projects - Conveyors and Civils	█	█	█	█	█
Glencore	Ulan 3 Ulan West Blakefield West Wallsend	Upper Hunter Valley, NSW Upper Hunter Valley, NSW Hunter Valley, NSW Newcastle, NSW	Longwall Relocation Services Longwall Relocation Services Longwall Relocation Services Supply of Delta Grid - LW Recovery Mesh	█	█	█	█	█
Peabody	Wambo Metropolitan North Goonyella	Hunter Valley, NSW Illawarra, NSW Illawarra, NSW Bowen Basin Qld	Longwall Relocation Mine Services Backfill Plant Project General Contracting Longwall Relocation Support	█	█	█	█	█
Wollongong Coal	Wongawilli Wongawilli	Illawarra, NSW Illawarra, NSW	Pre-production activities Coal Production			█	█	█
Whitehaven	Narrabri	Western Coalfields, NSW	Longwall Maintenance Longwall Relocation Supplementary Labour Supplementary Labour	█	█	█	█	█

Likely Recurring Work

Current Contract

Previous Contract

Contract Mining Agreement commencing in Q1 FY17



Whole of Mine Operations and Coal Supply Agreement at Wollongong Coal's - Wongawilli Mine NSW

- 1.45 Mt Coking Coal delivered over 21 month period
- Delivered to Wollongong for export out of PKCT
- High potential to increase access to further reserves
- Experienced Management team in place

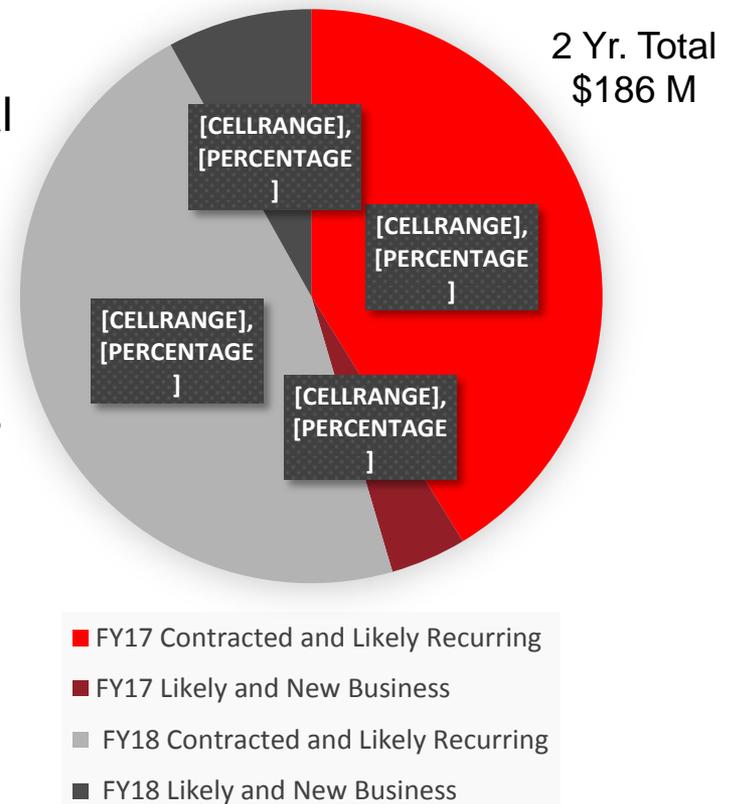


Workbook and Pipeline



- Activity in the major tender/submission pipeline commenced to increase late FY16
- Focused on delivering and retaining current contracts
- DSB continued working and engaging with Coal Mine operators to develop low cost coal production options
- DSB envisage the potential of business development opportunity between \$50 million and \$150 million in potential revenue outcomes in the next 2-3 years.
- A number of these opportunities are directly aligned to DSB ability, experience and production equipment.
 - Supporting DSB to make a unique offering that will result in a moderate to high potential of procuring these projects.

DSB FY17/18 Work Book Projection



4. Strategic Outlook



Business Strategy



- Safety Leadership from Top - Down
- Building client relationships and identifying new players
- Employment and Cost structures to be project term focused
- Cash flow accountability to be managed at Project level
- Improved stakeholder communications
- Monitoring and Reporting on Key Metrics
- Reduce corporate over heads to 3% revenue in 2 yrs.
- Target Mining Operations and Clients with:
 - Need for Contract Mining or Production Contracts
 - Term contracts for general and specialised contracting
- Develop Plan to create shareholder value

Shareholder Value



- DSB has a Price to Earnings Ratio of 3.3 x
- DSB Board projecting positive EPS in FY 17
- As Coal Sector stabilises DSB will focus on increasing work book and be margin and over-head focused.
- DSB directors have declared a final dividend of 0.8 cents per share on the back of the FY 16 results
- Revised and new targeted dividend payment plan – payout ratio of 60% of underlying NPAT.
- Increase market awareness of DSB
- Report against value creation plan
- Observe market trends and take-on-board market indications

Outlook – Coal Sector



Metallurgical coal (currently DSB main client base & growth area)

- USD coking coal price strengthening in last Quarter with supply volumes maintained to traditional markets
- Increasing number of Coking Coal operations tagged for closure
- Production Volumes from large Qld Open-cuts being sustained with new mines replacing high cost operations.
- Low capital cost expansions and production options being considered
- New operators entering sector – reopening retired assets of large miners.

Thermal coal

- Prices stabilised but demand is dependent on Global Growth and Severity of Northern Hemisphere Climatic Seasons
- Coal will maintain a strong position in the global energy generation market
- Indonesian Coal Exports down as End Users seek higher quality fuel sources
- Australian long-term production forecast to maintain volumes.

Outlook Statement - Delta SBD



Executive Management and the Board are reasonably confident of further growth in underlying earnings for FY17. It is too early to provide specific guidance other than to say underlying earnings for the upcoming year should be at least at the level of FY16. This, combined with a new targeted payout ratio of 60% of underlying earnings will provide the fundamentals of improved shareholder wealth and market awareness of Delta SBD.

6. Summary



Summary



Personnel	Embed use of risk management tools to drive improved safety performance Maintain experienced management team and engage work teams for project term
Sector	Stabilisation of metallurgical coal price Steaming coal production remained subdued
Market	Investigating low cost production options Seek growth through outsourcing – CAPEX conservative
Sustainability	Maintained strong client relationships Focused on “SBD Executing Project as per plan”
Opportunities	Targeted identified growth opportunities of pipeline Focused on mining solutions & contract mining projects
Profitability	Well positioned to deliver positive profit and growth
Shareholders	Focused on improving shareholder value Deliver on payback plan Create Market interest in DSB activities



Appendices



Corporate Overview (as at 30 June 2016)



➤ Capital structure

➤ Shares on issues	47,693,393
➤ Options	NIL
➤ Share price	\$0.08
➤ Market Capital	\$3.6M

➤ Board

➤ Glyn Dawkins	Non-executive Chairman
➤ Stephen Bizzaca	Managing Director
➤ Neville McAlary	Chief Executive Officer
➤ Geoff Garside	Non-executive Director

➤ Shareholders – Top five (as at 21 August 2016)

➤ Stephen Bizzaca entities	36.0%
➤ Glyn Dawkins entities	27.0%
➤ Delta SBD Employee Trust	7.0%*
➤ Nehemine Pty Ltd	1.8%
➤ Omicron Enterprises Pty Ltd	1.4%

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

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