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EVERY DAY MINE SERVICES LIMITED

ABN 12 124 279 750

ANNUAL REPORT 2011

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Chairman's Report

On behalf of the Board I present the 2011 Financial Year annual report of Every Day Mine Services Limited ("EDMS" or "the Company").

The Group's reorganisation program has been underway for nearly twelve months and is now nearing completion. The reorganisation has included the closure of non-core operations, the orderly conclusion of non-profitable operations and the resultant disposal of non-core assets. The bulk of the Group's remaining assets are now productive and utilised by its core business.

The restructure was initiated to consolidate the Group's operation and improve its working capital position and ongoing cash flows. Asset disposals and the closure of non-profitable operations has resulted in significant debt reduction and lower borrowing costs. Personnel numbers were nearly halved during the last financial year and other operating costs are also significantly lower.

The board is now satisfied that the Group's restructure has largely achieved its objectives and that the Group can now operate on a clean and focused basis. This provides a solid foundation for both future organic growth and possible merger acquisition transactions.

The board is actively exploring merger and/or acquisition opportunities that involve scrip-based transactions. This may involve new shareholders obtaining a controlling interest in the business.



Robert Hackett
Chairman and Acting CEO

Managing Director's Report

The new executive team commenced a substantial reorganisation program in the second quarter of the 2010/11 year which included identifying non-core operations, disposing of underperforming assets and concluding unprofitable contracts.

While the reorganisation program has not been completed it has resulted in:

- (i) a reduction in hire purchase debt levels from \$10m (June 2010) to \$5.5m (June 2011) as a result of surplus asset disposal
- (ii) a reduction in personnel numbers from 185 in June 2010 to less than 100 at the end of June 2011
- (iii) the closure of a \$6m debtor finance facility

During the year the company completed or did not renew a number of contracts that had proven to be unprofitable.

During these tough times, EDMS has not lost sight of the importance of safety within our operations.

Financial Statements

Revenue

Group revenue for the full year was \$18.7m from continuing operations and \$2m from discontinued operations, a decrease of 23% on the corresponding period.

This time last year, EDMS had 18 rigs operating with 6 clients in 5 different locations on base metal projects. Today, the business has 12 rigs working with 3 clients in 3 geographical locations.

The strong coal activity in the Hunter Valley saw the majority of the surface fleet working for the full year. The underground drills worked inconsistently over the entire year.

Loss

Net loss after tax attributable to equity holders was \$15.0 million. This represents a 265% increase from the prior year's result. Contributing to the loss was a number of one-off items including:

- (i) Redundancy accrual of \$0.5m
- (ii) Write off of \$1.2m fixed assets that were not able to be identified
- (iii) Loss on sale of fixed assets \$1.2m
- (iv) Impairment of \$1.8m for
 - o Down the hole rigs identified for sale to market value
 - o Surface rigs identified for sale to market value
 - o Ancillary drilling equipment

Interest

Total net interest expense decreased to \$1.1m from \$1.3m in the prior year.

Cash flow and balance sheet

Cash generated from operations was \$2.1m, a significant increase from (\$5.9)m in the prior period.

Capital expenditure totaled \$2.9m for the year, compared to \$9.3m in the prior period. The majority of this expenditure was incurred on two supply trucks, the Yatala Warehouse and the drill rods and equipment that were transferred from Inventory (\$2.5m).

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Managing Director's Report (continued)

Mining outlook

The mining services sector, particularly the coal sector in the Hunter Valley is experiencing strong growth. This growth continues as feasibility studies and exploration programs in the market place. While these opportunities are strongly contested, the increase in demand could translate into sustainable work with the opportunity to realise acceptable margins.

Strategy

Moving forward into the 2011/12 year, the company will complete a consolidation of the business around the Peabody Resources, Wambo Mine contract. This contract which will utilise up to 11 surface drill rigs, and has two years remaining of a three year term. All plant and equipment surplus to this project will be sold.



Robert Hackett
Acting Chief Executive Officer

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Director's Report

Your directors present their report on the Group consisting of Every Day Mine Services Limited and the entities it controlled at the end of, or during, the period under review from 1 July 2010 to 30 June 2011.

Principle Activities

EDMS is the holding company of the Group. The Group has eight operating Subsidiaries: EDMS Human Capital Pty Ltd, EDMS Assets & Logistics Pty Ltd, EDMS Energy Pty Ltd, EDMS Metals Pty Ltd, Resource 1 Pty Ltd, Every Day Mine Services Operations Pty Ltd (EDMSO), G.O.S. Drilling Pty Ltd (GOS), and Australian Gas Drilling Pty Ltd (AGD), all of which provide contracting services to the mining industry and which are headquartered in Brisbane, QLD. The various divisions of EDMS and its precursors have been successfully servicing the mining sector in NSW since 1995 and have a combined staff of more than 60 people. EDMS caters to the mining industry with a focus on niche services for exploration, mining and contracting companies that do not have specialised equipment and the qualified employees to perform themselves. The Group predominantly operates throughout NSW and Queensland. There are specific synergies within the Group which enable the resources, expertise and market positioning of each operating company to be available to the other companies in the Group.

EDMS provides services to a wide range of companies including hard-rock mines that produce metals such as copper, gold, lead, zinc and silver and to the energy sector including coal and coal gasification.

Dividend Paid or Recommended

No dividends have been declared or paid during the period under review.

Review of Operations

Information on the operations and financial position of the Group are set out in the Managing Director's Report on pages 3 to 4.

Significant Changes in State of Affairs

There was no significant change in the state of affairs of the Group during the financial year.

After Balance Sheet Date Events

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

Future Developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

The Group operations are subject to State and Commonwealth environmental legislation. The Group monitors environmental issues, has appropriate environmental licenses for its operations and has environmental management procedures and is committed to reducing the impact of its operations on the environment. Our clients have obligations under environmental regulations and are reliant upon the Group to assist them to ensure its operations comply with those regulations.

As a mining services Group, EDMS undertakes to uphold environmental sustainability as a cornerstone of its operations. Our goal is to understand and respect the environment, land, cultural and social structures of the communities in which we operate. The Group continues to reduce its environmental footprint to protect and preserve the environment of the locations where we work.

Directors Report (continued)

Information on Directors

The following persons were directors of the Group during the period under review and up to the date of this report:

Mr Robert Hackett BE (Civil), MBA (IMEDE), MAICD (appointed 4 July 2011)

Chairman, Director, Aged 56

Mr Hackett is a former chief executive of both an Asia Pacific onshore drilling contractor (minerals, geothermal, oil and gas) and a Middle East based geothermal, oil and gas drilling, work-over, and other well site services contractor with significant operations in 12 countries, turnover in excess of US\$400m and approximately 5,000 employees. He has a Bachelor of Engineering (Civil) degree from the University of Adelaide, Masters of Business Administration from IMEDE, Lausanne, Switzerland and is a member of the Australian Institute of Company Directors.

Other current directorships Strathlyn Investments Pty Limited

Special responsibilities: Chairman of the Board, Member of the Audit Committee

Interests in shares and options

3,000,000 ordinary shares in EDMS

Nil options over ordinary shares in EDMS

Mr Craig Burton BJuris, LLB, MAICD (appointed 23 September 2009)

Non-executive Director, Aged 48

Mr Burton is an experienced and active investor in emerging projects and businesses, both public listed and private, with a focus on the base metals, oil and gas and mining services sectors. He is a co-founder of two ASX 200 companies – Mirabela Nickel Limited and Panoramic Resources Limited. He has a Bachelor of Laws degree from the University of Western Australia and is a member of the Australian Institute of Company Directors.

Mr Burton is currently Chairman of Mirabela Nickel Ltd and a Non-Executive Director of Capital Drilling Limited, Hutton Energy plc.

Other current directorships Mirabela Nickel Limited, Capital Drilling Limited and Hutton Energy plc

Former directorships in last three years: Exco Resources Limited, Rewards Group Limited, Wildhorse Energy Limited and Matra Petroleum plc

Special responsibilities: Chairman of the Board, Chairman - Remuneration Committee

Interests in shares and options

56,522,453 ordinary shares in EDMS

5,000,000 options over ordinary shares in EDMS

Tom Henderson B Comm (UWA) CA, FAICD

Non-executive Director, age 45

Mr Henderson has over 20 years experience in corporate finance, has expertise in the provision of advisory services to the resources and services industry and the recapitalisation of listed vehicles.

Mr Henderson is a Chartered Accountant and the former Head of Corporate Finance at Deloitte in Perth. He left the Deloitte partnership in 2006 and is now a Principal of Forrest Capital Pty Ltd, an Australian Financial Services Licence holder providing financial services to wholesale clients.

Other current directorships – Brumby Resources Limited and Fitzroy Resources Limited

Special responsibilities: Chairman – Audit and Risk Committee

Interests in shares and options

26,679,118 ordinary shares in EDMS

3,000,000 options over ordinary shares in EDMS

Directors Report (continued)

Stephen McCoy MBA, B.Bus (Admin), MAusImm (appointed 1 June 2010, resigned 31 August 2011)

Managing Director, age 51

Roger Alan Jackson BSc (Geol), Dip Ed, Grad Dip Fin Man - MAusImm, AHIA, ADIA (appointed 6 March 2007, resigned as Executive Director 25 June 2010, appointed Non-executive Director 25 June 2010, resigned 31 March 2011)

Non-executive Director, age 46

Declan Thomas Franzmann B. Eng (Mining), MAusImm (appointed 27 March 2007, resigned 30 November 2010)

Non-executive Director, age 44

Meetings of directors

Name	Date of appointment / (resignation)	Full meetings of Directors		Audit and Risk		Remuneration	
		A	B	A	B	A	B
Robert Hackett	4 July 2011	-	-	-	-	-	-
Craig Burton		11	11	-	-	1	1
Tom Henderson		11	11	4	4	-	-
Declan Franzmann	(30 November 2010)	4	5	2	2	-	-
Roger Jackson	(31 March 2011)	7	8	1	1	1	1
Stephen McCoy	(31 August 2011)	11	11	-	-	-	-

A= Number of meetings attended

B= Number of meetings held during the time the director held office or was a member of the committee during the year.

Indemnification of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Group (as named above), the Group secretary and all executive officers of the Group and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Auditor's independence declaration

The auditor's independence declaration is included on page 62 of the annual report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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Directors Report (continued)

Remuneration Report (Audited)

Remuneration of Directors and Officers

This report outlines the remuneration arrangements in place for Directors and other key management personnel of EDMS.

Directors

Robert Hackett	Chairman (Non-executive Director)
Craig Burton	Non-executive Director
Tom Henderson	Non-executive Director
Declan Franzmann	Non-executive Director
Roger Jackson	Non-executive Director
Stephen McCoy	Managing Director

Key management

Paul Brenton	Chief Financial Officer
Stephen Earp	General Manager EDMS Assets & Logistics
Anthony Glass	General Manager EDMS Energy
Steven Kelly	Acting General Manager EDMS Metals
Mark Leal	General Manager - Operations

The Group has established a remuneration committee which has adopted a remuneration charter. The charter provides that the fees and emoluments paid to Directors shall be approved in advance by Shareholders. The salary and emoluments paid to officers shall be approved by the Board. Executive officers and the managing director shall enter into service agreements which shall not exceed three years in duration (but shall be renewable). Consultants shall be engaged as required pursuant to service agreements. The Group shall ensure that fees, salaries and emoluments shall be in line with general standards for public listed companies of the size and type of the Group and that they shall not be excessive. All salaries of Directors and statutory officers shall be disclosed in the Annual Report of the Group each year.

The Board believes that individual salary negotiation is more appropriate than formal remuneration policies, and external advice and market comparisons are sought where necessary. The Group discloses the fees and remuneration paid to all Directors as required by the Corporations Act. The Board recognises that the attraction and retention of high calibre executives is critical to generating shareholder value.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Shares issued to Directors and executives are valued at the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market price, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group. Each member of the executive team has signed a formal contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract sets out the specific formal job description.

Under EDMS' Constitution, the Directors shall be paid remuneration for their ordinary services as Directors a fixed sum to be divided amongst them in such proportion and manner as the Directors agree and, in default of agreement, equally. Director's fees are currently set at the following amounts per annum:

Each non-executive Director receives fees of \$40,000 per annum (plus GST) and the Chairman of the Board of Directors will receive \$60,000 per annum (plus GST). Payments of Directors' fees will be in addition to any payments to Directors in any employment capacity. A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties.

Directors Report (continued)

Details of remuneration for the period ended 30 June 2011

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency and capital management

The names and positions held of the parent entity Directors are disclosed under Information on Directors above, with the dates of directorship disclosed for each Directors. During the period there were 5 employees that held roles of 5 positions in addition to the Executive Directors that are considered to meet the criteria of key management personnel.

Details of the remuneration of each current Director and Key Management Personnel of Every Day Mine Services and its Subsidiaries, including their personally related entities, are set out below:

Service agreements

Name: Paul Brenton

Title: Chief Financial Officer & Company Secretary

Agreement Commenced: 9 August 2010

Term of agreement: Ongoing

Details: Base salary for the year ending 30 June 2011 of \$220,000 plus superannuation, to be reviewed annually by the Remuneration Committee. 6 month termination notice from the company or 3 month resignation notice. Key performance indicator (KPI) cash bonus and share issue bonus at the completion of each financial year if certain KPI's are met. The KPI's are yet to be determined by the board.

Name: Mark Leal

Title: General Manager - Operations

Agreement Commenced: 23 May 2011

Term of agreement: Ongoing

Details: Base salary for the year ending 30 June 2011 of \$160,000 plus superannuation, to be reviewed annually by the Chief Executive Officer. 1 month termination notice by either party.

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Directors Report (continued)

JUNE 2011		Position	Tenure (If not full year not served)	Salary, Fees & Commissions	Super	Other	Options	Total
DIRECTORS								
Hackett	Robert	Chairman	Appointed Non-Executive Director 4 July 2011 Appointed Chairman 8 July 2011 Acting CEO, Appointed 1 September 2011	-	-	-	-	-
Burton	Craig	Non-Executive Director Chairman	Resigned as Chairman 8 July 2011	60,000	-	-	-	60,000
Franzmann	Declan	Non- Executive Director	Resigned 30 November 2010	16,666	-	-	-	16,666
Henderson	Tom	Non- Executive Director		40,000	-	-	-	40,000
Jackson	Roger	Non-Executive Director	Resigned 31 March 2011	138,700	-	-	-	138,700
McCoy	Stephen	Managing Director	Resigned 31 August 2011	294,230	27,355	9,711	-	331,296
TOTAL				549,596	27,355	9,711	-	586,662
KEY MANAGEMENT								
Brenton	Paul	Chief Financial Officer / Company Secretary	Appointed 9 August 2010	188,812	16,993	-	-	205,805
Earp	Stephen	General Manager EDMS Assets & Logistics	Appointed 16 August 2010, Resigned 10 October 2011	140,673	12,462	12,000	-	165,135
Glass	Anthony	General Manager EDMS Energy	Appointed 16 August 2010, Resigned 19 August 2011	150,545	12,971	14,000	-	177,516
Kelly	Steven	Acting General Manager EDMS Metals	Appointed 4 October 2010, Resigned 29 July 2011	100,970	9,087	-	-	110,057
Leal	Mark	General Manager - Operations	Appointed 23 May 2011	15,384	1,385	-	-	16,769
TOTAL				596,384	52,898	26,000*	-	675,282

* Stephen Earp received a sign on bonus of \$12,000 and Anthony Glass received a sign on bonus of \$14,000 from commencement of employment with EDMS

Directors Report (continued)

JUNE 2010		Position	Tenure (If not full year served)	Salary, Fees & Commissions	Super	Other	Options	Total
DIRECTORS								
Bradfield	Peter	Chairman	Resigned 30 September 2009	21,500	1,350	-	-	22,850
Burton	Craig	Chairman	Appointed 23 September 2009	30,000	-	-	-	30,000
Franzmann	Declan	Non- Executive Director		34,902	675	-	-	35,577
Henderson	Tom	Non- Executive Director	Appointed 23 September 2009	56,667	-	-	-	56,667
Jackson	Roger	Non-Executive Director		275,911	22,918	19,533	-	318,362
McCoy	Stephen	Managing Director	Appointed 1 June 2010	25,000	2,250	-	-	27,250
Pattison	Ashley	Managing Director	Resigned 31 May 2010	249,501	20,348	7,837	-	277,686
Rogers	Joshua	Non-Executive Director	Resigned 30 September 2009	10,000	675	-	-	10,675
TOTAL				703,481	48,216	27,370	-	779,067
KEY MANAGEMENT								
Cobley	Paul	Chief Financial Officer	Appointed 7 April 2010, Resigned 4 June 2010	43,359	-	-	-	43,359
De Hamer	Dirk	AGD General Manager	Appointed 30 November 2009	81,501	7,335	-	-	88,836
Dunoon	Peter	Chief Financial Officer	Appointed 7 June 2010	26,000	-	-	-	26,000
Jeffery	Michael (Joe)	EDMSO General Manager		115,268	10,374	-	-	125,642
Marquart	Bradley	Chief Financial Officer	Resigned 24 December 2009	88,013	7,921	-	-	95,934
Peachey	Jason	GOS General Manager – NSW		125,333	11,280	-	-	136,613
Quirk	Anthony	GOS General Manager – QLD	Resigned 1 December 2009	111,976	10,078	-	-	122,054
Rice	Adam	NSW Operations Manager		161,192	11,540	6,130	-	178,862
Verster	Mark	Chief Financial Officer	Appointed 11 January 2010, Resigned 9 April 2010	45,000	4,050	-	-	49,050
TOTAL				797,642	62,578	6,130	-	866,350

No Director or senior management person appointed during the period received a payment as part of consideration for agreeing to hold the position.

This concludes the remuneration report which has been audited.

Executive Share Option Plan

During the last two financial years, the following share-based payment arrangements were in existence:

	Balance 1 July 09	Options Acquired	Options Cancelled	Balance 30 June 10	Balance 1 July 10	Options Acquired	Options Cancelled	Balance 30 June 11
Adam Rice	100,000	-	-	100,000	100,000	-	(100,000)	-
Anthony Quirk	350,000	-	(350,000)	-	-	-	-	-
Ashley Pattison	-	3,000,000	-	3,000,000	3,000,000	-	-	3,000,000
Bradley Marquart	200,000	-	(200,000)	-	-	-	-	-
Craig Burton	-	6,000,000	-	6,000,000	6,000,000	-	-	6,000,000
Declan Franzmann	300,000	500,000	-	800,000	800,000	-	(300,000)	500,000
Jamie Rainbow	100,000	-	-	100,000	100,000	-	-	100,000
Joshua Rogers	300,000	500,000	(300,000)	500,000	500,000	-	-	500,000
Peter Bradfield	500,000	650,000	(500,000)	650,000	650,000	-	-	650,000
Roger Jackson	600,000	500,000	-	1,100,000	1,100,000	-	(600,000)	500,000
Tom Henderson	-	3,000,000	-	3,000,000	3,000,000	-	-	3,000,000
	2,450,000	14,150,000	(1,350,000)	15,250,000	15,250,000	-	(1,000,000)	14,250,000

Directors Report (continued)

Details of the options method of valuation is disclosed in note 26

Executives and senior employees receiving options under the first round issued on 14 May 2007 are entitled to the beneficial interest under the option when the performance condition (length of service beyond 14 May 2009) is met only if they continue to be employed with the Group at that time.

The Directors approved the issue of a second round of options to key management of the Group and its subsidiaries pursuant to the Plan in July 2009. Details of the options issued are disclosed in note 22.

Options

At the date of this report, the options listed below are unexercised:

	Issue Date	Exercise Date	Exercise Price	Bal 1 Jul 09 \$'000	Options Granted \$'000	Options Cancelled \$'000	Bal 30 Jun 10 \$'000	Bal 1 Jul 10 \$'000	Options Granted \$'000	Options Cancelled \$'000	Bal 30 Jun 11 \$'000
Directors and Key Management Carmichael	29 Jun 07	29 Jun 12	\$0.50	1,850	-	(950)	900	900	-	(900)	-
Capital Partners	29 Jun 07	30 Jun 10	\$0.40	678	-	(678)	-	-	-	-	-
Employee Share Option Plan	20 Jul 08	29 Jun 12	\$0.41	900	850	(1,550)	200	200	-	(100)	100
Directors and Key Management	7 Jul 09	6 Jul 14	\$0.08	-	5,150	-	5,150	5,150	-	-	5,150
Directors and Key Management	30 Oct 09	30 Jun 14	\$0.064	-	9,000	-	9,000	9,000	-	-	9,000
				3,428	15,000	(3,178)	15,250	15,250	-	(1,000)	14,250

Non Audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Details of amounts paid to the auditor, PKF, are set out below. Details of the amounts paid to the auditor of the Group, PKF, and its related practices for audit and non-audit services provided during the year are set out below:

Audit services

Audit and review of financial report \$109,100

Other Services

Taxation

-

\$109,100

This Directors report is signed in accordance with a resolution of the Board of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors,



Robert Hackett

Director

Brisbane, 29 September 2011

Corporate Governance Statement

The Directors are responsible for the overall corporate governance of the Group and are committed to the principles underpinning best practice in corporate governance, applied in a manner that meets ASX standards and best addresses the Directors' accountability to Shareholders.

The Board has resolved to adopt a Corporate Governance Policy (Policy) as required under the ASX Listing Rules which are substantially embodied in the ASX guideline document titled 'Corporate Governance Principles and Recommendations' issued by the ASX Corporate Governance Council in 2007 the Group will seek to follow the Best Practice Recommendations where appropriate for its size and operation.

The following policies and procedures have been adopted by the Group and are available from the Group upon request.

Structure of the Board

Under the Constitution of the Group, the Board of Directors may comprise between three and nine Directors. The Group currently has three Directors. The Board shall meet regularly, retain full and effective control over the Group and monitor the executive management. The Chairman shall not also be the Managing Director. The Board shall include non-executive Directors of sufficient calibre and number for their views to carry significant weight in Board decisions and such non-executive Directors shall, so far as is practicable, have expertise in mining matters.

There shall be an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice if necessary, at the Group's expense, and all Directors shall have access to the advice and services of the Group Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that the Group complies with applicable rules and regulations. The majority of Directors shall be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment, apart from their fees and shareholdings. Directors' service contracts will not exceed three years without Shareholders' approval. There shall be full and clear disclosure of Directors' total emoluments, including share options and the emoluments paid to Directors shall be approved by Shareholders.

Management and Oversight

The Board is responsible for the overall Corporate Governance of the Group including its strategic direction and goals, the management framework of the Group, including a system of internal control, business risk management and the establishment of appropriate ethical standards. The Board has appointed an audit and risk committee and will appoint qualified consultants to advise the Board in appropriate cases as the need arises. As the Group grows in size the Board will review its Corporate Governance Policy to ensure continuing compliance with best business practice. There is a standing invitation to all board members to attend committee meetings as observers.

Code of Conduct

The Group has adopted a code of conduct stipulating that the Group, its Directors, employees, contractors and consultants shall operate within accepted corporate ethical standards and in compliance with its legal and regulatory obligations. The Directors will use the power of their office only for proper purposes and discharge their duties in good faith and act honestly. They acknowledge that they owe a fiduciary relationship to the Group and its shareholders. Directors shall act with skill, care and diligence expected of Directors of public companies and no director shall take improper advantage of nor make improper use of information gained through his/her position whilst in possession of market sensitive information that has not been released to the ASX. All Directors must disclose to the Board any actual or potential conflicts of interest that may exist or might reasonably be thought to exist between the interest of the Director and the interests of any other parties in carrying out the activities of the Group.

Integrity in Financial Reporting

The Group has established an audit and risk committee comprising two non-executive directors. The audit and risk committee is responsible for the financial management of the Group and compliance with all relevant accounting standards. The Group has adopted an audit and risk charter which outlines the principles by which the Group will manage its audit and risk compliance. In addition the audit and risk committee oversees the preparation and presentation of the Group's financial results and reviews the remuneration and accounting practices of the Group and its officers and the performance of the auditor.

Corporate Governance Statement (continued)

In addition the chief executive officer (or equivalent) and the chief financial officer (or equivalent) state in writing to the board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards. They must also state that such statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board, and that the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Continuous and Relevant Disclosure

The Group has adopted a continuous disclosure policy to comply with its continuous disclosure obligations once listed on the ASX. The aims of this policy are to assess new information and co-ordinate any disclosure or releases to the ASX, or any advice required in relation to that information, in a timely manner and to provide an audit trail of the decisions regarding disclosure obligations to substantiate compliance with the Group's continuous disclosure and to ensure that employees, consultants, associated entities and advisers of the Group understand their obligation to bring material information to the attention of the Chairman of the Board. The Group shall make appropriate announcements to Shareholders via the ASX to ensure that all Shareholders are kept informed of developments in the Group's affairs.

Rights of Shareholders

The Group has adopted a Shareholder communication policy. The policy reflects the Board's requirement that Shareholders should be fully informed about the Group and that Shareholders should have access to the latest information available in a timely manner. The Group shall also ensure that all Shareholders have a right to participate in the affairs of the Company and in particular to encourage their attendance at and to ask and have answered relevant questions at General Meetings of the Company, any correspondence or enquires from Shareholders shall be answered promptly and they shall be kept informed of all significant developments in the affairs of the Group.

Management of Risk

The primary vehicle for the management of corporate risk will be the audit and risk committee appointed by the Board. It shall be an additional function of that committee that it shall review systems of internal control and areas of significant operational, financial or property risk and ensure arrangements are in place to contain such risks to acceptable levels. In addition the Group shall ensure that appropriate insurance policies are kept current to cover all potential risks and has implemented Directors' and officers' professional indemnity insurance.

Performance of Directors and Officers

The Group has adopted the Every Day Mine Services Ltd Employee Share Option Plan which is intended to reward Directors and officers with options to purchase Shares in the Group.

Remuneration of Directors and Officers

The Group has established a remuneration committee which has adopted a remuneration charter. The charter provides that the fees and emoluments paid to Directors shall be approved in advance by Shareholders. The salary and emoluments paid to officers shall be approved by the Board. Executive officers and the managing director shall enter into service agreements which shall not exceed three years in duration (but shall be renewable). Consultants shall be engaged as required pursuant to service agreements. The Group shall ensure that fees, salaries and emoluments shall be in line with general standards for public listed companies of the size and type of the Group and that they shall not be excessive. All salaries of Directors and statutory officers shall be disclosed in the Annual Report of the Group each year.

Recognition of Interests of Shareholders

The Group has adopted a Shareholder communication policy. All Shareholders shall be kept informed of major developments in the affairs of the Group by ASX announcements and copies of other reports and releases shall be available to all Shareholders upon request (where not otherwise required by regulation to be distributed). The Board shall seek Shareholder approvals for any new issues of shares or options and shall, where possible, recommend bonus shares and dividend distributions to Shareholders in line with the Group's financial achievements. Shareholders will be encouraged to attend all general meetings of the Group and to ask questions of the Board in relation to the Group's affairs there at. The Group will use its best endeavors to ensure that any correspondence or enquires from shareholders is answered promptly and Shareholders shall be kept informed of all significant developments in the affairs of the Group.

Corporate Governance Statement (continued)

ASX BEST PRACTICE RECOMMENDATIONS

Pursuant to the ASX Listing Rules, the Group advises that based upon the information set out above, it does comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council, except as noted below,

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Directors are responsible for the overall corporate governance of the Group and are committed to the principles underpinning best practice in corporate governance, applied in a manner that meets ASX standards and best addresses the Directors' accountability to shareholders

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Group has provided a summary of its process for evaluating the performance of senior executives in this Statement.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

As set out above, the Group complies with this requirement.

Recommendation 2.1: A majority of the board should be independent Directors.

The Board considers that one of the three Directors is an independent non-executive Director. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Group's circumstances. The Directors are aware of the recommendations of this provision, however based on the current Boards requirements to enable effective management of the company, the company has not been in a position to fully comply with the recommendations.

Recommendation 2.2: The chair should be an independent director.

As set out above, the Group's chairperson, Mr Craig Burton is not considered to be an independent Director. Mr Burton resigned as Chairman on 8 July 2011 and was replaced by Mr Robert Hackett on 8 July 2011. Mr Hackett is considered to be an independent director and therefore the company has complied with the recommendations.

Recommendation 2.3: The roles of the chair and chief executive officer should not be exercised by the same individual.

The role of the chairperson has been filled by Mr Craig Burton until 8 July 2011 and he was replaced by Mr Robert Hackett on 8 July 2011. The role of Chief Executive Officer has been filled by Mr Stephen McCoy until 31 August 2011 and he was replaced by Mr Robert Hackett as Acting Chief Executive Officer on 1 September 2011. The board sees this as a satisfactory interim measure until a full time Chief Executive Officer can be appointed.

Recommendation 2.4: The board should establish a nomination committee.

The functions to be performed by a nomination committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Group's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Group's circumstances.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Group has provided a summary of its process for evaluating the performance of the board, its committees and individual directors, in this Statement.

Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

One of the matters to be included in the corporate governance section of the Annual Report pursuant to the Guide to reporting on Principle 2 is "the names of members of the nomination committee and their attendance at meetings of the committee". As stated above, the Board does not consider it appropriate for the Group to establish a nomination committee and therefore this information has not been included in the annual report or otherwise made publicly available.

Corporate Governance Statement (continued)

In all other respects, the Group has complied with the disclosure requirements contained in the Guide to reporting on Principle 2 by the inclusion of information in this Statement, but has not otherwise made the information publicly available.

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- 3.1.1 the practices necessary to maintain confidence in the company's integrity
- 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

As set out above, the Group has adopted a Code of Conduct, which reflects policies that were in place during the reporting period.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

As set out above, the Group has adopted a securities trading policy.

Recommendation 3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Group has made available a summary of its Code of Conduct and securities trading policy in this statement, but has not otherwise made this information publicly available.

Recommendation 4.1: The board should establish an audit committee.

As set out above the Board has established an Audit and Risk committee.

Recommendation 4.2: The audit committee should be structured so that it:

- 4.2.1 consists only of non-executive directors
- 4.2.2 consists of a majority of independent directors
- 4.2.3 is chaired by an independent chair, who is not chair of the board
- 4.2.4 has at least three members

The Audit committee consists of one Non-executive Independent Director and one Non-executive Director. Having regard to the skill set of the Non-executive Director, the board has deemed it appropriate for the Non-executive Director to be a member of the Audit committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Group's circumstances. The Directors are aware of the recommendations of this provision, however based on the current Boards requirements to enable effective management of the company, the company has not been in a position to fully comply with the recommendations.

Recommendation 4.3: The audit committee should have a formal charter.

The Audit committee has a formal charter. The Board also adheres to the Group's Code of Conduct and procedures to ensure independent judgement in decision making, as set out in relation to ASX Best Practice Recommendation 2.1. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Group's circumstances.

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

The Group has provided a summary of its compliance with this Statement.

Corporate Governance Statement (continued)

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

As set out above, the Group has adopted a continuous disclosure policy, which reflects policies that were in place during the reporting year.

Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

The Group has provided a summary of its continuous disclosure policy in this Statement.

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

As set out above, the Group has adopted a communications policy, which reflects policies that were in place during the reporting year.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

The Group has provided a summary of its compliance with this Statement.

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

As set out above, the Board has established policies on risk oversight and management.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

As set out above, the Group complies with this requirement.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

As set out above, the Group complies with this requirement.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

The Group has provided relevant information in this Statement upon recognising and managing risk, but has not otherwise made a description of its risk management policy and internal compliance and control system publicly available.

Recommendation 8.1: The board should establish a remuneration committee.

As noted above, the Group has established a Remuneration Committee.

Pursuant to the ASX Listing Rules, the Group advises that it does not comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Group's non-compliance are detailed below. The Directors are aware of the recommendations of this provision, however based on the current Boards requirements to enable effective management of the company, the company has not been in a position to fully comply with the recommendations.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Group's remuneration policies are referred to above.

Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.

The Group has provided a summary of its compliance with this Statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000 (Restated)
Continuing Operations			
Revenue	5	18,718	23,117
Other income	6	585	471
Consumables		(10,366)	(7,768)
Employee benefits expenses	7	(13,640)	(13,479)
Administration expenses		(1,393)	(1,963)
Finance costs	7	(982)	(1,244)
Depreciation expense	7	(4,484)	(3,641)
(Loss) / profit on sale of fixed assets	7	(686)	1,098
Impairment	7	(1,786)	(345)
		<hr/>	<hr/>
Loss before income tax		(14,034)	(3,754)
Income tax benefit	8	-	-
		<hr/>	<hr/>
Net loss for the year from continuing operations		(14,034)	(3,754)
Other comprehensive income			
Other comprehensive income net of taxation		13	-
		<hr/>	<hr/>
Total comprehensive income for the year		(14,021)	(3,754)
Discontinued Operations			
Loss for the year from discontinued operations		(977)	(351)
		<hr/>	<hr/>
Total comprehensive income attributable to equity holders of the parent company		(14,998)	(4,105)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share for loss attributable to ordinary equity holders of the company from continuing operations – cents/share			
- Basic loss per share	29	(5.4)c	(2.0)c
- Diluted loss per share	29	(5.4)c	(2.0)c

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000 (Restated)
Current assets			
Cash and cash equivalents	10	137	184
Trade and other receivables	11	3,330	6,490
Inventories	12	1,533	5,823
Available-for-sale financial assets	13	16	3
Non-current assets classified as held for sale	14	2,829	-
TOTAL CURRENT ASSETS		7,845	12,500
Non-current assets			
Deferred tax asset	8	3,861	5,113
Property, plant and equipment	15	10,487	23,472
Intangible assets	16	3	3
TOTAL NON-CURRENT ASSETS		14,351	28,588
TOTAL ASSETS		22,196	41,088
Current liabilities			
Bank overdraft	10	800	3,423
Trade and other payables	18	5,949	3,903
Provisions	19	320	350
Borrowings	20	2,238	2,982
TOTAL CURRENT LIABILITIES		9,307	10,658
Non-current liabilities			
Deferred tax liability	8	1,566	3,117
Provisions	19	-	102
Borrowings	20	3,280	7,006
TOTAL NON-CURRENT LIABILITIES		4,846	10,225
TOTAL LIABILITIES		14,153	20,883
NET ASSETS		8,043	20,205
EQUITY			
Contributed equity	21	35,792	32,956
Option reserve	22	1,984	1,984
Accumulated losses		(29,733)	(14,735)
TOTAL EQUITY		8,043	20,205

The accompanying notes form part of the financial statements.

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 Every Day Mine Services Limited | 30 June 2011 Annual Report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Ordinary shares	Accumulated losses	Option reserve	Available for sale reserve	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
CONSOLIDATED					
Balance 1 July 2009	24,566	(10,630)	109	-	14,045
Comprehensive income for the year	-	(4,105)	-	-	(4,105)
Transactions with owners in their capacity as owners:					
Options issued to employees	-	-	380	-	380
Options issued for capital raising	-	-	1,495	-	1,495
Shares issued during the year	10,002	-	-	-	10,002
Share issue costs	(1,936)	-	-	-	(1,936)
Net movement in deferred tax on share issue costs	324	-	-	-	324
Balance at 30 June 2010	32,956	(14,735)	1,984	-	20,205
Balance 1 July 2010	32,956	(14,735)	1,984	-	20,205
Comprehensive income for the year	-	(15,011)	-	13	(14,998)
Transactions with owners in their capacity as owners:					
Shares issued during the year	2,706	-	-	-	2,706
Share issue costs	(168)	-	-	-	(168)
Net movement in deferred tax on share issue costs	298	-	-	-	298
Balance at 30 June 2011	35,792	(29,746)	1,984	13	8,043

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		24,410	23,212
Payments to suppliers and employees		(21,243)	(27,584)
		3,167	(4,372)
Interest received		1	9
Interest paid		(1,050)	(1,337)
Income tax paid		-	(246)
Net cash generated by / (used in) operating activities	23	2,118	(5,946)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		5,256	2,001
Purchase of plant and equipment		(2,866)	(9,279)
Net cash generated by / (used in) investing activities		2,390	(7,278)
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		2,706	10,002
Payment for capital raising costs		(168)	(441)
(Repayment) of/ proceeds from borrowings		(4,470)	2,713
Net cash (used in) / generated by financing activities		(1,932)	12,274
Net increase / (decrease) in cash and cash equivalents		2,576	(950)
CASH AT THE BEGINNING OF THE YEAR		(3,239)	(2,289)
CASH AT THE END OF THE YEAR	10	(663)	(3,239)

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Every Day Mine Services Limited (“the company”) is a public company listed on the Australian Securities Exchange, incorporated and operating in Australia.

Every Day Mine Services Limited’s registered office and its principal place of business is Level 18, 333 Ann St, Brisbane, QLD 4000.

Every Day Mine Services Ltd is the holding company of the Group. The Group comprises the head entity Every Day Mine Services Limited and its eight wholly owned subsidiaries: EDMS Human Capital Pty Ltd, EDMS Assets & Logistics Pty Ltd, EDMS Energy Pty Ltd, EDMS Metals Pty Ltd, Resource 1 Pty Ltd, G.O.S. Drilling Pty Ltd, Every Day Mine Services Operations Pty Ltd and Australian Gas Drilling Pty Ltd, all of which provide contracting services to the mining industry.

The financial statements are presented in English and Australian dollars.

The financial report was authorised for issue by the directors on 29th September 2011.

2. BASIS OF PREPARATION

a) Statement of compliance

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

The financial report complies with International Financial Reporting Standards (“IFRS”).

b) Basis of measurement

The financial report has been prepared on the historical cost basis except for available-for-sale financial assets which are carried at fair value.

c) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- (i) property, plant and equipment
- (ii) share based payments
- (iii) provisions

d) Financial statement presentation

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent is disclosed in note 32.

e) Change of accounting policy

The group has changed its accounting policy for transactions of Drill Rods and Drilling Equipment. Previously these assets were treated as inventory, from 1 July 2010, these assets are treated as Property Plant and Equipment. Drill Rods and Drilling Equipment are depreciated over 3 years, on a straight line basis. Management has assessed that the depreciation of the Drill Rods and Drilling Equipment provides a more reliable and relevant project costing.

This change in accounting policy has resulted in a restatement of the FY10 balance sheet, \$0.3m was transferred from Inventory to Plant and Equipment. This reclassification has only been restated for the periods disclosed in this report.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

f) Going concern

At the reporting date the Group had net current liabilities of \$1,462,000 (2010: net current assets of \$1,842,000) and recorded a loss from continuing operations of \$14,034,000 for the year ended 30 June 2011 (2010: \$3,754,000). Notwithstanding this the following events occurred during the year:

- a) the Group undertook a rationalisation of the business operations resulting in a reduction of corporate overheads;
- b) proceeded with an orderly disposal of a number of non profitable business units and assets; and
- c) implemented a strategy of consolidating the business around the Peabody Resources and Wambo Mine contract.

The Directors believe these strategies will address the Group's loss making operations and position, therefore the going concern basis of preparation of the financial statements is appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at and for the year ended 30 June 2011. Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The effects of all transactions between the entities within the Group have been eliminated.

b) Business combinations

The purchase method of accounting is used to account for all business combinations except those deemed to be Group re-organisations, where control is not transitory. These are accounted for at cost, regardless of whether equity instruments or other assets are acquired.

Purchase price method

- (i) Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.
- (ii) Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence of and valuation methods provide a more reliable measure of fair value.
- (iii) Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired

Cost method

- (i) In applying the cost price, the purchase price is measured as the carrying value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Transaction costs arising on the issue of equity instruments are recognised directly in equity.
- (ii) Where equity instruments are issued in a business combination, the value of equity instruments is determined with reference to the net asset value of the business acquired.
- (iii) Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their carrying value at the date of acquisition, irrespective of the extent of any minority interest.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Business combinations are accounted for when effective control passes to the acquiree.

c) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and other payables.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, the date that the Group commits to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Accounting for finance income and expense in relation to financial instruments is disclosed in the income statement.

Non-derivative financial instruments are classified, recognised and measured as follows:

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such on initial recognition. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial instruments at fair value through profit or loss are measured at fair value and subsequent changes in fair value are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or determined to be impaired, at which time the accumulative gain or loss previously reported in equity is recognised in profit or loss.

d) Property, plant and equipment

(i) Initial recognition

Drilling Plant and equipment

The initial cost of drilling equipment includes expenditure that is directly attributable to the acquisition of the item together with costs associated with the refurbishment or adaptation necessary to operate the asset to a specific requirement or design.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Motor vehicles

Motor vehicles are stated at cost less accumulated depreciation and impairment.

Depreciation

Depreciation is provided for on drilling plant and equipment and motor vehicles. Depreciation is calculated on a straight line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value

The depreciable amount of all fixed assets is depreciated over their useful lives to the Group commencing from the time the asset is held ready for use.

(ii) Depreciation

Depreciation is provided on all property, plant and equipment so as to write off assets progressively over their useful economic lives and is calculated on the straight line method. The expected useful lives are as follows:

Plant and equipment	7 years
Motor vehicles	5 years
Buildings	40 years
Office equipment	3 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(iii) Disposal and derecognition

An item of property, plant or equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss for the period.

d) Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of businesses acquired. Following initial recognition, goodwill is not amortised but is measured at cost less any accumulated impairment losses.

Trademarks

Trademarks have been deemed to have an infinite useful life and are carried at cost less accumulated impairment losses. Trademarks are tested for impairment on an annual basis. Where an indicator of impairment exists, the asset is written down to its estimated value.

Intellectual property

The initial cost of intellectual property includes expenditure that is directly attributable to the acquisition of the item together with costs associated with further developing the asset.

Intellectual property is carried at cost less accumulated amortisation and impairment losses. The assets are amortised on a straight line basis over its useful life of 3 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Assets acquired under hire purchase arrangements

Fixed assets acquired under hire purchase agreements are recognised where substantially all the risks and benefits incidental to the ownership of the asset, are transferred to the Group. Upon initial recognition, the asset and the corresponding liability, is recognised in the Statement of Financial Position at an amount equal to the lower of the fair value and the present value of the minimum payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset. Payments are allocated between the reduction of the liability and the interest expense for the period.

Other leases are operating leases. Assets subject to operating leases are not recognised in the Statement of Financial Position and lease payments are recognised as operating lease expenses in the profit or loss for the period.

f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is determined with reference to replacement cost of inventory held for use in the supply of services.

g) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

If evidence of impairment exists, individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets that share similar credit risk characteristics, are assessed collectively.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in equity is transferred to profit or loss.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has occurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective interest rate and recognised in profit or loss.

An impairment loss can be reversed if the reversal can be related objectively to an event occurring after the impairment was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in equity.

Non-financial assets

The carrying amount 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. The recoverable amount in respect of goodwill and indefinite life intangibles is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset or group of assets that generate cash flows that are largely independent from other assets. 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 on a pro rata basis.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

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 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

Short term benefits

Liabilities for employees' entitlements to wages and salaries, annual leave and other employee entitlements expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long-term benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs discounted to determine its present value.

Share-based payments

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

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

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to be exercisable. At each Statement of Financial Position date, the group 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. The impact of the revision to original estimates, if any, is recognised in the Statement of Comprehensive Income with a corresponding adjustment to equity.

i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Revenue recognition

The Group provides mining services on a contractual and ad hoc basis. Contracts are not fixed price contracts but define services and applicable rates to be charged. The Group has entered into a number of short and long term contracts for the provision of services. The contract terms range from 3 months to 5 years. Revenue from the provision of contracted and other revenue is recognised when:

- (i) the amount of revenue can be measured reliably;
- (ii) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (iii) the stage of completion of the transaction at the reporting date can be measured reliably; and
- (iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of GST.

k) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the Statement of Financial Position 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 recognised for all deductible temporary timing differences except for those arising:

- (i) on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- (ii) in relation to differences associated with investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future.

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. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity, and the same taxation authority, the Australian Taxation Office.

l) Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

m) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

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NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a net basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

o) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the parent, excluding any costs of servicing equity, other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

q) Level of Rounding used

Amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollars in accordance with Australia Securities and Investments Commission Class Order 98/100.

r) New standards and interpretations not yet adopted

The following Australian Accounting Standards have been issued or amended and are applicable to the annual financial statements of the parent company and consolidated group but are not yet effective. This assumes the following have not been adopted in preparation of the financial statements at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Australian Accounting Standards

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods <u>beginning on or after</u>)
9	Financial Instruments	Dec 2010	1 Jan 2013
10	Consolidation	Aug 2011	1 Jan 2013
11	Joint Arrangements	Aug 2011	1 Jan 2013
12	Disclosure of Interests in Other Entities	Aug 2011	1 Jan 2013
13	Fair Value Measurement	Sep 2011	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	Jun 2010	1 Jul 2013
2009 – 12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Jun 2010	1 Jul 2013
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	Jun 2010	1 Jan 2011
2010 – 5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	Oct 2010	1 Jan 2011
2010 – 6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	Nov 2010	1 Jul 2011
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Australian Accounting Standards (continued)

AASB No	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	Dec 2010	1 Jul 2011
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013
2011 - 1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	May 2011	1 Jul 2011
2011 - 2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	May 2011	1 Jul 2013
2011 - 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	Jul 2011	1 Jul 2013

Main features of newly issued or amended Australian Accounting Standards

The following standards should be adopted by an entity during the first annual reporting period commencing after the effective date of each pronouncement. In certain circumstances earlier adoption may be permitted, refer to the full pronouncements for further detail.

AASB 9 Financial Instruments

The revised AASB 9 incorporates the IASB's completed work on Phase 1 of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement) on the classification and measurement of financial assets and financial liabilities. In addition, the IASB completed its project on derecognition of financial instruments.

The Standard includes requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. AASB 9 (issued in 2009) only included requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 (AASB 139).

The main changes in this Standard compared with AASB 139 are described below.

- a) Financial assets are classified based on
 - (i) the objective of the entity's business model for managing the financial assets; and
 - (ii) the characteristics of the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

This replaces the categories of financial assets in AASB 139, each of which had its own classification criteria. Application guidance has been included in AASB 9 on the conditions necessary for a financial asset to be measured at amortised cost.

- b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment are recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- d) Hybrid contracts with financial asset hosts are classified and measured in their entirety in accordance with the classification criteria. (The treatment of embedded derivatives in respect of financial liability hosts has not changed.)
- e) Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value.
- f) Investments in contractually linked instruments that create concentrations of credit risk (tranches) are classified and measured using a 'look through' approach. Such an approach looks to the underlying assets generating cash flows and assesses the cash flows against the classification criteria (discussed in (a) above) to determine whether the investment is measured at fair value or amortised cost.
- g) Financial assets are reclassified only in the rare circumstances when there is a relevant change in the entity's business model.
- h) The portion of a change of fair value relating to the entity's own credit risk for financial liabilities measured at fair value utilising the fair value option is presented in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 10 Consolidation

AASB 10 replaces AASB 127 and 3 key elements of control. According to AASB 10 an investor controls an investee if and only if the investor has all the following:

- a) power over the investee;
- b) exposure, or rights, to variable returns from its involvement with the investee; and
- c) the ability to use its power over the investee to affect the amount of the investor's returns.

Additional guidance is provided in how to evaluate each of the three limbs above. While this is not a wholesale change from the current definition of control within AASB 127 (and for many entities no change in practice will result) some entities may be impacted by the change. The limbs above are more principle based rather than hard and fast rules. For instance, an example provided in AASB 10 is:

An investor acquires 48 per cent of the voting rights of an investee. The remaining voting rights are held by thousands of shareholders, none individually holding more than 1 per cent of the voting rights. None of the shareholders have any arrangements to consult any of the others or make collective decisions. When assessing the proportion of voting rights to acquire, on the basis of the relative size of the other shareholdings, the investor determined that a 48 per cent interest would be sufficient to give it control. In this case, on the basis of the absolute size of its holding and the relative size of the other shareholdings, the investor concludes that it has a sufficiently dominant voting interest to meet the power criterion without the need to consider any other evidence of power.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Potential voting rights are also discussed within AASB 10 and the following example provided:

Investor A holds 70 per cent of the voting rights of an investee. Investor B has 30 per cent of the voting rights of the investee as well as an option to acquire half of investor A's voting rights. The option is exercisable for the next two years at a fixed price that is deeply out of the money (and is expected to remain so for that two-year period). Investor A has been exercising its votes and is actively directing the relevant activities of the investee. In such a case, investor A is likely to meet the power criterion because it appears to have the current ability to direct the relevant activities. Although investor B has currently exercisable options to purchase additional voting rights (that, if exercised, would give it a majority of the voting rights in the investee), the terms and conditions associated with those options are such that the options are not considered substantive (i.e. remote possibility of being exercised).

Entities are advised to re-consider control of related entities in light of AASB 10 on adoption.

AASB 11 Joint Arrangements

AASB 11 replaces the AASB 131 Interests in Joint Ventures. The previous standard had 3 types of Joint ventures whereas AASB 11 only has two. These are:

- a) Joint Operations; and
- b) Joint Ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

Joint ventures must now be accounted for using the equity method of accounting. The option to proportionately consolidate a joint venture entity has been removed. This will have significant implications for entities that currently use proportionate consolidation. Some entities only have interests in joint ventures and only use proportionate consolidation. Adopting AASB 11 will cause them to use equity accounting and will result in a different presentation in the Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

The IASB are aware that this change is likely to cause concern for many entities. They note:

- a) the evidence suggests that in accounting for interests in jointly controlled entities, approximately half of the entities applying IFRSs use proportionate consolidation and half use the equity method;
- b) the variation in practice, which is facilitated by the option in AASB 131, is a prime motivation for developing AASB 11;
- c) that variation will, inevitably, be a source of disagreement; and
- d) that the approach in the standard is consistent with its view of what constitutes the economic substance of an entity's interests in joint arrangements, a view that it concedes may differ from that of certain entities preparing financial statements.

Accounting for interests in Joint Operations will be different to that of Joint Ventures. A joint operator shall recognise in relation to its interest in a joint operation:

- a) its assets, including its share of any assets held jointly;
- b) its liabilities, including its share of any liabilities incurred jointly;
- c) its revenue from the sale of its share of the output arising from the joint operation;
- d) its share of the revenue from the sale of the output by the joint operation; and
- e) its expenses, including its share of any expenses incurred jointly.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting for Joint Operations more closely resembles the old proportionate consolidation regime therefore it is important for entities to consider how best to structure joint arrangements so as to present their interests in those arrangements in a relevant and reliable manner.

In considering the above it is important to understand how AASB 11 distinguishes between the two types of joint arrangements. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 provides the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. As such, it pulls together and replaces disclosure requirements from many existing standards.

The IASB noted:

“The global financial crisis that started in 2007 also highlighted a lack of transparency about the risks to which a reporting entity was exposed from its involvement with structured entities, including those that it had sponsored.”

AASB 12 is an attempt to improve the level of disclosure around these types of arrangements and to enhance existing disclosures with regard to interests in a subsidiary, a joint arrangement and an associate.

The AASB requires an entity to disclose information that enables users of financial statements to evaluate:

the nature of, and risks associated with, its interests in other entities; and

the effects of those interests on its financial position, financial performance and cash flows.

Entities are advised to review AASB 12 in more detail in the lead up to adoption as the disclosures are generally more detailed and enhanced compared to current requirements.

AASB 13 Fair Value Measurement

AASB 13:

- a) defines fair value;
- b) sets out in a single IFRS a framework for measuring fair value; and
- c) requires disclosures about fair value measurements.

Fair value is defined as:

“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price)”

The standard does not require fair value measurements in addition to those already required or permitted by other IFRSs.

The IASB note:

“That definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity’s intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.”

Entities are advised to review their current policies with regards to measuring fair value in light of the guidance in AASB 13 and the principles highlighted above.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Impairment of property plant and equipment

The Group tests at each reporting date annually whether there are indicators of impairment in relation to property, plant and equipment, where an indicator is identified the recoverable amount of the cash generating unit is determined. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 15 for details of these assumptions and the potential impact of changes to the assumptions.

b) Impairment of intangible assets

The Group tests at each reporting date whether there are indicators of impairment in relation to intangible assets, where an indicator is identified the recoverable amount of the cash generating unit is determined. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions and the potential impact of changes to the assumptions.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
5. REVENUE		
Revenue from services	18,718	23,117
	<u>18,718</u>	<u>23,117</u>
6. OTHER INCOME		
Interest Income	1	9
Sundry income	584	462
	<u>585</u>	<u>471</u>
7. EXPENSES		
Depreciation		
Land and buildings	12	19
Motor vehicles	220	254
Office Equipment	80	79
Plant and equipment	4,172	3,289
	<u>4,484</u>	<u>3,641</u>
Finance costs		
Interest expense – bank and other loans	371	219
Other finance charges - lease liability	611	1,025
	<u>982</u>	<u>1,244</u>
Employee benefits expense		
Non-executive Directors' remuneration	130	156
Salaries and wages	12,534	12,407
Superannuation costs	976	916
	<u>13,640</u>	<u>13,479</u>
Rental – operating leases		
Premises	284	187
Motor Vehicles	592	531
	<u>876</u>	<u>718</u>
Impairment losses		
Plant and equipment	1,786	-
Intangibles	-	199
Available-for-sale financial asset	-	146
	<u>1,786</u>	<u>345</u>
(Loss) / profit on disposal of fixed assets		
Plant and equipment	(686)	1,098
	<u>(686)</u>	<u>1,098</u>

NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAX

	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
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The major components of income tax expense/(benefit):

Statement of Comprehensive Income

Current income tax

Current income tax charge	-	-
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Deferred income tax

Tax benefit of estimated tax losses from operating activities	1,192	(2,028)
Relating to origination and reversal of temporary differences	(1,192)	2,028
Income tax (benefit) reported in the Statement of Comprehensive Income	-	-

Reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate.

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting loss before tax from continuing operations	(14,998)	(4,105)
Tax at the Group's statutory income tax rate of 30%	(4,499)	(1,232)
Non deductible expenses	365	207
Tax benefit of estimated tax losses from operating activities	1,192	(2,028)
Unused tax losses and offsets not recognised as deferred tax asset	2,581	1,025
Movement attributable to timing differences	361	2,028
Aggregate income tax benefit	-	-

Deferred income tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

CONSOLIDATED

Deferred tax assets

	Balance at 1 July 2009	Movement during the year	Balance at 30 June 2010
Leave entitlements	79	(43)	36
Other	144	(144)	-
Tax losses	2,297	2,028	4,325
Share issue costs	428	324	752
Gross deferred tax assets	2,948	2,165	5,113

Deferred tax liabilities

Consumables	1,435	406	1,841
Prepaid insurance	1	7	8
Property, plant and equipment	(234)	1,343	1,109
Other	(262)	421	159
Gross deferred tax liabilities	940	2,177	3,117

CONSOLIDATED

Deferred tax assets

	Balance at 1 July 2010	Movement during the year	Balance at 30 June 2011
Leave entitlements	36	100	136
Other	-	154	154
Tax losses	4,325	(1,192)	3,133
Share issue costs	752	(314)	438
Gross deferred tax assets	5,113	(1,252)	3,861

Deferred tax liabilities

Consumables	1,841	(1,381)	460
Prepaid insurance	8	(4)	4
Property, plant and equipment	1,109	(487)	622
Other	159	321	480
Gross deferred tax liabilities	3,117	(1,551)	1,566

NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAX (continued)

	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
Income tax liability		
Opening balance	-	257
Charge for the period	-	-
Payments made	-	(257)
Balance at 30 June	<u>-</u>	<u>-</u>

Every Day Mine Services Limited and its wholly-owned subsidiaries have formed a tax consolidation Group.

On formation of the tax consolidation Group, the entities entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned subsidiaries in the case of a default by the head entity, Every Day Mine Services Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Every Day Mine Services Limited for any current tax payable assumed and are compensated by Every Day Mine Services Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Every Day Mine Services Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

The estimated amount of tax losses available to the Group for offset against future taxable income is \$31.9m.

9. DISCONTINUED OPERATIONS

In June 2011, the group finalised the sale of the Underground Diamond Drill Rig (UDD) fleet and related contracts for \$1.0m. The UDD Rig Fleet has not been profitable for at least the last two years, and future losses were projected. Therefore, the UDD Fleet in its current composition and contracts held were disposed.

a) Profit/(loss) for the year from Discontinued Operations

	Discontinued Operations	
	2011 \$ '000	2010 \$ '000
Revenue	<u>2,018</u>	<u>3,765</u>
Total Income	2,018	3,765
Consumables	482	738
Employee benefits expense	1,113	2,110
Administration expenses	522	754
Finance costs	68	92
Depreciation expense	410	422
Loss on sale of fixed asset	400	-
Total expenses	<u>2,995</u>	<u>4,116</u>
Loss before tax	<u>(977)</u>	<u>(351)</u>
Attributable income tax expense	-	-
Loss for the year from discontinued operations (attributable to owners of the company)	<u>(977)</u>	<u>(351)</u>

Earnings per share for loss attributable to discontinued operations – cents/share

- Basic loss per share	(3.5)c	(1.7)c
- Diluted loss per share	(3.5)c	(1.7)c

NOTES TO THE FINANCIAL STATEMENTS

9. DISCONTINUED OPERATIONS (continued)

b) Cash flows from Discontinued Operations

	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
Cash flows from discontinued operations		
Net cash inflow from operating activities	474	302
Net cash inflow from investing activities	663	-
Net cash outflow from financing activities	(855)	(3)
Net cash inflow	282	299

c) Carrying amounts of assets and liabilities

Total assets	981	1,872
Total liabilities	2,618	2,533

d) Details of the Sale

Total sale consideration	1,000	-
Carrying amount of net assets sold	(1,400)	-
Disposal Costs	-	-
Loss on sale before income tax	(400)	-
Income tax expense	-	-
Loss on sale after income tax	(400)	-

10. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	137	184
Bank overdraft	(800)	(97)
Debtor finance facility	-	(3,326)
Balances as per the statement of cash-flows	(663)	(3,239)

Risk exposure

The Group's exposure to interest rate risk is discussed in note 27. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Banking Covenant

The Group has the following Banking covenants in place relating to the banking facilities;

- The Group will maintain a net worth not less than 45% of Total Tangible Assets
- The Group will not borrow or raise funds (other than to repay the facilities in full) without the prior written consent of the bank.
- The Group will ensure that earnings before interest, tax, depreciation and amortisation for each quarterly period is not less than the amount set out below;

Financial period Quarter ending	\$'000's	YTD \$'000's
September 2010	1,200	1,200
December 2010	1,200	2,400
March 2011	1,100	3,500
June 2011	1,800	5,300

The Group has complied with all covenants except for the earnings before interest, tax, depreciation and amortisation covenant above in the September 2010, December 2010, March 2010 and June 2011 quarters.

NOTES TO THE FINANCIAL STATEMENTS

10. CASH AND CASH EQUIVALENTS (continued)

Financing Facility

The Group had a receivables finance facility in place with its bankers; total facility available was \$6,000,000 at 30 June 2010. This facility was closed at 31 May 2011.

11. TRADE AND OTHER RECEIVABLES

	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
Trade receivables	2,566	5,968
Prepayments	23	93
Accrued Income	35	405
Sundry debtors	706	24
	3,330	6,490
Trade receivable reconciliation		
At 30 June 2010	2,566	5,968
Provision for impairment recognised during year	-	-
Receivables written off during the year	-	-
	2,566	5,968
Trade receivable ageing analysis		
0 – 30 days	1,866	4,307
30 – 60 days	643	744
60 – 90 days	45	-
> 90 days	12	917
	2,566	5,968

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amounts are assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 27 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

Past due but not impaired

As at 30 June 2011, trade receivables of \$699,551 (2010 - \$916,000) were past due but not impaired. These relate to 10 customers for whom there is no recent history of default therefore the amounts have not been impaired.

12. INVENTORIES

		Restated
At cost – consumables	1,533	5,823

13. AVAILABLE FOR SALE FINANCIAL ASSETS

Shares in Australian listed entity	16	3
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Available-for-sale financial instruments consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate. The fair value of listed available for sale investments has been determined directly by reference to published price quotations in an active market.

Risk exposure

Information about the Group's exposure to price risk is provided in note 26.

NOTES TO THE FINANCIAL STATEMENTS

14. CURRENT ASSETS – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
Property, plant and equipment	2,829	-
	<u>2,829</u>	<u>-</u>

The assets identified above represent the surplus assets of the businesses requirements. These assets are currently being sold via auctions and tender process.

15. PROPERTY, PLANT AND EQUIPMENT

<i>Freehold Land and Buildings</i>		
At cost	911	797
Accumulated depreciation	(45)	(32)
	<u>866</u>	<u>765</u>
<i>Motor Vehicles</i>		
At cost	518	1,425
Accumulated depreciation	(379)	(929)
Impairment losses	(17)	-
	<u>122</u>	<u>496</u>
<i>Office equipment</i>		
At cost	411	338
Accumulated depreciation	(231)	(174)
	<u>180</u>	<u>164</u>
<i>Plant and equipment</i>		
At cost	25,655	35,780
Accumulated depreciation	(9,034)	(9,126)
Accumulated impairment losses	(4,473)	(4,607)
Transfer to non-current assets held for sale – at cost	(9,119)	-
Transfer to non-current assets held for sale – accumulated depreciation	5,390	-
Transfer to non-current assets held for sale – impairment losses	900	-
	<u>9,319</u>	<u>22,047</u>
<i>Total Property, plant and equipment</i>		
Cost	27,495	38,340
Accumulated depreciation	(9,689)	(10,261)
Impairment losses	(4,490)	(4,607)
Transfer to non-current assets held for sale	(2,829)	-
Total written down value	<u>10,487</u>	<u>23,472</u>

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation

Reconciliation of the carrying amount of fixed assets for the current financial year is set out below:

	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
<i>Freehold Land and Buildings</i>		
Opening carrying value	765	1,156
Additions	113	-
Disposals	-	(373)
Depreciation expense	(12)	(18)
Written down value at 30 June	<u>866</u>	<u>765</u>
<i>Motor Vehicles</i>		
Opening carrying value	496	604
Additions	58	146
Disposals	(195)	-
Depreciation expense	(220)	(254)
Impairment	(17)	-
Written down value at 30 June	<u>122</u>	<u>496</u>
<i>Office Equipment</i>		
Opening carrying value	164	206
Additions	8	37
Disposals	(1)	-
Depreciation expense	(80)	(79)
Work in progress	89	-
Written down value at 30 June	<u>180</u>	<u>164</u>
<i>Plant and Equipment</i>		
Opening carrying value	22,047	17,081
Additions	2,882	9,408
Disposals	(7,833)	(730)
Depreciation expense	(4,582)	(3,712)
Impairment	(1,769)	-
Impairment losses derecognised on disposal of assets	1,403	-
Transfer to non-current asset available for sale	(2,829)	-
Written down value at 30 June	<u>9,319</u>	<u>22,047</u>
Total Property, Plant and Equipment	<u>10,487</u>	<u>23,472</u>

The bank has a fixed and floating charge over all unencumbered assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment

As a result of testing for indicators of impairment Management identified that the net assets of the Group were higher than the market capitalisation of the Group. In accordance with AASB 136 the Group has calculated the recoverable amount of each cash-generating unit, and where the recoverable amount of the cash generating unit is lower than its carrying value the cash generating unit has been written down to its recoverable amount.

For the purposes of impairment testing the following is considered a cash generating units:

- a) Underground drilling division
- b) Surface drilling division; and
- c) Mining services

The recoverable amount of the cash generating unit has been based on the higher of its fair value less costs to sell and value in use. Fair value less costs to sell has been based on similar market transactions. Value in use has been calculated using a discounted cash flow forecast, for two years and with a pre tax discount rate of 14% being used to determine the net present value of the future cash flows. Revenue is forecast using a Rig utilisation basis.

Sensitivity Analysis

If the discount rate was decreased to 16% the recoverable amounts of the cash generating units would still be in excess of their carrying values.

16. INTANGIBLE ASSETS

	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
Intellectual Property		
At cost	199	199
Impairment	(199)	(199)
	-	-
Trademarks		
At cost	3	3
Accumulated impairment	-	-
	3	3

Impairment test for intellectual property

Intellectual property ("IP") relates to the Mine Mixers process which was acquired from RTL Corporation Limited. The IP was considered fully impaired by Management as the focus was on developing the Group's core operations and for the foreseeable future resources will not be invested in developing the Mine Mixers business.

As a result of the above, an impairment loss amounting to \$199k was recognised in the year ended 30 June 2010. The impairment loss has been disclosed in intangibles above.

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENTS IN CONTROLLED ENTITIES

	Country of incorporation	Percentage of equity interest held by the parent	INVESTMENT 2011 \$'000	INVESTMENT 2010 \$'000
Every Day Mine Services Operations Pty Ltd	Australia	100%	973	973
G.O.S. Drilling Pty Ltd	Australia	100%	1,210	1,210
Australian Gas Drilling Pty Ltd	Australia	100%	-	-
EDMS Human Capital Pty Ltd	Australia	100%	-	-
Resource 1 Pty Ltd	Australia	100%	-	-
EDMS Assets & Logistics Pty Ltd	Australia	100%	-	-
EDMS Energy Pty Ltd	Australia	100%	-	-
EDMS Metals Pty Ltd	Australia	100%	-	-
Less: Provision for impairment			(2,183)	(2,183)
			-	-

18. TRADE AND OTHER PAYABLES

	Consolidated \$ '000	Consolidated \$ '000
Trade payables	3,632	2,119
Redundancy accrual	500	-
Other payables	1,817	1,784
	5,949	3,903

Refer to note 27 for further details on financial liabilities

19. PROVISIONS

Employee entitlements

Employee benefits	320	350
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Amounts not expected to be settled within the next 12 months

Employee entitlements include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months.

Movement in employee provisions

Balance 1 July	350	264
Charge to statement of comprehensive income	(30)	86
Balance 30 June	320	350

Non Current Employee entitlements

Employee benefits	-	102
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NOTES TO THE FINANCIAL STATEMENTS

20. BORROWINGS

	Consolidated \$ '000	Consolidated \$ '000
Current		
Secured		
- Hire Purchase	2,238	2,982
Non-Current		
Secured		
- Hire Purchase	3,280	7,006
a) Fair Values		

The carrying amount of the Group's current and non-current borrowings approximates their fair value. Where appropriate fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates.

b) Terms and conditions

Hire purchase

Hire purchase liabilities are repayable in monthly installments (including finance charges) ranging from \$1,100 to \$22,066 over periods ranging from 3 to 60 months. Applicable interest rates range from between 6.91% to 10.80%. Hire purchase liabilities are secured by a fixed and floating charge over all the unencumbered assets of the Group as discussed in note 15.

c) Risk exposures

Information about the Group's exposure to interest rate risk is provided in note 27.

21. SHARE CAPITAL

	Number of shares 000's	Value \$'000s	Attributable Costs \$'000s	Net \$'000s
Balance 1 July 2009	134,896	27,030	(2,464)	24,566
Placement 16 July 2009 @ \$0.05 per share	13,500	675	-	675
Rights Issue 17 Aug 2009 @ \$0.06 per share	29,550	1,773	-	1,773
Placement Sep 2009 @ \$0.06 per share	720	54	-	54
Placement Dec 2009 @ \$0.16 per share	46,875	7,500	-	7,500
Issue of options for Dec 2009 share placement	-	-	(1,495)	(1,495)
Costs for Dec 2009 share placement	-	-	(441)	(441)
Deferred tax movement	-	-	324	324
On issue at 30 June 2010	225,541	37,032	(4,076)	32,956
Balance 1 July 2010	225,541	37,032	(4,076)	32,956
Rights issue Feb 2011 @ \$0.02 per share	112,080	2,241	-	2,241
Placement Mar 2011 @ \$0.02 per share	23,245	465	-	465
Costs for Mar 2011 share placement	-	-	(168)	(168)
Deferred tax movement	-	-	298	298
On issue at 30 June 2011	360,866	39,738	(3,946)	35,792

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL (continued)

Options

Information relating to the Every Day Mine Services Limited issued Options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out below and in note 22.

	Issue Date	Exercise Date	Exercise Price	Bal 1 Jul 09 \$'000	Options Granted \$'000	Options Cancelled \$'000	Bal 30 Jun 10 \$'000	Bal 1 Jul 10 \$'000	Options Granted \$'000	Options Cancelled \$'000	Bal 30 Jun 11 \$'000
Directors and Key Management	29 Jun 07	29 Jun 12	\$0.50	1,850	-	(950)	900	900	-	(900)	-
Carmichael Capital Partners	29 Jun 07	30 Jun 10	\$0.40	678	-	(678)	-	-	-	-	-
Employee Share Option Plan	20 Jul 08	29 Jun 12	\$0.41	900	850	(1,550)	200	200	-	(100)	100
Directors and Key Management	7 Jul 09	6 Jul 14	\$0.08	-	5,150	-	5,150	5,150	-	-	5,150
Directors and Key Management	30 Oct 09	30 Jun 14	\$0.064	-	9,000	-	9,000	9,000	-	-	9,000
				3,428	15,000	(3,178)	15,250	15,250	-	(1,000)	14,250

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus debt.

22. OPTION RESERVE

	Number of options 000's	Value \$'000s	Attributable Costs \$'000s	Net \$'000s
Balance 1 July 2009	3,428	109	-	109
Issued during year – directors and key management	5,150	354	-	354
Issued during the year - employee share option plan	850	51	-	51
Cancelled during year – directors and key management	(950)	-	-	-
Cancelled during year – employee share option plan	(1,550)	(25)	-	(25)
Cancelled during year – Carmichael Capital Partners	(678)	-	-	-
Issued under Dec 2009 capital raising	9,000	1,495	-	1,495
On issue at 30 June 2010	15,250	1,984	-	1,984
Balance 1 July 2010	15,250	1,984	-	1,984
Cancelled during year – directors and key management	(900)	-	-	-
Cancelled during year – employee share option plan	(100)	-	-	-
On issue at 30 June 2011	14,250	1,984	-	1,984

The option reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of shares issued to employees

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NOTES TO THE FINANCIAL STATEMENTS

22. OPTION RESERVE (continued)

Fair value of options granted

Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2010 included:

- a) Options are granted for no consideration;
- b) Exercise price of \$0.064;
- c) Grant dates of 18 July 2008, 20 July 2009 and 30 October 2009;
- d) Expiry date of 18 July 2013, 20 July 2014 and 30 October 2014;
- e) Vesting period of 2 years, 0 years and 0 years;
- f) Share price at grant date of \$0.31, \$0.07 and \$0.17;
- g) Expected volatility of the company's shares 187% and 204%;
- h) Expected dividend yield 0.0%; and
- i) Risk free rate 5.96%.

Expected volatility is based on the Group's share price and has been based on two years' historic volatility data. The valuation per option has been determined at \$0.07 and \$0.29 per option. The dividend rate is based on the past Group practice and the Risk free rate is determined with reference to medium term government bonds.

23. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
Operating loss after taxation	(14,998)	(4,105)
Depreciation	4,894	4,063
Loss / (profit) on disposal of assets	1,086	(1,097)
Impairment	1,786	345
Movement in assets / liabilities		
Decrease / (increase) in trade and other receivables	2,720	(4,112)
Decrease in other assets	440	-
Decrease / (increase) in stock	4,290	(1,352)
Decrease / (increase) in deferred tax assets	1,253	(2,165)
Decrease in investments	(13)	146
Decrease / (increase) in trade and other payables	2,080	(624)
Decrease / (increase) in provisions	(133)	375
(Increase)/decrease in deferred tax liabilities	(1,551)	2,177
Decrease in current tax	-	(257)
Decrease in reserves	264	660
Net cash (used in) operating activities	2,118	(5,946)

24. AUDITORS REMUNERATION

Audit Services

Audit and review of financial report	109,100	81,500
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Other Services

Taxation services	-	-
	<u>109,100</u>	<u>81,500</u>

NOTES TO THE FINANCIAL STATEMENTS

25. RELATED PARTIES

a) Subsidiaries

The consolidated financial statements include the financial statements of Every Day Mine Services Limited and its subsidiaries.

a) Ultimate parent

Every Day Mine Services Limited is the ultimate parent of the Group.

b) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in the Directors Report.

c) Transactions with related parties

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated \$ '000	Consolidated \$ '000
Payment for goods and services:		
Payment for Capital Raising services from Skye Equity Pty Limited (director related entity of Craig Burton)	82	-
Payment for Capital Raising services from Tisia Nominees Pty Limited (director related entity of Tom Henderson)	35	-
	<u>117</u>	<u>-</u>

d) Outstanding balances arising from sales/purchases of goods and services

There were no balances arising from sale/purchases of goods and services.

e) Loans and borrowing to and (from) related parties

Loans to wholly owned subsidiaries are subject to repayment at call and are interest bearing at the fixed rate of 10.0% p.a.

f) Guarantees

The parent entity has provided guarantees in respect of

Bank overdraft of subsidiaries (refer note 10 for security)

<u>-</u>	<u>-</u>
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NOTES TO THE FINANCIAL STATEMENTS

26. KEY MANAGEMENT PERSONNEL

a) Details of key management personnel

The following were key management personnel of the Group at any time during the reporting period, unless otherwise indicated individuals were employed for the entire period.

Directors

Surname	First Name	Position	Tenure (If not full year served)
Hackett	Robert	Chairman	Appointed Non-Executive Director 4 July 2011 Appointed Chairman 8 July 2011 Acting CEO, appointed 1 September 2011
Burton	Craig	Non-Executive Director Chairman	Resigned as Chairman 8 July 2011
Franzmann	Declan	Non-Executive Director	Resigned 30 November 2010
Henderson	Tom	Non-Executive Director	
Jackson	Roger	Non-Executive Director	Resigned 31 March 2011
McCoy	Stephen	Managing Director	Resigned 31 August 2011

Key Executives

Surname	First Name	Position	Tenure (If not full year served)
Brenton	Paul	Chief Financial Officer	Appointed 9 August 2010
Earp	Stephen	General Manager EDMS Assets & Logistics	Appointed 16 August 2010, Resigned 10 October 2011
Glass	Anthony	General Manager EDMS Energy	Appointed 16 August 2010, Resigned 19 August 2011
Kelly	Steven	Acting General Manager EDMS Metals	Appointed 4 October 2010, Resigned 29 July 2011
Leal	Mark	General Manager - Operations	Appointed 23 May 2011

b) Compensation of key management personnel

Full details of key management personnel compensation is disclosed in the remuneration report on page 10 of the Directors Report.

NOTES TO THE FINANCIAL STATEMENTS

26. KEY MANAGEMENT PERSONNEL (continued)

c) Option holdings of key management personnel (Consolidated)

The movement in the reporting period in the number of options over ordinary shares in Every Day Mine Services Limited held directly, indirectly or beneficially by each key management person, including their related parties is as follows:

	Balance 1 July 09	Options Acquired	Options Cancelled	Balance 30 June 10	Balance 1 July 10	Options Acquired	Options Cancelled	Balance 30 June 11
Adam Rice	100,000	-	-	100,000	100,000	-	(100,000)	-
Anthony Quirk	350,000	-	(350,000)	-	-	-	-	-
Ashley Pattison	-	3,000,000	-	3,000,000	3,000,000	-	-	3,000,000
Bradley Marquart	200,000	-	(200,000)	-	-	-	-	-
Craig Burton	-	6,000,000	-	6,000,000	6,000,000	-	-	6,000,000
Declan Franzmann	300,000	500,000	-	800,000	800,000	-	(300,000)	500,000
Jamie Rainbow	100,000	-	-	100,000	100,000	-	-	100,000
Joshua Rogers	300,000	500,000	(300,000)	500,000	500,000	-	-	500,000
Peter Bradfield	500,000	650,000	(500,000)	650,000	650,000	-	-	650,000
Roger Jackson	600,000	500,000	-	1,100,000	1,100,000	-	(600,000)	500,000
Tom Henderson	-	3,000,000	-	3,000,000	3,000,000	-	-	3,000,000
	2,450,000	14,150,000	(1,350,000)	15,250,000	15,250,000	-	(1,000,000)	14,250,000

There are no unvested options as at 30 June 2011 (30 June 2010 - Nil). All issued options are exercisable as at 30 June 2011 (30 June 2010 - 15,250,000).

d) Shareholding of key management personnel (consolidated)

	Balance 1 July 09	Shares acquired during year	Shares disposed during year	Balance 30 June 10	Balance 1 July 10	Shares acquired during year	Shares disposed during year	Balance 30 June 11
Craig Burton	4,820,376	21,414,077	-	26,234,453	26,234,453	30,288,000	-	56,522,453
Declan Franzmann	1,321,800	264,360	-	1,586,160	1,586,160	-	-	1,586,160
Roger Jackson	46,559,500	3,180,000	-	49,739,500	49,739,500	4,924,027	-	54,663,527
Stephen Earp	-	-	-	-	-	92,272	-	92,272
Tom Henderson	1,875,000	9,750,000	-	11,625,000	11,625,000	15,000,000	-	26,625,000
	54,576,676	34,608,437	-	89,185,113	89,185,113	50,304,299	-	139,489,412

27. FINANCIAL RISK MANAGEMENT

The Group's financial instruments exposure it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of Resource Sector and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and aging analysis for credit risk. The Group and the parent entity hold the following financial instruments:

	Note	Carrying amount		Fair value	
		Consolidated	Consolidated	Consolidated	Consolidated
		2011	2010	2011	2010
		\$'000s	\$'000s	\$'000s	\$'000s
Financial assets					
Cash	10	137	184	137	184
Receivables	11	3,272	5,992	3,272	5,992
Shares in listed companies	13	16	3	16	3
		<u>3,425</u>	<u>6,179</u>	<u>3,425</u>	<u>6,179</u>
Financial liabilities					
Bank overdraft	10	800	97	800	97
Debtor finance facility	10	-	3,326	-	3,326
Payables	17	5,949	3,903	5,949	3,903
HP obligations	19	5,518	9,988	5,518	9,988
		<u>12,267</u>	<u>17,314</u>	<u>12,267</u>	<u>17,314</u>

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial instruments

The fair value of financial instruments traded in active markets such as available-for-sale securities is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments is categorized by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value of financial instruments that are not traded in an active market for example, investments in unlisted subsidiaries is determined using valuation techniques. Techniques, such as estimated discounted cashflows, are used to determine fair value for the remaining financial instruments. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

a) Price Risk

The Group's market risk is the risk associated with resource sector changes in market prices, such as foreign exchange rates notably the United States dollar and commodity prices, notably base metals and fossil fuels which will affect the Group's income from services provided to the resource sector. The objective of market risk management is to manage and control market risk exposures within acceptable parameters whilst optimising the return.

Sensitivity Analysis

The Group is indirectly affected by changes in foreign exchange rates and commodity prices as such cannot quantify the impact a change in those market prices would have on the Group's earnings.

b) Cash-flow and fair value interest rate risk

The Group's main interest rate risk arises from short term bank funding. Hire purchase borrowings by the Group are at a fixed rate of interest, therefore the risk relates to decreases in the interest rate.

Sensitivity Analysis

Fixed rate borrowings comprise more than 90% of the Group's borrowings and interest rate exposure is limited only to bank overdraft. Any movement in the interest rate would therefore not have a material impact on the profit and loss for the year.

Management have determined that the movement in interest rates would not have a material impact by comparing the current year finance cost with the prior year noting a marginal movement despite several interest rate decreases.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL RISK MANAGEMENT (continued)

c) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The following table summarises the aging profile of the Group's financial assets.

Consolidated	Total Gross amount \$'000	Total carrying value \$'000s	Neither past due or impaired \$'000s	<30 days \$'000s	30 – 60 days \$' 000s	60 – 90 days \$'000s	>90 days \$'000s	Individually Impaired \$'000s
2011								
Cash and cash equivalents	137	137	137	-	-	-	-	-
Receivables	3,272	3,272	3,272	2,573	642	45	12	-
Total	3,409	3,409	3,409	2,573	642	45	12	-
2010								
Cash and cash equivalents	184	184	184	-	-	-	-	-
Receivables	5,992	5,992	5,992	4,331	744	-	917	-
Total	6,176	6,176	6,176	4,331	744	-	917	-

An item is considered past due when it is in excess of 90 days. The credit quality of items that are past due but not impaired are determined with reference to the past history of the customer.

Financing arrangements

The bank overdraft facilities may be drawn at any time and is secured by a fixed and floating charge over the Group's assets.

d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

The following table summarises the maturity profile of the Group's financial liabilities at 30 June 2011 and 30 June 2010 based on contractual undiscounted payments.

	Notes	Non Interest Bearing	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Floating Interest Rate	Total	Weighted Average Interest rate
		\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	
CONSOLIDATED								
AS AT 30 JUNE 2011								
Financial Liabilities								
Bank overdraft	10	-	800	-	-	800	800	11.1%
Payables	17	5,949	5,949	-	-	-	5,949	-
HP obligations	19	-	2,805	3,592	-	-	6,397	8.8%
		5,949	9,554	3,592	-	800	13,146	
AS AT 30 JUNE 2010								
Financial Liabilities								
Bank overdraft	10	-	97	-	-	97	97	9.2%
Debtor finance facility	10	-	3,326	-	-	3,326	3,326	9.2%
Payables	17	3,903	3,903	-	-	-	3,903	-
HP obligations	19	-	3,745	7,931	-	-	11,676	8.6%
		3,903	11,071	7,931	-	3,423	19,002	

NOTES TO THE FINANCIAL STATEMENTS

28. COMMITMENT AND CONTINGENCIES

a) Finance lease and hire purchase commitments

	Consolidated	
	Minimum lease payments \$ '000	Present value of lease of lease \$ '000
AS AT 30 JUNE 2011		
Within one year	2,805	2,238
>1 year < 5 years	3,592	3,280
Total minimum lease payments	6,397	5,518
Lease amounts representing finance charges	(879)	-
Present value of minimum lease payments	5,518	5,518
AS AT 30 JUNE 2010		
Within one year	3,745	2,982
>1 year < 5 years	7,931	7,006
Total minimum lease payments	11,676	9,988
Lease amounts representing finance charges	(1,688)	-
Present value of minimum lease payments	9,988	9,988

b) Operating lease commitments

	Minimum lease payments \$ '000	Present value of lease of lease \$ '000
	AS AT 30 JUNE 2011	
Within one year	367	367
>1 year < 5 years	638	638
Total minimum lease payments	1,005	1,005
AS AT 30 JUNE 2010		
Within one year	399	399
>1 year < 5 years	806	806
Total minimum lease payments	1,205	1,205

c) Capital commitments

The following represents the capital commitments of the Group:

	Consolidated	
	Approved and contracted for \$ '000	Approved but not yet contracted for \$ '000
AS AT 30 JUNE 2011		
Acquisition of plant and equipment	-	-
AS AT 30 JUNE 2010		
Acquisition of plant and equipment	-	-

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NOTES TO THE FINANCIAL STATEMENTS

29. EARNINGS PER SHARE

	Consolidated 2011 \$ '000	Consolidated 2010 \$ '000
Basic earnings per share		
a) Net profit / (loss) from continuing operations	(14,034)	(3,754)
b) Net profit / (loss) attributable to members of Every Day Mine Services Limited	(14,034)	(3,754)
c) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	273,543	201,712
Diluted earnings per share		
d) Net profit / (loss) from continuing operations	(14,034)	(3,754)
e) Net profit / (loss) attributable to members of Every Day Mine Services Limited	(14,034)	(3,754)
f) Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	273,543	201,712

No shares have been excluded from the calculation of diluted earnings per share that could potentially dilute the earnings per share in the future because they are anti-dilutive.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

30. SEGMENT REPORTING

The Group operates in one business and geographic segment, being contracting services to the mining industry in Australia.

Identification of reportable segments

The Group has identified its' operating segments from internal reports that are reviewed and used by the executive management team (the chief operating decision maker's) in assessing performance and in determining the allocation of resources.

Provision of drilling services

The bulk of the Groups revenue is currently generated in this area, with work being performed at various mine sites. These sites are largely based in NSW and Queensland, depending on the current client mix. The Group is able to offer a diverse range of drilling services that includes exploration, service hole and coal seam enhancement gas operations.

Provision of mining services

This segment includes the provision of labour and equipment hire services, pump repairs and fabrication support. The segment has grown significantly as clients select outsourced in favour of permanent staff placements. These clients are based predominantly in NSW.

These results are reflected below:

AS AT JUNE 2011 - in \$'000	Above Ground Drilling	Under Ground Drilling	Mining Services	Corporate / Unallocated	Total
Sales to external customers	12,373	1,539	4,806	-	18,718
Other income	202	-	328	54	584
Interest – unallocated	1	-	-	-	1
Total revenue	12,576	1,539	5,134	54	19,303
Expenses	16,571	566	5,655	2,607	25,399
Depreciation	3,437	344	676	27	4,484
Interest expense	745	96	111	30	982
Loss on disposal of fixed asset	394	-	292	-	686
Impairment write down	997	789	-	-	1,786
Total expense	22,144	1,795	6,734	2,664	33,337
Segment profit before tax	(9,568)	(256)	(1,600)	(2,610)	(14,034)
Profit / (loss) from operations before tax	(9,568)	(256)	(1,600)	(2,610)	(14,034)
Assets					
Total assets	13,351	385	2,609	5,851	22,196
Liabilities					
Total liabilities	-	-	-	14,153	14,153

NOTES TO THE FINANCIAL STATEMENTS

30. SEGMENT REPORTING (continued)

AS AT JUNE 2010 - in \$'000	Above Ground Drilling	Under Ground Drilling	Mining Services	Corporate / Unallocated	Total
Sales to external customers	17,308	1,482	4,327	-	23,117
Other income	361	-	101	-	462
Interest – unallocated	-	-	-	9	9
Total revenue	17,669	1,482	4,428	9	23,588
Expenses	13,669	946	5,017	3,379	23,011
Depreciation	2,441	398	788	14	3,641
Interest expense	755	364	117	8	1,244
Loss on disposal of fixed asset	(336)	-	(762)	-	(1,098)
Impairment write down	-	-	345	-	345
Investment write down	-	199	-	-	199
Total expense	16,529	1,907	5,505	3,401	27,342
Segment profit before tax	1,140	(425)	(1,077)	(3,392)	(3,754)
Profit / (loss) from operations before tax	1,140	(425)	(1,077)	(3,392)	(3,754)
Assets					
Total assets	28,379	375	7,017	5,317	41,088
Liabilities					
Total liabilities	-	-	-	20,883	20,883

31. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

NOTES TO THE FINANCIAL STATEMENTS

32. PARENT ENTITY INFORMATION

	2011	2010
	\$ '000	\$ '000
Information relating to Every Day Mine Services Ltd:		
Current Assets	50	210
Total Assets	8,696	21,795
Current Liabilities	520	530
Total Liabilities	653	1,590
Issued Capital	35,792	32,956
Retained earnings	(29,733)	(14,735)
Option Reserve	1,984	1,984
Total Shareholder's Equity	8,043	20,205
Profit / (loss) of the parent entity	(14,998)	(4,105)
Total comprehensive income of the parent entity	(14,998)	(4,105)

Every Day Mine Services Limited has a guarantee over each of the subsidiaries' – EDMS Human Capital Pty Ltd, EDMS Assets & Logistics Pty Ltd, EDMS Energy Pty Ltd, EDMS Metals Pty Ltd, Resource 1 Pty Ltd, Every Day Mine Services Operations Pty Ltd, GOS Drilling Pty Ltd and Australian Gas Drilling Pty Ltd financing facilities.

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Directors' Declaration

The directors of Every Day Mine Services Limited declare that:

- (a) in the directors' opinion the financial statements and notes and the Remuneration report in the Directors Report set out on page 10, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2011 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

At the date of this declaration there are reasonable grounds to believe that the company and the group entities identified in note 17 will be able to meet any obligations or liabilities to which they are or may have become subject to by virtue of the Deed of Cross Guarantee between the company and those group entities pursuant to ASIC Class Order 98/1418.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the directors.



Robert Hackett
Director
Brisbane, 29 September 2011



Chartered Accountants
& Business Advisers

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Every Day Mine Services Limited

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Every Day Mine Services Limited and the entities it controlled during the year.

PKF

Paul Bull
Partner

29 September 2011
Sydney

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EVERY DAY MINE SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Every Day Mine Services Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Every Day Mine Services Limited ("the company") and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of Every Day Mine Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Every Day Mine Services Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

**PKF****Paul Bull**
Partner**29 September 2011**
Sydney

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 28 September 2011

Distribution of equitable securities

Analysis of numbers of equity security holders by size of holding

Size of Shareholding	%	Number of Shares	Number of Shareholders
1 - 1,000	0.01	11,013	30
1,001 – 5,000	0.07	286,818	79
5,001 – 10,000	0.12	423,835	53
10,001 – 100,000	2.68	9,600,366	237
100,001 and over	97.12	350,543,627	195
Total	100.00	360,865,659	594

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below.

Name	Holding	%
1 Mr Craig Ian Burton < CI Burton Family A/C >	51,231,731	14.20
2 Roger Alan Jackson	48,192,289	13.35
3 Tisia Nominees Pty Ltd < Henderson Family A/C >	26,679,118	7.39
4 RPM Super Pty Ltd < RPM Super Fund A/C >	12,039,153	3.34
5 Mr Bernard Owen Stephens + Mrs Erin Josephine Stephens	9,999,794	2.77
6 Bell-Allen Holdings Pty Ltd	9,645,867	2.67
7 Dixon Trust Pty Ltd	7,921,524	2.20
8 Rimfern Pty Ltd	7,836,040	2.17
9 Mr John Charles Bell-Allen & Mrs Diane Estelle Bell-Allen	7,597,157	2.11
10 Kings Park Superannuation Fund Pty Ltd	7,358,201	2.04
11 Hamilton Corporate Services Pty Ltd < Hamilton Super Fund A/C >	7,224,249	2.00
12 UBS Wealth Management Australia Nominees Pty Ltd	7,023,503	1.95
13 Aus-Care Management Services Pty Ltd	6,486,115	1.80
14 Mr Paul Balsarini & Mrs Annette Balsarini	6,017,157	1.67
15 Mr Jamie Phillip Boyton	6,000,000	1.66
16 Pointdale Pty Ltd	5,720,002	1.59
17 Mr Simon William Tritton < Investment A/C >	5,015,823	1.39
18 Merrill Lynch (Australia) Nominees Pty Ltd	4,536,824	1.26
19 RJ Consolidated Pty Ltd < Roger Jackson Super A/C >	4,483,200	1.24
20 Mr Craig Ian Burton < Burton Super Fund A/C >	4,451,448	1.23
Total of top 20 shareholders	245,459,195	68.02
Other Shareholders	115,406,464	31.98
Total shares on issue	360,865,659	100.00

Substantial shareholders

Craig Ian Burton	56,522,453	15.66
Roger Alan Jackson	54,663,527	15.15
Tisia Nominees Pty Ltd	26,679,118	7.39

GENERAL INFORMATION

DIRECTORS

Mr Robert Hackett Chairman and Acting Managing Director
Mr Craig Burton Non-Executive Director
Mr Tom Henderson Non-Executive Director

SHARE REGISTRY

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Company Secretary

Mr Paul Brenton

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