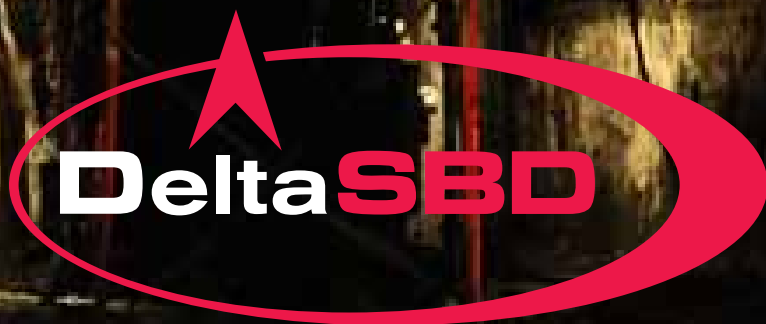


Prospectus

.....
Delta SBD Limited ACN 127 894 893



safer better dependable

ORD MINNETT

Lead Manager and Broker to the Offer

Corporate Directory

Company

Delta SBD Limited
ACN 127 894 893
www.deltasbd.com.au

Registered office

Suite 220, Centric
4 Hyde Parade, Campbelltown NSW 2560
Telephone: 02 4629 0300
Facsimile: 02 4629 0399

Directors

Gordon Galt - Chairman
Stephen Bizzaca - Managing Director - CEO
Glyn Dawkins - Non Executive Director
Tony De Santis - Executive Director - COO

Company Secretary

Tony McFadden

Share Registry

Registries Limited
Level 7, 207 Kent St
Sydney NSW 2000
Telephone: 1300 737 760
www.registries.com.au

Broker to the Offer

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000
www.ords.com.au

IPO Advisors & IPO Project Managers

Sydney Capital Partners
Level 6, 2 Bulletin Place
Sydney NSW 2000
www.sydneycapital.com.au

Auditors

KPMG
Level 3/63 Market Street
Wollongong NSW 2500
www.kpmg.com.au

Investigating Accountant

KPMG Transaction Services
(Australia) Pty Limited
10 Shelley Street
Sydney NSW 2000
www.kpmg.com.au

Lawyers to the Offer

McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
Brisbane QLD 4000
www.mccullough.com.au

IMPORTANT NOTICES

Some terms used in this Prospectus are defined in the Glossary.

This Prospectus is dated 18 November 2010. A copy of this Prospectus was lodged with ASIC on that date. Neither ASIC or ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No Shares will be allotted or transferred on the basis of this Prospectus after the expiry date. This Prospectus expires on 17 December 2011.

The Offer is available to Australian residents in each state and territory of Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. If you are not an Australian resident you should seek professional advice on any restrictions that may apply to purchasing Shares and comply with those restrictions. This Prospectus is not an Offer in any place where, or to any person to whom, it would not be lawful to make the Offer.

No person is authorised to give any information or make representations about the Offer, which is not contained in this Prospectus. Information or representations not contained in this Prospectus must not be relied on as authorised by the Company, or any other person, in connection with the Offer.

This Prospectus provides information for investors to decide if they wish to invest in Delta SBD. Read this document in its entirety. Examine the risk factors that could affect the financial performance of Delta SBD. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Offer does not take into account the investment objectives, financial situation or needs of particular investors.

This Prospectus is available electronically at www.deltasbd.com.au. The Application Form attached to the electronic version of this Prospectus must be used within Australia. Electronic versions of this Prospectus should be downloaded and read in their entirety. Obtain a paper copy of the Prospectus (free of charge) by telephoning 1300 737 760. Applications for Shares may only be made on an Application Form attached to this Prospectus or in its paper copy form downloaded in its entirety from www.deltasbd.com.au.

Under the Corporations Act Delta SBD must not process Application Forms during the seven day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC for up to a further seven days. This exposure period enables the Prospectus to be examined by market participants. Application Forms received during the exposure period will not be processed until after the expiry of that period. No preference will be given to Application Forms received during the exposure period.

Monetary amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. Photographs used in this Prospectus without descriptions are only for illustration. The people shown are not endorsing this Prospectus or its contents. Diagrams used in this Prospectus may not be drawn to scale. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY.

KEY RISKS

A discussion on the risks of investing in Shares in Delta SBD is set out in Section 9. The following factors, and the others in Section 9, may adversely affect the value of Delta SBD Shares:

- > **Share market investments**
Movements in share prices as a result of Delta SBD company related and unrelated market factors
- > **Access to capital to fund growth**
Delta SBD may not be able to raise funds for growth on acceptable terms
- > **Adequacy of insurance cover**
Delta SBD insurance cover may not be appropriate to cover future claims
- > **Changes to relevant legislation**
Delta SBD may be affected by changes to legislation
- > **Competition**
Delta SBD competitors are both large and small companies who may win work that the Company undertakes both currently and in the future
- > **Dependence upon skilled personnel**
Delta SBD's ability to recruit and retain experienced personnel may be affected by high demand for experienced personnel throughout the mining industry
- > **Disruption of business operations**
Delta SBD's and client operations may be disrupted due to events that include equipment failure, infrastructure, industrial disputes and/or natural disasters
- > **Early termination of customer contracts**
Delta SBD's clients have the ability to terminate the contracts held by Delta SBD at short notice with minimal or no compensation
- > **OH&S claims and other litigation**
Delta SBD may be subject to OH&S claims and/or litigation due to operational events
- > **Reduced coal demand and pricing**
Delta SBD's operations may be affected in the event of reduced coal demand or pricing
- > **Reputation**
Delta SBD operations may be affected in the event of lost reputation due to performance or client's dissatisfaction.

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Investment Highlights

Offer Price per Share	\$0.80
No. of Shares offered under this Prospectus	3,750,000
Total number of Shares on issue excluding this Offer	39,595,074
Total number of Shares on issue following the Offer	43,345,074
Maximum amount to be raised under the Offer	\$3.0 million
Market capitalisation at the Offer Price	\$34.7 million
Enterprise value at the Offer Price	\$45.4 million
Pro forma cash on hand at Offer completion	\$5.5 million

FY2010 Financial Data

EVENT	DATE
Prospectus date	18 November 2010
Offer opens	26 November 2010
Employee Offer closes	8 December 2010 9am
General Offer closes	8 December 2010 9am
Settlement date	14 December 2010
Anticipated date of allotment	15 December 2010
Shareholding statements expected to be dispatched	15 December 2010
Anticipated commencement of ASX trading	20 December 2010

All dates and times are subject to change and are indicative only. All times are AEDT. The Company, with the consent of the Broker, reserves the right to vary these dates and times without prior notice. It may close the Offer early, withdraw the Offer, extend the Offer or accept late Applications.

Revenue	\$75.9 million
EBITDA	\$8.0 million
EBIT	\$6.5 million
NPAT	\$4.9 million
Enterprise value / EBITDA	5.7
Price earnings multiple	7.1
Cash earnings per Share (EBITDA per Share)	\$0.18
Earnings per Share NPAT divided by the number of Shares on issue following the Offer	\$0.11
Net tangible assets per Share	\$0.31
Dividend yield FY2010 dividend /Shares on issue following the Offer	3.2%
Level of franking	100%

All amounts are Pro forma amounts for Financial Year ended 30 June 2010. See Section 7 for further details and the assumptions on which the amounts are based.

What we do

It's all about Coal

Consolidate

Further consolidate Delta SBD's position in the underground coal industry

Opportunities

Coal industry is forecast to grow

Aim

Increase shareholder returns via growth and opportunities

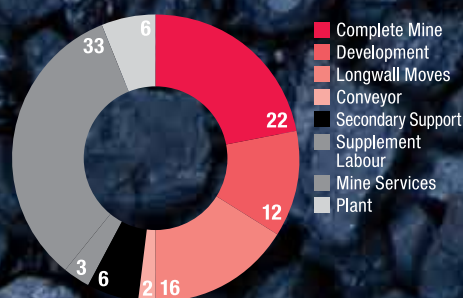
Leverage

Our reputation, performance and our people, with fit for purpose plant to expand into the existing and new underground coal mines

Delta SBD is a leading provider of services to the underground coal industry. Our extensive range of mining services include:

- > Whole mine operations
- > Longwall relocations and support
- > Roadway development
- > Conveyor Installations and maintenance
- > Mine Service
 - Secondary support installation
 - Excavation
 - Ventilation device installation
 - Services/utility installation/recovery
- > Plant hire and maintenance
- > Supplementary labour

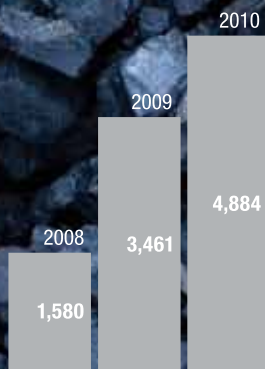
Range of Services by Revenue FY2010 (\$m)



Profitable business leveraged to volume growth in the Australian underground coal industry

Pro forma NPAT

(\$'000)



Delta SBD net profit after tax

(see section 7 for further details)

Growth Opportunity

(mt)

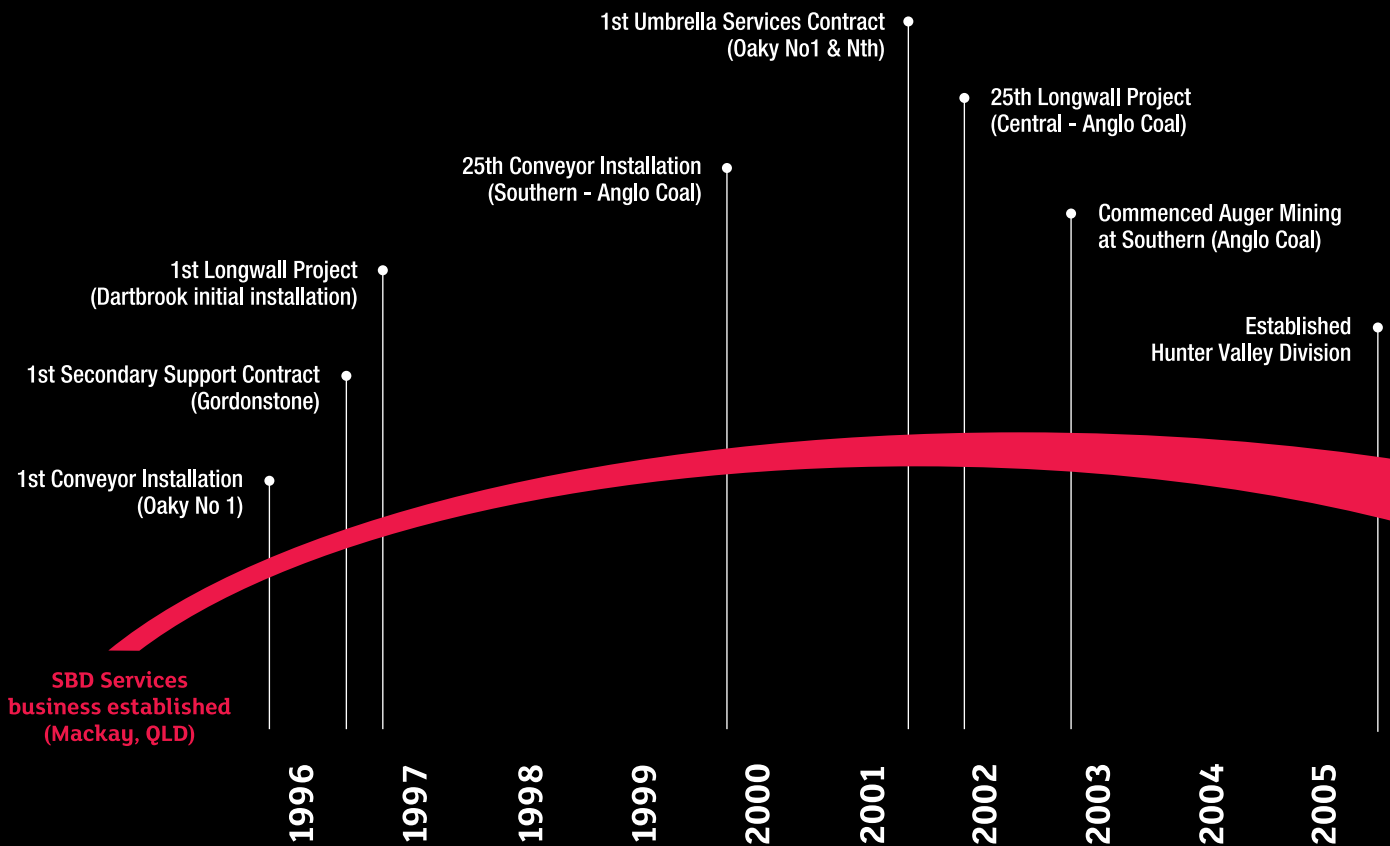


Continued industry growth in coal exports from Australia

(see section 4 for further details)

- › Experienced management team which is retaining a significant shareholding in the Company - 27 employees with interest in 82% of issued capital
- › Track record of organic growth and successfully integrated businesses
- › Opportunity to pursue acquisitions and focused growth in Queensland and developing coal fields of NSW

Growing Australian mining services company with quality management

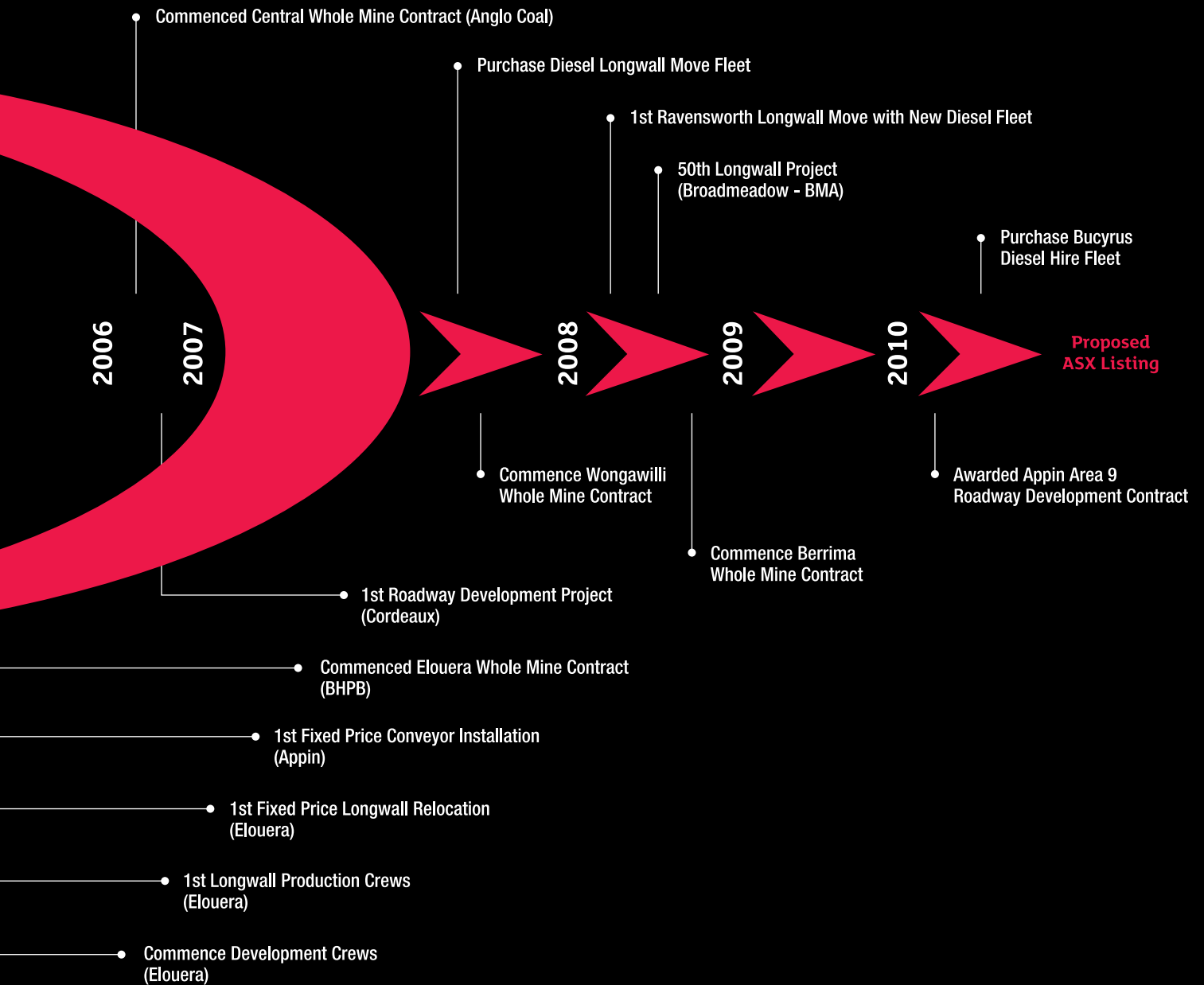


Delta Mining established (Illawarra, NSW)

- 1st Conveyor Installation (Cordeaux)
- 1st Roadway Development Crews (Cordeaux)
- 1st Hydraulic Secondary Support Rig (introduced at Appin)
- 2nd Hydraulic Secondary Support Rig (Metropolitan)
- Selected as 1 of 3 Preferred Contractors (BHP Illawarra)



safer better dependable

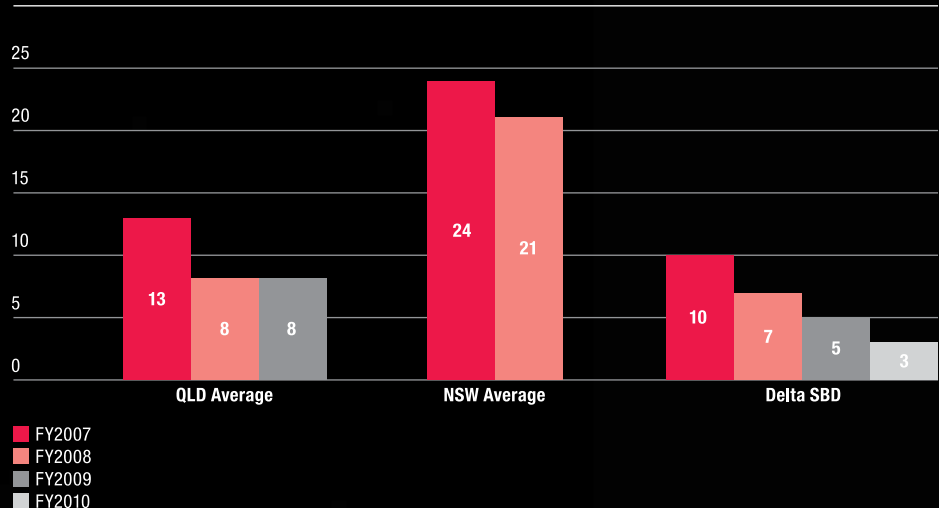




Our People

- > Over 340 dedicated, committed and valued personnel
- > Strong culture and commitment to continuous improvement of performance
- > Demonstrated commitment to safety improvement
- > Wide variety of employee categories including statutory qualified personnel, trades and operators
- > Trained and experienced in a variety of tasks
- > Transportability of skills across all divisions
- > Robust recruitment
- > Approved traineeship scheme

Underground Coal – Lost Time Injury Frequency Rates



Lost Time Injury Frequency Rates shown on the vertical axis is the number of lost time injuries per one million hours worked.



Our





machines

Expanding our Fleet of Fit-for-Purpose Equipment

- > **1 x Bucyrus FBL55**
55 tonne extra heavy lift vehicle
- > **2 x Bucyrus MH40**
40 tonne heavy lift vehicle
- > **4 x Bucyrus FBL15**
15 tonne multifunction vehicle
- > **12 x Bucyrus FBL10**
10 tonne multifunction vehicle
- > **11 x Bucyrus Chock Trailers**
50 tonne RAS 5th wheel
- > **6 x SMV**
Personnel transporter

Our Clients

Quality client base:

- > Anglo Coal
- > BHP Billiton
- > BHP Billiton Mitsubishi Alliance
- > Boral
- > Centennial Coal
- > Peabody Energy Australia
- > Vale
- > Whitehaven
- > Xstrata



Work Sites

Past and Current Workbook

Mine	Group	Location	FY07	FY08	FY09	FY10
Appin	BHPB	NSW - Illawarra				
Berrima	Boral	NSW - Illawarra				
Broadmeadow	BMA	Queensland				
Bundoora	Anglocoal	Queensland				
Crinum	BMA	Queensland				
Dendrobium	BHPB	NSW - Illawarra				
Grasstree	Anglocoal	Queensland				
Integra	Vale	NSW - Hunter				
Mandalong	Centennial	NSW - Hunter				
Metropolitan	Peabody	NSW - Illawarra				
Narrabri	Whitehaven	NSW - West				
Ravensworth	Xstrata	NSW - Hunter				
Ulan	Xstrata	NSW - West				
Wambo	Peabody	NSW - Hunter				
West Cliff	BHPB	NSW - Illawarra				
Wongawilli	NRE	NSW - Illawarra				



Long term
relationships
with blue
chip mine
operators

Chairman's Letter



18 November 2010

On behalf of the Directors, it gives me great pleasure to offer you this opportunity to invest in Delta SBD.

Delta SBD is a successful mining services business assisting resource owners in NSW and Queensland to extract coal from underground mines. We do this by providing experienced personnel and specialised fit for purpose equipment.

Delta SBD provides mining services in the Illawarra and the Hunter Valley regions of NSW and the Bowen Basin in Queensland. It is also expanding operations into the existing and developing Western and Gunnedah coal fields of NSW. Our clients are top tier mining companies and include Anglo Coal, BHP Billiton, BMA, Boral, Centennial Coal, Peabody Coal, Vale, Whitehaven Coal and Xstrata. Delta SBD prides itself on its long term relationships, with some clients having been with the Company for over ten years.

Delta SBD is a profitable company, paying dividends, with experienced and effective management. With more than 340 personnel, Delta SBD is proud of its expanding workforce and its focus on their safety and welfare.

Through this Prospectus, Delta SBD is inviting investors to subscribe for Shares at an Offer Price of \$0.80 per Share. The Offer is supported by Ord Minnett Limited as Broker to the Offer. You are encouraged to read this Prospectus carefully in its entirety before making your investment decision.

For investors seeking to participate in the growing mining services sector and with a focus on return on equity, I commend you to consider an investment in Delta SBD. I have great confidence in its management team and their ability to continue to grow the business.

Together with my fellow Directors, I look forward to welcoming you as a Shareholder of Delta SBD.

Yours faithfully

A handwritten signature in black ink that reads "Gordon Galt". The signature is written in a cursive, flowing style.

Gordon Galt
Chairman
Delta SBD Limited

1

Questions & Answers

Question	Answer	Section
Who is the issuer of this Prospectus?	Delta SBD Limited.	
What is the Offer?	The Offer is an initial public offer of 3,750,000 Shares in Delta SBD. Delta SBD will list on the ASX following the close of this Offer and you will be able to trade your Shares on the ASX.	3
Why is the Offer being made?	The purpose of the Offer is to: <ul style="list-style-type: none">> Provide an opportunity for Eligible Employees to invest in the Company> Broaden the shareholder base to allow the Company to list on the ASX and provide an additional avenue for the Company to source equity capital in the future> Provide broader business benefits of increased visibility, transparency and credibility which arise from being listed on the ASX	3
What is the Offer Price of the Shares?	The Shares are being offered at \$0.80 per Share.	3
What rights and liabilities attach to the Shares?	The Shares will rank equally in all respects with the Shares held by the existing Shareholders. The rights and liabilities attaching to all Shares are detailed in the Company's constitution.	10
What risks are involved with an investment in the Company?	The investment is subject to specific and general investment risks.	9
What is the Company's financial position?	The Company's financial position is set out in detail in Section 7 of this Prospectus.	7
Is the Offer underwritten?	The Offer is not underwritten.	
Will I receive dividends on my Shares?	For FY2010 the Company distributed 30% of net profit after tax in the form of fully franked dividends. The Directors intend to declare dividends in the future.	2
How do I participate in the Offer?	To participate in the Offer, please complete the relevant Application Form attached to this Prospectus and return it with payment of the Application Money before the relevant Closing Date.	3
What is the minimum number of Shares I can apply for under the General Offer?	Applications under the General Offer must be for a minimum of 2,500 Shares (total cost of \$2,000) and then in multiples of 500 Shares (\$400).	3
Am I an Eligible Employee?	Eligible Employees are: <ul style="list-style-type: none">> All permanent employees> Casual employees with greater than twelve months continuous service as at 8 December 2010 Eligible Employees must be employed by the Company on 8 December 2010	3
How do Eligible Employees participate in the Offer?	Eligible Employees must complete the specially marked Employee Application Form provided to them following the instructions on the form, and return it with payment of the Application Monies before 8 December 2010.	3
What is the number of Shares Eligible Employees can apply for under the Employee Offer?	Applications under the Employee Offer must be for 2,500 Shares (total cost to the Eligible Employee of \$1,000). Eligible employees can apply for additional Shares for the General Offer.	3
Further questions?	If you have questions in relation to the Offer, please contact the Offer information line on 1300 737 760.	3
Who should Employees contact with their questions?	Eligible Employees with questions in relation to the Employee Offer should contact the Company Secretary, Tony McFadden, at the Campbelltown head office.	3

Investment Summary

2

2.1 BUSINESS OVERVIEW

Delta SBD's business is providing mining services to the domestic underground coal mining industry, including:

- > Whole of mine management and operations
- > Underground roadway development
- > Longwall installations and relocations, including supply of fit for purpose equipment
- > Other specialist underground mining services

2.2 KEY FINANCIAL INFORMATION

	FY2008 (A\$m) 8 months	FY2009 (A\$m)	FY2010 (A\$m)
Revenue	47.0	75.6	75.9
EBITDA	3.8	7.2	8.0
NPAT (Pro forma)	1.6	3.5	4.9

There are no financial forecasts in this Prospectus.

2.3 DIVIDEND POLICY

For FY2010 the Company distributed 30% of net profit after tax in the form of fully franked dividends.

Payment of dividends is subject to the Directors' views on the availability of distributable earnings, Delta SBD's franking credit position, operating results, available cash flows, retained earnings, financial conditions, taxation position and future capital requirements, as well as general business and financial conditions and any other factors the Directors may consider relevant.

For FY2011, the Directors intend to pay one final dividend in November 2011, and for following years, intend to pay interim and final dividends.

2.4 DESCRIPTION OF THE OFFER

This Prospectus contains information on the Offer of up to 3.75 million Shares, which will represent up to approximately 8.7% of Delta SBD's issued Shares at completion of the Offer.

The Offer comprises:

- > The General Offer, which is open to the public
- > The Employee Offer, which is open to all Eligible Employees

The allocation of Shares between the General Offer and the Employee Offer will be determined by Delta SBD and the Broker. Details of the Offer are set out in Section 3.

2.5 RISK FACTORS

An investment in Delta SBD is subject to both general and specific risks that could affect its future performance. Some of the risks are described in Section 9 of this Prospectus. Before deciding to invest in the Company, prospective investors should read the entire Prospectus and, in particular, the risk factors.

2.6 MINIMUM SUBSCRIPTION

The minimum subscription to be raised pursuant to this Prospectus is \$2.5 million. No Shares will be issued under this Prospectus unless the minimum subscription is raised. The Offer to raise the minimum subscription is not underwritten by Ord Minnett. If the minimum subscription is not raised within four months of the date of this Prospectus, all Application Monies will be refunded in full. Ord Minnett as Broker to the Offer will be paid commission detailed in Section 10.

2.7 RIGHTS ATTACHING TO SHARES

The Shares Offered under this Prospectus will rank equally in all respects with the Shares held by the existing Shareholders of Delta SBD. The rights and liabilities attaching to all Shares are detailed in Delta SBD's constitution which can be found on Delta SBD's website: www.deltasbd.com.au. A summary of the rights and liabilities attaching to Shares is set out in Section 10.

2.8 SUMMARY ONLY

This summary is not intended to provide full details of the investment opportunity. Investors should read this Prospectus in full as part of making an informed investment decision.

3

Details of the Offer

3.1 PURPOSE OF THE OFFER AND UTILISATION OF FUNDS

The purpose of the Offer is to:

- > Provide an opportunity for Eligible Employees to invest in the Company
- > Broaden the shareholder base to allow the Company to list on the ASX and provide an additional avenue for the Company to source equity capital in the future
- > Provide broader business benefits of increased visibility, transparency and credibility that arise from being listed on the ASX

The Offer proceeds will be applied as follows:

Use of proceeds	\$ million
Payment of Offer cash expenses	0.75
Repayment of Shareholder loans	1.53
General working capital	0.57
Total funds raised	2.85¹

¹ This assumes that 150 Eligible Employees subscribe under the Employee Offer and any shortfall under the Employee Offer is taken up under the General Offer. Any funds raised over \$2.85 million will be used for working capital. If less than \$2.85 million is raised then the amount of general working capital will be reduced.

3.2 SHAREHOLDING STRUCTURE

Table 1 below shows the shareholding structure of Delta SBD at the date of this Prospectus and on the Quotation Date.

On the Quotation Date, the Company will have issued Options of 3.75 million Shares. These Options vest either one year after the Quotation Date or in July 2012 and expire either four or five years after the Quotation Date. The Options are exercisable at a price 25% above the Offer Price and 625,000 Options are subject to additional minimum hurdles. Further details are in Section 10.

Directors and some Shareholders have agreed to enter into voluntary agreements with the Company restricting them from dealing in Shares held by them at the Offer date. Details of these arrangements are set out in Section 10 and are summarised in the following table 2.

The Company may issue other Shares during the twelve months from the date of this Prospectus, particularly if it considers it desirable for securing funding for acquisitions of other businesses, including issuing Shares to unrelated parties who are vendors of other businesses.

	Pre Offer Shares	Pre Offer % of Shares	Post Offer Shares	Post Offer % of Shares ¹	Post Offer % fully diluted if Options exercised
DIRECTOR SHAREHOLDINGS					
Gordon Galt ²	-	0%	250,000	0.6%	5.8%
Stephen Bizzaca	15,795,041	40.3%	15,795,041	36.4%	33.5%
Glyn Dawkins	12,062,785	30.8%	12,062,785	27.8%	25.6%
Tony De Santis	1,285,754	3.3%	1,285,754	3.0%	2.7%
Subtotal	29,143,580	74.3%	29,393,580	67.8%	67.7%
Other Shareholders	10,451,494	25.7%	10,201,494	23.5%	24.3%
Shares under the Offer	-	-	3,750,000	8.7%	8.0%
Total	39,595,074	100.0%	43,345,074	100.0%	100.0%

Table 1. Shareholding structure

¹ Percentage of the total number of Shares on issue on the Quotation Date if the Offer is fully subscribed.

² These shares will be held by New Holland Capital Pty Ltd. Gordon Galt does not have a relevant interest in Shares and Options held by New Holland Capital Pty Ltd nor is New Holland Capital an associate of Gordon Galt. New Holland Capital will hold 250,000 Shares and 2,500,000 Options at the Quotation Date. Gordon Galt has an economic interest in New Holland Capital and is also a director of New Holland Capital.

	No. of Shares restricted for 12 months	Post Offer % of Shares ¹	No. of Shares restricted for 18 months	Post Offer % of Shares ¹	No. of Shares restricted for 24 months	Post Offer % of Shares ¹
RESTRICTED SHAREHOLDINGS						
Stephen Bizzaca	13,534,607	31%	9,023,071	21%	4,511,536	10%
Glyn Dawkins	10,336,483	24%	6,890,989	16%	3,445,494	8%
Other	8,711,915	20%	0	0%	0	0%
Total	32,583,005	75%	15,914,060	37%	7,957,030	18%

Table 2. Voluntary restrictions

¹ Percentage of the total number of Shares on issue on the Quotation Date if the Offer is fully subscribed.

3.3 STRUCTURE OF THE OFFER

There are two components to the Offer:

- > the General Offer, which is open to the public
- > the Employee Offer, which is only open to Eligible Employees

Shares not taken up under the Employee Offer by the Employee Offer Closing Date will be available for allocation under the General Offer. Whilst the maximum number of Shares able to be allocated under the Employee Offer is 625,000 all calculations have been based on an assumed issue of 375,000 Shares, half of which will be issued free to Employees.

The total number of Shares to be issued under the General Offer and the Employee Offer is 3,750,000.

The minimum subscription to be raised pursuant to this Prospectus is \$2.5 million. No Shares will be issued under this Prospectus unless the minimum subscription is raised.

All Shares offered under this Prospectus rank equally with each other Share.

The Offer is not underwritten. A summary of the Sponsoring Broker Agreement is set out in Section 10.

Offer pricing

The Offer Price is \$0.80 per Share.

Company's discretion

The Company in consultation with the Broker, reserves the right not to proceed with the Offer at any time before the allocation of Shares to successful Applicants under the Offer. If the Offer does not proceed, Application Monies will be refunded in full (without interest).

General Offer

The General Offer is only open to Australian residents.

Applications to acquire Shares under the General Offer will only be accepted on the General Offer Application Form attached to or accompanying this Prospectus. The General Offer Application Form must be completed in accordance with the instructions set out on the back of the General Offer Application Form.

Completed General Offer Application Forms and Application Monies must be returned by the General Offer Closing Date to:

Delta SBD General Offer

c/- Ord Minnett Limited
GPO Box 2613
Sydney NSW 2001

If you elect to participate in the General Offer, the Broker will act as your agent in submitting your Application Form and Application Monies to the Share Registry (which receives them on behalf of the Company). The Company, the Registry, and the Broker take no responsibility for any acts or omissions in connection with your Application, General Offer Application Form or Application Monies.

Applications in the General Offer must be for a minimum of 2,500 Shares and thereafter in multiples of 500 Shares.

Employee Offer

All Eligible Employees of Delta SBD may participate in the Employee Offer.

Eligible Employees are:

- > All permanent employees
- > Casual employees with greater than twelve months continuous service as at 8 December 2010

Eligible Employees must be employed by the Company on 8 December 2010.

Eligible Employees have been invited to apply for Shares. The allocation of Shares under the Employee Offer will be at the discretion of the Company. Any Shares not taken up under the Employee Offer by the Employee Offer Closing Date will be available for allocation under the General Offer.

The Employee Offer is only open to Australian residents who are Eligible Employees at 8 December 2010. This Offer is personal to the Eligible Employee and may not be transferred.

Applications under the Employee Offer must be for 2,500 Shares. The Eligible Employee must contribute \$1,000 and the Company will contribute an additional \$1,000 on behalf of the Eligible Employee.

Eligible Employees should seek independent advice regarding the taxation consequences of participating in the Employee Offer.

Applications to acquire Shares under the Employee Offer will only be accepted on the Employee Offer Application Form attached to or accompanying this Prospectus. The Employee Offer Application Form must be completed in accordance with the instructions set out on the back of the Employee Offer Application Form.

Completed Employee Offer Application Forms and Application Monies must be returned by the Employee Closing Date to:

Employee Offer

c/- Company Secretary
Delta SBD Limited
Suite 220, 4 Hyde Parade
Campbelltown NSW 2560

Eligible Employees with questions on how to complete the Employee Offer Application Form should contact the Company Secretary at the Campbelltown head office.

Any employees that wish to apply for additional Shares outside of the Employee Offer can apply under the General Offer.

3.4 ALLOCATION POLICY

The Company may allocate all, or a lesser number, of Shares for which an application has been made, accept a late application or decline an application. Where applications are scaled back, there may be a different application of the scale-back policy to each Applicant. The Company does not intend to scale back any individual application of \$2,000.

Where no allocation is made to a particular Applicant or the number of Shares allocated is less than the number applied for by an Applicant, surplus Application Monies will be returned to that Applicant. No interest will be paid on refunded Application Monies. Any interest earned on Application Monies is the property of the Company.

Successful Applicants will be notified in writing of the number of Shares allocated to them as soon as possible after the General Offer Closing Date. It is the responsibility of Applicants to confirm the number of Shares allocated to them prior to trading in Shares. Applicants who sell Shares before they receive notice of the Shares allocated to them do so at their own risk.

If the Company's application for admission to the ASX is denied, or for any reason this Offer does not proceed, all Application Monies will be refunded in full without interest.

3.5 ASX LISTING

An application will be made to the ASX not later than seven days after the date of this Prospectus for the Company to be admitted to the ASX, and for official quotation of the Shares. Acceptance of the application by the ASX is not a representation by the ASX about the merits of the Company or the Shares. Official quotation of Shares, if granted, will commence as soon as practicable after the issue of initial shareholding statements to successful Applicants.

It is expected that trading of the Shares on the ASX will commence in late December 2010.

If permission is not granted for official quotation of the Shares on the ASX within three months of the date of this Prospectus, all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

3.6 CHESS

The Company will apply for the Shares to participate in CHESS. Applicants who are issued Shares under this Offer will receive shareholding statements in lieu of share certificates. The shareholding statement will provide details of the Shareholder's Holder Identification Number (HIN) (in the case of a holding on the CHESS sub-register) or Shareholder Reference Number (SRN) (in the case of a holding on the issuer sponsored sub-register).

In future Shareholders need to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Share Registry. Further statements will be provided to Shareholders showing changes in their shareholding during a particular month. Additional statements may be requested at any time, although the Company reserves the right to charge a fee.

3.7 WITHDRAWAL

The Company reserves the right to withdraw the Offer, at any time before the allotment of Shares. If the Offer does not proceed, Application Monies will be refunded in full. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

3.8 TAXATION CONSIDERATIONS

The taxation consequences of an investment in the Company will depend upon the investor's particular circumstances. Investors should make their own enquiries about the taxation consequences of an investment in the Company. If you are in doubt you should consult your accountant, stockbroker, lawyer or other professional advisor.

3.9 FOREIGN SELLING RESTRICTIONS

No action has been taken to register or qualify the Shares or the Offer in any jurisdiction outside Australia, or otherwise to permit a public offering of the Shares outside Australia.

This Prospectus does not constitute an Offer or invitation in any jurisdiction where, or to any person to whom, such an Offer or invitation would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Each Applicant warrants and represents that:

- > the Applicant is an Australian citizen or resident in Australia, is located in Australia at the time of the application and is not acting for the account or benefit of any person in the United States or any other foreign person
- > the Applicant will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or to a United States person, except in transactions exempt from registration under the US Securities Act 1933 as amended, and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold

3.10 BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable by Applicants for Shares under the Offer.

3.11 ENQUIRIES

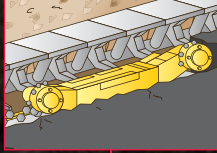
If you require assistance to complete an Application Form or require additional copies of this Prospectus, you should contact the Delta SBD Offer information line on 1300 737 760.

The Delta SBD Offer information line will be open on business days from 8.30am to 5.00pm AEDT, until the General Offer Closing Date. Investors will be able to contact the Delta SBD Offer information line to find out details of their allocations from the Allotment Date. Notices informing Applicants of the outcome of their Applications are expected to be dispatched by standard post on or about 15 December 2010. If you require advice as to whether to invest in Delta SBD, you should seek professional advice from your stockbroker, lawyer, accountant, or financial advisor.

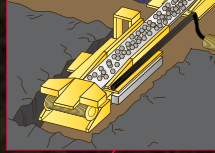
Delta SBD's Scope of Services

Typical mine layout

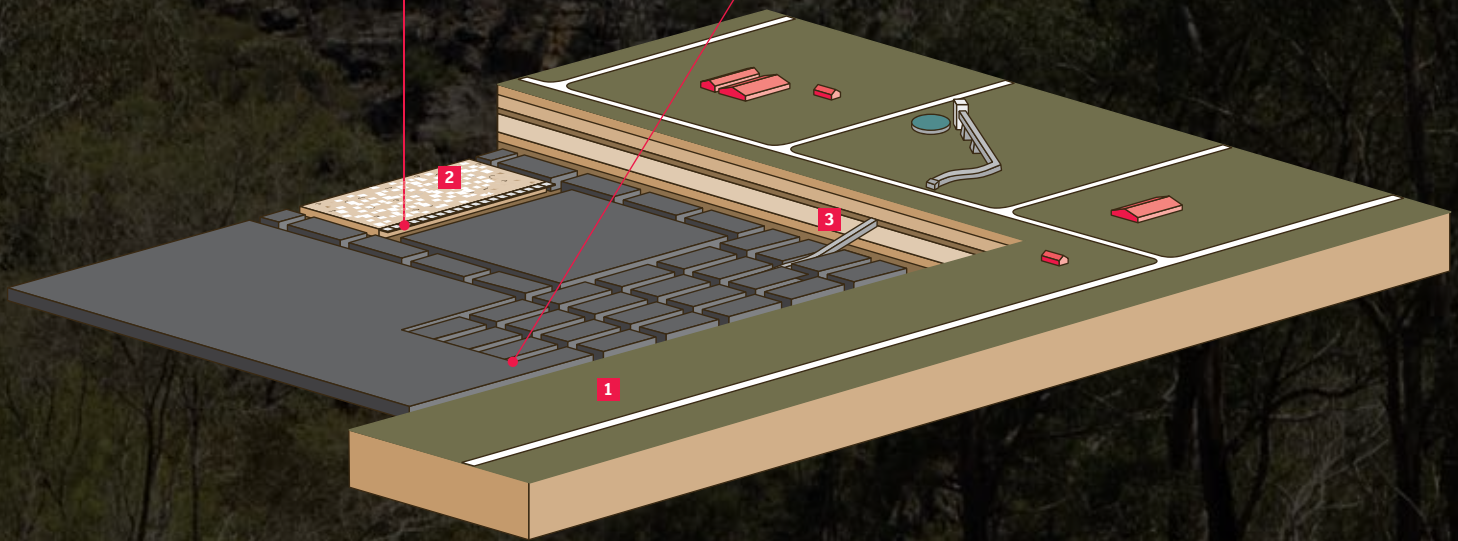
Longwall Mining Section



Continuous Mining Section



- 1 Roadway development and support
- 2 Longwall operations and support
- 3 Conveyor installations and maintenance



- › Whole mine operations
- › Longwall relocations and support
- › Roadway development
- › Conveyor installations and maintenance
- › Mine Service
 - Secondary support installation
 - Excavation
 - Ventilation device installation
 - Services/utility installation/recovery
- › Plant hire and maintenance
- › Supplementary labour

4

Industry Overview

4.1 INTRODUCTION

Delta SBD is a successful mining services business assisting resource owners in NSW and Queensland to extract black coal from underground mines.

The Company operates in the Australian black coal industry, specifically in the Illawarra and the Hunter Valley regions of NSW and the Bowen Basin in Queensland. It is also expanding operations into the existing and developing Western and Gunnedah coal fields of NSW.

The information following does not purport to be exhaustive in its description of the industry.

The global market for black coal

Global demand for both metallurgical and thermal coal grew strongly over the past five years as consumption by China and India increased significantly, while developed economies maintained or slightly increased volumes over the same period. The demand in these emerging economies increased rapidly over the period to support their infrastructure growth, which in turn stimulated significant growth in steel production and energy consumption. Consequently, demand for black coal in China and India is not being totally satisfied from domestic sources. Overall, global coal trade is expected to increase by approximately 19% between 2010 and 2015, from 986 million tonnes (mt) to 1,176 mt as represented in Figure 1.

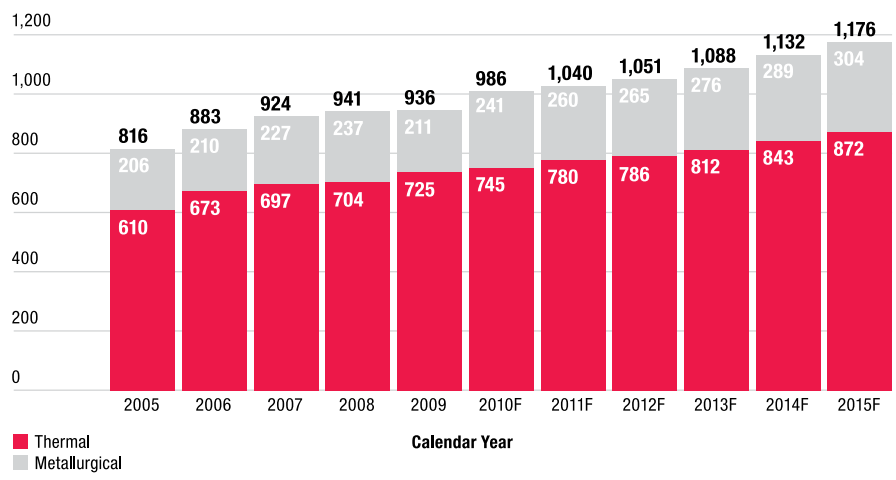
4.2 THE AUSTRALIAN BLACK COAL INDUSTRY

Mining of black coal is an important industry, creating significant employment in Australia, fuel for low-cost electricity generation and steel-making, and is a significant source of export revenue. Australia is currently the world's biggest exporter of seaborne coal. Black coal is Australia's largest export, worth more than \$A50 billion in 2008-09 according to the Australian Coal Association.

There are two types of black coal:

- > Metallurgical coal – used principally in steel production
- > Thermal coal – used principally in energy generation

Fig 1: Global Coal Import Demand (million tonnes) – 2005 to 2015



Source: ABARE, Australian Commodity Statistics 2009, Australian Commodities March 2010, Australian Commodities September 2010.

Australia's position in the global coal export market

Australia is the world's fourth largest coal producer behind China, the United States and India, and the world's largest exporter of seaborne coal. Figures 2 and 3 indicate that in calendar year 2010, Australia will account for approximately:

- > 67 percent of world metallurgical coal trade
- > 20 percent of world thermal coal trade

Fig 2: % Metallurgical Coal 2010 Forecasts

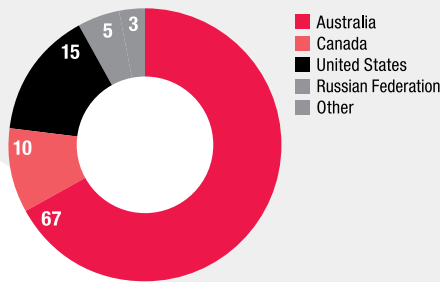
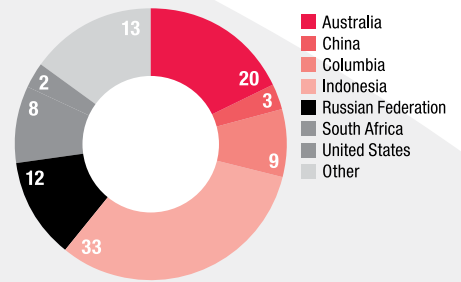


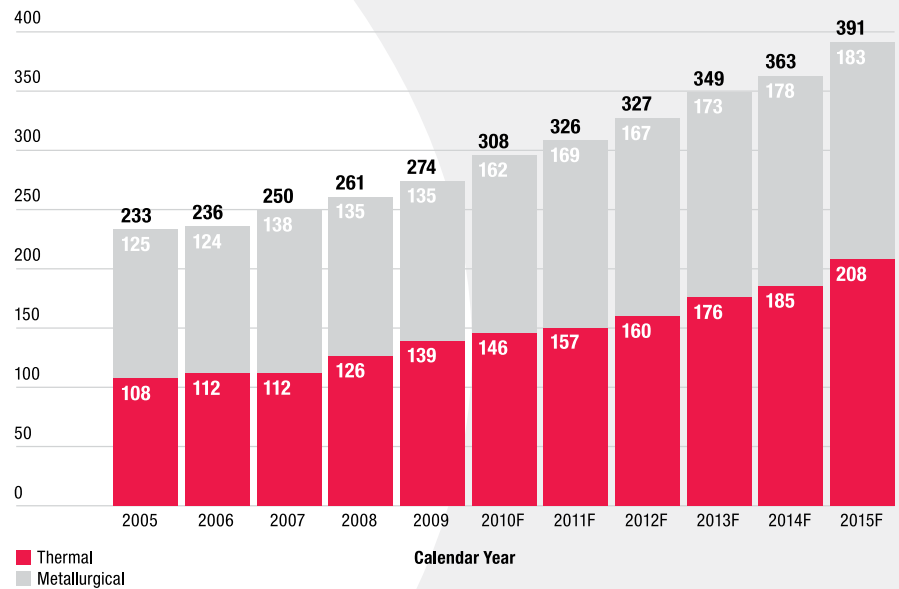
Fig 3: % Thermal Coal 2010 Forecasts



Source: ABARE, Australian Commodities September 2010.

Exports of both metallurgical and thermal coal from Australia are expected to grow significantly from 2010 to 2015 as illustrated in Figure 4. The main driver for this expected growth is the increasing coal demand from the developing economies of China and India. Industry observers forecast 13% growth in metallurgical coal exports from Australia and 42% growth in thermal coal exports over that period.

Fig 4: Australian Coal Exports (million tonnes) – 2005 to 2015



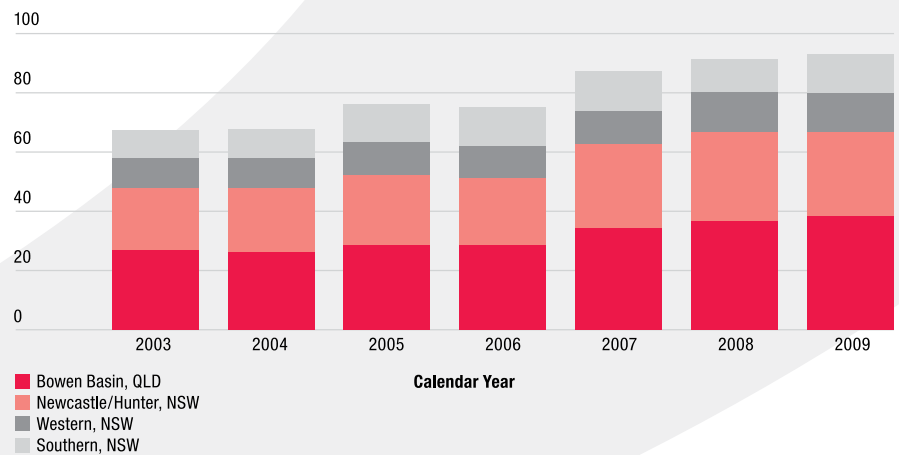
Source: ABARE, Australian Commodity Statistics 2009, Australian Commodities March 2010, Australian Commodities September 2010.

Underground coal production in Australia

In Australia, roughly one quarter of black coal is produced from underground coal mines. The majority of Australia's export black coal production is from NSW and Queensland.

Figure 5 summarises the underground raw coal production from longwall mines in calendar years 2003 to 2009 across the various coal producing regions in Australia.

Fig 5: Longwall Mines Raw Coal Production (million tonnes)



Source: Coal Services Pty Ltd

4.3 AUSTRALIAN UNDERGROUND COAL PRODUCERS

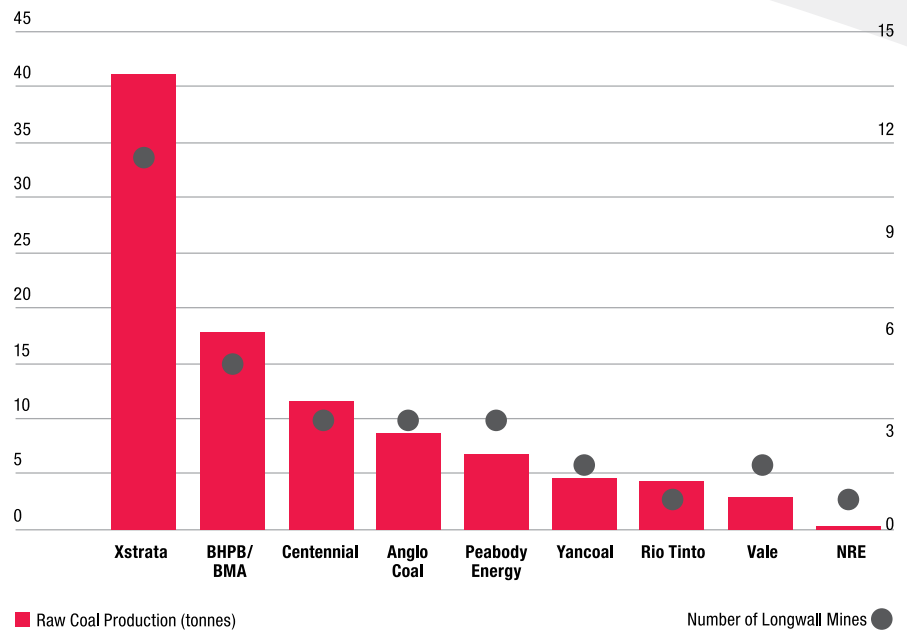
There are currently 31 underground longwall mines producing 98mt of raw coal in CY2009 which represents just under 25% of total coal production in Australia for calendar year 2009. These mines have 34 longwalls in operation with 20 in NSW and 14 in Queensland.

The major Australian underground coal producers include:

- > Xstrata
- > BHP Billiton and Billiton Mitsubishi Alliance
- > Centennial
- > Anglo Coal
- > Peabody Energy
- > Yancoal
- > Rio Tinto

The production output of these miners and the number of mines for calendar year 2009 is summarised in figure 6.

Fig 6: Longwall Production & Mines – CY2009 (million tonnes)



Source: Coal Services Pty Ltd

Expansion of Australian underground coal production

Underground coal production is likely to increase by expansion of existing mines, proposed new mines and mines currently under construction. The likely capacity increase is illustrated in figure 7.

4.4 KEY INDUSTRY DRIVERS

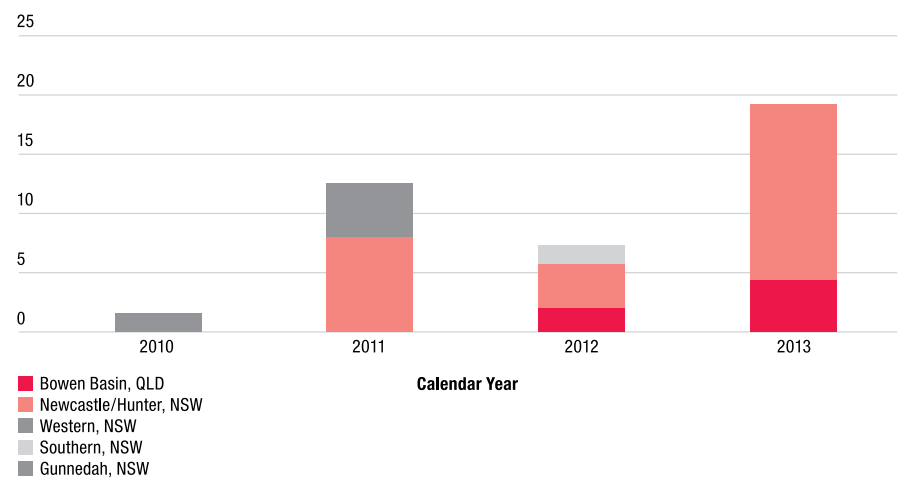
Delta SBD specialises in providing mining services that assist in extracting coal in underground mines and is a leader in longwall relocation services.

The key drivers of demand for contract mining services are:

- > Expected increase in underground mine production output
- > Expansion of existing mines
- > Development of new mines
- > Demand for specialist services
- > Shortage of skilled labour
- > Shortage of specialised underground mining equipment
- > Mine operators preference for outsourcing

The decision to outsource is influenced by factors such as operating costs, complexity of the mining operation and the life of the mine. By utilising contractors a mine operator can access operational management expertise, capital equipment and skilled labour resources, whilst maintaining flexibility.

Fig 7: New Underground Coal Projects Incremental Capacity (million tonnes)



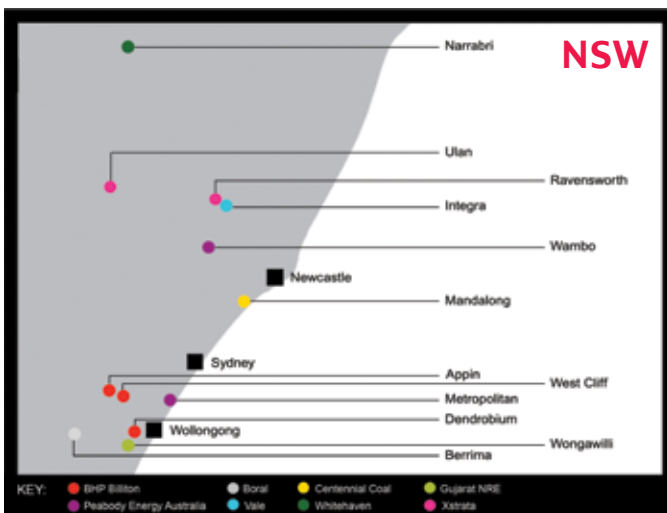
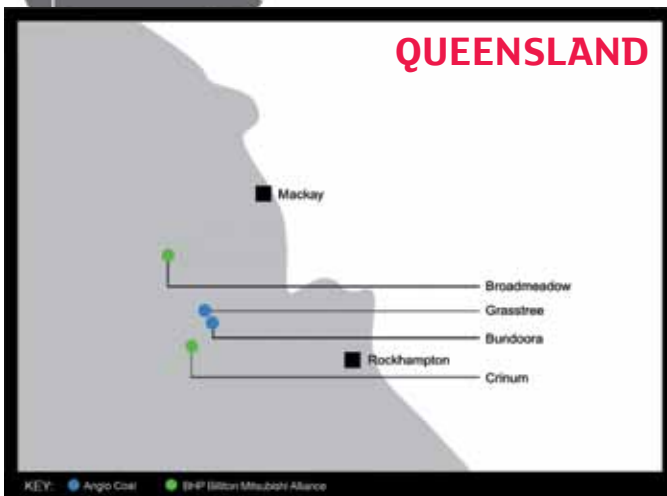
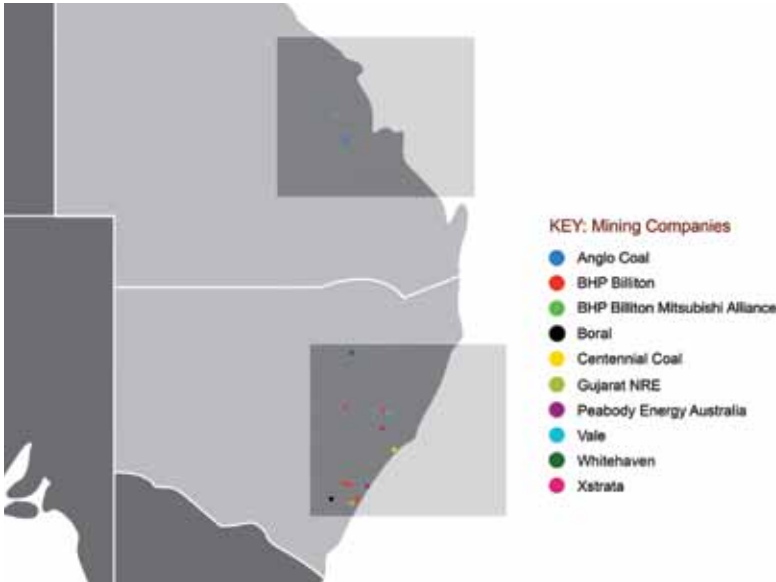
Source: ABARE major minerals and energy projects



Strong expertise in
underground coal
mining services with
specialised equipment
and skilled personnel

5

Delta SBD The Business



This section contains an overview of Delta SBD's business, encompassing its history, growth strategy, business model and key clients.

5.1 HISTORY AND BACKGROUND

Delta SBD Limited was formed in October 2007 from the merger of two underground coal mining services companies, Delta Mining Pty Ltd and SBD Services Pty Ltd. The merger brought together the two businesses with a diverse range of contracting services, equipment and skills in the underground coal industry in NSW and Queensland. The merger has capitalised on the synergies associated with integrating the two businesses.

The businesses forming Delta SBD each have a successful history dating back to the late 1990's. Today, Delta SBD has a strong track record of improved safety performance and increased profits each year since the merger. Delta SBD seeks to build on this growth platform by striving for continuous improvement of existing services as well as expanding the breadth of services offered to clients.

5.2 OPERATIONS

Delta SBD provides mining services to the domestic underground coal industry. It provides a diverse range of services, equipment and skills to clients. These clients include the top tier mining companies.

Delta SBD is responsive to clients' needs and seeks to assist them in achieving their safety and production targets by providing mining services based on industry best practice.

Delta SBD is currently servicing the Illawarra and Hunter Valley Regions of NSW and the Bowen Basin in Queensland. It is also expanding operations into the developing Western and Gunnedah coalfields of NSW. A summary of the distribution of the mines and associated longwalls at which Delta SBD has provided services is set out in the adjoining maps.

Our services

Delta SBD has a proven track record for delivering a wide variety of services including:

Whole of mine operation	<p>Services include</p> <ul style="list-style-type: none"> > Underground mine roadway development and extraction of coal > All management, statutory personnel, supervisors, competent operators and trades > All necessary statutory approvals associated with the operations of the mine > Maintenance of all mine infrastructure and equipment > Supply of fit for purpose equipment
Development of underground roadways	<p>Services include</p> <ul style="list-style-type: none"> > Driveage and support of underground roadways > Project management, statutory personnel, supervisors, competent operators and trades > Maintenance of production and support equipment > Conveyor and services extensions > Supply of fit for purpose equipment
Longwall installations and relocations	<p>Services include</p> <ul style="list-style-type: none"> > Roadway preparation and transport, installation and recovery of longwall coal extraction system > Project management, statutory personnel, supervisors, competent operators and trades > Supply of fit for purpose specialised heavy lift equipment > Maintenance of heavy lift and transportation equipment
Longwall operational support	<p>Services include</p> <ul style="list-style-type: none"> > Installation of roadway support and retraction of utility services associated with the longwall coal extraction system > Project management, supervisors, competent operators and trades > Supply of fit for purpose equipment
Conveyor installations	<p>Services include</p> <ul style="list-style-type: none"> > Civil works to prepare underground roadways for conveyor system installation and installation of conveyor system > Project management, supervisors, competent operators and trades > Specialised heavy lift fit for purpose equipment > Maintenance of heavy lift equipment
General mining services	<p>Services include</p> <ul style="list-style-type: none"> > Installation of roadway supports and ventilation devices > Drill and blast excavations > Service extensions/retractions (utilities) > Project management, supervisors, competent operators and trades > Supplementary contract labour > Supply of fit for purpose equipment

Business structure

Delta SBD is structured over four geographic divisions and an equipment focused division. The operational performance of these divisions is the responsibility of regional based General Managers.

All General Managers report to the Chief Operating Officer. The General Managers are responsible for delivering the mid to long term organic growth initiatives below.

Delta SBD employs more than 340 valued personnel. Refer to Section 6 for further details.

5.3 STRATEGY FOR EXCELLENCE

Delta SBD's strategy is to deliver safe, quality and cost effective services in a timely manner by demonstrating:

- > An overriding commitment to safety and compliance
- > An ability to hire and retain experienced and skilled personnel
- > Value adding for clients and tailored pricing
- > Extensive industry experience
- > An ability to integrate client's operations smoothly to minimise disruptions
- > Solid industrial relations track record
- > Transparent client communications through quality administration systems

Growth initiatives and operational goals

Delta SBD's operational goals and strategy to achieve the goals are shown in the table below.

Goal	Strategy
To be an employer of choice for underground coal mining	<p>To be an employer of choice Delta SBD aims to:</p> <ul style="list-style-type: none"> > Recruit people who display a work ethic which aligns with the Company's core values > Be an employer who is a recognised leader in safety > Be an employer who provides training, skills and promotional opportunities to its employees > Reward employees appropriately to reflect their position in the Company
Continuously improve safety performance	<p>To maintain continuous improvement in safety performance Delta SBD will:</p> <ul style="list-style-type: none"> > Continue to induct and train employees in risk assessment, hazard identification, safe work methods and incident investigation > Maintain alignment with client's mine safety systems > Continue risk assessment of processes and equipment > Continue proactive safety initiatives (leading indicators) > Implement additional proactive safety measures > Monitor and audit the effectiveness of the Company's safety systems

Maintain current client base and work scope	<p>The Company will:</p> <ul style="list-style-type: none"> > Be pro active in managing the safety of Company employees, mine site personnel and operations > Work with clients to identify opportunities to improve the mine operations and value add to the client > Be responsive to clients' needs in a timely manner > Work with clients' to meet performance expectations > Provide competent and effective personnel > Provide equipment that is fit for purpose
Increase size and utilisation of the Longwall Fleet Business Unit	<p>The Company will:</p> <ul style="list-style-type: none"> > Market the improved performance and <i>fit for purpose capability</i> of the existing longwall fleet > Market the recently purchased Bucyrus hire fleet equipment > Explore the purchase of additional equipment to expand the longwall fleet size and versatility
Expand the NSW South Business Units	<p>The Company will aim to:</p> <ul style="list-style-type: none"> > Maximise the operational performance of the Berrima whole of mine operation > Complete the introduction of the third underground roadway development unit at Appin Colliery > Introduce a diesel/electric hydraulic twin boom drill jumbo rig
Continue growth in the North, West and Gunnedah Business Unit in NSW	<p>The Company will aim to:</p> <ul style="list-style-type: none"> > Build on the success of longwall relocation projects to broaden the client base and work scope > Enhance opportunities for longwall fleet utilisation
Expand the customer base and work scope for the Queensland Business Unit	<p>The Company will aim to:</p> <ul style="list-style-type: none"> > Build on the success of longwall relocation projects to broaden the client base and work scope > Enhance opportunities for longwall fleet utilisation
Grow the Company by merger and/or acquisition	<p>The Company will:</p> <ul style="list-style-type: none"> > Evaluate merger and/or acquisition opportunities

Delta SBD's profit is derived from a diverse range of services and pricing structures as set out in Figures 8 and 9 below.

The key services provided to clients during FY2010 by revenue were:

- > Mining services – 33%
- > Complete mine services – 22%
- > Longwall moves – 16%
- > Roadway development – 12%

The pricing structures provided to clients during FY2010 by revenue were:

- > Day rates– 48% (schedule of rates per hour worked)
- > Cost plus performance margin – 34% (actual costs plus a variable percentage of margin based on key performance indicators)
- > Fixed price – 18% (a set price level for services and activities per unit of measure)

Fig 8: % Range of Services by Revenue FY2010

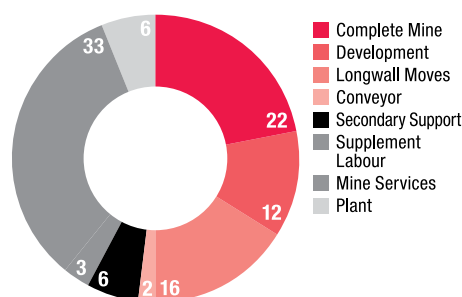
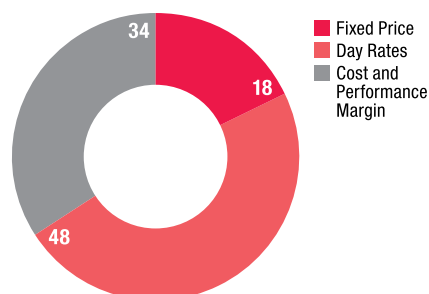


Fig 9: % Pricing Structure by Revenue FY2010



5.4 BUSINESS MODEL

Delta SBD generates profit by providing mining services to the domestic underground coal industry, including:

- > Whole of mine management and operations
- > Underground roadway development
- > Longwall installations and relocations, including supply of fit for purpose equipment
- > Other specialist underground mining services

Competitive advantage

Delta SBD's competitive advantages include the following:

- > Proven total mine operations capability
- > Management supervision, skilled labour and specialised fit for purpose diesel fleet and equipment for longwall relocation
- > Proven pillar extraction capability

Clients and key contracts

Delta SBD works with a range of clients including those below which is a summary of Delta SBD's current clients:

Mining house	Client	Mine Site	Scope of work	Start date	Contract term	The Company's length of time at mine (years)	Projected remaining mine life (years)
BHP Billiton	Endeavour Coal Pty Ltd	Appin	Development Drivage Contract	June 2007	June 2011 with yearly renewals	+10	+20
BHP Billiton	Illawarra Coal Holdings Pty Ltd	Appin	Development Drivage Contract Area 9	Sept 2010	1 year with option for additional 1 plus 1	+10	+20
Boral	Boral Limited	Berrima	Whole of Mine operations	Sept 2009 (under a term sheet)	5 years from July 2010	+1	+20
BHP Billiton	Endeavour Coal Pty Ltd	Appin	Secondary Support Contract	May 2010	April 2012 with option for Appin to extend	+10	+20
BHP Billiton	Illawarra Coal Holdings Pty Ltd	Appin	Supplementary labour	2007	The contract continues until terminated	+10	+20
BMA	BM Alliance Coal Operations Pty Ltd	Broadmeadow	3 Longwall moves	July 2011	October 2012	+5	+20
Peabody Energy	Wambo Coal Pty Ltd	Wambo Coal	Longwall Moves	October 2010	2 years after first purchase order (Est Dec 2010)	+1	+15
Peabody Energy	Metropolitan Coal Pty Ltd	Metropolitan	Secondary support	July 2003	June 2011 with yearly renewals	+7	+20

Delta SBD is in the process of finalising additional substantial contracts that are not included in the above table.

Fit for purpose equipment

The nature and quality of equipment is paramount to a successful service company. Delta SBD's relatively new fleet, with an average age of less than five years, includes the following quality equipment:

Equipment	Quantity
Bucyrus FBL55	1
Bucyrus MH40	2
Bucyrus FBL15	4
Bucyrus FBL10	12
Bucyrus 50t Chock Trailers	11
Bucyrus 30MB3 Continuous Miner	1
Electro-hydraulic tracked boom drill rig	6
Diesel-electric hydraulic twin boom drill rig (jumbo)	1
Driftrunner	6

Delta SBD is distinguished in the equipment hire field through:

- > Proven "wet hire" capability
- > Up to date machinery which is large in capacity and designed specifically for recent and future longwall systems

5.5 INDUSTRY PARTICIPANTS

The competitive environment for mining services is not only price driven but also dependent on the quality of services provided, the operational and safety track record of the contractor, the reputation of the contractor and capacity to provide the required services.

The key barriers to entry are the capital required to establish an operating base underpinned by large scale plant and equipment and obtaining the necessary experienced personnel and quality systems.

Large participants in the mining services industry include:

- > WDS Limited
- > Mastermyne Group Limited
- > UGM Australia Pty Limited
- > BIS Industries Limited

5.6 OUR PEOPLE

Delta SBD is led by a corporate management team with significant industry experience and outstanding strategic planning and project management capabilities. Delta SBD has a reputation for integrity, excellence and innovation.

Delta SBD's employment arrangements enable key managers, supervisors and operators to be retained on a permanent basis, making them available to clients even on short notice. Delta SBD has project managers and supervisors that have excellent technical skills and participate in the day-to-day supervision and running of our projects. They inspect all work areas on a regular basis and provide direct advice and practical participation as required.

Delta SBD's reputation allows the Company to attract some of the most talented people in the industry and its size allows the Company to draw on an extensive range of skills and experience. Delta SBD employs more than 340 valued personnel.

Safety

Delta SBD employs a proactive approach to safety. The Board and Management believe that all incidents can be prevented and the Company strives for zero harm and is targeting a 25 percent improvement against key benchmarks in Delta SBD's overall safety performance each year.

Delta SBD is focused on ensuring its employees and its clients have a safe working environment. It does this through the following proactive measures:

- > Undertaking formal risk assessments
- > Reviewing risk assessments with clients and determining an agreed approach to the services it provides
- > Preparing job procedures and scheduling to reflect the agreed approach
- > Being prepared to stop work where systems or equipment may compromise safety
- > Providing on site managers and supervisors having safety as top priority
- > Having senior management review the safety at each site on a monthly basis

Further, the Delta SBD Health, Safety & Compliance Management Plan (HSCMP) requires that:

- > All Delta SBD personnel undertake a Delta SBD induction at the commencement of their employment (a key part of this induction focuses on safety obligations, rules and procedures, personal hazard management and detailed work hazard management)
- > An enhanced recruitment, induction and training scheme for inexperienced personnel is undertaken
- > Additional safety training is undertaken for supervisors and managers
- > Audits are undertaken to ensure compliance

Training

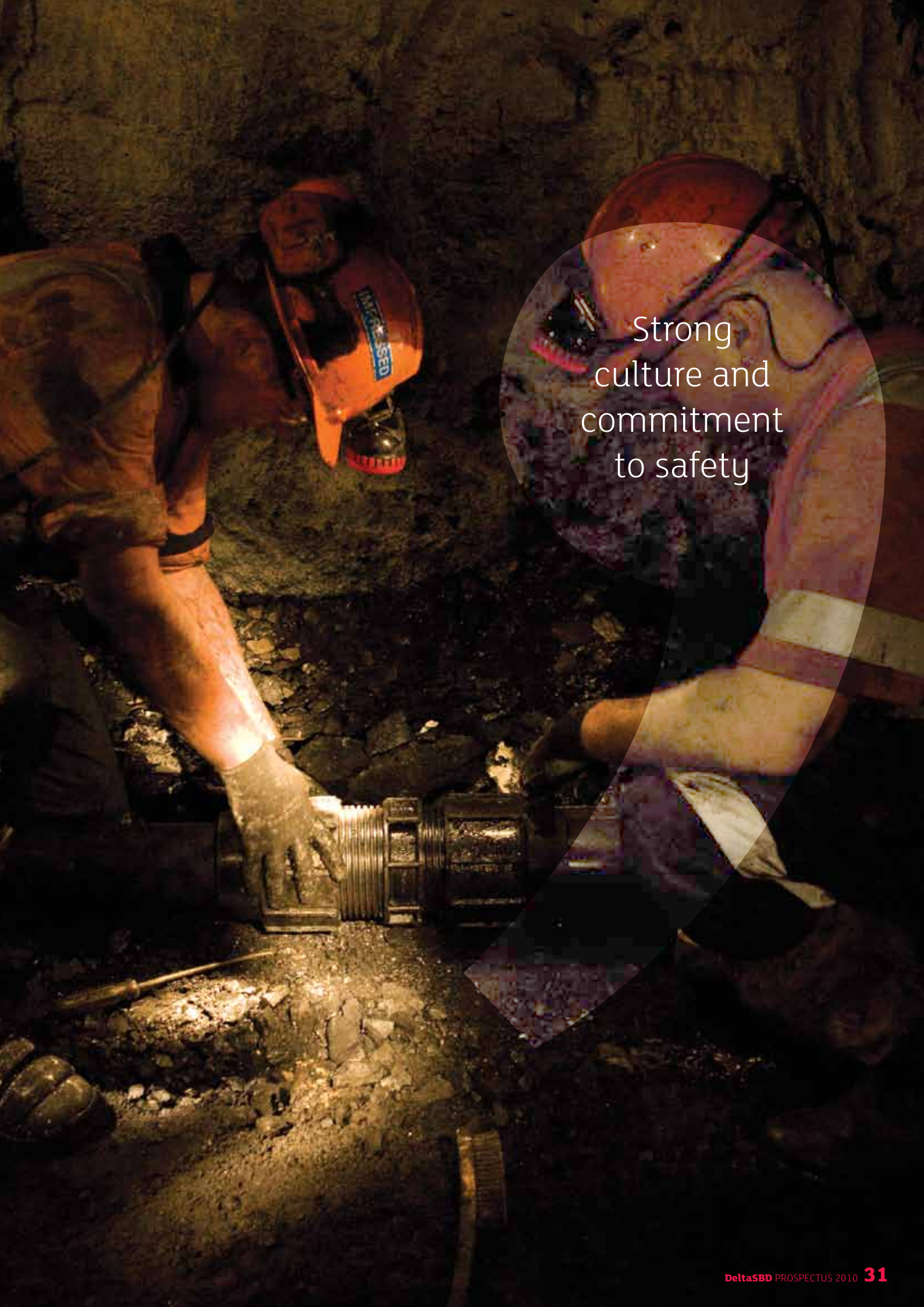
Training is an essential part of Delta SBD's business. The growth in demand for Australian coal has, over the last 5 years, seen many new people look to the industry for employment. In partnership with a registered training organisation, Delta SBD trains new employees to become competent coal industry employees by:

- > Introducing new inexperienced employees to the underground coal mining industry in a structured manner, in line with the Australian Black Coal Competencies
- > Providing on the job underground training under the constant supervision of experienced personnel
- > Making available training packages for both the Certificate II and the Certificate III for underground coal mining (experienced mine worker)
- > Introducing a formal traineeship scheme for new starters, with over 35 employees obtaining the Certificate II competency since the start of the scheme in late 2009

5.7 REGULATORY ENVIRONMENT

The underground coal mining industry is regulated by national and state legislation governing environmental issues, occupational health and safety and industrial relations. Environmental authorities may be involved in stages of a project to ensure compliance with legislation and the effective management of pollution, waste, water use, contamination, noise and other issues which could potentially harm the environment. Occupational health and safety is regulated by various acts, regulations and standards. Clients also have specific safety requirements which are a key driver of the selection of service providers in the industry in which the Company operates.





Strong
culture and
commitment
to safety

6 Board & Management



Photo: 1. Gordon Galt (Chairman),
2. Stephen Bizzaca (Managing Director
and Chief Executive Officer),
3. Glyn Dawkins (Non Executive Director),
4. Tony De Santis (Chief Operating Officer)

6.1 BOARD OF DIRECTORS

Mr Gordon Galt Chairman

Gordon has worked in the resources and finance industries for over 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 ASX listed Aquila Resources Limited, Navigator Resources Limited and chairman of Discovery Metals Limited and NuCoal Resources Limited. He is a former Non Executive Director of Gloucester Coal Limited.

Mr Stephen Bizzaca Managing Director and Chief Executive Officer

Stephen is an electrical engineer with over 30 years experience in the underground coal and metalliferous coal mining industries.

His experience is wide ranging, including large project management, 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).

Mr Glyn Dawkins Non Executive Director

Glyn has over 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 Delta in 1998.

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.

**Mr Tony De Santis,
Executive Director and
Chief Operating Officer**

Tony has over 25 years experience in the underground coal mining industry across a wide variety of operational and management roles, in both the Southern coal fields of NSW and the Bowen Basin in Queensland.

He started as a mining engineer trainee with BHP Illawarra Coal at the Old Bulli Colliery in 1982 and worked in a number of supervisory and managerial roles within BHP Billiton's Illawarra mines, including mine manager at the Appin mine and Superintendent of the combined Appin and Tower mines.

In 2001, Tony took up the role of mine manager at Anglo Coal's Moranbah North Mine in central Queensland, before moving back to Wollongong and joining Excel Coal Limited as general manager for Helensburgh Coal in May 2002.

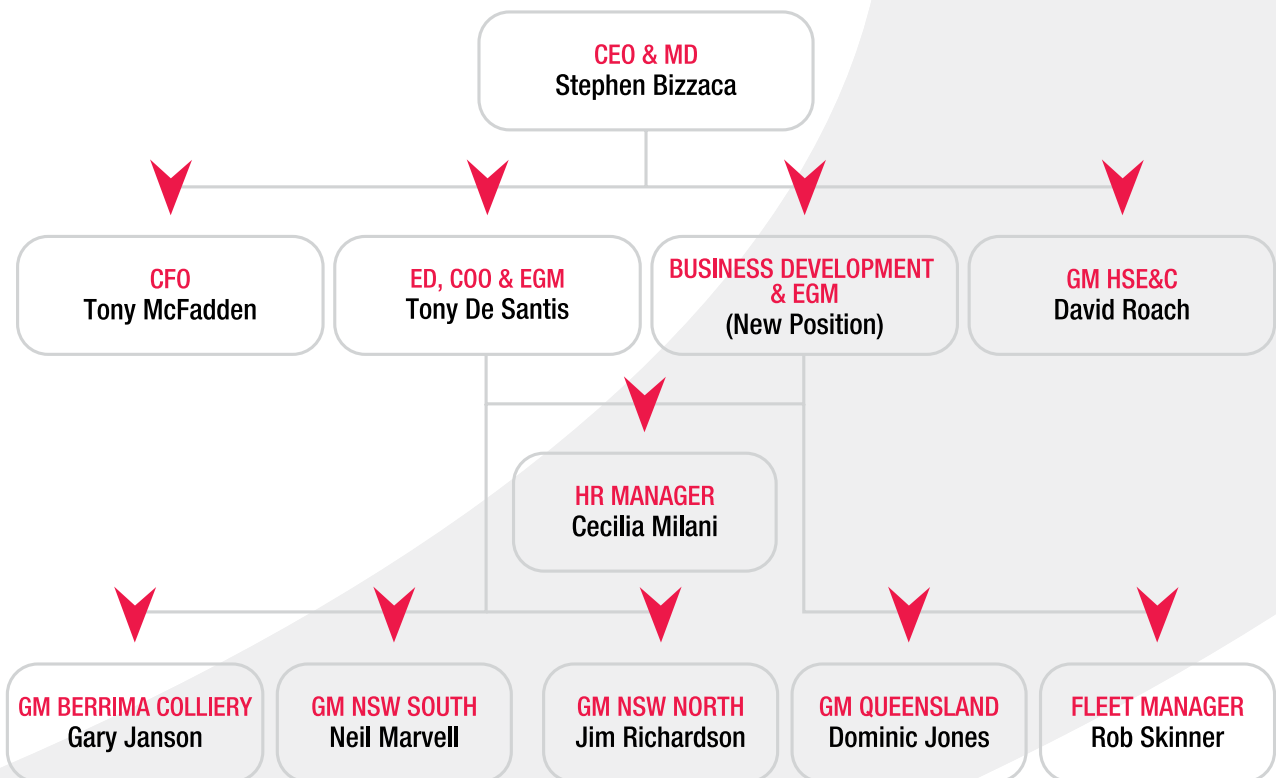
Tony joined the Company in February 2007.

Tony has a NSW First Class Certificate of Competency.

Tony is a member of the Australian Institute of Company Directors.

6.2 ORGANISATIONAL STRUCTURE

Delta SBD operates across five business units. The operational performance of these business units is the responsibility of the general managers, who report to the Executive General Managers in each State.



6.3 MANAGEMENT TEAM

Tony McFadden Chief Financial Officer and Company Secretary

Tony is a Certified Practising Accountant with more than 22 years experience in the underground coal mining industry.

He began his career in the banking industry before being employed as a senior management accountant with Clutha Ltd. He then went on to become commercial manager with Advance Coal Ltd, Sada Pty Ltd, Excel Coal Limited and more recently a commercial and business manager with Peabody Energy.

He joined Delta SBD in May 2010.

Tony is a Fellow of the Chartered Secretaries of Australia and the Taxation Institute of Australia. He has a Bachelor of Commerce from the University of Wollongong and has completed the Company Secretarial Course with the Chartered Secretaries of Australia.

David Roach General Manager – Health, Safety and Compliance

David has worked in the mining industry for more than 20 years in a variety of roles including occupational health and safety leadership, risk assessment and management and safety training.

David began his career in the mining industry in 1981 and undertook a range of mining industry roles before being appointed as a workforce safety training officer at BHP Illawarra Coal's Appin Colliery in 1995. He then went on to be safety and training manager for BHP Billiton Illawarra Coal before moving to P&O Ports as manager for safety and environment in Sydney in 2005. In 2006, he took up the position of Senior Manager for Global Safety and Environment with DP World in Dubai.

He began with Delta SBD in June 2010.

Garry Janson General Manager – Berrima Colliery

Garry has extensive experience in the underground coal mining industry.

He is an experienced manager leading teams to improve the safety and efficiency of underground coal mines.

He has extensive practical experience in both longwall and board and pillar mines in NSW and the Bowen Basin in Queensland.

Garry began his career as a mining trainee at Huntley Colliery in the Southern Coalfields of NSW and has held a wide range of positions including miner operator, deputy, undermanager, longwall coordinator, undermanager in charge and mine manager.

Garry has a First Class Certificate of Competency in NSW and a First Class Mine Managers Certificate of Competency in Queensland.

He joined Delta SBD in December 2009.

Neil Marvell General Manager – NSW South

Neil has extensive experience in the underground coal mining industry, particularly in the areas of roadway development, longwall operations and mine services.

Neil joined the Company in 2005 and was production manager for Delta Colliery and then project manager for the Appin development project. He was then promoted to general manager for NSW South.

Neil has a Bachelor of Engineering (Mining) from the University of Wollongong and a First Class Certificate of Competency in NSW.

Jim Richardson General Manager – NSW North

Jim has in excess of 25 years underground operational experience at a number of Hunter Valley operations. His experience includes place change systems, pillar extraction, continuous haulage, gate road development and longwall production and relocation.

He has worked in a variety of roles including operator, deputy, shift undermanager, undermanager in charge, development superintendent and production manager.

He joined the Company in August 2007 and was promoted to his current role as general manager for NSW North in November 2008. He is also responsible for the Western and Gunnedah regions of NSW.

He has a Second Class Certificate of Competency in NSW.

Dominic Jones General Manager – Queensland

Dominic has experience in the underground contracting environment both in hard-rock and underground coal mining.

Dominic started his mining career in South Africa.

In 1995 he founded Torrex Contracting Pty Ltd, a mining contracting company that specialised in mechanised underground metalliferous development across Southern Africa.

In 2006 Dominic relocated his family to Australia where he was employed by G&S Engineering as manager of their underground operations.

He joined the Company in October 2006.

Rob Skinner Fleet Manager

Rob leads the team in the servicing and repair of underground diesel equipment owned by the Company.

Rob's career in the mining industry began when he worked as a fitter and service representative for Specialised Mining Vehicles in Tomago NSW, before moving to DBT Australia (now Bucyrus) in the role of service engineer and project manager. In these roles, he gained experience in the manufacture, overhaul, repair and maintenance of diesel and pneumatic equipment.

Rob joined the Company in March 2008.

Cecilia Milani Human Resources Manager

Cecilia is an experienced human resources manager previously holding a position with Illawarra Technology Corporation Limited, a University of Wollongong business.

Cecilia joined the Company in August 2005.

Cecilia has a Diploma in Human Resource Management and a Bachelor of Business in Human Resource Management from Charles Sturt University.

6.4 EMPLOYEES

As at the date of this Prospectus, Delta SBD employs more than 340 valued personnel in Australia. These people are deployed across the NSW and Queensland operations.

6.5 CORPORATE GOVERNANCE

Composition of Board

Delta SBD acknowledges the importance of having independent Directors as determined by objective criteria and the important role they serve in assuring Shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. Importantly, Delta SBD is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise its financial and operational performance and maximise returns to all Shareholders.

The Company has two Non-Executive Directors, Mr Dawkins and Mr Galt. The Company considers Mr Galt as independent, notwithstanding his role as a principal of New Holland Capital Pty Limited which has been paid for professional services and which will, at the Quotation Date hold Options and Shares in the Company.

Responsibility of the Board

The Board is responsible for the overall corporate governance of Delta SBD. In particular, the Board:

- > Promotes ethical and responsible decision-making
- > Ensures compliance with the Australian Corporations Act, Accounting Standards, ASX Listing Rules and all other appropriate laws
- > Ensures compliance with statutory OH&S, mining and environmental regulations
- > Sets and reviews strategic direction and approves the annual operating budget
- > Establishes goals for management and monitors the achievement of these goals
- > Monitors the operating and financial performance of Delta SBD
- > Monitors the performance of the Board committees, Chief Executive Officer, Directors and management, ensuring a clear link between performance and remuneration
- > Ensures that an appropriate overall framework of internal control is in place to facilitate efficient decision-making and monitor business risk
- > Ensures that capital markets and Shareholders are fully informed of material developments through effective compliance with continuous disclosure best practice
- > Recognises the legitimate interests of all stakeholders

The Board plans to meet up to ten times a year as part of a regular reporting cycle and otherwise as required. In addition, the Board plans to meet annually with senior management to discuss and set future strategy.

Full Board papers are prepared and circulated to Directors in advance of each meeting to ensure that Directors are made aware of current and forthcoming issues relevant to Delta SBD's operations, safety and financial performance. These papers will include monthly and year-to-date performance summaries. A comparison against budget and regularly revised forecasts will be provided.

Corporate Governance Charter

The Board intends to adopt a Corporate Governance Charter.

Board Committees

The Board Committees include:

- > Audit and Compliance Committee
- > Risk Committee
- > Remuneration Committee

	Audit and Compliance Committee	Risk Committee	Remuneration Committee
Chairman of the Committee	Geoff Garside	Andrew Amer	Glyn Dawkins
Non Executive Director	Gordon Galt	Gordon Galt	Gordon Galt
Independent Advisors	Andrew Amer	Geoff Garside	Geoff Garside
Senior Executives (invitees only)	Stephen Bizzaca (CEO) Tony McFadden (CFO)	Stephen Bizzaca (CEO) Tony McFadden (CFO) David Roach (GM, HSE&C)	Stephen Bizzaca (CEO) Tony McFadden (CFO)

Geoff Garside and Andrew Amer are appropriately qualified independent advisors to the Company and also former Directors.

Membership of each of the Audit and Compliance, Risk and Remuneration Committees comprise Non-Executive Directors and consultants to the Company.

The Board does not believe a separate Nominations Committee serves any useful purpose and is inconsistent with Delta SBD's current size and status. Responsibilities normally associated with such a committee in larger organisations remain with the Board.

These responsibilities include:

- > reviewing the performance of the Board and its committees
- > periodically reviewing the composition of the Board to maintain an appropriate mix of qualifications, skills and experience consistent with Delta SBD's needs and strategic direction

Audit and Compliance Committee

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

- > External financial reporting – ensuing review of all statutory financial statements
- > Accounting policy development and application
- > Compliance – in accordance with statutory requirements
- > Risk management (non occupational health and safety) – in accordance with normal business requirements with a particular focus on non operating matters.
- > Internal audit – development of an internal audit plan and evaluation and performance review and remuneration
- > External audit – assessment of approach and evaluation of performance and remuneration
- > Budget review – ensure underlying assumptions are realistic and are applied

- > Receive and review responses to code of ethics and value complaints – from clients, employees and external service providers

The Company meets these objectives by providing a formal forum for communication between the Board, management, and the external auditor.

The Board and the Audit and Compliance Committee will review the performance of and monitor the independence of the external auditor on an annual basis.

The Audit and Compliance Committee will meet with management, with and without the auditor being present, and also with the auditor without management being present.

It is proposed that representatives of Delta SBD's auditor will attend Shareholder meetings and make themselves available to answer Shareholders' questions about the conduct of the audit, the preparation and content of the financial statements and their audit report.

Risk Committee

The role of the Risk Committee is to support and advise the Board of Delta SBD to meet its responsibilities and objectives in relation to health, safety and environment related 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 to have a health, safety and environment policy, clearly setting out the commitments of the Company to manage health, safety and environment related matters effectively
- > Monitoring the performance of the Company with respect to the implementation of an health, safety and environment management system designed to ensure the commitments made in the policy are being met and that health, safety and environment related risks are being assessed, eliminated, avoided or controlled
- > Reviewing investigations of significant safety health, safety and environment incidents within the Company and considering appropriate actions and measures to minimize the risk of recurrence

The Committee meets these objectives by providing a formal forum for communication between the Board, management and employees.

Remuneration Committee

The Remuneration Committee has responsibility for the following:

- > Reviewing and evaluating market practices and trends in relation to remuneration relevant to the Company
- > Reviewing and making recommendations to the Board in relation to the Company's remuneration policies
- > Reviewing and making recommendations to the Board in relation to the Company's remuneration practices of senior management
- > Reviewing and making recommendations to the Board in relation to the remuneration of the CEO, COO and CFO and other members of senior management and of Non-Executive Directors
- > Preparing for the Board any report that may be required under applicable legal or regulatory requirements in relation to remuneration matters

Remuneration includes not only monetary payments (salary and wages) but all other monetary and non-monetary emoluments and benefits including:

- > Fringe benefits
- > Directors' and officers' and other insurance arrangements
- > Retirement benefits
- > Superannuation
- > Equity participation, and other incentive programs

In each case in the context of general market and industry practice (so far as directly relevant benchmarks can be identified for comparative purposes) and the need to attract and retain high-calibre personnel.

The Board undertakes an annual review of its performance and the performance of its Committees. Whilst performance related bonuses will be available to executives, they are not payable to Non-Executive Directors.

Conflict of interest

In accordance with the Corporations Act and the Company's constitution, Directors must keep the Board advised of any interest that could potentially conflict with those of the Company.

In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members.

Independent professional advice

Each Director has the right, subject to prior consultation with the Chairman, to seek independent professional advice at the Company's expense if such advice is essential to the proper discharge of the Director's duties. The Chairman may notify other Directors of the approach with any resulting advice being made available to all other Board members.

Composition of the Board

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

- > The Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Company and its business
- > There must be at least three Directors
- > 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
- > The Chairman must be a Non-Executive Director
- > 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
- > The ultimate long term objective of the Board is that at least half of the Board should be Non-Executive Directors. This will occur where possible, however subject to the size and nature of the Company from time to time

Code of Ethics and Values

All personnel (including Directors) 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.

Share trading policy

The Company intends to adopt a policy that restricts the time periods and circumstances in which Directors and certain/some employees can buy and sell shares in the Company.

Further, in accordance with the provisions of the Corporations Act and the Listing Rules, Directors must advise the ASX, through the Company, of any transactions conducted by them in Shares in the Company.

Continuous disclosure policy

The Company has in place a policy regarding "continuous disclosure" which is consistent with the Listing Rules. The Board ensures that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the continuous disclosure requirements of the Listing Rules. All documents that are released to the ASX are made available on the Company's website at www.deltasbd.com.au and on the ASX website www.asx.com.au.

This policy has been developed to give all investors equal opportunity to access all material information on a timely basis. The policy and associated procedures are designed to ensure that all material information is presented in a balanced, factual and clear manner.

Shareholder rights and communication

The Company recognises the importance of Shareholder meetings and Shareholders are encouraged to attend the meetings and exercise their rights. Those who are unable to attend may access the information via the Company's website at www.deltasbd.com.au. These meetings include addresses from the Chairman and time is allowed for Shareholder questions. Further, the Company's external auditor may attend the meetings to answer Shareholder questions.

All Shareholder communications, including important presentations by the Company, are made available on the Company's website www.deltasbd.com.au.

Performance evaluation

The Company will monitor and evaluate the performance of its Board, Board committees, individual Directors and key executives in order to fairly review and actively encourage enhanced Board and management effectiveness.



More than
10 years
of profitable
operating history

7

Financial Information



7.1 OVERVIEW

This section contains a summary of the following Historical and Pro forma financial information of Delta SBD (collectively, the "Financial Information"):

- > Income Statement for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 as extracted from the audited financial statements ("Historical Income Statements") and Balance Sheet as at 30 June 2009 and 30 June 2010 as extracted from the audited financial statements ("Historical Balance Sheets"), collectively known as "Historical Financial Information"
- > Pro forma Income Statement for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 whereby the Historical Income Statement has been adjusted for certain Pro forma transactions ("Pro forma Income Statements"), and Pro forma Balance Sheet as at 30 June 2010 whereby the 30 June 2010 Historical Balance Sheet has been adjusted for certain Pro forma transactions ("Pro forma Balance Sheet"), collectively known as "Pro forma Financial Information"
- > Cash Flows for the years ended 30 June 2009 and 30 June 2010 as extracted from the audited financial statements

This Financial Information should be read in conjunction with Delta SBD's accounting policies and notes to the financial statements which have been set out later in this section. These accounting policies and notes have been extracted from the audited financial statements. The Financial Information in this section should also be read in conjunction with the risk factors set out in Section 9 and other information contained in this Prospectus.

The Directors have appointed KPMG Transaction Services (Australia) Pty Limited (**KPMG Transaction Services**) as the Investigating Accountant in relation to the Pro forma Income Statements and Pro forma Balance Sheet, and their report is set out in Section 8 of this Prospectus.

Basis of preparation

Historical Financial Information

Delta SBD prepares its financial statements in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Financial Information presented in this Prospectus complies with recognition and measurement criteria set out in the International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The Financial Information contained in this section is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

The Historical Income Statements and Historical Balance Sheets and the notes were audited by KPMG. KPMG issued an unqualified audit opinion on the Delta SBD financial statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010.

The Delta SBD Financial Information prepared for the year ended 30 June 2008 was only for a period of eight months as the merger of Delta Mining Pty Ltd and SBD Services Pty Ltd was effective from 27 October 2007. Prior to this date, Delta SBD did not exist. As a consequence all the Financial Information relating to the year ended 30 June 2008 as set out in this document is for a period of eight months only.

Pro forma Financial Information

In preparing the Historical Financial Information, Pro forma adjustments were made to the audited results of Delta SBD that the Directors considered appropriate to reflect the Company's current operations, proposed structure and to eliminate certain non-recurring items. The Pro forma adjustments, in the main, represent the impact of the Offer (and associated transactions) and the consequential change in capital structure of Delta SBD. The Pro forma adjustments are set out on the following pages.

7.2 HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

Historical and Pro forma Income Statements

	2008 Audited (8 months) \$	2009 Audited \$	2010 Audited \$	2010 Pro forma unaudited \$
Revenue	46,982,228	75,551,909	75,943,271	75,943,271
Employee benefits expense	(31,826,801)	(52,281,841)	(52,443,621)	(52,443,621)
Materials and consumables	(9,160,864)	(12,891,499)	(11,284,879)	(11,284,879)
Other expenses	(2,207,149)	(3,195,487)	(4,250,544)	(4,250,544)
EBITDA	3,787,414	7,183,082	7,964,227	7,964,227
Depreciation	(894,540)	(1,268,710)	(1,462,847)	(1,462,847)
Intangibles amortisation	(1,005)	(18,149)	(28,473)	(28,473)
EBIT	2,891,869	5,896,223	6,472,907	6,472,907
Finance income	144,538	161,197	68,454	68,454
Finance costs	(1,245,411)	(1,630,837)	(1,516,055)	(1,087,841)
Net finance costs	(1,100,873)	(1,469,640)	(1,447,601)	(1,019,387)
NPBT	1,790,996	4,426,583	5,025,306	5,453,520
Income tax expense	(416,851)	(1,264,655)	(441,104)	(569,568)
NPAT	1,374,145	3,161,928	4,584,202	4,883,952

Pro forma Income Statements

	Actual P&L Audited year ended June 2008 \$	Adjusted Interest Shareholder loans \$	Pro forma P&L year ended June 2008 \$	Actual P&L Audited year ended June 2009 \$	Adjusted Interest Shareholder loans \$	Pro forma P&L year ended June 2009 \$	Actual P&L Audited year ended June 2010 \$	Adjusted Interest Shareholder loans \$	Pro forma P&L year ended June 2010 \$
PROFIT AND LOSS									
Revenue	46,982,228		46,982,228	75,551,909		75,551,909	75,943,271		75,943,271
EBITDA	3,787,414		3,787,414	7,183,082		7,183,082	7,964,227		7,964,227
EBIT	2,891,869		2,891,869	5,896,223		5,896,223	6,472,907		6,472,907
NPBT	1,790,996	293,766	2,084,762	4,426,583	426,592	4,853,175	5,025,306	428,214	5,453,520
NPAT	1,374,145	205,636	1,579,781	3,161,928	298,614	3,460,542	4,584,202	299,750	4,883,952

The Pro forma Income Statements show the effect on the Historical Income Statements as extracted from the audited financial statements for the effect of Pro forma adjustments assuming the adjustments were effective since the inception of Delta SBD on 27 October 2007. As such this Pro forma information is indicative.

The Directors have made only one Pro forma adjustment to the Historical Income Statements, being the assumed after tax interest savings resulting from the assumed retirement of shareholder loans as discussed in the Pro forma Balance Sheet. The reduction in the Pro forma shareholder loans balance is a direct consequence of the Offer and additional capital raising under the recent rights issue. This Pro forma adjustment is calculated on the basis of the interest rates that were applicable in the respective years. The Directors considered this adjustment as appropriate on the basis that there is no current intention or immediate requirement to replace the retired shareholder loans by an alternative funding source post the Offer.

Management discussion and analysis of historical results

Delta SBD prides itself on its strong track record of increased profits each year since its formation through the October 2007 merger.

FY2008 compared with FY2009 (Actual, Audited results)

Drivers of revenue

Revenue for FY2009 increased by 7% on an annualised basis (Annualised FY2008 Revenue was \$70.5 million) to \$75.6 million. FY2009 revenue was characterised by two different periods, with contracts secured prior to the onset of the global financial crisis driving revenue growth. However following the global financial crisis, revenue growth slowed due to deferral of contracts and manning reductions at major contracted sites, with the largest impact occurring in Queensland in the fourth quarter of FY2009. These manning reductions also reduced the volume of ongoing contracting opportunities.

The Illawarra operations experienced significant revenue growth, especially from an increased presence at Gujarat NRE Wongawilli, where the whole of mine contract was completed during the 2009 financial year.

Hunter Valley operations performed consistently with prior year, but with growth opportunities limited by a clash in timing between the Ravensworth and West Wallsend longwall moves due to capacity constraints.

Queensland experienced good revenue growth over the year, but was impacted by a reduction in contracting opportunities in the fourth quarter.

Drivers of EBITDA

EBITDA increased by 26% on an annualised basis (Annualised FY2008 EBITDA was \$5.7 million) to \$7.2 million. This was attributed to the full integration of Delta and SBD during the period enabling non-employee based cost savings. EBITDA margins increased from 8% to 9.5% on annualised numbers.

Drivers of NPAT

NPAT increased by 53% on an annualised basis (Annualised FY2008 NPAT was \$2.1 million) to \$3.2 million. This was attributed to the lift in revenue and cost based savings as described above.

FY2009 compared with FY2010 (Actual, Audited results)

Drivers of revenue

Revenue grew to \$75.9 million during the FY2010 period. Revenue growth remained slow due to new contracts being deferred in light of the global financial crisis in 2009 and the uncertainty associated with the mining resource tax.

In September 2009 the Group commenced whole of mine operations at the Berrima coal mine in Medway NSW. To support the operation at Berrima, Delta SBD has also invested significant funds for this project to purchase a continuous miner, additional diesel equipment upgrade and ancillary equipment.

With improving demand and prices, the coal industry prospects remain positive. Structural changes in global coal markets and the rebound in global growth is driving demand for thermal and metallurgical coal.

Drivers of EBITDA

EBITDA grew 11% during the FY2010 period, driven by operational efficiencies.

Improved cost structures, customer margins and the positive impact of utilisation of our diesel fleet all contributed to enhanced EBITDA margin.

Delta SBD continued to expand and improve performance of its longwall move machinery fleet, with the addition of 2 Bucyrus FBL10 and 4 Drifrunner personnel carriers during the period.

Drivers of NPAT

NPAT increased by 45% due to improved EBITDA, lower financing costs, Research & Development initiatives and utilisation of the investment allowance during FY2010. However, while the company is continuing the same level and nature of R&D activity, the Directors view the continuation of these favourable results as dependent on proposed upcoming legislative changes to R&D tax concessions. There is a risk that the level of historical R&D concessions will not be available to the same extent in the future.

Balance Sheet Information

	2009 Audited	2010 Audited	2010 Pro forma unaudited
	\$	\$	\$
ASSETS			
Cash and cash equivalents	2,451,272	6,254,602	5,453,674
Trade and other receivables	12,372,068	10,419,861	10,419,861
Inventories	107,457	163,183	163,183
Other current assets	565,567	213,248	213,248
Current tax assets	-	289,829	289,829
Total current assets	15,496,364	17,340,723	16,539,795
Deferred tax assets	960,664	1,048,571	1,048,571
Trade and other receivables	1,352,316	1,621,111	3,337,990
Other non-current assets	176,503	352,972	-
Property, plant and equipment	10,769,633	17,257,685	17,257,685
Intangible assets	29,275,174	29,398,451	29,398,451
Total non-current assets	42,534,290	49,678,790	51,042,697
Total assets	58,030,654	67,019,513	67,582,492
LIABILITIES			
Trade and other payables	3,391,311	4,081,388	4,081,388
Loans and borrowings	2,547,501	3,208,608	3,208,608
Employee benefits	2,765,074	3,273,537	3,273,537
Current tax payable	871,833	-	-
Total current liabilities	9,575,719	10,563,533	10,563,533
Loans and borrowings	14,418,048	17,960,396	12,960,396
Employee benefits	79,747	136,711	136,711
Deferred tax liabilities	564,997	933,604	933,604
Total non-current liabilities	15,062,792	19,030,711	14,030,711
Total liabilities	24,638,511	29,594,244	24,594,244
Net assets	33,392,143	37,425,269	42,988,248
EQUITY			
Share capital	29,160,000	29,160,000	36,124,427
Reserves	227,025	375,949	500,949
Retained earnings	4,005,118	7,889,320	6,362,872
Total equity attributable to equity holders of the Company	33,392,143	37,425,269	42,988,248
Total equity	33,392,143	37,425,269	42,988,248

Pro forma adjustments to the Balance Sheet

	A	B	C	D	E	F	G	
	Audited Balance Sheet year ended 30 June 2010	Rights Issue Nov 2010	IPO Capital raising and repay Shareholder loans	Costs of IPO	Employee share trust plan July 2010	Employee Offer	Dividend Nov 2010	Pro forma Balance Sheet 30 June 2010
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Cash and cash equivalents	6,254,602		1,175,520	(750,000)		150,000	(1,376,448)	5,453,674
Trade and other receivables	10,419,861							10,419,861
Inventories	163,183							163,183
Other current assets	213,248							213,248
Current tax assets	289,829							289,829
Total current assets	17,340,723		1,175,520	(750,000)		150,000	(1,376,448)	16,539,795
Deferred tax assets	1,048,571							1,048,571
Trade and other receivables	1,621,111				1,716,879			3,337,990
Other non current assets	352,972			(352,972)				-
Property, plant and equipment	17,257,685							17,257,685
Intangible assets	29,398,451							29,398,451
Total non-current assets	49,678,790			(352,972)	1,716,879			51,042,697
Total Assets	67,019,513		1,175,520	(1,102,972)	1,716,879	150,000	(1,376,448)	67,582,492
Trade and other payables	4,081,388							4,081,388
Loans and borrowings	3,208,608							3,208,608
Employee benefits	3,273,537							3,273,537
Current tax payable	-							-
Total current liabilities	10,563,533							10,563,533
Loans and borrowings	17,960,396	(3,475,520)	(1,524,480)					12,960,396
Employee benefits	136,711							136,711
Deferred tax liabilities	933,604							933,604
Total non-current liabilities	19,030,711	(3,475,520)	(1,524,480)					14, 030,711
Total liabilities	29,594,244	(3,475,520)	(1,524,480)					24,594,244
Net assets	37,425,269	3,475,520	2,700,000	(1,102,972)	1,716,879	150,000	(1,376,448)	42,988,248
EQUITY								
Share capital	29,160,000	3,475,520	2,700,000	(1,227,972)	1,716,879	300,000		36,124,427
Reserves	375,949			125,000				500,949
Retained earnings	7,889,320					(150,000)	(1,376,448)	6,362,872
Total equity attributable to equity holders of the Company	37,425,269	3,475,520	2,700,000	(1,102,972)	1,716,879	150,000	(1,376,448)	42,988,248
Total equity	37,425,269	3,475,520	2,700,000	(1,102,972)	1,716,879	150,000	(1,376,448)	42,988,248

The following notes are to be read in conjunction with the Balance Sheet above:

- A Audited Balance Sheet – the historical 30 June 2010 Balance Sheet has been extracted from the 30 June 2010 audited financial statements and forms the basis of the Pro forma Balance Sheet.
- B Rights Issue – represents the non-renounceable pro rata rights issue of approximately 4.3 million Shares completed on 10 November 2010. The purpose of the rights issue was to raise \$3.476 million solely for the partial repayment of shareholder loans to entities associated with Stephen Bizzaca and Glyn Dawkins. These shareholder loans were originally provided for working capital purposes following the merger of Delta and SBD in October 2007. Further details, including interest rates and basis for interest rates are contained in Section 10. Shares were issued at the same effective price as the IPO Offer. Further details regarding the Rights Issue are contained in Section 10 of this Prospectus.

- C IPO capital raising – represents \$2.7 million of assumed capital to be raised from 3.375 million Shares at \$0.80 per share of which \$1.525 million is to repay shareholder loans. The balance of \$1.176 million goes into cash. The Offer is not under written and the final amount raised under the IPO is subject to change. The Offer is subject to a minimum subscription of \$2.5 million. There is a risk that not all these Shares will be subscribed for, and if this were the case the total amount raised would therefore decline accordingly, as would the cash raised from the Offer. Further details regarding the IPO Capital raising are contained in Section 3.
- D Costs of IPO – represents \$1.1 million of cash costs and assumed \$0.4 million of non cash costs associated with the \$2.7 million capital raising. These costs comprise:
- \$750,000 of cash costs associated with the proposed capital raising
 - \$352,972 of historical carried forward costs as disclosed in the 30 June 2010 financial statements

- \$125,000 Share options granted to Sydney Capital Partners, with the allocation in reserves
 - \$100,000 Shares issued to Sydney Capital Partners and \$200,000 Shares issued to New Holland Capital.
- E Employee Share Trust Plan (“ESP”) – represents the raising of \$1.717 million on 27 July 2010 from the issue of 2.3 million Shares from Delta SBD employees. Under the ESP, Shares were valued at 4.5 times earnings before interest and tax for the year ended 30 June 2009. This resulted in a price of \$0.75 per share.
- F Employee Offer to issue \$0.3 million equity on basis of \$1,000 free Shares for a maximum of \$1,000 Shares purchased. Directors estimate that 150 employees will take up the offer, with net cash raised of \$0.15 million and allocation of \$0.15 million free Shares. This is an assumed value and will be subject to change depending on the actual Shares issued to employees.
- G Dividends declared post balance date and paid on 9th November 2010 of \$1,376,488. These Pro forma adjustments were calculated in line with Delta SBD’s standard accounting practises.

Cash Flows Information

	2009 Audited \$	2010 Audited \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	78,424,572	78,134,930
Cash paid to suppliers and employees	(70,809,035)	(66,966,234)
Cash generated from operations	7,615,537	11,168,696
Interest paid	(1,630,837)	(1,516,055)
Income taxes paid	(335,505)	(1,322,060)
Net cash from operating activities	5,649,195	8,330,581
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	161,197	68,454
Proceeds from sale of assets	-	12,724
Acquisition of property, plant and equipment	(902,217)	(2,069,195)
Acquisition of intangibles	(204,891)	(151,750)
Net cash (used in) investing activities	(945,911)	(2,139,767)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of hire purchase loan liabilities	(2,002,358)	(874,560)
Repayment of loans from shareholders	(1,549,175)	(796,216)
Payment of finance lease liabilities	(5,657)	(16,708)
Net proceeds/(payments) on invoicing facility	(1,671,269)	-
Cash payment of dividends to ordinary shareholders	(445,881)	(700,000)
Cash payment of pre acquisition dividends of subsidiary	(85,074)	-
Net cash (used in) financing activities	(5,759,414)	(2,387,484)
Net increase (decrease) in cash and cash equivalents	(1,056,130)	3,803,330
Cash and cash equivalents at 1 July	3,507,402	2,451,272
Cash and cash equivalents at 30 June	2,451,272	6,254,602

Cash flows from operating activities in FY2010 led to an improved cash position during the year mainly due to better working capital management over accounts payable and receivable.

Cash expenditure on capital for FY2010 was \$2.069 million. The company continued to expand and improve performance of its longwall machinery fleet with the addition of 2 Bucyrus FBL10 and 4 Driftrunner personnel carriers. Delta SBD also invested in the conversion of the dry scrubber system supplied with the diesel fleet to a more reliable wet scrubber system.

Income tax paid in FY2010 was \$1.322 million while income tax expense was \$0.4 million. The variance related to the cash payment of 2009 income tax on the lodgement of the FY2009 tax returns in FY2010 while the FY2010 income tax expense was positively impacted by the claim for Research and Development and Investment Allowances.

7.3 NOTES TO THE FINANCIAL INFORMATION

1 Significant accounting policies

The accounting policies set out below have been applied consistently to financial information presented in this document.

(a) Basis of consolidation

The financial information incorporates the assets and liabilities of the subsidiaries of Delta SBD Limited and the results of its subsidiaries. The Company and its subsidiaries together are referred to as the Group or the Group entity.

- i) *Business Combinations - Change in accounting policy* - The Group has adopted revised AASB 3 Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008). Any future business combinations occurring on or after 1 July 2009 will be accounted for by applying the acquisition method. The change in accounting policy was applied prospectively and had no impact on earnings per share.

Measuring goodwill - The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

- ii) *Subsidiaries* - Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial information 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.
- iii) *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 information.

(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.

- ii) *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 comprise cash balances with original maturities of three months or less.

- iii) *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 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.

The Group has the following non-derivative financial liability: 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 costs using the effective interest rate method.

- iv) *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, 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) *Change in accounting policy* - In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the costs of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of AASB 123 *Borrowing Costs* (2007) in accordance with the transitional provisions of that standard, comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.
- iii) *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.
- iv) *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 in the table below.

Class	Life	Basis
Plant and equipment - Owned	2-10 years	Straight Line/UOP
Plant and equipment - Financed	2-10 years	Straight Line/UOP
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 - Change in accounting policy* - As from 1 July 2009, the Group has adopted the revised AASB 3 Business Combinations (2008) and the amended AASB 127 Consolidated and Separate Financial Statements (2008). Revised AASB 3 and amended AASB 127 will be applied prospectively to business combinations with an acquisition date on or after 1 July 2009. The change in accounting policy had no impact on earnings per share.
- 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 an other 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 3 years (2009: 5 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.

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. 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 clients 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 clients 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. 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 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.

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.

(iv) *Share based payments* - 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 riskfree interest rate for the term of the option.

The fair value of the options granted excludes the impact of any nonmarket vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Nonmarket 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) *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.

(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
- > 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.

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 ATO, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- > For receivables and payables which are recognised inclusive of GST

The net amounts of GST recoverable from, or payable to, the taxation authority are 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.

(p) Segment reporting - Determination and presentation of operating segments

As of 1 July 2009 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, intangible assets other than goodwill.

(q) 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 2010, but have not been applied in preparing this financial information:

- > AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard
- > AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements
- > AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements
- > AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 - Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements
- > AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issue AASB 1321 (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements

(r) Financial risk management policies

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

- > Credit risk
- > Liquidity risk
- > 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 information.

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.

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 & 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 42% percent (2009: 37% percent) of the Group's revenue is attributable to sales transactions with a single customer. The customer is rated A1 by Moody's and A+ by S&P. 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 this customer plus other customer sites.

A review of new customer is analysed individually for creditworthiness before the Group's standard payment and conditions are offered.

More than 90% percent (2009: 90% percent) of the Group's customers have been transacting with the Group for over 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.

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 losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost 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

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 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.

2 Controlled entities

Name of Entity	Country of incorporation	Principal Activity	2009 Percentage Owned (%)	2010 Percentage Owned (%)
Delta Mining Pty Limited	Australia	Mining Services	100%	100%
SBD Services Pty Limited	Australia	Mining Services	100%	100%

3 Revenue

	2009 \$	2010 \$
Contracting services	72,432,923	72,833,390
Equipment hire	3,118,986	3,109,881
Total Revenue	75,551,909	75,943,271

4 Finance income and finance cost

	2009 \$	2010 \$
RECOGNISED IN PROFIT OR LOSS		
Interest income	161,197	68,454
Finance income	161,197	68,454
Interest expense on financial liabilities measured at amortised cost	(1,630,837)	(1,516,055)
Finance costs	(1,630,837)	(1,516,055)
Net finance costs recognised in profit or loss	(1,469,640)	(1,447,601)
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	161,197	68,454
Total interest expense on financial liabilities	(1,630,837)	(1,516,055)

5 Income tax expense

	2009 \$	2010 \$
CURRENT TAX EXPENSE		
Current year	1,226,526	231,562
Adjustment for prior periods	-	(71,158)
	1,226,526	160,404
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	38,129	280,700
Income tax expense from continuing operations	1,264,655	441,104
Income tax expense from discontinuing operations	-	-
Total income tax expense	1,264,655	441,104

5 Income tax expense (continued)

	2009 \$	2010 \$
NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX ACCOUNTING PROFIT		
Profit for the year	3,161,928	4,584,202
Total income tax expense	1,264,655	441,104
Profit excluding income tax	4,426,583	5,025,306
Income tax using the Company's domestic tax rate of 30%	1,327,975	1,507,592
Increase in income tax due to:		
Imputation credits	735	-
Non-deductible expenses	41,628	51,870
Decrease in income tax due to:		
Non-Assessable income	(14,097)	-
Tax incentives including research & development, investment allowance	(80,412)	(1,050,310)
Other deductible expenses	-	-
	1,275,829	509,152
Under/(over) provided in prior years	(11,174)	(68,048)
Total Income tax expense	1,264,655	441,104

6 Cash and cash equivalents

	2009 \$	2010 \$
CURRENT		
Bank balances	2,331,976	6,129,040
Other deposits	119,296	125,562
Cash and cash equivalents in the statement of cash flows	2,451,272	6,254,602

7 Trade and other receivables

	2009 \$	2010 \$
CURRENT		
Trade receivables	11,174,365	8,591,344
Provision for doubtful debts	(29,503)	(81,567)
Loans to related parties	7,307	34,750
Unexpired hire purchase charges	575,006	936,168
Other receivables	276,582	13,885
Amounts due from customers for contracts (Work in progress)	368,311	925,281
	12,372,068	10,419,861
NON CURRENT ASSETS		
Loans to related parties	195,307	141,659
Unexpired hire purchase charges	1,157,009	1,479,452
	1,352,316	1,621,111

Trade receivables are non-interest bearing and settlement terms are generally within 30 days. A provision for impairment is recognised when there is objective evidence that an individual or trade receivable is impaired.

Receivables from controlled entities are for loans made in the ordinary course of business. These amounts are non interest bearing.

There are \$925,281 (2009 \$368,311) construction contracts for assets which are not completed at 30 June 2010 for which an invoice has not been raised. This amount is disclosed net of GST.

8 Inventories

	2009 \$	2010 \$
Raw materials and consumables - at cost	107,457	163,183
	107,457	163,183

9 Other current assets

	2009 \$	2010 \$
CURRENT		
Prepaid insurance	168,619	76,487
Equipment deposits	252,717	-
Other	144,231	136,761
	565,567	213,248
NON-CURRENT		
Capitalised IPO costs	176,503	352,972
	176,503	352,972

10 Property, plant & equipment

	2009 \$	2010 \$
PLANT AND EQUIPMENT COST		
Balance at start of year	4,826,924	4,848,824
Additions	21,900	1,764,693
Balance at end of year	4,848,824	6,613,517
DEPRECIATION		
Balance at start of year	(1,227,119)	(1,788,857)
Depreciation for the year	(561,738)	(623,920)
Balance at end of year	(1,788,857)	(2,412,777)
Carrying value at end of year	3,059,967	4,200,740
PLANT AND EQUIPMENT - UNDER FINANCE COST		
Balance at start of year	7,691,227	8,472,078
Additions	780,851	6,031,815
Balance at end of year	8,472,078	14,503,893
DEPRECIATION		
Balance at start of year	(672,476)	(1,180,568)
Depreciation for the year	(508,092)	(618,108)
Balance at end of year	(1,180,568)	(1,798,676)
Carrying value at end of year	7,291,510	12,705,217
MOTOR VEHICLES COST		
Balance at start of year	502,490	522,663
Additions	20,173	84,967
Disposals	-	(68,260)
Balance at end of year	522,663	539,370
DEPRECIATION		
Balance at start of year	(157,725)	(275,571)
Depreciation for the year	(117,846)	(133,083)
Disposals	-	59,027
Balance at end of year	(275,571)	(349,627)
Carrying value at end of year	247,092	189,743

10 Property, plant & equipment (Continued)

	2009 \$	2010 \$
FIXTURES & FITTINGS COST		
Balance at start of year	237,658	316,951
Additions	79,293	78,659
Disposals	-	-
Balance at end of year	316,951	395,610
DEPRECIATION		
Balance at start of year	(64,853)	(145,887)
Depreciation for the year	(81,034)	(87,738)
Disposals	-	-
Balance at end of year	(145,887)	(233,625)
Carrying value at end of year	171,064	161,985
Total cost	14,160,516	22,052,390
Total accumulated depreciation	(3,390,883)	(4,794,705)
At year end	10,769,633	17,257,685

11 Intangible assets

	2009 \$	2010 \$
GOODWILL COST		
Balance at start of year	29,246,980	29,246,980
Additions	-	-
Amortisation	-	-
Balance at end of year	29,246,980	29,246,980
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	29,246,980	29,246,980
BUSINESS SYSTEMS COST		
Balance at start of year	61,770	90,158
Additions	28,388	151,750
Balance at end of year	90,158	241,908
AMORTISATION		
Balance at start of year	(43,815)	(61,964)
Amortisation for the year	(18,149)	(28,473)
Balance at end of year	(61,964)	(90,437)
Carrying value at end of year	28,194	151,471
Carrying amounts at year end	29,275,174	29,398,451

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill arising from the 2007 merger and allocated to each unit are as follows:

	2009 \$	2010 \$
SBD Services <i>Queensland & NSW North Operations</i>	12,086,980	12,086,980
Delta Mining	17,160,000	17,160,000
	29,246,980	29,246,980

The impairment test of SBD Services Ltd and Delta Mining Pty Ltd was based upon value in use, determined by discounting the future cash flows generated from continuing use of the cash generating unit. Unless indicated otherwise, value in use during the year ended 30 June 2010 was determined similarly as during the year ended 30 June 2009. The calculation of the value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- > Cash flows were projected based on actual operating results and the five-year business plan. The Business Plan is based on contractual obligations where appropriate and then expectations of growth based on historical data. Cash flows for a further 7 year period were extrapolated based upon maintaining assets existing at the time and revenue projections increasing at 3.5%, 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
- > A pre-tax discount rate of 20.9 percent (2009:18.8 percent) 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 36% at a market interest rate of 9%
- > 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 for either entity is required

12 Trade and other payables

	2009 \$	2010 \$
Trade payables	624,913	2,524,838
Non-trade payables and accrued expenses	2,766,398	1,556,550
	3,391,311	4,081,388

13 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.

	2009 \$	2010 \$
CURRENT		
Hire purchase loans	1,729,723	3,199,520
Finance lease liabilities	9,087	9,088
Loans from shareholders	808,691	-
	2,547,501	3,208,608
NON-CURRENT		
Hire Purchase loans	6,706,398	10,252,980
Finance lease liabilities	29,251	12,542
Loans from shareholders	7,682,399	7,694,874
	14,418,048	17,960,396

14 Finance lease liabilities

Finance lease liabilities of the group are payable as follows:

	Interest	Future value of minimum lease payments	Present value of minimum lease payments
	2010	2010	2010
	\$	\$	\$
Less than year	1,416	9,088	7,672
Between one and five years	96	12,542	12,446
More than five years	-	-	-
	1,512	21,630	20,118

All leases are based on a fixed interest rate determined at commencement of the lease period.

	2009	2009	2009
	\$	\$	\$
Less than year	2,038	9,087	7,049
Between one and five years	1,512	29,251	27,739
More than five years	-	-	-
	3,550	38,338	34,788

15 Employee benefits

	2009	2010
	\$	\$
CURRENT		
Liability for employee entitlements	2,765,074	3,273,537
Total employee benefits - current	2,765,074	3,273,537
NON-CURRENT		
Liability for employee entitlements	79,747	136,711
Total employee benefits - non-current	79,747	136,711

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2009	2010
	\$	\$
LEASES AS LESSEE		
Less than one year	293,976	293,976
Between one and five years	559,094	265,118
More than five years	-	-
	853,070	559,094

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

During the year ended 30 June 2010 \$293,976 was recognised as an expense in profit or loss in respect of operating leases (2009: \$293,976).

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.

17 Capital commitments

	2009	2010
	\$	\$
PLANT AND EQUIPMENT		
Contracted but not provided for and payable		
Within one year	1,359,612	163,700
One year or later and no later than 5 years.	-	-
Later than five years	-	-
	1,359,612	163,700

18 Contingent Liabilities

Guarantees	-	-
	-	-

The consolidated Group has provided guarantees to third parties in relation to the performance and obligations controlled entities in respect to banking facilities, approved deeds and property lease rentals.

The guarantees are for the terms of the facilities, deeds and leases. The periods covered by the guarantees range from one year or until facility discharge.

19 Other related party transactions

Further details are included in Section 10 of the Prospectus.

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

	2009	2010
	\$	\$
Dawkins Enterprises Pty Ltd ⁽¹⁾	3,651,474	3,651,474
Titanwood Holdings Pty Ltd ⁽²⁾	-	4,001,006
Stephen Bizzaca ⁽³⁾	4,030,926	42,394
	7,682,400	7,694,874

(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, the loan is repayable on 1 July 2011.

(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, the loan is repayable on 1 July 2011.

(3) Accrued interest amount owing to Stephen Bizzaca on a working capital loan, this loan was replaced by a loan from Titanwood Holdings Pty Ltd on 29th June 2010.

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

	2009	2010
	\$	\$
Dawkins Enterprises Pty Ltd ⁽¹⁾	310,375	310,384
Stephen Bizzaca ⁽²⁾	342,445	344,918
	652,820	655,302

(1) Interest paid to Dawkins Enterprises on working capital loan disclosed above. The interest rate is 8.5% fixed which is at normal market rates, interest is paid monthly.

(2) Interest paid to Stephen Bizzaca on working capital loan disclosed above, this loan was repaid and replaced by a loan from Titanwood Holdings Pty Ltd on 29 June 2010. The interest rate is 8.6% fixed which is at normal market rates, interest is paid monthly.

Movements in Shares and options

No Shares or options were granted to key management personnel during the reporting period as compensation in 2009 or 2010. Details of all options on issue are in Section 10 of the Prospectus.

20 Segment reporting

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

There are varying levels of integration between Mining Contracting and Equipment segments. This integration includes the usage of Equipment assets in the Mining Contracting business to support their contracted commitments.

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
- > Labour supply
- > Longwall relocations

- > Panel development
- > Outbye Services
- > Construction and relocation of mechanical structures

Equipment

The Group has an extensive range of specialised underground machinery to support colliery activities. The equipment is used to support contracted mining services such as longwall relocations as well as being commercially available for general hire.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

The Company operates its mining contracting and equipment rental segments in the one geographical segment being Australia.

Comparative segment information has been represented in conformity with the requirement of AASB 8 *Operating Segments*.

Primary Reporting 2010

	Contracting	Unallocated/ Eliminations	Equipment	Consolidated
	\$	\$	\$	\$
REVENUE				
External sales revenue	72,833,390	-	3,109,881	75,943,271
Inter segment revenue	-	(918,014)	918,014	-
Interest revenue	-	68,454	-	68,454
Interest expense	(75,317)	(864,114)	(576,624)	(1,516,055)
Depreciation and amortisation	(887,651)	(37,466)	(566,203)	(1,491,320)
Reportable segment profit before income tax	4,554,021	-	471,285	5,025,306
Reportable segment assets	15,607,494	40,316,041	11,095,978	67,019,513
Acquisitions of fixed assets	5,491,218	151,750	2,468,916	8,111,884

Primary Reporting 2009

REVENUE				
External sales revenue	72,432,923	-	3,118,986	75,551,909
Inter segment revenue	-	(206,178)	206,178	-
Interest revenue	-	161,197	-	161,197
Interest expense	-	(989,243)	(641,594)	(1,630,837)
Depreciation and amortisation	(381,341)	(17,986)	(887,532)	(1,286,859)
Reportable segment profit before income tax	4,538,502	-	(111,919)	4,426,583
Reportable segment assets	13,528,720	35,639,082	8,862,852	58,030,654
Acquisitions of fixed assets	760,047	104,124	242,937	1,107,108

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

21 Auditor's remuneration

	2009	2010
	\$	\$
Audit services		
Auditors of the Group		
<i>KPMG Australia:</i>		
Audit of financial reports	68,880	80,063
Other Services	10,650	50,135



8

Investigating **Accountant's** Report



KPMG Transaction Services (Australia) Pty Limited

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Sydney NSW 2000

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www.kpmg.com.au

The Directors
Delta SBD Limited
Suite 220
4 Hyde Parade
Campbelltown NSW 2560

18 November 2010

Dear Directors

Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Transaction Services (Australia) Pty Limited ("KPMG Transaction Services") has been engaged by Delta SBD Limited ("Delta SBD") to prepare this report for inclusion in the prospectus to be dated 18 November 2010 ("Prospectus"), and to be issued by Delta SBD, in respect of the proposed capital raising and listing on the Australian Stock Exchange.

Expressions defined in the Prospectus have the same meaning in this report.

Scope

KPMG Transaction Services has been requested to prepare a report covering the Pro forma financial information described below and disclosed in the Prospectus.

The Pro forma financial information is presented in an abbreviated form in the Prospectus insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

Review of Pro forma Financial Information

The Pro forma financial information, as set out in Section 7 of the Prospectus, comprises the Pro forma balance sheet as at 30 June 2010 ("Pro forma Balance Sheet") and the Pro forma income statements for the periods ended 30 June 2008, 30 June 2009 and 30 June 2010 ("Pro forma Income Statements"), (collectively the "Pro forma Financial Information").

The Pro forma Financial Information has been derived from the historical financial information of Delta SBD, extracted from the audited financial statements of Delta SBD for the periods

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



ended 30 June 2008, 30 June 2009 and 30 June 2010 after adjusting for the Pro forma transactions and/or adjustments described in Section 7 of the Prospectus.

The financial statements of Delta SBD for the periods ended 30 June 2008, 30 June 2009 and 30 June 2010 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of Delta SBD relating to those financial statements were unqualified.

For the purposes of preparing this report we have reviewed the Pro forma Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Pro forma Financial Information is not prepared or presented fairly, in all material respects, on the basis of the Pro forma transactions and/or adjustments described in Section 7 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies adopted by Delta SBD disclosed in Section 7 of the Prospectus.

We have conducted our review in accordance with Australian Auditing Standards applicable to review engagements. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- a review of the extraction of the 30 June 2010 balance sheet and income statements for the periods ended 30 June 2008, 30 June 2009 and 30 June 2010 ("Historical Financial Information") of Delta SBD from the audited financial statements of Delta SBD for the periods ended 30 June 2008, 30 June 2009 and 30 June 2010;
- analytical procedures on the Pro forma Financial Information of Delta SBD;
- a review of the Pro forma transactions and/or adjustments made to the Historical Financial Information of Delta SBD;
- a review of Delta SBD's work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by Delta SBD disclosed in Section 7 of the Prospectus; and
- enquiry of directors, management and others.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.



Directors' responsibilities

The directors of Delta SBD are responsible for the preparation and presentation of:

- the Historical Financial Information; and
- the Pro forma Financial Information, including the determination of the Pro forma transactions and/or adjustments.

The directors' responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial information in the Prospectus that is free from material misstatement, whether due to fraud or error.

Review statements

Review statement on the Pro forma Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Financial Information, as set out in Section 7 of the Prospectus and comprises:

- the Pro forma Income Statements; and
- the Pro forma Balance Sheet,

is not prepared or presented fairly, in all material respects, on the basis of the Pro forma transactions and/or adjustments described in Section 7 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies adopted by Delta SBD disclosed in Section 7 of the Prospectus.

Independence

KPMG Transaction Services does not have any interest in the outcome of this issue, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Delta SBD and from time to time, KPMG also provides Delta SBD with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not



authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

A handwritten signature in black ink, appearing to read 'MS' followed by a flourish.

Matthew Saunders
Director



Financial Services Guide

Dated 18 November 2010

KPMG Transaction Services (Australia) Pty Limited ABN 65 003 891 718, Australian Financial Services Licence Number 245402 (**KPMG** or **we** or **us** or **our** as appropriate) has been engaged by Delta SBD Limited (**Delta SBD**) to provide an Investigating Accountant's Report (**Report**) in relation to the proposed capital raising and listing on the Australian Stock Exchange (**Transaction**) for inclusion in the Prospectus dated 18 November 2010 (**Document**) prepared by Delta SBD.

Purpose of this Guide

This Guide is designed to help retail clients to decide how to use our Report. It includes information about:

- who we are and how we can be contacted
- the services we are authorised to provide under our licence
- how we and our staff are paid
- any relevant associations or relationships we have
- how complaints are dealt with; and
- the compensation arrangements we have in place.

The Document contains information about significant benefits, risks, fees and other charges and other information about the Transaction.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

Our responsibility to you

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. You have not engaged

us directly but have received a copy of the Report because of your connection to the Transaction.

We are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in our Report.

General Advice

Our report only contains general advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in our Report having regard to your circumstances before you act on our Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees we may receive

We charge fees for preparing reports. These fees will usually be agreed with, and paid by, the financial product issuer. Fees are agreed on either a fixed fee or a time cost basis. In this instance, Delta SBD has agreed to pay us approximately \$45,900 for preparing the Report.

KPMG and its officers, employees, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the **KPMG**



Partnership). Our directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have, over the past two years, provided a range of audit, tax and advisory services to Delta SBD for which professional fees have been received. No KPMG entity has any interest in Delta SBD.

Remuneration or other benefits received by our representatives

KPMG officers, employees and representatives receive a salary or a partnership distribution from the KPMG Partnership. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let us know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 5 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise you in writing of our response to your complaint.

External complaints resolution process

If we cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**) of which we are a member. FOS is an independent company that has been established to provide free advice and assistance to

consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited,
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investment Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG has professional indemnity insurance cover as required by the Corporations Act.

Contact details

You may contact us using the contact details set out at the top of the letterhead on the first page of this Guide.

9

Risk Factors

9.1 FACTORS INFLUENCING SUCCESS AND RISK

This section identifies the areas that the Directors believe are the major risks associated with an investment in Delta SBD.

An investment in Delta SBD should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it eventuates, have a material adverse impact on Delta SBD's operating performance and profits, and the market price of the Shares. It should be noted that this is not intended to be an exhaustive list of the risk factors to which Delta SBD is exposed.

Before deciding to invest in Delta SBD, potential investors should:

- > Read the entire Prospectus
- > Consider the risk factors that could affect the financial performance of Delta SBD
- > Review these factors in light of their personal circumstances
- > Seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding whether to invest

9.2 GENERAL INVESTMENT RISKS

Accounting Standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Directors' and Delta SBD's control. Changes to accounting standards issued by the AASB could materially adversely affect the financial performance and position reported in Delta SBD's financial statements.

General economic conditions

Delta SBD's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, foreign exchange rates, capital availability, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions may have an adverse impact on the Company's operating and financial performance.

Share market investments

Prior to the Offer there has been no public market for the Shares. It is important to recognise that, once the Shares are quoted on the ASX, their price might rise or fall and they might trade at prices below or above the Offer Price. There can also be no assurance that an active trading market will develop for the Shares.

Factors affecting the price at which the Shares are traded on the ASX could include domestic and international economic conditions. In addition, the prices of many listed entities' securities are affected by factors that might be unrelated to the operating performance of the relevant company. Such fluctuations might adversely affect the price of the Shares.

Taxation risks

A change to the current taxation regime in Australia or overseas may affect Delta SBD and its Shareholders. Personal tax liabilities are the responsibility of each individual investor. Delta SBD is not responsible either for taxation or penalties incurred by investors.

9.3 SPECIFIC INVESTMENT RISKS

Adequacy of insurance cover

Delta SBD may not be adequately covered under its existing insurance arrangements in the event that claims are made against the Company. Appropriate or adequate insurance cover may not be available in the future.

Business strategy

Delta SBD's business strategy includes acquiring various assets and businesses that are compatible with its existing businesses in exchange partly or wholly for the issue of Shares. If Delta SBD undertakes any future acquisitions of assets or businesses, it may face risks in integrating those new assets or businesses. Delta SBD may be unable to obtain funding for acquisitions on favourable terms or at all.

Delta SBD may fund its activities through the issue of additional Shares that may dilute the ownership interests of Shareholders. Delta SBD's business strategy may introduce new risks and prove to be disruptive and divert management resources.

Changes to industrial relations legislation

It is not possible to anticipate the effect on Delta SBD's business from any changes to industrial relations legislation. Changes to this legislation may have an adverse impact on the financial performance and/or financial position of Delta SBD.

Changes to R&D tax legislation

There is uncertainty regarding future changes to the R&D tax concession and any legislative changes may adversely affect the after tax results of the Company.

Changes to workplace occupational health and safety legislation

It is not possible to anticipate the effect on Delta SBD's business from any changes to workplace occupational health and safety legislation. Changes to this legislation may have an adverse impact on the financial performance and/or financial position of Delta SBD.

Coal demand and pricing

Delta SBD's business is related to the performance of companies in the coal sector, which in turn directly relates to coal demand and coal prices. Coal demand and coal prices have varied significantly over recent years and are difficult to predict. Domestic and international economic conditions may influence coal demand and coal prices. No assurance can be given regarding future coal demand/or coal prices.

Competition

The underground coal mining services market is characterised by a number of large companies and numerous small, but independent companies. These companies as well as similar underground mining companies may potentially have the financial and technical compatibility to increase competitiveness.

Delta SBD may face increasing and intense competition. The industry may undergo a period of consolidation with a number of mergers and acquisitions, which may accelerate this trend.

Increased competition from new and existing competitors may have an adverse effect on the financial performance and/or financial position of Delta SBD.

Dependence upon certain clients

A large proportion of Delta SBD's revenue is currently derived from a small number of large clients.

Delta SBD cannot be certain that the clients which have provided the basis for significant revenues in the past will continue to generate revenue for Delta SBD in the future, or that they are likely to remain clients of Delta SBD.

Dependence upon personnel

Delta SBD's business development has been, and is likely to continue to be, largely dependent upon the commitment and expertise of its Directors and senior management. Delta SBD has entered into service agreements with key management, a summary of which are provided in Section 10.

Delta SBD depends on the talent and experience of its personnel. Should any of its key personnel leave Delta SBD, this may have a negative impact on the Company. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Additionally, any key personnel of Delta SBD who leave to work for a competitor may adversely impact Delta SBD.

Delta SBD's ability to attract and retain personnel may have a direct correlation with its ability to deliver its project commitments and grow revenues. Additionally, increases in recruitment, wages and contractor costs may adversely impact upon the financial performance and/or financial position of Delta SBD.

Disruption of business operations

Delta SBD and its clients are exposed to a range of operational risks relating to operations. Such operational risks include equipment failures, information technology system failures, external services failure, industrial action or disputes and natural disasters. Whilst Delta SBD endeavours to take appropriate action to mitigate these operational risks, Delta SBD cannot control the risks its clients are exposed

to, nor can it completely remove all possible risks relating to its own business. A disruption to the operations of Delta SBD or its clients may have an adverse impact on the financial performance and/or financial position of Delta SBD.

Early termination of customer contracts and other contractual risks

Most of Delta SBD's contracts can be terminated by the customer at short notice and with minimal financial compensation. In addition, clients may default due to bankruptcy or other reasons. A customer's termination of, or default under, a contract, could result in a loss of expected revenues, and possibly additional expenses for demobilisation, redundancy and non billable time of permanent staff. Accordingly, the termination of, or default under, a contract by any of Delta SBD's clients could have an adverse effect on Delta SBD's business, financial performance and/or financial position.

Delta SBD may undertake work in good faith prior to entering into a formal written agreement. In the event of a dispute where no formal written agreement has been executed, Delta SBD may not have all of the protection which may normally be provided by a formal written agreement.

Emissions trading scheme

Implications for the Australian coal industry of the Australian Government's proposed carbon emissions trading scheme remain unclear. Given the current status of steps towards the establishment of a carbon trading scheme, it is not possible to quantify its potential impact on the operations, performance, profitability, prospects or value of the Australian coal industry and therefore any impacts on Delta SBD.

Environmental incidents and claims

Delta SBD operates in an industry where environmental issues may potentially delay contract performance or result in a complete shutdown of the project, causing a deferral or preventing receipt of anticipated revenues. Delta SBD may still be required to perform its contracts in accordance with their terms, despite an environmental issue arising which inhibits that performance. Such issues may ultimately have an adverse effect on the financial performance and/or financial position of Delta SBD.

Fixed cost or performance contracts

Delta SBD has a number of fixed cost and/or performance contracts. The nature of such contracts imposes additional risk on Delta SBD relative to its variable cost relationship-based contracts. An increase in costs or lower than expected performance, could adversely affect the financial performance and/or financial position of Delta SBD.

Growth

There is a risk that the Company may be unable to manage its future growth successfully.

Increased labour costs

Labour costs account for a substantial amount of Delta SBD's costs. Recent developments in the mining industry has resulted in increased demand and competition for skilled labour, which have subsequently increased some labour costs. There can be no guarantee that labour costs will not increase in the future. If Delta SBD incurs increased labour costs in future, which cannot be passed on to clients, this may adversely affect the financial performance and/or financial position of Delta SBD.

Industry risk

There is a risk that unforeseen disruption to major coal infrastructure, such as rail and/or port loading facilities, could be encountered by clients, which could impact clients' production. This could adversely affect the financial performance and/or financial position of Delta SBD.

Mergers and acquisitions

Delta SBD's future growth and diversification strategy may be impacted if it is unable to execute suitable mergers and acquisitions, or successfully integrate targets into Delta SBD's existing business. In addition, a merger or acquisition may not perform to the level anticipated. Accordingly, a failure to identify and successfully execute suitable mergers and acquisitions may have an adverse effect on the financial performance and/or financial position of Delta SBD.

Mine closure

Early or unforeseeable closure of a mine could result in loss of expected revenues, and possible additional expenses for demobilisation, redundancy and non billable time of permanent staff. Accordingly, this may have an adverse effect on the financial performance and/or financial position of Delta SBD.

Mining resources rent tax

Implications for the Australian coal industry of the Australian Government's proposed mining resource rent tax remain unclear. Given the current status of steps towards the establishment of a mining resources rent tax, it is not possible to quantify its potential impact on the operations, performance, profitability, prospects or value of the Australian coal industry and therefore any impacts on Delta SBD.

NGERS reporting regime

The Company's operations may be subject to reporting and other requirements under the National Incentive and Energy Reporting scheme (NGERS). Changes to the Company's operations and/or this legislation may have an adverse impact of the financial performance and/or financial position of Delta SBD.

Occupational health and safety

Delta SBD operates in the mining services industry which is an industry with inherent OH&S risks.

There is the risk of OH&S claims arising out of the operations of Delta SBD. Delta SBD has a Health, Safety & Compliance Management Plan, which incorporates risk management. All personnel are inducted and trained in accordance with this plan.

Delta SBD maintains a risk committee and various business unit OH&S committees with employee representatives, which monitor OH&S performance and recommend risk mitigation initiatives. OH&S matters are reported to the Board on a monthly basis.

Plant and equipment constraints

Some aspects of the operations of Delta SBD are highly dependent on the client providing plant and equipment in a timely manner. If this situation changes, Delta SBD may have difficulty in gaining access to required plant and equipment or adequate supplies of equipment at appropriate prices. If the quality of the equipment is not acceptable or suitable for its intended use, this may constrain Delta SBD's ability to provide services and may ultimately have an adverse effect on the growth opportunities and financial performance and/or financial position of Delta SBD.

Prosecution under OH&S legislation

The Company is currently one of six defendants being prosecuted under the NSW Coal Mine Health and Safety Act 2002 for an incident that occurred on 7 July 2006. If the Company is found guilty, the maximum aggregate fine for any defendants found guilty is \$1.1 million. Any penalty imposed would be apportioned according to each defendant's culpability. Any fine or costs incurred in relation to the prosecution will affect the financial performance and/or financial position of Delta SBD.

Reputation

Delta SBD operations may be affected in the event of lost reputation due to performance or client's dissatisfaction.

Uncertainty of future equity needs and additional funding

The future funding requirements of Delta SBD may depend on many factors, including the pace and magnitude of the development of its business. Delta SBD may require additional funding for future growth requirements and there can be no assurance that additional funding will be available on acceptable terms or at all.

Delta SBD reserves the right to borrow the funds or raise future equity, subject to whatever restrictions may apply under the Corporations Act and the ASX Listing Rules. Any inability to obtain additional funding, if required, may have a material adverse effect on Delta SBD's business, financial performance and/or financial position.

Additional Information

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10.1 RECENT TRANSACTIONS

Rights issue

Delta SBD offered Shareholders a pro rata rights issue of Shares. The rights issue closed on 10 November 2010 and was fully subscribed. Taking into account the consolidation of Shares prior to this Offer, the number of Shares that were effectively issued under the rights issue was 4,344,401 the amount raised \$3,475,520 and the effective price per Share was \$0.80.

Funds raised under the rights issue were used to partially repay loans owing to entities associated with Stephen Bizzaca and Glyn Dawkins (both Directors) as follows:

- > Titanwood Holdings Pty Ltd (an entity associated with Stephen Bizzaca) was repaid \$1,829,688
- > Dawkins Enterprises Proprietary Limited (an entity associated with Glyn Dawkins) was repaid \$1,670,311

The relevant shareholders in Delta SBD associated with Stephen Bizzaca, Glyn Dawkins and Tony De Santis subscribed for and were issued Shares under the rights issue. Details of the Shares issued to the entities associated with the Directors and other related parties of the Company and the amount paid for these Shares is set out below:

Parties	Number of Shares issued	Amount paid
Stephen Bizzaca	2,260,389	\$1,808,311
Glyn Dawkins	1,726,275	\$1,381,020
Tony De Santis	161,709	\$129,367
Other related parties	97,193	\$77,754

Share consolidation

In November 2010 Delta SBD converted the number of Shares then on issue in accordance with the Corporations Act by reducing every 3.07 Shares to 1 Share.

Dividend payment

On 9 November 2010 the Company paid a fully franked FY2010 final dividend to Shareholders totalling \$1,376,488.

10.2 SHAREHOLDING QUALIFICATIONS

Directors are not required under the Constitution to hold any Shares.

10.3 OPTIONS AND RIGHTS

The following Options will be on issue at the Quotation Date:

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 Shares	\$1.00	From Quotation Date until the Expiry Date	Nil	5 years after the Quotation Date
Andrew Amer (a member of the Company's Audit and Compliance Committee and Risk Committee)	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 Quotation Date
Geoffrey Garside (a member of the Company's Audit and Compliance Committee, Risk Committee and Remuneration Committee)	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 Date
Sydney Capital Partners	625,000 exercisable over 625,000 Shares	\$1.00	From 1 July 2012 till 5 years after the Quotation Date	Nil	5 years after the Quotation Date

* The Options issued to Geoffrey Garside and Andrew Amer 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 Quotation Date. In addition, they must continue to be engaged as either a Director or a consultant to the Company at the exercise date.

The Company has also granted rights to key employees under the long term incentive plan. A summary of that plan and the rights that have been granted is set out in Section 10.

10.4 MATERIAL AGREEMENTS

Key documents

The Directors consider that certain agreements relating to Delta SBD are significant to the operations of Delta SBD or may be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements is set out below.

Constitution and rights and liabilities attaching to Shares

The Constitution is typical of those for Australian public companies and complies with ASX requirements. A full copy of the Constitution is available on the Company's website www.deltasbd.com.au and a copy is available for inspection during office hours at the Company's registered office.

Partial takeovers

Under the Constitution, the Company may prohibit registration of transfers purporting to accept partial takeover bids unless and until a resolution of the Company has been passed approving the offers in accordance with the provisions of the Constitution.

Alteration of rights attaching to Shares

The rights and restrictions attaching to Shares (and any other class of share on issue in the Company, unless provided by the terms of issue of that class of Share) can only be varied with the consent in writing of members with at least three-quarters of the votes attaching to Shares, or with the sanction of a special resolution passed at a separate meeting of the holders of Shares.

Share transfers

Shares may be transferred in any manner required or permitted by the ASX Listing Rules or the ASTC Settlement Rules and by any instrument in writing in any usual or common form or in any other form that the Board approves. The Board may only refuse to register a transfer of Shares (or other securities in the Company) as permitted by the ASX Listing Rules or the ASTC Settlement Rules.

Share certificates

Subject to the requirements of the ASX Listing Rules and the Corporations Act, the Company need not issue certificates for the Shares.

Meeting procedures

The ASX and each Shareholder and Director of the Company is entitled to receive notice of general meetings of the Company. Any notice served on a Shareholder by electronic means is deemed to have been served when the electronic message is sent. Two Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting (except the election of a Chairman and an adjournment), unless the quorum required is present at the start of the business.

Voting rights

Subject to restrictions on voting from time to time affecting the Shares, and any restrictions imposed by the Corporations Act or ASX Listing Rules, Shares carry the right to cast one vote on a show of hands and, on a poll, one vote for each Share held.

Dividends

Where the Board determines that a dividend is payable on shares, it will be paid on all Shares. The Board has the power to decide whether to pay Shareholders an interim dividend on account of the next forthcoming dividend.

The Board may establish and maintain one or more dividend reinvestment plans, to which Shareholders may elect to take up with some or all their Shares subject to the rules of the plan.

Material client contracts

Delta SBD enters into contracts with its clients which represent a substantial portion of its revenue. These contracts specify the terms and conditions of the provision of and the consideration to be paid for the mining services provided by the Company. The Directors consider these contracts to be on standard terms for agreements of this nature with respect to term, indemnities provided, the treatment of intellectual property and the ability for clients to terminate the agreements.

Sponsoring Broker agreement

The Company has entered into a sponsoring broker agreement with the Broker in relation to the Offer.

The services provided by the Broker in connection with the Offer include:

- > Advice and assistance in relation to the pricing, structure and timetable for the Offer
- > Coordinating, managing and marketing the Offer in conjunction with the Directors and the Company's advisers
- > Other services incidental to the Offer

Under the agreement, the Company will pay to the Broker:

- > A selling fee of 3.00% of the funds raised under the Offer
- > A management fee of 1.00% of the funds raised under the Offer

The Company will also pay reasonable legal costs as well as out of pocket expenses incurred by the Broker in connection with the Offer.

Delta SBD has agreed to indemnify the Broker for specific losses it or its employees, officers, directors or advisers sustain including those as a result of:

- > The Company breaching the agreement including a breach of warranty
- > Claims in relation to the Offer
- > Claims or investigations by a government authority or the ASX in relation to the Prospectus or the Offer
- > The issue of the Prospectus or any announcement or advertising in relation to the Prospectus or the Offer

The terms of the agreement are otherwise what the Directors consider to be standard commercial terms for an agreement of this type.

Voluntary restriction agreements

Shareholders have agreed to enter into voluntary agreements with the Company restricting them from dealing in Shares held by them at the date of this Prospectus.

Restriction agreements restrict the ability of certain Shareholders to dispose of, create any security interest in or transfer effective ownership or control of, the restricted Shares. The restrictions do not apply to a transfer by the holder to another entity associated with the holder.

Each of the Founding Shareholders and the Shareholders associated with Glyn Dawkins and Stephen Bizzaca will enter into a voluntary restriction deed restricting the sale of Shares held by them for a period of 12 months after the Quotation Date. In addition, the Shareholders associated with Glyn Dawkins and Stephen Bizzaca, have agreed to restrict the sale of Shares for a further period of twelve months. The table below sets out the restricted Shares.

	No. of Shares restricted for 12 months	Post Offer % of Shares ¹	No. of Shares restricted for 18 months	Post Offer % of Shares ¹	No. of Shares restricted for 24 months	Post Offer % of Shares ¹
RESTRICTED SHAREHOLDING						
Stephen Bizzaca	13,534,607	31%	9,023,071	21%	4,511,536	10%
Glyn Dawkins	10,336,483	24%	6,890,989	16%	3,445,494	8%
Other	8,711,915	20%	0	0%	0	0%
	32,583,005	75%	15,914,060	37%	7,957,030	18%

¹ Percentage of the total number of Shares on issue on the Quotation Date if the Offer is fully subscribed.

Executive service contracts

The Company has entered into executive service agreements with key executives and managers (including those referred to in this Prospectus), which contain standard terms and conditions for agreements of this nature, including confidentiality and retention of intellectual property provisions. The agreements are expressed to cover periods specific to individual appointments, but may generally be terminated by notice from either party or earlier in the event of certain breaches of the terms and conditions.

The company has entered into executive service agreements with Stephen Bizzaca (for his role as CEO) and Tony De Santis (for his role as COO).

Under these agreements Stephen Bizzaca's base remuneration is \$396,000 per annum and Tony De Santis' base remuneration is \$330,000. This includes an allowance for a motor vehicle. Both executives are entitled to participate in the Company's bonus scheme under which they may be paid an amount equal to 50% and 40% respectively of their base remuneration as a bonus for achieving certain performance targets.

As discussed in Section 10 of this Prospectus both Stephen Bizzaca and Tony De Santis have also been granted rights under the Company's long term incentive plan. Tony De Santis has also been issued Units under the Company's Employee Share Trust described in Section 10.

Deeds of indemnity and access

The Company has agreed to enter into deeds of indemnity and access with the Directors and Company Secretary. Under these deeds, the Company will undertake, consistent with the Corporations Act, to indemnify each of these parties in certain circumstances and to maintain Directors' and Officers' insurance cover in favour of them for seven years after they have ceased to be a Director or officer of the Company.

The Company will further undertake with each Director to maintain a complete set of the Company's board papers and to make them available to the Director for seven years after the Director has ceased to be a Director.

Employee Share Plan Trust

The Company has established an employee share plan trust. Employees participation in the plan is by way of unit holding in a trust. One Unit represents one Share and Shares are issued by the Company to the trustee of the trust. If there is a reconstruction of the Company's capital, the number of Shares held by the trust will be adjusted in the same manner that Shares are adjusted.

The trustee of the trust is Trinity Management Pty Ltd. The plan is administered and managed by Trinity Management Group Pty Ltd. The Company has entered into a plan administration agreement with Trinity Management Group Pty Ltd and Trinity Management Pty Ltd under which the Company is required to pay a contribution fee and a management fee to Trinity Management Group Pty Ltd based on the value of the contributions made and the total market value of the Shares held by the trustee at 30 June each year.

Trinity Management Group Pty Ltd can, after an initial three year term, terminate the plan administration agreement by giving 12 months notice or, immediately, if an insolvency event occurs in respect of Delta SBD or Delta SBD breaches the plan administration agreement and has not remedied the breach within thirty days written notice from Trinity Management Group Pty Ltd.

Employees are loaned funds to acquire Units in the trust. The loan must be fully repaid over a five year period and is interest free. The Company makes a cash contribution to the trust so that the trustee can subscribe for Shares on behalf of the employees.

Units issued to employees (and the underlying Shares) can only be sold by the employee after they have been held by the employee for three years. If an employee ceases employment with the Company within three years of the date an employee accepts an offer they must sell their Units to the trust. The price paid by the trust, for the Units if an employee ceases employment within three years is the lesser of:

- > The amount the employee paid when the Units were acquired and
- > The latest valuation of the Shares based on the price of Shares on the ASX on the relevant date

- > Proceeds of the sale of Units will be first applied to repayment of any outstanding loan amount. If there is a shortfall, employees must repay that shortfall.

If an employee ceases employment with the Company after three years from the date they accept an offer under the plan, they are required to repay the balance of any outstanding loan within 28 days and are entitled to be transferred the underlying Shares to which their Units relate.

Employees are entitled to dividends based on the number of Units they hold.

As at the date of this Prospectus, 2,411,561 Shares are held by the trustee and allocated to employees by the issue of Units.

Tony De Santis has been issued Units. Details of the Units held by Tony De Santis are summarised in Section 10.

Long term incentive plan

The Company has established a long term incentive plan for a number of employees (including Stephen Bizzaca and Tony De Santis). The operation of the plan depends on whether the Company is listed on the ASX prior to 1 July 2013.

If the Company is listed on the ASX before 1 July 2013, these employees have been granted rights to acquire:

- > On 1 July 2013, Shares representing 75% of their remuneration package (excluding short term incentives) calculated at \$0.75 per Share. Stephen Bizzaca will be issued Shares on the date that is two years from the Quotation Date and not 1 July 2013
- > On 1 July 2015, additional Shares representing 50% of their remuneration package (excluding short term incentives) calculated with reference to the price of Shares on the ASX on 1 July 2013. Stephen Bizzaca is not entitled to the additional Shares to be issued on 1 July 2015

Stephen Bizacca's remuneration package for the purpose of the plan is \$428,040.

Tony De Santis' remuneration package for the purpose of the plan is \$357,000.

These employees must be an employee of the Company at the date of issue of the Shares to receive their Shares. There is no other performance hurdle that these employees are required to meet in order to receive their Shares. If there is a reconstruction of the Company's capital, the number of Shares to which the rights relate will be adjusted in the same manner as all other Shares.

The total number of Shares proposed to be issued on 1 July 2013 over which the rights granted at the date of this Prospectus relate is 2,035,998. The number of Shares proposed to be issued on 1 July 2015 can not be calculated as the price will be determined with reference to the price of Shares on the ASX on 1 July 2013.

Finance facilities

Business Finance Agreement

The Company has entered into a business finance agreement with Westpac Banking Corporation (Westpac). Under the agreement, Westpac has agreed to provide a \$4,000,000 invoice finance facility to the Company, pursuant to which Westpac may purchase Delta's receivables.

If Delta is not in default, the purchase price for the specific receivables is discounted based on a variable percentage of their face value. If Delta is in default, the purchase price for the receivables will be further discounted to include a default interest margin. Westpac may terminate the agreement upon one month's written notice to Delta. However, if Delta is in default, Westpac may terminate the agreement immediately.

The agreement is secured by the following securities:

- > Fixed and floating charge given by Delta over all of its assets and undertakings in favour of Westpac
- > Fixed and floating charge given by Delta SBD over all of its assets and undertakings in favour of Westpac
- > Fixed and floating charge given by SBD over all of its assets and undertakings in favour of Westpac
- > Guarantee and indemnity given by Delta SBD for \$4,000,000
- > Guarantee and indemnity given by SBD for \$4,000,000

Under the agreement, Delta gives standard representations, warranties and undertakings for facilities of this kind. The agreement also contains standard events of default for facilities of this kind.

Hire Purchase Agreement

The Company has entered into a hire purchase agreement with Commonwealth Bank of Australia, which governs the hire purchase arrangements between them with respect to various items of plant and machinery used by the Company. Interest is payable at market rates.

Under the agreement, the goods will remain the property of the bank during the 48 month term. Delta may, if it is not in default, exercise its right to purchase the goods on or before the end of the term by paying certain amounts to the bank.

Delta's obligations to the bank under the agreement are secured by a guarantee and indemnity by Delta SBD, Stephen Bizacca and Glyn Dawkins.

Other Finance Arrangements

The Company has also entered into a number of finance arrangements and/or agreements with Vendor Finance Pty Ltd, National Australia Bank, Capital Finance Australia Limited and Bank of Queensland. These are on standard terms for agreements of their kind and are secured.

Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company for 13 months after the date of this Prospectus:

- > The constitution of Delta SBD
- > Consent to the issue of this Prospectus

10.5 CONSENTS AND DISCLAIMERS OF RESPONSIBILITY

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below.

Ord Minnett Limited has given, and has not withdrawn, its written consent to be named as Broker to the Offer in the form and context in which it is named.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyers to the Company in the form and context in which it is named.

KPMG Transaction Services Pty Ltd has given, and has not withdrawn, its written consent to be named as Investigating Accountant, in the form and context in which it is named and for the inclusion of its Investigating Accountant's Report in Section 8 of this Prospectus in the form and context in which it is included.

KPMG has given, and not withdrawn, its consent to be named as Auditor in the form and context in which it is named.

Registries Limited has given, and not withdrawn, its written consent to be named as share registrar in the form and context in which it is named.

Sydney Capital Partners has given, and not withdrawn, its written consent to be named as IPO advisor and IPO project managers in the form and context in which it is named.

New Holland Capital Pty Ltd has given, and not withdrawn, its written consent to be named as an IPO advisor in the form and context in which it is named.

10.6 INTERESTS OF EXPERTS AND ADVISERS

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- > Has any interest or has had any interest during the last two years, in the formation or promotion of Delta SBD, or in property acquired or proposed to be acquired by Delta SBD in connection with its formation or promotion, or the Offer of the Shares
- > No amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of Delta SBD, or the Offer of the Shares

Ord Minnett Limited has acted as Broker to the Offer. Ord Minnett Limited will be paid a management and selling fee of approximately \$120,000 in respect of these services. Details of the sponsoring broker agreement with Ord Minnett Limited are set out in Section 10.

McCullough Robertson has acted as legal advisor to the Company in relation to the Offer and has been involved in undertaking due diligence enquiries and providing legal advice in relation to the Offer and other advice related to listing on the ASX. McCullough Robertson will be paid an amount of up to \$245,000 in respect of these services. Further amounts may be paid to McCullough Robertson in accordance with their normal time-based charges.

KPMG Transaction Services has acted as Investigating Accountant to the Offer and has prepared the Investigating Accountant's Report in Section 8 and performed work in relation to due diligence enquiries. KPMG Transaction Services will be paid an estimated fee of \$45,900 in respect to these services. Further amounts may be paid to KPMG Transaction Services in accordance with their normal time-based charges.

Sydney Capital Partners has acted as IPO advisor and IPO project manager and will be paid a cash fee of \$100,000 and will, before the Quotation Date, be issued 125,000 Shares in respect these services. Sydney Capital Partners will, before the Quotation Date, be issued Options as set out in Section 10.

New Holland Capital Pty Ltd, of which Gordon Galt is a principal, has acted as a long term advisor of the Company including assisting in preparing the Company for a listing on the ASX. New Holland Capital will be paid a fee of \$200,000 in cash and will, before the Quotation Date, be issued 250,000 Shares and will be issued Options as set out in Section 10 in respect of these services. A related company to New Holland Capital, Taurus Funds Management (a related party of which Gordon Galt is a principal), was also paid \$125,000 in respect to IPO related advisory services.

10.7 TRANSACTIONS WITH RELATED PARTIES

Titanwood Holdings loan agreement

Titanwood Holdings Pty Ltd (an entity associated with Stephen Bizzaca) has entered into a loan agreement with SBD. The loan is on the following terms:

- > \$1 million must be repaid in full during July 2011
- > The balance must be repaid in full during July 2012
- > Interest accrues on the loan at the bank bill swap reference rate for 90 days as published on the date the funds are drawn down plus 2% p.a. and must be paid monthly. The relevant rates range from 8.89% p.a. to 9.51% p.a.
- > Titanwood Holdings can transfer its obligations to a third party without Delta SBD's consent
- > The loan is unsecured and is not supported by a guarantee from Delta SBD or Delta

As described in Section 10 of this Prospectus, \$1,829,688 was repaid to Titanwood Holdings Pty Ltd from proceeds raised under a non-renounceable pro-rata rights issue. The total amount owing to Titanwood Holdings by SBD at the date of this Prospectus is \$2,170,312. The Company intends to use \$784,000 of the proceeds raised under the Offer to repay a portion of the loan owing to Titanwood Holdings Pty Ltd. A total of \$344,918 in interest was paid under the terms of the loan agreement in FY2010.

Dawkins Enterprises loan agreement

Dawkins Enterprises Proprietary Limited (an entity associated with Glyn Dawkins) has entered into a loan agreement with Delta. The loan is on the following terms:

- > The loan expires and must be repaid in full during July 2012
- > Interest accrues on the loan at the bank bill swap reference rate for 90 days as published on the date the funds were drawn down plus 2% p.a. and must be paid monthly. The relevant rate is 8.5% p.a.
- > Dawkins Enterprises Proprietary Limited can transfer its obligations to a third party without Delta's consent
- > The loan is unsecured and is not supported by a guarantee from Delta SBD or SBD Services
- > As described in Section 10 of this Prospectus, \$1,670,311 was repaid to Dawkins Enterprises Proprietary Limited from proceeds raised under a non-renounceable pro-rata rights issue. The total amount owing to Dawkins Enterprises by Delta Mining at the date of this Prospectus is \$1,981,264. The Company intends to use \$716,000 of the proceeds raised under the Offer to repay a portion of the loan owing to Dawkins Enterprises Proprietary Limited

A total of \$310,384 in interest was paid under the terms of the loan agreement in FY2010.

Glyn Dawkins services agreement

On an as needs basis, Glyn Dawkins is engaged by the Company to provide services. Under the agreement, he is entitled to payment of \$1,600 per day for the services, plus 9% superannuation and reimbursement of out of pocket expenses.

The Company did not obtain Shareholder approval to enter into this arrangement on the basis that it falls within the exceptions in Section 211 of the Corporations Act.

New Holland Capital Advisor Agreement

The Company has entered into an advisory services agreement with New Holland Capital Pty Ltd. Gordon Galt, a Director, is a principal of New Holland Capital Pty Ltd and has an economic interest in New Holland Capital Pty Ltd. Under the agreement (as amended):

- > New Holland Capital will be paid a retainer of \$10,000 per month and an additional fee of \$400 per hour for services provided to Delta SBD for the period from 30 June 2010 until the Quotation Date
- > Delta SBD must pay New Holland Capital a fee of \$200,000 if the company lists on the ASX and will issue, prior to the Quotation Date, 250,000 Shares to New Holland Capital
- > Delta SBD will, prior to the Quotation Date, grant a total of 2,500,000 Options to acquire Shares in Delta SBD to New Holland Capital on the terms set out in Section 10
- > New Holland Capital will be paid a retainer of \$10,000 per month for a period of two years after the Quotation Date

- > If Delta SBD merges with, acquires, or is acquired by, any other entity while New Holland Capital is engaged by Delta SBD or during the period of one year after termination of the agreement, Delta SBD must pay New Holland Capital a success fee equal to 1.5% of the transaction value up to \$50 million and an additional 1% of the transaction value in excess of \$50 million
- > The fees payable to New Holland Capital described above are not dependent upon New Holland Capital's involvement in the transaction to which the success fee relates
- > If New Holland Capital undertakes, as part of its services, the preparation of documentation relating to debt finance or solicits debt from lenders on Delta SBD's behalf during the term of the agreement, New Holland Capital will be paid a fee of 1% of the debt raised in addition to its retainer
- > New Holland Capital is required to perform certain advisory services to Delta SBD and its subsidiaries. These services will depend on the requirements of Delta SBD
- > The Company can terminate the agreement at any time
- > New Holland Capital's liability under the agreement is limited to the amount paid to New Holland at that time (not including any out of pocket expenses)
- > New Holland Capital agrees that it will not act for any other party involved in the same or similar business as the Company, without the Company's consent
- > New Holland Capital is subject to confidentiality provisions regarding Delta SBD's information
- > Delta SBD agrees to indemnify and to keep indemnified New Holland Capital and its associated entity Taurus Funds Management Limited against all liability, loss or damage arising out of or in connection with New Holland's performance of the obligations under the agreement other than liability, loss or damage arising from wilful misconduct, dishonesty, fraud or negligence of New Holland

The Company did not obtain Shareholder approval to enter into this arrangement with New Holland Capital on the basis that the agreement falls within the exception contained in Section 210 of the Corporations Act.

New Holland has been paid a total of \$22,858 under the agreement for FY2010.

Veromas Chairman's Services agreement

The Company has entered into an agreement with Veromas Pty Ltd under which Veromas agrees to provide the services of Gordon Galt as Chairman. Veromas is entitled to be paid a fee of \$80,000 per annum for the services of Gordon Galt. It is also entitled to claim out of pocket expenses incurred in providing the services. In addition the agreement provides that:

- > The Company can terminate the agreement at any time

- > Veromas' liability under the agreement is limited to the amount paid to Veromas at that time (not including any out of pocket expenses)
- > Veromas agrees that it will not act for any other party involved in the same or similar business as the Company, without the Company's consent
- > Veromas is subject to confidentiality provisions regarding Delta SBD's information
- > Delta SBD agrees to indemnify and to keep indemnified Veromas and its directors officers and employees (including Gordon Galt) against all liability, loss or damage arising out of or in connection with Veromas's performance of the obligations under the agreement other than liability, loss or damage arising from wilful misconduct, dishonesty, fraud or negligence of Veromas

The Company did not obtain Shareholder approval to enter into this agreement with Veromas on the basis that these arrangements fall within the exception contained in Section 210 of the Corporations Act.

Titanwood Holdings professional services arrangements

The Company has engaged Titanwood Holdings Pty Ltd to assist with its accounts functions and a review of the Company's information technology systems. The work has been performed by Denise Peggs, the spouse of Stephen Bizzaca. Stephen Bizzaca has an economic interest in Titanwood Holdings and Titanwood Holdings is a related party of the Company. Under the arrangement, the Company engages Titanwood Holdings at a rate of \$100 per hour. Titanwood Holdings has been paid a total of \$22,900 for services under the agreement for FY2010.

The Company did not obtain Shareholder approval to enter into this agreement with Titanwood Holdings Pty Ltd on the basis that the arrangement falls within the exception contained in Section 210 of the Corporations Act.

Employment and director contracts

Delta SBD has entered into agreements with Tony De Santis and Stephen Bizzaca (for their role as employees) and Glyn Dawkins (for his services as Non Executive Director). Those agreements are summarised in Section 10. Stephen Bizzaca and Tony De Santis have also been granted rights to acquire Shares under the Company's long term incentive plan described in Section 10. Tony De Santis has also acquired Units under the Company's employee share plan Trust described in Section 10. These rights and Units are set out in Section 10.

The Company did not obtain Shareholder approval to enter into these arrangements with Stephen Bizzaca or Tony De Santis on the basis that these arrangements fall within the exception contained in Section 211 of the Corporations Act.

Loan agreement with De Santis Public Relations

The Company has loaned funds to De Santis Public Relations Pty Ltd an entity associated with Tony De Santis. De Santis Public Relations borrowed \$492,500 from Delta on 28 June 2007. De Santis Public relations used these funds to subscribe for Shares. As at the date of this Prospectus, the amount outstanding is \$129,548. The loan has been provided on the following terms:

- > The loan is to be repaid from dividends paid on the Shares and by the repatriation of 25% of any short term incentive payment received by Tony De Santis under his employment contract described in Section 10
- > If De Santis Public Relations does not repay the loans in accordance with the agreement, interest is charged on the loan, otherwise the loan is interest free

The loan is secured by a personal guarantee from Tony De Santis.

At the time the loan was entered into, Tony De Santis was not a Director and De Santis Public Relations Pty Ltd was not a related party of the Company. Accordingly, Shareholder approval was not sought for the transaction.

De Santis Public Relations engagement

De Santis Public Relations Pty Ltd (an entity associated with Tony De Santis) is engaged by the Company on an as needs basis to undertake public relations and marketing activities. The entity is paid either on an hourly or project basis. The Company has paid \$1,470 to De Santis Public Relations during FY2010. The Company did not obtain Shareholder approval for the engagement on the basis that this arrangement falls within the exception contained in Section 210 of the Corporations Act. Tony De Santis is not involved in any respect in the work undertaken by De Santis Public Relations.

Titanwood Holdings vehicle hire agreement

The Company has entered into a motor vehicle hire agreement with Titanwood Holdings Pty Ltd. The agreement contains the following terms:

- > The hire period is 5 years terminating on 2 April 2012
- > The hire fee is \$5,000 per month
- > The Company must insure and maintain the vehicle
- > The Company indemnifies Titanwood Holdings against all claims for loss arising out of the use of the vehicle
- > The nominated driver is Stephen Bizzaca

The Company did not obtain Shareholder approval to enter into this agreement with Titanwood Holdings Pty Ltd on the basis that the agreement falls within the exception contained in Section 210 of the Corporations Act.

Rights issue

Entities associated with Stephen Bizzaca, Glyn Dawkins and Tony De Santis acquired Shares under the rights issue described in Section 10. Other

related parties also acquired Shares under the rights issue. Details of the Shares issued to related parties under the rights issue is set out in Section 10.

The Company did not obtain Shareholder approval to issue the Shares to these parties on the basis that these arrangements fall within the exception contained in Section 210 of the Corporations Act.

10.8 PAYMENTS TO DIRECTORS

The constitution of Delta SBD provides that the Directors may be paid, as remuneration for their services, a sum set from time to time by Delta SBD's Shareholders in general meeting, with that sum to be divided amongst the Directors as they agree.

Delta SBD has appointed Glyn Dawkins as a Non-Executive Director on 1 July 2010. Prior to this date he was an Executive Director. Under the engagement letter, Dawkins Enterprises Pty Ltd (a related party of the Company) is entitled to payment of a Directors fee of \$40,000 per annum. If Mr Dawkins serves as Chairman of a committee of the Board, Dawkins Enterprises is entitled to a further payment of \$5,000 per annum. If he serves on a committee of the board (other than as Chairman) Dawkins Enterprises is entitled to a further fee of \$2,500 per annum. The Company is required to maintain Directors and Officers insurance for Mr Dawkins.

Gordon Galt does not personally receive a payment for his services as Chairman. These services are provided under the Veromas Chairman Services Agreement described in Section 10. Veromas is entitled to be paid \$80,000 (plus out of pocket expenses) for providing the chairman services. Gordon Galt is a shareholder and director of Veromas and Veromas is a related party of the Company.

Stephen Bizzaca and Tony De Santis do not receive any payment for their services as Directors other than in accordance with their executive service agreements described in Section 10.

10.9 INTERESTS OF DIRECTORS

Other than set out above or elsewhere in this Prospectus:

- > No Director or proposed Director of Delta SBD has, or has had in the two years before lodgement of this Prospectus, any interest in the formation or promotion of Delta SBD, or the Offer, or in any property proposed to be acquired by Delta SBD in connection with information or promotion of the Offer
- > No amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of Delta SBD either to induce him or her to become, or to qualify him or her as a Director, or otherwise for services rendered by him or her in connection with the promotion or formation of Delta SBD or the Offer

Shareholdings

The Directors and their associates have a relevant interest in the following Shares, Options, rights to be issued Shares under the LTIP and Units in the EST (for which one Unit represents one Share) in the Company at the date of this Prospectus:

Director	Shares	Rights under the LTIP to 2013	Units in the EST
Gordon Galt*	-	-	-
Stephen Bizzaca	15,795,041	428,694	-
Glyn Dawkins	12,062,785	-	-
Tony De Santis	1,006,225	357,545	279,529
	28,864,051	786,239	279,529

The rights under LTIP from 2013 have been excluded from above table refer Section 10.

* Gordon Galt does not have a relevant interest in Shares and Options held by New Holland Capital Pty Ltd nor is New Holland Capital an associate of Gordon Galt. New Holland Capital will hold 250,000 Shares and 2,500,000 Options at the Quotation Date. Gordon Galt has an economic interest in New Holland Capital and is also a Director of New Holland Capital.

10.10 EXPENSES OF THE OFFER

The total estimated cash expenses of achieving the IPO and incurred or payable by the Company including ASX and ASIC fees, accounting fees, legal fees, share registry fees, printing costs, public relations costs and other miscellaneous expenses are estimated to be approximately \$1.1 million.

10.11 PRIVACY

When applying for Shares in the Company, Applicants will be asked to provide personal information to Delta SBD directly, and through the share registry, such as name, address, telephone and fax numbers, tax file number and account details. The Company and the share registry collect, hold and use that personal information to assess Applications, provide facilities and services to Applicants and undertake administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with such information under the Privacy Act 1988 (Cth). Incomplete applications may not be processed. Under the Privacy Act 1988 (Cth), Applicants may request access to their personal information held by or on behalf of the Company by contacting the share registry.

10.12 ELECTRONIC PROSPECTUS

This Prospectus is available in electronic form at www.deltasbd.com.au after 29 November 2010. Any person receiving this Prospectus electronically will, on request, be sent a paper copy of the Prospectus by Delta SBD free of charge during the period of the Offer.

Applications must be made by completing a paper copy of the Application Form. Delta SBD will not accept Application Forms electronically.

The Application Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form.

Delta SBD will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While Delta SBD believes that it is extremely unlikely that during the period of the Offer the electronic version of the Prospectus will be tampered with or altered in any way, Delta SBD can not give any absolute assurance that this will not occur. Any investor in doubt about the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from Delta SBD or a financial advisor.

10.13 AUTHORISATION

This Prospectus is issued by the Company. Each Director has consented to the lodgement of the Prospectus with ASIC.

Dated 18 November 2010



Stephen Bizzaca
Managing Director



Glossary

ABARE	Australian Bureau of Agricultural and Resource Economics	Directors	the directors of the Company	IPO	the initial public offering of Shares under this Prospectus and listing of Delta SBD on the ASX
AEDT	Australian Eastern Daylight Savings Time	Director Shareholders	the parties associated with each of the Directors as noted in Section 10	Listing Rules	listing rules of ASX
Allotment Date	the date on which Shares are allotted under the Offer	EBIT	Earnings before interest and income tax	LTIP	the Company's Long Term Incentive Plan described in Section 10
Applicant	a person or entity who submits an Application Form	EBITDA	Earnings before interest, income tax, depreciation and amortisation	mt	million tonnes
Application Form	an application form attached to this Prospectus, including the Employee Offer Application Form and the General Offer Application Forms	Enterprise Value	the market capitalisation at the Offer Price plus Pro forma net debt as at 30 June 2010	NPAT	Net profit after tax
Application Money	the money received by the Company pursuant to the Offer, being the Offer Price multiplied by the number of Shares applied for	Employee Offer Application Form	the Employee Offer Application Form attached to this Prospectus	NPBT	Net profit before tax
A-IFRS	the adopted Australian equivalents of IFRS	Employee Offer	the Offer of Shares to Eligible Employees under this Prospectus and the Employee Offer described further in Section 10	Offer	the Offer of Shares under this Prospectus
AGAAP	Australian generally accepted accounting principles incorporating Australian Accounting Standards	Employee Offer Closing Date	the date on which the Employee Offer closes, being 8 December 2010, or another date nominated by the Company in consultation with the Broker	Offer Price	\$0.80 per Share
ASIC	Australian Securities and Investments Commission	Eligible Employee	Eligible Employees are: <ul style="list-style-type: none"> > All permanent employees > Casual employees with greater than twelve months continuous service at 8 December 2010 Eligible Employees must be employed by the Company on 8 December 2010	OH&S	Occupational Health and Safety
ASTC	ASX Settlement Pty Ltd ACN 008 504 532	EST	the Company's Employee Share Trust described in Section 10.	Option	an option to acquire a fully paid ordinary Share in Delta SBD
ASTC Settlement Rules	The ASTC Settlement Rules, being the operating rules of the Settlement Facility for the purposes of the Corporations Act	Founding Shareholders	Shareholders who held Shares at the date of the merger between Delta and SBD	Option Holder	the holder of an Option
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires)	Founding Shares	Shares held as per Audited Annual Report for 30 June 2010	pa	per annum
Board	the board of directors of the Company	FY	financial year	Personnel	employees and professional services contractors of Delta SBD
Broker	means Ord Minnett Limited ACN 002 733 048	General Offer	the Offer of Shares under the Prospectus to the public	Prospectus	this prospectus
CHESS	Clearing House Electronic Subregister System, operated by ASTC	General Offer Application Form	means the General Offer Application Form attached to this Prospectus	Pro forma Financial Information	Pro forma Income Statement for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 whereby the Historical Income Statement has been adjusted for certain Pro forma transactions ("Pro forma Income Statements"), and Pro forma Balance Sheet as at 30 June 2010 whereby the 30 June 2010 Historical Balance Sheet has been adjusted for certain Pro forma transactions ("Pro forma Balance Sheet")
Closing Date	the date on which the Offer closes, being 8 December 2010, or another date nominated by the Company in consultation with the Broker	Historical Financial Information	income Statement for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 as extracted from the audited financial statements ("Historical Income Statements") and Balance Sheet as at 30 June 2009 and 30 June 2010 as extracted from the audited financial statements ("Historical Balance Sheets")	Quotation Date	the first date Shares are granted quotation on ASX
Company or Delta SBD	Delta SBD Limited ACN 127 894 893	IFRS	International Financial Reporting Standards	R&D	research & development
Corporations Act	Corporations Act 2001 (Cth)			SBD	SBD Services Pty Ltd ACN 124 019 816
CY	calendar year			Settlement Facility	has the meaning specified in the ASTC Settlement Rules
Delta	Delta Mining Pty Ltd ACN 056 692 883			Shareholders	holders of Shares in Delta SBD
				Shares	fully paid ordinary shares in Delta SBD
				Share Registry	Registries Limited ACN 003 209 836
				Sponsoring Broker Agreement	means the agreement between the Company and the Broker described in Section 10
				Us or we	the Company
				You	the investors under this Prospectus



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Delta SBD Limited ACN 127 894 893

GENERAL OFFER APPLICATION FORM

Broker Code / Advisor Code

Fill out this Application Form if you want to apply for Shares in Delta SBD Limited.

- > Follow the instructions to complete this Application Form (see reverse).
- > Print clearly in capital letters using black or blue pen.

Applicants under the General Offer can contact Registries Limited for information on how to submit this Application Form and application monies.

This Application Form relates to the General Offer of Shares in Delta SBD Limited pursuant to the prospectus dated 18 November 2010 issued by Delta SBD Limited ("Prospectus"). The Prospectus was lodged with the Australian Securities and Investments Commission on that date. This General Offer Application Form should be read in conjunction with the Prospectus. This Application Form is important. If you are in doubt as to how to deal with it, please contact Registries Limited, or Ord Minnett Limited without delay. You should read the entire Prospectus carefully before completing this General Offer Application Form.

The closing date of the General Offer is 9.00am (AEDT) on 8 December 2010. Applications must be received by the broker in sufficient time for the broker to process that application by the closing date.

A Number of Shares you are applying for

x \$0.80 per Share =

B Total amount payable

Minimum of 2,500 Shares to be applied for, and thereafter in multiples of 500 Shares.

C Write the name(s) you wish to register the Shares in (see reverse for instructions)

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

D Write your registered address here

Number / Street

Suburb/Town

State

Postcode

E CHESS participant – Holder Identification Number (HIN)

Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.

F Enter your Tax File Number(s), ABN, or exemption category

Applicant #1

Applicant #2

Applicant #3

G Cheque payment details – PIN CHEQUE(S) HERE

Please enter details of the cheque(s) that accompany this application.

Name of drawer of cheque

Cheque No.

BSB No.

Account No.

Cheque Amount A\$

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H Contact telephone number (daytime/work/mobile)

I Email address

- Please tick this box if you wish to nominate to receive notifications (including any notices of meeting and annual reports) from Delta SBD Limited electronically at the email address set out above. Please note that if you tick this box a hard copy of any notification will not be mailed to you.

By submitting this Application Form, I/We declare that this Application Form is completed and lodged according to the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Delta SBD Limited (the Company). I/We was/were given access to the Prospectus together with the Application Form. I/We represent, warrant and undertake to the Company that our subscription for the above Shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in the Company.

IMPORTANT NOTICE

The Australian Corporations Act 2001 prohibits any person from passing onto another person an Application Form in relation to the Offer of Shares, unless the Application Form is attached to or accompanies a complete and unaltered copy of the Prospectus. A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary or replacement prospectus. A paper copy of the Prospectus, any supplementary or replacement prospectus and the Application Form will be provided to you, at no charge, upon request by telephoning the Delta SBD Offer Information Line on 1300 737 760. Applications for Shares will only be accepted if made on an Application Form that was attached to or accompanied the Prospectus.

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS GENERAL OFFER APPLICATION FORM. NO SIGNATURE IS REQUIRED.

GUIDE TO THE GENERAL OFFER APPLICATION FORM

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS.

These instructions are cross-referenced to each section of the Application Form.

Instructions

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 2,500 Shares and then in multiples of 500 Shares. Multiply by \$0.80 AUD to calculate the total for Shares and enter the \$ amount at B.
- C. Write your full name. Initials are not acceptable for first names.
- D. Enter your registered address here. For joint Applicants, only one address can be entered.
- E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
NB: your registration details provided must match your CHESS account exactly.
- F. Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN / ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- G. Complete cheque details as requested. Make your cheque payable to Delta SBD Limited Application Trust Account, cross it and mark it "Not negotiable". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- H. Enter your contact details so we may contact you regarding your Application Form or Application Monies.
- I. Enter your email address so we may contact you regarding your Application Form or Application Monies or other correspondence. Please fill the box if you would like to receive all notifications (including notices of meeting and annual reports) electronically at the email address provided.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Lodgement of Application

Application Forms must be received at the Sydney office of Ord Minnett Limited by no later than **9.00am (AEDT) on 8 December 2010**.

Return the Application Form with cheque(s) attached to:

Delta SBD General Offer

c/- Ord Minnett Limited
GPO Box 2613
Sydney NSW 2001

Correct Forms of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

If you have any questions as to how to complete the Application Form, please contact Registries Limited on 02 9290 9600 or Ord Minnett Limited on 02 8216 6300.

Privacy Statement:

Registries Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a Shareholder (including your name, address and details of the Shares you hold) to be included in the public register of Delta SBD Limited. Information is collected to administer your Share holding and if some or all of the information is not collected then it might not be possible to administer your Share holding. Your personal information may be disclosed to Delta SBD Limited. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form.

Our privacy policy is available on our website: http://www.registriesltd.com.au/help/share_privacy.html.

