

4th November 2014

ASX announcement



**UPDATE ON MASTERMYNE GROUP'S ACQUISITION OF DMS - RELEASE OF DMS
SCHEME BOOKLET**

Diversified Mining Services Limited ("**DMS**") today announced that the Supreme Court of Queensland has made orders to convene a meeting of DMS shareholders on 28 November 2014 to consider and vote on the previously announced Scheme of Arrangement ("**Scheme**") under which Mastermyne Group Limited ("**MYE**" or the "**Company**") (ASX:MYE) will acquire all of the issued shares in DMS. In addition, the Australian Securities and Investments Commission has registered the explanatory booklet, including the Independent Expert's Report, to be sent to DMS shareholders (the "**Scheme Booklet**") in relation to the Scheme.

The Independent Expert has concluded that the Scheme is fair and reasonable and the Scheme is in the best interests of DMS shareholders.

A copy of the Scheme Booklet, including the Independent Expert's Report, is attached to this announcement and will be dispatched to DMS shareholders.

Other key events and the expected timing of the approval and implementation of the Scheme are set out below:

Event	Date
DMS Scheme Meeting	28 November 2014
Second Court hearing to approve the Scheme	16 December 2014
Effective Date	16 December 2014
Scheme Record Date	18 December 2014
Implementation date – transfer of DMS shares to MYE	23 December 2014

Further information:

Tony Caruso – Chief Executive and Managing Director: (07) 4963 0400

Or visit www.mastermyne.com.au

About Mastermyne

Mastermyne Group Limited (ASX:MYE) was established in 1996 and is a leading provider of specialised services to the Australian coal mining industry. Mastermyne listed on the ASX on 7 May 2010.

It has three operating divisions, Mastermyne Underground (underground roadway development, installation of conveyors and longwall relocation), Mastermyne Engineering (design and engineering of specialised mining equipment and consumables) and Mastermyne Services (electrical, mechanical and maintenance services).

Based in Mackay Queensland, Mastermyne has operations in Queensland's Bowen Basin and the Illawarra and Hunter Valley regions in New South Wales.



Diversified Mining Services Limited

Scheme Booklet

For a Scheme of Arrangement between Diversified Mining Services Limited ACN 126 482 282 and its shareholders in relation to a proposed acquisition of the shares in Diversified Mining Services Limited by Mastermyne Group Limited ACN 142 490 579.

This is an important document that requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt as to how to deal with this document, please consult your legal or financial adviser immediately.

Your Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal.

The shareholder meeting to consider the Scheme will be held at 12:00pm on Friday, 28 November 2014 at Hillstone, St Lucia Golf Links, Carawa Street, St Lucia, Qld 4067. You are encouraged to attend the meeting. If you cannot attend, you are encouraged to lodge your vote by proxy using the form accompanying this document.

Financial adviser



Legal adviser



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Meeting

The meeting is being called for the purpose of DMS Shareholders considering and, if thought fit, approving a scheme of arrangement (Scheme). The Scheme is between Diversified Mining Services Limited (DMS) and its shareholders. It concerns a proposed acquisition of all the shares in DMS by Mastermyne Group Limited (Mastermyne). Before the scheme is effective, it must be approved by DMS Shareholders and by the Court.

The shareholder meeting to consider the Scheme will be held at 12:00pm on Friday, 28 November 2014 at Hillstone, St Lucia Golf Links, Carawa Street, St Lucia, Qld 4067.

You are encouraged to attend the meeting. If you cannot attend, you are encouraged to lodge your vote by proxy using the form accompanying this document. More information on how to vote is in the section "Your Vote" in this document.

Timetable and key dates

Event	Time and Date
Last time and date by which Proxy Form can be lodged	12:00pm on Wednesday, 26 November 2014
Time and date for determining eligibility to vote at Scheme Meeting	7.00 pm on 26 November 2014
Scheme Meeting	12:00pm on Friday, 28 November 2014
Court hearing for approval of the Scheme	16 December 2014
Effective Date	16 December 2014
Record Date - time and date for determining entitlements to Mastermyne Shares under the Scheme	5.00 pm on 18 December 2014
Implementation Date - transfer of DMS Shares to Mastermyne	23 December 2014
Despatch of holding statements for the New Mastermyne Shares commences	23 December 2014

Unless otherwise stated, all times referred to in this document are references to time in Brisbane, Australia.

This timetable is indicative only. DMS may vary the timetable set out above subject to the approval of the Court where required.

Letter from the Chairman

Dear Shareholder,

Your Directors have undertaken a review of the future business outlook for the DMS Group and propose that the group be acquired by Mastermyne to form part of a corporate group more suited to the risks associated with the current mining services industry climate and to best position the business to capitalise on the future industry recovery.

On 25 September 2014, DMS and Mastermyne entered into an Implementation Deed. Under the Implementation Deed, DMS agreed to propose a scheme of arrangement (**Scheme**) under which the shares currently on issue of DMS will be acquired by Mastermyne.

If the Scheme is implemented:

- Each DMS Shareholder will receive 0.1126 New Mastermyne Shares for each DMS Share they hold.
- 15,569,979 New Mastermyne Shares will be issued to DMS Shareholders in aggregate. The Independent Expert has attributed an implied value of \$9.0 million to \$11.5 million for such shares.
- DMS Shareholders will cumulatively own approximately 17% of all Mastermyne Shares then on issue.
- Mastermyne will pay out all of DMS' outstanding loans and other costs to restructure the business (estimated at approximately \$10.3 million).

Scheme benefits

Mastermyne is a public listed company. Consequently, if the Scheme is implemented, DMS shareholders will receive New Mastermyne Shares which they can hold or trade on the Australian Securities Exchange, instead of the current position of requiring shareholders to follow the pre-emptive rights process among existing DMS Shareholders as set out in the DMS Constitution.

DMS Shareholders are also expected to benefit from being part of a larger and more diverse mining and engineering services company. It is expected that the combined DMS and Mastermyne groups will have an enhanced investment risk profile due to the increased scale, diversification of earnings streams, customers and enhanced access to capital.

The Directors have engaged an Independent Expert to review the Scheme. The Independent Expert, whose report is set out in Annexure A of the Scheme Booklet, has concluded that the Scheme is fair and reasonable and that the Scheme is in the best interests of Shareholders.

Implementation

The Scheme involves two key steps:

1. **STEP 1:** Obtaining the required approval of the Scheme from DMS Shareholders at an Extraordinary General Meeting.
2. **STEP 2:** Obtaining the Court's approval in respect of the Scheme.

The Scheme is also subject to certain conditions precedent as set out in the Implementation Deed.

If the Scheme is implemented, DMS will become a wholly owned subsidiary of Mastermyne and all DMS Group companies will be owned directly or indirectly by Mastermyne.

Effect of Scheme on Shareholders

Implementing the Scheme will affect you as a Shareholder in that you will no longer be a shareholder of DMS. You will instead be a shareholder in Mastermyne which is listed on the Australian Securities Exchange.

Capital gains tax rollover relief should be available in relation to the exchange of DMS Shares for Mastermyne Shares under the Scheme so that no CGT event will be taken to have occurred for Australian resident tax payers. More information on tax is contained in Annexure B to this document. You should consider your own tax position and obtain your own tax advice.

If the Scheme is implemented, the DMS Directors will cease to be Directors of DMS. If the Scheme is not completed for any reason (e.g. if DMS Shareholders or the Court do not approve the Scheme), the Directors will consider the circumstances at that time.

This document provides you with information to enable you to decide how to vote on the Scheme.

Recommendation

Your Board **unanimously recommends that you vote in favour** of the Scheme at the Scheme Meeting in the absence of a Superior Proposal. Each Director who holds DMS Shares, or on whose behalf DMS Shares are held, intends to vote in favour of the Scheme in the absence of a Superior Proposal.

Please read this document in its entirety. If you are in any doubt as to how to deal with this document, please consult your legal or financial adviser immediately.

I encourage you to vote at the Scheme Meeting, either in person or by lodging a proxy.

Yours sincerely

Rod Keller
Chairman

Your vote

Scheme Meeting

The Scheme Meeting will be held at midday on Friday, 28 November 2014 at Hillstone, St Lucia Golf Links, Carawa Street, St Lucia, Qld 4067.

For the Scheme to proceed it must be approved by a majority in number of Shareholders present and voting at the Scheme Meeting (in person, by attorney, by proxy or, in the case of corporations, by authorised representative) and at least 75% of votes cast by Shareholders entitled to vote at the Scheme Meeting.

What should you do?

Read this document and the accompanying notice of scheme meeting carefully.

If you have any questions, consult your financial, legal or other professional adviser or call the Shareholder information line on (07) 3719 6888 (within Australia) or +617 3719 6888 (International).

How to vote

DMS Shareholders can vote by:

- attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- appointing a proxy to attend and vote on their behalf, using the Proxy Form accompanying the Scheme Booklet.

Voting in person or by attorney

DMS Shareholders are asked to arrive at the venue 30 minutes before the time designated for the Scheme Meeting to allow for registration for the meeting. A representative of a corporate DMS Shareholder attending the meeting **must** present satisfactory evidence of his or her appointment to attend on its behalf, unless previously lodged with the DMS Share Registry.

Voting by proxy

- A DMS Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on the poll and also to speak at the Scheme Meeting.
- The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed, and if the appointment does not specify the proportion or number of the DMS Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions).
- A proxy need not be a DMS Shareholder.
- If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting, as that person thinks fit.
- If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote in the shareholder's behalf on the poll, and the DMS Shares the subject of the proxy appointment will not be counted in computing the required majority.

- DMS Shareholders who return their Proxy Form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the meeting, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Scheme Meeting, the company secretary of DMS or any Director which do not contain a direction will be used to support the resolution to approve the Scheme.
- A vote given in accordance with the terms of a proxy is valid despite the revocation of the proxy, unless notice in writing of the revocation has been received by DMS Share Registry by 12:00pm on Wednesday, 26 November 2014.
- Completed Proxy Forms and an original or certified copy of any authority under which a Proxy Form is signed should be sent to the DMS Share Registry using one of the reply-paid envelopes provided with the document.
- To be effective, Proxy Forms and an original or certified copy of any authority under which a Proxy Form is signed must be sent to the DMS Share Registry:
 - by post (using the reply envelope included with the document) at Link Market Services Ltd, Locked Bag A14, Sydney South, NSW, 1235;
 - by facsimile to (02) 9287 0309;
 - by hand to Link Market Services Ltd, 1A Homebush Bay Drive Rhodes, NSW 2138; and
 - online at www.linkmarketservices.com.au.

so that they are received by no later than 12:00pm on Wednesday, 26 November 2014. Proxy Forms received after this time will be invalid.
- The Proxy Form must be signed by the DMS Shareholder or the DMS Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the DMS Share Registry at either of the above addresses or by facsimile transmission by 12:00pm on Wednesday, 26 November 2014. If facsimile transmission is used, the power of attorney must be certified.

Jointly held DMS Shares

If the DMS Shares are jointly held, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held DMS Shares, only the vote of the shareholder whose name appears first in the Register will be counted.

Shareholders who are entitled to vote

Pursuant to section 411 of the Corporations Act and all other enabling powers, the Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 7.00 pm on Wednesday, 26 November 2014. Only those DMS Shareholders entered on the Register at that time will be entitled to attend and vote at the Scheme Meeting.

Important notices

General

Shareholders should read this document in its entirety before making a decision as to how to vote on the Scheme Resolution at the Scheme Meeting. If you are in any doubt as to how to deal with this document, please consult your broker, legal adviser or financial adviser immediately.

Purpose of this document

The purpose of this document is to explain the terms of the proposal for Mastermyne to acquire all of the shares in DMS by way of a Scheme and the manner in which the Scheme will be considered and implemented (if approved), and to provide such information as is prescribed or otherwise material to the decision of Shareholders whether or not to approve the Scheme. This document includes the Explanatory Statement required by section 412(1) of the Corporations Act in relation to the Scheme.

Responsibility statement

The information in Annexure A of this document has been provided by the Independent Expert and is the responsibility of the Independent Expert. None of DMS, Mastermyne nor their respective officers, employees or advisers assume any responsibility for the accuracy or completeness of such information other than in the case of the information provided by DMS to the Independent Expert. The Independent Expert does not assume any responsibility for the accuracy or completeness of any information contained in this document other than the information contained in Annexure A.

Grant Thornton has prepared the information on the taxation implications of the Scheme contained in Annexure B of this Scheme Booklet and takes responsibility for that information. None of DMS, Mastermyne nor their respective officers, employees or advisers assume any responsibility for the accuracy or completeness of such information. Grant Thornton does not assume any responsibility for the accuracy or completeness of any information contained in this document other than the information contained in Annexure B.

The DMS Provided Information has been prepared by DMS and is the responsibility of DMS. The DMS Provided Information has not been verified by Mastermyne or any of Mastermyne's directors, officers or advisors. Neither Mastermyne nor any of its directors, officers or advisors assume any responsibility for the accuracy or completeness of the DMS Provided Information.

The Mastermyne Provided Information has been prepared by Mastermyne and is the responsibility of Mastermyne. The Mastermyne Provided Information has not been verified by DMS or any of the DMS Directors, its officers or advisors. Neither DMS nor any of the DMS Directors, its officers or advisors assume any responsibility for the accuracy or completeness of the Mastermyne Provided Information.

ASIC

A copy of this document has been provided to ASIC for the purpose of section 411(2) of the Corporations Act and registered by ASIC for the purpose of section 412(6) of the Corporations Act. Neither ASIC nor its officers take any responsibility for the contents of this document.

ASIC has reviewed a copy of this document. DMS has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Date. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire Scheme process. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme.

The Court

The fact that under section 411(1) of the Corporations Act the Court has ordered the Scheme Meeting to be convened and has approved the explanatory statement in this Scheme Booklet required to accompany the notice of meeting does not mean that the Court has formed any view as to the merits of the Scheme or as to how Shareholders should vote (on this matter Shareholders must reach their own decision) or has prepared, or is responsible for the content of, this document.

No investment advice

The information contained in this document does not constitute investment advice or financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position and particular needs of individual DMS Shareholders. The information in this Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme. It is important that you consider the information in this Scheme Booklet in light of your particular circumstances. If you are in any doubt about what you should do, please consult your legal or financial adviser immediately.

Defined terms

Capitalised terms and certain abbreviations used in this document have the defined meanings set out in Section 11 of this document. Each of the documents reproduced in Annexures to this document will have its own defined terms, which are sometimes different to those in Section 10 of this document.

No internet site is part of this document

DMS maintains an internet website but not a separate website for DMS shareholders in relation to the proposed Scheme.

The contents of the DMS and Mastermyne websites do not form part of this Scheme Booklet and DMS Shareholders should not rely on information of a general nature contained on those websites (i.e. information which is not specifically related to the Scheme) in making any decision in respect of the Scheme.

No offer

This document does not constitute an offer to sell you, or a solicitation of an offer to buy from you, any securities in any jurisdiction in which such an offer or solicitation would be illegal.

Notice to foreign shareholders

Shareholders with a registered address in a jurisdiction other than Australia (and its external territories) or New Zealand may not be eligible to receive New Mastermyne Shares. Shareholders with a registered address outside of Australia (and its external territories) or New Zealand should refer to Section 8.9.

This document complies with disclosure requirements in Australia, which may be different to those in other countries.

Information line

If you have any questions about the Scheme or your DMS Shares or any other matter in this document, please call the Shareholder information line on (07) 3719 6888 (within Australia only) or +617 3719 6888 (International).

Date of document

This document is dated 3 November 2014.

1. Frequently asked questions

This document contains detailed information regarding the Scheme. The following section provides summary answers to some questions you may have, however it is not intended to address all relevant issues for Shareholders. This section should be read together with all other sections of this Scheme Booklet.

THE SCHEME AT A GLANCE	
What is the Scheme?	The Scheme is the method by which Mastermyne is proposing to acquire 100% of the issued share capital in DMS and to become the new holding company of the DMS Group. If the Scheme is implemented, Mastermyne will acquire all of the issued shares in DMS by way of a scheme of arrangement and Scheme Shareholders will receive 0.1126 New Mastermyne Shares for every DMS Share they own (with any fractions to be rounded up to the nearest whole number of New Mastermyne Shares). In addition, Mastermyne is also required under the Implementation Deed to discharge all DMS debts owing to ANZ and pay certain other restructuring costs by the Implementation Date of approximately \$10.3 million.
What is a "scheme of arrangement"?	A "scheme of arrangement" is a means of implementing an acquisition of shares under the Corporations Act. It requires a vote in favour of the Scheme by certain majorities of shareholders at a meeting of shareholders and also requires Court approval. A detailed description of the Scheme is set out in Sections 2 and 8 of this document. The terms of the Scheme are set out in full in Annexure C of this document.
What do the Directors recommend and intend to do?	The Directors <u>unanimously recommend that you vote in favour</u> of the Scheme Resolution and approve the Scheme at the Scheme Meeting, in the absence of a Superior Proposal. The Directors unanimously believe that the Scheme is in the best interests of Shareholders in the absence of a Superior Proposal. In the absence of a Superior Proposal, each of the Directors intends to vote in favour of the Scheme Resolution and approve the Scheme at the Scheme Meeting in relation to DMS Shares held by them or on their behalf. The Directors hold or control 56,153,847 DMS Shares, representing approximately 40.6% of outstanding DMS Shares as detailed in Section 9.5 of this document.
What are the reasons to vote in favour of the Scheme?	The key reasons to vote in favour of the Scheme are set out in Section 3.1 of this document.
What are the possible reasons not to vote in favour of the Scheme?	The possible reasons not to vote in favour of the Scheme are set out in Section 3.2 of this document.
What is the Independent Expert's conclusion?	The Directors engaged BDO Corporate Finance (Qld) Ltd as the Independent Expert to provide a report. The Independent Expert's report is included in Annexure A of this document.

	The Independent Expert has concluded that the Scheme is fair and reasonable, and that the Scheme is in the best interests of Shareholders.
Who is entitled to participate in the Scheme?	DMS Shareholders who are on the Register as at 5.00 pm on the Record Date are entitled to participate in the Scheme.
What are the prospects of receiving a Superior Proposal?	Before the announcement of the Transaction, DMS, with the assistance of its advisers, undertook a comprehensive strategic review to explore all potential opportunities to maximise DMS shareholder value. This included engaging with multiple parties that expressed an interest in potentially acquiring DMS. From the date of the announcement of the transaction on 26 September 2014 up to the date of this Scheme Booklet, no Superior Proposal emerged and the Directors are not aware of any Superior Proposal that is likely to emerge.
Is the Scheme subject to any conditions precedent?	Implementation of the Scheme is subject to a number of Conditions Precedent being satisfied or waived, including but not limited to approval of the Scheme by Shareholders and the Court. All of the Conditions Precedent are summarised in Section 8.12(b) of this Scheme Booklet and are set out in full in the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).
Is a break fee payable?	DMS has agreed in the Implementation Deed to pay the Break Fee to Mastermyne in certain circumstances. Further details regarding the Break Fee are set out in section 8.12(f) of this document and are set out in full in the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).
What should I do?	You should read this document carefully in its entirety and then vote by attending the Scheme Meeting, or by appointing a proxy to vote on your behalf.
EFFECT OF THE SCHEME	
What will I receive if the Scheme proceeds?	If the Scheme proceeds, you will receive 0.1126 New Mastermyne Shares for every DMS Share you own (with any fractions to be rounded up to the nearest whole number of New Mastermyne Shares). Mastermyne is an entity listed on the Australian Securities Exchange. Therefore, immediately after the Scheme is implemented, your economic interest in Mastermyne will be able to be determined with reference to the listed price of the Mastermyne Shares.
When will my New Mastermyne Shares start trading on ASX?	Mastermyne will seek confirmation from the ASX that the New Mastermyne Shares issued as Scheme Consideration will be approved for quotation on the official list of the ASX, by 8.00 am on the Second Court Date, and that trading in New Mastermyne Shares commences by the first Business Day after the Implementation Date.
What are the tax consequences	Annexure B to this document provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty

of the Scheme for me?	consequences for Shareholders arising from the Scheme. Capital gains tax rollover relief should be available in relation to the exchange of DMS Shares for Mastermyne Shares under the Scheme so that no CGT event will be taken to have occurred for Australian resident tax payers. More information on tax is contained in Annexure B to this document. You should consider your own tax position and obtain your own tax advice. You should consult with your own financial/tax adviser regarding your particular tax circumstances.
VOTING TO APPROVE THE SCHEME	
When and where will the Scheme Meeting be held?	The Scheme Meeting will be held at 12:00pm on Friday, 28 November 2014 at Hillstone, St Lucia Golf Links, Carawa Street, St Lucia Qld 4067.
Am I entitled to vote at the Scheme Meeting?	The Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 7.00 pm on Wednesday, 26 November 2014. Only those Shareholders entered on the Register at that time will be entitled to attend and vote at the Scheme Meeting.
What vote is required to approve the Scheme?	For the Scheme to proceed, votes "in favour" of the Scheme Resolution must be received: - from a majority in number of Shareholders present and voting at the Scheme Meeting (in person, by attorney or by proxy, or in the case of corporate Shareholders, by authorised representative); and - in respect of at least 75% of the total number of DMS Shares voted on the resolution to approve the Scheme. It is also necessary for the Court to approve the Scheme before it can become Effective.
Should I vote?	Voting is not compulsory. However, the Directors believe that the Scheme is important to all Shareholders and the Directors <u>unanimously recommend</u> that, in the absence of a Superior Proposal, you vote in favour of the Scheme Resolution and approve the Scheme at the Scheme Meeting.
How do I vote?	You may vote in person by attending the Scheme Meeting. Alternatively, you may vote by completing and lodging the Proxy Form that is enclosed with this document.
What happens if I do not vote, or I vote against the Scheme?	The Scheme may not be approved at the Scheme Meeting by the requisite majorities. If this occurs the Scheme will not proceed (see next question for further information). However, if the Scheme is approved and implemented, your DMS Shares will be acquired by Mastermyne under the Scheme and you will receive New Mastermyne Shares as consideration. This is so even if you did not vote at all or you voted against the Scheme.
What happens if the Scheme is	The Scheme will not proceed and you will retain your current DMS

not approved at the Scheme Meeting or if the Court does not approve the Scheme?	Shares. A failure to implement the scheme constitutes a default event under the DMS facilities agreement with its bankers, ANZ. On a default event, the ANZ may continue to support DMS and/or has rights to accelerate debt repayments and to charge additional interest rates and fees. If the Scheme is not completed for any reason, the Directors consider that it may be necessary to raise additional funds and that this could require DMS to undertake an equity or debt raising.
OTHER	
Are there any changes in directors or management?	The Scheme will result in a change to the directors and senior management of the DMS Group. The current Directors and certain senior managers in Brisbane will not continue to be directors or senior managers of DMS following the implementation of the Scheme.
Who is Mastermyne?	Mastermyne is a listed public company. It is a specialist provider of mining services to the Australian coal mining industry. It is a market leader providing an extensive range of outsourced services to existing and new coal mining operations. Mastermyne also has a comprehensive range of underground mining equipment which complements its contracting operations. It provides quality mining equipment and machinery and has a track record for completing projects safely and on budget. Mastermyne has an established presence in all major coal producing regions on the east coast of Australia. More specific detail about Mastermyne is included in section 5 of this document.
Is there any change to my rights as a shareholder?	Yes. You will cease to be a Shareholder of DMS and will become a Shareholder of Mastermyne. The constitution of Mastermyne is not the same as the DMS constitution. Therefore the rights attaching to Mastermyne Shares are not the same as those attaching to your existing DMS Shares.
Can I keep my DMS Shares if the Scheme is approved and implemented?	No. If the Scheme is approved and implemented, your DMS Shares will be transferred to Mastermyne in accordance with the Scheme. This is the case regardless of whether you voted in favour or against the Scheme, or abstained or did not vote at all.
Are any other approvals required?	The Scheme must be approved by the Court in addition to being approved by the necessary majorities of Shareholders. If the Scheme is approved by the necessary majorities of Shareholders at the Scheme Meeting, DMS will apply to the Court for approval of the Scheme. As the Scheme will result in a change of control of DMS, the Scheme will also require approval under certain leases and customer contracts where a change in control requires the consent of third parties. ANZ as the DMS debt finance provider must also consent to the release of its security on the payment of its outstanding loans to be made by Mastermyne on the Implementation Date in accordance with

	the Implementation Deed.
What if I have other questions?	If you have any further questions concerning the Scheme, please consult your financial, legal or other professional adviser or call the Shareholder information line on (07) 3719 6888 (within Australia) or +617 3719 6888 (International).

2. Key features of the Transaction

2.1 Overview of Scheme

The purpose of the Scheme is for Mastermyne to acquire 100% of the Shares in DMS so that it can integrate the DMS Group business with its own.

Information about the DMS Group is set out in Section 4.

Information about Mastermyne is set out in Section 5.

Information about the Combined Group is set out in Section 6.

2.2 Key steps to implement the Scheme

The key steps to implement the Scheme are as follows:

- On 25 September 2014, DMS and Mastermyne entered into the Implementation Deed under which DMS agreed to propose the Scheme. A summary of the key terms of the Implementation Deed is set out in section 8.12 of this document.
- On 31 October 2014, Mastermyne executed the Deed Poll pursuant to which Mastermyne agreed, subject to the Scheme becoming Effective, to provide the Scheme Consideration to each Scheme Shareholder. A copy of the Deed Poll is provided in Annexure E of this Scheme Booklet.
- On 3 November 2014, the Court ordered that DMS convene the Scheme Meeting at which Shareholders will vote on whether to approve the Scheme.
- If the required majorities of Shareholders approve the Scheme, then DMS will apply to the Court to approve the Scheme at the Second Court Hearing.
- If all Conditions Precedent to the Scheme have been satisfied or waived, and the Court approves the Scheme, DMS will lodge with ASIC an office copy of the Court order approving the Scheme.
- For the purposes of establishing who are Scheme Shareholders, dealings in DMS Shares or other alterations to the Register will only be recognised if registrable transmission applications or transfers in respect of those dealings, or notice in writing of any other alteration to the Register, are received on or before 5:00pm on the Record Date at the place where the Register is kept (in which case DMS must register such transfers by 5:00pm on that day), and DMS will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders, any transfer or transmission application in respect of the DMS Shares received after such times or received prior to such times but not in registrable form.
- On the Implementation Date, Mastermyne will issue 0.1126 New Mastermyne Shares in exchange for each existing DMS Share and will discharge certain DMS outstanding loans.
- Within 5 Business Days of the Implementation Date, the Mastermyne Share Registry will commence despatch of holding statements in respect of the New Mastermyne Shares.

Section 8 of this document contains further details of the Scheme.

2.3 Conditions precedent

Implementation of the Scheme is subject to a number of Conditions Precedent which are summarised in Section 8 of this document. Two key conditions are the approval of the Scheme by Shareholders at the Scheme Meeting and the approval of the Scheme by the Court at the Second Court Hearing.

2.4 Taxation implications

A general guide to the taxation implications of the Scheme is set out in Annexure B to this document. This guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Shareholder.

2.5 If the Scheme does not proceed

If the Scheme does not proceed, the Transaction will not be completed and Shareholders will retain their DMS Shares.

A failure to implement the scheme constitutes a default event under the DMS facilities agreement with its bankers, ANZ. On a default event, the ANZ may continue to support DMS and/or has rights to accelerate debt repayments and to charge additional interest rates and fees.

If the Scheme is not implemented for any reason, the Directors consider that it may be necessary to raise additional funds and the directors believe that this could require DMS to undertake an equity or debt raising.

2.6 Directors recommendation

Your Board **unanimously recommends** that you vote in favour of the Scheme Resolution and approve the Scheme at the Scheme Meeting in the absence of a Superior Proposal. Each Director who holds DMS Shares, or on whose behalf DMS Shares are held, intends to vote in favour of the Scheme Resolution and approve the Scheme in the absence of a Superior Proposal.

For the reasons set out below, the Directors unanimously believe that:

- the advantages of the Scheme outweigh its disadvantages and risks;
- there is unlikely to be a Competing Proposal that is a Superior Proposal; and
- the Scheme is in the best interests of Shareholders.

2.7 Independent Expert

The Directors have engaged an Independent Expert to review the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and that the Scheme is in the best interests of Shareholders.

A copy of the Independent Expert Report is in Annexure A. You should read that report in its entirety.

2.8 New Mastermyne Shares

The New Mastermyne Shares will, upon their issue:

- rank equally with all other Mastermyne Shares then on issue;
- be duly authorised and validly issued;
- be fully paid; and

- be free of all security interests, third party rights and other Encumbrances.

2.9 Exclusivity

DMS has agreed in the Implementation Deed that it will comply with certain restrictions in relation to soliciting alternative or competing proposals with third parties and in relation to responding to third party approaches. Further details of those arrangements are set out in section 8.12 of this document and are set out in full in the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).

2.10 Break Fee

DMS has agreed in the Implementation Deed to pay the Break Fee to Mastermyne in certain circumstances.

Further details regarding the Break Fee are set out in section 8.12(f) of this document and are set out in full in the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).

2.11 Payment obligations of Mastermyne under Implementation Deed

Although there is no “cash consideration” payable to Scheme Shareholders under the Scheme, Mastermyne is required under the Implementation Deed to pay out the ANZ Outstanding Liability Amount and DMS Liabilities on the Implementation Date.

Mastermyne has sufficient cash reserves and financial facilities available to it presently to discharge these commitments on or by the Implementation Date.

3. Matters relevant to your vote on the Scheme

3.1 Reasons to vote in favour of the Scheme

(a) Directors' recommendation

Your Directors unanimously believe that the Scheme is in the best interests of Shareholders in the absence of a Superior Proposal. Your Directors unanimously recommend that you vote in favour of the Scheme Resolution and approve the Scheme, in the absence of a Superior Proposal. Your Directors intend to vote in favour of the Scheme Resolution and approve the Scheme, with respect to any DMS Shares they hold or control, in the absence of a Superior Proposal.

(b) Independent Expert's conclusion

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of DMS Shareholders, in the absence of a Superior Proposal.

(c) Enhanced share market liquidity

DMS is currently a public unlisted company with limited ability for its shareholders to trade in its shares. Mastermyne is a public listed company whose shareholders can offer to acquire or sell their shares via the Australian Securities Exchange. DMS Shareholders will consequently benefit from being a shareholder in Mastermyne due to increased ability for shareholders to trade in its shares on the Australian Securities Exchange.

(d) Larger and more diversified company

The combination of DMS with Mastermyne will create a larger and more diversified mining and engineering services group. The DMS Directors believe that the Combined Group will have an enhanced investment risk profile than that of DMS on a standalone basis due to its increased scale, diversification of earnings streams and customers and enhanced access to capital.

(e) Cost savings and synergies

By combining with Mastermyne, DMS is expected to be able to avoid duplication of various corporate head office functions and services which is expected to significantly reduce its overhead cost structure. Consequently, it is expected that DMS will be able to contribute more earnings to Mastermyne than it can deliver to DMS Shareholders on an independent basis. It is expected that DMS Shareholders, after becoming shareholders in Mastermyne, will benefit from the cost savings that can be achieved as a result of the Transaction.

(f) Additional benefit if Mastermyne's share price increases in the future

The DMS Directors believe that the Combined Group will be better able to benefit from an upturn in market conditions in the mining sector than DMS on a stand-alone basis, and that Mastermyne's share price may increase in the future if there is a return of confidence to the mining sector. Any increase in Mastermyne's share price after the implementation date will benefit DMS Shareholders who receive Mastermyne shares as a result of this transaction.

(g) Consequences of DMS Shareholders not voting in favour of the Scheme

If no Superior Proposal emerges, DMS will remain an independent company and may be required to implement major internal restructuring in order to reduce its cost base to be more in line with current market conditions. This is over and above the restructuring that DMS has already put in place over the last two years in response to the declining market conditions.

If the Scheme does not proceed and no other acceptable proposal is received, DMS will continue on a standalone basis and DMS Shareholders will retain their DMS Shares. DMS will have incurred

significant transaction costs in relation to the proposed Scheme even if it does not proceed, such costs are estimated to be approximately \$700,000.

If no Superior Proposal emerges, the DMS Directors believe that DMS may be required to raise additional equity capital from its current and/or new shareholders, which could result in a dilution of equity ownership for those DMS Shareholders who are unable to or choose not to participate in such equity raising.

A failure to implement the scheme constitutes a default event under the DMS facilities agreement with its bankers, ANZ. On a default event, the ANZ may continue to support DMS and/or has rights to accelerate debt repayments and to charge additional interest rates and fees.

(h) A Superior Proposal has not emerged

Before the announcement of the Transaction, DMS, with the assistance of its advisers, undertook a comprehensive strategic review to explore all potential opportunities to maximise DMS shareholder value. This included engaging with multiple parties that expressed an interest in potentially acquiring DMS. From the date of the announcement of the transaction on 26 September 2014 up to the date of this Scheme Booklet, no Superior Proposal emerged and the Directors are not aware of any Superior Proposal that is likely to emerge.

DMS has agreed to pay Mastermyne a Break Fee of \$500,000 if (amongst other things) a Competing Proposal is announced and, within 12 months of such announcement, the person proposing the Competing Proposal (or any Associate of that third party) implements or consummates the Competing Proposal or enters into an agreement, arrangement or understanding with DMS or the DMS Directors with respect to such Competing Proposal.

Further details of the Break Fee arrangements are set out in section 8.12 of this document and are set out in full in the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).

3.2 Reasons to vote against the Scheme

(a) Disagreement with the conclusions and/or recommendations of the Board and/or Independent Expert

In concluding that the Scheme is in the best interests of DMS Shareholders, in the absence of a Superior Proposal, the Directors and Independent Expert are making judgments based on future events which are not predictable with certainty and which may prove to be incorrect (either positively or negatively).

DMS Shareholders may hold a different view from, and are not obliged to follow the recommendation of the Board, and may not agree with the Independent Expert's conclusion.

(b) The Combined Group will be subject to a number of risks to which DMS is not currently exposed

If the Scheme becomes Effective, you will be issued with Mastermyne Shares and may therefore be subject to certain risks which DMS Shareholders are not currently exposed to. These different risks will mean that the Combined Group will have a different risk profile to that of DMS on a standalone basis.

A summary of some relevant risks is set out in section 7 of this document.

While the DMS Board believes that the Combined Group may represent an enhanced risk and investment profile relative to DMS on a standalone basis, DMS Shareholders may form a different view.

(c) Opportunity for increased value from DMS remaining as a standalone entity

You may believe that DMS will grow and DMS Shareholders will have the opportunity for greater returns over the long term by continued investment in DMS as an independent company.

In assessing and recommending the Scheme, your Directors have evaluated the benefits of DMS continuing as an independent company against the value of the Transaction. In deciding that they should recommend the Transaction, your Directors determined that, on balance, the Transaction was more favourable to DMS Shareholders than the strategic options that might otherwise be available to DMS as an independent company.

(d) Expectation of a Superior Proposal

You may consider that a Third Party may emerge with a Superior Proposal.

Your Directors may consider an unsolicited Competing Proposal that is or would reasonably be expected to result in a Superior Proposal, but DMS is not permitted under the Implementation Deed to solicit Competing Proposals. Mastermyne has the right, but not the obligation, to match any Superior Proposal. If a Superior Proposal for DMS emerges prior to the Scheme Meeting, your Directors will carefully consider the proposal.

As noted above, DMS has agreed to pay Mastermyne a Break Fee of \$500,000 if (amongst other things) a Competing Proposal is announced and, within 12 months of such announcement, the person proposing the Competing Proposal (or any Associate of that third party) implements or consummates the Competing Proposal or enters into an agreement, arrangement or understanding with DMS or the DMS Directors with respect to such Competing Proposal.

Further details of the Break Fee arrangements are set out in section 8.12(f) of this document and are set out in full in the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).

As at the date of this Scheme Booklet, no Superior Proposal has emerged.

(e) Lower ownership level

If implemented, the Scheme will result in Scheme Shareholders having smaller percentage voting interests in the Combined Group than their current percentage voting interests in DMS.

Scheme Shareholders will, collectively, go from holding 100% of DMS Shares to holding approximately 17% of the total Mastermyne Shares.

This will give Scheme Shareholders, collectively, less influence over the future direction of DMS and its assets (which will be owned by Mastermyne).

(f) Potential for future decreases in Mastermyne's share price

Following implementation of the Scheme, Mastermyne's share price may change and there is no guarantee that the implied value of the Scheme Consideration will be realised.

(g) Tax consequences

If the Scheme becomes effective, there may be tax consequences for Scheme Shareholders. A general guide to the taxation implications is set out in Annexure B of this Scheme Booklet. This guide is expressed in general terms and individual Scheme Shareholders should seek their own independent professional advice regarding tax consequences applicable to their own circumstances.

3.3 Other relevant considerations

Implications of a failure to approve the Scheme

If the Scheme is not approved by Shareholders or the Court, Shareholders will retain their DMS Shares and Mastermyne will not discharge DMS's Outstanding ANZ Liability in accordance with the Implementation Deed.

DMS Shareholders would be aware of the recent unwillingness of existing DMS shareholders to acquire additional DMS Shares in accordance with the pre-emptive rights process set out in the DMS Constitution making it more difficult for current shareholders to dispose of their DMS Shares.

DMS Shareholders would also be aware of the prolonged downturn in the mining services sector and that this has had a negative effect on the DMS Group.

A failure to implement the scheme constitutes a default event under the DMS facilities agreement with its bankers, ANZ. On a default event, the ANZ may continue to support DMS and/or has rights to accelerate debt repayments and to charge additional interest rates and fees.

The DMS Directors are unable to predict when or if the current trading position will change.

If the Scheme is not completed for any reason, the Directors consider that it may be necessary to raise additional funds and the directors believe that this could require DMS to undertake equity or debt raising.

The Scheme may be implemented even if you vote against it

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the requisite majorities of Shareholders and the Court. If this occurs, your DMS Shares will be transferred to Mastermyne in exchange for a proportionate number of New Mastermyne Shares even though you did not vote on, or voted against the Scheme.

4. Information about DMS Group

4.1 Background

The DMS Group currently operates a mining services business that includes a Services Division and an Engineering Division.

This section provides a profile of the Services Division and the Engineering Division of the DMS Group.

4.2 Business overview

Services Division

The DMS Services Division – Mining Business Unit (**Mining BU**) has facilities in Mackay, Queensland and Cardiff, New South Wales. The Mining BU offers cost effective underground mining services including underground ventilation, operations support, conveyor works and outbye services. The Mining BU also supplies products for mining and ventilation works. Additionally DMS have on-site operations in the major coal-producing regions of Australia including the Bowen Basin and the Hunter Valley.

The DMS Services Division – Maintenance Business Unit (**Maintenance BU**) is a leading provider of access and protective coating services to the resources and industrial sectors. The Maintenance BU has a cross section of customers across Queensland, including mining companies (open cut and underground), ports, mineral processing and prime contractors. The division provides a suite of services including on site abrasive blasting and painting with protective coatings, industrial scaffolding supply and skilled labour, high pressure water blasting and industrial cleaning.

The Maintenance BU is an over water specialist and utilises the premium Layher scaffolding system and also provides poly pipe services including welding, installation of pipes, pipe and parts supply and pit dewatering.

Engineering Division

The DMS Engineering Division – Machining Business Unit (**Machining BU**). With workshops in Mackay and Gladstone the Machining BU offers high tolerance machined parts manufactured using CNC two and three axle machines and vertical and horizontal boring machines. Mobile line boring equipment also allows for site boring and facing, reclamation of heavy plant and equipment and supply of pins and bushes.

The DMS Engineering Division – Fabrication Business Unit (**Fabrication BU**). Again with workshops in Mackay and Gladstone the Fabrication BU offers a wide range of light to medium fabrication and steel processing. Services include product design and drafting, boilermaking, and general welding. The Fabrication BU also manufactures ventilation control devices for use in the Underground Coal industry including internal supply to the Mining BU.

4.3 Major acquisitions and divestments

DMS was incorporated in July 2007, and commenced operations in May 2009 following a merger of five mining services business, including:

- Anderson Group: Various businesses including underground coal equipment sales and hire, diesel workshops, repairs and support services
- Ausscaffold: Specialists in scaffold and rigging in coal/industrial processing and offshore loading facilities
- Ausgroup Industries: Abrasive blasting, protective coatings, industrial cleaning, high pressure water and professional smash repair services
- MachineTek Engineering: On-Site line boring and machining business

- East Coast Engineering / Allsteel Fabrications: Machining and fabrications business

In December 2010, DMS acquired Induspray Australia, a provider of abrasive blasting, protective coatings, industrial cleaning and high pressure water blasting service to the mining and construction industries in New South Wales and also acquired Valley Scaffolding, an industrial scaffold hire and labour company in the mining, ports and industrial sectors.

In March 2012, DMS acquired Falcon Mining, which specialises in the supply and installation of ventilation control devices to the underground coal industry in NSW.

In August 2013, DMS sold its New South Wales maintenance division (previously Induspray Australia and Valley Scaffolding).

In April 2014, DMS sold its COALTRAM mining equipment division including the manufacture, service and support of COALTRAM underground transport utility vehicles, the manufacture and distribution of flameproof alternators and equipment hire.

4.4 Directors of DMS

Rod Keller Non-Executive Chairman	Mr Keller is a professional company director, with over 45 years' experience in the engineering sector and the public company sector. He is currently chairman of OSD Pipelines, and was previously Chairman of former ASX-listed Norfolk Group and a non-executive director of Dyno Nobel Limited and Macquarie Communications Infrastructure Group Limited. Between 2000 and 2006 he was Chairman of GasNet Australia Group from its original listing, and prior to that, was Managing Director of GPU Industries Australia. Mr Keller has a Bachelor of Engineering (Mechanical) and is a Fellow of the Institute of Engineers, Australia.
Paul Chrystall Non-Executive Director	Mr Chrystall is the managing director of Maui Capital Limited and chairman of the investment committee of Maui Capital's Indigo Fund. He has more than 30 years' private equity, turnaround, senior management and corporate finance experience. Mr Chrystall is currently also a director of Advaro Finance and Partners HiPe. Mr Chrystall has a Bachelor of Commerce.
Peter Dighton Non-Executive Director	Mr Dighton is a Lawyer and the Principal of Law Strategies Pty Ltd - a commercial consultancy based in Brisbane. He is an expert in the structuring, negotiation, financing and documentation of energy and resource projects, particularly upstream petroleum projects. Over the last 30 years he has been actively involved in upstream petroleum projects in most states of Australia, Indonesia, the Middle East, Africa, Europe, North and South America, and India. Clients have included oil majors, other listed entities, and government-owned corporations. Mr Dighton is also a Director of the listed entity Global Petroleum Ltd (AIM & ASX).

4.5 Historical financial information

(a) Basis of preparation

The historical financial information in this section is a summary only and the full financial accounts for DMS for the financial years described on the following pages, which include the notes to the accounts, can be found in DMS' annual reports for those periods. The annual reports for the financial periods ended 30 June 2012, 30 June 2013 and 30 June 2014 are lodged with ASIC, and the annual report for the financial period ended 30 June 2014 will be sent to DMS Shareholders in late October 2014.

(b) **Income statement**

The summarised historical income statements of DMS set out in the table below for the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014 have been extracted from DMS' audited financial statements for the corresponding periods.

Financial year ended 30 June <i>In thousands of AUD</i>	Note	2014	2013	2012
Revenue		70,595	144,473	181,968
EBITDA	1	1,996	(6,910)	15,173
EBIT	1	(341)	(11,991)	11,239
Profit/(loss) before tax		(30,376)	(68,305)	8,167
Profit/(loss) after tax		(35,805)	(63,604)	5,668

The summarised historical income statements include earnings from the businesses sold during the 2014 financial year.

Note 1: EBITDA and EBIT are stated before non-cash impairment charges recognised in the 2013 and 2014 financial years.

(c) **Normalisation of earnings**

As set-out in more detail in section 4.3 above, DMS has acquired and sold a number of businesses in recent years. Consequently, the DMS Directors do not believe that the historical income statement information set out in section 4.5(b) above is an accurate reflection of the earnings of the businesses that are contemplated to be acquired by Mastermyne by way of this Scheme or are expected to continue if DMS is to remain a stand-alone business.

The following table reconciles the reported EBITDA with Pro Forma EBITDA.

Financial year ended 30 June <i>In thousands of AUD</i>	2014	2013	2012
EBITDA (reported)	1,996	(6,910)	15,173
Pro forma adjustments			
COALTRAM mining equipment business divested	(3,351)	(2,334)	(9,590)
Falcon Mining business acquired			4,393
Maintenance NSW business divested	(182)	1,088	(1,079)
Austruck business divested			42
Non recurring redundancy costs		799	
One-off unusual bad debt written off		200	
Restructuring, one-off costs and surplus leases	1,472		
Elimination of inter-company gross margin relating to FY12	152		(152)
Write-off of assets for premises vacated or businesses sold	155		
Total pro forma adjustments	(1,754)	(247)	(6,387)
Pro forma EBITDA	242	(7,157)	8,786
Represented by:			
Pro forma EBITDA (before corporate costs)	7,995	8,069	20,817

Corporate overhead	(7,753)	(15,227)	(12,031)
Pro forma EBITDA	242	(7,157)	8,786

(d) **Financial position**

DMS' summarised historical balance sheet statements for the financial years ended 30 June 2013 and 30 June 2014 have been extracted from DMS' audited financial statements for those periods.

Financial year ended 30 June		
<i>In thousands of AUD</i>	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	24	261
Trade and other receivables	8,396	19,567
Inventories	999	14,665
Other current assets	412	810
Current tax assets	-	513
Total current assets	9,831	35,816
NON-CURRENT ASSETS		
Property, plant and equipment	7,543	12,145
Deferred tax assets	-	5,355
Intangibles	9,687	37,583
Other non-current assets	-	318
Total non-current assets	17,230	55,401
TOTAL ASSETS	27,061	91,217
CURRENT LIABILITIES		
Trade payables and accruals	7,373	14,028
Derivative financial liability	44	150
Interest bearing liabilities	6,702	9,139
Provisions	1,947	5,811
Total current liabilities	16,066	29,128
NON-CURRENT LIABILITIES		
Interest bearing liabilities	765	13,789
Provisions	550	2,127
Total non-current liabilities	1,315	15,916
TOTAL LIABILITIES	17,381	45,044
NET ASSETS	9,680	46,173
Contributed equity	102,071	102,760
Reserves	4,332	4,332
Accumulated profits (losses)	(96,723)	(60,919)
TOTAL EQUITY	9,680	46,173

(e) **Discussion and analysis of historical performance**

Following strong market conditions and an excellent financial result in the 2012 financial year, the Company experienced a significant decline in revenue and earnings in the 2013 financial year due to challenging market conditions impacting the Australian mining services sector and customers consequently reducing their workflow with the Company. For the 2013 financial year, the Company generated a pro forma EBITDA loss of \$7.2 million (down from a pro forma EBITDA profit of \$8.9 million in the 2012 financial year), and furthermore incurred \$53.8 million non-cash impairment charges on the carrying value of its tangible and intangible assets.

The 2014 financial year reflected a continued challenging environment for service providers in the coal sector resulting in a reduction of volumes and lower revenue. Notwithstanding, the Company achieved solid margins following the implementation of various productivity improvements and significantly reduced its overhead costs following a comprehensive restructuring and “right sizing” of the business. As a result, for the 2014 financial year, the Company generated a pro forma EBITDA profit of \$0.2 million. During the 2014 financial year, the Company’s sale of its COALTRAM mining equipment business and maintenance business in New South Wales (the results of which are both excluded from pro forma EBITDA) resulted in a loss on disposal of \$9.4 million. The Company furthermore incurred \$19.1 million non-cash impairment charges on the carrying value of its intangible assets.

4.6 Material changes in DMS’ financial position

DMS’s latest financial statements are for the year ended 30 June 2014. On 10 October 2014, DMS entered into a revised agreement with the ANZ whereby the ANZ agreed to an extension of the Company’s loan facilities past the Annual Review date, being 31 October 2014, and provided for such facilities remaining in place until at least 28 February 2015 at which time they will be subject to further review. In terms of the revised agreement with the ANZ, non-compliance with or termination of the Implementation Deed is an event of default.

As at the date of this document, there had been no other material changes to the financial position of DMS since 30 June 2014 based on the most recent management account information available.

4.7 DMS’ issued securities

At the date of this document, DMS has 138,276,897 ordinary shares on issue.

DMS’ top 10 shareholders are listed in the table below.

	Shareholder	No of Shares	%
1.	Funds managed by Maui Capital	55,846,155	40.4%
2.	AJ Matslofva & GJ Upton	12,616,957	9.1%
3.	D Anderson	11,007,161	8.0%
4.	Aegeus Partners Pty Ltd	10,000,001	7.2%
5.	Oaktuft Pty Ltd (V McCullough)	8,196,186	5.9%
6.	JA Byrnes	7,571,057	5.5%
7.	CA Anderson	5,015,853	3.6%
8.	GJ Anderson	5,015,853	3.6%
9.	MJ Webb and KM Webb	1,819,143	1.3%
10.	SM Wright and MR Wright	1,628,234	1.2%
	Other Shareholders	19,560,297	14.2%
	TOTAL	138,276,897	100.0%

Details of DMS Shares sold within 6 months prior to the date of this document are set out below:

Date	No of Shares transferred	Total Consideration	Value per share
11 June 2014	20,000	\$3,000	15 cents per share
19 May 2014	100,000	\$15,000	15 cents per share
12 May 2014	20,000	\$2,000	10 cents per share
12 May 2014	30,000	\$3,000	10 cents per share

4.8 Other information

Except as disclosed elsewhere in this Scheme Booklet, to the best of the knowledge of the DMS Directors (having made all reasonable enquiries) there is no other information that is material to the making of a decision in relation to the Scheme at the date of this Scheme Booklet which has not been previously disclosed to DMS Shareholders.

5. Information about Mastermyne

5.1 Background

Mastermyne (ASX:MYE) was established in 1996 and is a leading provider of specialised services to the Australian coal mining industry. Mastermyne listed on the ASX on 7 May 2010. Based in Mackay Queensland, Mastermyne has operations in Queensland's Bowen Basin and the Illawarra and Hunter Valley regions in New South Wales.

5.2 Business overview

Mastermyne offers a broad range of specialised services to the mining industry. It has three operating divisions, Mastermyne Underground, Mastermyne Engineering, and Mastermyne Services as described below.

Mastermyne Underground

Mastermyne Underground is the largest business division with earnings underpinned by multi-year contracts and leveraged to existing coal mine production. The Underground division offers the full suite of services required to support underground longwall production including:

- Underground roadway development;
- Drift construction;
- Installation of conveyors;
- Longwall relocation, installations and maintenance;
- Supply and installation of ventilation control devices;
- Installation of secondary support;
- In seam directional drilling;
- Equipment hire (wet and dry); and
- Training services.

This division has been successful at developing long standing relationships with tier 1 mining clients and has demonstrated a track record of renewing contracts. Key long term relationships include; Anglo American, BHP Billiton, BMA, Vale, Rio Tinto and Glencore.

Mastermyne Engineering

The Engineering division has three distinct revenue streams namely, fabrication of underground mining equipment, sale of consumable items to support underground mine production and fabrication of ventilation control devices used in underground coal mines. With a strong presence in the Bowen Basin and increasing market share in the Illawarra and Hunter Valley regions the division operates out of two workshops, one in Rockhampton the other in Newcastle.

Mastermyne Services

The Services division provides onsite Electrical, Mechanical and Civil services targeted at small scale brownfield expansion projects in both the underground and open cut coal mines. It is an opportunistic division of the group with revenue generated largely from leads and relationships with existing clients of the underground division. With a low overhead base the division has the flexibility to ramp up and down quickly to deliver projects.

5.3 Board of Directors

The current Mastermyne Directors are set out below.

<u>Mr Darren Hamblin</u>	<i>Bachelor of Engineering (Mechanical)</i>
<i>Chairman – Non-executive Director</i>	Appointed Non - executive Director 10 March 2010, appointed Chairman 25 November 2013.
	<i>Experience and other directorships</i>
	Darren has been involved in the mining industry since graduating as a mechanical engineer in 1991. He has worked directly for mine owners as well as contractors in operations, planning and maintenance roles. Darren co-founded Mastermyne with Andrew Watts in 1996.
	Following the appointment of Tony Caruso as CEO in 2005, Darren focused on developing Mastermyne's longer term business strategies and systems. Darren became a non-executive Director in 2008.
	<i>Special Responsibilities</i>
	Member of the Audit and Risk Management Committee Chair of the Remuneration and Nomination Committee
<u>Mr Colin Bloomfield</u>	Appointed 6 March 2014
<i>Non-executive Director (independent)</i>	<i>Experience and other directorships</i>
	Colin brings to Mastermyne over 27 years of mining experience in technical, operations, management and corporate roles. Until recently Mr. Bloomfield led BHP Billiton's Illawarra Coal Group as President Illawarra Coal, a role he was appointed to in 2004. He holds First and Second Class Certificates of Competency in Mine Management and has managed underground coal mines in Australia. His former roles at BHP Billiton included Vice President Health, Safety and Environment and Project Director for the BHP Billiton merger integration.
	Colin has previous experience as a Director at the NSW Minerals Council for almost nine years including three as Chairman. He was also Chairman of Port Kembla Coal Terminal for over eight years. He is also a non-executive director with The Flagstaff Group.
	<i>Special Responsibilities</i>
	Member of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
<u>Mr Anthony (Tony) Caruso</u>	<i>Post Graduate Degree in Business Management</i>
<i>Managing Director</i>	Appointed 10 March 2010
	<i>Experience and other directorships</i>
	Tony was appointed CEO of Mastermyne in 2005 and Managing Director in 2008.
	Tony has over 20 years' experience in underground mine contracting services. Prior to joining Mastermyne, Tony was the General Manager of Allied Mining in Queensland and a consultant to the underground mining sector. He has a trade background plus a post graduate degree in Business Management and is a Fellow of the Australian Institute of

		Management.
<u>Mr Andrew Watts</u>		Appointed 10 March 2010
<i>Non-executive</i>	<i>Director</i>	<i>Experience and other directorships</i> Andrew has been involved in contracting within the mining industry since 1994 and co-founded Mastermyne with Darren Hamblin in 1996. Andrew was responsible for all aspects of Mastermyne's operations until the appointment of Tony Caruso as CEO in 2005. Since the IPO in 2010, Andrew has worked closely with the HR team in overseeing Mastermyne's industrial relations activities which have maintained Mastermyne's competitiveness during the current coal cycle. On 1 August 2014, Andrew stepped down from his executive director role and remains on the board as a Non-executive Director.
<u>Mr James Wentworth</u>		<i>Bachelor of Laws (Hons), Bachelor of Commerce</i>
<i>Non-executive (independent)</i>	<i>Director</i>	Appointed 30 March 2011 <i>Experience and other directorships</i> James is a highly regarded financial services executive with over 20 years' experience in private equity transactions, acquisitions and integration, management and exit of investments, strategy development, structuring and finance. He has international experience and a background in the legal profession. He is currently CFO of ASX listed Finders Resources Ltd, appointed March 2011 and has previously worked at Champ Ventures, Goldman Sachs and Macquarie Bank. <i>Special Responsibilities</i> Chairman of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee

5.4 Senior management

The current members of Mastermyne senior management are set out below.

Mr Chris Kneipp

Chief Financial Officer (CFO) and Joint Company Secretary

Chris joined Mastermyne in March 2006 as the first in house Management Accountant. During this time Chris has built the finance team, implemented Management Information Systems across the group, been involved in acquisitions, private equity and the IPO.

Chris was appointed Joint Company Secretary of Mastermyne on 24 August 2011.

Chris has a background in open cut mining in the Surat Basin, he has a Bachelor of Commerce from the University of Southern Queensland, is a Certified Practicing Accountant and a graduate of the Australian Institute of Company Directors.

Mr Jamie Sleeman

General Manager Mastermyne Services

Jamie has a Civil Engineering background with over 14 years' experience working within the Bowen Basin & Hunter Valley coal resource sectors. His experiences have been gained from civil construction (infrastructure & services) whilst with Corduke (Thomas & Coffey) and mechanical & electrical maintenance / construction (fixed & mobile plant assets) through both Monadelphous and G&S Engineering tenures. Jamie

Mr David Sykes

***General Manager
Mastermyne Underground*** -

has held various roles in estimation, business development, operations and business management.

David's career started in 1978 in the UK where he worked in various project, operational and statutory roles, including operator, deputy, overman and under-manager. He holds a Mine Managers, Under-Managers and Deputy Certificate in the UK.

David and his family moved to NSW in 1996. Since his arrival in Australia, he has gained his 1st and 2nd Class Managers Certificate in NSW, and his 1st Class Managers Certificate and SSE in Queensland. David's operational and senior management roles include, Longwall and Development Co-ordinator and Mine Manager at Dartbrook Mine, Mine Manager at Kayuga and the combined Dartbrook Kayuga Operation. Mine manager at Central Colliery and Moranbah North Mine, SSE/GM at Moranbah North Mine and most recently Operations Manager with Leighton Mining where he was responsible for two surface coal operations and the underground coal business.

David holds a Diploma in Mining and Mechanical Engineering, he is a registered Chartered Engineer and a Member of the Australian Mine Managers Association and Australian Institute of Company Directors.

Mr Tony Mapp

***General Manager
MyneSight*** -

Tony was a founder of 4Sight Training Solutions Pty Ltd which was acquired by MyneStart in 2012. Tony has extensive experience in the coal mining industry, both Open Cut and Underground and his background is in site based training services for the resource sector. More recently Tony has been at the forefront of designing and presenting a range of both on and off site training solutions that are targeted, innovative and unique to the sector.

Tony has had significant input in shaping the needs of training in the Queensland resource sector through his role at the Queensland Mining ITAB and the Mining Industry Skills Centre and he remains on various boards and committees that continue to shape best practice in the resource sector. Tony's drive is to continue to design and deliver targeted high end training solutions which underpin safety and competency through a range of products and services that will add value to the individual and industry alike and by utilising training and assessment methodologies which are unique, diverse, challenging and rewarding.

Ms Beth Jooste

***Executive Workplace
Health and Safety Manager***

Beth oversees the Health, Safety, Environment and Quality for all Mastermyne's Queensland and New South Wales operations. Beth has worked in various industries and roles including nursing, communication industries (technical), business management and safety.

Safety has been her driving passion for the last 9 years across various industries including, medical, manufacturing, heavy industry, surface mining contractor industries, sugar industry, consultation and auditing. Beth has filled numerous roles from hands on safety advisor to managerial roles. Beth's leadership style is focused on a participative approach where safety is led and owned from the top to the coal face and helps drive the integration of safety into production across the business to meet organisational strategic goals. Beth has completed a B. Com, Professional Registered nurse: General, Midwifery, Psychology and Community (Africa), Graduate Diploma in OHS, and Masters in OHS.

Ms Vivienne Gayton

Vivienne joined Mastermyne as HR Manager in August 2010 after

General Manager HR

holding operations and HR management roles in a variety of consulting, advocacy and training organisations. Vivienne holds a service philosophy that's based strongly on relationships. She aligns HR activities with business strategy, so the operational and financial success of the organisation is top of mind when developing and implementing industrial relations and 'people' projects. Vivienne's management style is underpinned by leading by example and promoting those behaviours that support Mastermyne's vision.

She has completed a Diploma in Business (HR), post graduate studies in Industrial Relations and Alternative Dispute Resolution and is currently finalising an MBA with a Risk Management specialisation.

Mr William (Bill) Lyne ***Joint Company Secretary***

Mr W Lyne was appointed to the position of Company Secretary on 22 March 2010. Bill has a wealth of experience in the role of Company Secretary of public companies ranging from stock exchange listed to small private companies and 'not for profit' charities. He also holds appropriate qualifications including a Bachelor of Commerce degree and he is a Chartered Accountant and a Fellow of Chartered Secretaries Australia.

Bill has operated his own business, Australian Company Secretary Service, since 1998, providing professional company secretarial, corporate compliance, governance and administrative services to clients across a wide range of industries. Bill is currently company secretary of ASX listed Galilee Energy Limited, Orion Metals Limited and Jumbo Interactive Limited of which he is also a director.

5.5 Corporate governance

Mastermyne and the Mastermyne Board are committed to fulfilling their corporate governance obligations and responsibilities in the best interests of Mastermyne and its various stakeholders.

The ASX Listing Rules require listed companies to provide a statement in their Annual Report disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations adopted by the ASX Corporate Governance Council ("**Recommendations**") in the reporting period.

Mastermyne's Annual Reports, the Corporate Governance Statement ("**Statement**"), Mastermyne's suite of corporate governance documents referred to in the Statement and other relevant information for stakeholders, are accessible on Mastermyne's website www.mastermyne.com.au.

(a) *Scope of Responsibility of the Mastermyne Board*

Responsibility for Mastermyne's proper corporate governance rests with the Mastermyne Board. The Mastermyne Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Mastermyne's shareholders (with a view to building sustainable value for the shareholders) and of employees and other stakeholders.

The Mastermyne Board's broad function is to:

- chart strategy and set financial targets for Mastermyne;
- monitor the implementation and execution of strategy and performance against financial and non-financial targets; and
- appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role.

Power and authority in certain areas is specifically reserved to the Mastermyne Board – consistent with its function as outlined above. These areas include:

- composition of the Mastermyne Board itself including the appointment and removal of directors;
- oversight of Mastermyne including its control and accountability system;
- appointment and removal of senior management including the Managing Director, Chief Financial Officer and Company Secretary;
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliances;
- monitoring senior management’s performance and implementation of strategy; and
- approving and monitoring financial and other reporting and the operation of committees.

The Mastermyne Board has delegated functions, responsibilities and authorities to the Managing Director and senior executives to enable them to effectively manage Mastermyne’s day-to-day activities.

(b) *Composition of Mastermyne Board*

The Mastermyne Board charter notes the following:

- the Mastermyne Board shall comprise at least three directors with a maximum of ten directors;
- Mastermyne and the Mastermyne Board will endeavour to have a majority of independent directors and an independent chairman.

Since the recent retirement of the prior Independent Chairman, Mr Peter Slaughter, the Mastermyne Board does not have an independent chairman and does not currently have a majority of independent directors. The Mastermyne Board considers that Darren Hamblin is currently the most appropriate director to act as Chairman and that this is in the best interests of the company. Mastermyne is conscious of the board charter.

(c) *Indemnity of directors and officers*

Mastermyne has agreed to indemnify the current directors and all officers of the parent entity and its controlled entities against all liabilities to another person (other than Mastermyne or a related body corporate) that may arise from their position, except where liability arises out of conduct involving a lack of good faith.

Mastermyne has also paid insurance premiums in respect of the directors’ and officers’ indemnification.

(d) *Mastermyne Board committees*

Key components of the Mastermyne Board’s governance structure are the following Mastermyne Board committees:

- Mastermyne Remuneration and Nominations Committee.
- Mastermyne Audit and Risk Management Committee.

Each committee has a written charter known as its Terms of Reference which is accessible on the Mastermyne website www.mastermyne.com.au. Further information on the key responsibilities and membership of each committee is available in the Corporate Governance section of the Mastermyne 2014 Annual Report.

(e) *Code of Conduct*

Mastermyne has a Code of Conduct which applies to all directors, officers, employees, contractors and consultants within Mastermyne and is designed to ensure a high standard of honest and ethical corporate conduct and individual behaviour.

The Code of Conduct is available on Mastermyne's website www.mastermyne.com.au.

(f) ***Risk Management***

The Mastermyne Board and Management of Mastermyne are committed to the implementation and maintenance of a formal risk management system to include opportunities as well as threats, including the integration of risk management throughout all levels of the organisation as fundamental to achieving Mastermyne's strategic and operational objectives as a key element of sound governance.

The objectives of the Mastermyne Risk Management Policy are to:

- Protect the wellbeing of Mastermyne's workforce, the wider community in which it operates and its physical environment.
- Ensure a consistent systematic process to identify, evaluate and mitigate or manage risk is developed and formal awareness and training is provided to all individuals on its application.
- Achieve compliance obligations including the development of ongoing risk registers at strategic and operational levels to identify and priorities risks and implement appropriate controls.
- Increase operational effectiveness and performance by achieving strategic objectives.
- Increase effectiveness of management practices throughout the corporation to improve governance by the implementation of risk architecture suitable to the size of the organisation and its operations consisting of the Mastermyne Board, Group Risk Management Committee/ Audit Committee, Risk Manager and Project units.

Mastermyne's Risk Management Policy is available on Mastermyne's website www.mastermyne.com.au.

(g) ***Continuous Disclosure***

The Mastermyne Board is committed to:

- ensuring that the company, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and as much as possible seeks to achieve and exceed best practice;
- providing shareholders and the market with timely, direct and equal access to information issued by the company; and
- promoting investor confidence in the integrity of the company and its securities.

Procedures are in place to identify matters that are likely to have a material effect on the price of Mastermyne's securities and to ensure matters are notified to the ASX are factual and made in a timely manner.

Mastermyne's Continuous Disclosure Policy is available on Mastermyne's website www.mastermyne.com.au.

(h) ***Trading securities by directors and employees***

Mastermyne has a Securities Trading Policy that complies with the requirements of the ASX Listing Rules and is available on Mastermyne's website www.mastermyne.com.au.

(i) ***Additional policies***

Mastermyne has additional policies to ensure it is able to achieve its commitment to good corporate governance including the following:

- Diversity Policy.
- Privacy Policy.
- Whistleblowers Policy.
- Employee Relations Policy.

- Community Policy.
- Delegated Authorities Policy.
- Media & Communications Policy.
- Social Media Policy.

5.6 Historical financial information

(a) *Basis of preparation*

The historical financial information below is a summary only and the full financial accounts for Mastermyne for the financial years described below, which includes the notes to the accounts, can be found in Mastermyne's annual reports for those periods. These annual reports are available on Mastermyne's website www.mastermyne.com.au.

(b) *Statement of profit or loss and other comprehensive income*

The summarised statement of profit or loss and other comprehensive income of Mastermyne set out in the table below, for the financial year ended 30 June 2014 has been extracted from Mastermyne's audited financial statements for each of the corresponding periods.

Financial year ended 30 June	2014 <i>In thousands of AUD</i>	2013 <i>In thousands of AUD</i>
Revenue	171,977	248,836
Other income	257	745
Contract disbursements	(30,090)	(48,998)
Personnel expenses	(123,188)	(165,739)
Office expenses	(5,698)	(6,749)
Depreciation and amortisation expense	(7,353)	(7,930)
Other expenses	(1,034)	(2,217)
Results from operating activities	4,871	17,948
Finance income	263	361
Finance expense	(1,199)	(1,801)
Net finance expense	(936)	(1,440)
Profit before income tax	3,935	16,508
Income tax expense	(943)	(4,979)
Profit (loss) from discontinued operation, net of income tax	-	-
Profit for the period	2,992	11,529
Other comprehensive income for the period, net of income tax	-	-
Total comprehensive income for the period	2,992	11,529
Attributable to:		
Owners of Mastermyne	2,963	11,514
Non-controlling interests	29	15
Profit for the period	2,992	11,529

(c) **Consolidated statement of financial position**

Mastermyne's summarised consolidated statements of financial position set out in the table as at 30 June 2014 has been extracted from Mastermyne's audited financial statements for the year ended June 30 June 2014.

Financial year ended 30 June	2014 <i>In thousands of AUD</i>	2013 <i>In thousands of AUD</i>
Assets		
Cash and cash equivalents	8,810	10,223
Trade and other receivables	37,917	40,906
Inventories	2,742	2,332
Total current assets	49,469	53,461
Property, plant and equipment	27,732	32,760
Intangible assets	19,642	20,040
Total non-current assets	47,374	52,800
Total assets	96,843	106,261
Liabilities		
Trade and other payables	16,265	15,274
Loans and borrowings	5,102	6,732
Employee benefits	6,655	8,762
Current tax payable	10	1,398
Total current liabilities	28,032	32,166
Loans and borrowings	5,941	11,442
Employee benefits	145	120
Deferred tax liabilities	2,063	1,637
Total non-current liabilities	8,149	13,199
Total liabilities	36,181	45,365
Net assets	60,662	60,896
Equity		
Share capital	51,108	50,964
Reserves	(21,979)	(22,077)
Retained earnings	31,127	31,632
Total equity attributable to equity holders of Mastermyne	60,256	60,519
Non-controlling interests	406	377
Total equity	60,662	60,896

5.7 Material changes in Mastermyne's position

Mastermyne's latest published financial statements are the audited financial statements for the financial year ended 30 June 2014.

As at 31 October 2014, the last practicable date before the date of this Scheme Booklet, other than as disclosed on the ASX by Mastermyne, there had been no material changes likely to affect the financial position of Mastermyne since 30 June 2014. Any subsequent material changes to the financial position of Mastermyne will be disclosed on the ASX.

5.8 Capital and liquidity risk management

(a) **Capital management**

The Mastermyne Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board monitors the return

on capital, which Mastermyne defines as net operating income divided by total capital. The Mastermyne Board also monitors the level of dividends to ordinary shareholders.

(b) ***Liquidity risk management***

Mastermyne's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Mastermyne's reputation.

Typically Mastermyne ensures that it has sufficient cash on demand and undrawn facilities to meet expected operational cash flows for a period of 70 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

5.9 Capital structure

This section sets out the latest information on Mastermyne's capital structure as disclosed to the market in accordance with the ASX Listing Rules.

(a) ***Issued share capital***

As at the close of trading on 31 October 2014, the last practicable date before the date of this Scheme Booklet, Mastermyne's issued share capital comprised 75,517,514 fully paid ordinary shares.

(b) ***Other securities***

As at the close of trading on 31 October 2014, the last practicable date before the date of this Scheme Booklet, Mastermyne also had on issue 1,050,000 performance rights.

5.10 Share plans

An employee performance rights plan was adopted by the Mastermyne Board on 22 March 2010 and the plan was activated by resolution of the Mastermyne Board as of 1 July 2010. The purpose of the employee performance rights plan is to attract, motivate and retain executives, encouraging individuals to participate in the company through ownership of shares. The objective is to improve Mastermyne's performance by aligning the interests to those of the shareholders and the Mastermyne.

It is expected that future annual grants of performance rights will be made, subject to the Mastermyne Board's determination of the overall performance of Mastermyne and market conditions. The vesting of performance rights awarded will be subject to attainment of appropriate performance hurdles and on the basis of continuing employment with Mastermyne.

Full details of the Employee Rights Plan and vesting criteria and details can be found in Mastermyne's 2014 Annual Report and on Mastermyne's website www.mastermyne.com.au.

5.11 Rights and liabilities attached to Mastermyne's shares

Set out below is a summary of some of the key provisions in the Mastermyne Constitution in relation to the rights and liabilities attached to Mastermyne shares. A full copy of the Mastermyne Constitution is available for inspection free of charge prior to the Scheme Meeting during normal business hours at the registered office of Mastermyne and is available on Mastermyne's website www.mastermyne.com.au.

(a) ***Shares***

The shares in the capital of Mastermyne can be issued with preferred, deferred or other special rights, obligations or restrictions in relation to dividends, voting, return of share capital, payment of calls or other matters, as determined by the Mastermyne Board from time to time. All unissued shares are under the control of the Mastermyne Board, which may grant options, issue option certificates, allot or dispose of

the shares on the terms and conditions and for consideration it thinks fit. This power is subject to contract or any contrary rules in the Mastermyne Constitution.

The Mastermyne Constitution permits the issue of preference shares on terms determined by the Mastermyne Board within the scope of the key terms contained in the Mastermyne Constitution.

(b) ***Alteration of rights***

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

(c) ***Calls***

The Mastermyne Board may from time to time call upon shareholders for unpaid monies on their shares. If such a call is made, shareholders are liable to pay the amount of each call in the manner and at the time and place specified by the Mastermyne Board. Such calls may be payable by instalments, as determined by the Mastermyne Board. When a resolution of the Mastermyne Board authorising the call is passed, the call will be deemed to have been made. It may be revoked or postponed at the discretion of the Mastermyne Board.

(d) ***Forfeiture and lien***

Mastermyne is empowered to forfeit shares in relation to any part of allotment monies, calls, instalments, interest and expenses which remains unpaid following any notice sent to a shareholder. Such forfeiture must occur in accordance with the Mastermyne Constitution, the Corporations Act and the Listing Rules. Mastermyne has a first ranking lien or charge for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a shareholder's shares. The lien or charge extends to all dividends declared in respect of the shares provided that, if Mastermyne registers a transfer of any shares subject to this lien or charge without giving the transferee notice of the claim it may have at that time, the shares are freed and discharged from Mastermyne's lien or charge in respect to that claim.

(e) ***Share Transfers***

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

(f) ***No share certificates***

Subject to the requirements of the Listing Rules and the Corporations Act, Mastermyne need not issue share certificates.

(g) ***Meetings***

Each shareholder and director of Mastermyne is entitled to receive notice of and attend any general meeting of Mastermyne. Two shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a Chairman and an adjournment, unless the quorum required is present at the start of the business. Mastermyne is obliged to convene and hold an annual general meeting.

(h) ***Voting rights***

Each shareholder has the right to receive notices of, and to attend, general meetings of Mastermyne. Subject to restrictions on voting from time to time affecting any class of shares in Mastermyne, and any

restrictions imposed by the Corporations Act, the shares in Mastermyne carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held, and for each partly paid share held, a vote having the same proportionate value as the proportion to which the shares have been paid up. Voting may be in person or by proxy, attorney or representative.

(i) ***Interests of directors***

A director is disallowed from voting on any contract or arrangement in which he or she has directly or indirectly any material interest, if it will be contrary to the Corporations Act. This prohibition may be relaxed or suspended to any extent by ordinary resolution passed at a general meeting if permitted by the Corporations Act.

(j) ***Election of directors***

There must be a minimum of three directors and a maximum number of ten directors (not including alternate directors), which the Mastermyne Board may from time to time determine, but it may not reduce the number below the number of directors in office at the time of the reduction. A director must retire from office no later than the longer of the third annual general meeting or three years, after the date that he or she was last elected or re-elected.

(k) ***Indemnities for directors***

Mastermyne must indemnify current and past Directors and secretaries of Mastermyne against any liability and legal costs incurred by them by virtue of their holding office as, and acting in the capacity of, director or secretary to the extent permitted by law.

(l) ***Insurance for directors***

Mastermyne may also pay insurance premiums for current and past directors and secretaries of Mastermyne in certain designated circumstances to the extent permitted by law.

(m) ***Dividends***

If the Mastermyne Board determines that a dividend is payable to a class of shares, it will be paid on all shares of that class proportionate to the total amount for the time being paid on each share. Such dividend payment is subject to the rights and restrictions on the holders of shares created or raised under any special dividend arrangements.

The Mastermyne Board may establish and maintain a bonus share plan and a dividend reinvestment plan, to which shareholders may elect to take up with some or all their shares subject to the rules of the plan. The Mastermyne Board has the power to decide whether to pay shareholders an interim dividend on account of the next forthcoming dividend. Any distribution may be paid otherwise than in cash as specified in the Constitution. No dividend is payable except out of Mastermyne profits and no dividend or other monies paid in relation to a share will carry interest as against Mastermyne.

(n) ***Capitalisation of profits***

Subject to the Listing Rules, the Mastermyne Board has the power to capitalise and distribute the whole or part of the undivided profits of Mastermyne or standing to the credit of any reserve or other account and which is available for distribution. Such capitalisation and distribution must be in the same proportions, which the shareholders would be entitled to receive if distributed by way of dividend or in accordance with the terms of issue of any shares or terms of any plan for the issue of securities for the benefit of officers or employees.

(o) ***Partial takeover bids***

Mastermyne must prohibit registration of transfers of shares purporting to accept partial takeover bids unless a resolution of Mastermyne has been passed approving the offers in accordance with the provisions of the Mastermyne Constitution.

5.12 Dividends

(a) ***Dividend policy and history***

Mastermyne's current dividend policy is to pay within a range of 40% to 60% of NPAT on an annualised basis, with a goal of maximising fully franked dividends and distributing unutilised cash to shareholders.

The following table sets out the dividends paid by Mastermyne during the period 1 July 2010 to 16 October 2014.

Payment date	Dividend amount	Franked	Description
16-Oct-14	\$ 0.014	100%	Final
03-Apr-14	\$ 0.010	100%	Interim
16-Oct-13	\$ 0.036	100%	Final
05-Apr-13	\$ 0.033	100%	Interim
16-Oct-12	\$ 0.048	100%	Final
19-Apr-12	\$ 0.030	100%	Interim
13-Oct-11	\$ 0.037	100%	Final
15-Apr-11	\$ 0.024	100%	Interim
05-Oct-10	\$ 0.012	100%	Final

(b) ***Dividend reinvestment plan***

Mastermyne has established, however does not operate, a dividend reinvestment plan.

5.13 Recent share price performance

The charts below plot the price of Mastermyne shares, both since listing and since October 2013.

(a) ***Mastermyne share price chart since listing***



(b) **1 year Mastermyne share price chart**



The recorded closing price for Mastermyne shares on the ASX on 31 October 2014, the last practicable Trading Day before the date of this Scheme Booklet, was \$0.535.

During the three months ended 31 October 2014:

- The highest recorded daily closing price for Mastermyne shares on the ASX was \$0.675 on 17 September 2014 and
- The lowest recorded price for Mastermyne shares on the ASX was \$0.4375 on 1 August 2014.

The closing price for Mastermyne shares on the ASX on 25 September 2014, the last practicable Trading Day before Mastermyne's public announcement on 26 September 2014, was \$0.66.

5.14 Substantial shareholders

As at 6 October 2014, being the date of a report commissioned by Mastermyne, the following persons held relevant interests of 5% or more in Mastermyne issued securities:

- Andrew Watts held 11,262,245 Mastermyne Shares, representing 14.9% of issued Mastermyne shares.
- Darren Hamblin held 9,702,658 Mastermyne Shares, representing 12.9% of issued Mastermyne shares.
- Acorn Capital Limited held 6,408,403 Mastermyne Shares, representing 8.5% of issued Mastermyne shares.
- Wilson HTM Investment Group Limited held 4,921,000 Mastermyne Shares, representing 6.5% of issued Mastermyne shares.
- Paradise Investment Management Pty Ltd held 4,722,255 Mastermyne Shares, representing 6.3% of issued Mastermyne shares.

5.15 Share registry

Mastermyne's share registry is Link Market Services Limited of Level 15, 324 Queen Street, Brisbane, QLD, 4000.

5.16 Public information available for inspection

As an ASX-listed company and a "disclosing entity" under the Corporations Act, Mastermyne is subject to regular reporting and disclosure obligations. Broadly these require it to announce price sensitive

information subject to exceptions for certain confidential information. Mastermyne's recent announcements are available from its website www.mastermyne.com.au. Further announcements concerning Mastermyne will continue to be made available on the website after the date of this Scheme Booklet.

The ASX maintains files containing publicly available information about entities listed on its exchange. Mastermyne's files are available for inspection at the ASX during normal business hours and are available on the ASX website www.asx.com.au.

Additionally, copies of documents lodged with ASIC in relation to Mastermyne may be obtained from or inspected at ASIC. Please note ASIC may charge a fee in respect of such services.

The following documents are available for inspection free of charge prior to the Scheme Meeting during normal business hours at the registered office of Mastermyne:

- Mastermyne Constitution;
- Mastermyne 2014 Annual Report; and
- Any other document or financial statement lodged by Mastermyne with ASIC or the ASX under the continuous disclosure reporting requirements in the period after the lodgement of the Mastermyne 2014 Annual report and before the lodgement of this Scheme Booklet with ASIC.

Some of these documents are also available from Mastermyne's website www.mastermyne.com.au.

5.17 Other information

Except as disclosed elsewhere in this Scheme Booklet, to the best of the knowledge of the Mastermyne Directors (having made all reasonable enquiries) there is no other information that is material to the making of a decision in relation to the Scheme at the date of this Scheme Booklet which has not been previously disclosed to DMS Shareholders.

6. Information about the Combined Group

6.1 The Combined Group

The Combined Group will continue to provide mining, maintenance and engineering services across Mastermyne's divisions. However, these services will be provided on an enhanced scale. Relevantly, following Implementation of the Scheme:

- the revenue of the Combined Group for the year ending 30 June 2014 was approximately \$222.2 million on a pro forma basis (as set-out in Section 6.5 below) compared to approximately \$172.0 million for Mastermyne on a stand-alone basis;
- Mastermyne's overall service offering to the mining and other industries will be significantly expanded;
- Mastermyne will have a platform to pursue new opportunities in maintenance;
- DMS Group will complement and enhance Mastermyne's existing position in the underground coal sector; and
- The Combined Group will be able to pursue potential cross marketing opportunities to existing customers as well as significant head office synergies.

6.2 Mastermyne's intentions for the business, assets and employees of DMS

This section sets out Mastermyne's current intentions in respect of DMS Group's business, assets, operations and employees.

The statements of intention contained in this section are based on information concerning DMS Group and its business that is known to Mastermyne at the time of preparation of this Scheme Booklet. The information is either publicly available or was made available to Mastermyne by DMS Group in the course of its due diligence in connection with the Transaction.

Mastermyne intends to conduct a review of DMS Group's operations in order to maximise profitability and value for shareholders of the Combined Group. Mastermyne's final decision on these matters will only be reached in light of material facts and circumstances at the appropriate time and after having had the opportunity to review DMS Group's business in more detail after Implementation of the Scheme. Accordingly, the statements set out in the following sections are statements of current intentions only and may change as new information becomes available or circumstances change. If the Scheme becomes effective and Mastermyne assumes ownership of 100% of the DMS Shares, the intentions of Mastermyne are described below.

(a) *Corporate matters*

On the Implementation Date (but with effect from the time the Scheme Consideration has been provided to Scheme Shareholders in accordance with the Scheme Implementation Deed, the Scheme and the Deed Poll), DMS Group must:

- i. cause the appointment as directors of each DMS Group Member of the persons nominated by Mastermyne and notified to DMS Group prior to the Implementation Date; and
- ii. ensure that the directors of each DMS Group Member which Mastermyne has requested resign, resign as directors, with each such director providing written notice to the effect that they have no claim outstanding for loss of office, remuneration or otherwise against any member of the DMS Group.

Mastermyne nominees have not yet been confirmed and their identity will depend on the circumstances at the relevant time.

(b) ***Implementation and transition***

Mastermyne intends to establish a transition team, comprised of both Mastermyne and DMS Group employees, to manage the smooth transition of DMS Group into Mastermyne to minimise disruption to the Combined Group.

(c) ***Integration***

Mastermyne intends to integrate the operations of Mastermyne and DMS Group in order to remove duplication, extract synergies and make those operations more efficient and profitable and improve and expand the range of offerings available to clients of both Mastermyne and DMS Group.

As part of the transaction, Mastermyne intends to significantly reduce overheads and premises not required by the Combined Group by carrying out a restructuring plan put in place by DMS Group management.

The restructuring plan will deliver overhead savings at completion of the transaction through:

- i. Centralisation and consolidation of shared services functions and removal of duplicate management and support infrastructure.
 - Surplus head office staff and leases will be rationalised and made redundant at completion of the transaction.
 - Retained head office support staff will be based in either Mastermyne's head office in Mackay, Queensland, or at its satellite offices in Brisbane, Rockhampton, Cardiff or on a mine site where Mastermyne operates.
- ii. Consolidation and migration of DMS Group's IT and communications systems into Mastermyne's technology environment.
 - Mastermyne and DMS Group utilise the same enterprise resource planning and finance system.
 - The remaining DMS Group IT systems will be migrated into Mastermyne systems.
 - DMS Group IT and communication infrastructure will be migrated into the Mastermyne infrastructure.
- iii. Consolidation of Mastermyne and DMS Group's insurance programs.

Mastermyne estimates that the restructured DMS Group, comprising the continuing Maintenance, Machining, Fabrication and Mining business units, will achieve head office operating costs approximately \$3.5 million - \$4.0 million lower than the DMS Group on a standalone basis.

These annual cost savings are expected to be available to the Combined Group at completion of the transaction.

(d) ***Employees***

Mastermyne currently intends to actively grow each of the DMS business units and are not planning for any staffing changes, other than rationalisation of DMS Group's head office employees which would otherwise create unnecessary duplication.

(e) ***Dividends***

Mastermyne currently intends to maintain its dividend policy which is to pay dividends within a range of 40% to 60% of NPAT on an annualised basis, with a goal of maximising fully franked dividends and distributing unutilised cash to Mastermyne shareholders. The dividend policy is designed to be sustainable over the long term, while providing the Combined Group with an appropriate degree of financial flexibility.

Mastermyne remains committed, including after any acquisition, to its objective of maximising the efficient return of surplus capital, as appropriate, to its shareholders.

(f) **Brands**

Mastermyne currently intends to maintain the DMS Group's customer facing brands, and client proposition such that it will be largely "business as usual" for DMS Group customers following implementation of the Scheme. Additionally Mastermyne intends to facilitate the access of DMS Group's customers to Mastermyne's products and services.

Mastermyne intends to align DMS Group's internal operating model with Mastermyne's operating model as follows:

- DMS Group's Maintenance business unit will sit within the Mastermyne Services division;
- DMS Group's Machining and Fabrication business units will sit within the Mastermyne Engineering division; and
- DMS Group's Mining business unit will sit within the Mastermyne Underground division.

6.3 Funding arrangements

Mastermyne estimates that it will utilise \$10.9 million of cash from its debt facilities which will be applied to DMS Group's loans, ATO liabilities and restructuring and transaction costs.

DMS shareholders will receive approximately 15.6 million New Mastermyne Shares representing approximately 17% of the combined shares on issue (excluding any Mastermyne shares which a Scheme Shareholder may hold prior to the Implementation Date).

6.4 Pro forma historical financial information

This section contains the following pro forma historical financial information for the Combined Group:

- Unaudited pro forma income statement for the Combined Group for the 12 months ended 30 June 2014 (the "**Pro Forma Historical Income Statement**"); and
- Unaudited pro forma balance sheet for the Combined Group as at 30 June 2014 (the "**Pro Forma Historical Balance Sheet**", and together with the Pro Forma Historical Income Statement, the "**Pro Forma Historical Financial Information**").

The Pro Forma Historical Financial Information should also be read in conjunction with the risk factors set out in Section 7 and other information included in this Scheme Booklet.

Mastermyne has been subject to certain limitations in preparing the Pro Forma Historical Financial Information. In particular:

- Mastermyne has had limited access to the financial information of DMS Group and the supporting documentation and systems from which that financial information has been derived; and
- Mastermyne has not had an opportunity to assess the fair values of the identifiable assets and liabilities of the DMS Group, and therefore has not been able to ensure that the Transaction has been accounted for in accordance with AASB 3 "Business Combinations".

The Pro Forma Historical Financial Information is not intended to reflect the financial performance or the financial position that would have actually resulted had the Scheme been completed on the dates indicated, or the results that may be obtained in the future. If the Transaction had occurred in the past, the Combined Group's financial performance and financial position would likely have been different from that presented in the Pro Forma Historical Financial Information. Due to the nature of pro forma information, it may not give a true picture of the Combined Group's financial performance and financial position. The Pro Forma Historical Financial Information is not represented as being indicative of Mastermyne's view on its future financial performance or future financial position. All amounts disclosed in the tables are rounded to the nearest thousand dollars, unless otherwise noted and totals may be subject to rounding.

(a) ***Basis of preparation***

The Pro Forma Historical Financial Information is provided for illustrative purposes and has been presented in an abbreviated form, insofar as it does not contain all the presentation and disclosures required by the Australian Accounting Standards applicable to annual financial reports and has not been prepared in accordance with the Corporations Act.

i) **Pro Forma Historical Income Statement**

The Pro Forma Historical Income Statement has been compiled by Mastermyne to illustrate the impact of the Transaction on Mastermyne's financial performance for the year ended 30 June 2014 as if the Transaction had taken place on 1 July 2013.

The Pro Forma Historical Income Statement is based on the following information:

- Mastermyne's audited financial statements for the year ended 30 June 2014;
- DMS Group's audited financial statements for the year ended 30 June 2014; and
- Other supplementary information as was considered necessary to reflect the pro forma adjustments (described below).

Certain elements of DMS Group's historical income statements and Mastermyne's historical income statements have been aggregated into a summary format.

ii) **Pro Forma Historical Balance Sheet**

The Pro Forma Historical Balance Sheet has been compiled by Mastermyne to illustrate the impact of the Transaction on Mastermyne's financial position as at 30 June 2014 as if the Transaction had taken place on 30 June 2014.

The Pro Forma Historical Balance Sheet is based on the following information:

- Mastermyne's audited financial statements as at 30 June 2014;
- DMS Group's audited financial statements as at 30 June 2014; and
- Other supplementary information as was considered necessary to reflect the pro forma adjustments (described below).

Certain elements of DMS Group's historical balance sheet have been reclassified to conform to the financial statement presentation used by Mastermyne. Items reclassified on DMS Group's historical balance sheet are disclosed in the notes to the Pro Forma Historical Balance Sheet.

6.5 Pro forma adjustments

The Pro Forma Historical Financial Information has been prepared for illustrative purposes only, to show the impact of the Transaction as follows:

1. The issue of New Mastermyne Shares to DMS Shareholders;
2. Financing facility to fund the payout of existing DMS Group's loans and restructuring costs at Implementation;
3. Elimination of the loss from discontinued operations in relation to the businesses which were sold by DMS Group during the 2014 financial year;
4. Reduction in corporate expenses relating to the restructuring of the DMS Group and the elimination of duplicate functions; and
5. Transaction costs associated with the Transaction.

Adjustments relating to the impact of acquisition accounting

The Pro Forma Historical Financial Information has been accounted for using acquisition accounting methods required by AASB3 “Business Combinations” (**AASB3**) except as noted in the assumptions below. AASB3 requires that all identifiable assets (including intangible assets and deferred tax balances) and liabilities that meet certain recognition criteria should be recognised separately in the consolidated financial statements of the Combined Group.

On completion, the excess of the costs of the acquisition over and above the net fair value of the identifiable assets and liabilities should be recognised as goodwill. This goodwill amount will only be measured and recognised once the Transaction occurs. Similarly, the identification and valuation of other identifiable intangible assets will not be possible until after the completion of the acquisition. Australian Accounting Standards allow a period of 12 months to finalise the accounting adjustments from the date of the acquisition.

For the purpose of calculating the intangible assets and goodwill for the Combined Group on consolidation, the book value of DMS Group’s assets and liabilities, as reported in the audited accounts as at 30 June 2014, is assumed to be equal to their fair value at the date of acquisition.

The amount of total intangible assets, including goodwill and the recognition of any deferred tax assets or liabilities which may arise as a result of the fair value adjustments, is subject to Mastermyne finalising its fair value assessment of all assets and liabilities as at the acquisition date.

For the purposes of the Pro Forma Historical Income Statements, as the fair value of the acquired intangibles of DMS Group has not been established, it has not been possible for Mastermyne to perform an accurate assessment of the amortisation charge relating to those intangible assets as required by AASB138 “Intangible Assets”. As such, no adjustments have been made to reflect the impact of acquisition accounting. The expected impact of adopting acquisition accounting on the Pro Forma Historical Income Statement of the Combined Group may include a non-cash amortisation charge for intangible assets with a finite life.

If the Scheme is implemented, each DMS Shareholder will receive 0.1126 New Mastermyne Shares for each DMS Share they hold. 15,569,218 New Mastermyne Shares will be issued to DMS Shareholders in aggregate.

The ultimate value of the purchase consideration for accounting purposes as at the Implementation Date may differ from the amount assumed for the purposes of the Pro Forma Historical Financial Information.

Accounting Policies

In preparing the Pro Forma Historical Financial Information, Mastermyne has undertaken a review to identify accounting policy differences where the impact was potentially material to the Combined Group and could be reliably estimated. No such material differences have been identified by Mastermyne, however further accounting policy differences may be identified after the Implementation of the Scheme.

a) **Pro Forma Historical Income Statement**

Year ended 30 June 2014

<i>In thousands of AUD</i>	Mastermyne	DMS Group	Pro forma adjustments	Note	Combined Group
Revenue	171,977	50,253	-		222,230
Other income	257	-	-		257
Other expenses	(160,010)	(50,822)	6,623	2	(204,209)
EBITDA	12,224	(569)	6,623		18,278
Depreciation and amortisation	(7,353)	(1,675)	649	2	(8,379)
Impairment loss	-	(19,133)	19,133	3	-
EBIT	4,871	(21,377)	26,405		9,899
Net finance expense	(936)	(1,525)	782	4	(1,679)
Profit before income tax	3,935	(22,902)	27,187		8,220
Income tax expense	(943)	(5,428)	4,142	5	(2,229)
Profit from continuing operations	2,992	(28,330)	31,329		5,991
Profit (loss) from discontinued operation, net of income tax	-	(7,475)	7,475	1	-
Profit for the period	2,992	(35,805)	38,804		5,991

Notes to the Pro Forma Historical Income Statement

Reclassifications

Certain elements of DMS Group's historical income statements and Mastermyne's historical income statements have been aggregated into the summary format above.

Pro Forma adjustments notes:

1. Elimination of the loss from discontinued operations in relation to the businesses which were sold by DMS Group during the 2014 financial year;
2. Reduction in corporate expenses relating to the restructuring of the DMS Group and the elimination of duplicate functions;
3. Reversal of DMS Group's non-cash impairment charge to its intangible assets;
4. Reversal of DMS Group's finance expense and inclusion of a pro forma finance expense based on the debt Mastermyne expects to fund its obligations under the Transaction; and
5. Normalisation for the reversal of temporary differences in relation to DMS Group's deferred tax asset and inclusion of a pro forma tax expense as a result of the Transaction and the abovementioned pro forma adjustments.

Acquisition accounting

For the purposes of the Pro Forma Historical Income Statements, as the fair value of the acquired intangibles of DMS Group has not been established, it has not been possible for Mastermyne to perform an accurate assessment of the amortisation charge relating to those intangible assets as required by AASB138 "Intangible Assets". As such, no adjustments have been made to reflect the impact of acquisition accounting. The expected impact of adopting acquisition accounting on the Pro Forma Historical Income Statement of the Combined Group may include a non-cash amortisation charge for intangible assets with a finite life.

b) Pro Forma Historical Balance Sheet

Year ended 30 June 2014

<i>In thousands of AUD</i>	Mastermyne	DMS Group	Pro forma adjustments	Note	Combined Group
Assets					
Cash and cash equivalents	8,810	24	(1,111)	2	7,723
Trade and other receivables	37,917	8,808	-		46,725
Inventories	2,742	999	-		3,741
Current tax assets	-	-	-		-
Total current assets	49,469	9,831	(1,111)		58,189
Property, plant and equipment	27,732	7,543	-		35,275
Intangible assets	19,642	9,687	(681)	3	28,648
Total non-current assets	47,374	17,230	(681)		63,923
Total assets	96,843	27,061	(1,791)		122,113
Liabilities					
Trade and other payables	16,265	7,373	(2,744)	4	20,894
Loans and borrowings	5,102	6,746	4,137	4	15,985
Provisions	6,655	1,947	(118)	4	8,484
Current tax payable	10	-	-		10
Total current liabilities	28,032	16,066	1,275		45,373
Loans and borrowings	5,941	765	(765)	4	5,941
Provisions	145	550	(21)	4	674
Deferred tax liabilities	2,063	-	(1,370)	2, 4, 5	693
Total non-current liabilities	8,149	1,315	(2,156)		7,308
Total liabilities	36,181	17,381	(881)		52,681
Net assets	60,662	9,680	(911)		69,431
Equity					
Share capital	51,108	102,071	(92,820)	1, 2, 3	60,359
Reserves	(21,979)	4,332	(4,332)	3	(21,979)
Retained earnings	31,127	(96,723)	96,241	3	30,645
Total equity attributable to equity holders of the Company	60,256	9,680	(911)		69,025
Non-controlling interests	406	-	-		406
Total equity	60,662	9,680	(911)		69,431

Notes to Pro Forma Historical Balance Sheet

Reclassifications

Reclassifications of DMS Group's historical balance sheet to conform to the historical balance sheet presentation used by Mastermyne include reclassification of:

- Other current assets of \$0.4 million to trade and other receivables
- Derivative liability of \$0.04 million to current loans and borrowings

Pro forma adjustments notes:

- 1) The Pro Forma Historical Balance Sheet of the Combined Group is presented as if the Transaction had occurred on 30 June 2014. The acquisition adjustments assume:
 - the total number of DMS Shares to be acquired is 138,276,897; and

- each DMS Shareholder receives 0.1126 New Mastermyne Shares for each DMS Share they hold.

The calculation of intangible assets and goodwill is as follows (*financial balances in thousands of AUD*):

Number of DMS Shares on issue at acquisition date	138,276,897
Exchange ratio of shares in Mastermyne to DMS Shares	0.1126
Number of New Mastermyne Shares to be issued	15,569,979
Implied issue price of the consideration	\$0.6217
Total consideration to DMS Shareholders	\$9,679
DMS Net Assets as at 30 June 2014	\$9,680
Less: Pre-existing goodwill on DMS Group's historical balance sheet	(\$9,687)
Add: Deferred tax assets adjustments to DMS's balance sheet	\$980
Less: DMS Group's transaction costs (estimated from 1 August 2014 to Implementation Date)	(\$579)
Add: Other adjustments	\$279
Adjusted Pro Forma Historical DMS Net Assets	\$673
Goodwill and intangibles on acquisition	\$9,006

As 1% movement in Mastermyne's share price equates to a change in the value of consideration by approximately \$97,000. At the implied issue price of the consideration \$0.6217, the total value of New Mastermyne Shares to be issued to DMS Shareholders would be \$9.7 million.

- 2) Cash has been reduced by Mastermyne's estimated transaction costs of \$1.3 million, also resulting in a reduction of deferred taxation liabilities of \$0.4 million reflecting the taxation benefit of these payments. In accordance with accounting standards, Mastermyne recognises tax effected transaction costs (\$0.5 million) not directly related to the equity issuance or establishment of new debt have been recognised in accumulated losses, and those directly related to the equity issuance within equity (\$0.4 million);
- 3) Intangibles has been reduced by \$0.7 million to reflect Mastermyne's preliminary estimate of acquired intangibles including goodwill of \$9.0 million; and
- 4) As outlined in Section 6.3 of the Scheme Booklet, Mastermyne intends to utilise a committed acquisition debt facility to fund the payments required to payout DMS Group's loans, restructuring costs and transaction costs. The effect of these payments is to reduce current and non current debt, trade and other payables and provisions which were provided for at 30 June 2014, while payment of DMS Group's transaction costs of results in a reduction of deferred taxation liabilities reflecting the taxation benefit of these payments;
- 5) Deferred taxation assets have been increased from zero to \$1.0 million to reflect preliminary estimates of deferred taxation assets of DMS on acquisition by Mastermyne (which includes the tax asset arising on DMS Group transaction costs above).

6.6 Substantial shareholders

If the Scheme is implemented, funds managed by Maui Capital will together hold 6,288,278 Mastermyne shares representing 6.9% of issued Mastermyne shares (on a post-implementation basis). Maui Capital will be the only current DMS Shareholder to hold a Relevant Interest of 5% or more of the Mastermyne's issued securities.

7. Risks

7.1 Introduction

The Scheme presents a number of potential risks that DMS shareholders should consider when deciding on how to vote on the Scheme.

If the Scheme proceeds, Scheme Shareholders will receive New Mastermyne Shares and will therefore be exposed to the risks associated with an investment in the Combined Group.

If the Scheme does not proceed, DMS will continue to be subject to a number of risks and uncertainties as summarised in section 7.2. The outline of risks in this section is a summary only and should not be considered exhaustive. This section does not take into account your investment objectives, financial situation, taxation position or particular needs.

You should carefully consider the risk factors discussed in this section, as well as the other information contained in this Scheme Booklet before voting on the Scheme. If you are unclear in relation to any matter or uncertain if Mastermyne Shares are a suitable investment for you, you should seek independent professional advice.

7.2 Risks specific to DMS Group

(a) Risks if the Scheme does not proceed

If the Scheme does not proceed and no other acceptable proposal is received, DMS will continue on a standalone basis and DMS Shareholders will retain their DMS Shares. DMS will have incurred significant transaction costs in relation to the proposed Scheme even if it does not proceed, such costs are estimated to be approximately \$700,000.

In addition, under the Implementation Deed, DMS is required to pay a Break Fee of \$500,000 to Mastermyne if the Scheme does not proceed in certain circumstances. Further details of the Break Fee arrangements are set out in section 8.12(f) of this document and are set out in full in the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).

(b) Loss of support of ANZ

A failure to implement the Scheme constitutes a default event under the DMS facilities agreement with its bankers, ANZ. On a default event, the ANZ may continue to support DMS and/or has rights to accelerate debt repayments and to charge additional interest rates and fees.

(c) Extended downturn in the sectors in which DMS operates

There has been an extended downturn in the coal mining industry which has resulted in a decline of DMS' revenue and profits since August 2012. DMS has responded to this downturn by restructuring its sites and operations, disposing of non-performing businesses and reducing operating expenses. If the Scheme is not implemented and the downturn continues, DMS will likely face the need for further restructuring.

(d) Industrial accidents

Should a fatality, serious injury or serious near miss occur, it could result in a loss of a contract for DMS with a key client and/or loss of reputation that would adversely affect DMS' ability to work on the site in question and also potentially other worksites.

(e) Loss of key suppliers

If the Scheme is not implemented, DMS may be required to approach some of its key suppliers in order to seek revised payment terms. In the event that some of these suppliers do not accept DMS' revised

payment terms, DMS will be required to seek alternate and potentially more costly sources of supply which may result in delays to the completion of works for its customers.

(f) Rationalisation of suppliers by customers

Customers are increasingly seeking contractors who can offer a broad range of services across sites under “umbrella” contracts. Since DMS does not have capabilities or equipment to allow it to undertake drivage, mine development, mine production, mechanical and electrical services, there is a risk that DMS’ customers may increase their workflow to subcontractors capable of a broader range of services.

(g) Key relationship breakdown

A large portion of DMS’ revenue is currently derived from several key customers. Should the relationship break down with one or more of these customers leading to a termination or default on a contract this may adversely affect the financial performance of DMS.

(h) Changing customer preferences regarding contractual arrangements

DMS’ contracts for the provision of services are negotiated on either a variable cost relationship-based agreement or a smaller number on a fixed-price basis. Fixed-price contracts are typically higher risk. If the Scheme does not proceed and in the future customers exhibit a preference for fixed-price contractual arrangements, this may have an adverse effect on the financial performance and/or financial position of DMS.

(i) Dependence on key personnel

DMS currently depends on the talent and experience of its staff as its primary asset. It is essential that appropriately skilled staff be available to support DMS’ business requirements.

DMS requires staff skilled in many areas, some of which are considered niche specialities in which there are limited practitioners.

If the Scheme does not proceed then the loss of key staff may have a negative impact on the financial performance or otherwise of DMS. The loss of key staff to a competitor may magnify this impact.

(j) Increased competition from new and existing competitors

The industry in which DMS operates is characterised by a large number of small, independent operators which are highly competitive. In addition, there are a number of larger companies currently operating in related businesses which may potentially have the financial resources and technical capabilities to broaden their offering to compete with DMS. This has particularly been experienced over the last 2 years as the market has tightened and the flow of work from customers has been reduced. If the Scheme does not proceed then increased competition from new and existing competitors may have an adverse effect on the financial performance and/or financial position of DMS.

(k) Early mine closure or temporary mine closure

The coal mining industry in Australia is currently in a state of flux with the major mining houses continually assessing which sites they choose to either close temporarily or permanently or leave operating. The temporary or unforeseeable closure of a mine that we currently service could result in loss of expected revenues, and additional expenses for demobilisation and staff relocation or redundancies. Accordingly, if the Scheme does not proceed and this occurs, this may have an adverse effect on the financial performance and/or financial position of DMS.

(l) Capital and maintenance expenditure

Although DMS’ business is not overly capital intensive, it will require sufficient access to capital to fund the maintenance and replacement of its existing scaffolding equipment and any future expansion. Failure

to obtain capital on favourable terms may hinder DMS' ability to expand and maintain its Maintenance BU operations which may reduce DMS' competitiveness. This may ultimately have an adverse effect on the financial performance and/or financial position of DMS.

(m) Operational risks

DMS and its customers are exposed to a range of operational risks relating to their operations. Such operational risks include equipment failures, information technology system failures, external services failure, industrial action or disputes, safety incidents and natural disasters. DMS currently endeavours to take appropriate action to mitigate these operational risks and to insure against them. If the Scheme does not proceed then a disruption to the operations of DMS or its customers may have an adverse impact on the financial performance and/or financial position of DMS.

7.3 Risks specific to an investment in Combined Group

(a) Extended downturn in the sectors in which the Combined Group operates

There has been an extended downturn in the coal mining industry since August 2012, if this was to continue for an extended period of time there is a risk that the Combined Group's financial performance will be adversely impacted.

(b) Labour shortages

The operations of the Combined Group will be labour-intensive and the future growth of the Combined Group will be highly dependent on its ability to retain existing personnel and recruit and retain additional employees. Failure to retain existing employees and recruit and retain additional personnel may have a negative impact on the operations and growth prospects of the Combined Group, and may adversely affect the financial performance and/or financial position of the Combined Group.

(c) Increased labour costs

Labour costs will account for a substantial amount of the Combined Group's costs.

The costs of labour will be largely out of the control of the Combined Group. There can therefore be no guarantee that labour costs will not increase in the future. Should the Combined Group incur increased labour costs in future, which cannot be passed onto customers, this may adversely affect the financial performance and/or financial position of the Combined Group.

(d) Industrial accidents

Industrial accidents may occur with respect to the Combined Group's businesses. In the event of a serious accident, for example resulting in a fatality or serious injury, or a series of such accidents on projects, substantial claims may be brought against the customer and/or the Combined Group.

Any such claim could result in substantial liability and/or loss of reputation for the Combined Group, which could negatively impact on growth prospects and adversely affect the financial performance and/or financial position of the Combined Group.

The Combined Group will address the likely impact of such accidents through the proactive management and monitoring of a comprehensive safety program which produces TRIFR (Total Recordable Injury Frequency Rate) performance against targets that are reported on to monthly board meetings.

(e) Client production issues including infrastructure limitations

The level of coal production depends on a number of factors outside the control of the Combined Group, including, but not limited to, continued global economic growth, continued international demand, and the pace of supply growth. A prolonged decline in the demand for coal production may have an adverse effect on the financial performance and/or financial position of the Combined Group.

One of the key external factors constraining new coal mining projects is transport and other infrastructure. Large scale infrastructure projects, including roads, railways and particularly ports are complex, have long lead times and may be subject to significant delays. The Combined Group's business may be adversely affected by a lack of new coal mining projects as a result of infrastructure constraints.

The pricing of client contracts is dependent on a number of factors, some of which will be outside the control of the Combined Group. These factors include, but are not limited to, the level of coal production and the presence of substantial market competition. A prolonged decline in the level of coal production and/or an increase in market competition may have an adverse effect on the financial performance and/or position of the Combined Group.

(f) Operational risks

The Combined Group and its customers will be exposed to a range of operational risks relating to their operations. Such operational risks could include equipment failures, information technology system failures, external services failure, industrial action or disputes, safety incidents and natural disasters. The Combined Group will endeavour to take appropriate action to mitigate these operational risks and to insure against them. A disruption to the operations of the Combined Group or its customers may have an adverse impact on the financial performance and/or financial position of the Combined Group.

(g) Changing customer preferences regarding contractual arrangements

The majority of the Combined Group's contracts for the provision of services will be negotiated on either a variable cost relationship-based agreement or a smaller number on a fixed-price basis. Fixed-price contracts are typically higher risk. Should customers in the future exhibit a preference for fixed-price contractual arrangements, this may have an adverse effect on the financial performance and/or financial position of the Combined Group. The nature of fixed cost contracts will impose additional risk on the Combined Group. An increase in costs above that anticipated at the time of entering fixed cost contracts or provided for under the terms of the fixed cost contract could adversely affect the financial performance and/or financial position of the Combined Group.

(h) Failure of major customers

As a result of the current market circumstances there will be a continuing level of financial stress in the marketplace amongst a number of contractors, including customers of the combined business. The Combined Group's financial position will be affected by the financial failure of any major customers and/or the closure of customer's mine sites.

(i) Changes to industrial relations laws

The Combined Group's business may be impacted by changes to Commonwealth industrial awards from time to time. The Combined Group will be in a high risk industry in terms of the impact of restricted labour markets and labour reform and to the extent that any changes result in less flexibility for the Combined Group and employees in agreeing terms of employment, this may result in increased labour costs, compliance costs and potentially higher costs from industrial disputes. Further changes to Commonwealth industrial relations laws may result in additional labour and compliance costs.

(j) Changes to Workplace Health and Safety Legislation

Mastermyne has a comprehensive Workplace Health and Safety compliance culture covering, in particular, operations in a mining environment with relevant inherent risks covered in various sections of this statement.

The Combined Group's business may be impacted by changes to workplace health and safety laws from time to time. To the extent that such changes result in additional compliance costs for the Combined Group this may result in increased labour costs and potentially higher costs from safety disputes.

(k) Industrial disputation

The Combined Group will be a services provider. Protracted industrial disputation could impact on the Combined Group's ability to deliver services in accordance with its contractual obligations and may result in loss of reputation, decrease in the ability to win work, breach of contract claims, increased legal and labour costs resulting in an impact on revenue. The Combined Group's financial position, profits and prospects could be adversely affected. The Combined Group will take steps to reduce the risk of protected industrial action brought under the Fair Work Act 2009 (Cth). To date, Mastermyne has worked positively towards renegotiation of its industrial instruments under that Act. Similarly, if the Combined Group's clients are impacted by industrial action (protected or non-protected) it may adversely impact the availability of work.

(l) Dependence on key personnel

The Combined Group will depend on the talent and experience of its staff as its primary asset. It is essential that appropriately skilled staff be available in sufficient numbers to support the Combined Group's business.

The Combined Group will require staff that are skilled in many areas, some of which may be considered niche specialities in which there are limited practitioners available for recruitment.

While Mastermyne has initiatives to mitigate this risk, loss of key staff may have a negative impact on the financial performance or otherwise of the Combined Group. The loss of key staff to a competitor may magnify this impact.

(m) Subcontractors

The Combined Group will be dependent on subcontractors for a number of material parts of its contracts. The Combined Group could therefore be adversely affected if any material subcontractor was to be in any financial distress or otherwise unable to perform its obligations. While some of this risk is minimised by appropriate obligations in subcontracting agreements, there will still be a residual risk to the Combined Group. The Combined Group may also be impacted by any change in legislation or other factors that restrict the Combined Group's ability to source skilled services through the use of subcontractors.

(n) Reversal in outsourcing trends

The future growth of the Combined Group will be dependent on the continuation of the outsourcing of ancillary mining services. A reduction in the reliance on third parties to conduct ancillary operations may arise where outsourcing becomes less cost-effective to the customer or the customer is able to perform the services in-house using existing resources. Should a decline in the outsourcing of these services occur, this may negatively affect the growth prospects and financial performance and/or financial position of the Combined Group.

(o) Key relationship breakdown

A large proportion of the Combined Group's revenue will be derived from several key relationship-based contracts with leading coal production companies.

Should one or more of these customers terminate or default on a contract, or fail to renew their contracts with the Combined Group, or if the Combined Group defaults on a contract, this may have an adverse effect on the financial performance and/or financial position of the Combined Group.

(p) Contract and principal risk

A number of the Combined Group's contracts will be able to be terminated by the customer at short notice. In addition, customers may default due to insolvency or other reasons. A customer's termination of, or default under, a contract, could result in a loss of expected revenues, and additional expenses for demobilisation, maintenance and storage of equipment. Accordingly, the termination of, or default under,

a contract by any of the Combined Group's customers could have an adverse effect on the Combined Group's business, financial condition and results of operations.

It is common for companies in the industries in which the Combined Group operates, to enter into protracted negotiations with customers before reaching a written agreement. The Combined Group may commence work on a project, the subject of such protracted negotiations, before a final contract is entered into. Similarly, the Combined Group may continue to work for customers after the term of a contract has ended on the basis that an informal rollover of terms under previous contracts has been agreed to. In the event of a dispute where no formal contract has been executed, the Combined Group may not have all of the protection for its operations which would normally be provided by a written and signed contract which could adversely affect the financial performance and/or financial position of the Combined Group if such works or payment for work is later disputed by a customer.

(q) Failure to win new contracts

The Combined Group's performance will be dependent on its ability to win new contracts. If the Combined Group is unable to win new contracts, there is a risk that the Combined Group's financial performance will be adversely impacted. In addition, the Combined Group's future performance will depend significantly on the terms and conditions of the new contracts.

(r) Plant and equipment constraints

The operations of the Combined Group will be highly dependent on access to plant and equipment on an ongoing basis. Many of the specialist services provided by the Combined Group will require the use of purpose-built equipment. Should the Combined Group have difficulty in gaining access to additional purpose-built equipment or adequate supplies of equipment at appropriate prices and in a timely manner, or if the quality of the equipment is not acceptable or suitable for its intended use, this may constrain the Combined Group's ability to provide services and may ultimately have an adverse effect on the growth opportunities and financial performance and/or financial position of the Combined Group.

(s) Remote locations

The Combined Group will undertake projects in remote locations. The remoteness of the location could expose the Combined Group to an increased risk of a shortage of skilled and general labour and potentially increased costs which may or may not be able to be passed onto the customer. The Combined Group may also be exposed to a greater risk of logistical difficulties with plant and equipment because of the remote locations of its projects.

(t) Consolidation of mining companies

Consolidation of some of the major coal mining companies could affect the Combined Group's bargaining power and therefore contract pricing and terms. It may also lead to more services of the type which will be offered by the Combined Group being performed in-house by customers.

(u) Increased competition from new and existing competitors

The industry in which the Combined Group will operate is characterised by a large number of small, independent operators which are highly competitive. In addition, there are a number of larger companies currently operating in related businesses which may potentially have the financial resources and technical capabilities to broaden their offering to compete with the Combined Group. Increased competition from new and existing competitors may have an adverse effect on the financial performance and/or financial position of the Combined Group.

(v) Early mine closure

The Combined Group will seek to enter into contracts for the provision of services in relation to large, individual mines, which remain in force over extended periods of time. The Combined Group will ordinarily deploy its equipment and/or personnel with a view to providing services in relation to the

particular mine on a continual basis over the duration of a service contract's life. Early or unforeseeable closure of a mine could result in loss of expected revenues, and additional expenses for demobilisation, maintenance and storage of equipment used at that mine. Accordingly, this may have an adverse effect on the financial performance and/or financial position of the Combined Group.

(w) Temporary mine closures

Geological events, for example high levels of gas or instability of the mine roof, extreme weather events or industrial accidents may cause the temporary closure of mines or delays in mine development projects. Such closures or delays could cause delays in production and provision of services and could result in loss of expected revenues.

(x) Capital and maintenance expenditure

Although the Combined Group's business will not be overly capital intensive, it will require sufficient access to capital to fund the maintenance and replacement of its existing fleet of plant and equipment and any future expansion. Failure to obtain capital on favourable terms may hinder the Combined Group's ability to expand and maintain its fleet of equipment which may reduce the Combined Group's competitiveness. This may ultimately have an adverse effect on the financial performance and/or financial position of the Combined Group.

(y) Environmental incidents and claims

The Combined Group will operate in industries where environmental issues, including inclement weather, may potentially delay contract performance or result in a complete shutdown of a project, causing a deferral or preventing receipt of anticipated revenues. Such issues may ultimately have an adverse effect on the financial performance and/or financial position of the Combined Group.

(z) Reputation

The Combined Group's ability to retain and source new customers will be heavily dependent on its reputation and relationships with key customers. A dissatisfied client, poor performance or litigation may result in significant damage to the Combined Group's brand and may impact on the Combined Group's ability to maintain existing clients or enter into new client relationships, resulting in an adverse impact on its financial performance and/or financial position.

(aa) Insurance risks

The Combined Group will provide services to clients, which could expose the Combined Group to the risk of liability from defective services, including indirect or consequential losses suffered by third parties. The Combined Group will limit its exposure to liability contractually, and the Combined Group will maintain public liability insurance. The Combined Group will also have insurance for errors and omissions (professional indemnity) and directors' and officers' insurance, which will be commensurate with industry standards, having regard to the business activities of the Combined Group.

There is a risk that the Combined Group's insurance coverage will be insufficient to meet a very large claim or a number of large claims, or that the Combined Group will be unable to secure insurance to satisfactorily cover all anticipated risks or that the cost of insurance will increase beyond anticipated levels.

Accordingly, the Combined Group could be adversely impacted by increases in the cost of insurance premiums or an inability to access insurance coverage arising from circumstances that might or might not be related to the business of the Combined Group.

(bb) Finance

The Combined Group's operations and growth will depend on the availability of various debt finance facilities. Should the current facilities cease to be available or new facilities for expansion and

acquisitions not be available in the future, the Combined Group's current financial position, profits and prospects could be adversely affected.

(cc) Growth

Mastermyne anticipates strong growth in future years. However, there is a risk that the Combined Group may be unable to manage its future growth successfully. If some of the risks outlined in this section eventuate, the future growth of the Combined Group could be adversely affected.

(dd) Joint Ventures

The Combined Group will be involved in various joint ventures. Whilst the relationships with joint venture parties are expected to significantly benefit the Combined Group, the Combined Group could be exposed to the risks associated with the various joint venture partners' business, reputation and financial performance.

7.4 Risks specific to the Scheme

(a) Value of the Scheme Consideration is not certain

Under the terms of the Scheme, Scheme Shareholders will receive a specified number of New Mastermyne Shares. As a result, the value of the Scheme Consideration will fluctuate depending on the price at which Mastermyne Shares trade on the ASX after the Implementation Date.

Some Scheme Shareholders may not intend to continue to hold the Mastermyne Shares received and may wish to sell them on the ASX soon after the Implementation Date. There is a risk that such sales may exert downward pressure on the price of the Mastermyne shares in the short term.

In any event, there is no guarantee regarding the market price of Mastermyne Shares either in the period before the Scheme Meeting or after the Implementation Date. Future market prices may be either above or below current or historical market prices.

(b) Integration and performance risks

Specific risks of the Transaction include:

- (i) delays in the successful integration of the enterprise reporting platform (including the financial and accounting systems) of the DMS Group into the existing Mastermyne system will impact on Mastermyne's ability to coordinate its information flows and management processes and may have a material adverse impact on the Combined Group;
- (ii) the integration of these businesses may cost more than anticipated which could impact on the Combined Group's profitability; and
- (iii) there is the possibility that existing clients will take an unfavourable view of the consolidated entity and seek to take their business elsewhere.

(c) Contract risk

Some contracts to which DMS is a party to may contain 'change of control' provisions (or equivalent) that could be triggered by Implementation of the Scheme, allowing the counterparty to renegotiate or terminate the contract.

If a counterparty to any such contract were to terminate or seek to renegotiate the contract this may have an adverse effect on the Combined Group, depending on the relevant contract.

(d) Change in risk and investment profile

Scheme Shareholders will receive New Mastermyne Shares in exchange for their DMS Shares. An investment in Mastermyne is not an identical substitute for an investment in DMS as the Combined Group will have a different risk and investment profile.

DMS Shareholders will be exposed to risk factors relating to Mastermyne, and to certain risks relating to the Combined Group. In some cases, those risks are different from or additional to those related to DMS. See section 7.3 for details of the risks relating to the Combined Group.

The investment profile for DMS Shareholders will also change. While some aspects of the operations of DMS and Mastermyne are similar the operational profile, capital structure and size of the Combined Group will be different from that of DMS on a standalone basis.

These changes in risk and investment profile may be considered a disadvantage by some DMS Shareholders.

(e) Impairment of intangible assets

In accounting for the Transaction, the Combined Group will need to perform a fair value assessment of DMS' assets (including intangible assets) and liabilities. To the extent goodwill and indefinite life intangible assets are recognised in respect of accounting for the acquisition, they will be subject to annual impairment testing. Other identifiable intangible assets are amortised and assessed for any indicators of impairment in each reporting period. In the event that the recoverable amount of intangible assets is impaired, this will result in an additional expense in the income statement of the Combined Group.

(f) Taxation

There may be tax implications arising from the acquisition of New Mastermyne Shares, the receipt of dividends (both franked and unfranked (if any)) from the Combined Group, participation in any on-market share buyback and on the disposal of New Mastermyne Shares.

7.5 General risks

(a) Macro-economic risks

Changes in the general economic outlook both in Australia and globally may impact the performance of the Combined Group and its projects. Such changes may include:

- (i) contractions in the Australian economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- (ii) increases in expenses (including the cost of goods and services used by the Combined Group);
- (iii) new or increased government taxes or duties or changes in taxation laws including imposts such as royalties, charges and taxes affecting the level of mining and exploration activities;
- (iv) changes in government policy affecting the coal mining industry and further regulation of the coal and other mining industry generally; and
- (v) fluctuations in equity markets in Australia and internationally.

(b) Broader general risks

There are also a number of broader general risks which may impact on the Combined Group's performance. These include:

- (i) abnormal stoppages in the production or delivery of clients' product due to factors such as war, political or civil unrest, infrastructure failure and/or industrial disruption;
- (ii) higher than budgeted costs associated with the provision of general services; and
- (iii) material litigation –Mastermyne is not currently involved in any material litigation and is not aware of any facts or circumstances that may give rise to any material litigation. However, given the scope of the Combined Group's activities and the wide range of parties it deals with, the Combined Group may be exposed to potential litigation from third parties such as customers, regulators, employees and business associates.

(c) Cyclical business

The majority of the Combined Group's clients will be involved in the mining industry which is often considered to be cyclical in terms of the volume of business undertaken.

Although the Combined Group will have a diverse client base, its exposure to the mining industry cycles in Australia and overseas is unavoidable and may adversely impact on the Combined Group's financial performance.

(d) Changes in laws and government policy

Changes in laws, regulations and government policy may affect the Combined Group and the attractiveness of an investment in the Combined Group.

(e) Government actions

The impact of actions by government may affect the Combined Group's activities including such matters as infrastructure, compliance with environmental regulations, taxation and royalties.

(f) Accounting Standards

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

8. Information about the Scheme

8.1 Structure and effect of Scheme

If the Scheme becomes Effective, the Scheme will be implemented on the Implementation Date when:

- Mastermyne pays the ANZ Outstanding Liability and the DMS Liabilities;
- all DMS Shares are transferred to Mastermyne; and
- Mastermyne issues to DMS Shareholders 0.1126 New Mastermyne Shares for each DMS Share (with fractions of New Mastermyne Shares to be rounded up to the nearest whole number). The formula was developed by dividing the equity value for DMS (\$9,679,383) by the reference share price for Mastermyne (10 day VWAP of \$0.6217 as at 12 September 2014), and then dividing that by the total number of DMS Shares (138,276,897).

Immediately after implementation of the Scheme, DMS will have only one shareholder being Mastermyne recorded on its share register.

8.2 Proxy and power of attorney

Under the Scheme, from the Effective Date:

- until DMS registers Mastermyne as its sole shareholder, each DMS Shareholder irrevocably appoints Mastermyne (or its nominee) as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders meetings of DMS, exercise the votes attaching to the Scheme Shares registered in their name and sign any DMS Shareholders' resolutions (whether in person, by proxy or by corporate representative) and DMS Shareholders must not otherwise attend or vote at any such meeting;
- each DMS Shareholder will be deemed to have appointed DMS and its directors and officers as its attorney and agent for the purpose of executing any document, or doing any act necessary, to implement the Scheme; and
- DMS Shareholders must take any other action as the holder of the DMS Shares that Mastermyne directs.

8.3 Previous instructions

Any previous instructions or directions given by a DMS Shareholder to the DMS Share Registry in respect of their shareholding in DMS will need to be reissued to the Mastermyne share registry to be effective.

8.4 Warranty by DMS Shareholders about their DMS Shares

If the Scheme becomes Effective, all Scheme Shareholders, including those who vote against the Scheme and those who do not vote, will be deemed to have warranted to Mastermyne that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to Mastermyne under the Scheme will, at the date they are transferred to Mastermyne, be fully paid and free from all mortgages, charges, security interests, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind and that they have full power and capacity to sell and to transfer such Scheme Shares (including any rights and entitlement attaching to those Scheme Shares) to Mastermyne.

If the warranty is breached, Scheme Shareholders may be liable to repay to Mastermyne any amounts paid by Mastermyne to acquire clear title to their Scheme Shares.

8.5 Pre-emptive and other rights

Each Shareholder will be taken to have waived any pre-emptive rights or other rights arising under the DMS Constitution in relation to a transfer of DMS Shares and to have consented to becoming shareholders in Mastermyne and agreeing to be bound by the Mastermyne Constitution in relation to their New Mastermyne Shares.

8.6 Second Court Hearing

If the Scheme is approved by DMS Shareholders, and all other conditions to the Scheme (other than approval by the Court) and any other conditions to be imposed by the Court under section 411(6) of the Corporations Act have been satisfied or waived, DMS will apply to the Court for orders approving the Scheme following the Scheme Meeting.

The Corporations Act and the relevant Court rules provide a procedure for Shareholders to oppose the approval by the Court of the Scheme. Any Shareholder who wishes to oppose the approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on DMS a notice of appearance in the prescribed form together with any affidavit on which the Shareholder will seek to rely at the Second Court Hearing.

8.7 Effective Date

If the Court approves the Scheme, DMS will lodge with ASIC an office copy of the Court order approving the Scheme. DMS intends to lodge this with ASIC on Tuesday, 16 December 2014. The Scheme comes into effect on the date on which DMS lodges the Court order approving the Scheme. This date is referred to in this document as the Effective Date.

If the Scheme does not become Effective on or before the End Date then the Scheme will lapse.

8.8 Record Date

DMS Shareholders will be entitled to receive the Scheme Consideration if they are registered as the holders of DMS Shares on the Record Date. The Record Date is currently expected to be 5.00 pm on 18 December 2014 or such other date as DMS and Mastermyne may agree.

8.9 How will overseas Shareholders be treated under the Scheme?

Scheme Shareholders whose address (as shown on the Register on the Record Date) is in Australia (and its external territories) or New Zealand will be entitled to receive New Mastermyne Shares pursuant to the Scheme. DMS and Mastermyne may also agree that Mastermyne can issue New Mastermyne Shares to DMS Shareholders with a registered address in certain other jurisdictions, provided that the laws of the relevant jurisdictions in which those DMS Shareholders reside do not require compliance with conditions or additional disclosure or legal requirements which Mastermyne regards as onerous.

Any DMS Shareholders who do not reside in Australia or New Zealand or any other permitted jurisdiction as set out above, are 'Ineligible Overseas Shareholders' for the purposes of the Scheme.

Ineligible Overseas Shareholders will be entitled to participate in the Scheme on the same basis as all DMS Shareholders. However, Ineligible Overseas Shareholders will not receive New Mastermyne Shares. Instead, the New Mastermyne Shares which would otherwise be issued to Ineligible Overseas Shareholders as part of the Scheme Consideration will be issued to the Nominee. Under the Scheme, Ineligible Overseas Shareholders appoint Mastermyne as their agent to receive any financial services guide or other notice given by the Nominee.

Under the Deed Poll (contained in Annexure E to this Scheme Booklet), Mastermyne has covenanted to comply with the Scheme, which deals with the treatment of Ineligible Overseas Shareholders as follows.

- The Nominee will sell the relevant New Mastermyne Shares on behalf of the Ineligible Overseas Shareholders as soon as is reasonably practicable at the risk of the Ineligible Overseas Shareholder on a best endeavours basis and in accordance with the Mastermyne Constitution and the rules of the Australian Securities Exchange.
- The Nominee will remit the proceeds of sale of such New Mastermyne Shares (after deduction of any brokerage costs and other applicable costs, taxes or charges) to Mastermyne.
- Mastermyne will then pay to each Ineligible Overseas Shareholder the average net proceeds of sale of the New Mastermyne Shares to which the Ineligible Overseas Shareholder would otherwise have been entitled in full satisfaction of that Ineligible Overseas Shareholder's rights under the Scheme.
- The net proceeds of sale of the New Mastermyne Shares will be paid to the Ineligible Overseas Shareholders after the settlement of the sale of all the relevant New Mastermyne Shares has occurred.
- Neither Mastermyne nor DMS gives any assurance as to the price that will be achieved for the sale of the New Mastermyne Shares described above. The sale of the New Mastermyne Shares by the Nominee will be at the risk of the Ineligible Overseas Shareholder.

8.10 Effect of the Scheme on creditors of DMS

The Scheme, if implemented, will not materially prejudice DMS' ability to pay its creditors as it involves the transfer of the DMS Shares rather than DMS' underlying assets. No new liability (other than transaction costs) is expected to be incurred by DMS as a consequence of the implementation of the Scheme and debts to the DMS financiers will be discharged by Mastermyne as part of the Implementation of the Scheme.

8.11 Stamp duty

DMS does not expect that any stamp duty will be payable on the transfer of the DMS Shares to Mastermyne. DMS does not own any land and DMS is a Queensland registered company. However, if stamp duty is payable, Mastermyne has an obligation under the Implementation Deed to pay such stamp duty.

8.12 Key terms of the Implementation Deed

(a) Overview

DMS and Mastermyne entered into the Implementation Deed on 25 September 2014. Key terms of the Implementation Deed are summarised below.

(b) Conditions precedent

Implementation of the Scheme is subject to certain Conditions Precedent which are summarised below:

- (i) Before 8:00am on the Second Court Date, all consents, approvals, waivers and modifications from a Regulatory Authority that are reasonably necessary or desirable to implement the Scheme are obtained on terms acceptable to the parties (acting reasonably) and none of those approvals, waivers and modifications are withdrawn, cancelled or revoked.
- (ii) Before 8:00am on the Second Court Date:
 - There is not in effect any preliminary or final decision, order or decree issued by the Regulatory Authority;

- No action or investigation is announced, commenced or threatened by any Regulatory Authority; and
- No application is made to any Regulatory Authority,

in consequence of or in connection with the Transaction which restrains, prohibits or impedes or threatens to restrain, prohibit or impede the implementation of the Transaction of any part of it or the acquisition of the Scheme Shares or the issue of the New Mastermyne Shares under the Scheme.

- (iii) No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction within Australia, no preliminary or final decision, determination, notice of objection or order issued by any Regulatory Authority and no other legal restraint preventing the Scheme is in effect as at the Second Court Date.
- (iv) The Independent Expert has issued the Independent Expert's Report which has concluded that the Scheme is in the best interests of Scheme Shareholders and the Independent Expert has not changed its conclusions or withdrawn the Independent Expert's Report prior to the Second Court Date.
- (v) Before the Second Court Date, the DMS Shareholders have approved the Scheme by the majorities required under the Corporations Act.
- (vi) the Court approves the Scheme in accordance with the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations on either party (acting reasonably) and an office copy of the Scheme Order is lodged with ASIC as contemplated by the Corporations Act.
- (vii) prior to the Scheme Meeting, no DMS director has withdrawn or modified their recommendation or voting intention unless the recommendations of the DMS Directors are withdrawn or modified because of a Superior Proposal emerging or because the Independent Expert has concluded that the Scheme is not in the best interests of the Scheme Shareholders.
- (viii) No DMS Prescribed Event has occurred before the Second Court Date. ('DMS Prescribed Event' is defined in the Implementation Deed. Section 8.12(c) of this Scheme Booklet contains a brief summary of DMS Prescribed Events.)
- (ix) No DMS Material Adverse Change has occurred before the Second Court Date. ('DMS Material Adverse Change' is defined in the Implementation Deed. Section 8.12(c) of this Scheme Booklet contains a brief summary of what a DMS Material Adverse Change is.)
- (x) The representations and warranties given by DMS are still materially true and correct on the Second Court Date.
- (xi) No Mastermyne Prescribed Event has occurred before the Second Court Date. ('Mastermyne Prescribed Event' is defined in the Implementation Deed. Section 8.12(d) of this Scheme Booklet contains a brief summary of Mastermyne Prescribed Events.)
- (xii) No Mastermyne Material Adverse Change has occurred before the Second Court Date. ('Mastermyne Material Adverse Change' is defined in the Implementation Deed. Section 8.12(d) of this Scheme Booklet contains a brief summary of what a Mastermyne Material Adverse Change is.)

- (xiii) The representations and warranties given by Mastermyne are still materially true and correct on the Second Court Date.
- (xiv) The New Mastermyne Shares to be issued pursuant to the Scheme have before the Second Court Date been approved for official quotation on the Australian Securities Exchange.
- (xv) Mastermyne validly executed the Deed Poll and delivered that document to DMS prior to the First Court Date.
- (xvi) Prior to the Second Court Date, Mastermyne obtained directors and officers run off insurance cover for DMS and each member of the DMS Group (on terms acceptable to DMS) in favour of their respective directors and officers from time to time, such insurance to take effect no later than the Implementation Date.
- (xvii) Prior to the Second Court Date, all of the DMS Options have been exercised or cancelled.
- (xviii) All other approvals or consents of a third party (other than ASIC or ASX) that both DMS and Mastermyne agree in writing are necessary or desirable to implement the Scheme are obtained.

The Conditions Precedent summarised above are set out in full in clause 3 of the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).

(c) **DMS Material Adverse Change / Prescribed Event:**

- (i) A DMS Material Adverse Change is a matter, event or circumstance (other than one consented to in writing by Mastermyne) that occurs after the date of the Implementation Deed and before the Second Court Date, where that matter, event or circumstance is expected to have the result that:

- the value of the DMS Group's Consolidated Net Tangible Assets is reduced by \$1,000,000 or more; or
- the forecasted value of Consolidated EBIT for the DMS Group is less than \$5,500,000.

However, a DMS Material Adverse Change does not include a DMS Permitted Event or any other event that:

- is required or permitted to be done by DMS as part of the Scheme;
- was publicly announced by DMS prior to the date of the Implementation Deed;
- to the extent that it is known by Mastermyne or any of their directors or officers prior to the date of the Implementation Deed;
- is caused by any changes to interest rates or law; or
- which has been disclosed by DMS under due diligence or in a public register.

- (ii) A DMS Prescribed Event means the occurrence of any of the following between the date of the Implementation Deed and the Second Court Date:

- DMS converts any of its securities into a larger or smaller number of securities;
- DMS or a subsidiary disposes of, or agrees to dispose of, shares in a subsidiary of that entity;
- DMS or a subsidiary resolves to reduce its share capital in any way or reclassifies, combines, splits, redeems or repurchases directly or indirectly any of its shares;
- DMS or a subsidiary enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under the Corporations Act;
- DMS declares any dividend or pays, makes or incurs any liability to pay or make any distribution whether by way of dividend, capital distribution, bonus or other share of its profits or assets;
- DMS or a Related Entity of DMS issues or authorises the issue of shares or other instruments convertible into, in lieu of or in substitution for shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- DMS or a subsidiary creates, or agrees to create any mortgage, charge, lien or other Encumbrance over the whole or a substantial part of the business, assets or property of the DMS Group;
- An insolvency event occurs in relation to DMS or a subsidiary;
- DMS or a subsidiary states its intention to or makes any change to its constitution;
- DMS or a subsidiary disposes or agrees to dispose of the whole or a substantial part of its business or property;
- DMS or a subsidiary enters into any contract with a third party with a value of \$250,000 or more;
- DMS or a subsidiary purchases any individual asset or assets with a value of \$50,000 (individually) or more than \$100,000 (in the aggregate) or more from a third party;
- A 'DMS Fatality Event' (as defined in the Implementation Deed) occurs;
- A 'DMS Environmental Incident' (as defined in the Implementation Deed) occurs; or
- ANZ terminates, withdraws or reduces the credit limit of any finance facility provided by ANZ to any member of the DMS Group other than the scheduled repayment of asset finance facility or a reduction in a credit limit as agreed with Mastermyne in writing (such agreement not to be withheld unreasonably),

other than a DMS Permitted Event or anything that is required to be done or procured by DMS pursuant to the Scheme.

(d) **Mastermyne Material Adverse Change / Prescribed Event:**

(i) A Mastermyne Material Adverse Change is a matter, event or circumstance (other than one consented to in writing by DMS) that occurs after the date of the Implementation Deed and before the Second Court Date, where that matter, event or circumstance is expected to have the result that:

- the value of the Mastermyne Group's Consolidated Net Tangible Assets is reduced by \$4,000,000 or more; or
- the forecasted value of Consolidated EBIT for the Mastermyne Group having a reduction of 20% or more relative to the consensus forecasted value of consolidated EBIT for the Mastermyne Group for the financial year ending 30 June 2015 by Wilson HTM Ltd's research analyst as at the date of the Implementation Deed.

However, a Mastermyne Material Adverse Change does not include any event that:

- is required or permitted to be done by Mastermyne as part of the Scheme;
- was publicly announced by Mastermyne prior to the date of the Implementation Deed;
- to the extent that it is known by DMS or any of their directors or officers prior to the date of the Implementation Deed;
- is caused by any changes to interest rates or law; or
- which has been disclosed by Mastermyne under due diligence or in a public register.

(ii) A Mastermyne Prescribed Event means the occurrence of any of the following between the date of the Implementation Deed and the Second Court Date:

- Mastermyne converts any of its securities into a larger or smaller number of securities;
- Mastermyne or a subsidiary disposes of, or agrees to dispose of, shares in a subsidiary of that entity;
- Mastermyne or a subsidiary resolves to reduce its share capital in any way or reclassifies, combines, splits, redeems or repurchases directly or indirectly any of its shares;
- Mastermyne or a subsidiary enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under the Corporations Act;
- Mastermyne declares any dividend or pays, makes or incurs any liability to pay or make any distribution whether by way of dividend, capital distribution, bonus or other share of its profits or assets (other than the dividend of 1.4 cents per Mastermyne share declared by Mastermyne prior to the date of the Implementation Deed, with a record date of 26 September 2014 and a payment date of 16 October 2014);

- Mastermyne or a Related Entity of Mastermyne issues or authorises the issue of shares or other instruments convertible into, in lieu of or in substitution for shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- Mastermyne or a subsidiary creates, or agrees to create any mortgage, charge, lien or other Encumbrance over the whole or a substantial part of the business, assets or property of the Mastermyne Group;
- An insolvency event occurs in relation to Mastermyne or a subsidiary;
- Mastermyne or a subsidiary states its intention to or makes any change to its constitution;
- Mastermyne or a subsidiary disposes or agrees to dispose of the whole or a substantial part of its business or property;
- A ‘Mastermyne Fatality Event’ (as defined in the Implementation Deed) occurs; or
- A ‘Mastermyne Environmental Incident’ (as defined in the Implementation Deed) occurs,

other than anything consented to by DMS or that is required to be done or procured by Mastermyne pursuant to the Implementation Deed or the Transaction.

(e) Warranties

DMS and Mastermyne have given representations and warranties as to information contained in the Scheme Booklet and compliance with disclosure and other obligations and certain other representations and warranties which are customary for a transaction of this nature.

The relevant representations and warranties are set out in full in the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).

(f) Break Fee

DMS must pay Mastermyne the Break Fee if:

- (i) a Competing Proposal is announced during the Implementation Period (whether or not such proposal is stated to be subject to any pre-conditions) and within 12 months of such announcement, the third party proposing the Competing Proposal or any Associate of that third party implements or consummates the Competing Proposal or enters into an agreement, arrangement or understanding with DMS or the DMS Directors with respect to such Competing Proposal; or
- (ii) at any time before the Scheme Meeting or the date the Implementation Deed is validly terminated (whichever is earlier), any DMS Director makes a public statement:
 - withdrawing or adversely changing or modifying their recommendation that DMS Shareholders vote in favour of the Scheme at the Scheme Meeting; or
 - that they will not vote all Scheme Shares in which he or she has a relevant interest in favour of the Scheme at the Scheme Meeting,

other than in circumstances where the Independent Expert concludes that the Scheme is not in the best interests of DMS Shareholders (except in circumstances where the Independent Expert reaches that conclusion as a result of a Competing Proposal having been announced or made public which the Independent Expert may reasonably regard to be on more favourable terms than the Transaction); or

- (iii) Maui Capital withdraws its support for the Scheme or fails to vote all Scheme Shares in which it has a relevant interest in favour of the Scheme at the Scheme Meeting other than in circumstances where the Independent Expert concludes that the Scheme is not in the best interests of DMS Shareholders (except in circumstances where the Independent Expert reaches that conclusion as a result of a Competing Proposal having been announced or made public which the Independent Expert may reasonably regard to be on more favourable terms than the Transaction).

The Implementation Deed also sets out certain circumstances where, despite the occurrence of any of the above events, DMS is not required to pay the Break Fee (including for example, where the Scheme otherwise becomes Effective, the Implementation Deed is terminated by DMS as a result of Mastermyne's default or the non-satisfaction of certain Conditions Precedent). In addition the Break Fee may be reduced, or may not be payable at all, where the Takeovers Panel or the Court determines that the payment of the Break Fee constitutes unacceptable circumstances, involves a breach of fiduciary or statutory duties of the DMS Directors, or is otherwise unlawful or unenforceable.

The arrangements regarding the Break Fee are set out in full in the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).

(g) Termination by either party

Either Mastermyne or DMS may terminate the Implementation Deed:

- (i) if the resolution to approve the Scheme submitted to the Scheme Meeting is not approved by the requisite majorities of Scheme Shareholders (except where the Court agrees to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act to disregard the headcount test);
- (ii) if the Court refuses to make an order convening the Scheme Meeting or approving the Scheme and the Court's decision is not appealed;
- (iii) any Condition Precedent has failed to be satisfied or has become incapable of being satisfied or is not reasonably capable of being satisfied on or before the End Date (and has not been waived); or
- (iv) if the Effective Date for the Scheme has not occurred on or before the End Date.

(h) Termination by Mastermyne

Mastermyne may terminate the Implementation Deed:

- (i) if any DMS Director changes his or her recommendation or ceases or fails to recommend to Scheme Shareholders that they vote in favour of the resolution to approve the Scheme, including any adverse modification to their recommendation, or otherwise make a public statement indicating that they no longer support the Scheme;
- (ii) if Maui Capital withdraws its support for the Scheme or fails to vote all Scheme Shares in which it has a relevant interest in favour of the Scheme at the Scheme Meeting;

- (iii) if DMS is in material breach of its exclusivity obligations in clause 8 of the Implementation Deed;
- (iv) if DMS is in material breach of any clause of the Implementation Deed, taken in the context of the Transaction as a whole, provided that Mastermyne, has, if practicable given notice to DMS setting out the relevant circumstances and stating an intention to terminate, and the relevant circumstances continue to exist five Business Days (or any shorter period ending at 5.00pm on the last Business Day before Second Court Date) after the time such notice is given; or
- (v) if an insolvency event has occurred in relation to DMS or any member of the DMS Group (other than a DMS Permitted Event).

(i) **Termination by DMS**

DMS may terminate the Implementation Deed:

- (i) if any DMS Director changes his or her recommendation or ceases or fails to recommend to Scheme Shareholders that they vote in favour of the resolution to approve the Scheme (including any adverse modification to their recommendation), or otherwise make a public statement indicating that they no longer support the Scheme where the DMS Board determines that a Superior Proposal has emerged or the Independent Expert concludes that the Scheme is not in the best interests of Scheme Shareholders;
- (ii) if Mastermyne is in material breach of the Implementation Deed, taken in the context of the Transaction as a whole, provided that DMS has, if practicable given notice to Mastermyne setting out the relevant circumstances and stating an intention to terminate, and the relevant circumstances continue to exist five Business Days (or any shorter period ending at 5.00pm on the last Business Day before Second Court Date) after the time such notice is given; or
- (iii) an insolvency event has occurred in relation to Mastermyne or any member of the Mastermyne Group.

(j) **Exclusivity**

DMS has agreed to certain exclusivity obligations under the Implementation Deed. A brief summary of these obligations is set out below:

(i) ***No Shop***

DMS has agreed that during the Exclusivity Period it will use reasonable endeavours to ensure that neither it nor any of its Representatives, directly or indirectly solicits, invites, facilitates, encourages or initiates any enquiries, negotiations or discussions, or communicates any intention to do any of these things, with a view to obtaining any expression of interest, offer or proposal from any person in relation to a Competing Proposal.

(ii) ***No talk and no due diligence***

DMS has agreed that during the Exclusivity Period it must not, and must ensure that its Representatives do not:

- participate in any negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal; or

- provide any information to a third party for the purposes of enabling that party to make a Competing Proposal; or
- communicate any intention to do anything referred to above.

The no talk and no due diligence restrictions above do not apply if the DMS Board, acting in good faith, after having obtained written advice from its legal and, if appropriate, its financial advisers, determines that:

- where there is a Competing Proposal, the Competing Proposal is a Superior Proposal or, where there is not yet a Competing Proposal, the steps which the board proposes to take may reasonably be expected to lead to a Competing Proposal which is a Superior Proposal; and
- failing to respond to the Competing Proposal would reasonably be expected to constitute a breach of the DMS Directors' fiduciary or statutory obligations or would otherwise be unlawful.

The no talk and no due diligence restrictions above do not prevent DMS from:

- continuing to make normal presentations to, and to respond to enquiries from shareholders and funders in the ordinary course in relation to the Scheme or its business generally;
- communicating with a third party for the purpose of informing the third party that DMS will not enter into any discussions or negotiations in relation to a Competing Proposal; or
- providing information to any Regulatory Authority or to DMS's auditors and advisers in the ordinary course of business.

(iii) *Notification of Competing Proposals*

DMS has agreed that during the Implementation Period, it will:

- promptly notify Mastermyne if it or any of its Representatives receives any inquiry or proposal which may reasonably be expected to lead to a Competing Proposal;
- as soon as reasonably practicable provide written notice of the identity of the party or parties involved in the inquiry or proposal, and details of the inquiry or proposal; and
- provide the Company with regular updates on the status of the inquiry or proposal,

unless the DMS Board has determined, in good faith, after having obtained written advice from its legal and, if appropriate, its financial advisers that complying with such obligations would be likely to constitute a breach of the DMS Directors' fiduciary or statutory obligations or would otherwise be unlawful.

(iv) *Right of last offer*

DMS has agreed that during the Implementation Period it will not, and will procure that its Representatives do not, enter into any legally binding agreement, arrangement or understanding to implement a Competing Proposal or withdraw any

recommendation in favour of the Transaction or publicly recommend a Competing Proposal, unless DMS has provided Mastermyne with:

- all material terms of the Competing Proposal in writing (including the identity of the Third Party making the Competing Proposal), and
- three Business Days after the provision of that information to propose an amendment to the Scheme or propose a new scheme of arrangement which is no less favourable to DMS Shareholders than the Competing Proposal (**Mastermyne Counter Proposal**).

If the Mastermyne Counter Proposal is no less favourable to DMS Shareholders than the Competing Proposal, then:

- DMS and Mastermyne must use their reasonable endeavours to, as soon as reasonably practicable, agree and enter into such documentation as is necessary to give effect to and implement the Mastermyne Counter Proposal subject to any Superior Proposal; and
- in the absence of a Superior Proposal, DMS must use its reasonable endeavours to procure that the DMS Board unanimously recommends the Mastermyne Counter Proposal to DMS Shareholders and not recommend the applicable Competing Proposal.

The arrangements regarding exclusivity are set out in full in the Implementation Deed (a copy of which forms Annexure F of this Scheme Booklet).

8.13 Deed Poll

Under the terms of the Deed Poll, Mastermyne agrees in favour of DMS Shareholders to perform its obligations to issue the New Mastermyne Shares under the Implementation Deed and comply with its other obligations under the Scheme.

The Deed Poll may be relied upon by any DMS Shareholder, despite the fact that they are not a party to it, and each DMS Shareholder appoints DMS as its agent to enforce their rights under the Deed Poll against Mastermyne.

9. Additional information

9.1 Issue of holding statements

As soon as practicable after the Implementation Date, Mastermyne will send holding statements confirming the issue of the New Mastermyne Shares to DMS Shareholders who become entitled to those New Mastermyne Shares (by prepaid post to their registered address as shown on the Register).

9.2 DMS securities held by Mastermyne

Except as otherwise disclosed in this Scheme Booklet:

- (a) as at the date of this Scheme Booklet, no member of the Mastermyne Group (or any Associate of any member of the Mastermyne Group) holds, or has a relevant interest in, marketable securities of DMS; and
- (b) other than in respect of the consideration to be provided under the Scheme, during the four months before the date of this Scheme Booklet, no member of the Mastermyne Group (or any Associate of any member of the Mastermyne Group) has provided or agreed to provide, consideration for marketable securities of DMS.

9.3 Mastermyne Securities held by DMS Directors

Except as otherwise disclosed in this Scheme Booklet:

- (a) as at the date of this Scheme Booklet, no DMS Director holds, or has a relevant interest in, marketable securities of Mastermyne; and
- (b) during the four months before the date of this Scheme Booklet, none of the DMS Directors (or any of their Associates) have provided, or agreed to provide, consideration for marketable securities of Mastermyne.

9.4 Benefits to holders of DMS Shares

During the four months before the date of this document, neither Mastermyne nor any of its Associates has given, or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate, to vote in favour of the Scheme or to dispose of DMS Shares and where the benefit was not offered to all Shareholders.

9.5 DMS securities held by DMS Directors

No marketable securities of DMS are held by or on behalf of Directors and no such persons are otherwise entitled to such securities as at the date of this document other than as listed below.

Director	Number of DMS Shares
Rod Keller	307,692
Paul Chrystall (through funds managed by Maui Capital) – • Entities controlled by the Maui Capital Indigo Fund; and • Entities controlled by the Maui Capital Aqua Fund.	55,846,155

Rod Keller intends to vote all DMS Shares held by him or on his behalf in favour of the Scheme in the absence of a Superior Proposal.

Paul Chrystall is the managing director of Maui Capital. Maui Capital manages DMS Shares on behalf of the funds as stated above. The Maui Capital funds intend to vote all shares held by them in favour of the Scheme in the absence of a Superior Proposal.

9.6 DMS securities held by Mastermyne Directors

No marketable securities of Mastermyne are held by or on behalf of directors of Mastermyne and no such persons are otherwise entitled to such securities as at the date of this document other than as listed below.

Director	Number of DMS Shares
Nil	Nil

9.7 Agreements or arrangements with DMS Directors

Except as otherwise disclosed in this Scheme Booklet:

- (a) there is no payment or other benefit that is proposed to be made or given to any director, company secretary or executive officer of any member of the DMS Group as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in any member of the DMS Group;
- (b) there are no agreements or arrangements made between any DMS Director and any other person, including any member of the Mastermyne Group, in connection with or conditional upon the outcome of the Scheme;
- (c) no DMS Director has any interest in a contract entered into by Mastermyne; and
- (d) the DMS Directors do not have a material interest in relation to the Scheme.

9.8 Restructuring payments

As discussed in section 6.2, Mastermyne has indicated that on implementation of the Scheme they will undertake a restructure of the DMS business, including:

- (a) termination of employment of DMS' employees based in the Toowong head office and payment of employee entitlements (including superannuation and accrued annual leave entitlements) in accordance with the terms stipulated in corresponding employee's employment contract with DMS, retention plans and applicable law and company policy, in addition to payment of expected income taxes, payroll taxes, workers compensation and other on-costs;
- (b) the surrender and make good of surplus rented offices, workshops, warehouse facilities; and
- (c) the finalisation with vendors of certain long term supply contracts which would, if retained, be a duplication of services that Mastermyne already have in place.

9.9 Consents and disclaimers

(a) Consent to be named

The following parties have given and have not, before the time of registration of this document by ASIC, withdrawn their written consent to be named in this document in the form and context in which they are named:

- (i) Record Point as financial adviser to DMS;
- (ii) McMahon Clarke as legal adviser to DMS;
- (iii) Ernst & Young as auditor to DMS;
- (iv) Grant Thornton as tax advisor to DMS;
- (v) Link Market Services Limited as DMS Share Registry; and
- (vi) Maui Capital Limited.

(b) Consent to be named and to the inclusion of information

BDO Corporate Finance (Qld) Ltd has given and has not, before the time of registration of this document by ASIC, withdrawn its written consent to be named as the Independent Expert in this document and to the inclusion of the Independent Expert's report set out in Annexure A of this document and other statements in this document said to be based on statements made by BDO Corporate Finance (Qld) Pty Ltd, in each case in the form and context in which they appear in this document.

Grant Thornton has given and has not, before the time of registration of this document by ASIC, withdrawn its written consent to be named as the Tax Adviser in this document and to the inclusion of the Taxation Information set out in Annexure B of this document and other statements in this document said to be based on statements made by Grant Thornton, in each case in the form and context in which they appear in this document.

(c) Disclaimers of responsibility

Each person named in Sections 9.9(a) and 9.9(b) of this document:

- (i) does not make, or purport to make, any statement in this document or any statement on which a statement in this document is based other than, a statement included in this document with the consent of that party; and
- (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this document, other than a reference to its name and, in the case of BDO Corporate Finance (Qld) Pty Ltd and Grant Thornton, any statement or report which has been included in this document with the consent of that party.

(d) Mastermyne Consent to be named and to the inclusion of information

Mastermyne has given and has not, before the date of this document, withdrawn its written consent to the inclusion of Mastermyne Provided Information and other statements in this Scheme Booklet said to be based on Mastermyne Provided Information or statements made by Mastermyne, in each case in the form and context in which they appear in this Scheme Booklet.

9.10 Independent Expert

BDO Corporate Finance (Qld) Pty Ltd has prepared the Independent Expert's report set out in Annexure A of this document advising as to whether, in its opinion, the Transaction is in the best interests of DMS Shareholders.

BDO Corporate Finance (Qld) Pty Ltd will be paid a fee of approximately \$55,000 (including GST) in relation to the preparation of its report.

9.11 Documents available for inspection

Copies of the Financial statements of DMS for the period to 30 June 2014 are available on request by calling the Shareholder information line on (07) 3719 6888 (within Australia) or +617 3719 6888 (International).

9.12 Supplementary information

DMS will issue a supplementary document to this document if it becomes aware of any of the following between the date of lodgement of this document for registration by ASIC and the Effective Date:

- (a) a material statement in this document is false or misleading;
- (b) a material omission from this document;
- (c) a significant change affecting a matter included in this document; or
- (d) a significant new matter has arisen and it would have been required to be included in this document if it had arisen before the date of lodgement of this document for registration by ASIC.

9.13 Forward Looking Statements

Certain statements in this document relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of DMS to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand. The forward looking statements in this document reflect views held only at the date of this document.

Other than as required by law, DMS does not give any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur.

The historical performance of DMS and Mastermyne provides no assurance as to their respective future financial performance or (if the Scheme is implemented) that of the Combined Group.

Subject to any continuing obligations under law or as expressly required under the Implementation Deed, DMS and its directors disclaim any obligation or undertaking to disseminate after the date of this document any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Additionally, statements of intention of Mastermyne reflect its present intentions as at the date of the Scheme Booklet and may be subject to change.

9.14 Privacy and personal information

DMS and its agents, representatives and the DMS Share Registry may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses, other contact details, bank account details, and details of the shareholdings of shareholders, and the names of individuals appointed by shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting.

Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact Link Market Services Limited on (07) 3320 2211 (within Australia only) or +617 3320 2211 (International) in the first instance if they wish to request access to that personal information.

The personal information is collected for the primary purpose of implementing the Scheme. The personal information may be disclosed to DMS' share registries/transfer agents and advisers, to securities brokers and to print and mail service providers.

The main consequence of not collecting the personal information outlined above would be that DMS may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

DMS Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform such an individual of the matters outlined above.

9.15 Foreign selling restrictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. DMS Group disclaims all liabilities to such persons. DMS Shareholders who are nominees, trustees, or custodians are advised to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Transaction in any jurisdiction outside of Australia.

9.16 No unacceptable circumstances

The DMS Directors believe that the Scheme does not involve any circumstances in relation to the affairs of any member of DMS that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

10. Defined terms in this document:

\$ or AUD means Australian Dollars.

ANZ means Australia and New Zealand Banking Group Limited.

ANZ Outstanding Liability has the meaning given to it in the Implementation Deed.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in section 12(2) of the Corporations Act.

ASX means the financial market exchange operated by ASX Limited ACN 008 624 691.

Board means the board of directors of DMS.

Break Fee means \$500,000.

Business Day means a day that is not a Saturday, Sunday, bank holiday or public holiday in Queensland.

CGT means capital gains tax.

Combined Group means Mastermyne following the successful implementation of the Scheme.

Competing Proposal has the meaning given to it in the Implementation Deed.

Conditions Precedent means the conditions precedent set out in clause 3.1 of the Implementation Deed.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth) and the regulations made under that Act.

Court means the Supreme Court of Queensland or such other court of competent jurisdiction under the Corporations Act as DMS and Mastermyne agree in writing.

Deed Poll means a deed poll executed by Mastermyne in favour of DMS Shareholders in the form set out in Annexure E.

Directors or DMS Directors means the directors of DMS.

DMS or Company means Diversified Mining Services Limited ACN 126 482 282.

DMS Group as the context requires means, before implementation of the Scheme, DMS and its subsidiaries.

DMS Liabilities has the meaning given to it in the Implementation Deed.

DMS Material Adverse Change has the meaning given to it in the Implementation Deed.

DMS Permitted Event means the occurrence of any of the following:

- (a) the deregistration of DMS Plan 1 Pty Ltd, DMS Field Maintenance Pty Ltd and Tinoak Pty Ltd;
- (b) the incurring of, or payment of, implementation costs by any DMS Group Member;
- (c) the issue of DMS Shares by DMS as a result of the exercise of DMS Options (if any);
- (d) any matter, event or circumstance consented to in writing by Mastermyne; and

- (e) entering into any agreement or arrangement in relation to, or otherwise taking any steps to give effect to, any of the matters referred to in paragraphs (a) to (d) inclusive.

DMS Prescribed Event has the meaning given to it in the Implementation Deed.

DMS Provided Information means all information contained in this Scheme Booklet, other than the Mastermyne Provided Information, the Independent Expert's Report and the information contained in Annexure B.

DMS Share means an issued fully paid ordinary share in the capital of DMS.

DMS Share Registry means Link Market Services Limited ACN 083 214 537.

EBIT means earnings before interest and tax.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Effective means, when used in relation to the Scheme, the order of the Court made under section 411(4)(b) in relation to the Scheme coming into effect pursuant to section 411(10) of the Corporations Act.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance has the meaning given to it in the Implementation Deed.

End Date means 25 February 2015 (or such other date agreed in writing by DMS and Mastermyne).

First Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

GST means goods and services tax applicable in Australia.

Implementation Date means the 3rd Business Day after the Record Date or such other date as ordered by the Court or agreed between DMS and Mastermyne in writing.

Implementation Deed means the Scheme Implementation Deed entered into between DMS and Mastermyne on 25 September 2014, a copy of which is set out in Annexure F of this Scheme Booklet.

Implementation Period means the period commencing on the date of this deed and ending on the first to occur of:

- (f) termination of the Implementation Deed in accordance with its terms;
- (g) the End Date; and
- (h) the Implementation Date.

Independent Expert means BDO Corporate Finance (Qld) Pty Ltd.

Independent Expert's Report means the report from the Independent Expert in respect of the Transaction, a copy of which is set out in Annexure A of this Scheme Booklet.

Mastermyne means Mastermyne Group Limited ACN 142 490 579.

Mastermyne Directors or Mastermyne Board means the directors of Mastermyne.

Mastermyne Material Adverse Change has the meaning given to it in the Implementation Deed.

Mastermyne Prescribed Event has the meaning given to it in the Implementation Deed.

Mastermyne Provided Information means the information regarding Mastermyne, the Mastermyne Group and the Combined Group as set out in Sections 2.11 (final paragraph), 5, 6, 7 (except section 7.2), 9.2, 9.4, 9.6 and 9.8 (reference back to section 6.2) of this Scheme Booklet.

Mastermyne Shares has the meaning given to it in the Implementation Deed.

Maui Capital means Maui Capital Limited and each of its Subsidiaries.

New Mastermyne Shares means fully paid ordinary shares in the capital of Mastermyne to be issued under the Scheme and to the extent applicable, as consideration for a DMS Share.

Nominee means Berne No 132 Nominees Pty Ltd ACN 010 413 591.

Policy Statements means all policy statements, regulatory guides and practice notes published by ASIC and in force at the date of this document.

Proxy Form means the proxy form for the Scheme Meeting accompanying this document.

Record Date means 5.00 pm on the 18 December 2014 or such other date as DMS may determine.

Register means the share register of DMS kept pursuant to the Corporations Act.

Regulatory Authority has the meaning given to it in the Implementation Deed.

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between DMS and the Shareholders, the form of which is contained in Annexure C of this document subject to changes recommended by counsel for DMS, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by DMS.

Scheme Booklet means this scheme booklet, including the annexures to it.

Scheme Consideration means 0.1126 New Mastermyne Shares for each Scheme Share.

Scheme Meeting means the meeting of the Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act. It includes any adjournment of that meeting.

Scheme Order has the meaning given to it in the Implementation Deed.

Scheme Resolution means the resolution put to Shareholders at the Scheme Meeting to approve the Scheme.

Scheme Share means each DMS Share on issue on the Record Date.

Scheme Shareholder means each person who holds Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard.

Second Court Hearing means the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Shareholder or **DMS Shareholder** means each person who is in the Register as the holder of DMS Shares.

Subsidiary has the meaning given to it in the Corporations Act.

Superior Proposal has the meaning given to it in the Implementation Deed.

Takeovers Panel means the body established under section 171 of the Australian Securities and Investments Commission Act 2001 (Cth) as the primary forum for resolving disputes about takeovers.

Transaction means the proposed acquisition by Mastermyne of all the issued DMS Shares under the Scheme.

VWAP means the average (in dollars, rounded to 4 decimal places) of the volume weighted average share prices for Mastermyne shares traded on ASX on each of the 10 trading days comprising the VWAP period.

Annexure A – Independent Expert’s report

DIVERSIFIED MINING SERVICES LIMITED
Independent Expert's Report

November 2014

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Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in the independent expert's report we have been commissioned to provide ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ', 'we', 'us' or 'our') including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

- a) financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and
- b) arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

The following report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO CFQ ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO CFQ has been engaged to provide an independent expert's report to the shareholders of Diversified Mining Services Limited ('DMS' or 'the Company') in relation to the proposed acquisition of all of the issued share capital in DMS by Mastermyne Group Limited ('Mastermyne') ('the Proposed Transaction').

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate that our fees for the preparation of the Report will be approximately \$55,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of any of the matters to which this Report relates. Our fees do not include fees payable to other experts engaged to provide specialist services and reports which may have been considered in the Report.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDO CFQ has previously provided professional services to DMS in the form of a draft independent expert's report relating to the restructure of the Company.

The signatory of this Report is a member of a superannuation fund that holds 80,000 shares in DMS. The value of these shares is not material to the net worth of the signatory and entities related to the signatory.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which is publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with the Institute of Chartered Accountants, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission (ASIC) also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

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Glossary

Reference	Definition
ABV	Asset based valuation
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO CFQ	BDO Corporate Finance (QLD) Ltd
CME	Capitalisation of maintainable earnings
Combined Entity, the	Mastermyne Limited following the Proposed Transaction
Company, the	Diversified Mining Services Limited
Corporations Act, the	The Corporations Act 2001
DCF	Discounted cash flow
DMS	Diversified Mining Services Limited
EBITDA	Earnings before interest, tax, depreciation and amortisation
EV	Enterprise Value
FSG	Financial Services Guide
ITAA	Income Tax Assessment Act 1997
Mastermyne	Mastermyne Limited
MBV	Market based valuation
Proposed Transaction, the	The proposed acquisition of 100% of the outstanding share capital in DMS by Mastermyne
Report, this	This independent expert's report prepared by BDO CFQ dated 3 November 2014
RG111	Regulatory Guide 111: Content of Expert Reports
RGs	Regulatory guides published by ASIC
Scheme	The scheme of arrangement under Part 5.1 of the Corporations Act 2001 in which the Proposed Transaction will be implemented
Scheme Booklet, the	The Scheme Booklet prepared by DMS in relation to the Proposed Transaction
VWAP	Volume-weighted average price
We, us, our	BDO Corporate Finance (QLD) Ltd

The Shareholders
C/- The Directors
Diversified Mining Services Limited
PO Box 201
TOOWONG QLD 4066

3 November 2014

Dear Shareholders

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDO CFQ') has been engaged to provide an independent expert's report ('this Report') to the shareholders of Diversified Mining Services Limited ('DMS' or 'the Company') in relation to the proposed acquisition of all of the issued share capital in DMS by Mastermyne Group Limited ('Mastermyne') ('the Proposed Transaction'). The Proposed Transaction will be implemented by a scheme of arrangement ('Scheme') under Part 5.1 of the Corporations Act 2001 ('the Corporations Act') whereby the shareholders of DMS will receive 0.1126 ordinary shares in Mastermyne for each ordinary DMS share held.

To differentiate between Mastermyne prior to the Proposed Transaction and Mastermyne post the Proposed Transaction, in this Report we refer to the pre-transaction entity as Mastermyne and the post-transaction entity as the Combined Entity. We note that the Combined Entity as referred to in this Report will not be a 'new entity' as such, but rather Mastermyne following the Proposed Transaction. The Combined Entity will continue to be called Mastermyne Group Limited following the Proposed Transaction and will remain listed on the Australian Securities Exchange ('ASX').

A more detailed summary of the Proposed Transaction is set out in Section 3.0 of this Report.

In this Report, BDO CFQ has expressed an opinion as to whether or not the Proposed Transaction is 'fair and reasonable' and in the 'best interests' of DMS shareholders.

This Report has been prepared solely for use by the DMS shareholders prior to the scheme meeting to provide them with information relating to the Proposed Transaction.

We understand that this Report will be provided to DMS shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Transaction. Apart from the purpose stated directly above, this Report cannot be used or relied on for any other purpose or by any other person or entity.

This Report should be read in full, including the assumptions underpinning our work, together with the other information provided to DMS shareholders in conjunction with this Report, including the Scheme Booklet prepared by DMS and to be dated on or about 3 November 2014 ('the Scheme Booklet').



This Report does not address circumstances specific to individual DMS shareholders. A DMS shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their own particular circumstances including, for example, the shareholder's taxation considerations and risk profile. DMS shareholders should obtain their own professional advice in relation to the impact of the Proposed Transaction on their own circumstances.

2.0 Summary of Opinion

This section is only a summary of our opinion and cannot substitute for a complete reading of this Report.

We strongly recommend that DMS shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Scheme Booklet, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

2.1 Fairness of the Proposed Transaction

This section provides a summary of our assessment of the fairness of the Proposed Transaction. A more detailed assessment of the fairness of the Proposed Transaction is set out in Section 9 of this Report.

To assess the fairness of the Proposed Transaction, we:

- (a) Calculated the value of a share in DMS immediately prior to the Proposed Transaction on a controlling interest basis; and
- (b) Compared the value of a DMS share determined in (a) above to the value of 0.1126 shares in the Combined Entity following the Proposed Transaction on a minority interest basis, assuming that the Proposed Transaction is approved and implemented.

The Proposed Transaction is considered to be fair if the value of 0.1126 shares in the Combined Entity following the Proposed Transaction is equal to or greater than the value of a DMS share prior to the Proposed Transaction. Table 2.1 below summarises our assessment of the fairness of the Proposed Transaction.

Table 2.1: Assessment of the fairness of the Proposed Transaction

	Value per Share
Value of a share in DMS - controlling interest	\$0.0367 - \$0.0695
Value of 0.1126 shares in the Combined Entity - minority interest	\$0.0651 - \$0.0836

Source: BDO CFQ analysis

As shown above, the value of 0.1126 shares in the Combined Entity is equal to or greater than the value of a share in DMS prior to the Proposed Transaction. After considering the information summarised above and set out in detail in the balance of this Report, in our view the Proposed Transaction is **fair** to DMS shareholders as at the date of this Report.

2.2 Reasonableness of the Proposed Transaction

We note that, in accordance with Regulatory Guide 111: Content of Experts Reports ('RG 111'), a transaction is considered reasonable if it is fair. Notwithstanding this, we have also considered the reasonableness of the Proposed Transaction having regard to other significant factors to which DMS shareholders may give consideration prior to voting in favour of or against the Proposed Transaction.

This section provides a summary of the likely advantages and disadvantages of the Proposed Transaction. A more detailed assessment of the advantages and disadvantages of the Proposed Transaction is set out in Section 10 of this Report.

Table 2.2 below summarises the advantages and disadvantages of the Proposed Transaction.

Table 2.2: Advantages and Disadvantages of the Proposed Transaction

Advantages	Disadvantages
In our view, the Proposed Transaction is fair to DMS shareholders	The Combined Entity will have a different risk profile to that of DMS on a standalone basis. DMS shareholders may therefore be subject to certain risks which DMS is not currently exposed
DMS Shareholders will retain exposure to mining and engineering services business through their investment in the Combined Entity	Existing DMS shareholders will hold approximately 17% of the shares on issue in the Combined Entity following the Proposed Transaction. This holding in the Combined Entity will give DMS shareholders less influence over the future direction of the DMS business and its assets and the exposure of the current DMS shareholders to any potential upside which may be realised from DMS' future operations will be diluted
The Combined Entity's shares will be listed on the ASX and will be more liquid than shares in DMS. The improved liquidity of the Combined Entity will enable DMS shareholders to more easily buy and sell their shares	DMS shareholders will have a reduced exposure to any future offers from either Mastermyne or any other party which may be superior to the Proposed Transaction
The Combined Entity will provide scale to the business of DMS which may enable it to realise a number of cost synergies, including the reduction of duplicated corporate costs	
The Combined Entity will be a larger and more diversified company relative to DMS	
DMS has undertaken an extensive sales process and discussions with a number of parties in relation to the sale of the business, with Mastermyne being the only company to submit a binding proposal to acquire DMS. We note that a superior proposal has not emerged for DMS as at the date of this Report	
Mastermyne's management and operational personnel have capabilities and technical expertise which may allow them to increase operational efficiencies and/or expand its service offering of DMS	

Source: BDO CFQ analysis

After considering the advantages and disadvantages of the Proposed Transaction summarised above and set out in detail in Section 10 of this Report, in our view the Proposed Transaction is **reasonable** to DMS shareholders as at the date of this Report.

2.3 Best Interests Opinion

In our opinion, the Proposed Transaction is fair and reasonable to DMS shareholders. On this basis, it is our view that in the absence of any other information or a superior proposal, the Proposed Transaction is in the best interests of DMS shareholders as at the date of this Report.

Notwithstanding our view that the Proposed Transaction is in the best interests of DMS shareholders, we strongly recommend that DMS shareholders also have regard to the information set out in the balance of this Report and the other considerations set out in Section 2.4 below.

2.4 Other Considerations

Before forming a view on whether to vote in favour of or against the Proposed Transaction, we strongly recommend that DMS shareholders:

- Consult their own professional advisers;
- Carefully read all relevant documentation provided to them, including this Report and the Scheme Booklet; and
- Consider their own specific circumstances.

The analysis set out in this Report has relied on certain economic, market and other conditions prevailing as at the date of this Report. We note that changes in these conditions may have a material impact on the information presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

The decision to vote in favour of or against the Proposed Transaction is a separate decision to the investment decision to hold or divest Mastermyne shares in the event the Proposed Transaction is approved. We recommend shareholders consult their own professional advisers in relation to the decision on whether to hold or divest shares in the Combined Entity.

3.0 Outline of the Proposed Transaction

Section 3.0 of this Report is set out as follows:

- Section 3.1 provides a brief description of the Proposed Transaction;
- Section 3.2 summarises the conditions precedent which, if not waived, must be satisfied prior to implementation of the Proposed Transaction; and
- Section 3.3 summarises the strategic rationale of the Proposed Transaction.

This section is a summary only and should not be treated as a complete description of the Proposed Transaction. DMS shareholders should refer to the Scheme Booklet for detailed and additional information relating to the Proposed Transaction.

3.1 Description of the Proposed Transaction

On 26 September 2014, DMS and Mastermyne announced the signing of a Scheme Implementation Deed in relation to the all-scrip acquisition of 100% of the issued share capital in DMS by Mastermyne. The Proposed Transaction will be implemented by a scheme of arrangement under Part 5.1 of the Corporations Act whereby the shareholders of DMS will receive 0.1126 ordinary shares in Mastermyne for each ordinary DMS share held.

In accordance with the Scheme Implementation Deed, if the conditions precedent to the Proposed Transaction (as summarised in Section 3.2 below) are satisfied, in broad terms, the Proposed Transaction will be implemented as follows:

- All DMS shares will be transferred to Mastermyne in accordance with the terms of the Scheme Implementation Deed;
- In consideration for the transfer to Mastermyne of all DMS shares held by DMS shareholders, the DMS shareholders will receive 0.1126 shares in the Combined Entity (i.e. Mastermyne after the Proposed Transaction) for every DMS share held. Any fractional entitlement to a share in the Combined Entity will be rounded up to the nearest whole Combined Entity share. All Combined Entity shares issued to DMS shareholders will rank equally with all other Combined Entity shares and will be fully paid and free from any encumbrance; and
- The Combined Entity is not obliged to allot or issue shares in the Combined Entity to DMS foreign shareholders. Under the terms of the Scheme Implementation Deed, the Combined Entity shares that would otherwise have been issued to a foreign shareholder will be issued to a nominee and sold, with the net sale proceeds to be remitted to the foreign shareholder.

DMS shareholders should refer to the Scheme Booklet for further information in relation to the implementation procedures regarding the Proposed Transaction.

3.2 Conditions Precedent of the Proposed Transaction

Unless waived, the following conditions precedent must be satisfied in order for the Proposed Transaction to be implemented¹:

- Approval of the Scheme: on or before the End Date, the Court approves the scheme in accordance with section 411(4)(b) of the Corporations Act;
- Independent expert's report: the independent expert issues its report which concludes that the scheme is in the best interests of DMS shareholders;
- Shareholder approval: before 8.00am on the Second Court Date, DMS shareholders approve the scheme by the requisite majorities under the Corporations Act;
- Target prescribed occurrence: no DMS Prescribed Event occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- Bidder prescribed occurrence: no Mastermyne Prescribed Event occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- Target representations and warranties: the representations and warranties given by DMS as set out in Schedule 1 of the Scheme Implementation Deed are true and correct in all material respects as at the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- Bidder representations and warranties: the representations and warranties given by Mastermyne as set out in Schedule 2 of the Scheme Implementation Deed are true and correct in all material respects as at the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- Restraining orders: as at 8.00am on the Second Court Date, no temporary restraining order, preliminary or permanent injunction or other order or decision by any court of competent jurisdiction or any Regulatory Authority is in effect and there is no other legal restraint or prohibition in effect preventing the consummation of any aspect of the scheme on the Implementation Date;
- DMS material adverse change: no DMS material adverse change occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- Mastermyne material adverse change: no Mastermyne material adverse change occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- Existing options: all of the existing options issued in DMS have been exercised or cancelled on terms satisfactory to Mastermyne acting reasonably before 8.00am on the Second Court Date;
- Voting intentions: before the Scheme Meeting, no DMS director withdraws or modifies their recommendation or voting intention described in clause 4(1) of the Scheme Implementation Deed unless the recommendations of the DMS directors are withdrawn or modified because of a superior proposal emerging or because the independent expert concludes that the scheme is not in the best interests of the DMS shareholders;

¹ We note that certain terms referred to in the bullet points have specific meanings as set out in the Scheme Booklet. DMS shareholders should refer to the Scheme Booklet for further detail in relation to the conditions precedent of the Proposed Transaction.

- Quotation of new Mastermyne shares: before 8.00am on the Second Court Date, the new Mastermyne ordinary shares to be issued pursuant to the scheme have been approved for official quotation on the ASX;
- Execution of Deed Poll: prior to or on the First Court Date, Mastermyne executes and delivers the Deed Poll to DMS;
- Regulatory approvals: before 8.00am on the Second Court Date, ASX and ASIC issue or provide such consents, approvals or waivers or do other acts which DMS and Mastermyne agree (acting reasonably) are necessary to implement the transaction on the terms and conditions set out in the Scheme Implementation Agreement;
- Third party approvals: all other approvals of a third party (other than ASIC or ASX) that both DMS and Mastermyne agree in writing are necessary or desirable to implement the Proposed Transaction are obtained;
- Insurance cover; before 8.00am on the Second Court Date, Mastermyne obtains directors' and officers' run-off insurance cover for DMS and each member of the DMS Group (on terms acceptable to DMS) in favour of the respective directors and officers from time to time, such insurance to take effect no later than the Implementation Date (and provides evidence of such insurance to DMS); and
- Restraints, prohibitions or impediments: before 8.00am on the Second Court Date there is (i) not in effect any preliminary or final decision, order or decree issued by a Regulatory Authority, (ii) no action or investigation announced, commenced or threatened by any Regulatory Authority, and (iii) no application made to any Regulatory Authority, in consequence of or in connection with the Proposed Transaction which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the implementation of the Proposed Transaction.

DMS shareholders should refer to the Scheme Booklet for additional information in relation to the conditions precedent of the Proposed Transaction.

3.3 Strategic Rationale

The directors of DMS are of the view that the Proposed Transaction will provide significant strategic benefits to the DMS shareholders. It is the directors' view that the Proposed Transaction will create a larger, more diversified company with the services offered by DMS and Mastermyne enabling the Combined Entity to leverage from the strong market positions and customer relationships of both companies.

We understand that following the Proposed Transaction, the Combined Entity plans to grow the DMS business units to complement those services currently provided by Mastermyne while streamlining the corporate functions to remove duplication of roles and generate a more efficiently operated business.

4.0 Scope of Report & Methodology for Assessment

4.1 Scope of Report

An independent expert, in certain circumstances, must be appointed to meet requirements set out in the Corporations Act, the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC') and the listing requirements of the stock exchanges on which a company is listed. We have summarised the requirements of the Corporations Act and the ASX listing requirements in Sections 4.1.1 and 4.1.2 below respectively and we have summarised the guidance provided by the RGs in Section 4.2 below.

DMS has engaged BDO CFQ to provide an opinion on whether the Proposed Transaction is 'fair and reasonable' and in the 'best interests' of DMS shareholders. This Report cannot be used by any other person for any other reason or for any other purpose. We understand that this Report will be distributed to DMS shareholders together with the Scheme Booklet.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of individual DMS shareholders. Before deciding whether to vote in favour of or against the Proposed Transaction, individual DMS shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs (including their own taxation consequences). DMS shareholders should read in full the Scheme Booklet in relation to the Proposed Transaction.

Whether to vote in favour of or against the Proposed Transaction is a matter for individual DMS shareholders based on their expectations as to value and future market conditions, and their own particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure, tax position and opinion on the Proposed Transaction. DMS shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

4.1.1 Requirements of the Corporations Act

The Proposed Transaction will be implemented by scheme of arrangement. Section 411 of the Corporations Act relates to schemes of arrangement. Under section 411 of the Corporations Act, in order for a scheme of arrangement to be approved, no less than 75% of the votes cast at the scheme meeting must vote in favour of the scheme and no less than 50% by number of the shareholders present and voting at the meeting must vote in favour of the scheme.

Part 3 of Schedule 8 of the Corporations Regulations details the prescribed information relating to schemes of arrangement. Specifically, clause 8303 of Schedule 8 states that an independent expert's report stating whether, in the opinion of the expert, the proposed scheme is in the best interests of the company's shareholders must accompany a scheme document if:

- (a) A party to the proposed scheme has a prescribed shareholding in the company subject to the scheme;
or
- (b) The directors of the company are also directors of the company subject to the scheme.

As at the date of this Report, we understand that the above conditions do not apply and neither the Corporations Act nor the Corporations Regulations specifically require that an independent expert's report be provided to DMS shareholders in relation to the Proposed Transaction. While this Report is not required to be provided for the purpose of complying with any specific provisions of the Corporations Act or the Corporations Regulations, we have been requested by the directors of DMS to prepare this Report to accompany the Scheme Booklet.

4.1.2 ASX Listing Requirements

We have been instructed that DMS will not be using this Report or our assessment of the Proposed Transaction for the purpose of complying with the listing requirements of the ASX or any other stock exchange.

4.2 Assessment Methodology

ASIC have issued Regulatory Guide 111: Content of Expert Reports, which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a takeover transaction. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

RG 111 specifically differentiates between control and non-control transactions in providing guidance on the type of analysis to complete. Where a control transaction is to occur by way of a scheme of arrangement, RG 111 states that the independent expert should have regard to whether the transaction is 'fair' and 'reasonable' to shareholders before concluding on whether the transaction is in the 'best interests' of shareholders.

Under RG 111, an offer will be considered 'fair' if the value of the consideration to be received by the shareholders is equal to or greater than the value of the shares that are the subject of the offer. To assess whether an offer is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the offer. This includes comparing the likely advantages and disadvantages of accepting the offer with the position of the shareholders if they do not accept the offer.

The Proposed Transaction involves Mastermyne acquiring 100% of the issued share capital in DMS which represents a controlling interest stake. As the Proposed Transaction represents a control transaction, we have had regard to whether the Proposed Transaction is 'fair' and 'reasonable' to DMS shareholders before concluding on whether the Proposed Transaction is in the 'best interests' of DMS shareholders.

To meet the ASIC requirements, an expert seeking to determine whether a proposal is 'fair' and 'reasonable', and therefore in the 'best interests' of shareholders, should complete the steps set out below.

4.2.1 Step 1 - Assessment of Fairness

In our view, to assess whether the Proposed Transaction is 'fair' it is appropriate to:

- (a) Determine the value of a DMS share immediately prior to the Proposed Transaction on a controlling interest basis; and

- (b) Compare the value determined in (a) with the value of 0.1126 shares in the Combined Entity immediately following the Proposed Transaction on a minority interest basis.

Under RG 111 the Proposed Transaction will be considered 'fair' to DMS shareholders if the value of 0.1126 shares on the Combined Entity is equal to or greater than the value of a DMS share.

Our assessment of the fairness of the Proposed Transaction is set out in Section 9 of this Report.

4.2.2 Step 2 - Assessment of Reasonableness

To assess whether the Proposed Transaction is 'reasonable' it is appropriate to examine other significant factors to which DMS shareholders may give consideration prior to forming a view on whether to vote in favour of or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of approving the Proposed Transaction with the position of a DMS shareholder if the Proposed Transaction is not approved, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Proposed Transaction is set out in Section 10 of this Report.

4.2.3 Step 3 - Expert's Opinion

Upon completion of steps 1 and 2, it may be possible to conclude that the Proposed Transaction is 'reasonable' if there are valid reasons for the approval, notwithstanding that the Proposed Transaction may not be regarded as 'fair' to the shareholders. Generally speaking, an offer is 'reasonable' if it is 'fair'. It may also be 'reasonable', despite not being 'fair', if after considering other significant factors the interests of the shareholders are reasonably balanced.

This Report will provide our opinion as to whether or not the Proposed Transaction is 'fair' and 'reasonable'. While all issues need to be considered before drawing an overall conclusion, we will assess the 'fairness' and 'reasonableness' issues separately for clarity.

If our opinion of the Proposed Transaction is that it is 'fair and reasonable' then we will also be able to conclude that the Proposed Transaction is in the 'best interests' of the shareholders of DMS. If our opinion of the Proposed Transaction is that it is 'not fair but reasonable', we may still conclude that the Proposed Transaction is in the best interests of the shareholders of DMS. In this circumstance, we will clearly state that the consideration is not equal to or greater than the value of a DMS share, but there are sufficient reasons for DMS shareholders to vote in favour of the Proposed Transaction in the absence of a superior proposal. If our opinion of the Proposed Transaction is that it is 'not fair and not reasonable', we will conclude that the Proposed Transaction is 'not in the best interests of the shareholders of DMS'.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Proposed Transaction. Other advisers have provided advice in relation to those matters to DMS in relation to the Proposed Transaction.

In the process of assessing the Proposed Transaction, we have relied on certain economic, market and other conditions prevailing as at the date of this Report. We note that changes in these conditions may have a material impact on the results presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

This Report has been prepared in accordance with professional standard APES 225: Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

5.0 Background of DMS

5.1 Overview of DMS

DMS is an unlisted public mining, maintenance and engineering services company. The Company provides a diversified product and service offering with a focus on servicing the coal and mineral processing industries of Queensland and New South Wales. DMS is a preferred supplier for numerous major mining, resources and energy companies. DMS was established in 2009 and currently employs over 300 staff throughout Australia. DMS operates from leased facilities in Mackay, Gladstone, Newcastle and Brisbane and also operates at numerous client sites throughout Australia.

DMS operates two divisions servicing the pit-to-port needs of customers throughout the mining process. The DMS services division provides mining operations and maintenance services and the DMS engineering division provides services including fabrication, machining, line boring and other general engineering services. Table 5.1 below summarises the services offered by DMS.

Table 5.1: DMS Services

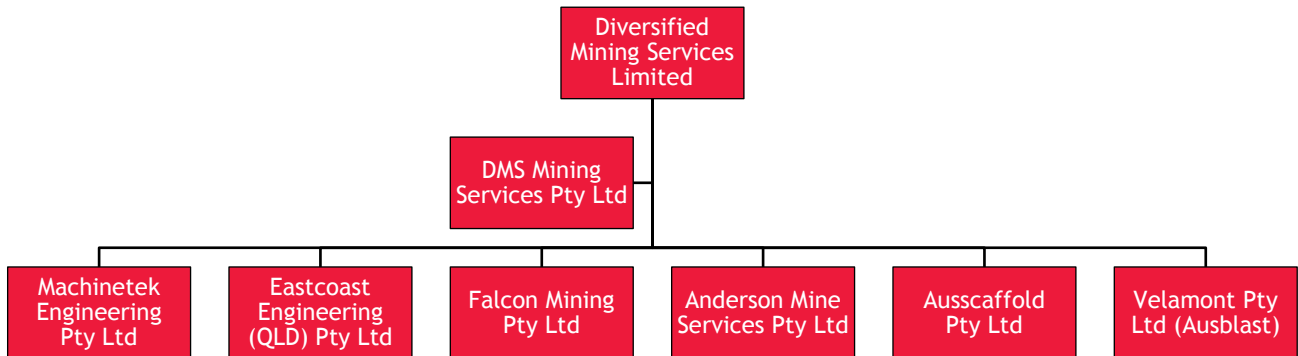
Description	Company Capabilities
DMS Services	
Underground	- Supply and installation of fabricated ventilation control devices and a full range of ventilation seals and stoppings compliant to all relevant mines departments requirements - Experience in road works, roof bolting, gas drainage, fall recovery, water management, conveyor recovery and installation, equipment hire, services installation and retraction and major works projects
Scaffold and rigging	- Industrial scaffolding and rigging services for construction, maintenance and shut down operations - Specialist contractor both on-site and over-water - Extensive experience in mining, marine and industrial applications
Protective coatings	- Specialists in protective coatings solutions, on-site abrasive blasting and painting, industrial cleaning and pressure washing - Asset inspection and maintenance services, detailed inspection and planning for preventative maintenance
Poly welding	Specialists in on-site poly welding providing complete range of butt welding and electrofusion, installation of small and large diameter pipelines, pit de-watering and gas drainage
Engineering Services	
Fabrication	- Fully equipped precision engineering and fabrication workshops focusing on specialist component manufacturing including shovel components and ventilation control devices - Light-to-medium fabrication, including product design and manufacture along with boiler making and welding
Machining	- Fully equipped heavy engineering machine workshops - Vertical and horizontal line boring services (on and off-site), precision lathe work, boring and milling, as well as heavy equipment reclamation specialising in the refurbishment of major components on heavy plant and equipment

Source: DMS company website - www.dmsgroup.com.au

5.2 Group Structure of DMS

Figure 5.1 below shows the current DMS group structure (excluding dormant companies).

Figure 5.1: DMS Group Structure



Source: DMS Group Structure as at 30 June 2014 (excluding dormant companies)

With regard to the DMS group entities shown above, we note the following:

- Diversified Mining Services Limited is a non-trading holding company for the DMS group;
- DMS Mining Services Pty Ltd is the group contracting entity;
- Machinetek Engineering Pty Ltd provides on-site boring and machining services;
- Eastcoast Engineering (QLD) Pty Ltd operates in Gladstone, Queensland and provides fabrication and machining services;
- Falcon Mining Pty Ltd provides underground coal mining services contractors in New South Wales;
- Anderson Mine Services Pty Ltd provides underground coal mining services contractors in Queensland;
- Ausscaffold Pty Ltd provides industrial scaffold, rigging hire and labour hire services; and
- Velamont Pty Ltd provides blasting, protective coatings, industrial cleaning and pressure water blasting services.

5.3 Equity Structure of DMS

As at 2 October 2014, DMS had 138,276,897 ordinary shares outstanding. Table 5.2 shows the top ten shareholders of DMS as at 2 October 2014.

Table 5.2: Top Ten Shareholders of DMS as at 2 October 2014

Shareholder	Number of Shares	%
1. Funds managed by Maui Capital	55,846,155	40.4%
2. AJ Matslofva and GJ Upton	12,616,957	9.1%
3. D Anderson	11,007,161	8.0%
4. Aegeus Partners Pty Ltd	10,000,001	7.2%
5. Oaktuft Pty Ltd (V McCullough)	8,196,186	5.9%
6. JA Byrnes	7,571,057	5.5%
7. CA Anderson	5,015,853	3.6%
8. GJ Anderson	5,015,853	3.6%
9. MJ Webb and KM Webb	1,819,143	1.3%
10. SM Wright and MR Wright	1,628,234	1.2%
Other shareholders	19,560,297	14.1%
Total	138,276,897	100.0%

Source: DMS Share Register as at 2 October 2014

5.4 Historical Financial Information

This section of this Report sets out the historical financial information of DMS. As this Report contains summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in DMS' annual reports, which include the full statements of comprehensive income, statements of financial position and statements of cash flows.

DMS' accounts were audited by EY. BDO CFQ has not performed any audit or review of any type on the historical financial information of DMS. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that the information is false or misleading.

5.4.1 Comprehensive Income

Table 5.3 below summarises DMS' statement of comprehensive income for the 12 month periods ended 30 June 2012, 30 June 2013 and 30 June 2014.

Table 5.3: Statement of Comprehensive Income

	12 Months Ended 30 June 2012 Audited \$'000	12 Months Ended 30 June 2013 Audited \$'000	12 Months Ended 30 June 2014 Audited \$'000
Sale of goods	41,365	15,882	15,092
Rendering of services	129,846	50,527	33,005
Rental of plant and equipment	10,359	7,199	1,974
Other revenues from operations	398	108	182
Total revenues	181,968	73,716	50,253
Cost of sales	(135,887)	(56,508)	(36,672)
Gross profit	46,081	17,208	13,581
Administration and other expenses	(31,364)	(23,541)	(14,010)
Business development and marketing	(480)	(163)	(56)

	12 Months Ended 30 June 2012 Audited \$'000	12 Months Ended 30 June 2013 Audited \$'000	12 Months Ended 30 June 2014 Audited \$'000
Finance costs	(3,016)	(2,426)	(1,525)
Occupancy expenses	(3,924)	(4,553)	(1,881)
Other income	870	212	122
Impairment	-	(18,913)	(19,133)
Profit/(loss) before income tax	8,167	(32,176)	(22,902)
Income tax (expense)/benefit	(2,499)	4,701	(5,428)
Net profit/(loss) attributable to members of DMS	5,668	(27,475)	(28,330)
Other comprehensive income	-	-	-
Total continuing comprehensive income	5,668	(27,475)	(28,330)
Profit/(loss) from discontinued operations	-	(36,129)	(4,745)
Total comprehensive income	5,668	(63,604)	(35,805)

Source: DMS 2012, 2013 and 2014 Annual Reports

With regard to the financial performance of DMS summarised above, we note the following:

- The financial performance of DMS for the year ended 30 June 2012 includes information relating to business segments which were operated by DMS during 2012 but which were divested during the year ended 30 June 2014. Caution should be exercised when comparing of the Company's financial performance from 2012 with subsequent periods;
- During the year ended 30 June 2014, DMS divested its Coaltram and NSW Maintenance businesses. The profit/(loss) from discontinued operations shown in Figure 5.3 relate to the financial performance of these business segments. While the Coaltram and NSW Maintenance businesses were divested during the year ended 30 June 2014, the financial performance for the year ended 30 June 2013 has been restated to reflect the current operating status of the Company;
- DMS' total revenues from continuing operations decreased by approximately 32% from \$73.7 million in 2013 to \$50.3 million in 2014. The decrease in revenues is a result of the general contraction across the mining and mining services sectors;
- While revenues decreased materially in 2014, DMS reported a stronger gross margin of 27.0% (2013: 23.3%) as the Company was able to reduce direct costs by realising operational efficiencies through increased employee utilisation and wage rate reductions; and
- In 2013, DMS reported impairment costs of \$3.8 million to property, plant and equipment and \$15.1 million to intangibles. In 2014, the Company reported further impairment costs of \$19.1 million to intangibles.

5.4.2 Financial Position

Table 5.4 below summarises DMS' statement of financial position as at 30 June 2012, 30 June 2013 and 30 June 2014.

Table 5.4: Statement of Financial Position

	As at 30 June 2012 Audited \$'000	As at 30 June 2013 Audited \$'000	As at 30 June 2014 Audited \$'000
Current Assets			
Cash and cash equivalents	7,191	261	24
Trade and other receivables	42,744	19,567	8,396
Inventories	27,920	14,665	999
Other financial assets	3	-	-
Other current assets	1,218	810	412
Current tax assets	230	513	-
Total current assets	79,306	35,816	9,831
Non-Current Assets			
Property, plant and equipment	24,891	12,145	7,543
Deferred tax assets	1,212	5,355	-
Intangibles	78,517	37,583	9,687
Other non-current assets	621	318	-
Total non-current assets	105,241	55,401	17,230
Total assets	184,547	91,217	27,061
Current Liabilities			
Trade payables and accruals	38,429	14,028	7,373
Other payables	1,325	-	-
Derivative financial liability	267	150	44
Interest bearing liabilities	10,595	9,139	6,702
Provisions	3,896	5,811	1,947
Taxation	1,456	-	-
Total current liabilities	55,968	29,128	16,066
Non-Current Liabilities			
Interest bearing liabilities	17,849	13,789	765
Provisions	830	2,127	550
Total non-current liabilities	18,679	15,916	1,315
Total liabilities	74,647	45,044	17,381
Net assets	109,900	46,173	9,680
Equity			
Contributed equity	102,882	102,759	102,071
Reserves	4,332	4,332	4,332
Accumulated profits/(losses)	2,686	(60,918)	(96,723)
Total equity	109,900	46,173	9,680

Source: DMS 2012, 2013 and 2014 Annual Reports

With regard to the financial position of DMS summarised above, we note the following:

- The decrease in total assets reported in 2013 resulted primarily from the impairment of property, plant and equipment, intangible assets and inventory. The Company's total asset position decreased further in 2014 due to the sale of the Company's Coaltram and NSW maintenance businesses;

- DMS has used the proceeds from the sale of the Coaltram business to reduce its outstanding debt balance with ANZ. Interest bearing liabilities have been reduced by 67.6% to \$7.7 million at 30 June 2014 from approximately \$22.9 million as at 30 June 2013. We note that as at 30 June 2014 DMS is carrying the majority of its interest bearing liabilities as current;
- As at 30 June 2014, current liabilities of \$16.1 million exceeded current assets of \$9.8 million. If DMS is not able to address this current asset deficiency then its ability to continue as a going concern may be impacted;
- During the year ended 30 June 2014, DMS wrote down its goodwill from approximately \$37.6 million to \$9.7 million; and
- As at 30 June 2014, DMS reported net tangible assets of approximately nil.

5.4.3 Cash Flows

Table 5.5 below summarises DMS' statement of cash flows for the 12 month periods ended 30 June 2012, 30 June 2013 and 30 June 2014.

Table 5.5: Statement of Cash Flows

	12 Months Ended 30 June 2012 Audited \$'000	12 Months Ended 30 June 2013 Audited \$'000	12 Months Ended 30 June 2014 Audited \$'000
Cash Flows from Operating Activities			
Cash receipts in the course of operations	170,720	162,368	79,176
Cash payments in the course of operations	(164,433)	(156,255)	(75,140)
Interest received	200	83	7
Interest and other finance costs paid	(2,745)	(2,611)	(1,552)
Income tax received/(paid)	(583)	(1,181)	439
Net cash flows from operating activities	3,159	2,404	2,930
Cash Flows from Investing Activities			
Payments for intangibles	(1,873)	(62)	(367)
Payments for property, plant and equipment	(4,421)	(2,750)	(1,293)
Insurance recovery received	-	87	34
Business acquisitions - net of cash acquired	(9,137)	(1,325)	-
Business disposals - net of cash received	-	-	13,000
Proceeds from sale of property, plant and equipment	1,761	232	965
Net cash flows from investing activities	(13,670)	(3,818)	12,339
Cash Flows from Financing Activities			
Proceeds from capital raisings	28,814	-	-
Proceeds from external borrowings	17,061	-	-
Repayment of external borrowings	(28,648)	(5,516)	(15,506)
Net cash flows from financing activities	17,227	(5,516)	(15,506)
Net increase/decrease in cash and cash equivalents	6,716	(6,930)	(237)
Cash and cash equivalents at the start of the period	475	7,191	261
Cash and cash equivalents at the end of the period	7,191	261	24

Source: DMS 2012, 2013 and 2014 Annual Reports

With regard to the cash flows of DMS summarised above, we note the following:

- DMS' cash flows from operations increased from approximately \$2.4 million in 2013 to \$2.9 million in 2014 as the Company was able to reduce direct costs by realising operational efficiencies through increased employee utilisation and wage rate reductions;
- During the 12 month period ended 30 June 2014, DMS divested its Coaltram and NSW Maintenance business reporting net proceeds from business disposals and the sale of property, plant and equipment of approximately \$13.0 million and \$1.0 million, respectively; and
- We have been instructed that DMS used the total proceeds received from the sale of the Coaltram and NSW Maintenance businesses to partly repay the Company's debt facilities outstanding with ANZ bank.

5.5 Forecast Financial Information

We have been provided with a forecast for DMS for the 12 month period ending 30 June 2015 based on the directors' best estimates of the Company's financial performance over the period. In relation to the forecast financial information, BDO CFQ has not been instructed to and has not completed any formal audit, review or due diligence procedures on the financial information provided to us beyond a critical analysis of the assumptions adopted and enquiry of DMS' management for the purposes of our work on this Report. We make no statement as to whether the forecast will actually be achieved.

Table 5.6 below summarises the forecast statement of financial performance for DMS for the 12 month period ending 30 June 2015.

Table 5.6: DMS Forecast for the Year Ending 30 June 2015

	Year Ending 30 June 2015 Forecast \$'000
Revenue	57,241
Cost of goods sold	(41,494)
Gross profit	15,748
Total overheads	(11,475)
EBITDA	4,273
Depreciation and amortisation	(1,812)
EBIT	2,462
Interest	(1,200)
Net profit before tax	1,262
Income tax expense	(378)
Net profit after tax	883

Source: DMS management

With regard to the forecast financial information of DMS summarised above, we note the following:

- DMS expects to generate total revenues of approximately \$57.2 million in 2015, representing an increase of approximately 13% from total revenues from continuing operation of \$50.3 million in 2014;
- In line with the increase in revenues, DMS expects cost of goods sold to increase by approximately 13% from \$36.7 million in 2014 to \$41.5 million in 2015;

- Operating expenses and corporate overheads have been forecast to be approximately \$11.5 million for the year, or \$0.96 million per month on average;
- Based on the assumptions used to construct the forecast, it was expected that as at the date the forecast was prepared, DMS would achieve EBITDA of approximately \$4.3 million in 2015 (before one-off costs associated with the Proposed Transaction). We note that this represents a material increase on the normalised EBITDA generated by the Company in 2014 (refer to Section 7.2 below) and is expected to be achieved through increasing revenues from the current business operations and realising operating efficiencies by improving employee utilisation and 'right-sizing' the employee base;
- The forecast financial information does not include rental expenses on three properties which are leased by DMS but which are not currently utilised by the Company. We note that DMS has recognised a provision for onerous leases in its statement of financial position as at 30 June 2014; and
- The forecast financial information represents DMS as a stand-alone entity. We note that in its announcement to the ASX on 26 September 2014 in relation to the Proposed Transaction, Mastermyne noted that DMS may contribute approximately \$5.5 million EBIT (\$6.7 million EBITDA) on a full-year basis. The contribution estimate provided by Mastermyne included expected cost savings which may be achievable following the Proposed Transaction (refer to Section 8.2.1 of this Report for information relating to the potential cost synergies of the Proposed Transaction).

6.0 Background of Mastermyne

6.1 Overview of Mastermyne

Mastermyne is a specialist provider of outsource mining services to new and existing coal mining operations throughout Australia. The Company was established in 1996 in Mackay, Queensland and listed on the ASX in 2010. Mastermyne currently employs over 780 people operating in 20 mine sites throughout Queensland and New South Wales.

Mastermyne is structured into three operating divisions, underground mining services, electrical and mechanical services, and engineering and fabrication services. Table 6.1 below summarises the products and services offered by each of Mastermyne's operating divisions.

Table 6.1: Mastermyne Operating Divisions

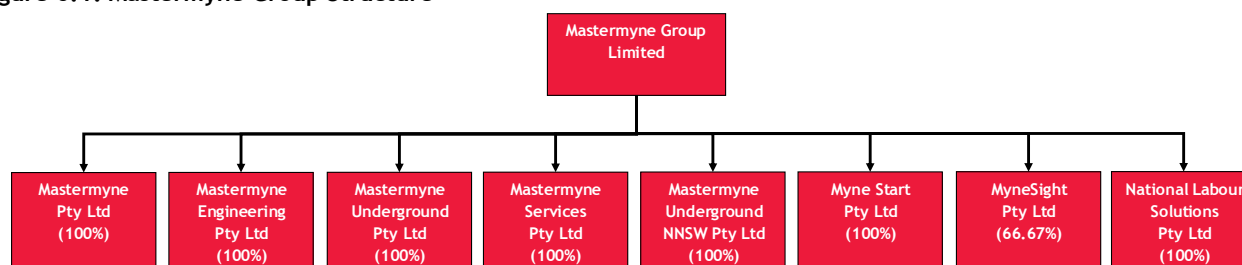
Division	Products and Services
Underground Mining Services	- Underground roadway development - Installation of conveyors - Longwall relocation and maintenance - Supply and installation of ventilation control devices - Installation of secondary support - Equipment hire - In-seam directional drilling
Electrical and Mechanical Services	- Open cut mechanical and electrical services - Maintenance and relief services to production plants
Engineering and Fabrication Services	- Manufacturing and fabrication of mining consumables and specialised equipment used in underground mining operations - Design and engineering of specialised equipment and consumables - Distribution of mining products and consumables - Workshop repairs, manufacturing and assembly

Source: Mastermyne company website

6.2 Mastermyne Group Structure

Figure 6.1 below shows the current Mastermyne group structure.

Figure 6.1: Mastermyne Group Structure



Source: Mastermyne 2013 Annual Report

With regard to the Mastermyne group structure summarised above, we note that Mastermyne and each of its wholly owned subsidiaries (with the exception of MyneSight Pty Ltd) operate under a deed of cross guarantee.

6.3 Mastermyne Equity Structure

As at 25 September 2014, Mastermyne had the following securities on issue:

- 75,517,514 ordinary shares; and
- 1,050,000 employee performance rights which vest based on either the total-shareholder return or earnings per share growth of Mastermyne relative to the ASX300 index and expire on 30 June 2017.

Table 6.3 shows the top ten shareholders of Mastermyne as at 25 September 2014.

Table 6.3: Top Ten Shareholders of Mastermyne as at 25 September 2014

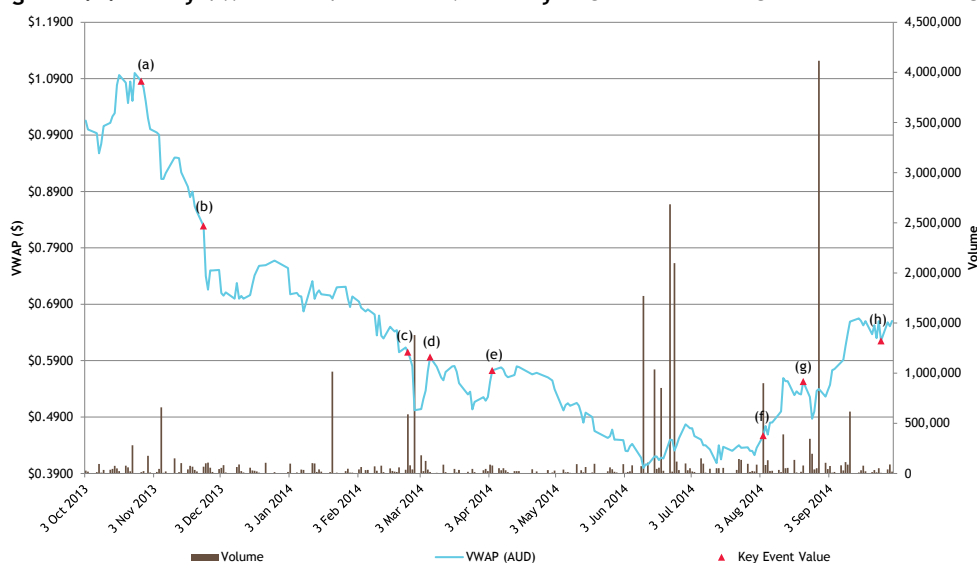
Shareholder	Number of Shares	%
1. Dominic Andrew Watts	11,262,245	14.9%
2. Darren William Hamblin	9,702,658	12.8%
3. Acorn Capital Limited	6,770,759	9.0%
4. Wilson HTM Investment Management Pty Ltd	5,944,406	7.9%
5. Paradise Investment Management Pty Ltd	4,076,611	5.4%
6. MLC Investment Management Limited	3,904,037	5.2%
7. Perpetual Limited	3,616,211	4.8%
8. Michael Alan Coombs	1,463,810	1.9%
9. Anthony Salvatore Caruso	1,419,693	1.9%
10. Anthony Charles Zahra	1,159,810	1.5%
Other Shareholders	26,197,274	34.7%
Total	75,517,514	100.0%

Source: Capital IQ as at 25 September 2014

6.4 Mastermyne Share Market Performance

Figure 6.2 below shows the daily volume-weighted average price ('VWAP') and daily volume of Mastermyne shares traded on the ASX over the period from 2 October 2013 to 2 October 2014 inclusive.

Figure 6.2: Daily VWAP and Volume of Mastermyne Shares from 2 October 2013 to 2 October 2014



Source: Capital IQ as at 3 October 2014

Over the period graphed in Figure 6.3 above, Mastermyne's daily VWAP showed a period low of \$0.4000 on 11 June 2014 and a period high of \$1.0853 on 28 October 2013.

In addition to the share price and volume data of Mastermyne shown above, we have also provided additional information in Table 6.4 below to assist readers to understand the possible reasons for movements in Mastermyne's share price over the period analysed. The ASX announcement references in Table 6.4 below correspond to those displayed in Figure 6.3 above.

Table 6.4: Mastermyne ASX Announcement between 2 October 2013 and 2 October 2014

	Date	Announcement
(a)	28-Oct-13	Mastermyne announced a new company Chairman as elected by the board of directors.
(b)	25-Nov-13	Mastermyne released the FY2014 first half earnings guidance, announcing lower expected performance for the first half as a result of contracted work being delayed into the second half of FY2014.
(c)	25-Feb-14	Mastermyne released its Half Year Financial Report for the six months ended 31 December 2013.
(d)	7-Mar-14	S&P Dow Jones announced the quarterly rebalance of the S&P/ASX Indices whereby Mastermyne was removed from the All Ordinaries Index effective 21 March 2014.
(e)	4-Apr-14	Mastermyne announced that it has been awarded the Moranbah region umbrella contract with Anglo American Coal Pty Ltd.
(f)	4-Aug-14	Mastermyne announced that it has renewed the secondary support and outbye services contract with Illawara Coal Holdings for its West Cliff Colliery.
(g)	22-Aug-14	Mastermyne released its preliminary Annual Financial Report for the year ended 2014
(h)	26-Sep-14	Mastermyne announced that it has agreed to acquire DMS (i.e. the Proposed Transaction) on a cash/debt free basis, subject to DMS shareholder approval.

Source: Mastermyne ASX Announcements

In Table 6.5 below we have set out the VWAP of Mastermyne shares traded on the ASX for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 25 September 2014 (being the day before the announcement of the Proposed Transaction).

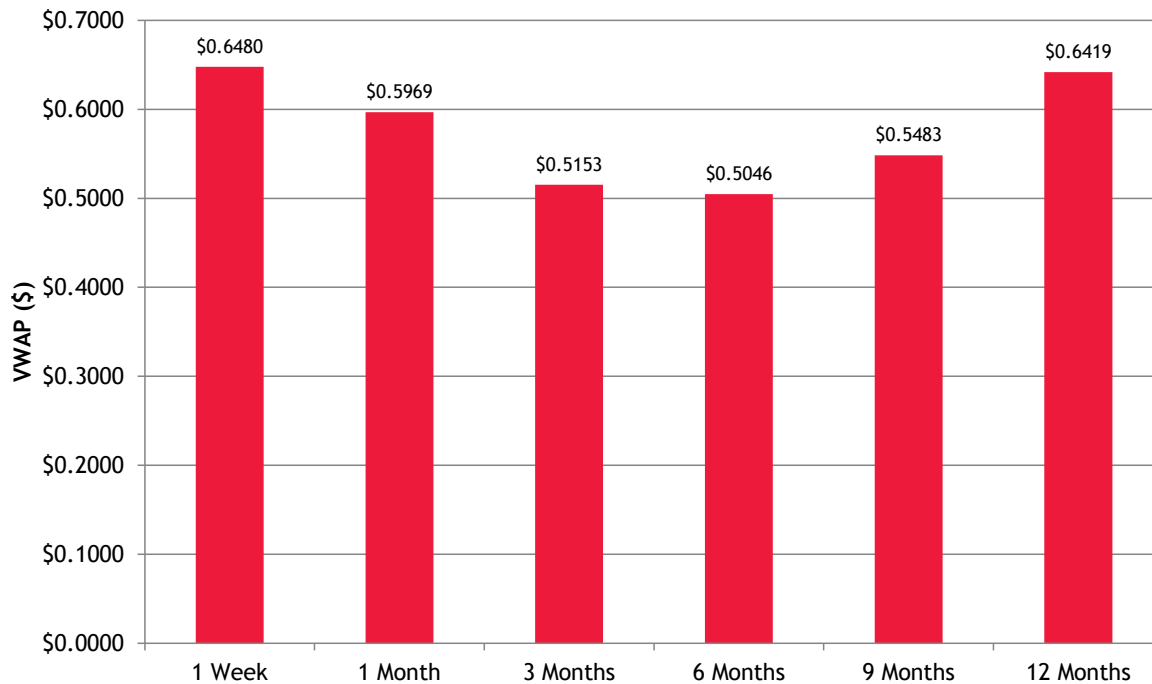
Table 6.5: Mastermyne's VWAP for Specified Periods Prior to 25 September 2014

Period prior to 25 September 2014	VWAP
1 week	\$0.6480
1 month	\$0.5969
3 months	\$0.5153
6 months	\$0.5046
9 months	\$0.5483
12 months	\$0.6419

Source: Capital IQ as at 3 October 2014

The information presented in Table 6.5 above is shown graphically in Figure 6.4 below.

Figure 6.4: Mastermyne's VWAP for Specified Periods Prior to 25 September 2014



Source: Capital IQ as at 3 October 2014

6.5 Liquidity of Mastermyne Shares on the ASX

The rate at which equity instruments are traded is generally referred to as the 'liquidity'. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 6.6 below summarises the monthly liquidity of Mastermyne shares from October 2013 to September 2014 inclusive. Liquidity has been summarised by considering the following:

- Volume of Mastermyne share trades per month;
- Value of total trades (turnover) in Mastermyne shares per month;
- Number of shares traded per month as a percentage of total shares outstanding at the end of the month; and
- The monthly VWAP of Mastermyne shares.

Table 6.6: Liquidity of Mastermyne Shares on the ASX

Month	Volume	Turnover	Shares Outstanding	Volume per Shares Outstanding	Monthly VWAP
September 2014	1,556,480	\$986,290	75,517,514	2.06%	\$0.6337
August 2014	6,793,920	\$3,534,620	75,517,514	9.00%	\$0.5203
July 2014	1,057,160	\$464,230	75,517,514	1.40%	\$0.4391
June 2014	9,246,120	\$3,970,900	75,517,514	12.24%	\$0.4295
May 2014	568,640	\$278,690	75,517,514	0.75%	\$0.4901
April 2014	577,200	\$324,260	75,517,514	0.76%	\$0.5618
March 2014	694,950	\$376,690	75,517,514	0.92%	\$0.5420
February 2014	2,661,690	\$1,514,670	75,517,514	3.52%	\$0.5691
January 2014	1,601,560	\$1,130,910	75,517,514	2.12%	\$0.7061
December 2013	643,170	\$465,430	75,517,514	0.85%	\$0.7237
November 2013	1,612,170	\$1,402,580	75,517,514	2.13%	\$0.8700
October 2013	1,344,780	\$1,385,830	75,517,514	1.78%	\$1.0305
Total	28,357,840	\$15,835,100	75,517,514	37.55%	\$0.5584

Source: Capital IQ as at 3 October 2014

Based on an average number of 75,517,514 Mastermyne shares on issue over the period, approximately 37.6% of total shares on issue were traded over the twelve month period to 30 September 2014. In our view, this indicates that Mastermyne shares display a moderate level of liquidity.

6.6 Historical Financial Information

This section of this Report sets out the historical financial information of Mastermyne. As this Report contains summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Mastermyne's annual reports, which include the full statements of comprehensive income, statements of financial position and statements of cash flows.

Mastermyne's financial statements for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 were audited by KPMG Australia. BDO CFQ has not performed an audit or review of any type on the historical financial information of Mastermyne. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that the information is false or misleading.

6.6.1 Comprehensive Income

Table 6.7 below summarises the consolidated statement of comprehensive income for Mastermyne for the 12 month periods ended 30 June 2012, 2013, and 2014.

Table 6.7: Mastermyne Statement of Comprehensive Income

	12 Months Ended 30 June 2012 Audited \$'000	12 Months Ended 30 June 2013 Audited \$'000	12 Months Ended 30 June 2014 Audited \$'000
Revenue and other income			
Contracting revenue	241,195	221,677	150,009
Sale of goods	22,618	17,819	18,468
Machinery hire	8,142	9,340	3,500
Other income	451	745	257
Total revenue and other income	272,406	249,581	172,234

	12 Months Ended 30 June 2012 Audited \$'000	12 Months Ended 30 June 2013 Audited \$'000	12 Months Ended 30 June 2014 Audited \$'000
Expenses			
Contract disbursements	(52,100)	(48,998)	(30,090)
Personnel expenses	(181,610)	(165,739)	(123,188)
Office expenses	(6,007)	(6,749)	(5,698)
Other expenses	(1,125)	(2,217)	(1,034)
Total expenses	(240,842)	(223,703)	(160,010)
EBITDA	31,564	25,878	12,224
Depreciation and amortisation	(6,606)	(7,930)	(7,353)
EBIT	24,958	17,948	4,871
Interest income	237	361	263
Interest expense	(1,445)	(1,801)	(1,199)
Profit before tax	23,750	16,508	3,935
Tax expense	(9,086)	(4,979)	(943)
Profit/loss for the period	14,664	11,529	2,992
Other comprehensive income	-	-	-
Total comprehensive income	14,664	11,529	2,992

Source: Mastermyne 2013 and 2014 Annual Reports

With reference to the comprehensive income of Mastermyne set out in Table 6.7 above we note the following:

- Mastermyne's revenue by business division for the year ended 30 June 2014 can be broken down as follows:
 - 87.6% from underground mining services (2013: 78.1%);
 - 10.7% from engineering and fabrication services (2013: 7.2%); and
 - 1.6% from electrical and mechanical services division (2013: 14.8%);
- Mastermyne's total revenues decreased by 31% from approximately \$249.6 million in 2013 to \$172.2 million in 2014. Explanations for movements in the Company's revenues include the following:
 - Revenue from the underground mining services division decreased by 22.4% in 2014 primarily as a result of general contraction across the mining sector, as well as decreased contracting activity following the completion of both Newstan and Kestrel Mine Extension Projects;
 - Revenue from the engineering and fabrication services division increased by 3.6% in 2014 primarily as a result of the Grosvenor QDS contract and the uplift in consumables product sales driven by the increase in mine production. This was partially offset by pricing pressure from customers on fabrication work;
 - Revenue from the electrical and mechanical services division decreased significantly by 92.4% in 2014 as a result of limited contracting activity in construction and greenfield projects;
- During 2014, three of Mastermyne's major customers contributed a combined \$86.4 million to revenues spread across underground mining services division and electrical/mechanical services division. Each of the three major customers individually account for over 10% of revenues;

- Mastermyne implemented initiatives to reduce costs in response to decreased contracting activity. Mastermyne reduced its workforce to 733 employees in June 2014, down from a peak of 903 employees in March 2014; and
- Mastermyne's net profit margin has decreased significantly over the last three years, from 5.4% in 2012 to 1.7% in 2014.

6.6.2 Financial Position

Table 6.8 below summarises the consolidated statement of financial position of Mastermyne as at 30 June 2012, 2013, and 2014.

Table 6.8: Mastermyne Statement of Financial Position

	As at 30 June 2012 Audited \$'000	As at 30 June 2013 Audited \$'000	As at 30 June 2014 Audited \$'000
Current Assets			
Cash and cash equivalents	13,328	10,223	8,810
Trade and other receivables	49,859	40,906	37,917
Inventories	1,933	2,332	2,742
Total current assets	65,120	53,461	49,469
Non-Current Assets			
Deferred tax assets	469	-	-
Property, plant and equipment	39,099	32,760	27,732
Intangible assets	19,696	20,040	19,642
Total non-current assets	59,264	52,800	47,374
Total assets	124,384	106,261	96,843
Current Liabilities			
Trade and other payables	27,660	15,274	16,265
Loans and borrowings	5,371	6,732	5,102
Employee benefits	8,350	8,762	6,655
Current tax payable	9,100	1,398	10
Total current liabilities	50,481	32,166	28,032
Non-Current Liabilities			
Loans and borrowings	19,068	11,442	5,941
Employee benefits	104	120	145
Deferred tax liabilities	-	1,637	2,063
Total non-current liabilities	19,172	13,199	8,149
Total liabilities	69,653	45,365	36,181
Net assets	54,731	60,896	60,662
Equity			
Share capital	50,964	50,964	51,108
Reserves	(22,456)	(22,077)	(21,979)
Retained earnings	26,223	31,632	31,127
Non-controlling interests	-	377	406
Total equity	54,731	60,896	60,662

Source: Mastermyne 2013 and 2014 Annual Reports

With reference to the financial position of Mastermyne set out in Table 6.8 above we note the following:

- Approximately \$18.9 million of total intangible assets relates to goodwill from the acquisition of Mastermyne Engineering Pty Ltd, Mastermyne Services Pty Ltd, Mastermyne Underground Pty Ltd, and MyneSight Pty Ltd;
- Mastermyne has \$41.7 million in available banking facilities, of which \$28.6 million remains undrawn as at 30 June 2014; and
- Mastermyne's total borrowings decreased from \$18.2 million in as at 30 June 2013 to \$11.0 million as at 30 June 2014.

6.6.3 Cash Flows

Table 6.9 below summarises the consolidated statement of cash flows of Mastermyne for the 12 month periods ended 30 June 2012, 2013, and 2014.

Table 6.9: Mastermyne Statement of Cash flow

	12 Months Ended 30 June 2012 Audited \$'000	12 Months Ended 30 June 2013 Audited \$'000	12 Months Ended 30 June 2014 Audited \$'000
Cash Flow from Operating Activities			
Cash receipts from customers	290,802	285,945	196,115
Cash paid to suppliers and employees	(263,585)	(262,904)	(182,343)
Interest paid	(1,445)	(1,801)	(1,199)
Income tax paid	(2,333)	(10,656)	(1,907)
Net cash from/(used in) operating activities	23,439	10,584	10,666
Cash Flow from Investing Activities			
Proceeds from sale of property, plant and equipment	128	958	1,464
Acquisition of property, plant and equipment	(6,154)	(1,989)	(3,355)
Acquisition of intangibles	(26)	-	-
Interest received	237	361	263
Acquisition of subsidiary, net of cash acquired	-	(650)	-
Net cash from/(used in) investing activities	(5,815)	(1,320)	(1,628)
Cash Flow from Financing Activities			
Proceeds from exercise of share options	1,840	-	146
Proceeds from borrowings	1,388	5,331	-
Repayment of borrowings	(8,494)	(11,595)	(7,130)
Dividends paid	(5,050)	(6,105)	(3,468)
Net cash from/(used in) financing activities	(10,316)	(12,369)	(10,452)
Net increase (decrease) in cash and cash equivalents	7,308	(3,105)	(1,414)
Cash and cash equivalents at beginning of period	6,020	13,328	10,223
Cash and cash equivalents at end of the period	13,328	10,223	8,809

Source: Mastermyne 2013 and 2014 Annual Reports

With reference to the cash flows of Mastermyne set out in Table 6.9 above we note the following:

- In line with the decrease in revenues, Mastermyne's cash receipts from customers decreased significantly to approximately \$196.1 million in 2014 from \$285.9 million in 2013;

- Mastermyne's cash flows from operating activities in 2014 was broadly in line with 2013, however we note that the company made significantly higher income tax payments in 2013; and
- Mastermyne reduced its debt facilities largely through operating cash flows.

7.0 Value of DMS Prior to the Proposed Transaction

This section sets out our valuation of DMS prior to the Proposed Transaction and is structured as follows:

- Section 7.1 sets out our view of the most appropriate valuation methodology to adopt for the purpose of valuing DMS;
- Section 7.2 sets out our calculation of the equity value of DMS on a controlling interest basis; and
- Section 7.3 summarises our valuation of a share in DMS on a controlling interest basis.

7.1 Valuation Methodology

RG111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV') and market-based valuation ('MBV') methodologies. Further details on each of these valuation methodologies are set out in Appendix B of this Report.

RG111 does not prescribe which methodology should be used by the expert but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued. We have considered each of the valuation methodologies outlined above and determined, in our view, the most appropriate methodology for calculating the value of DMS prior to the Proposed Transaction. Table 7.1 below summarises our view of the most appropriate valuation methodology to adopt to value DMS in this Report.

Table 7.1: Summary of Possible Valuation Methodologies

Methodology	Appropriate	Explanation
Discounted cash flow valuation ('DCF')	✗	The DCF valuation methodology requires projections of the Company's future cash flows using assumptions about expected future performance. DMS has not prepared, and we have not been provided with, a cash flow forecast for a sufficiently long period of time with an appropriate level of certainty to enable the use of the DCF valuation methodology. In our view, it is more appropriate to adopt valuation methodologies other than the DCF methodology for the purpose of valuing DMS in this Report.
Capitalisation of maintainable earnings valuation ('CME')	✓	It is possible to estimate the maintainable earnings of DMS having regard to the recent financial performance of the Company, discussions with management, and our assessment of the relevant earnings of DMS. It is also possible to observe trading and transaction multiples of companies which may be considered to be broadly comparable to DMS. In our view, it is appropriate to adopt the CME valuation methodology for the purpose of valuing DMS in this Report.

Methodology	Appropriate	Explanation
Asset based valuation ('ABV')	×	The ABV methodology calculates the value of an entity based on the fair value of its net identifiable assets. Generally, the ABV methodology is applicable in some circumstances where neither a DCF nor CME valuation is appropriate. An ABV may also be used in conjunction with other methodologies to calculate the value of a company. In our view, it is more appropriate to adopt a valuation methodology other than the ABV methodology for the purposes of valuing DMS in this Report.
Market based valuation ('MBV')	×	DMS is not listed on a stock exchange where market prices for the Company's shares can be readily observed. There have not been any recent trades in DMS shares of sufficient volume to enable the fair market value of DMS shares to be determined. In our view, it is more appropriate to adopt a valuation methodology other than the MBV methodology for the purpose of valuing DMS in this Report.

Source: BDO CFQ analysis

Having regard to the information set out above, in our view it is appropriate to adopt the CME methodology for the purpose of determining the value of DMS in this Report.

7.2 CME Valuation of DMS Prior to the Proposed Transaction

The CME valuation approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total value of the Company. This section of this Report is structured as follows:

- Section 7.2.1 sets out our calculation of the relevant earnings of DMS;
- Section 7.2.2 provides a summary of our research in relation to trading and transaction multiples of companies which may be considered to be broadly comparable to DMS, and sets out our view on the appropriate capitalisation multiple to adopt to value DMS;
- Section 7.2.3 sets out our calculation of the enterprise value of DMS on a controlling interest basis; and
- 7.2.4 summarises the surplus assets and liabilities of the Company and sets out our calculation of the equity value of DMS on a controlling interest basis.

7.2.1 Maintainable Earnings

In our view it is appropriate to adopt earnings before interest, tax, depreciation and amortisation ('EBITDA') as an earnings measure for the purpose of determining the fair value of DMS using the CME valuation methodology. We have adopted EBITDA as opposed to other earnings measures as it is independent of the effects of capital structure and taxes. Adopting EBITDA as an earnings measure also assists in removing irregularities that may arise from differences in depreciation and amortisation accounting policies of different companies including those that may arise from acquisition related amortisation.

In order to determine an appropriate level of maintainable EBITDA for DMS for the purpose of our valuation, we have considered the historical and forecast EBITDA of the Company and discussed the business' financial performance, operating environment and future prospects with DMS management. We have adjusted the earnings of DMS to remove the impacts of non-recurring, abnormal and one-off amounts which have been incurred by DMS (including the elimination of earnings from business units which have been divested by DMS). Based on our discussions with DMS management, we have made the following adjustments to the historical earnings of the Company:

- Coaltram business - As announced to DMS shareholders on 14 March 2014, DMS divested its Coaltram business (and associated assets) to PPK Group Limited. We have been instructed by management of DMS that the Coaltram business generated EBITDA (before impairment) of approximately \$2.3 million in 2013 and \$3.4 million in 2014. We have subtracted the respective EBITDA contribution generated by the Coaltram business in the years ended 30 June 2013 and 30 June 2014 to reflect the operating business of DMS as at the date of this Report;
- NSW Maintenance business - during the year ended 30 June 2014, DMS divested its NSW Maintenance business. We have been instructed by management of DMS that the NSW Maintenance business generated an EBITDA (before impairment) loss of approximately \$1.1 million in 2013 and an EBITDA profit of \$0.2 million in 2014. We have added back the EBITDA loss generated by the NSW Maintenance business in 2013 and subtracted the EBITDA contribution generated by the NSW Maintenance business in 2014 to reflect the operating business of DMS as at the date of this Report;
- Redundancy costs - We have been instructed that DMS incurred non-recurring redundancy costs of approximately \$0.8 million during the year ended 30 June 2013. We have added back the one-off redundancy costs incurred by the Company in the year ending 30 June 2013;
- Restructuring expenses - We have been instructed that during the year ended 30 June 2014, DMS incurred one-off restructuring expenses of approximately \$1.5 million associated with the divestments of the Coaltram and NSW Maintenance businesses and associated with surplus leases. We have added back the restructuring expenses incurred by the Company in the year ending 30 June 2014; and
- Other one-off expenses - We have been instructed that DMS incurred a one-off unusual bad debt write-off of \$0.2 million during the year ended 30 June 2013. During the year ended 30 June 2014, DMS eliminated intercompany gross margins relating to FY2012 of \$0.15 million and wrote-off assets from vacated premises of \$0.15 million. We have added back the abnormal bad debt expense incurred by the Company in the year ended 30 June 2013 and added \$0.3 million of other one-off expenses in the year ended 30 June 2014.

Table 7.2 below summarises our calculation of the normalised EBITDA of DMS for the years ended 30 June 2013 and 30 June 2014, and the forecast EBITDA of DMS for the year ending 30 June 2015.

Table 7.2: Normalised EBITDA of DMS

	Year Ended 30 June 2013 Actual \$'000	Year Ended 30 June 2014 Actual \$'000	Year Ended 30 June 2015 Forecast \$'000
Reported NPAT	(63,604)	(35,805)	-
Income tax benefit/expense	(4,701)	5,428	-
Net interest expense	2,528	1,545	-
Impairment	53,785	19,133	-

	Year Ended 30 June 2013 Actual \$'000	Year Ended 30 June 2014 Actual \$'000	Year Ended 30 June 2015 Forecast \$'000
Depreciation and amortisation	5,081	2,337	-
Loss on sale of discontinued operations	-	9,357	-
Reported EBITDA	(6,911)	1,996	4,273
Normalisation Adjustments:			
Coaltram business	(2,334)	(3,351)	-
Maintenance NSW	1,088	(182)	-
Redundancy costs	799	-	-
Restructuring expenses	-	1,472	-
Other one-off expenses	200	307	-
Normalised EBITDA	(7,158)	242	4,273

Source: DMS 2013 Annual Report, 2014 Financial Statements, 2015 Forecast, DMS management and BDO CFQ analysis

With reference to Table 7.2 above, we have calculated the historic normalised EBITDA of DMS to be approximately -\$7.2 million in 2013 and \$0.2 million in 2014. Based on the directors' best estimate of the future performance, the forecast EBITDA of DMS for 2015 is expected to be approximately \$4.3 million.

In order to determine an appropriate maintainable earnings figure to adopt for the purpose of our valuation we have made enquiries of DMS management in relation to the Company's recent performance and the outlook for the remainder of the year ending 30 June 2015. Based on our discussions with DMS management, we note the following:

- For the month of July 2014, DMS' actual EBITDA (excluding one-off expenses relating to the Proposed Transaction) was approximately \$350,000, which was 14% below budgeted EBITDA of \$407,000. We have been instructed that the Company's revenues in July were approximately \$1.1 million below budget, however the Company's gross margin and overhead expenses were favourable relative to budget;
- For the month of August 2014, DMS' actual EBITDA (excluding one-off expenses relating to the Proposed Transaction) was approximately \$5,000 which was 96% below budgeted EBITDA of \$139,000. We understand that the budget shortfall reported in August 2014 was primarily due to three days stand down at one of the Company's projects; and
- Based on the actual performance of DMS for the two month period ended 31 August 2014 and the forecast financial performance for the ten month period ending 30 June 2015 (as included in the forecast financial information in Section 5.5 of this Report), the Company has now estimated total EBITDA for the year ending 30 June 2014 to be approximately \$4.1 million.

The forecast financial information provided by DMS (i.e. a 2015 EBITDA of \$4.1 million) is inherently uncertain and assumes that the Company will meet its revenue expectations and efficiently realise operating cost reductions despite DMS not meeting budget in July and August 2014. Following discussions with DMS regarding current performance, variations to budget in July and August and the risks and opportunities inherent in the results forecast by DMS, it is our view that it is appropriate to adopt a 2015 maintainable EBITDA for DMS of \$3.5 million in this Report.

DMS is responsible for both the historical and forecast financial information. BDO CFQ has not performed any audit or review of any type on the historical financial information of DMS and we make no statement as to the accuracy of the information provided. In relation to the forecast financial information, BDO CFQ has not been instructed to and has not completed any formal audit, review or due diligence procedures on the financial information provided to us beyond a critical analysis of the assumptions adopted and enquiry of DMS' management. We make no statement as to whether the forecast will actually be achieved.

7.2.2 Capitalisation Multiple

We have selected an appropriate capitalisation multiple to apply to DMS having regard to our research relating to the following:

- Multiples derived from the share market prices of companies which may be considered to be broadly comparable to DMS; and
- Prices and multiples derived from sales transactions where the target entity may be considered to be broadly comparable to DMS.

In selecting an appropriate multiple, we have also had regard to our own assessment of DMS' financial performance, risk and future growth prospects.

Comparable Trading Multiples

We have conducted research into comparable share market multiples of listed companies in Australia which operate in the mining and engineering services industries. We note from our research that broadly comparable companies trade, on average, at FY2014 EBITDA multiples of 5.6 times and FY2015 forecast EBITDA multiple of 4.1 times.

Further information relating to the broadly comparable share market data referred to above is set out in Appendix C.

Comparable Transaction Multiples

We have also had regard to selected sales transactions of companies within the Australian mining and engineering services industries. We note from our research that the implied multiples from the selected closed sales transactions are within the range of 2.3 times to 7.8 times EBITDA. We note that the implied multiples of the three most recent comparable transactions (completed in 2014) were 5.4 times, 2.4 times and 4.4 times EBITDA.

Further information relating to the broadly comparable sales information referred to above is set out in Appendix D.

Appropriate Multiple to apply to the Earnings of DMS

In order to determine an appropriate multiple to adopt for the purpose of valuing DMS in this Report, we have considered a range of factors specific to DMS which may differ from the comparable companies analysed, including:

- Size and market share - the comparable companies differ in size and market share relative to DMS. We note that the comparable companies analysed have enterprise values ranging from approximately \$2.9 million to \$2.1 billion. In general, smaller trading companies and smaller transactions (by deal value) display lower EBITDA multiples;
- Service offering - while the comparable companies all operate in the mining and/or engineering services industry, the range of services offered may differ. The comparable companies may also provide services to companies which operate outside of the mining sector. The difference in service offering and industries serviced relative to DMS may expose the comparable companies to different market and risk factors; and
- Geographic location - DMS provides services to companies operating throughout Queensland and New South Wales, Australia whereas the comparable companies provide services to companies operating both in Australia and overseas. The difference in geographical locations of the comparable companies relative to DMS may expose the comparable companies to different market and political risk factors.

Using the comparable market data and sales transactions outlined in Appendices C and D as a guide, together with our own assessment of factors specific to DMS as outlined above, in our view, it is appropriate to apply a multiple within the range of 3.5 times to 4.5 times the 2015 maintainable EBITDA of DMS on a controlling interest basis.

7.2.3 Enterprise Value of DMS on a Controlling Interest Basis

Table 7.3 below summarises our calculation of the enterprise value of DMS.

Table 7.3: Enterprise Value of DMS

	Low \$'000	High \$'000
2015 Maintainable EBITDA	\$3,500	\$3,500
EBITDA multiple	3.5x	4.5x
Enterprise value	\$12,250	\$15,750

Source: BDO CFQ analysis

With reference to Table 7.3 above, we have calculated the enterprise value of DMS to be within the range of approximately \$12.3 million to \$15.8 million on a controlling interest basis.

7.2.4 Equity Value of DMS on a Controlling Interest Basis

The valuation of a company adopting a CME valuation methodology based on a multiple of EBITDA excludes, amongst other issues, the impact of the company's debt on the financial results as well as the value of any surplus assets or liabilities (i.e. those assets and liabilities which are not required for the usual business operations). When adopting the CME valuation methodology, to calculate the value of equity in a company it is appropriate to add the company's cash and cash equivalents, subtract the value of interest bearing liabilities, and add/subtract the value of any surplus assets/liabilities to the enterprise value.

Cash and Cash Equivalents

As at 31 August 2014, DMS had cash and cash equivalents of approximately \$21,000. We have been instructed that DMS will incur costs associated with the Proposed Transaction of approximately \$400,000 irrespective of whether the Proposed Transaction is approved. For the purpose of our valuation we have subtracted \$400,000 from the cash balance of DMS as at 31 August 2014 to account for transaction costs which will be incurred. We have subtracted \$379,000 from the enterprise value for the cash deficit position of DMS.

Interest Bearing Liabilities

As at 31 August 2014, DMS had the following interest bearing liabilities outstanding:

- Asset finance facility - \$2.3 million;
- Other short-term interest bearing liabilities - \$0.2 million;
- Bank overdraft facility - \$1.2 million (\$2.5 million facility limit);
- Term debt facility - \$3.9 million; and
- Interest bearing ATO debt (included in accounts payable) - \$1.6 million.

We have subtracted \$9.2 million from the enterprise value of DMS for interest bearing liabilities.

Carry Forward Tax Losses

We have been instructed that as at 31 August 2014, DMS has tax effected carry forward tax losses of approximately \$6.8 million. In our view, tax losses represent a surplus asset of the Company and it is appropriate to include the value of tax effected tax losses which may be realised by DMS in the future. For the purpose of determining an appropriate value to adopt for tax losses in this Report, we have:

- Assumed that DMS will achieve its budgeted net profit before tax of approximately \$1.3 million in 2015 (refer to Section 5.5 of this Report);
- Assumed that the Company's net profit before tax will increase at a rate of 3% per year into the foreseeable future;
- Applied the carry forward tax losses to the earnings of DMS over future periods considering the form of the carry forward tax losses held by the Company; and
- Calculated the present value of the tax effected carry forward tax losses by discounting the utilised tax losses at a discount rate of 15%.

Based on the methodology summarised above, we have calculated a value for the tax effected carry forward tax losses of DMS of \$2.2 million. We note that our valuation of the carry forward tax losses represents a discount of approximately 68% of the total carry forward tax losses available and reflects both the uncertainty in timing and quantum of tax benefits to be recouped. We have discussed this adjustment with management of DMS and we are of the view that this adjustment is reasonable in the circumstances.

For completeness, we note that DMS will only be able to realise a benefit for its tax losses if:

- The relevant tax authority accepts the calculated positions;
- DMS derives sufficient taxable income in future periods to utilise the Company's carried forward tax losses;
- DMS meets the conditions for continued carry forward of the tax losses; and
- There are no changes in the applicable tax laws that impact the availability of these losses.

Surplus Assets

Surplus assets are non-core assets of a company and typically include those operational assets that are surplus to the needs of the business and real property that is not used in the core business. These assets may yield a different return on investment than the operating assets of the business and their retention by a company represents a different risk profile. When calculating the equity value of a company, the surplus assets should be valued at their current market value and added to the enterprise value, which has been calculated separately.

DMS owns a number of assets including bolting rigs, load haul dump vehicles and underground personnel carriers which are not used by the Company and are considered to be surplus to the Company's usual business operating requirements. In relation to the surplus assets owned by DMS, we note the following:

- The assets include specialised mining equipment which are unlikely to be used by companies which operate outside of the mining services industry;
- Over an extended period of time, DMS undertook a formal sales process in relation to the assets and was unable to find purchasers for the majority of the assets;
- DMS currently has an agency agreement in place with Hassalls, an auction, re-marketing and valuation company, for the sale of the assets;
- Hassalls undertook a marketing and auction process for the majority of the assets in November 2013 and only three assets were sold for total consideration of \$44,000 with the other assets receiving no bids;
- The remaining 18 assets are currently stored in holding yards of Hassalls and in DMS premises, and remain for sale, however limited interest has been shown in the assets;
- Based on a valuation report prepared by Hassalls in July 2013, the remaining assets were valued at a fair market value of approximately \$3.4 million and orderly liquidation value of approximately \$2.1 million. We note that Hassalls define 'orderly liquidation value' as the amount that typically could be realised from a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis, as of a specific date. Hassalls suggest 'reasonable time' to mean less than 180 days. We note that the assets have been advertised for sale for a period significantly greater than 180 days;

- The assets do not meet the current diesel engine system requirements for mining equipment in NSW. We understand that the assets continued to be utilised throughout 2013 under certain exemptions issued by the NSW Mines Department in relation to diesel engine systems. However, the NSW Mines Department ceased providing exemptions in 2013 with all existing exemptions expiring on 31 December 2013. In order for the assets to be utilised in NSW-based mining operations, the engines will need to be replaced or upgraded to meet the current requirements relating to diesel engines systems; and
- Mastermyne has not allocated a value to the assets and initially agreed to allow DMS to separately divest the assets prior to the Proposed Transaction if able to do so.

Having regard to the information set out above, for the purpose of calculating the value of DMS in this Report, in our view it is appropriate to adopt a total value for the surplus assets in the range of \$1.1 million to \$2.1 million. Our adopted valuation range is equal to 50% of the orderly liquidation value to 100% of the orderly liquidation value determined by Hassalls. In our view, this valuation range is appropriate when considering the extensive sales process undertaken by both DMS and Hassalls and the fact that the assets remain for sale with very limited interest being expressed at the prices advertised.

Surplus Liabilities

As at 31 August 2014, DMS has reported an onerous lease and make good provision of approximately \$0.84 million in its statement of financial position. We understand that the provision relates to the remaining lease payments and make good requirements for three properties which are currently leased by DMS but which are not utilised by the current business operations. In our view, the onerous leases and make good provision represent surplus liabilities to DMS and it is appropriate to subtract the value of the provision as DMS will be required to make cash payments for these items in the future. We have subtracted \$0.84 million from the enterprise value of DMS for surplus liabilities.

Equity Value of DMS

Table 7.4 below summarises our calculation of the equity value of DMS on a controlling interest basis as at the date of this Report.

Table 7.4: Equity Value of DMS on a Controlling Interest Basis

	Low \$'000	High \$'000
Enterprise value	12,250	15,750
Cash and cash equivalents	(379)	(379)
Interest bearing liabilities	(9,199)	(9,199)
Carry forward tax losses	2,200	2,200
Surplus assets	1,040	2,080
Surplus liabilities	(840)	(840)
Equity value - controlling interest	5,072	9,612

Source: BDO CFQ analysis

With reference to Table 7.4 above, we have calculated the equity value of DMS prior to the Proposed Transaction to be in the range of approximately \$5.1 million to \$9.6 million on a controlling interest basis.

7.3 Value of a DMS Share Prior to the Proposed Transaction

We have calculated the total equity value of DMS to be in the range of \$5.1 million to \$9.6 million using the CME methodology. As detailed in Section 5.3, as at the date of this Report, DMS had 138,276,897 ordinary shares outstanding. We have calculated the value of a share in DMS prior to the Proposed Transaction by dividing the equity value of DMS determined above by 138,276,897 shares outstanding. Table 7.5 below summarises our per share valuation of DMS prior to the Proposed Transaction on a controlling interest basis.

Table 7.5: Equity Value per DMS Share on a Controlling Interest Basis

	Low	High
Equity Value - controlling interest (\$'000)	5,072	9,612
Shares outstanding ('000)	138,277	138,277
Equity value per share - controlling interest (\$)	\$0.0367	\$0.0695

Source: BDO CFQ analysis

With reference to Table 7.5 above, we have calculated the value of a DMS share prior to the Proposed Transaction to be in the range of approximately \$0.0367 to \$0.0695 on a controlling interest basis.

8.0 Value of the Combined Entity following the Proposed Transaction

This section sets out our valuation of the Combined Entity immediately following the Proposed Transaction, assuming it is approved. This section is structured as follows:

- Section 8.1 sets out our view of the most appropriate methodology to value the Combined Entity assuming the Proposed Transaction is approved; and
- Section 8.2 sets out our calculation of the value of a share in the Combined Entity.

8.1 Valuation Methodology

Table 8.1 below summarises the methodology which, in our view, is most appropriate to determine a value for the Combined Entity following the Proposed Transaction.

Table 8.1: Summary of Possible Valuation Methodologies

Methodology	Appropriate	Explanation
DCF valuation	✗	The DCF valuation methodology requires projections of the Combined Entity's future cash flows using assumptions about expected future performance. We have not been provided with a cash flow forecast for the Combined Entity to enable the use of the DCF valuation methodology. In our view, it is more appropriate to adopt valuation methodologies other than the DCF methodology for the purpose of valuing the Combined Entity in this Report.
CME valuation	✓	In our view, it is possible to estimate a maintainable earnings figure for the Combined Entity which is appropriate for assessing the Proposed Transaction in this Report. It is also possible to observe trading and transaction multiples of companies which may be considered to be broadly comparable to the Combined Entity. In our view, it is appropriate to adopt the CME valuation methodology for the purpose of valuing the Combined Entity in this Report.
Asset based valuation	✗	The ABV methodology calculates the value of an entity based on the fair value of its net identifiable assets. Generally, the ABV methodology is applicable in some circumstances where neither a DCF nor CME valuation is appropriate. An ABV may also be used in conjunction with other methodologies to calculate an entity value. In our view, it is more appropriate to adopt a valuation methodology other than the ABV methodology for the purposes of valuing the Combined Entity in this Report.

Methodology	Appropriate	Explanation
Market based valuation	Cross-check	DMS is not listed on a stock exchange where market prices for the Company's shares can be readily observed. While Mastermyne shares are listed on the ASX and market prices for the shares can be observed, in our view the prices may not be reflective of the price at which the Combined Entity's shares will trade on the ASX following the Proposed Transaction. We note that the implementation of the Proposed Transaction is subject to a number of conditions precedent (including DMS shareholder approval) and that there is limited trading information available in Mastermyne shares since the announcement of the Proposed Transaction sufficient to imply a value for the Combined Entity following the Proposed Transaction. In our view, in the circumstances it is more appropriate to adopt a valuation methodology other than the MBV methodology for the purpose of valuing the Combined Entity in this Report. Notwithstanding the above, we have considered the share price of Mastermyne shares on the ASX following the announcement of the Proposed Transaction as a cross-check to our CME valuation.

Source: BDO CFQ analysis

Having regard to the information set out in Table 8.1 above, in our view it is appropriate to adopt the CME valuation methodology for the purpose of valuing the Combined Entity in this Report. We have adopted the MBV methodology as a cross-check to our CME valuation of the Combined Entity.

8.2 CME Valuation of the Combined Entity

This section sets out our CME valuation of the Combined Entity, and is structured as follows:

- Section 8.2.1 sets out the maintainable earnings adopted for the Combined Entity;
- Section 8.2.2 sets out our view on the appropriate capitalisation multiple to adopt to value the Combined Entity;
- Section 8.2.3 sets out our calculations of the enterprise value of the Combined Entity following the Proposed Transaction;
- Section 8.2.4 sets out our calculations of the equity value of the Combined Entity on a controlling interest basis; and
- Section 8.2.5 sets out our calculations of the equity value of the Combined Entity on a minority interest basis.

8.2.1 Maintainable Earnings

For reasons consistent with those set out in Section 7.2.1, in our view it is appropriate to select EBITDA as an appropriate measure on which to calculate the value of the Combined Entity following the Proposed Transaction.

To calculate a maintainable EBITDA for the Combined Entity, we have had regard to the following:

- The recent financial performance of DMS as a stand-alone entity (refer to Section 7.2.1);

- The recent financial performance of Mastermyne as a stand-alone entity; and
- An estimate of synergies which may be realised by combining the business operations of DMS and Mastermyne (i.e. synergies to be realised by the Combined Entity following the Proposed Transaction).

Maintainable Earnings of DMS

As set out in Section 7.2.1 above, in our view it is appropriate to adopt a maintainable EBITDA for DMS of approximately \$3.5 million.

Maintainable Earnings of Mastermyne

In order to determine an appropriate maintainable earnings figure for Mastermyne we have had regard to the following:

- For the year ended 30 June 2014, Mastermyne reported EBITDA of approximately \$12.2 million. Based on \$172.2 million of revenues, Mastermyne achieved an EBITDA margin of approximately 7.1%;
- As at the date of this Report Mastermyne has not release earnings guidance to the market in relation to its expected profit for the year ending 30 June 2015. We understand that Mastermyne expects 2015 earnings guidance to be released during November or December 2014;
- In its FY2014 Full Year Results Presentation released to the ASX on 22 August 2014, Mastermyne provided information in relation to its revenue outlook for the year ending 30 June 2015. Based on the information contained in the presentation, Mastermyne identified approximately \$163.5 million of revenues, being order book deliverables of \$112 million, recurring works of \$26.5 million and renewals of \$25 million. Given the presentation was prepared at an early stage in the 2015 financial year, it is likely that a number of projects will become available for tender throughout the year which were not included in the pipeline at the time;
- We have been provided with an equity research report covering Mastermyne prepared by Wilson HTM, dated 25 August 2014. In the research report, Wilson HTM forecasts total revenue for Mastermyne of \$205 million and EBITDA of \$14.6 million. In order to achieve the figures assumed by Wilson HTM, Mastermyne will be required to achieve an additional \$41.5 million of revenue to the \$163.5 million figure identified above, and achieve an EBITDA margin of 7.1% (i.e. consistent EBITDA margin as 2014);
- As announced to the market, Mastermyne expects the company to achieve stronger profit margins in 2015 relative to 2014 primarily resulting from higher equipment utilisation; and
- We have discussed Mastermyne's recent financial performance and outlook for the remainder of the 2015 financial year with Mastermyne management. While guidance has not been released and results will depend on the successful tending of work, Mastermyne management are confident that the results for the 2015 financial year will be stronger than those achieved in 2014.

Having regard to the above, for the purposes of calculating the value of the Combined Entity in this Report, in our view it is appropriate to adopt \$13.0 million as the maintainable EBITDA of Mastermyne. We note that our maintainable EBITDA estimate is approximately 6.5% higher than the actual EBITDA reported by Mastermyne for the year ended 30 June 2014.

Potential Synergies

We note that a significant driver of the Proposed Transaction is the current lack of scale of DMS, particularly given its diversity and capital intensive nature of business operations, corporate structure and public company status. In our view it is reasonable to assume that an acquirer of DMS would be able to achieve certain synergies through consolidating business operations and increasing scale and that these synergies are not necessarily specific to Mastermyne as an acquirer.

DMS has provided information relating to potential synergies which may be realised by the Combined Entity following the Proposed Transaction. These potential synergies include the following:

- Payroll related expenses - the Combined Entity may realise up to \$2.94 million in net cost savings from the elimination of duplicated roles in DMS and Mastermyne;
- Occupancy expenses - the Combined Entity may be able to close a premises located in Toowong, QLD which is currently leased by DMS, which would provide annual cost savings of approximately \$0.09 million;
- IT and communications expenses - the integration of information technology and communications of DMS and Mastermyne may reduce annual costs by approximately \$0.28 million; and
- Other expenses, including corporate overheads, audit fees and public company costs - the Combined Entity may realise approximately \$0.51 million in cost savings associated with duplicated expenses currently incurred by both DMS and Mastermyne.

Having regard to the above, we note that the total value of ongoing synergies which may be realised by the Combined Entity following the Proposed Transaction is approximately \$3.82 million.

We note that the actual quantum of synergies which may be realised by the Combined Entity following the Proposed Transaction is uncertain. For the purpose of calculating the maintainable earnings of the Combined Entity in this Report we have adopted a value of synergies of \$1.9 million, representing a discount of 50% of the synergies listed above.

For completeness, we note that there are one-off costs which will be incurred by the Combined Entity to realise the synergies, including redundancy payments and lease break costs. We have included these one-off payments by adjusting the expected cash balance of the Combined Entity following completion of the Proposed Transaction (refer to Section 8.2.4 below).

Maintainable Earnings of the Combined Entity

Table 8.2 below summarises the maintainable earnings of the Combined Entity following the Proposed Transaction.

Table 8.2: 2015 Maintainable Earnings of the Combined Entity

	\$'000
2015 maintainable earnings of DMS as a stand-alone entity	3,500
2015 maintainable earnings of Mastermyne as a stand-alone entity	13,000
Allowance for potential synergies to be realised on consolidation	1,900
2015 maintainable earnings of the Combined Entity	18,400

Source: DMS, Mastermyne and BDO CFQ Analysis

Having regard to the above, we have adopted a 2015 maintainable EBITDA for the Combined Entity of approximately \$18.4 million.

8.2.2 Capitalisation Multiple

We have selected an appropriate capitalisation multiple to apply to the Combined Entity having regard to our research relating to the following:

- Multiples derived from the share market prices of companies which may be considered to be broadly comparable to DMS and Mastermyne; and
- Prices and multiples derived from sales transactions where the target entity may be considered to be broadly comparable to DMS and Mastermyne.

In selecting an appropriate multiple, we have also had regard to our own assessment of the future financial performance, risk and growth prospects of the Combined Entity.

Comparable Trading Multiples

We have conducted research into comparable share market multiples of listed companies in Australia which operate in the mining and engineering services industries. We note from our research that broadly comparable companies trade, on average, at FY2014 EBITDA multiples of 5.6 times and FY2015 forecast EBITDA multiple of 4.1 times.

Further information relating to the broadly comparable share market data referred to above is set out in Appendix C.

Comparable Transaction Multiples

We have also had regard to selected sales transactions of companies within the Australian mining and engineering services industries. We note from our research that the implied multiples from the selected closed sales transactions are within the range of 2.3 times to 7.8 times EBITDA. We note that the implied multiples of the three most recent comparable transactions (completed in 2014) were 5.4 times, 2.4 times and 4.4 times EBITDA.

Further information relating to the broadly comparable sales information referred to above is set out in Appendix D.

Appropriate Multiple to apply to the Earnings of the Combined Entity

In our view it is appropriate to adopt a multiple within the range of 4.5 times to 5.5 times the 2015 maintainable EBITDA of the Combined Entity on a controlling interest basis.

In determining an appropriate multiple to adopt for the Combined Entity following the Proposed Transaction we have considered a range of factors specific to the Combined Entity. Relative to DMS prior to the Proposed Transaction, the Combined Entity will be a larger and more diversified business which will offer a broader range of services to a larger customer base.

8.2.3 Enterprise Value of the Combined Entity on a Controlling Interest Basis

Table 8.3 below summarises our calculations of the enterprise value of the Combined Entity having regard to a CME valuation methodology.

Table 8.3: Enterprise Value of the Combined Entity

	Low	High
2015 maintainable earnings	18,400	18,400
Capitalisation multiple	4.5x	5.5x
Enterprise value	82,800	101,200

Source: DMS and BDO CFQ analysis

With reference to Table 8.3 above, we have calculated the enterprise value of the Combined Entity to be within the range of approximately \$82.8 million to \$101.2 million on a controlling interest basis.

8.2.4 Equity Value of the Combined Entity on a Controlling Interest Basis

The valuation of a company adopting a CME valuation methodology based on a multiple of EBITDA excludes, amongst other issues, the impact of the company's debt on the financial results as well as the value of any surplus assets or liabilities (those assets and liabilities which are not required for the operations of the business). When adopting the CME valuation methodology, to calculate the value of equity in a company it is appropriate to add the company's cash and cash equivalents, subtract the value of interest bearing liabilities, and add/subtract the value of any surplus assets/liabilities.

Cash and Cash Equivalents

We have calculated the expected cash balance in the Combined Entity by adding the cash balances of DMS and Mastermyne and making certain adjustments in relation to transaction costs and costs associated with realising the synergies outlined above. We have calculated the cash balance of the Combined Entity following the Proposed Transaction as follows:

- As set out in Section 7.2.4, after considering transaction costs which will be incurred irrespective of whether the Proposed Transaction is approved, DMS will be in a cash deficit position of approximately \$379,000 (i.e. overdrawn);
- As at 30 June 2014, Mastermyne had a cash and cash equivalent balance of approximately \$8.8 million. We have been instructed that Mastermyne expects to incur costs associated with the Proposed Transaction of approximately \$1.3 million; and
- We have been instructed that in order to realise the potential synergies summarised above, the Combined Entity will be required to pay approximately \$1.5 million, including costs relating to the rationalisation of head office employees.

For the purpose of calculating the value of the Combined Entity in this Report, we have adopted a total cash balance of \$5.6 million.

Interest Bearing Liabilities

Under the terms of the Proposed Transaction, Mastermyne will payout all of DMS' debt and restructure the business using cash drawn from Mastermyne's available debt facilities. We have calculated the expected interest bearing liabilities in the Combined Entity by adding the debt balances of Mastermyne and DMS (which will be refinanced with Mastermyne debt). The total interest bearing liabilities adopted for the Combined Entity include the following:

- As at 31 August 2014, DMS had total interest bearing liabilities of \$9.2 million (including ATO debt of approximately \$1.6 million); and

- As at 30 June 2014, Mastermyne had total interest bearing liabilities (loans and borrowings) of \$11.0 million.

For the purpose of calculating the value of the Combined Entity in this Report, we have adopted a total interest bearing liabilities balance of \$20.2 million.

Carry Forward Tax Losses

As summarised in Section 7.2.4, as at 31 August 2014 DMS had tax effected carry forward tax losses of approximately \$6.8 million. In order to determine the value to adopt for the tax effected carry forward tax losses of DMS as part of the Combined Entity we have considered the requirements of section 165 of the Income Tax Assessment Act 1997 ('ITAA'). The ITAA applies certain restrictions in relation to deductions in respect of prior year losses generated by acquired entities. The objective of the restrictions is to maintain the principle that those who obtain the benefit of the loss deductions should be the same as the persons who owned and controlled the company during the year in which the losses were incurred.

Pursuant to sections 165-12 and 165-13 of the ITAA, tax losses are permitted to be carried forward and deducted against assessable income if one of the following tests is satisfied:

- the 'continuity of ownership' test; or
- the 'same business' test.

Under the continuity of ownership test, more than 50% of the shares in the company must continue to be beneficially owned by the same persons from the start of the loss year to the end of the income year in order to utilise carry forward tax losses (beneficial ownership must confer the right to continuity of voting power, dividend rights and capital distributions). As the Proposed Transaction will result in a change of ownership of DMS, it is unlikely that the continuity of ownership test will be satisfied. In order to utilise the carry forward tax losses, the same business test must therefore be satisfied by the Combined Entity.

In order to utilise the carry forward tax losses of DMS, the same business test requires the Combined Entity to satisfy each of the following items:

- Same business test – at all times during the year of recoupment, the company carried on the same business that it did immediately prior to the change in ownership that broke the continuity of majority ownership;
- New business test – at no time during the year of recoupment did the company carry on any business of a kind which it did not carry on as part of its overall business prior to the change in ownership that broke the continuity of majority ownership; and
- New transaction test – at no time during the year of recoupment, did the company derive income from transactions of a kind that it had not entered into in the course of its overall business prior to the change in ownership that broke the continuity of majority ownership.

As summarised above, the same business test is relatively specific to the terms of any transaction/business consolidation and the ongoing business operations of the Combined Entity. We note that there is uncertainty as to whether the Combined Entity will satisfy all of the same business test requirements and be able to utilise the carry forward tax losses of DMS in future periods. For the purpose of valuing the Combined Entity in this Report and in the absence of comprehensive advice and analysis, we have assumed that the Combined Entity will not be able to utilise the carry forward tax losses of DMS and have adopted a value of nil.

For completeness, we note that this is a conservative assumption in the context of valuing the Combined Entity as part of our assessment of the Proposed Transaction. In the event that the Proposed Transaction is approved and the Combined Entity is able to utilise some or all of the carry forward tax losses, DMS shareholders will benefit from any additional resulting.

Surplus Assets

We understand that Mastermyne does not hold any assets which may be considered to be surplus to the company's requirements. Following the Proposed Transaction, the Combined Entity will own the surplus assets of DMS which were discussed in Section 7.2.4 of this Report. In our view, it is appropriate to adopt a total value for the surplus assets of the Combined Entity in the range of \$1.1 million to \$2.1 million, consistent with the value assumed for our valuation of DMS prior to the Proposed Transaction. For the purpose of calculating the equity value of the Combined Entity, we have added the value of surplus assets to the enterprise value of the Combined Entity determined above.

Surplus Liabilities

We understand that Mastermyne does not hold any liabilities which may be considered to be surplus to the company's requirements. Following the Proposed Transaction, the Combined Entity will be liable for the onerous leases of DMS discussed in Section 7.2.4 of this Report. In our view, it is appropriate to adopt a total value for the surplus liabilities of the Combined Entity of \$0.84 million, consistent with the value assumed for our valuation of DMS prior to the Proposed Transaction. For the purpose of calculating the equity value of the Combined Entity, we have subtracted the value of surplus liabilities from the enterprise value of the Combined Entity determined above.

Equity Value of the Combined Entity on a Controlling Interest Basis

Table 8.4 below summarises our calculation of the equity value of the Combined Entity immediately following the Proposed Transaction.

Table 8.4: Equity Value of the Combined Entity on a Controlling Interest Basis

	Low \$'000	High \$'000
Enterprise value	82,800	101,200
Cash and cash equivalents	5,631	5,631
Interest bearing liabilities	(20,239)	(20,239)
Surplus assets	1,040	2,080
Surplus liabilities	(840)	(840)
Equity value - controlling interest	68,392	87,832

Source: BDO CFQ analysis

With reference to Table 8.4 above, we have calculated the equity value of the Combined Entity immediately following the Proposed Transaction to be in the range of approximately \$68.4 million to \$87.8 million on a controlling interest basis.

8.2.5 Equity Value of the Combined Entity on a Minority Interest Basis

The value of the Combined Entity determined above has been calculated on a controlling interest basis. For the purpose of assessing the Proposed Transaction, in our view it is appropriate to calculate the value of the Combined Entity on a minority interest basis by applying a suitable minority discount, which may be calculated as the inverse of a control premium. A minority interest in a company is generally regarded as being less valuable than a controlling interest as control of a company may provide the owner with the following:

- Control over the operating and financial decisions of the company;
- The right to set the strategic direction of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over the appointment of staff and setting financial policies.

Control premiums may be considered as the excess of the offered price for a target company over the price prior to the offer. While observed control premiums from transaction to transaction vary, empirical research suggests that observed control premiums are typically in the range of 20% to 40% of the pre-bid trading price.

For the purpose of analysing the Proposed Transaction in our view it is appropriate to adopt a minority discount of 23%, which has been calculated as the inverse of a control premium of 30% representing the mid-point of the range summarised in the empirical research and further verified in our own assessment of comparable transactions. Table 8.5 below summarises our valuation of the Combined Entity following the Proposed Transaction on a minority interest basis.

Table 8.5: Equity Value of the Combined Entity on a Minority Interest Basis

	Low	High
Equity Value - controlling interest (\$'000)	68,392	87,832
Minority discount	23%	23%
Equity value - minority interest (\$'000)	52,662	67,631

Source: BDO CFQ analysis

With reference to Table 8.5 above, we have calculated the equity value of the Combined Entity following the Proposed Transaction to be in the range of approximately \$52.7 million to \$67.6 million on a minority interest basis.

8.3 Value of a Combined Entity Share following the Proposed Transaction

As at 25 September 2014, Mastermyne had 75,517,514 shares outstanding. Under the terms of the Proposed Transaction, Mastermyne will issue 0.1126 new shares for each DMS share outstanding. Based on 138,276,897 DMS shares outstanding, Mastermyne will issue 15,569,979 shares to the shareholders of DMS. Following the Proposed Transaction the Combined Entity will have a total of 91,087,493 ordinary shares outstanding.

We have calculated the value of a share in the Combined Entity following the Proposed Transaction by dividing the equity value of the Combined Entity determined above by the total number of shares outstanding following the Proposed Transaction. Table 8.6 below summarises our per share valuation of the Combined Entity following the Proposed Transaction on a minority interest basis.

Table 8.6: Equity Value per Combined Entity Share on a Minority Interest Basis

	Low	High
Equity Value - minority interest (\$'000)	52,662	67,631
Shares outstanding ('000)	91,087	91,087
Equity value per share - minority interest (\$)	\$0.5781	\$0.7425

Source: BDO CFQ analysis

With reference to Table 8.6 above, we have calculated the value of a Combined Entity share following the Proposed Transaction to be in the range of approximately \$0.5781 to \$0.7425 on a minority interest basis.

8.4 MBV Cross-Check

As discussed in Section 3 of this Report, the Proposed Transaction was announced to the ASX on 26 September 2014. As a cross-check to our CME valuation of the Combined Entity set out above, in our view it is appropriate to consider the prices at which Mastermyne shares have traded on the ASX following the announcement of the Proposed Transaction.

Over the period from 29 September 2014 to 6 October 2014, Mastermyne shares have traded in the range of \$0.5800 to \$0.6600. The VWAP over the six trading day period from 29 September 2014 to 6 October 2014 was \$0.6357. The value of the Combined Entity determined using the CME valuation methodology is broadly consistent with the trading price of Mastermyne shares on the ASX following the announcement of the Proposed Transaction. As mentioned in Section 8.1 of this Report, this cross check should be considered together with the limitations of this MBV approach. Specifically, as at the date of this Report, the Proposed Transaction remains subject to a number of conditions precedent, including DMS shareholder approval.

9.0 Assessment of the Fairness of the Proposed Transaction

This section sets out our opinion on the fairness of the Proposed Transaction and is structured as follows:

- Section 9.1 summarises the value that we have adopted for a DMS share prior to the Proposed Transaction on a controlling interest basis;
- Section 9.2 summarises our valuation of 0.1126 shares in the Combined Entity following the Proposed Transaction; and
- Section 9.3 sets out our assessment of the fairness of the Proposed Transaction.

9.1 Value of a DMS Share Prior to the Proposed Transaction

As set out in Section 7 of this Report, we have calculated the value of a DMS share prior to the Proposed Transaction to be within the range of \$0.0367 to \$0.0695 on a controlling interest basis.

9.2 Value of the Consideration Offered per DMS Share

As set out in Section 8 of this Report, we have calculated the value of a share in the Combined Entity immediately following the Proposed Transaction to be within the range of \$0.5781 to \$0.7425 on a minority interest basis. As per the terms of the Proposed Transaction, DMS shareholders will receive 0.1126 shares in the Combined Entity for each share they own in DMS. Table 9.1 below summarises our calculation of the value of 0.1126 shares in the Combined Entity following the Proposed Transaction on a minority interest basis.

Table 9.1: Consideration Offered per DMS Share

	Low	High
Value per Combined Entity share	\$0.5781	\$0.7425
Combined Entity shares per DMS share	0.1126	0.1126
Value of 0.1126 shares in the Combined Entity	\$0.0651	\$0.0836

Source: BDO CFQ analysis

With reference to Table 9.1 above, we have calculated the value of 0.1126 shares in the Combined Entity to be within the range of \$0.0651 to \$0.0836.

9.3 Assessment of the Fairness of the Proposed Transaction

In order to assess the fairness of the Proposed Transaction, it is appropriate to compare the value per DMS share prior to the Proposed Transaction on a controlling interest basis with the value of 0.1126 shares in the Combined Entity following the Proposed Transaction on a minority interest basis. Table 9.2 below summarises our assessment of the fairness of the Proposed Transaction.

Table 9.2: Assessment of the fairness of the Proposed Transaction

	Value per Share
Value of a share in DMS - controlling interest	\$0.0367 - \$0.0695
Value of 0.1126 shares in the Combined Entity - minority interest	\$0.0651 - \$0.0836

Source: BDO CFQ analysis



As shown above, the value of 0.1126 shares in the Combined Entity is equal to or greater than the value of a share in DMS prior to the Proposed Transaction. After considering the information summarised above and set out in detail in the balance of this Report, in our view the Proposed Transaction is **fair** to DMS shareholders as at the date of this Report.

10.0 Assessment of the Reasonableness of the Proposed Transaction

We note that, in accordance with RG 111, a transaction is considered reasonable if it is fair. Notwithstanding this, we have also considered the reasonableness of the Proposed Transaction having regard to other significant factors to which DMS shareholders may consider prior to voting in favour of or against the Proposed Transaction. This assessment includes comparing the likely advantages and disadvantages of the Proposed Transaction with the position of DMS shareholders if the Proposed Transaction does not proceed.

This section is set out as follows:

- Section 10.1 outlines the advantages of the Proposed Transaction to DMS shareholders;
- Section 10.2 outlines the disadvantages of the Proposed Transaction to DMS shareholders;
- Section 10.3 considers the position of DMS shareholders in the event the Proposed Transaction is not approved; and
- Section 10.4 provides our assessment of the reasonableness of the Proposed Transaction.

10.1 Advantages of the Proposed Transaction

Table 10.1 below outlines the potential advantages of the Proposed Transaction to DMS shareholders.

Table 10.1: Potential Advantages of the Proposed Transaction

Advantage	Explanation
The Proposed Transaction is fair	As set out in Section 9, in our view the Proposed Transaction is fair to the DMS shareholders as at the date of this Report.
DMS shareholders will retain exposure to a mining and engineering services business	If the Proposed Transaction is approved, DMS shareholders will continue to hold shares in a company engaged in the provision of mining and engineering services, and will be exposed to similar risk and return profiles as DMS.
The Combined Entity will be listed on the ASX	If the Proposed Transaction is approved, DMS shareholders will be issued with shares in the Combined Entity which will be listed on the ASX. Shares in the Combined Entity will be more liquid than shares in DMS prior to the Proposed Transaction which will enable DMS shareholders to more easily buy and sell their shares.
The Combined Entity will be a larger and more diversified company relative to DMS	The Combined Entity will be a larger and more diversified company relative to DMS on a stand-alone basis. Being a larger, more diversified company may reduce the volatility of the Combined Entity's earnings and reduce the risk of losing major contracts which would adversely affect shareholders.
Potential cost synergies	The directors of DMS and Mastermyne are of the view that the Combined Entity may avoid duplication of various back office functions and services, which has the potential to significantly reduce overhead cost. If these cost synergies are successfully realised, DMS will be able to contribute more earnings to the Combined Entity than it can deliver to DMS shareholders on a stand-alone basis.
A superior proposal has not emerged	DMS has undertaken an extensive process and discussions with a number of parties in relation to the sale of the business with Mastermyne being the only company to submit a binding proposal to acquire DMS. As at the date of this Report a superior proposal to the Mastermyne offer has not been received by the Company.
Increased capabilities and technical expertise	Mastermyne's management and operational personnel have capabilities and technical expertise which may allow them to increase operational efficiencies and/or expand the service offering of DMS, taking on more technically complex projects that are potentially more profitable.

Source: BDO CFQ analysis

10.2 Disadvantages of the Proposed Transaction

Table 10.2 below outlines the potential disadvantages of the Proposed Transaction to DMS shareholders.

Table 10.2: Potential Disadvantages of the Proposed Transaction

Disadvantage	Explanation
The Combined Entity will be subject to a number of risks to which DMS is not currently exposed	The Combined Entity will have a different risk profile to that of DMS on a standalone basis. If the Proposed Transaction is approved, DMS shareholders will be issued new shares in the Combined Entity and may therefore be subject to certain risks which DMS is not currently exposed. While the directors of DMS are of the view that the Combined Entity may represent an enhanced risk and investment profile relative to DMS on a stand-alone basis, DMS shareholders may have a different view.
Dilution of shareholding	DMS shareholders currently own 100% of DMS and its mining and engineering services business. If the Proposed Transaction is approved, existing DMS shareholders will hold approximately 17% of the shares on issue in the Combined Entity following the Proposed Transaction. As a result, the Proposed Transaction will: • Dilute the exposure for current DMS shareholders to any potential upside which may be realised from DMS' future operations; and • Give DMS shareholders less influence over the future direction of the DMS business and its assets. DMS shareholders may be of the view that it is preferable to hold shares in DMS (and retain a 100% interest in DMS' business structure) rather than shares in the Combined Entity.
Reduced exposure to any future offers	If the Proposed Transaction is approved, DMS shareholders will have a reduced exposure to any future offers from either Mastermyne or any other party which may be superior to the Proposed Transaction. For completeness, we understand that no superior offer has been received by DMS and that the Proposed Transaction remains the preferred option of the DMS directors.

Source: BDO CFQ analysis

10.3 Position of DMS Shareholders if the Proposed Transaction does not Proceed

Table 10.3 below summarises the possible impacts on DMS shareholders in the event that the Proposed Transaction is not approved. We note that the Proposed Transaction may not proceed for a number of reasons including, but not limited to, DMS and Mastermyne not satisfying the conditions precedent to the Proposed Transaction which are set out in Section 3.2 above.

Table 10.3: Position of DMS Shareholders if the Proposed Transaction does not Proceed

Position of Shareholders	Explanation
The directors of DMS will need to reconsider the strategic position of the company	If the Proposed Transaction is not approved, DMS will remain as a stand-alone company. We have been instructed by the directors of DMS that if the Proposed Transaction is not approved, the Company may be required to implement a further internal restructuring to become profitable and meet its debt service requirements in the short-term. While DMS has forecast net profit of approximately \$0.9 million in 2015, we note that future performance of the Company is uncertain. As at 30 June 2014, current liabilities of \$16.1 million exceeded current assets of \$9.9 million. As at 31 August 2014, the Company had a total of \$9.2 million of interest bearing debt (including approximately \$1.6 million owing to the ATO), of which \$8.6 million is classified as current. If DMS is not able to address this current asset deficiency then its ability to continue as a going concern may be impacted.

Position of Shareholders	Explanation
A failure to implement the Proposed Transaction constitutes a default under DMS' facility agreement with ANZ	If the Proposed Transaction is not approved, as per the terms of the facility agreement with ANZ, DMS would be in default on its debt facilities. On a default event, ANZ has the right to accelerate debt repayments and to charge additional fees and charges to DMS. While ANZ has the right to accelerate debt repayments and increase fees and charges, ANZ may also elect to continue to support DMS. If ANZ elects to accelerate debt repayments and increase fees and charges, DMS's ability to continue as a going concern may be impacted.
DMS may have to compete with Mastermyne for future business	Both DMS and Mastermyne are engaged in the provision of mining and engineering services in Queensland and New South Wales. In the event that the Proposed Transaction is not approved, DMS would most likely have to compete with Mastermyne in being awarded future tenders which may affect the Company's future earnings.
Mastermyne shares will not be issued to DMS shareholders	If the Proposed Acquisition is not approved then DMS shareholders will not be issued with shares in the Combined Entity. DMS shareholders will continue to hold a 100% interest in DMS and they will continue to be exposed to the benefits and risks of holding DMS shares.
Break fee may be payable	If the Proposed Transaction is not approved, DMS may be required to pay a break fee of \$0.5 million in certain circumstances (refer to section 9.2 of the Scheme Booklet for further information).
Non-recoverable costs	DMS will incur costs in relation to the Proposed Transaction irrespective of whether or not the Proposed Transaction is approved. DMS will not be able to recover the costs that it has incurred in relation to the Proposed Transaction in the event that the Proposed Transaction is not approved.

Source: BDO CFQ analysis

10.4 Assessment of the Reasonableness of the Proposed Transaction

In our opinion, after considering all of the issues set out in this Report, it is our view that in the absence of any other information, the Proposed Transaction is **reasonable** to DMS shareholders as at the date of this Report.

11.0 Best Interests Opinion

In our opinion, the Proposed Transaction is fair and reasonable to DMS shareholders. On this basis, it is our view that in the absence of any other information or a superior proposal, the Proposed Transaction is in the best interests of DMS shareholders as at the date of this Report.

The decision to vote in favour of or against the Proposed Transaction is a separate decision to the investment decision to hold or divest Mastermyne shares in the event the Proposed Transaction is approved. We recommend shareholders consult their own professional advisers in relation to the decision on whether to hold or divest Mastermyne shares.

12.0 Sources of Information

This Report has been prepared using information obtained from the following sources:

- DMS annual report for the year ended 30 June 2012;
- DMS annual report for the year ended 30 June 2013;
- DMS annual report for the year ended 30 June 2014;
- DMS budget statement of financial performance for the year ending 30 June 2015;
- DMS management accounts as at 31 August 2014;
- DMS company website - www.dmsgroup.com.au;
- DMS share register as at 2 October 2014;
- Asset valuation report prepared by Hassalls, dated July 2013;
- Mastermyne annual report for the year ended 30 June 2012;
- Mastermyne annual report for the year ended 30 June 2013;
- Mastermyne annual report for the year ended 30 June 2014;
- Mastermyne ASX announcements;
- Mastermyne company website - www.mastermyne.com.au;
- IBISWorld Industry Report B1099: Contract Mining Services in Australia, July 2014;
- Australian Bureau of Statistics;
- Various other research publications and publicly available data as sourced throughout this Report;
- Various transaction documents including the Scheme Booklet;
- Various discussions and other correspondence with DMS management and their advisers; and
- Various discussions and other correspondence with Mastermyne management and their advisers

13.0 Indemnities, Representations and Warranties

DMS has agreed to our usual terms of engagement in addition to the indemnities and representations set out below.

13.1 Indemnities

In connection with BDO CFQ's engagement to prepare this Report, DMS agrees to indemnify and hold harmless BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates (together 'BDO Persons'), to the full extent lawful, from and against all losses, claims, damages, liabilities and expenses incurred by them. DMS will not be responsible, however, to the extent to which such losses, claims, damages, liabilities or expenses result from the negligent acts or omissions or wilful misconduct of any BDO Persons.

DMS agrees to indemnify BDO Persons in respect of all costs, expenses, fees of separate legal counsel or any other experts in connection with investigating, preparing or defending any action or claim made against BDO Persons, including claims relating to or in connection with information provided to or which should have been provided to BDO CFQ by DMS (including but not limited to the directors and advisors of DMS) as part of this engagement.

13.2 Representations & Warranties

DMS recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDO Persons will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by DMS, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

DMS management represent and warrant to BDO Persons that all information and documents furnished by DMS (either directly or through its advisors) in connection or for use in the preparation of this Report will not, at the time so furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein.

DMS has acknowledged that the Company's engagement of BDO CFQ is as an independent contractor and not in any other capacity including a fiduciary capacity.

14.0 Experience, Disclaimers and Qualifications

BDO CFQ has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDO CFQ holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDO CFQ and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Steven Sorbello has prepared this Report with the assistance of staff members. Mr Sorbello is a director of BDO CFQ and has extensive experience in corporate advice and the provision of valuation and business services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations.

This Report has been prepared at the request of the directors of DMS to provide DMS shareholders with information to assist them to decide whether to vote in favour of or against the Proposed Transaction. BDO CFQ hereby consents to this Report being used for that purpose. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement, or letter without the prior written consent of BDO CFQ.

BDO CFQ takes no responsibility for the contents of other documents supplied in conjunction with this Report. BDO CFQ has not audited or reviewed the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or a review of any of the entities mentioned in this Report. However we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

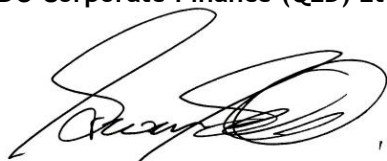
Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions, which may or may not occur. Accordingly, BDO CFQ cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved.

With respect to taxation implications of the Proposed Transaction, it is strongly recommended that DMS shareholders obtain their own taxation advice, tailored to their own particular circumstances.

APES 225 'Valuation Services' issued by the Accounting Professional & Ethical Standards Board sets out mandatory requirements for the provision of quality and ethical valuation services. BDO CFQ has complied with this standard in the preparation of this Report.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete. This Report is current as at 3 November 2014.

BDO Corporate Finance (QLD) Ltd



Steven Sorbello
Director

Appendix A - Contract Mining Services Industry Information

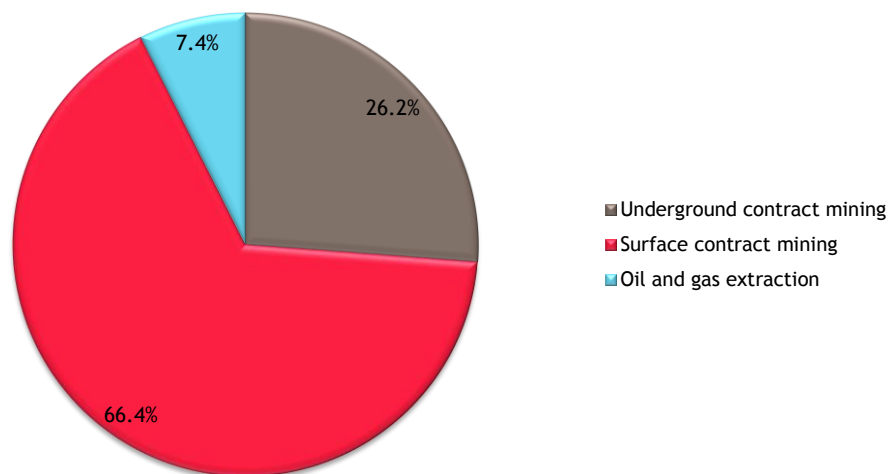
As discussed in Section 5 and 6 of this Report, both DMS and Mastermyne provide mining, maintenance and engineering services to the coal and mineral processing industries in Australia. This appendix provides a summary of the mining services industry in which DMS and Mastermyne broadly operate. This summary is not intended to be comprehensive analysis of the contract mining services industry and should be referred to as a broad guide only. We recommend that DMS shareholders refer to the original sources of information, where available, and any other information they believe to be relevant to their decision to vote in favour of or against the Proposed Transaction.

The information contained in this appendix has been compiled from a range of services, including IBISWorld Industry Report B1099: Contract Mining Services in Australia, July 2014, and the Australian Bureau of Statistics.

A.1 Industry Overview

The contract mining services industry consists of companies which provide a range of services to assist mining companies, generally throughout the mining production phase. Companies which operate in this industry typically have access to a large pool of specialised equipment and a highly skilled employee base which are able to provide expertise that may not be available 'in-house'. Contract mining services range from the preparation of a mine site for the mining process to undertaking the entire mining operation for a specified period. Figure A.1 below shows the product and service segmentation of the contract mining services industry.

Figure A.1: Product and Services Segmentation - FY2015F Total Revenue \$10.4 billion



Source: IBISWorld Industry Report B1099: Contract Mining Services in Australia, July 2014

As shown in Figure A.1 above, surface contract mining services contribute most to industry revenue and are expected to account for approximately 66.4% of total industry revenue in 2015.

A.2 Industry Growth

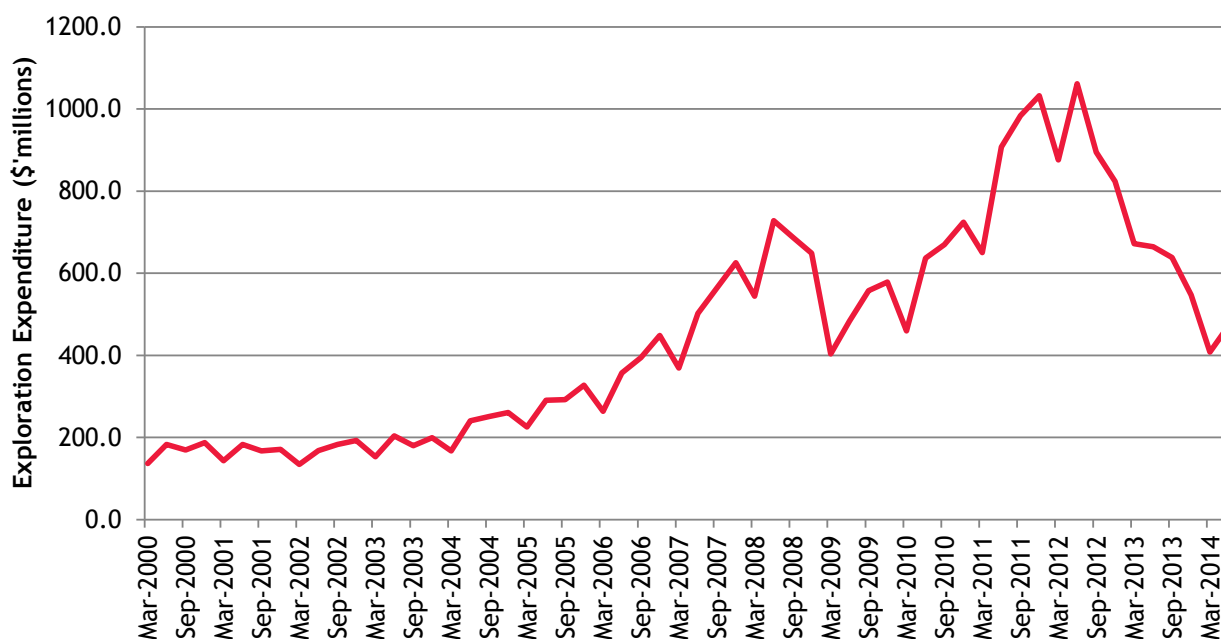
The contract mining services industry is highly dependent on trends in mining activity, including:

- Levels of mine production and shifts in mine-management preferences for outsourcing versus in-house production;

- Levels of mineral exploration expenditure, given that the exploration/development stages of mining projects typically require considerable support from the mining services industry; and
- Spot prices of commodities such as coking coal, iron ore, and gold, as industries involved in producing these commodities contribute a large proportion of revenue to the mining services industry.

When commodity prices are high, a greater proportion of mining projects become feasible and the mining sector generally expands. While mining companies are increasing capital expenditure to expand existing operations or bring new projects online, it is more likely that non-core functions are outsourced which benefits contract miners and mining support companies. Figure A.2 below shows the seasonally adjusted mineral exploration expenditure in the Australian mining industry over the period from March 2000 to March 2014.

Figure A.2: Seasonally Adjusted Quarterly Mineral Exploration Expenditure in Australia

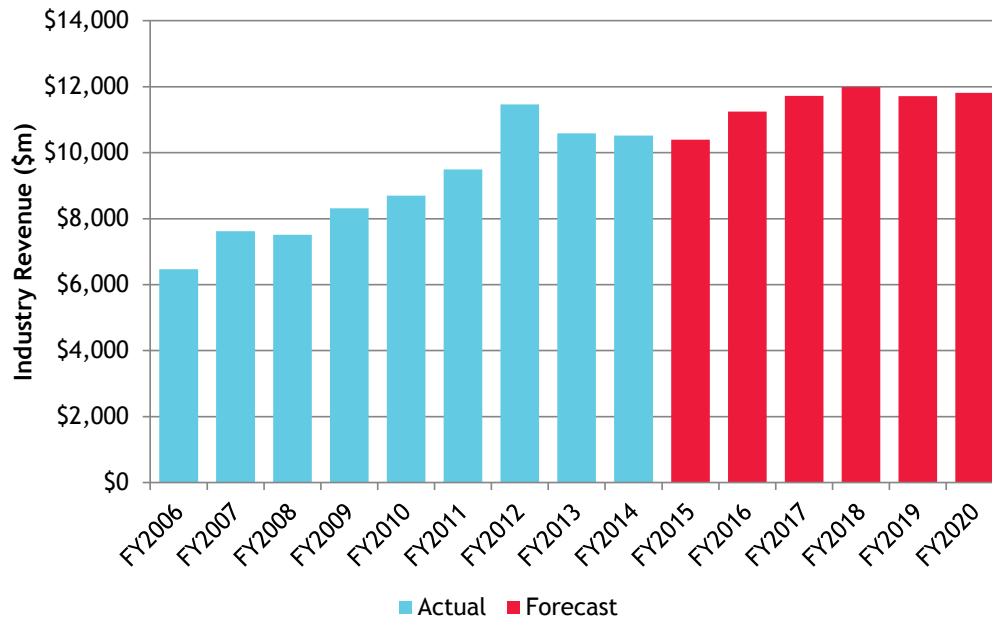


Source: Australian Bureau of Statistics

Figure A.2 above shows that the level of mineral exploration expenditure has been characterised by significant volatility over the past five years. While the mining industry experienced strong growth prior to 2012, the industry contracted during 2013 in-line with the fall in commodity prices. As mining companies continue to shift focus from expansion to production and commodity prices are expected to stall over the next five years, growth in the contract mining services industry is forecast to be relatively modest.

According to IBISWorld, in the five years to 2020, the contract mining services industry is forecast to grow at a compound annual growth rate of approximately 2.6% to reach total industry revenues of \$11.8 billion. Figure A.3 below shows the historic and forecast total revenues for the contract mining services industry.

Figure A.3: Contract Mining Services Industry Revenue

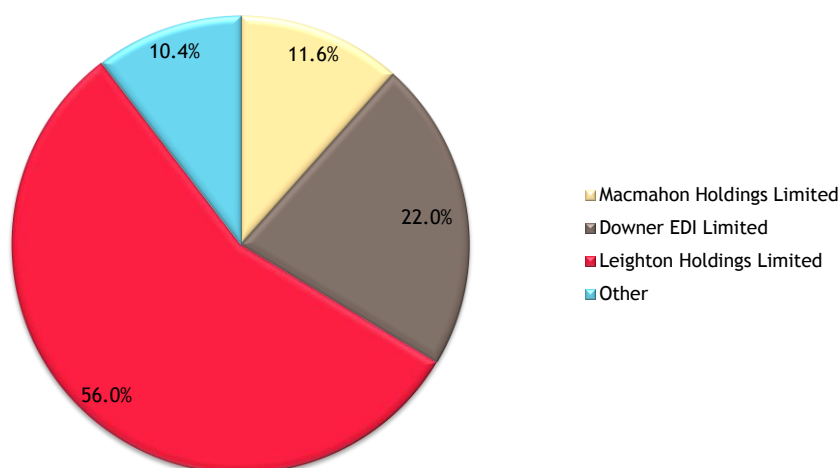


Source: IBISWorld Industry Report B1099: Contract Mining Services in Australia, July 2014

A.3 Market Concentration

In order to provide significant value to mining companies and be successful in this industry, contract miners need to achieve significant economies of scale and scope. For example, contract mining services companies need to fully utilise their equipment and skilled personnel. As a result of these requirements, the contract mining services industry concentration is relatively high with the major four players accounting for the bulk of industry revenue. Figure A.4 below shows the key companies (by FY2015F revenue) which operate in the contract mining services industry in Australia.

Figure A.4: Major Industry Players by FY2015F Revenue



Source: IBISWorld Industry Report B1099: Contract Mining Services in Australia, July 2014

The contract mining services industry is generally characterised by high competition as contract miners do not only compete with other contract mining services providers but also the in-house capabilities of mining companies themselves. In order to win major contracts, contract mining services companies must develop a competitive advantage through economies of scale in staffing and equipment ownership to compete on price, service quality and overall track record.

A.4 Key Success Factors

IBISWorld has identified a number of factors which are key to success for contract mining services companies. Table A.1 below summarises these key success factors.

Table A.1: Key Success Factors for Contract Mining Services Companies

Success Factor	Explanation
Economies of scale	The ability to undertake work at a number of sites simultaneously provides a buffer against losing a contract at a particular site
Securing large contracts	Firms that are able to secure long-term contracts to support large resource deposits ensure ongoing revenue and profit generation
Access to highly skilled workforce	To provide the required services and compete in this industry, companies need access to highly skilled labour
Successful industrial relations policy	Maintaining harmonious industrial relations is crucial to contain costs and meet targets

Source: IBISWorld Industry Report B1099: Contract Mining Services in Australia, July 2014

Appendix B - Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this Report, we have considered, amongst other metrics, the valuation methodologies recommended by ASIC in *RG 111: Content of Expert Reports*. The methodologies include those mentioned directly below.

B.1 Discounted Future Cash Flows

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

B.2 Capitalisation of Future Maintainable Earnings

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

B.3 Asset Based Valuation

Asset based valuations are used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets, however, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

B.4 Market Based Valuation

Market based valuations relate to the valuation of an entity where its shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

Appendix C - Trading Multiples Research

To assist us in determining the most appropriate multiple to apply to the earnings of DMS and the Combined Entity, it is useful to analyse the trading multiples of exchange listed comparable companies. Generally speaking, comparable multiples need to be treated with caution as not all companies operating in comparable industries can be readily compared to DMS or the Combined Entity. With this as a caveat, the usual step in applying a multiple based methodology is to construct a multiple from market information. The multiple is then adjusted for specific company differentiators.

We have conducted research into trading multiples of publicly listed companies engaged in mining and engineering services which may be regarded as broadly comparable to DMS and the Combined Entity.

A brief description of the comparable companies is detailed in Section C.2 below.

C.1 Trading Multiples of Comparable Companies

Table C.1 below sets out the enterprise value ('EV') and historical and forecast EV/EBITDA multiple of the companies which, in our view, may be considered to be broadly comparable to DMS and the Combined Entity.

Table C.1: Broadly Comparable Trading Multiples

Company Name	Enterprise Value (\$'m)	Latest Revenue (\$'m)	Latest EBITDA (\$'m)	Latest NPAT (\$'m)	EV/ FY14 EBITDA	EV/ FY15E EBITDA
Downer EDI Limited	2,122.1	7,365.3	617.0	216.0	3.4	3.7
Bradken Limited	1,090.5	1,139.4	151.3	21.5	7.2	5.8
MacMahon Holdings Ltd.	204.3	1,015.9	164.8	30.4	1.2	1.4
Austin Engineering Ltd.	188.9	209.9	15.6	0.9	12.1	8.4
Ausenco Limited	112.8	397.2	(19.5)	(37.1)	n/a	2.9
WDS Limited	109.5	367.1	32.8	13.3	3.3	5.1
GR Engineering Services Ltd	105.2	114.2	14.1	14.2	7.5	n/a
Sedgman Limited	62.0	318.4	9.4	(7.7)	6.6	5.8
Engenco Limited	59.6	140.3	6.1	(11.3)	9.8	n/a
Saunders International Limited	52.9	69.4	9.6	6.4	5.5	2.3
Southern Cross Electrical Engineering Limited	49.6	218.2	18.0	7.7	2.8	2.7
Structural Systems Limited	26.4	223.1	13.9	1.3	1.9	n/a
DeltaSBD Limited	20.0	69.3	0.4	(42.8)	47.6	2.3
Maximum	2,122.1	7,365.3	617.0	216.0	47.6	8.4
Minimum	20.0	69.3	(19.5)	(42.8)	1.2	1.4
Median	105.2	223.1	14.1	6.4	5.5^(a)	3.7
Average	323.4	894.6	79.5	16.4	5.6^(a)	4.1

Source: Capital IQ as at 23 September 2014

Note: ^(a) Exclude DeltaSB Limited

n/a Forecast data not available for FY2015

With reference to Table C.1 above, we note the following:

- The median and average EV/ FY2014 EBITDA multiple is 5.5 times and 5.6 times respectively;
- The median and average forward EV/ FY2015E EBITDA multiple is 3.7 times and 4.1 times respectively;

- There are varying degree of size differences between the companies in Table C.1 and DMS or the Combined Entity;
- The services, or mix of services, provided by each of the companies in Table C.1 is often different to those of DMS or the Combined Entity;
- The geographic regions in which the companies in Table C.1 operate are often different to those of DMS and the Combined Entity; and
- The data in Table C.1 relates to trading in minority interest parcels, or quantities of shares that do not afford the purchaser the ability to control the entity in which shares are purchased. Accordingly, the multiples in Table C.1 are not likely to include any control premium which may be applied to the entities listed should a controlling stake in the entities be sold.

C.2 Company Descriptions

Table C.2 below provides a description of each of the companies which may be considered to be broadly comparable to DMS and the Combined Entity.

Table C.2: Comparable Company Descriptions

Company	Description
Downer EDI Limited	Downer EDI Limited, together with its subsidiaries, provides engineering, construction, and asset management services to customers in the minerals and metals, oil and gas, power, transport, telecommunications, water, and property sectors. Downer EDI Limited serves customers in Australia, New Zealand, Papua New Guinea, Vanuatu, Fiji, Hong Kong, China, Singapore, Malaysia, Thailand, Vietnam, Indonesia, the Philippines, South Africa, Botswana, Namibia, Brazil, Chile, the United Kingdom, Canada, and India. The company is headquartered in North Ryde, Australia.
Bradken Limited	Bradken Limited manufactures and supplies consumable and capital products worldwide. It operates through Mining Products, Mineral Processing, Engineered Products, Rail, and All Other segments. Bradken Limited was incorporated in 1922 and is headquartered in Mayfield West, Australia.
MacMahon Holdings Ltd	Macmahon Holdings Limited provides mining services to clients in Australia, New Zealand, Central and South-East Asia, and Africa. It operates through three segments: Surface Mining, Underground Mining, and International Mining. Macmahon Holdings Limited was founded in 1963 and is headquartered in West Perth, Australia.
Ausenco Limited	Ausenco Limited, together with its subsidiaries, provides engineering, construction, and project management services to the resources and energy markets in Australia and internationally. Ausenco Limited was founded in 1991 and is headquartered in South Brisbane, Australia.
Austin Engineering Ltd	Austin Engineering Ltd is engaged in the manufacture, repair, overhaul, and supply of mining attachment products, general steelwork structures, and other associated products and services for the industrial and resources-related business sectors in Australia, the Americas, the Middle East, and Asia. Austin Engineering Ltd was founded in 1982 and is headquartered in Carole Park, Australia.
WDS Limited	WDS Limited provides design, development, engineering, construction, fabrication, and maintenance related services to the energy and mining sectors in Australia. It operates through two segments, Mining and Energy. WDS Limited is headquartered in North Sydney, Australia.

Company	Description
GR Engineering Services Limited	GR Engineering Services Limited, an engineering consulting and contracting company, provides process engineering design and construction services to the mining and mineral processing industries in Australia and internationally. The company also provides specialist operations and maintenance, and well management services to the oil and gas sector in Australia and Southeast Asia. GR Engineering Services Limited was founded in 1986 and is based in Belmont, Australia.
Sedgman Limited	Sedgman Limited provides mineral processing and associated infrastructure solutions to the resources industry in Australia, Botswana, Canada, Chile, China, Colombia, Mongolia, Mozambique, and South Africa. The company operates in two segments, Projects and Operations. Sedgman Limited was founded in 1979 and is headquartered in Milton, Australia.
Engenco Limited	Engenco Limited provides engineering services and products for the defense, resources, marine, power generation, rail, heavy industrial, and infrastructure sectors in Australasia, Europe, and the United States. It operates through six segments: Drivetrain Power and Propulsion, Centre for Excellence in Rail Training (CERT), Convair Engineering (Convair), Total Momentum, Gemco Rail, and Greentrains. The company was founded in 1989 and is based in Melbourne, Australia. Engenco Limited is a subsidiary of Elph Pty Ltd.
Saunders International Limited	Saunders International Limited is engaged in the design, construction, and maintenance of steel bulk liquid storage tanks, and associated infrastructure and services in Australia. The company offers its products to companies operating in petroleum, mining, mineral processing, manufacturing, water, and waste water industries. Saunders International Limited was founded in 1951 and is headquartered in Condell Park, Australia.
Southern Cross Electrical Engineering Limited	Southern Cross Electrical Engineering Limited provides specialized electrical, control, and instrumentation installation and testing services for the resources, infrastructure, and heavy industrial sectors in Australia and internationally. It operates through three divisions: SCEE Construction, SCEE Infrastructure, and SCEE Services. The company serves customers in the coal seam gas/liquefied natural gas, minerals and metals, coal oil and gas refining, and offshore support sectors. Southern Cross Electrical Engineering Limited was founded in 1978 and is based in Naval Base, Australia.
Structural Systems Limited	Structural Systems Limited provides specialist services to construction and mining industries in Australia and the United Arab Emirates. It is primarily engaged in engineering, mining, and construction contracting. Structural Systems Limited was founded in 1961 and is headquartered in South Melbourne, Australia.
DeltaSBD Limited	Delta SBD Limited provides contract mining services for the underground coal industry in Australia. Its services comprise mine operations, development of underground roadways, longwall relocations and support, bord and pillar extraction, conveyor installations and maintenance, and mine care and maintenance services, as well as equipment rental. Delta SBD Limited is headquartered in Campbelltown, Australia.

Source: Capital IQ

Appendix D - Comparable Transactions Research

To assist us in determining the most appropriate multiple to apply to the earnings of DMS and the Combined Entity, it is useful to analyse sale transactions of companies which may be considered broadly comparable. Generally, the price achieved in mergers or acquisitions of companies provides reliable evidence of earnings multiples for a valuation. The acquisition price is often regarded to represent the market value of a controlling interest (including a control premium where a majority ownership results from the purchase) in the company being analysed.

Each sales transaction is a product of a combination of factors which may or may not be specific to the transaction, including:

- Economic factors;
- Regulatory framework;
- General investment and share market conditions;
- Synergy benefits specific to the acquirer; and
- The number of potential buyers.

We have conducted research into comparable transactions using numerous research publications to which we subscribe. We note that the information needs to be considered with caution for reasons which include the following:

- Businesses for which publicly available information is available upon sale often vary considerably in size compared to DMS and the Combined Entity, as measured by enterprise value;
- Many transactions which are publicly announced relating to businesses that may be considered broadly comparable to DMS and the Combined Entity do not provide financial data (e.g. earnings multiples) in public announcements; and
- Few businesses for which public sale information is available are directly comparable to DMS and the Combined Entity.

A brief description of the comparable transactions is detailed in section D.2 below.

D.1 Comparable Transaction Multiples

Table D.1 below sets out the deal multiples of company transactions which, in our view, may be considered to be broadly comparable to DMS and the Combined Entity.

Table D.1: Broadly Comparable Transaction Multiples

Close Date	Target	Acquirer	Deal Value (\$'millions)	EBITDA multiple	EBIT multiple
25-Feb-14	Rob Carr Pty Ltd	Seymour Whyte Limited	41.1	4.4	n/a
23-Apr-14	Production Solutions	GR Engineering Services Limited	5.8	2.4	n/a
07-Jan-14	Mancala Holdings Pty Ltd	Sapphire Corporation Limited	15.0	5.4	n/a
18-Apr-13	Eastcoast Development Engineering Pty Ltd	Decmil Group Limited	29.3	2.3	n/a

Close Date	Target	Acquirer	Deal Value (\$'millions)	EBITDA multiple	EBIT multiple
05-Mar-12	Pacer Corporation Pty Ltd	Resource Development Group Limited	3.5	n/a	7.7
30-Jun-11	BEC Engineering Pty Ltd	Cardno Limited	45.0	n/a	5.0
01-Nov-10	Phillips Engineering Aus Pty Ltd	Austin Engineering Ltd	4.5	n/a	4.5
26-Feb-10	Oceanic Industries Pty Ltd	Southern Cross Electrical Engineering Limited	12.7	4.2	n/a
04-Dec-09	Brandrill Limited	Ausdrill Ltd	103.7	4.4	14.7
17-Nov-09	GRD Limited	AMEC plc	165.6	7.8	11.6
	Max		165.6	7.8	14.7
	Min		3.5	2.3	4.5
	Median		22.1	4.4	7.7
	Mean		42.6	4.4	8.7

Source: Capital IQ as at 23 September 2014

We note the following with regard to the multiples observed from the selected transactions set out in Table D.1 above:

- The median and average EBITDA multiples implied from comparable transactions is 4.4 times;
- The median and average EBIT multiples implied from comparable transactions is 7.7 times and 8.7 times respectively;
- The selected transactions related to acquisitions of a 100% interest in the target company; and
- The multiples shown in Table E.3 are on a controlling interest basis and are inclusive of a premium (i.e. the multiples in Table E.3 are on a controlling interest basis).

D.2 Transaction Descriptions

A summary description of the transactions listed in Table D.1 is included in Table D.2 below.

Table D.2: Transaction Description

Target	Description
Rob Carr Pty Ltd	Seymour Whyte Limited acquired Rob Carr Pty. Ltd. from Robert Patrick Carr and others for AUD 41.1 million in cash and stock on 25 February 2014 (\$27.5 million in cash and issue 9.6 million shares in Seymour Whyte). Rob Carr Pty. Ltd. provides civil construction services in Australia. It provides sewer construction services, including the construction of deep shafts, concrete caissons, concrete manholes, and valve chambers, as well as minor open trenching works, mechanical fitting installation, and multiple live connection works; tunnel construction services; and pipeline construction services. The company was founded in 1989 and is based in Welshpool, Australia with additional offices in Minto and Yatala, Australia.
Production Solutions	GR Engineering Services Limited acquired Production Solutions from Oceaneering International, Inc. for AUD 5.8 million on 23 April 2014. Production Solutions Pty Ltd provides engineering services, maintenance, and well management services to the oil and gas sector. The company is based in Australia.

Target	Description
Mancala Holdings Pty Ltd	Sapphire Corporation Limited acquired Mancala Holdings Pty Ltd from Martin Kyne, Francis William Lannen and Timothy Edwin Akerman for AUD 15 million in stock on 7 January 2014. Mancala Holdings Pty Ltd. provides design, engineering, construction, excavation, and mining services to the mineral and civil construction industries in Australia. Mancala Holdings Pty Ltd. was founded in 1990 and is based in Glen Waverley, Australia.
Eastcoast Development Engineering Pty Ltd	Decmil Group Limited acquired Eastcoast Development Engineering Pty Ltd on 18 April 2013. Eastcoast Development Engineering Pty Ltd. offers engineering, manufacturing, construction, and maintenance services in Australia and the Pacific Rim. Eastcoast Development Engineering Pty Ltd. was incorporated in 2000 and is based in Murarrie, Australia. As of April 18, 2013, Eastcoast Development Engineering Pty Ltd operates as a subsidiary of Decmil Group Limited.
Pacer Corporation Pty Ltd	Resource Development Group Limited acquired Pacer Corporation Pty Ltd from Lightshare Investments Pty Ltd, Jon Wright, Timesfive Pty Ltd, Tobin Powell, and Jodie Teasdale for AUD 3.5 million in stock on 5 March 2012. Pacer Corporation Pty Ltd., doing business as Pacer Engineers, provides engineering services to resource and infrastructure industries in Australia. It specializes in project management, engineering design, and construction areas. The company was founded in 2001 and is based in Bunbury, Australia.
BEC Engineering Pty Ltd	Cardno Limited acquired BEC Engineering Pty Ltd from Geoff Bailey for AUD 45 million in cash and shares on 30 June 2011. BEC Engineering Pty Ltd., an electrical engineering consultancy, provides engineering services for industrial and public utility sectors in Australia and internationally. It offers power generation design, construction supervision, and commissioning services, as well as power station audits, generation control systems and operator interfaces, and project management services for power station projects in mining and regional centers. BEC Engineering Pty Ltd. serves oil and gas, utility, mining, materials handling, industrial, and petrochemical sectors. The company was founded in 1996 and is based in Perth, Australia with additional offices in Perth, Brisbane, and Tanzania.
Phillips Engineering Aus Pty Ltd	Austin Engineering Ltd. acquired the business and assets of Phillips Engineering Aus Pty Ltd. for AUD 4.5 million on 1 November 2010. Phillips Engineering Aus Pty Ltd. offers repair and maintenance services for mobile mining equipment, which includes excavator and loader buckets, dump truck bodies, and water tanks for miners in the Hunter Valley region and mining contractors. The company was incorporated in 2008 and is based in Muswellbrook, Australia. As of November 1, 2010, Phillips Engineering Aus Pty Ltd. operates as a subsidiary of Austin Engineering Ltd.
Oceanic Industries Pty Ltd	Southern Cross Electrical Engineering Limited acquired Oceanic Industries Pty Ltd for AUD 12.7 million on 26 February 2010 (8.6 million in cash and 2.8 million in shares). Oceanic Industries Pty. Ltd. operates as an electrical and instrumentation contractor in the oil and gas market in Australia. It has projects in Queensland, New South Wales, South Australia, and Western Australia. The company was founded in 2001 and is based in Lytton, Australia.
Brandrill Limited	Ausdrill Ltd. acquired Brandrill Ltd. from Resource Capital Funds, Resource Capital Fund IV, L.P., Merrill Lynch (Australia) Nominees Pty Limited, National Nominees Limited and other shareholders on 4 December 2009. Brandrill Limited, a mining services company, provides drilling and blasting services to the open cut mining and civil construction industry in Australia. The company was founded in 1980 and is based in Henderson, Australia.

Target	Description
GRD Limited	AMEC plc acquired GRD Limited on 17 November 2009. GRD Limited offers engineering and project development services in Australia. The company designs, procures, and constructs mineral resources and waste-to-resources projects. It also provides asset management services to the resources sector. GRD Limited was incorporated in 1986 and is based in Perth, Australia.

Source: Capital IQ

Appendix E - Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, control premiums may be impacted by a range of factors including the following:

- Specific acquirer premium and/or special value that may be applicable to the acquirer;
- Level of ownership in the target company already held by the acquirer;
- Market speculation about any impending transactions involving the target and/or the sector that the target belongs to;
- The presence of competing bids; and
- General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to DMS and the Combined Entity for the purposes of this Report, we have considered information which includes:

- Control premiums implied in merger and acquisition transactions in the mining and engineering services industries as classified by Capital IQ which indicate median control premiums of approximately 35%;
- Recent independent expert's reports which apply control premiums in the range of 10% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Various valuation textbooks; and
- Industry practice.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Proposed Transaction within the context of this Report. For the purposes of the calculations set out in this Report we have adopted a control premium of 30%, being the mid-point of the control premium range that we consider is appropriate based on our research.

Annexure B – Tax Information



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Dear Sir/Madam

AUSTRALIAN TAX IMPLICATIONS OF THE SCHEME OF ARRANGEMENT

Background

Mastermyne Group (“MYE”) announced its intention to acquire Diversified Mining Services Ltd (DMS) in a 100% scrip deal, subject to a Scheme of Arrangement, to the market on 26 September 2014.

We were engaged to provide a summary of the Australian income tax consequences for Scheme Shareholders arising as a consequence of the implementation of the Scheme. We have provided our consent for the inclusion of this letter in the Scheme Booklet.

This letter only considers the Australian tax consequences for Scheme Shareholders who hold their Diversified Mining Services Limited (“DMS”) shares on capital account. This letter does not consider the Australian tax consequences for Scheme Shareholders who either:

- are in the business of dealing or trading in shares or securities or who otherwise hold their DMS shares on revenue account for tax purposes; or
- hold DMS shares or options through an employee share scheme; or
- hold the shares as non-taxable Australian property as a non-resident

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Our Ref: 1472783_2.Docx



This summary is based on Australian tax legislation, case law, and rulings that apply as at the date of this letter. It is necessarily general in nature. As the precise Australian tax consequences of the Scheme will depend on each Scheme Shareholders particular circumstances, independent advice should be sought by Scheme Shareholders including in relation to the foreign tax consequences of the Scheme (if any).

CGT Event A1

Upon implementation of the Scheme, each Scheme Shareholder will receive 0.1126 new MYE shares¹ for every Scheme Share² held by the Scheme Shareholder as at the Record Date³.

The transfer of DMS shares on entering into the scheme will result in CGT event A1 (Disposal of a CGT Asset) happening for Scheme Shareholders. A Capital Gain will result if the Capital Proceeds received for their DMS shares exceed the cost base of their DMS shares (notwithstanding the availability of CGT scrip for scrip rollover relief, discussed below) whereas a capital loss will occur if the capital proceeds received are less than the reduced cost base of the DMS shares.

The capital proceeds for the transfer of DMS shares will be the market value of the new MYE shares received as consideration as at the Record Date. Scheme Shareholder's cost base for their DMS shares is the original purchase price of the shares (or the deemed cost of acquisition) plus certain incidental costs of acquisition and disposal (such as brokerage and transfer duty). The reduced cost base for the DMS Shares are determined in a similar manner, although some of the costs included may differ.

CGT scrip for scrip roll-over relief

Scheme Shareholders are able to choose CGT scrip for scrip roll-over relief ("CGT roll-over relief") to the extent they would otherwise make a capital gain. The gain on the original shares under CGT Event A1 referred to above is then disregarded and CGT is deferred until a later CGT event happens in relation to the MYE shares⁴.

CGT roll-over relief cannot apply where a Scheme Shareholder makes a capital loss.

Choosing CGT roll-over relief will affect the cost base of the new MYE shares. This is discussed below.

Given that each Scheme Shareholders may be impacted differently by participation in the Scheme, each Shareholder should obtain independent tax advice in relation to the Scheme.

Electing to apply roll-over relief

No formal election is required to apply CGT roll-over relief. An election is evidenced by a Scheme Shareholder preparing and lodging an income tax return in a manner consistent with electing to apply CGT roll-over relief.

¹ Scheme Implementation Deed page 11

² Scheme Share means a DMS Share on issue on the record date, Scheme Implementation Deed page 13

³ 5.00pm on fifth Business Day after the Effective Date, page 11

⁴ s124-785(1) ITAA 97

Holding and disposing of new Mastermyne shares

Australian tax resident Scheme Shareholders will generally be taxable on:

- any dividends received from MYE (although a tax offset for any franking credits attached to those dividends may be available); and
- any capital gain arising from a future disposal of new MYE shares

The tax consequences for a Scheme Shareholder on a future disposal of new MYE shares in a normal on-market transaction should generally be similar to the consequences of the disposal of DMS Shares without choosing CGT roll-over relief.

To work out any capital gain (or capital loss) on a disposal of new MYE shares it will be necessary to have regard to the cost base (or reduced cost base) of the new MYE shares and their acquisition date. A Scheme Shareholder's cost base will include the market value of the Scheme Shares for which it receives new MYE Shares pursuant to the Scheme.

The Scheme Shareholder will be treated as acquiring the new MYE Shares at the time the replacement Shares are issued to it on the Scheme Implementation Date. However, to the extent that roll-over relief is claimed, the Scheme Shareholder will be treated as acquiring the new MYE share when they acquired their original DMS shares.

When roll-over relief does not apply

As discussed previously, rollover relief will not apply where a Scheme Shareholder does not choose to obtain roll-over relief (and therefore makes a capital gain under CGT Event A1) or where a Scheme Shareholder makes a capital loss.

Capital Gain

If a Scheme Shareholder is an individual or trustee (including of a complying superannuation fund) and has held its Scheme Shares for at least 12 months, the discount capital gain provisions apply.

If the holder is an individual or trustee, the capital gain made in relation to its Scheme Shares is reduced by 50%. If the holder is a trustee of a complying superannuation entity, the capital gain made is reduced by 33.3%. The discount capital gain provisions do not apply to shareholders and trust beneficiaries that are companies.

Capital Loss

If a Scheme Shareholder makes a capital loss, this is taken into account in working out whether the Scheme Shareholder has a net capital gain or net capital loss for the tax year.

A capital loss cannot be used to offset income other than capital gains.



A capital loss arises, if the capital proceeds received are less than the reduced cost base of the DMS shares. For example:

A Scheme Shareholder, who is an Australian resident individual, owns 20,000 DMS shares with a reduced cost base of \$0.20 for each share (total cost base of \$4,000).

On the Record Date, the Scheme Shareholder receives 2,252 new MYE shares (i.e. 0.1126 new MYE shares for each DMS Share). The actual market value will only be known on the Implementation Date. As such, we have assumed a market value of \$0.60.

This is an example where CGT roll-over relief cannot be applied in respect of the transfer of the Scheme Shareholder's DMS Shares, because a loss arises.

$$\text{Capital proceeds} = \$1,351.20 \text{ (} 2,252 \times \$0.60 \text{)}$$

$$\text{Cost base of DMS shares} = \$4,000$$

$$\text{Capital loss} = \text{Capital proceeds} - \text{reduced cost base of DMS Shares}$$

$$= \$1,351.20 - \$4,000$$

$$= \$2,648.80 \text{ capital loss}$$

In these circumstances, the Scheme Shareholder will derive a capital loss which cannot be used to offset income other than capital gains. If there are no other capital gains the relevant income year, the capital loss can be carried forward to offset against future capital gains.

Calculation of Net Capital Gain or Loss

If a capital gain is made it will be aggregated with other capital gains made by the Scheme Shareholder in the same tax year and then reduced by capital losses made during the tax year and then by any unutilised net capital losses carried forward from previous tax years. Any remaining capital gain that is a discount capital gain will then be reduced by either 50% or 33.3% (as applicable).

The net capital gain is then included in assessable income and is subject to income tax at the taxpayer's marginal tax rate. Any net capital loss cannot be deducted against other income for income tax purposes, but may be carried forward to offset against capital gains derived in future income years (subject, in the case of companies and trusts, to certain loss carry forward rules).



Example – no CGT roll-over relief

This is an example of a CGT calculation, where the Scheme Shareholder makes a gain, but does not elect for CGT roll-over relief to apply. Where CGT roll-over relief is elected to apply, please refer above.

A Scheme Shareholder, who is an Australian resident individual, owns 10,000 DMS shares with a cost base of \$0.06 for each share (total cost base of \$600).

On the Record Date, the Scheme Shareholder receives 1,126 new MYE shares (i.e. 0.1126 new MYE shares for each DMS Share). The actual market value will only be known on the Implementation Date. As such, we have assumed a market value of \$0.60.

This is an example where CGT roll-over relief is not applied in respect of the transfer of the Scheme Shareholder's DMS Shares.

$$\text{Capital proceeds} = \$675.60 (1,126 \times \$0.6217)$$

$$\text{Cost base of DMS shares} = \$600$$

$$\text{Capital gain} = \text{Capital proceeds} - \text{Cost base of DMS Shares}$$

$$= \$675.60 - \$600$$

$$= \$75.60$$

If the Scheme Shareholder held the DMS Shares for more than 12 months, the CGT discount may apply to reduce the capital gain by 50%, i.e. to \$37.80 (assuming the Scheme Shareholder has no capital losses).

GST

The transfer of DMS shares to MYE under the Scheme should not give rise to any GST liability. In addition, Scheme Shareholders who are registered or required to be registered for GST should not have any GST obligations in relation to the Scheme. However, for those Scheme Shareholders who are registered for GST, there may be consequences in relation to claiming input tax credits on any GST included on costs (such as legal and adviser costs) associated with the Scheme.

Yours faithfully

GRANT THORNTON AUSTRALIA LIMITED

Annexure C – Scheme of Arrangement

Scheme of Arrangement for Diversified Mining Services Limited

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Scheme of Arrangement

Parties **Diversified Mining Services Limited ACN 126 482 282** of Level 10, 9 Sherwood Road, Toowong, Qld 4066 (DMS)

Each person registered as a holder of fully paid ordinary shares in the capital of DMS on issue as at the Record Date

Background

- A. DMS and Mastermyne have entered into the Implementation Deed, pursuant to which, amongst other things, DMS has agreed to propose this Scheme to DMS Shareholders and each of the parties hereto have agreed to take certain steps to give effect to this Scheme.
- B. If this Scheme becomes Effective, Mastermyne will procure the issue of the Scheme Consideration to the Scheme Shareholders and Mastermyne will acquire all Scheme Shares in accordance with the provisions of this Scheme, and DMS will enter the name and address of Mastermyne in the DMS Share Register as the holder of all of the Scheme Shares.

Operative provisions

1. **Definitions and interpretation**

1.1 **Definitions**

In this Scheme:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Business Day means a day other than a Saturday, Sunday or public holiday in the State of Queensland.

Corporations Act means the Corporations Act 2001 (Cth).

Court means Supreme Court of Queensland or such other court of competent jurisdiction as DMS and Mastermyne agree in writing.

Deed Poll means the deed poll executed by Mastermyne in accordance with the Implementation Deed in favour of the Scheme Shareholders (subject to any amendments permitted by its terms).

DMS Option means an option to subscribe for a DMS Share that was issued by DMS on or before the date of the Implementation Deed.

DMS Shareholder means a person who is registered in the DMS Share Register as a holder of DMS Shares.

DMS Shares means fully paid ordinary shares in the capital of DMS.

DMS Share Register means the register of members of DMS maintained by or on behalf of DMS in accordance with section 168(1) of the Corporations Act.

DMS Share Registry means Link Market Services Limited ACN 083 214 537.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means the date which is 5 months after the date of the Implementation Deed or such other date agreed in writing between DMS and Mastermyne.

Implementation Deed means the Scheme Implementation Deed entered into between DMS and Mastermyne on 25 September 2014.

Implementation Date means the 3rd Business Day after the Record Date or such other date as ordered by the Court or agreed between DMS and Mastermyne in writing.

Ineligible Foreign Holder means a Scheme Shareholder:

- (a) who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than residents of Australia (and its external territories) or New Zealand; or
- (b) whose address shown in the DMS Share Register is a place outside Australia (and its external territories) or New Zealand or who is acting on behalf of such a person,

unless Mastermyne and DMS (acting reasonably) agree:

- (c) it is lawful and not unduly onerous or unduly impracticable to issue that Scheme Shareholder with Scheme Consideration when the Scheme becomes Effective; and
- (d) it is lawful for that Scheme Shareholder to participate in the Scheme by the law of the relevant place outside Australia (and its external territories) or New Zealand.

Mastermyne means Mastermyne Group Limited ACN 142 490 579.

Mastermyne Share means a fully paid ordinary share in the capital of Mastermyne.

Mastermyne Share Register means the register of members of Mastermyne maintained by or on behalf of Mastermyne in accordance with section 168(1) of the Corporations Act.

Record Date means 5.00 pm on the 5th Business Day following the Effective Date or such other date as DMS and Mastermyne may agree in writing.

Registered Address means, in relation to a Scheme Shareholder, the address of the Scheme Shareholder as recorded in the DMS Share Register.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act between DMS and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved in writing by Mastermyne and DMS.

Scheme Consideration means 0.1126 Mastermyne Shares for each Scheme Share.

Scheme Meeting means the meeting of DMS Shareholders to be convened by the Court in relation to this Scheme pursuant to section 411(1) of the Corporations Act.

Scheme Share means a DMS Share on issue on the Record Date and for the avoidance of doubt includes any DMS Shares issued on or before the Record Date, including upon the exercise of any DMS Option.

Scheme Shareholder means each person who holds Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving this Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Subsidiary has the meaning given in section 9 of the Corporations Act.

1.2 Business days

If the day on which any act to be done under this Scheme is a day other than a Business Day, that act must be done on or by the next Business Day except where this Scheme expressly specifies otherwise.

1.3 General rules of interpretation

In this Scheme headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word including or any other form of that word is not a word of limitation;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) a reference to a document (including this Scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (g) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this Scheme, and a reference to this Scheme includes all schedules, exhibits, attachments and annexures to it;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (obsolete body), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (delegated legislation) and a reference to a statute or delegated legislation or a

provision of either includes consolidations, amendments, re-enactments and replacements;

- (j) a reference to \$ or dollar is to Australian currency;
- (k) a reference to time is to Brisbane, Australia time; and
- (l) this Scheme must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

2. Preliminary matters

2.1 DMS

DMS is a public company limited by shares, incorporated in Australia and registered in the State of Queensland.

2.2 Mastermyne

Mastermyne is:

- (a) a public company limited by shares, incorporated in Australia and registered in the State of Queensland; and
- (b) admitted to the official list of the ASX and Mastermyne Shares are quoted on ASX.

2.3 Implementation Deed

Mastermyne and DMS have agreed, by executing the Implementation Deed, to implement this Scheme.

2.4 Deed Poll

Mastermyne has agreed, by executing the Deed Poll, to perform its obligations under this Scheme, including the obligation to procure the issue of the Scheme Consideration to the Scheme Shareholders.

3. Conditions precedent

3.1 Conditions

This Scheme is conditional on, and will have no force and effect until, the satisfaction of each of the following conditions, and the provisions of clauses 4, 5 and 6 will not come into effect unless and until each of these conditions have been satisfied:

- (a) all the conditions precedent in clause 3.1 of the Implementation Deed (other than the condition relating to the approval of the Court set out in clause 3.1(f)) having been satisfied or waived in accordance with the terms of the Implementation Deed before 8.00 am on the Second Court Date;
- (b) the Implementation Deed and Deed Poll not having been terminated in accordance with their terms before 8.00 am on the Second Court Date;
- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with such other conditions imposed by the Court under section

411(6) of the Corporations Act as are acceptable to DMS and Mastermyne, having been satisfied; and

- (d) the orders of the Court made under section 411(4)(b) (and if applicable, section 411(6)) of the Corporations Act approving this Scheme coming into effect under section 411(10) of the Corporations Act.

3.2 Certificate

- (a) DMS and Mastermyne must each provide to the Court on the Second Court Date a certificate authorised by each of their respective boards and signed by at least one of their respective directors (or such other evidence as the Court may request) stating (to the best of each of their knowledge) whether or not all the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived (subject to the terms of the Implementation Deed) as at 8.00am on the Second Court Date.
- (b) The giving of a certificate by each of DMS and Mastermyne in accordance with clause 3.2(a) will, in the absence of manifest error, be conclusive evidence of the matters referred to in the certificate.

3.3 Termination of Implementation Deed

Without limiting the rights under, and subject to the terms of, the Implementation Deed, if the Implementation Deed is terminated in accordance with its terms before 8.00am on the Second Court Date, Mastermyne and DMS are each released from:

- (a) any further obligation to take steps to implement this Scheme; and
- (b) any liability with respect to this Scheme.

4. Scheme

4.1 Effective Date of the Scheme

Subject to clause 4.2, the Scheme will take effect on and from the Effective Date.

4.2 End Date

The Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date.

5. Implementation

5.1 Lodgement of Court orders

DMS must lodge with ASIC an office copy of any Court orders under section 411(10) of the Corporations Act approving this Scheme as soon as possible after the approval of the Scheme or entry of the Court orders, and in any event no later than by 5.00 pm on the first Business Day after the date the Court approves this Scheme or by 5.00 pm on the first Business Day after the date on which the Court orders are entered, whichever is later, or such other Business Day as Mastermyne and DMS agree in writing.

5.2 Consequences of this Scheme becoming Effective

If this Scheme becomes Effective:

- (a) it will override the constitution of DMS, to the extent of any inconsistency;
- (b) Mastermyne must (subject to clause 5.4) procure the issue of the Scheme Consideration to the Scheme Shareholders;
- (c) subject to the issue of the Scheme Consideration under clause 5.2(b):
 - (i) all the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares) will be transferred to Mastermyne; and
 - (ii) DMS will enter the name of Mastermyne in the DMS Share Register in respect of all the Scheme Shares.

5.3 Transfer of Scheme Shares

On the Implementation Date, subject to the issue of the Scheme Consideration in the manner contemplated by clause 6.2(a) and Mastermyne providing DMS with written confirmation of that issue:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to Mastermyne, without the need for any further act by any Scheme Shareholder (other than acts performed by DMS or its officers as agent and attorney of the Scheme Shareholders under clause 8.4 or otherwise) by:
 - (i) DMS delivering to Mastermyne a duly completed and executed share transfer form to transfer all the Scheme Shares to Mastermyne; and
 - (ii) Mastermyne duly executing such transfer form and delivering it to the DMS for registration; and
- (b) immediately after receipt of the transfer form in accordance with clause 5.3(a)(ii), DMS must enter the name of Mastermyne in the DMS Share Register as the holder of all of the Scheme Shares; and
- (c) the transfer of Scheme Shares will be deemed to be effective on the Implementation Date.

5.4 Ineligible Foreign Shareholders

- (a) Mastermyne will be under no obligation to issue Scheme Consideration to any Ineligible Foreign Shareholder. If there are Ineligible Foreign Shareholders, Mastermyne must, before 12.00pm on the Implementation Date, issue the Scheme Consideration (in accordance with clause 6.2) to which that Ineligible Foreign Shareholder would have been entitled (were they not an Ineligible Foreign Shareholder) (**Sale Shares**) to a nominee agent appointed by Mastermyne and DMS (the **Sale Nominee**) who must hold the Scheme Consideration for the benefit of the Ineligible Foreign Shareholder pending a sale under clause 5.4(b).
- (b) Mastermyne must procure that on, or as soon as reasonably practicable after, the Implementation Date and at its cost, the Sale Nominee uses its best endeavours to:
 - (i) in the ordinary course of trading on the ASX, sell for the benefit of the Ineligible Foreign Shareholders, all Sale Shares it holds in accordance with the Mastermyne Constitution; and

- (ii) remit to Mastermyne any net proceeds of sale received after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges.
- (c) Promptly after the last sale of Sale Shares in accordance with clause 5.4(b), Mastermyne will pay to each Ineligible Foreign Shareholder the proportion of the net proceeds of sale received by Mastermyne pursuant to clause 5.4(b)(ii) as is equal (subject to rounding) to the number of Mastermyne Shares that would have been issued pursuant to the Scheme to that Ineligible Foreign Shareholder (were they not an Ineligible Foreign Shareholder) divided by the total number of Mastermyne Shares issued to the Sale nominee pursuant to clause 5.4(a).
- (d) Ineligible Foreign Shareholders agree that the amount referred to in clause 5.4(c) may be paid by Mastermyne doing any of the following at Mastermyne's election:
 - (i) sending by pre-paid post (or pre-paid airmail if the address is outside Australia) a cheque for the proceeds to the Ineligible Foreign Shareholder's address as shown in the DMS Share Register on the Record Date (the **Registered Address**);
 - (ii) depositing the proceeds into an account with any Australian bank as notified to DMS or the DMS Share Registry by an appropriate authority from the Ineligible Foreign Shareholder;
 - (iii) in the event that an Ineligible Foreign Shareholder does not have a Registered Address or Mastermyne believes an Ineligible Foreign Shareholder is not known at its Registered Address, and no account has been notified in accordance with clause 5.4(d)(ii) or a deposit into such account is rejected or refunded, Mastermyne may credit the amount payable to that Ineligible Foreign Shareholder to a separate bank account of Mastermyne to be held until the Ineligible Foreign Shareholder claims the amount or the amount is dealt with in accordance with unclaimed money legislation. Mastermyne must hold the amount on trust, but any benefit accruing from the amount will be to the benefit of Mastermyne. An amount credited to the account is to be treated as having been paid to the Ineligible Foreign Shareholder. Mastermyne must maintain records of the amount paid, the people who are entitled to the amounts and any transfers of the amounts.
- (e) Payment by Mastermyne to an Ineligible Foreign Shareholder in accordance with clause 5.4(c) satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.
- (f) Neither Mastermyne nor DMS gives any assurance as to the price that will be achieved for the sale of the Sale Shares described in clause 5.4(b). The sale of the Sale Shares under this clause 5.4 will be at the risk of the Ineligible Foreign Shareholder.
- (g) Each Ineligible Foreign Shareholder appoints Mastermyne as its agent to receive on its behalf any financial services guide or other notices which may be given by Mastermyne to that that Ineligible Foreign Shareholder.

6. Scheme Consideration

6.1 Scheme Consideration

On the Implementation Date, in consideration for the transfer to Mastermyne of each Scheme Share under the terms of the Scheme, each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder.

6.2 Issue of Scheme Consideration

Mastermyne must at or before 12.00pm on the Implementation Date, in consideration for the transfer to Mastermyne of the Scheme Shares, procure the issue of the Scheme Consideration to all Scheme Shareholders by:

- (a) passing a resolution of the directors of Mastermyne and doing all things necessary to validly issue the Scheme Consideration due to each Scheme Shareholder; and
- (b) entering the name and registered address of the Scheme Shareholder (or in the case of Ineligible Foreign Shareholders, the name and address of the Sale Nominee appointed under clause 5.4) in the Mastermyne Share Register as the holder of the Scheme Consideration issued to that Scheme Shareholder.

Within 5 Business Days after the Implementation Date, Mastermyne must dispatch, or procure the dispatch of, a holding statement or share certificate for the Scheme Consideration issued to that Scheme Shareholder (or Sale Nominee) by pre-paid post to the Registered Address of the Scheme Shareholder (or Sale Nominee).

6.3 Joint holders

In the case of Scheme Shares held in joint names, the Scheme Consideration must be issued in the names of those joint holders.

6.4 Rank equally

- (a) New Mastermyne Shares issued to Scheme Shareholders under this Scheme will rank equally with all existing Mastermyne Shares.
- (b) On issue, each new Mastermyne Share issued to Scheme Shareholders under this Scheme will be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (c) Mastermyne will do everything reasonably necessary to ensure that the new Mastermyne Shares to be issued to Scheme Shareholders under this Scheme:
 - (i) are admitted to the official list of ASX and are approved for official quotation on the ASX by 8.00am on the Second Court Date; and
 - (ii) commence trading on the ASX by the first Business Day after the Implementation Date.

7. Dealings in DMS Shares

7.1 Dealings in DMS Shares by Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in DMS Shares or other alterations to the DMS Share Register will only be recognised if registrable transmission applications or transfers in respect of those dealings are received on or before 5:00pm on the Record Date at the place where the DMS Share Register is kept (in which case DMS must register such transfers by 5:00pm on that day), and DMS will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders, any transfer or transmission application in respect of the DMS Shares received after such times or received prior to such times but not in registrable form.

7.2 DMS Share Register

- (a) DMS must maintain the DMS Share Register in accordance with the provisions of this clause 7 until the Scheme Consideration has been issued to the Scheme Shareholders and Mastermyne has been entered in the DMS Share Register as the holder of all of the Scheme Shares, and the DMS Share Register in this form and the terms of the Scheme will solely determine entitlements to the Scheme Consideration.
- (b) DMS must register registrable transmission applications or transfers of the kind referred to in clause 7.1 by 5:00pm on the Record Date.
- (c) DMS will not accept for registration or recognise for any purpose any transmission application or transfer in respect of DMS Shares received after 5:00pm on the Record Date.
- (d) If this Scheme becomes Effective, from the Record Date until the earlier of registration of Mastermyne as the holder of all Scheme Shares under clause 5.3(b) or the End Date, no Scheme Shareholder nor any person claiming through that Scheme Shareholder may deal with Scheme Shares in any way (or attempt or agree to do so) except as set out in this Scheme and any attempt to do so will have no effect and DMS will be entitled to disregard any such dealing or purported dealing.

7.3 Information to be made available

As soon as practicable after the Record Date, DMS will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Shareholder shown in the DMS Share Register at the Record Date are available to Mastermyne in a form as Mastermyne may reasonably require.

7.4 Effect of share certificates and holding statements

Subject to the issue of the Scheme Consideration in the manner contemplated by clause 6.2(a):

- (a) all statements of holding or share certificates for DMS Shares will cease to have effect from the Record Date as documents of title in respect of those shares (other than statements of holding in favour of Mastermyne and its successors in title); and
- (b) as from the Record Date, each entry current at that date on the DMS Share Register (other than entries in respect of Mastermyne and its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the DMS Shares relating to that entry.

8. General Scheme Provisions

8.1 Alterations and Conditions

If the Court proposes to approve this Scheme subject to any alterations or conditions, DMS may, by its counsel or solicitors, consent on behalf of all persons concerned, including a Scheme Shareholder, to those alterations or conditions to which Mastermyne has consented in writing.

8.2 Agreement of Scheme Shareholders

Each Scheme Shareholder:

- (a) agrees to the transfer of their Scheme Shares to Mastermyne, together with all rights and entitlements attaching to those Scheme Shares, in accordance with terms of this Scheme and agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme; and
- (b) acknowledges that this Scheme binds DMS and all Scheme Shareholders including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against this Scheme at that Scheme Meeting.

8.3 Warranties by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Mastermyne:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to Mastermyne under this Scheme will, at the date they are transferred to Mastermyne, be fully paid and free from all mortgages, charges, security interests, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- (b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to Mastermyne.

8.4 Authority given to DMS

Upon this Scheme becoming Effective, each Scheme Shareholder without the need for any further act:

- (a) irrevocably appoints DMS and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
 - (i) enforcing the Deed Poll against Mastermyne (as applicable); and
 - (ii) executing any document necessary to give effect to this Scheme including, the execution of the share transfer to be delivered under clause 5.3(a)(i),and DMS accepts such appointment; and
- (b) will be deemed to have authorised DMS to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary to implement this Scheme, including executing, as agent and attorney of each Scheme Shareholder, a

share transfer or transfers in relation to Scheme Shares as contemplated by clause 8.4(a).

8.5 Appointment of sole proxy

On this Scheme becoming Effective, and until DMS registers Mastermyne as the holder of all Scheme Shares in the DMS Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed Mastermyne as its attorney and agent (and directed Mastermyne in such capacity) to appoint any director, officer, secretary or agent nominated by Mastermyne as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings of DMS, exercise the votes attaching to the Scheme Shares registered in their name and sign any DMS Shareholders' resolutions, whether in person, by proxy or by corporate representative;
- (b) undertakes not to otherwise attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than as pursuant to clause 8.5(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Mastermyne reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.5(a), Mastermyne and any director, officer, secretary or agent nominated by Mastermyne under clause 8.5(a) may act in the best interests of Mastermyne as the intended registered holder of the Scheme Shares.

8.6 Scheme Shareholders' Consent

Subject to the Scheme becoming Effective, each Scheme Shareholder irrevocably consents to Mastermyne and DMS doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of the Scheme.

8.7 Title to Scheme Shares

Mastermyne will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by DMS of Mastermyne in the DMS Share Register as the holder of the Scheme Shares.

9. General

9.1 Stamp duties

Mastermyne must pursuant to their obligations under the Deed Poll pay all stamp duties and any related fines and penalties in respect of the transfer of the Scheme Shares to Mastermyne and are authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause.

9.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to DMS, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if

any) on which it is actually received at the place where the DMS Share Registry is kept.

- (b) The accidental omission to give notice of the Scheme Meeting or the non receipt of such a notice by any DMS Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.3 Further acts and documents

DMS must promptly do all further acts and execute and deliver all further documents required by law or reasonably requested by another party to give effect to this Scheme and the transactions contemplated by it.

10. Governing law and jurisdiction

10.1 Governing law

This Scheme is governed by the law applying in Queensland.

10.2 Jurisdiction

Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Queensland, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
- (b) waives any objection it may have now or in the future to the venue of any proceedings, and any claim it may have now or in the future that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 10.2(a).

Annexure D – Notice of Scheme Meeting

Notice of Court ordered meeting of holders of Diversified Mining Services Limited shares

Notice is given that, by an Order of the Supreme Court of Queensland (**Court**) made on 3 November 2014 pursuant to section 411(1) of the Corporations Act, a meeting of shareholders of Diversified Mining Services Limited (the **Company**) will be held at the Hillstone, St Lucia Golf Links, Carawa Street, St Lucia Qld 4067 on Friday, 28 November 2014 commencing at midday (Brisbane time).

The Court has also directed that Peter Francis Dighton act as chairman of the meeting or failing him, Rodney Harold Keller, and has directed the chairman to report the result of the meeting to the Court.

1. BUSINESS OF THE MEETING

(A) SCHEME OF ARRANGEMENT

To consider and, if thought fit, pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That pursuant to, and in accordance with, section 411 of the Corporations Act, the scheme of arrangement proposed between the company and the holders of its ordinary shares as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part is approved (with or without modification as approved by the Supreme Court of Queensland)."

EXPLANATORY NOTES

1. Interpretation

Unless otherwise defined in this notice, capitalised terms used in this notice have the same meaning as set out in the defined terms in Section 10 of the Scheme Booklet of which this notice forms part.

2. Purpose of the meeting

The purpose of the meeting is to consider and, if thought fit, to approve a scheme of arrangement (with or without modification) to be made between the Company and DMS Shareholders under Part 5.1 of the Corporations Act. A copy of the scheme of arrangement is set out in the Scheme Booklet of which this notice forms part.

To enable you to make an informed voting decision, further information on the Scheme is set out in the Scheme Booklet of which this notice forms part.

3. Required Majority

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme to be effective, the resolution to approve the Scheme must be approved by:

- a majority in number of DMS Shareholders present and voting on the resolution (whether in person or by proxy, attorney or corporate representative); and
- at least 75 per cent of the total number of votes cast by DMS Shareholders on the resolution (whether in person or by proxy, attorney or corporate representative).

4. Voting

How to vote

DMS Shareholders can vote in either of two ways:

- by attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend and vote on their behalf, using the Proxy Form accompanying the Scheme Booklet of which this notice forms part.

Voting in person or by attorney

DMS Shareholders are asked to arrive at the venue 30 minutes before the time designated for the Scheme Meeting to allow for registration for the meeting. A representative of a corporate DMS Shareholder attending the meeting **must** present satisfactory evidence of his or her appointment to attend on its behalf, unless previously lodged with the DMS Share Registry.

Voting by proxy

- A DMS Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on the poll and also to speak at the Scheme Meeting.
- The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed, and if the appointment does not specify the proportion or number of the DMS Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions).
- A proxy need not be a DMS Shareholder.
- If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting, as that person thinks fit.
- If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote in the shareholder's behalf on the poll, and the DMS Shares the subject of the proxy appointment will not be counted in computing the required majority.
- DMS Shareholders who return their Proxy Form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the meeting, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Scheme Meeting, the company secretary of DMS or any Director which do not contain a direction will be used to support the resolution to approve the Scheme.
- A vote given in accordance with the terms of a proxy is valid despite the revocation of the proxy, unless notice in writing of the revocation has been received by DMS Share Registry by Midday on Wednesday, 26 November 2014.
- Completed Proxy Forms and an original or certified copy of any authority under which a Proxy Form is signed should be sent to the DMS Share Registry using one of the reply-paid envelopes provided with the document.
- To be effective, Proxy Forms and an original or certified copy of any authority under which a Proxy Form is signed must be sent to the DMS Share Registry:

- by post (using the reply envelope included with the document) at Link Market Services Ltd, Locked Bag A14, Sydney South, NSW, 1235;
- by facsimile to (02) 9287 0309;
- by hand to Link Market Services Ltd, 1A Homebush Bay Drive Rhodes, NSW 2138; and
- online at www.linkmarketservices.com.au.

so that they are received by no later than 12:00pm on Wednesday, 26 November 2014. Proxy Forms received after this time will be invalid.

- The Proxy Form must be signed by the DMS Shareholder or the DMS Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the DMS Share Registry at either of the above addresses or by facsimile transmission by 12:00pm on Wednesday, 26 November 2014. If facsimile transmission is used, the power of attorney must be certified.

Jointly held DMS Shares

If the DMS Shares are jointly held, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held DMS Shares, only the vote of the shareholder whose name appears first in the Register will be counted.

Shareholders who are entitled to vote

Pursuant to section 411 of the Corporations Act and all other enabling powers, the Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 7.00 pm on Wednesday, 26 November 2014. Only those DMS Shareholders entered on the Register at that time will be entitled to attend and vote at the Scheme Meeting.

5. Court approval

In accordance with section 411(4)(b) of the Corporations Act, in order to become effective the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the requisite majorities and the other Conditions Precedent to the Scheme are satisfied, DMS intends to apply to the Court for approval of the Scheme.

6. Material accompanying this notice

This notice of meeting and the resolution should be read in conjunction with the Scheme Booklet of which this notice forms part.

Annexure E – Deed Poll

Deed Poll

Relating to a Scheme of Arrangement for
Diversified Mining Services Limited

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Deed Poll made on 31 October 2014

Parties Mastermyne Group Limited ACN 142 490 579 of Level 1, Riverside Plaza, 45 River Street, Mackay, Queensland, 4740 (Mastermyne)

In favour of Each person registered as a holder of fully paid ordinary shares in the capital of Diversified Mining Services Limited ACN 126 482 282 (DMS) on issue as at the Record Date (Scheme Shareholders)

Background

- A. On 25 September 2014, DMS and Mastermyne entered into a Scheme Implementation Deed (**Implementation Deed**) to provide for the implementation of the Scheme.
- B. The effect of the Scheme will be to transfer all of the Scheme Shares from the Scheme Shareholders to Mastermyne in exchange for the Scheme Consideration.
- C. In accordance with the Implementation Deed, Mastermyne enters into this deed poll to covenant in favour of the Scheme Shareholders to pay or procure the payment of the Scheme Consideration in accordance with the Scheme and to otherwise undertake all other actions attributed to it under the Scheme.

It is declared as follows

1. Definitions and interpretation

1.1 Definitions

In this deed poll:

Scheme means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between DMS and its shareholders, a copy of which is attached to the Implementation Deed, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Mastermyne and DMS.

1.2 Terms defined in Scheme

Capitalised words and phrases defined in the Scheme or in the Implementation Deed and not in this deed poll have the same meaning in this deed poll as in the Scheme unless the context requires otherwise.

1.3 Reasonable endeavours

Any provision of this deed which requires a party to use reasonable endeavours or all reasonable endeavours to procure that something is performed or occurs or does not occur does not include any obligation to commence any legal action or proceeding against any person.

1.4 Business days

If the day on which any act to be done under this deed is a day other than a Business Day, that act must be done on or by the next Business Day except where this deed expressly specifies otherwise.

1.5 Interpretation

In this deed:

- (a) headings are for convenience only and do not affect interpretation;
and unless the context indicates a contrary intention:
- (b) "**person**" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (c) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation;
- (d) a reference to a document (including this deed) is to that document as varied, novated, ratified or replaced from time to time;
- (e) a reference to a statute includes its delegated legislation and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (f) a reference to a time and date is a reference to the time and date in Queensland;
- (g) a word importing the singular includes the plural (and vice versa), and a word indicating a gender includes every other gender;
- (h) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this deed, and a reference to this deed includes all schedules, exhibits, attachments and annexures to it;
- (i) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) "**includes**" in any form is not a word of limitation; and
- (k) a reference to "\$" or "**dollar**" is to Australian currency.

1.6 Nature of this deed poll

Mastermyne acknowledges and agrees that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints DMS and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Mastermyne.

2. Condition precedent

2.1 Condition

The obligations of Mastermyne under clause 3 are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Mastermyne under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date,

unless Mastermyne and DMS otherwise agree in writing.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, then in addition to and without prejudice to any other rights, powers or remedies available to it:

- (a) Mastermyne is released from its obligations to further perform this deed poll except those obligations contain in clause 7.8; and
- (b) each Scheme Shareholder retains the rights they have against Mastermyne in respect of any breach of this deed poll by Mastermyne which occurs before this deed poll was terminated.

3. Payment of the Scheme Consideration

3.1 Undertaking

Subject to clause 2, Mastermyne undertakes in favour of each Scheme Shareholder to:

- (a) procure the issue of the Scheme Consideration to each Scheme Shareholder; and
- (b) undertake all other actions attributed to it under the Scheme,

subject to and in accordance with the terms of the Scheme.

4. Warranties

Mastermyne represents and warrants to each Scheme Shareholder that:

- (a) **Incorporation:** Mastermyne is a valid existing corporation registered under the laws of its place of incorporation.
- (b) **Execution:** the execution and delivery of this Deed Poll has been properly authorised by all necessary corporate action of Mastermyne.
- (c) **Corporate Power:** Mastermyne has full corporate power and lawful authority to execute and deliver this Deed Poll and to consummate and perform or cause to be performed its obligations under this Deed Poll in accordance with its terms, and to carry out or cause to be carried out the transactions contemplated by this Deed Poll.
- (d) **Binding Obligations:** (Subject to laws generally affecting creditors' rights and the principles of equity) this Deed Poll contains legal, valid and binding obligations on Mastermyne.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until Mastermyne has fully performed its obligations under it or the earlier termination of this deed poll under clause 2.

6. Further assurances

Mastermyne will do all things and execute all deeds, instruments, transfers or other documents and do all acts or things as may be necessary or desirable to give full effect to the provisions of this deed poll and the transactions contemplated by it.

7. General

7.1 Notices

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed poll:

- (a) must be in writing;
- (b) must be addressed as follows:
if to Mastermyne:

Attention: Company Secretary

Address: Level 1, Riverside Plaza, 45 River Street, Mackay,
Queensland, 4740

Fax number: +61 7 4944 0822
- (c) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;
- (d) must be delivered by hand or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 7.1(b); and
- (e) is taken to be received by the addressee:
 - (i) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
 - (ii) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
 - (iii) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and
 - (iv) (in the case of delivery by hand) on delivery,

but if the communication is taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

7.2 Governing law

This deed poll is governed by and must be construed according to the law applying in Queensland.

7.3 Jurisdiction

Mastermyne irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Queensland, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed poll; and
- (b) waive any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 7.3(a).

7.4 Amendments

This deed poll may be amended only by another deed poll entered into by Mastermyne and then only if the amendment is agreed to by DMS in writing and, if on or after the Second Court Date, only if it is approved by the Court.

7.5 Waiver

- (a) Failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this deed poll by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.
- (b) A waiver or consent given by a party under this deed poll is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of a term of this deed poll operates as a waiver of another breach of that term or of a breach of any other term of this deed poll.

7.6 Further acts and documents

Mastermyne must do all further acts and execute and deliver all further documents required by law or necessary to give effect to this deed poll and the transactions contemplated by it.

7.7 Assignment

The rights of each Scheme Shareholder under this deed poll are personal and cannot be assigned, novated or otherwise transferred without the prior written consent of Mastermyne.

7.8 Stamp duties

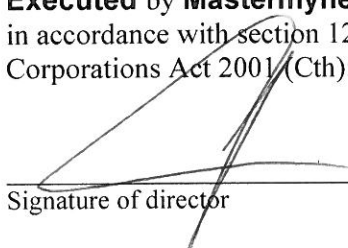
Mastermyne must pay all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll and are authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause.

7.9 Cumulative rights

The rights, powers and remedies of Mastermyne and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

Executed and delivered as a deed poll

Executed by Mastermyne Group Limited
in accordance with section 127 of the
Corporations Act 2001 (Cth):



Signature of director

ANTHONY SALVATORE CARUSO
Full name of director



Signature of company secretary/~~director~~

CHRIS KNEIPP
Full name of company secretary/~~director~~

Annexure F – Implementation Deed

Scheme Implementation Deed

Diversified Mining Services Limited
(DMS)

Mastermyne Group Limited
(Mastermyne)

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Scheme Implementation Deed made on 25 September 2014

Parties

Diversified Mining Services Limited ACN 126 482 282 of Level 10,
9 Sherwood Road, Toowong, Queensland, 4066 (**DMS**)

Mastermyne Group Limited ACN 142 490 579 of Level 1, Riverside Plaza,
45 River Street, Mackay, Queensland, 4740 (**Mastermyne**).

Recitals

- A. Mastermyne has offered to acquire all of the issued share capital in DMS.
- B. It is proposed that the acquisition be implemented by a members' scheme of arrangement under Part 5.1 of the Corporations Act whereby the shareholders of DMS will exchange their DMS Shares for the Scheme Consideration.
- C. The Scheme is conditional on, amongst other things, approval by the Court and by DMS Shareholders.
- D. As at the date of this deed, Mastermyne has 75,517,514 ordinary shares on issue, which are traded on the ASX.
- E. Subject to the terms of this deed, DMS and Mastermyne have agreed to carry into effect the Scheme and all steps required to implement the Scheme.

Operative provisions

1. Definitions and Interpretation

1.1 Definitions

In this deed:

Advisers means, in relation to an entity, its financiers, and any legal adviser, financial adviser, corporate adviser or other expert adviser or consultant who provides advisory services in a professional capacity and who has been engaged by that entity.

Announcement Date means the date on which Mastermyne makes the Mastermyne Public Announcement.

ANZ means Australia and New Zealand Banking Group Limited.

ANZ Outstanding Liability means the amount payable to ANZ in order to procure the grant of the ANZ Releases by ANZ which amount is not to exceed:

- (a) the amounts drawn down as advised by DMS prior to the date of this deed plus interest and charges accruing between the date of this deed and the Implementation Date in respect of all ANZ facilities other than the ANZ overdraft facility; plus
- (b) the amount owing under the ANZ overdraft facility as advised by DMS prior to the date of this deed plus interest and charges accruing between the date of this deed and the Implementation Date and further reasonable amounts drawn down by DMS which are necessary for DMS to continue operations in the ordinary course and which do not increase the total amount drawn down under the ANZ overdraft facility above \$2.5 million.

ANZ Releases means releases of each of the ANZ Securities, duly executed by ANZ.

ANZ Securities means each of the Encumbrances granted over any DMS Group Member or over the whole or any part of the assets of the DMS Group in favour of ANZ.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.

ASX Listing Rules means the official listing rules of ASX.

ATO means the Australian Taxation Office.

Break Fee means \$500,000 (inclusive of GST).

Business Day means a day, not being a Saturday, Sunday or public holiday, on which banks are generally open for business in Brisbane.

Communications means all forms of communications, whether written, oral, in electronic format or otherwise, and whether direct or indirect via agents or Representatives.

Competing Proposal means any proposal (including a scheme of arrangement) or offer that if completed substantially in accordance with its terms would result in a person (other than Mastermyne or its Related Entities):

- (a) directly or indirectly acquiring a Relevant Interest in or becoming the holder of more than 50% of the issued DMS Shares;
- (b) directly or indirectly acquiring an interest in all or a material part of the business or assets of DMS; or
- (c) otherwise acquiring control of DMS within the meaning of section 50AA of the Corporations Act (including by way of reverse takeover, reverse scheme of arrangement or dual listed company structure).

Condition means a condition precedent set out in clause 3.1.

Confidentiality Deeds means the DMS Confidentiality Deed and the Mastermyne Confidentiality Deed.

Confidential Information means the Mastermyne Confidential Information or DMS Confidential Information.

Consequential Loss means any loss, damage or liability in contract, tort (including negligence) or under statute which is:

- (a) consequential loss, indirect or remote or abnormal or unforeseeable loss;
- (b) loss of revenue, loss of goodwill, loss of profits, loss of production, loss of actual or anticipated savings, loss of reputation, lost opportunities, wasted overheads, business interruptions, or loss of use;
- (c) special, exemplary or punitive damages of any kind; or
- (d) any similar loss (whether or not in the reasonable contemplation of the parties).

Corporations Act means the *Corporations Act 2001* (Cth) and the regulations made under that Act.

Court means the Supreme Court of Queensland or such other court of competent jurisdiction under the Corporations Act as DMS and Mastermyne agree in writing.

Deed Poll means the deed poll to be executed by Mastermyne in favour of Scheme Shareholders (subject to any amendments permitted by its terms) in the form as set out in Schedule 4—Deed Poll.

Disclosure has the meaning given in clause 11.2(a).

DMS Board means the board of directors of DMS from time to time.

DMS Committee Members means Darren Basford and Simon Jeffery, or such other persons appointed by DMS from time to time.

DMS Confidentiality Deed means the confidentiality deed dated on or about 13 February 2014 between DMS (as the “Company”) and Mastermyne (as the “Recipient”), as amended by a deed dated on or about 17 July 2014 between DMS and Mastermyne.

DMS Confidential Information means the confidential, non-public or proprietary Information, relating to the business or affairs of DMS and its Related Entities made available by or on behalf of DMS to Mastermyne and its Representatives before or after the date of this deed (and includes Information which is confidential information for the purposes of the DMS Confidentiality Deed).

DMS Director means a director of DMS.

DMS Disclosure Materials means all written information in connection with the Transaction or relating to the DMS Group's past, present or future operations, affairs, business and/or strategic plans, which:

- (a) is included in the electronic data room established by DMS and made available to Mastermyne and its Representatives between 21 July 2014 and the date of this deed; or
- (b) has been provided to Mastermyne or its Representatives (including any DMS Provided Information) prior to the date of this deed.

DMS Environmental Incident means the sudden and unforeseen occurrence of a major Environmental incident that:

- (a) is caused by a relevant DMS Group Member; and
- (b) has had, or will have, a material adverse effect on the business, assets, liabilities, financial or trading position or profitability of the DMS Group as a whole.

DMS Fatality Event means the death of an employee of a DMS Group Member that:

- (a) occurs while the relevant employee is performing its duties in the course of that employee's employment with the relevant DMS Group Member; and
- (b) is caused by a relevant DMS Group Member; and
- (c) has had, or will have, a material adverse effect on the business, assets, liabilities, financial or trading position or profitability of the DMS Group as a whole.

DMS Group means DMS and each of its Related Entities.

DMS Group Member means a member of the DMS Group.

DMS Indemnified Parties means each DMS Group Member and their respective directors and officers as at the date of this deed.

DMS Liability means:

- (a) the total amount of Tax outstanding and payable to the ATO on the Implementation Date under the ATO payment plan disclosed to Mastermyne in writing prior to the date of this deed (or any variation of such plan or replacement ATO payment plan that is put into place by DMS in consultation with Mastermyne); and
- (b) redundancy, notice, accrued entitlements and incentive payments to the non-transferring corporate employees in accordance with the amounts disclosed to Mastermyne in writing;

DMS Material Adverse Change means a matter, event or circumstance (other than any matter consented to in writing by Mastermyne) that occurs after the date of this deed and before 8.00 am on the Second Court Date, where that matter, event or circumstance has, has had, or could reasonably be expected to have, individually or when aggregated with all such matters, events or circumstances, the result that:

- (a) the Value of the Consolidated Net Tangible Assets of DMS Group being reduced by \$1,000,000 or more; or
- (b) the Forecasted Value of Consolidated EBIT for the DMS Group is less than \$5,500,000,

other than a DMS Permitted Event or any other matter, event or circumstance:

- (c) required or permitted to be done or procured by DMS pursuant to this deed or the Transaction;
- (d) which has been publicly announced by DMS prior to the date of this deed;
- (e) to the extent that it is known by Mastermyne or any of their directors or officers prior to the date of this deed; or
- (f) caused by any changes in interest rates or law (including any changes in laws relating to Taxes or changes to accounting policy required by law); or
- (g) which is, and to the extent that it is, disclosed:
 - (i) in the DMS Disclosure Materials; or
 - (ii) on any Public Register on or before the date of this deed.

DMS Option means an option to subscribe for a DMS Share that was issued by DMS on or before the date of this deed.

DMS Permitted Event means the occurrence of any of the following:

- (a) the deregistration of DMS Plan 1 Pty Ltd, DMS Field Maintenance Pty Ltd and Tinoak Pty Ltd;
- (b) the incurring of, or payment of, Implementation Costs by any DMS Group Member;

- (c) the issue of DMS Shares by DMS as a result of the exercise of DMS Options (if any);
- (d) any matter, event or circumstance consented to in writing by Mastermyne; and
- (e) entering into any agreement or arrangement in relation to, or otherwise taking any steps to give effect to, any of the matters referred to in paragraphs (a) to (e) inclusive.

DMS Prescribed Event means the occurrence of any of the following between the date of this deed and 8.00 am on the Second Court Date:

- (a) DMS converts all or any of its securities into a larger or smaller number of securities;
- (b) DMS or a Subsidiary of DMS disposes of, or agrees to dispose of, shares in a Subsidiary of that entity;
- (c) DMS or a Subsidiary of DMS resolves to reduce its share capital in any way or reclassifies, combines, splits, redeems or repurchases directly or indirectly any of its shares;
- (d) DMS or a Subsidiary of DMS enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (e) DMS declares any dividend or pays, makes or incurs any liability to pay or make any distribution whether by way of dividend, capital distribution, bonus or other share of its profits or assets;
- (f) DMS or a Related Entity of DMS issues or authorises the issue of shares or other instruments convertible into, in lieu of or in substitution for shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (g) DMS or a Subsidiary of DMS creates, or agrees to create, any mortgage, charge, lien or other Encumbrance over the whole or a substantial part of the business, assets or property of the DMS Group;
- (h) an Insolvency Event occurs in relation to DMS or a Subsidiary of DMS;
- (i) DMS or a Subsidiary of DMS states its intention to or makes any change to its constitution;
- (j) DMS or a Subsidiary of DMS disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (k) DMS or a Subsidiary of DMS enters into any contract with a Third Party with a value of \$250,000 or more;
- (l) DMS or a Subsidiary of DMS purchases any individual asset or assets with a value of \$50,000 (individually) or more or \$100,000 (in the aggregate) or more from a Third Party;
- (m) a DMS Fatality Event occurs;
- (n) a DMS Environmental Incident occurs; or
- (o) ANZ terminates, withdraws or reduces the credit limit of any finance facility provided by ANZ to any DMS Group Member other than the scheduled repayment of asset

finance facility or a reduction in a credit limit as agreed with Mastermyne in writing (such agreement not to be withheld unreasonably),

other than a DMS Permitted Event or any other matter, event or circumstance required or permitted to be done or procured by DMS pursuant to this deed or the Transaction.

DMS Provided Information means all information contained in the Scheme Booklet and all information provided by or on behalf of DMS to the Independent Expert to enable the Independent Expert's Report to be prepared and completed and any updates to that Information prepared by or on behalf of DMS in accordance with clause 4(f), other than the Mastermyne Provided Information and the Independent Expert's Report.

DMS Share means a fully paid ordinary share in the capital of DMS.

DMS Share Register means the register of members of DMS maintained under the Corporations Act.

DMS Shareholder means a person registered on the DMS Share Register as the holder of DMS Shares.

EBIT means earnings before interest and tax expense.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the Court order approving the Scheme under section 411(4)(b) of the Corporations Act.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest (including any "security interest" as defined in section 12 of the Personal Property Securities Act 2009 (Cth)), title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement or any other security arrangement or any other arrangement having the same effect.

End Date means the date which is 5 months after the date of this deed or such other date agreed in writing by the parties.

Environment means all components of the earth, atmosphere, ecosystems and biosphere including land, air, water, sound, odour, climate, organic matter, inorganic matter, living organisms and natural and human made features wherever located (and "Environmental" has a corresponding meaning).

First Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Forecasted Value of Consolidated EBIT means:

- (a) in respect of the DMS Group - the forecasted EBIT for the DMS Group for the financial year ending 30 June 2015, before non-continuing corporate costs as provided by DMS prior to the date of this deed; and
- (b) in respect of the Mastermyne Group - the forecasted EBIT for the Mastermyne Group for the financial year ending 30 June 2015.

Foreign DMS Securityholder means a DMS Shareholder:

- (a) who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than residents of Australia (and its external territories) or New Zealand; or
 - (b) whose address shown in the DMS Share Register is a place outside Australia (and its external territories) or New Zealand or who is acting on behalf of such a person,
- unless the parties (acting reasonably) agree:
- (c) it is lawful and not unduly onerous or unduly impracticable to issue that DMS Shareholder with Mastermyne Shares on implementation of the Scheme; and
 - (d) it is lawful for that DMS Shareholder to participate in the Scheme by the law of the relevant place outside Australia (and its external territories) or New Zealand.

GST has the meaning given in the GST Act.

GST Act means the *A New Tax System (Goods and Services) Act 1999* (Cth).

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Scheme Shareholders present and voting, either in person or by proxy.

Implementation Costs means all costs and expenses incurred, owing or payable by any DMS Group Member in connection with the Transaction including without limitation break fees in connection with asset finance facilities, fees and other amounts payable to Advisers and Third Parties.

Implementation Date means the date which is the third Business Day after the Record Date or such other date as ordered by the Court or agreed between the parties in writing.

Implementation Period means the period commencing on the date of this deed and ending on the first to occur of:

- (a) termination of this deed in accordance with its terms;
- (b) the End Date; and
- (c) the Implementation Date.

Indemnified Losses means, in relation to any fact, matter or circumstance, all losses, costs, damages, expenses and other liabilities arising out of or in connection with that fact, matter or circumstance including all legal and other professional expenses on a solicitor-client basis incurred in connection with investigating, disputing, defending or settling any claim, action, demand or proceeding relating to that fact, matter or circumstance including any claim, action, demand or proceeding based on the terms of this deed.

Independent Expert means the independent expert engaged by DMS to express an opinion as to whether the Scheme is in the best interests of DMS Shareholders.

Independent Expert's Report means the report to be prepared by the Independent Expert in respect of the Scheme in accordance with the Corporations Act and Policy Statements for inclusion in the Scheme Booklet.

Information means information of any kind in any form or medium, whether formal or informal, written or unwritten (including, for example, computer software or programs, concepts, data, drawings, ideas, knowledge, procedures, source codes or object codes, technology or trade secrets).

Insolvency Event means any of the following:

- (a) a person is or states that the person is unable to pay from the person's own money all the person's debts as and when they become due and payable;
- (b) a person is taken or must be presumed to be insolvent or unable to pay the person's debts under any applicable legislation;
- (c) an application or order is made for the winding up or dissolution or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of a corporation;
- (d) an administrator, provisional liquidator, liquidator or person having a similar or analogous function under the laws of any relevant jurisdiction is appointed in respect of a corporation or any action is taken to appoint any such person and the action is not stayed, withdrawn or dismissed within seven days;
- (e) a controller is appointed in respect of any property of a corporation;
- (f) a corporation is deregistered under the Corporations Act or notice of its proposed deregistration is given to the corporation;
- (g) a distress, attachment or execution is levied or becomes enforceable against any property of a person;
- (h) a person enters into or takes any action to enter into an arrangement (including a scheme of arrangement (other than the Scheme) or deed of company arrangement), composition or compromise with, or assignment for the benefit of, all or any class of the person's creditors or members or a moratorium involving any of them; or
- (i) anything analogous to or of a similar effect to anything described above under the law of any relevant jurisdiction occurs in respect of a person,

other than a DMS Permitted Event.

Mastermyne Committee Members means Tony Caruso and Chris Kneipp, or such other persons appointed by Mastermyne from time to time.

Mastermyne Confidential Information means the confidential, non-public or proprietary Information, relating to the business or affairs of Mastermyne and its Related Entities made available by or on behalf of Mastermyne to DMS and its Representatives before or after the date of this deed (and includes Information which is confidential information for the purposes of the Mastermyne Confidentiality Deed).

Mastermyne Confidentiality Deed means the confidentiality deed dated on or about 30 July 2014 between DMS (as the "Recipient") and Mastermyne (as the "Company").

Mastermyne Counter Proposal has the meaning given to it in clause 8.6(a)(iv).

Mastermyne Director means a director of Mastermyne.

Mastermyne Disclosure Materials means all written information in connection with the Transaction or relating to the Mastermyne Group's past, present or future operations, affairs, business and/or strategic plans, which has been provided to DMS or its Representatives (including any Mastermyne Provided Information) prior to the date of this deed.

Mastermyne Environmental Incident means the sudden and unforeseen occurrence of a major Environmental incident that:

- (a) is caused by a relevant Mastermyne Group Member; and
- (b) has had, or will have, a material adverse effect on the business, assets, liabilities, financial or trading position or profitability of the Mastermyne Group as a whole.

Mastermyne Fatality Event means the death of an employee of a Mastermyne Group Member that:

- (a) occurs while the relevant employee is performing its duties in the course of that employee's employment with the relevant Mastermyne Group Member; and
- (b) is caused by a relevant Mastermyne Group Member; and
- (c) has had, or will have, a material adverse effect on the business, assets, liabilities, financial or trading position or profitability of the Mastermyne Group as a whole.

Mastermyne Group means Mastermyne and each of its Related Entities.

Mastermyne Group Member means a member of the Mastermyne Group.

Mastermyne Indemnified Parties means each member of the Mastermyne Group and their respective directors and officers.

Mastermyne Material Adverse Change means a matter, event or circumstance (other than any matter consented to in writing by DMS) that occurs after the date of this deed and before 8.00 am on the Second Court Date, where that matter, event or circumstance has, has had, or could reasonably be expected to have, individually or when aggregated with all such matters, events or circumstances, the result that:

- (a) the Value of the Consolidated Net Tangible Assets of Mastermyne Group being reduced by \$4,000,000 or more; or
- (b) the Forecasted Value of Consolidated EBIT for the Mastermyne Group having a reduction of 20% or more relative to the consensus forecasted value of consolidated EBIT for the Mastermyne Group for the financial year ending 30 June 2015 by Wilson HTM Ltd's research analyst as at the date of this deed,

other than a matter, event or circumstance:

- (c) required to be done or procured by Mastermyne pursuant to this deed or the Transaction;
- (d) which has been publicly announced by Mastermyne prior to the date of this deed;
- (e) to the extent that it is actually known by DMS or any of their directors or officers prior to the date of this deed;
- (f) which is, and to the extent that it is, disclosed:
 - (i) in the Mastermyne Disclosure Materials; or
 - (ii) on any Public Register on or before the date of this deed; or
- (g) caused by any changes in interest rates or law (including any changes in laws relating to Taxes or changes to accounting policy required by law).

Mastermyne Prescribed Event means the occurrence of any of the following between the date of this deed and 8.00 am on the Second Court Date:

- (a) Mastermyne converts all or any of its securities into a larger or smaller number of securities;
- (b) Mastermyne or a Subsidiary of Mastermyne disposes of, or agrees to dispose of, shares in a Subsidiary of that entity;
- (c) Mastermyne or a Subsidiary of Mastermyne resolves to reduce its share capital in any way or reclassifies, combines, splits, redeems or repurchases directly or indirectly any of its shares;
- (d) Mastermyne or a Subsidiary of Mastermyne enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (e) Mastermyne declares any dividend or pays, makes or incurs any liability to pay or make any distribution whether by way of dividend, capital distribution, bonus or other share of its profits or assets (other than the dividend of 1.4 cents per Mastermyne Share declared by Mastermyne prior to the date of this deed, with a record date of 26 September 2014 and a payment date of 16 October 2014);
- (f) Mastermyne or a Related Entity of Mastermyne issues or authorises the issue of shares or other instruments convertible into, in lieu of or in substitution for shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (g) Mastermyne or a Subsidiary of Mastermyne creates, or agrees to create, any mortgage, charge, lien or other Encumbrance over the whole or a substantial part of the business, assets or property of the Mastermyne Group;
- (h) an Insolvency Event occurs in relation to Mastermyne or a Subsidiary of Mastermyne;
- (i) Mastermyne or a Subsidiary of Mastermyne states its intention to or makes any change to its constitution;
- (j) Mastermyne or a Subsidiary of Mastermyne disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (k) a Mastermyne Fatality Event occurs; or
- (l) a Mastermyne Environmental Incident occurs,

other than a matter, event or circumstance consented to in writing by DMS or required to be done or procured by Mastermyne pursuant to this deed or the Transaction.

Mastermyne Provided Information means the Information regarding Mastermyne Group provided by or on behalf of Mastermyne to DMS or the Independent Expert in accordance with clauses 5(a), 5(b) and 5(c).

Mastermyne Public Announcement means the public announcement in relation to the Transaction to be made by Mastermyne in the form determined by Mastermyne in consultation with DMS.

Mastermyne Share means a fully paid ordinary share in the capital of Mastermyne.

Maui Capital means Maui Capital Limited and each of its Subsidiaries.

New Mastermyne Share Component means the aggregate number of New Mastermyne Shares which a Scheme Shareholder is entitled to receive as part of the Scheme Consideration,

being 0.1126 New Mastermyne Shares for each Scheme Share held by the relevant Scheme Shareholder as at the Record Date.

New Mastermyne Shares means fully paid ordinary shares in the capital of Mastermyne to be issued under the Scheme and, to the extent applicable, as consideration for a Scheme Share.

Policy Statements means all policy statements, regulatory guides and practice notes published by ASIC and in force at the date of this deed.

Proforma Consolidated Financial Statements means proforma consolidated financial statements and other relevant financial information showing the effect of the Scheme on Mastermyne and the combined group following the Implementation Date.

Public Register means the following registers maintained:

- (a) by ASIC;
- (b) by ASX;
- (c) by the High Court of Australia, Federal Court of Australia, and the Supreme Courts in each of Queensland, New South Wales and Victoria;
- (d) under the Personal Property Securities Act 2009; and
- (e) by IP Australia.

Record Date means 5.00pm on the fifth Business Day after the Effective Date or such other date as agreed in writing by the parties.

Regulator's Draft means the draft of the Scheme Booklet in a form reasonably acceptable to DMS, which is, or is proposed to be, provided to ASIC for review pursuant to section 411(2) of the Corporations Act.

Regulatory Approval means:

- (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority or exemption from, by or with a Regulatory Authority; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Regulatory Authority intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

Regulatory Authority means:

- (a) any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, local authority and any department, minister or agency of any government within Australia; and
- (b) any other authority, tribunal, agency, commission or similar entity having powers or jurisdiction under any law or regulation of Australia,

and includes any minister, ASIC, ATO, ASX, and any regulatory organisation established under statute or any stock exchange.

Regulatory Review Period means the period from the date on which DMS provides the Regulator's Draft to ASIC in accordance with clause 4(j) to the date on which ASIC provides a

letter indicating whether or not it proposes to appear to make submissions, or will intervene to oppose the Scheme at the Court hearing for orders under section 411(1) of the Corporations Act.

Related Body Corporate has the meaning it has in the Corporations Act.

Related Entity means:

- (a) in relation to DMS, any other entity:
 - (i) which is a Subsidiary of DMS; or
 - (ii) which DMS controls; and
- (b) in relation to Mastermyne, any other entity:
 - (i) which is a Related Body Corporate of Mastermyne;
 - (ii) which is in any consolidated entity which contains Mastermyne; and
 - (iii) which Mastermyne controls, other than the DMS Group.

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Representative means, in relation to a party:

- (a) each of the party's Related Entities; and
- (b) each of the officers, employees and Advisers of the party or of any of its Related Entities.

Scheme means the proposed scheme of arrangement between DMS and the Scheme Shareholders under Part 5.1 of the Corporations Act in respect of all Scheme Shares, substantially in the form set out in Schedule 5—Scheme (including any amendments agreed between Mastermyne and DMS in writing, and any new or replacement scheme of arrangement that is agreed between Mastermyne and DMS in writing in connection with a Mastermyne Counter Proposal), subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by each party.

Scheme Booklet means the booklet (incorporating the Scheme, explanatory statement in relation to the Scheme issued pursuant to section 412 of the Corporations Act and registered with ASIC, the Independent Expert's Report, the Deed Poll, a summary of this deed and a notice convening the Scheme Meeting) to be prepared by DMS in respect of the Scheme in accordance with the terms of this deed and to be dispatched to the Scheme Shareholders.

Scheme Consideration means the consideration to be provided by Mastermyne to each of the Scheme Shareholders for the Scheme Shares (held by such Scheme Shareholders respectively) under the Scheme and in accordance with clause 2.5.

Scheme Meeting means the meeting to be convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act.

Scheme Order means the order of the Court made for the purposes of section 411(4)(b) of the Corporations Act in relation to the Scheme.

Scheme Principle means the principle that, following the Scheme, DMS and Mastermyne intend that DMS will be a wholly owned subsidiary of Mastermyne and that the Scheme Shareholders will receive the Scheme Consideration in exchange for their Scheme Shares.

Scheme Share means a DMS Share on issue on the Record Date and for the avoidance of doubt includes any DMS Shares issued on or before the Record Date, including upon the exercise of any DMS Option.

Scheme Shareholder means each person who holds Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Share Splitting means a DMS Shareholder splitting its holding of Scheme Shares into 2 or more parcels, or a number of affiliated persons acquiring a number of parcels in different names or other manipulative conduct resulting in an increased number of shareholdings in DMS.

Subsidiary has the meaning given in the Corporations Act.

Superior Proposal means Competing Proposal which the DMS Directors determine (acting in good faith and in order to satisfy what the DMS Directors believe to be their fiduciary or statutory duties or other obligations at law):

- (a) is reasonably capable of being completed, taking into account both the nature of the Competing Proposal and the person making it, and
- (b) would, if completed substantially in accordance with its terms, reasonably be expected to be more favourable to DMS Shareholders than the Scheme.

Takeovers Panel means the body established under section 171 of the Australian Securities and Investments Commission Act 2001 (Cth) as the primary forum for resolving disputes about takeovers.

Tax means all forms of taxes, duties, imposts, charges, withholdings, rates, levies, clawbacks or other governmental impositions of whatever nature and by whatever authority imposed, assessed or charged together with all costs, charges, interest, penalties, fines and other additional statutory charges incidental or related to the imposition, assessment or charge of those amounts.

Third Party means a person other than Mastermyne or DMS or any of their respective Representatives.

Timetable means the indicative timetable for the implementation of the Scheme is set out in the table in schedule 3 to this deed or such other timetable as may be agreed in writing by Mastermyne and DMS.

Trading Day has the meaning given to it in the ASX Listing Rules.

Transaction means the acquisition by Mastermyne of all of the issued DMS Shares, through the implementation of the Scheme and other transactions contemplated by this deed.

Transaction Documents means:

- (a) this deed;

- (b) the Confidentiality Deed;
- (c) the Scheme Booklet (including the Independent Expert's Report); and
- (d) the Deed Poll.

Transaction Implementation Committee means the committee established under clause 6.4.

Value of the Consolidated Net Tangible Assets means the value of net assets as reported in the monthly management accounts of DMS or Mastermyne (as the case may be) prepared in accordance with the accounting policies of that party in place as at 30 June 2014 reduced by the value of intangible assets as reported in such accounts.

1.2 Reasonable endeavours

Any provision of this deed which requires a party to use reasonable endeavours or all reasonable endeavours to procure that something is performed or occurs or does not occur does not include any obligation to commence any legal action or proceeding against any person.

1.3 Business days

If the day on which any act to be done under this deed is a day other than a Business Day, that act must be done on or by the next Business Day except where this deed expressly specifies otherwise.

1.4 Interpretation

In this deed:

- (a) headings are for convenience only and do not affect interpretation;
- and unless the context indicates a contrary intention:
- (b) "**person**" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
 - (c) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation;
 - (d) a reference to a document (including this deed) is to that document as varied, novated, ratified or replaced from time to time;
 - (e) a reference to a statute includes its delegated legislation and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
 - (f) a reference to a time and date is a reference to the time and date in Queensland;
 - (g) a word importing the singular includes the plural (and vice versa);
 - (h) a word indicating a gender includes every other gender;
 - (i) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this deed, and a reference to this deed includes all schedules, exhibits, attachments and annexures to it;

- (j) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (k) “for example” and “includes” in any form are not words of limitation; and
- (l) a reference to “\$” or “dollar” is to Australian currency.

2. Agreement to implement the Scheme

2.1 Implementation of Scheme

Each of DMS and Mastermyne agrees to take all steps reasonably required to give effect to the Scheme by the End Date including the steps required by the terms of this deed, in a manner consistent with the Scheme Principle.

2.2 DMS to propose and implement Scheme

DMS must propose and implement the Scheme in accordance with Part 5.1 of the Corporations Act on and subject to the terms and conditions of this deed, and must use its reasonable endeavours to do so as soon as is reasonably practicable and substantially in accordance with the Timetable.

2.3 Mastermyne to assist

Mastermyne must assist DMS to propose and implement the Scheme in accordance with Part 5.1 of the Corporations Act on and subject to the terms and conditions of this deed, and must use its reasonable endeavours to do so as soon as is reasonably practicable and substantially in accordance with the Timetable.

2.4 Scheme Consideration

Pursuant to the Scheme, Scheme Shareholders will receive the Scheme Consideration for each DMS Share held by them respectively at the Record Date in accordance with the Scheme and the Deed Poll.

2.5 Payment of Scheme Consideration

- (a) Mastermyne covenants in favour of DMS (in its own right and on behalf of each Scheme Shareholder) that in consideration of the transfer to Mastermyne of each Scheme Share held by each Scheme Shareholder, Mastermyne will accept that transfer and, on the Implementation Date, issue to each Scheme Shareholder the New Mastermyne Share Component to which they are entitled.
- (b) DMS acknowledges that the undertakings by Mastermyne in clause 2.5(a) are given to DMS in its own right and in its capacity as trustee or agent for each Scheme Shareholder.

2.6 Fractional elements

If the number of DMS Shares held by a Scheme Shareholder means that their aggregate entitlement to New Mastermyne Shares is not a whole number, then any fractional entitlement will be rounded up to the nearest whole number of New Mastermyne Shares.

2.7 Foreign DMS Securityholders

Mastermyne will issue the New Mastermyne Shares to which a Foreign DMS Securityholder would otherwise become entitled to a nominee appointed by Mastermyne and DMS who will sell those New Mastermyne Shares and pay to that Foreign DMS Securityholder the proceeds received in accordance with the Scheme.

2.8 New Mastermyne Shares to rank equally

Mastermyne covenants in favour of DMS (in its own right and on behalf of each Scheme Shareholder) that:

- (a) all New Mastermyne Shares issued pursuant to clause 2.5(a) will, upon their issue:
 - (i) rank equally with all other Mastermyne Shares then on issue;
 - (ii) be duly authorised and validly issued;
 - (iii) be fully paid and non-assessable; and
 - (iv) be free of all security interests, third party rights and other Encumbrances; and
- (b) Mastermyne will do everything reasonably necessary to ensure that:
 - (i) the New Mastermyne Shares are admitted to the official list of ASX and are approved for official quotation on the ASX by 8.00am on the Second Court Date; and
 - (ii) trading in the New Mastermyne Shares on the ASX commences by the first Business Day after the Implementation Date.

2.9 Variations to timetable

DMS and Mastermyne may at any time extend the End Date by agreement in writing.

3. Conditions precedent

3.1 Conditions

Subject to this clause 3, the obligations of Mastermyne under clauses 5(i), 5(j) and 5(k) and of DMS under clauses 4(o) and 4(p) do not become binding on the parties and have no force or effect, and the Scheme must not become Effective, until each of the conditions listed in the first column of the following table has been either satisfied or waived in accordance with clause 3.3:

Condition	Right to waive
(a) before 8.00 am on the Second Court Date, all consents, approvals, waivers and modifications from a Regulatory Authority that are reasonably necessary or desirable to implement the Scheme are obtained on terms acceptable to the parties (acting reasonably) and none of those approvals, waivers and modifications have been withdrawn, cancelled or revoked;	None
(b) between the date of this deed and 8.00 am on the Second Court	None

Condition	Right to waive
Date (each inclusive): (i) there is not in effect any preliminary or final decision, order or decree issued by a Regulatory Authority; (ii) no action or investigation is announced, commenced or threatened by any Regulatory Authority; and (iii) no application is made to any Regulatory Authority, in consequence of or in connection with the Transaction which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the implementation of the Transaction or any part of it or the acquisition of Scheme Shares or the issue of New Mastermyne Shares under the Scheme;	
(c) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction within Australia, no preliminary or final decision, determination, notice of objection, or order issued by any Regulatory Authority and no other legal restraint preventing any of the transactions contemplated by this deed is in effect as at 8.00 am on the Second Court Date;	None
(d) the Independent Expert issues the Independent Expert's Report which concludes that the Scheme is in the best interests of Scheme Shareholders and the Independent Expert does not change its conclusions or withdraw the Independent Expert's Report prior to 8.00 am on the Second Court Date;	DMS
(e) before 8.00 am on the Second Court Date, the DMS Shareholders approve the Scheme by the majorities required under section 411(4)(a)(ii) of the Corporations Act;	None
(f) on or before the End Date, the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations on either party (acting reasonably) and an office copy of the Scheme Order is lodged with ASIC as contemplated by section 411(10) of the Corporations Act;	None
(g) between the date of this deed and the date of the Scheme Meeting, no DMS Director withdraws or modifies their recommendation or voting intention described in clause 4(m) unless the recommendations of the DMS Directors are withdrawn or modified because of a Superior Proposal emerging or because the Independent Expert concludes that the Scheme is not in the best interests of Scheme Shareholders;	Mastermyne
(h) no DMS Prescribed Event occurs between the date of this deed and 8.00 am on the Second Court Date;	Mastermyne
(i) no DMS Material Adverse Change occurs between the date of	Mastermyne

Condition	Right to waive
this deed and 8.00 am on the Second Court Date;	
(j) subject to clause 12.1, the representations and warranties of DMS as set out in Schedule 1 are materially true and correct as at the date of this deed and as at 8.00 am on the Second Court Date;	Mastermyne
(k) no Mastermyne Prescribed Event occurs between the date of this deed and 8.00 am on the Second Court Date;	DMS
(l) no Mastermyne Material Adverse Change occurs between the date of this deed and 8.00 am on the Second Court Date;	DMS
(m) the representations and warranties of Mastermyne as set out in Schedule 2 are materially true and correct as at the date of this deed and as at 8.00 am on the Second Court Date;	DMS
(n) the New Mastermyne Shares to be issued pursuant to the Scheme have, before 8.00 am on the Second Court Date, been approved for official quotation on the ASX;	DMS
(o) Mastermyne validly executes and delivers the Deed Poll to DMS prior to or on the First Court Date.	DMS
(p) Prior to 8.00 am on the Second Court Date, Mastermyne obtains directors' and officers' run-off insurance cover for DMS and each member of the DMS Group (on terms acceptable to DMS) in favour of their respective directors and officers from time to time, such insurance to take effect no later than the Implementation Date (and provides evidence of such insurance to DMS).	DMS
(q) All of the DMS Options are either exercised or cancelled before 8.00 am on the Second Court Date.	Both
(r) All other approvals or consents of a third party (other than ASIC or ASX) that both DMS and Mastermyne agree in writing are necessary or desirable to implement the Transaction are obtained.	Mastermyne

3.2 Obligations in relation to Conditions

Each party must:

- (a) use all reasonable endeavours to ensure that each Condition:
 - (i) is satisfied as soon as practicable after the date of this deed and in any event by the time or date specified in this deed for its satisfaction; or
 - (ii) continues to be satisfied at all times until the last time it is to be satisfied, as the case requires; and
- (b) co-operate with, and comply with all reasonable requests of, the other party for the purposes of procuring the satisfaction of any Condition.

3.3 Waiver of Conditions

The breach or non-fulfilment of a Condition:

- (a) may not be waived if the word "None" appears in the second column of the table in clause 3.1 opposite that Condition;
- (b) may not be waived if the word "Both" appears in the second column of the table in clause 3.1 opposite that Condition unless both parties agree in writing to waive that Condition; and
- (c) may be waived and may only be waived by the party specified in the second column of the table in clause 3.1 opposite that Condition.

A party entitled to waive or to agree to waive the breach or non-fulfilment of a Condition under this clause 3.3 may do so in its absolute discretion.

3.4 Notification of certain events

Each party must:

- (a) promptly inform the other either directly or through its Advisers of the steps it has taken and of its progress towards satisfaction of the Conditions;
- (b) promptly notify the other if it becomes aware that any Condition has been satisfied;
- (c) promptly notify the other if it becomes aware that any Condition has failed to be satisfied or has become incapable of being satisfied or is not reasonably capable of being satisfied or of any circumstances which may reasonably be expected to lead to such a state of affairs; and
- (d) after having given or received a notice in accordance with clause 3.4(c) in relation to a Condition that it is entitled under clause 3.3 to waive, give notice to the other party as soon as reasonably practicable (and in any event no later than five Business Days before, or such shorter time to ensure that notice is given before, 8.00 am on the Second Court Date) as to whether or not it waives the breach or non-fulfilment of the relevant Condition, specifying the Condition in question.

3.5 Scheme voted down

If the Scheme is not approved by DMS Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test, and Mastermyne or DMS considers, acting reasonably, that Share Splitting or other conduct or circumstances may have caused or materially contributed to the Headcount Test not having been satisfied then:

- (a) DMS may (or must, if requested by Mastermyne):
 - (i) seek the Scheme Order, notwithstanding that the Headcount Test has not been satisfied;
 - (ii) make such submissions to the Court and file such evidence as counsel engaged by DMS to represent it in all Court proceedings related to the Scheme, in consultation with Mastermyne, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test; and

- (iii) if the Court agrees to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test, the parties acknowledge that it will not be necessary to meet the Headcount Test in order to satisfy the Condition in clause 3.1(e);
- (b) Mastermyne must do all things reasonably requested by DMS in relation to the matters referred to in clause 3.5(a); and
- (c) any costs incurred as a result of the operation of this clause 3.5 are to be borne equally by the parties.

3.6 Consultation if Conditions not met

If:

- (a) there is a breach or non-fulfilment of a Condition which is not waived in accordance with this deed by the time or date specified in this deed for its satisfaction; or
- (b) there is an act, failure to act, event or occurrence which will prevent a Condition being satisfied by the time or date specified in this deed for its satisfaction (and the breach or non-fulfilment of the Condition which would otherwise occur has not already been waived),

then the parties must consult in good faith with a view to determining whether:

- (c) the Transaction may proceed by way of alternative means or methods and, if so, to agree on the terms of such alternative means or methods;
- (d) to extend the relevant time or date for satisfaction of the Conditions;
- (e) to change the date of the application to be made to the Court for the Scheme Order or adjourning that application (as applicable) to a later date agreed by the parties; or
- (f) to extend the End Date.

4. DMS Obligations

DMS must take all steps reasonably necessary to propose and implement the Scheme as soon as practicable after the date of this deed, and in particular DMS must:

- (a) **DMS Provided Information:** ensure that the DMS Provided Information included in the Scheme Booklet:
 - (i) complies with the Corporations Act, the Policy Statements and ASIC Regulatory Guide 60; and
 - (ii) is not false, misleading or deceptive in any material respect (including because of any material omission);
- (b) **Proforma Consolidated Financial Statements:** prepare and provide to Mastermyne such information in relation to DMS Group as Mastermyne reasonably requires to prepare the Proforma Consolidated Financial Statements or other required information for inclusion in the Scheme Booklet;

- (c) **Court Documentation:** to consult in good faith with Mastermyne in respect of all documentation to be filed by DMS with the Court in connection with the Transaction;
- (d) **Maui Support:** use its reasonable endeavours to procure that Maui Capital:
 - (i) confirms its intention to vote any Scheme Shares in which it has a Relevant Interest in favour of the Scheme;
 - (ii) votes any Scheme Shares in which it has a Relevant Interest in favour of the Scheme; and
 - (iii) does not change its voting intentions, or make any public statement or take any action which qualifies its support for the Scheme or contradicts, or subsequently changes or withdraws or modifies the recommendation in favour of the Scheme,
 unless:
 - (iv) a Superior Proposal emerges or the Independent Expert expresses an opinion that the Scheme is not in the best interests of the Scheme Shareholders;
 - (v) the DMS Directors have determined after the date of this deed, in good faith, after having obtained written advice from their outside legal advisers that compliance or continued compliance with this clause 4(d) may reasonably be expected to involve a breach of the DMS Board's fiduciary or statutory obligations or would otherwise be unlawful;
 - (vi) there is a Mastermyne Prescribed Event or Mastermyne Material Adverse Change; or
 - (vii) there is an event giving rise to a right of termination of this deed by DMS;
- (e) **Scheme Booklet:** finalise the Scheme Booklet in accordance with the requirements of the Corporations Act and the Policy Statements;
- (f) **Further DMS Provided Information:** provide to Mastermyne and DMS Shareholders all further or new Information as may arise after the Scheme Booklet has been sent to DMS Shareholders until the date of the Scheme Meeting as may be necessary to ensure that the DMS Provided Information contained in the Scheme Booklet:
 - (i) complies with the Corporations Act, the Policy Statements and ASIC Regulatory Guide 60; and
 - (ii) is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission);
- (g) **Apply to Court:** apply to the Court for the First Court Date and Second Court Date hearings and:
 - (i) take all other reasonable steps to ensure that an application is heard by the Court for an order under section 411(1) of the Corporations Act directing DMS to convene the Scheme Meeting; and

- (ii) if the DMS Shareholders approve the Scheme and the condition in clause 3.1(c) is satisfied, apply to the Court for orders approving the Scheme under section 411(4)(b) of the Corporations Act;
 - (h) **Independent Expert:** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
 - (i) **Provide a copy of the Independent Expert's Report:** use its reasonable endeavours to provide Mastermyne with an advanced draft of the Independent Expert's Report (or any available part of the draft of the Independent Expert's Report) received by DMS from the Independent Expert from time to time for review;
 - (j) **provide Regulator's Draft to ASIC:** as soon as reasonably practicable but no later than 18 days before the First Court Date, provide the Regulator's Draft to ASIC for its review for the purposes of section 411(2) of the Corporations Act and liaise with ASIC as necessary during the Regulatory Review Period;
 - (k) **registration of Scheme Booklet:** request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;
 - (l) **Convene the Scheme Meeting:** if the Court has made an order under section 411(1) of the Corporations Act directing DMS to convene the Scheme Meeting, convene and hold the Scheme Meeting;
 - (m) **DMS Directors' recommendations and intentions:**
 - (i) state in the Scheme Booklet (on the basis of statements made to DMS by each of the DMS Directors) that each of the DMS Directors recommends to Scheme Shareholders that the Scheme be approved in the absence of a Superior Proposal and subject to the Independent Expert expressing an opinion that the Scheme is in the best interests of the Scheme Shareholders; and
 - (ii) use its reasonable endeavours to procure that each DMS Director:
 - A. confirms his or her intention to vote any Scheme Shares in which he or she has a Relevant Interest in favour of the Scheme;
 - B. votes any Scheme Shares in which he or she has a Relevant Interest in favour of the Scheme; and
 - C. does not change his or her voting intentions, or make any public statement or take any action which qualifies their support for the Scheme or contradicts, or subsequently changes or withdraws or modifies the recommendation in favour of the Scheme,
- unless:
- (iii) a Superior Proposal emerges or the Independent Expert expresses an opinion that the Scheme is not in the best interests of the Scheme Shareholders;

- (iv) the DMS Directors have determined after the date of this deed, in good faith, after having obtained written advice from their outside legal advisers that compliance or continued compliance with this clause 4(m) may reasonably be expected to involve a breach of the DMS Board's fiduciary or statutory obligations or would otherwise be unlawful;
- (v) there is a Mastermyne Prescribed Event or Mastermyne Material Adverse Change; or
- (vi) there is an event giving rise to a right of termination of this deed by DMS;
- (n) **section 411(17)(b) statement:** apply to ASIC for the production of a statement in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (o) **lodge copy of Court orders:** if the Court makes the Scheme Order approving the Scheme, promptly lodge with ASIC an office copy of those orders in accordance with section 411(10) of the Corporations Act;
- (p) **registration:** if the Court makes the Scheme Order approving the Scheme:
 - (i) close the DMS Share Register as at the Record Date and determine the identity of the Scheme Shareholders and their entitlements to the Scheme Consideration in accordance with the Scheme;
 - (ii) execute proper instruments of transfer of and effect and register the transfer of the Scheme Shares in the name of Mastermyne in accordance with the Scheme; and
 - (iii) do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
- (q) **Compliance with laws:** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all laws and regulations applicable in relation to the Transaction; and
- (r) **Other steps:** subject to the terms of this deed, do all other things reasonably necessary to give effect to the Scheme and the Scheme Orders.

5. Mastermyne Obligations

Mastermyne must take all steps reasonably necessary to assist DMS to propose and implement the Scheme as soon as is reasonably practicable after the date of this deed, and in particular Mastermyne must:

- (a) **Mastermyne Provided Information:** prepare and promptly provide to DMS for inclusion in the Scheme Booklet all Mastermyne Provided Information that DMS reasonably requires to prepare and issue the Scheme Booklet (including any Proforma Consolidated Financial Statements and all other information required under the Corporations Act, the Policy Statements, ASX Listing Rules and ASIC Regulatory Guide 60) and ensure that the Mastermyne Provided Information contained in the Scheme Booklet:
 - (i) complies with the Corporations Act, the Policy Statements, ASX Listing Rules and ASIC Regulatory Guide 60; and

- (ii) is not false, misleading or deceptive in any material respect (including because of any material omission);
- (b) **Independent Expert information:** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report to be included in the Scheme Booklet (including any Proforma Consolidated Financial Statements and all other information required under the Corporations Act, the Policy Statements, ASX Listing Rules and ASIC Regulatory Guide 60);
- (c) **Further Mastermyne Provided Information:** promptly provide to DMS such further or new Information as may arise after the Scheme Booklet has been sent until the date of the Scheme Meeting as may be necessary to ensure that the Mastermyne Provided Information contained in the Scheme Booklet:
 - (i) complies with the Corporations Act, the Policy Statements, ASX Listing Rules and ASIC Regulatory Guide 60; and
 - (ii) is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission);
- (d) **Court Documentation:** provide such assistance as is reasonably required by DMS in respect of all documentation to be filed by DMS with the Court in connection with the Transaction;
- (e) **Representation:** procure that it is represented by counsel at the court hearings convened for the purposes of seeking the Scheme Order, at which, through its counsel Mastermyne must undertake (if requested by the Court) to do all such things and take all such steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this deed and the Scheme;
- (f) **Deed Poll:** prior to or on the First Court Date, execute the Deed Poll and deliver it to DMS;
- (g) **Share transfer:** if the Scheme becomes Effective, accept a transfer of the DMS Shares as contemplated by this deed and the Scheme;
- (h) **Funding:** ensure that it will have available to it sufficient cash amounts (whether from internal cash resources or external funding arrangements or a combination of both) to satisfy its obligations under this deed, the Deed Poll and the Scheme, and on request must provide DMS with reasonable evidence of such cash resources or external funding arrangements (as the case may be);
- (i) **ANZ Outstanding Liability:** in exchange for the ANZ Releases, pay to ANZ the ANZ Outstanding Liability on or before the Implementation Date;
- (j) **DMS Liabilities:** pay all DMS Liabilities in full on or before the Implementation Date;
- (k) **Scheme Consideration:** if the Scheme becomes Effective, provide the Scheme Consideration to the Scheme Shareholders in accordance with this deed, the Scheme and the Deed Poll;
- (l) **Compliance with laws:** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all laws and regulations applicable in relation to the Transaction; and

- (m) **Other steps:** subject to the terms of this deed, do all other things reasonably necessary to give effect to the Scheme and the Scheme Orders.
-

6. General obligations

6.1 Mutual obligations

Each party must:

- (a) apply in a timely manner for all relevant Regulatory Approvals, providing a copy to the other party of all such applications, and take all steps it is responsible for as part of the approval process for the Scheme, including responding to requests for information at the earliest practicable time;
- (b) use reasonable endeavours to consult with the other in advance in relation to all material Communications with any Regulatory Authority relating to any Regulatory Approval and provide the other party with all information reasonably requested in connection with the application for any Regulatory Approval from a Regulatory Authority;
- (c) subject to the satisfaction and/or waiver of the Conditions (other than the Condition requiring Court approval of the Scheme), provide the Court on the Second Court Date with a certificate signed by at least one of its directors in accordance with a resolution of its board of directors confirming that all of the Conditions (other than the Condition requiring Court approval of the Scheme) are satisfied, or if not satisfied, are waived. A draft of such certificate must be provided by each party to the other party by not later than 5.00pm on the Business Day before the Second Court Date;
- (d) consult with each other regularly in relation to the Timetable for performing their respective obligations; and
- (e) use all reasonable endeavours and utilise all necessary resources (including management resources and the resources of external Advisers) so as to implement the Transaction as soon as reasonably practicable and substantially in accordance with the Timetable.

6.2 DMS's general obligations

DMS agrees that it will, and will procure its subsidiaries from time to time to, perform all of its obligations under the Scheme and, subject to the terms of the Scheme, do all things necessary or expedient to be done by it to implement each of this deed and the Scheme.

6.3 Mastermyne's general obligations

Mastermyne agrees it will, and will procure its subsidiaries from time to time to, perform all of its obligations under the Deed Poll and, subject to the terms of the Deed Poll do all things necessary or expedient to be done by it to implement and give effect to this deed and the Scheme which relate to it.

6.4 Transaction Implementation Committee

- (a) As soon as practicable after the date of this deed, the parties are to establish the Transaction Implementation Committee comprising the DMS Committee Members and the Mastermyne Committee Members and such other persons as the parties may agree.

- (b) The role of the Transaction Implementation Committee will be to act as a forum for consultation and planning by the parties to:
 - (i) facilitate satisfaction of the Conditions;
 - (ii) produce the Scheme Booklet; and
 - (iii) implement the Scheme.
- (c) The Transaction Implementation Committee is to meet at such times and with such frequency as agreed by the members of the Transaction Implementation Committee (each acting reasonably).

6.5 Preparation of the Scheme Booklet

- (a) Subject to the provisions of this clause 6.5, DMS is generally responsible for the preparation of the Scheme Booklet but will provide drafts to and consult with Mastermyne in accordance with clause 6.5(b).
- (b) Without limiting clause 4, DMS must:
 - (i) consult with Mastermyne regarding the Scheme Booklet, including:
 - A. as soon as reasonably practicable after it has been prepared, provide to Mastermyne an initial draft of the Scheme Booklet for the purpose of enabling Mastermyne to review and comment on that draft document;
 - B. provide to Mastermyne amended drafts of the Scheme Booklet as reasonably agreed for the purpose of enabling Mastermyne to review and comment on those draft documents;
 - C. take Mastermyne's reasonable comments into account in good faith when producing revised drafts of the Scheme Booklet; and
 - D. provide to Mastermyne a revised penultimate draft of the Regulator's Draft to enable Mastermyne to review it at least two Business Days before its submission;
 - (ii) implement such changes to those parts of the Scheme Booklet relating to Mastermyne which are provided in accordance with clause 6.5(b)(i) as reasonably requested by Mastermyne and prior to finalising the Regulator's Draft;
 - (iii) as soon as reasonably practicable after finalisation of an advanced draft of the Regulator's Draft suitable for review by ASIC, procure that a meeting of the DMS Directors is convened to consider approving the Regulator's Draft as being in a form appropriate for provision to ASIC for review;
 - (iv) during the Regulatory Review Period:
 - A. promptly provide to Mastermyne, and include in a revised draft of the Scheme Booklet, any new information not

included in the Regulator's Draft which is required by the Corporations Act to be included in the Scheme Booklet; and

- B. keep Mastermyne informed of any material matters raised by ASIC in relation to the Scheme Booklet and use reasonable endeavours, in co-operation with Mastermyne, to resolve any such matters; and
- (v) obtain approval from Mastermyne for the form and context in which the Mastermyne Provided Information appears in the Scheme Booklet, which approval must not be unreasonably delayed or withheld.
- (c) Without limiting clause 5, Mastermyne:
 - (i) consents to the inclusion of the Mastermyne Provided Information in the Scheme Booklet in the form and context approved by it; and
 - (ii) acknowledges that:
 - A. it is responsible for ensuring that the Mastermyne Provided Information is not misleading or deceptive in any material respect (whether by omission or otherwise) and that DMS will not verify or edit the final form of that information in the Scheme Booklet; and
 - B. the Scheme Booklet will state that Mastermyne is responsible for the Mastermyne Provided Information.
- (d) If Mastermyne and DMS disagree on the form or content of the Scheme Booklet:
 - (i) they must consult in good faith to try to settle an agreed form of the Scheme Booklet; and
 - (ii) if complete agreement is not reached after reasonable consultation, then:
 - A. if the disagreement relates to the form or content of the Mastermyne Provided Information contained in the Scheme Booklet, DMS will make such amendments as Mastermyne reasonably requires, and
 - B. if the disagreement relates to the form or content of any other part of the Scheme Booklet, the DMS Directors will decide the final form or content of the disputed part of the Scheme Booklet.
- (e) Mastermyne and DMS agree that each party must undertake appropriate verification processes for the information supplied by that party for the Scheme Booklet and must provide each other with full and free access to, and on request (acting reasonably), copies of all materials and documents used or created in connection with their respective verification processes, and must maintain those materials and documents for at least 7 years from the date of this deed for that purpose.
- (f) The Scheme Booklet will include a responsibility statement, in a form to be agreed by the parties, that will contain words to the following effect:
 - (i) that, to the maximum extent possible at law, DMS will not be responsible for any Mastermyne Provided Information or any statements

directly derived from Mastermyne Provided Information and will disclaim any liability for Mastermyne Provided Information or such statements appearing in the Scheme Booklet; and

- (ii) that, to the maximum extent possible at law, Mastermyne will not be responsible for any information appearing in the Scheme Booklet other than the Mastermyne Provided Information and will disclaim any liability for any information appearing in the Scheme Booklet other than the Mastermyne Provided Information.
- (g) Each of DMS and Mastermyne must procure that its officers and Advisers work (including by attending meetings and providing information) in good faith and in a timely and co-operative manner with the other party to prepare the Scheme Booklet in accordance with the reasonable directions of the Transaction Implementation Committee.

6.6 Court proceedings

- (a) If the Court refuses to make an order convening the Scheme Meeting or approving the Scheme, at Mastermyne's request DMS must appeal the Court's decision to the fullest extent possible, except to the extent that:
 - (i) DMS and Mastermyne agree otherwise; or
 - (ii) an independent senior counsel indicates that, in their view, an appeal would have a less than 50% prospect of success; or
 - (iii) there is, in the bona-fide view of the DMS Board a Superior Proposal which should be recommended in preference to the Scheme,in which case either party may terminate this deed.
- (b) Each of the parties must vigorously defend, or must cause to be vigorously defended, any lawsuits or other claims or proceedings (including any Takeovers Panel proceedings) brought against it (or any member of the Mastermyne Group or DMS Group) challenging this deed or the completion of the Transaction. Neither Mastermyne nor DMS may settle or compromise (or permit any member of the Mastermyne Group or DMS Group to settle or compromise) any claim brought in connection with this deed without the prior written consent of the other, such consent not to be unreasonably withheld.
- (c) Any costs reasonably incurred by DMS and Mastermyne as a result of the operation of clause 6.6(a) are to be borne equally by the parties.

6.7 Right to separate representation

Each party is entitled to separate representation at all Court proceedings relating to the Scheme. Nothing in this deed is to be taken to give DMS or Mastermyne (as applicable) any right or power to make or give undertakings to the Court for or on behalf of the other party.

6.8 Access to people and Information

- (a) During the Implementation Period, DMS must provide Mastermyne and its officers and Advisers with any documents, records, and other information reasonably requested by them in good faith, and reasonable access to DMS's officers and Advisers which Mastermyne reasonably requires, for the purposes of implementing

the Scheme (including to satisfy the Conditions), provided that nothing in this clause 6.8(a) requires DMS to provide Mastermyne with information:

- (i) which may not be released due to:
 - A. applicable privacy laws, or
 - B. existing confidentiality obligations owed to Third Parties, and
 - (ii) concerning DMS's consideration of the Transaction or assessment of Mastermyne.
- (b) During the Implementation Period, Mastermyne must provide DMS and its officers and Advisers with any documents, records, and other information reasonably requested by them in good faith, and reasonable access to Mastermyne's officers and Advisers which DMS reasonably requires, for the purposes of implementing the Scheme (including to satisfy the Conditions), provided that nothing in this clause 6.8(b) requires Mastermyne to provide DMS with information:
- (i) which may not be released due to:
 - A. applicable privacy laws, or
 - B. existing confidentiality obligations owed to Third Parties, and
 - (ii) concerning Mastermyne's consideration of the Transaction or assessment of DMS.

6.9 DMS Board changes

On the Implementation Date (but with effect from the time the Scheme Consideration has been provided to Scheme Shareholders in accordance with this deed, the Scheme and the Deed Poll), DMS must:

- (a) cause the appointment as directors of each DMS Group Member of the persons nominated by Mastermyne and notified to DMS prior to the Implementation Date; and
- (b) ensure that the directors of each DMS Group Member which Mastermyne has requested resign, resign as directors, with each such director providing written notice to the effect that they have no claim outstanding for loss of office, remuneration or otherwise against any member of the DMS Group.

6.10 Director's access, indemnity and insurance deeds

- (a) From the Implementation Date, Mastermyne must procure that DMS and each member of the DMS Group preserve and comply with the indemnities and other rights under the director's access, indemnity and insurance deeds (or similar agreements) in favour of their respective directors and officers from time to time, including that each member of the DMS Group must not take any action which would prejudice or adversely affect any directors' or officers' run-off insurance cover taken out prior to the Implementation Date.
- (b) The undertakings in clause 6.10(a) are subject to any restriction in the Corporations Act or any other applicable legislation.

- (c) DMS receives and holds the benefit of this clause 6.10 to the extent it relates to the directors and officers of DMS and other members of the DMS Group, as trustee for them.

7. Conduct of business

7.1 Prohibited actions

- (a) Other than with the prior written approval of Mastermyne or as required by this deed, DMS must not, from the date of this deed up to and including the Implementation Date, take any action which would be reasonably expected to give rise to a DMS Prescribed Event.
- (b) Other than with the prior written approval of DMS or as required by this deed, Mastermyne must not, from the date of this deed up to and including the Implementation Date, take any action which would be reasonably expected to give rise to a Mastermyne Prescribed Event.

7.2 Overview

- (a) From the date of this deed up to and including the Implementation Date, each of Mastermyne and DMS must conduct their respective businesses:
 - (i) in the ordinary and usual course and substantially consistent with the manner in which each such business is conducted prior to the date of this deed;
 - (ii) materially in accordance with applicable laws; and
 - (iii) consistent with the most recent business plans and budgets for:
 - A. the Mastermyne Group disclosed to DMS; and
 - B. the DMS Group disclosed to Mastermyne,prior to the date of this deed,except:
 - (iv) as approved otherwise in advance by DMS or Mastermyne (as applicable) in writing; or
 - (v) which is necessary for DMS or Mastermyne (or their Subsidiaries) to meet their respective legal or contractual obligations.
- (b) DMS or Mastermyne (as applicable) must not unreasonably withhold any approval sought under clause 7.2(a).

7.3 Specific obligations

Without limiting clause 7.2(a) and other than with the prior approval of DMS or Mastermyne as applicable (which approval must not be unreasonably withheld or delayed) or as required by this deed, each of DMS and Mastermyne must, during the period contemplated by clause 7.2(a), use all reasonable endeavours to:

- (a) maintain its business and assets;

- (b) keep available the services of its officers and employees;
- (c) preserve its relationships with customers, suppliers, licensors, licensees, joint venturers, Regulatory Authorities and others with whom it has business dealings; and
- (d) maintain all material required regulatory permits, and obtain all material required Regulatory Approvals, which are necessary for the conduct of the operations of the business in each jurisdiction in which any member of the Mastermyne Group or DMS Group (as applicable) operates.

7.4 DMS Permitted Events

Despite any provision of this deed to the contrary, Mastermyne acknowledges and agrees that:

- (a) DMS is entitled to (and nothing in this agreement in any way limits or restricts its ability to) do, procure, cause to be done, or otherwise give effect to any DMS Permitted Event; and
- (b) the occurrence of any DMS Permitted Event will not:
 - (i) constitute a DMS Prescribed Event;
 - (ii) constitute a DMS Material Adverse Change;
 - (iii) constitute a breach by DMS of this deed or any other Transaction Document; or
 - (iv) otherwise, of itself, entitle Mastermyne to terminate this deed.

8. Exclusivity

8.1 No existing discussions

DMS warrants that as at the date of this deed:

- (a) neither it nor any of its Representatives is in discussions or negotiations with any party which may reasonably be expected to lead to a Competing Proposal; and
- (b) it has, and its Representatives have, ceased any existing discussions or negotiations with any party which may reasonably be expected to lead to a Competing Proposal.

8.2 No-shop

During the Implementation Period, DMS must use reasonable endeavours to ensure that neither it nor any of its Representatives, directly or indirectly solicits, invites, facilitates, encourages or initiates any enquiries, negotiations or discussions, or communicates any intention to do any of these things, with a view to obtaining any expression of interest, offer or proposal from any person in relation to a Competing Proposal.

8.3 No-talk and no due diligence

- (a) Subject to clauses 8.3(b) and 8.5, during the Implementation Period, DMS must use reasonable endeavours to ensure that neither it nor any of its Representatives, directly or indirectly:

- (i) participates in any negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal; or
 - (ii) provides any information to a third party for the purposes of enabling that party to make a Competing Proposal; or
 - (iii) communicates any intention to do any of the things listed in paragraph (i) or (ii).
- (b) Nothing in this clause 8.3:
 - (i) prevents DMS from continuing to make normal presentations to, and to respond to enquiries from shareholders and funders in the ordinary course in relation to the Scheme or its business generally;
 - (ii) prevents DMS from communicating with a third party for the purpose of informing the third party that DMS will not enter into any discussions or negotiations in relation to a Competing Proposal; or
 - (iii) prevents DMS from providing information to any Regulatory Authority or to DMS's auditors and Advisers in the ordinary course of business or to otherwise effect the negotiation and entry into this deed.

8.4 Notification

During the Implementation Period, DMS must:

- (a) promptly notify Mastermyne if it or any of its Representatives receives any inquiry or proposal which may reasonably be expected to lead to a Competing Proposal;
- (b) as soon as reasonably practicable provide written notice of the identity of the party or parties involved in the inquiry or proposal, and details of the inquiry or proposal; and
- (c) provide the Company with regular updates on the status of the inquiry or proposal,

unless the DMS Board has determined, in good faith, after having obtained written advice from its legal and, if appropriate, its financial advisers that complying with the obligations under this clause 8.4 would be likely to constitute a breach of the DMS Directors' fiduciary or statutory obligations or would otherwise be unlawful.

8.5 Exceptions to no talk/no due diligence restrictions

Clause 8.3 does not apply if the DMS Board, acting in good faith, after having obtained written advice from its legal and, if appropriate, its financial advisers, determines that:

- (a) where there is a Competing Proposal, the Competing Proposal is a Superior Proposal or, where there is not yet a Competing Proposal, the steps which the board proposes to take may reasonably be expected to lead to a Competing Proposal which is a Superior Proposal; and
- (b) failing to respond to the Competing Proposal would reasonably be expected to constitute a breach of the DMS Directors' fiduciary or statutory obligations or would otherwise be unlawful.

Nothing in this clause affects DMS's obligations under clause 8.6.

8.6 Response to Competing Proposal

- (a) DMS must not, and must procure that its Representatives do not:
 - (i) enter into any legally binding agreement, arrangement or understanding to implement a Competing Proposal; or
 - (ii) withdraw its recommendation in favour of the Transaction or publicly recommend a Competing Proposal,unless DMS has provided Mastermyne with:
 - (iii) all material terms of the Competing Proposal in writing (including the identity of the Third Party making the Competing Proposal), and
 - (iv) three Business Days after the provision of that information to propose an amendment to the Scheme or propose a new scheme of arrangement which is no less favourable to DMS Shareholders than the Competing Proposal (**Mastermyne Counter Proposal**).
- (b) If the DMS Board determines in good faith that a Mastermyne Counter Proposal is no less favourable to DMS Shareholders than the Competing Proposal, then:
 - (i) DMS and Mastermyne must use their reasonable endeavours to, as soon as reasonably practicable, agree and enter into such documentation as is necessary to give effect to and implement the Mastermyne Counter Proposal subject to any Superior Proposal; and
 - (ii) in the absence of a Superior Proposal, DMS must use its reasonable endeavours to procure that the DMS Board unanimously recommends the Mastermyne Counter Proposal to DMS Shareholders and not recommend the applicable Competing Proposal.
- (c) This clause 8.6 applies in respect of each new Competing Proposal and any material variation or amendment to a Competing Proposal.
- (d) Despite anything else in this clause 8, this clause 8.6 does not apply if the DMS Board has determined, in good faith, after having obtained written advice from its legal and, if appropriate, its financial advisers that complying with the obligations under this clause 8.6 would be likely to constitute a breach of the DMS Directors' fiduciary or statutory obligations or would otherwise be unlawful.

9. Break Fee

9.1 Background

This clause has been agreed to in circumstances where:

- (a) DMS believes the implementation of the Scheme will provide significant benefits to it and DMS Shareholders, and acknowledges that, if Mastermyne enters into this deed and the Scheme is subsequently not implemented, Mastermyne will have incurred significant costs, including significant opportunity costs;
- (b) Mastermyne requested provision be made for the payment outlined in this clause 9, without which it would not have entered into this deed;

- (c) the DMS Board believes that it is appropriate to agree to the payment referred to in clause 9.2 to secure Mastermyne's entry into this deed; and
- (d) DMS has received separate legal advice in relation to this deed and the operation of this clause 9.

The parties acknowledge and agree that the costs actually incurred by Mastermyne under clause 9.1(a) will be of such nature that they cannot be accurately ascertained, but that the Break Fee is a genuine and reasonable pre-estimate of the cost and loss that would actually be suffered by Mastermyne if the Scheme is subsequently not implemented.

9.2 Payment of Break Fee

Subject to clauses 9.3 and 9.5(e), DMS must pay Mastermyne the Break Fee if:

- (a) a Competing Proposal is announced during the Implementation Period (whether or not such proposal is stated to be subject to any pre-conditions) and within 12 months of such announcement, the Third Party proposing the Competing Proposal or any Associate of that Third Party implements or consummates the Competing Proposal or enters into an agreement, arrangement or understanding with DMS or the DMS Directors with respect to such Competing Proposal; or
- (b) at any time before the Scheme Meeting or the date this deed is validly terminated under clause 14 (whichever is earlier), any DMS Director makes a public statement:
 - (i) withdrawing or adversely changing or modifying their recommendation that DMS Shareholders vote in favour of the Scheme at the Scheme Meeting; or
 - (ii) that they will not vote all Scheme Shares in which he or she has a Relevant Interest in favour of the Scheme at the Scheme Meeting,
 other than in circumstances where the Independent Expert concludes that the Scheme is not in the best interests of DMS Shareholders (except in circumstances where the Independent Expert reaches that conclusion as a result of a Competing Proposal having been announced or made public which the Independent Expert may reasonably regard to be on more favourable terms than the Transaction); or
- (c) Maui Capital withdraws its support for the Scheme or fails to vote all Scheme Shares in which it has a Relevant Interest in favour of the Scheme at the Scheme Meeting other than in circumstances where the Independent Expert concludes that the Scheme is not in the best interests of DMS Shareholders (except in circumstances where the Independent Expert reaches that conclusion as a result of a Competing Proposal having been announced or made public which the Independent Expert may reasonably regard to be on more favourable terms than the Transaction).

9.3 Payment conditions

- (a) Notwithstanding the occurrence of any event under clause 9.2, if:
 - (i) the Scheme becomes Effective; or
 - (ii) this deed is validly terminated by DMS under clause 14.3(b); or
 - (iii) this deed is validly terminated by DMS under clause 14.1(c) because any Condition in clause 3.1(k), 3.1(l), 3.1(m), 3.1(n), 3.1(o) or 3.1(p) has

failed to be satisfied or has become incapable of being satisfied or is not reasonably capable of being satisfied on or before the End Date (and has not been waived),

then DMS's obligation to pay the Break Fee does not apply and if Mastermyne has received any part of the Break Fee, it must reimburse all or part of the Break Fee (as the case may be) within five Business Days of receipt of a demand for reimbursement from DMS.

- (b) DMS can only ever be liable to pay the Break Fee once.

9.4 Timing of payment

If the Break Fee is payable under clause 9.2, DMS must pay the Break Fee without set-off or withholding within 5 Business Days of receipt of a demand for payment from Mastermyne.

9.5 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any part of the amount payable under clause 9.2 (**Impugned Break Fee**):

- (a) constitutes unacceptable circumstances as declared by the Takeovers Panel;
- (b) involve a breach of the fiduciary or statutory duties of the DMS Board; or
- (c) is otherwise unlawful or held to be unenforceable by a Court,

then:

- (d) DMS's obligation to pay the Break Fee does not apply to the extent of the Impugned Break Fee and if Mastermyne has received any part of the Impugned Break Fee, it must reimburse it within five Business Days of receipt of a demand for reimbursement from DMS; and
- (e) all other rights and obligations of the parties under this deed remain unaffected.

9.6 Other claims

- (a) Despite any other provision of this deed but subject to clause 9.6(b):
 - (i) if DMS becomes liable to pay the Break Fee to Mastermyne:
 - A. DMS will, upon making payment, have no further liability for any breach of this deed or otherwise (other than a breach of clauses 10 and 11) other than the payment of any interest that may be awarded for late payment of the Break Fee; and
 - B. the Break Fee will be reduced by any amounts previously paid by DMS to Mastermyne under this deed, and
 - (ii) subject to clause 9.6(a)(i), the liability of DMS for any breach of this deed or otherwise (other than a breach of clauses 10 and 11) is limited to the payment of an amount equal to the Break Fee and any interest that may be awarded on that amount.
- (b) Nothing in clause 9.6(a) in any way:

- (i) prevents DMS or Mastermyne (in its own right or as trustee for any person contemplated by this deed) from seeking orders from a court of competent jurisdiction for the specific performance by any other party of any obligations under this deed; or
- (ii) extinguishes or limits the liability of a party for any breach of this deed arising from wilful misconduct, criminal acts or fraud by the other party or a Representative of the other party.

10. Confidentiality

10.1 DMS Confidentiality Deed

- (a) The parties acknowledge that the DMS Confidentiality Deed imposes confidentiality restrictions on Mastermyne relating to information provided by or on behalf of DMS to Mastermyne and its Authorised Persons (as defined in the DMS Confidentiality Deed) in relation to the Transaction.
- (b) Subject to clause 10.1(c), for the purposes of the DMS Confidentiality Deed, DMS consents to Mastermyne using the DMS Confidential Information for the following purposes:
 - (i) due diligence and assessing the Transaction;
 - (ii) negotiating the terms of this deed and other documents contemplated by this deed;
 - (iii) to satisfy the Conditions;
 - (iv) to perform its obligations in relation to the Transaction and under this deed;
 - (v) to prepare the Scheme Booklet;
 - (vi) preparing any public disclosure required to be made in connection with the Transaction by Mastermyne to comply with law or ASX Listing Rules; and
 - (vii) enforcing its rights in relation to the Transaction, including making any claim not prohibited by this deed and defending any claim against Mastermyne, a member of the Mastermyne Group or any of its officers, employees or advisers,

and for no other purpose.
- (c) Notwithstanding any other provision of this deed, Mastermyne must not use the DMS Confidential Information for the purposes of any publicly disclosed document without the prior written consent of DMS (such consent not to be unreasonably withheld or delayed).
- (d) Without limiting clause 10.1(b), Mastermyne must not make any use of any DMS Confidential Information to the competitive disadvantage of DMS or any of its Related Entities.
- (e) For the avoidance of doubt, this deed prevails in the event of any inconsistency between the DMS Confidentiality Deed and this deed.

10.2 Mastermyne Confidentiality Deed

- (a) The parties acknowledge that the Mastermyne Confidentiality Deed imposes confidentiality restrictions on DMS relating to information provided by or on behalf of Mastermyne to DMS and its Authorised Persons (as defined in the Mastermyne Confidentiality Deed) in relation to the Transaction.
- (b) Subject to clause 10.2(c), for the purposes of the Mastermyne Confidentiality Deed, Mastermyne consents to DMS using the Mastermyne Confidential Information for the purposes of implementing the Transaction including for the following purposes:
 - (i) due diligence and assessing the Transaction;
 - (ii) negotiating the terms of this deed and other documents contemplated by this deed;
 - (iii) to satisfy the Conditions;
 - (iv) to perform its obligations in relation to the Transaction and under this deed;
 - (v) to prepare the Scheme Booklet;
 - (vi) preparing any public disclosure required to be made by a member of the DMS Group to comply with law; and
 - (vii) enforcing its rights in relation to the Transaction, including making any claim not prohibited by this deed and defending any claim against DMS, a member of the DMS Group or any of its officers, employees or advisers,and for no other purpose.
- (c) Notwithstanding any other provision of this deed, DMS must not use the Mastermyne Confidential Information for the purposes of the Scheme Booklet or any other publicly disclosed document without the prior written consent of Mastermyne (such consent not to be unreasonably withheld or delayed).
- (d) Without limiting clause 10.2(b), DMS must not make any use of any Mastermyne Confidential Information to the competitive disadvantage of Mastermyne or any of its Related Entities.
- (e) For the avoidance of doubt, this deed prevails in the event of any inconsistency between the Mastermyne Confidentiality Deed and this deed.

10.3 Disclosure by recipient of Confidential Information

Any party disclosing Confidential Information to its Authorised Persons (as defined in the Confidentiality Deeds) must use reasonable endeavours to ensure that its Representatives do not use or disclose the information except in the circumstances permitted in, or authorised under, this clause 10 or the Confidentiality Deeds.

10.4 Accuracy

- (a) Mastermyne acknowledges that, except as expressly set out in this deed, DMS has made no representation or warranty as to the accuracy or completeness of the DMS

Confidential Information except to the extent it is subject to the representations and warranties given by DMS under this deed.

- (b) DMS acknowledges that, except as expressly set out in this deed, Mastermyne has made no representation or warranty as to the accuracy or completeness of the Mastermyne Confidential Information except to the extent it is subject to the representations and warranties given by Mastermyne under this deed.

10.5 Termination

The parties agree that:

- (a) on termination of this deed:
 - (i) the rights and obligations of the parties under the DMS Confidentiality Deed survive and the Confidentiality Deed will continue to apply to the DMS Confidential Information for a period of one year after the end of the Implementation Period; and
 - (ii) the rights and obligations of the parties under the Mastermyne Confidentiality Deed survive and the Confidentiality Deed will continue to apply to the Mastermyne Confidential Information for a period of one year after the end of the Implementation Period; and
- (b) the parties to the Confidentiality Deeds continue to be bound by the Confidentiality Deeds after the date of this deed if the Scheme is not implemented; and
- (c) the Confidentiality Deeds will terminate on the Implementation Date, if the Scheme becomes Effective.

11. Public announcements and Communications

11.1 Announcement of Scheme

As soon as practicable after the execution of this deed, Mastermyne will make the Mastermyne Public Announcement.

11.2 Other public announcements

- (a) Subject to clauses 11.2(b) and 11.4, prior to making any other public announcement or disclosure in connection with the Transaction or any major public announcement regarding its business (in any such case in this clause a “**Disclosure**”), each party must use its reasonable endeavours to consult with the other party as to, and seek to agree with the other party (each party acting reasonably and in good faith), the form and content of that announcement or disclosure.
- (b) Subject to clause 11.4, where a party is required by applicable law or regulation, the ASX Listing Rules, or any other applicable stock exchange regulation to make any Disclosure, it may do so only after it has given the other party as much notice as is reasonably practicable in the context of any deadlines imposed by law or applicable requirements, but in any event prior notice, and has, to the extent reasonably practicable in the context of such deadlines, consulted with the other party as to (and has given the other party a reasonable opportunity to comment on) the form and content of that Disclosure.

11.3 Agreement on Communications

Except in relation to Communications regulated by clauses 11.1 and 11.2 and to the extent permitted by applicable law, and subject to clause 11.4:

- (a) Mastermyne and DMS must in good faith consult with each other and agree in advance on all aspects (including the timing, form, content and manner) of:
 - (i) any Communications with any Regulatory Authority; and
 - (ii) any press release,in relation to the conduct of the Transaction, whether or not such Communications are for the purposes of satisfying a Condition;
- (b) each of Mastermyne and DMS must ensure that any other Communications with Third Parties and employees, shareholders, contract counterparties or with the media in relation to the Transaction other than by way of press release must be in accordance with the communication protocols and messages agreed between the parties (and if branded with the name or logo of the other party, must be consented to by that party);
- (c) each party must provide copies to the other party of any written Communications sent to or received from a person referred to in clause 11.3(b) promptly upon despatch or receipt (as the case may be); and
- (d) each party will have the right to be present and make submissions at or in relation to any proposed meeting with any Regulatory Authority in relation to the Transaction.

11.4 Announcements and Communications when there is a Competing Proposal

The requirements of clauses 11.2 and 11.3 do not apply to either party if a Competing Proposal or a Superior Proposal has been announced and publicly recommended, promoted or otherwise endorsed by any DMS Directors and has not been publicly withdrawn.

12. Representations and warranties

12.1 Preliminary

- (a) Each of the representations and warranties of DMS under this deed is to be read subject to and qualified by any matter:
 - (i) which is, and to the extent that it is, disclosed:
 - A. in the DMS Disclosure Materials; or
 - B. on any Public Register on or before the date of this deed;
 - (ii) which has been publicly announced prior to the date of this deed;
 - (iii) known by Mastermyne or any of its Representatives prior to the date of this deed; or
 - (iv) contemplated by this deed.

- (b) Each of the representations and warranties of Mastermyne under this deed is to be read subject to and qualified by any matter:
 - (i) which is, and to the extent that it is, disclosed:
 - A. in the Mastermyne Disclosure Materials; or
 - B. on any Public Register on or before the date of this deed;
 - (ii) which has been publicly announced prior to the date of this deed;
 - (iii) known by DMS or any of its Representatives prior to the date of this deed; or
 - (iv) contemplated by this deed.
- (c) Each party acknowledges that no other party (nor any person acting on that party's behalf) has made any warranty, representation or other inducement to it to enter into this deed, except for the representations and warranties expressly set out in this deed.

12.2 DMS representations and warranties

Subject to clause 12.1, DMS represents and warrants to Mastermyne that each of the statements set out in Schedule 1 is true and correct in all material respects as at the date of this deed.

12.3 Mastermyne representations and warranties

Subject to clause 12.1, Mastermyne represents and warrants to DMS that each of the statements set out in Schedule 2 is true and correct in all material respects as at the date of this deed.

12.4 Notifications

Each party will promptly advise the other party in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by it under clause 12.2 or 12.3 or may constitute a breach of any of the representations or warranties if given on the Second Court Date.

12.5 Status of representations and warranties

Each representation and warranty given under clauses 12.2 and 12.3 is severable.

12.6 DMS Warranty Certificate

DMS must provide to Mastermyne by 8.00 am on the Second Court Date a certificate signed by a director of DMS and made in accordance with a resolution of the DMS Board containing representations and warranties that (subject to clause 12.1), as at that date, each of the statements set out in Schedule 1 remains true and correct in all material respects as at that date or, if any such statement is not true and correct in any material respects as at that date, providing complete particulars of the facts and matters which make the statement untrue or inaccurate.

12.7 Mastermyne Warranty Certificate

Mastermyne must provide to DMS by 8.00 am on the Second Court Date a certificate signed by a director of Mastermyne and made in accordance with a resolution of the Mastermyne Board containing representations and warranties that, as at that date, each of the statements set out in Schedule 2 remains true and correct in all material respects as at that date or, if any such statement is not true and correct in any material respects as at that date, providing complete particulars of the facts and matters which make the statement untrue or inaccurate.

13. Indemnity and liability

13.1 DMS indemnity

- (a) Subject to clauses 13.4 and 13.6:
 - (i) DMS acknowledges and agrees that it is responsible for all information contained in the Scheme Booklet (other than the Mastermyne Provided Information) and must pay to Mastermyne on demand an amount equal to all Indemnified Losses suffered or incurred by the Mastermyne Indemnified Parties arising out of or in connection with any failure of such information to comply with the Corporations Act or the Policy Statements in connection with its inclusion in the Scheme Booklet;
 - (ii) DMS indemnifies the Mastermyne Indemnified Parties against all Indemnified Losses incurred directly or indirectly as a result of any breach of this deed by DMS; and
 - (iii) DMS indemnifies the Mastermyne Indemnified Parties against all Indemnified Losses incurred directly or indirectly as a result of any of the representations and warranties given or made under clause 12.2 or clause 12.7 not being true and correct in any material respect.
- (b) Mastermyne receives and holds the benefit of clause 13.1(a) to the extent it relates to Mastermyne Indemnified Parties (other than Mastermyne).

13.2 Mastermyne indemnity

- (a) Subject to clauses 13.3 and 13.5:
 - (i) Mastermyne acknowledges and agrees that it is responsible for all Mastermyne Provided Information included in the Scheme Booklet and must pay to DMS on demand an amount equal to all Indemnified Losses suffered or incurred by the DMS Indemnified Parties arising out of or in connection with any failure of such information to comply with the Corporations Act or the Policy Statements in connection with its inclusion in the Scheme Booklet;
 - (ii) Mastermyne indemnifies the DMS Indemnified Parties against all Indemnified Losses incurred directly or indirectly as a result of any breach of this deed by Mastermyne; and
 - (iii) Mastermyne indemnifies the DMS Indemnified Parties against all Indemnified Losses incurred directly or indirectly as a result of any of the representations and warranties given or made under clause 12.3 or clause 12.6 not being true and correct in any material respect.

- (b) DMS receives and holds the benefit of clause 13.2(a) to the extent it relates to DMS Indemnified Parties (other than DMS).

13.3 No action by DMS against Mastermyne officers

- (a) Subject to any Corporations Act restriction, DMS waives and must procure that each other DMS Indemnified Party waives all rights and claims that they may have against the current or former directors, officers or employees of any member of the Mastermyne Group in relation to any matter arising directly or indirectly in connection with the Transaction Documents, except to the extent that the director, officer or employee has not acted in good faith or such rights or claims arise out of the fraud, wilful misconduct or wilful default of such person or such waiver is not permitted by law. For the avoidance of doubt, nothing in this clause 13.3(a) limits DMS's termination rights (if any).
- (b) Mastermyne receives and holds the benefit of clause 13.3(a) to the extent it relates to each director, officer or employee as trustee for each of them.

13.4 No action by Mastermyne against DMS officers

- (a) Subject to clause 13.6 and any Corporations Act restriction, Mastermyne waives and must procure that each other Mastermyne Indemnified Party waives all rights and claims that they may have against the current or former directors, officers or employees of any member of the DMS Group in relation to any matter arising directly or indirectly in connection with the Transaction Documents, except to the extent that the director, officer or employee has not acted in good faith or such rights or claims arise out of the fraud, wilful misconduct or wilful default of such person or such waiver is not permitted by law. For the avoidance of doubt, nothing in this clause 13.4(a) limits Mastermyne's termination rights (if any).
- (b) DMS receives and holds the benefit of clause 13.4(a) to the extent it relates to each director, officer or employee as trustee for each of them.

13.5 Limitation on claims against Mastermyne

- (a) The liability of Mastermyne and any current or former directors, officers or employees of any member of the Mastermyne Group for claims under or in connection with this deed or the Transaction (including for breach of any provision, warranty or covenant, or for indemnity or for misrepresentation, negligent or not) is limited to \$1,000,000 in aggregate.
- (b) DMS acknowledges and agrees that:
 - (i) neither Mastermyne nor any current or former directors, officers or employees of any member of the Mastermyne Group will be liable for any Consequential Loss suffered by any DMS Indemnified Party under or in connection with this deed or the Transaction (including for breach of any provision, warranty or covenant, or for indemnity or for misrepresentation, negligent or not); and
 - (ii) any claim by any DMS Indemnified Party against Mastermyne or current or former directors, officers or employees of any member of the Mastermyne Group under or in connection with this deed or the Transaction (including for breach of any provision, warranty or covenant, or for indemnity or for misrepresentation, negligent or not) is excluded to the extent that it is for Consequential Loss.

- (c) No DMS Indemnified Party can make any claim against Mastermyne or any current or former directors, officers or employees of any member of the Mastermyne Group under or in connection with this deed or the Transaction (including for breach of any provision, warranty or covenant, or for indemnity or for misrepresentation, negligent or not) that is otherwise permitted by this deed:
 - (i) for less than \$100,000; and
 - (ii) unless and until the aggregate amount of all claims of the DMS Indemnified Parties that are otherwise permitted by this deed (not counting any such claim for less than \$100,000) exceeds \$500,000.
- (d) This clause 13.5 operates to the fullest extent permitted by law.

13.6 Limitation on claims against DMS

- (a) The liability of DMS and any current or former directors, officers or employees of any member of the DMS Group for claims under or in connection with this deed or the Transaction (including for breach of any provision, warranty or covenant, or for indemnity or for misrepresentation, negligent or not) is limited to \$1,000,000 in aggregate.
- (b) Mastermyne acknowledges and agrees that:
 - (i) neither DMS nor any current or former directors, officers or employees of any member of the DMS Group will be liable for any Consequential Loss suffered by any Mastermyne Indemnified Party under or in connection with this deed or the Transaction (including for breach of any provision, warranty or covenant, or for indemnity or for misrepresentation, negligent or not); and
 - (ii) any claim by any Mastermyne Indemnified Party against DMS or any current or former directors, officers or employees of any member of the DMS Group under or in connection with this deed or the Transaction (including for breach of any provision, warranty or covenant, or for indemnity or for misrepresentation, negligent or not) is excluded to the extent that it is for Consequential Loss.
- (c) No Mastermyne Indemnified Party can make any claim against DMS or any current or former directors, officers or employees of any member of the DMS Group under or in connection with this deed or the Transaction (including for breach of any provision, warranty or covenant, or for indemnity or for misrepresentation, negligent or not) that is otherwise permitted by this deed:
 - (i) for less than \$100,000; and
 - (ii) unless and until the aggregate amount of all claims of the Mastermyne Indemnified Parties that are otherwise permitted by this deed (not counting any such claim for less than \$100,000) exceeds \$500,000.
- (d) This clause 13.6 operates to the fullest extent permitted by law.

14. Termination

14.1 Termination by any party

Without limiting any other provision of this deed, Mastermyne or DMS may terminate this deed:

- (a) if the resolution to approve the Scheme submitted to the Scheme Meeting is not approved by the requisite majorities of Scheme Shareholders (except where the Court agrees to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test under clause 3.4);
- (b) if the party is entitled to terminate the document in accordance with clause 6.6(a);
- (c) any Condition has failed to be satisfied or has become incapable of being satisfied or is not reasonably capable of being satisfied on or before the End Date (and has not been waived); or
- (d) if the Effective Date for the Scheme has not occurred on or before the End Date.

14.2 Termination by Mastermyne

Without limiting any other provision of this deed, Mastermyne may terminate this deed:

- (a) at any time prior to 8.00 am on the Second Court Date if any DMS Director changes his or her recommendation or ceases or fails to recommend to Scheme Shareholders that they vote in favour of the resolution to approve the Scheme, including any adverse modification to their recommendation, or otherwise make a public statement indicating that they no longer support the Scheme;
- (b) at any time prior to 8.00 am on the Second Court Date if Maui Capital withdraws its support for the Scheme or fails to vote all Scheme Shares in which it has a Relevant Interest in favour of the Scheme at the Scheme Meeting;
- (c) at any time prior to 8.00 am on the Second Court Date if DMS is in material breach of its obligations under clause 8;
- (d) at any time prior to 8.00 am on the Second Court Date, if DMS is in material breach of any clause of this deed, taken in the context of the Transaction as a whole, provided that Mastermyne, has, if practicable given notice to DMS setting out the relevant circumstances and stating an intention to terminate, and the relevant circumstances continue to exist five Business Days (or any shorter period ending at 5.00pm on the last Business Day before Second Court Date) after the time such notice is given; or
- (e) if an Insolvency Event has occurred in relation to DMS or any DMS Group Member (other than a DMS Permitted Event).

14.3 Termination by DMS

Without limiting any other provision of this deed, DMS may terminate this deed:

- (a) at any time prior to 8.00 am on the Second Court Date if any DMS Director changes his or her recommendation or ceases or fails to recommend to Scheme Shareholders that they vote in favour of the resolution to approve the Scheme (including any adverse modification to their recommendation), or otherwise make a public statement indicating that they no longer support the Scheme where the DMS Board

determines that a Superior Proposal has emerged or the Independent Expert concludes that the Scheme is not in the best interests of Scheme Shareholders;

- (b) at any time prior to 8.00 am on the Second Court Date if Mastermyne is in material breach of any clause of this deed, taken in the context of the Transaction as a whole, provided that DMS has, if practicable given notice to Mastermyne setting out the relevant circumstances and stating an intention to terminate, and the relevant circumstances continue to exist five Business Days (or any shorter period ending at 5.00pm on the last Business Day before Second Court Date) after the time such notice is given; or
- (c) an Insolvency Event has occurred in relation to Mastermyne or any member of the Mastermyne Group.

14.4 Exercise of termination right

Where a party has a right to terminate this deed, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this deed.

14.5 Effect of termination

In the event of termination of this deed by either Mastermyne or DMS pursuant to this clause 14, this deed will have no further force or effect and the parties will have no further obligations under this deed, provided that:

- (a) clauses 1 (Definitions and Interpretation), 9 (Break Fee), 10 (Confidentiality), 12 (Representations and warranties), 13 (Indemnity and liability) 15 (GST), 16 (Notices), 17 (Entire agreement), 18 (General), and 19 (Governing law, jurisdiction and service of process) will survive termination, and
- (b) each party will retain any accrued rights and remedies, including any rights and remedies it has or may have against the other party in respect of any past breach of this deed.

15. GST

15.1 Interpretation

The parties agree that:

- (a) except where the context suggests otherwise, terms used in this clause 15 have the meanings given to those terms by the GST Act (as amended from time to time);
- (b) any part of a supply that is treated as a separate supply for GST purposes (including attributing GST payable to tax periods) will be treated as a separate supply for the purposes of this clause 15; and
- (c) any consideration that is specified to be inclusive of GST must not be taken into account in calculating the GST payable in relation to a supply for the purpose of this clause 15.

15.2 Reimbursements and similar payments

Any payment or reimbursement required to be made under this deed or any other Transaction Document that is calculated by reference to a cost, expense, or other amount paid or incurred

will be limited to the total cost, expense or amount less the amount of any input tax credit to which an entity is entitled for the acquisition to which the cost, expense or amount relates.

15.3 GST payable

If GST is payable in relation to a supply made under or in connection with this deed or any other Transaction Document then any party (**Recipient**) that is required to provide consideration to another party (**Supplier**) for that supply must pay an additional amount to the Supplier equal to the amount of that GST at the same time as other consideration is to be provided for that supply or, if later, within 5 Business Days of the Supplier providing a valid tax invoice to the Recipient.

15.4 Variation to GST payable

If the GST payable in relation to a supply made under or in connection with this deed or any other Transaction Document varies from the additional amount paid by the Recipient under clause 15.3 then the Supplier will provide a corresponding refund or credit to, or will be entitled to receive the amount of that variation from, the Recipient. Any ruling, advice, document or other information received by the Recipient from the ATO in relation to any supply made under this deed or any other Transaction Document will be conclusive as to the GST payable in relation to that supply. Any payment, credit or refund under this clause 15 is deemed to be a payment, credit or refund of the additional amount payable under clause 15.3.

16. Notices

16.1 How notice to be given

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed:

- (a) may be given by personal service, post, or facsimile;
- (b) must be in writing;
- (c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):
 - (i) if to DMS:
 - Address: Level 10, 9 Sherwood Road, Toowong,
Queensland, 4066
 - Fax number: +61 7 3870 2288
 - For the attention of: Company Secretary
 - (ii) if to Mastermyne:
 - Address: Level 1, Riverside Plaza, 45 River Street, Mackay,
Queensland, 4740
 - Fax number: +61 7 4944 0822
 - For the attention of: Company Secretary
- (d) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party; and

- (e) must be delivered by hand or posted by prepaid post to the address, sent by fax to the number, of the addressee, in accordance with clause 16.1(c).

16.2 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed is taken to be received by the addressee:

- (a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (c) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and
- (d) (in the case of delivery by hand) on delivery,

but if the communication would otherwise be taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

17. Entire agreement

The Transaction Documents constitute the entire agreement between the parties in relation to their subject matter and supersede all previous agreements and understandings between the parties in relation to their subject matter.

18. General

18.1 Amendments

This deed may only be varied by a document signed by or on behalf of each party.

18.2 Assignment

A party cannot assign or otherwise transfer any of its rights under this deed without the prior consent of each other party.

18.3 Consents

Unless this deed expressly provides otherwise, a consent under this deed may be given or withheld in the absolute discretion of the party entitled to give the consent and to be effective must be given in writing.

18.4 Costs

Each party must bear their own costs in connection with negotiating, preparing, executing and performing each Transaction Document.

18.5 Counterparts

This deed may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this deed, and all together constitute one deed.

18.6 Further acts and documents

Each party must promptly do all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by another party to give effect to this deed.

18.7 No merger

A party's rights and obligations do not merge on completion of any transaction under this deed.

18.8 Severance

If any provision or part of a provision of this deed is held or found to be void, invalid or otherwise unenforceable (whether in respect of a particular party or generally), it will be deemed to be severed to the extent that it is void or to the extent of violability, invalidity or unenforceability, but the remainder of that provision will remain in full force and effect.

18.9 Stamp duties

Mastermyne:

- (a) must pay all stamp duties and any related fines and penalties in respect of this deed, the performance of this deed and each transaction effected by or made under this deed;
- (b) must pay to DMS on demand the amount of any Indemnified Loss suffered or incurred by DMS arising out of or in connection with any failure to comply with clause 18.9(a); and
- (c) is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause.

18.10 Waivers

Without limiting any other provision of this deed, the parties agree that:

- (a) failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this deed by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed;
- (b) a waiver given by a party under this deed is only effective and binding on that party if it is given or confirmed in writing by that party; and
- (c) no waiver of a breach of a term of this deed operates as a waiver of another breach of that term or of a breach of any other term of this deed.

19. Governing law, jurisdiction and service of process**19.1 Governing law**

This deed is governed by the law applying in Queensland, Australia.

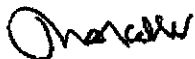
19.2 Jurisdiction

Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Queensland, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed; and
- (b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 19.2(a).

Executed as a deed.

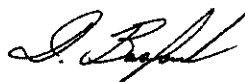
Executed by Diversified Mining Services Limited in accordance with section 127 of the Corporations Act 2001 (Cth):



Signature of director

Rodney Keller

Full name of director



Signature of company secretary/director

Darren Basford

Full name of company secretary/director

Executed by Mastermyne Group Limited in accordance with section 127 of the Corporations Act 2001 (Cth):

Signature of director

Full name of director

Signature of company secretary/director

Full name of company secretary/director

Executed as a deed.

Executed by **Diversified Mining Services Limited** in accordance with section 127 of the Corporations Act 2001 (Cth):

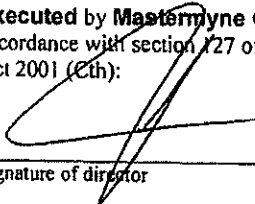
Signature of director

Signature of company secretary/director

Full name of director

Full name of company secretary/director

Executed by **Masternyne Group Limited** in accordance with section 127 of the Corporations Act 2001 (Cth):



Signature of director



Signature of company secretary/director

ANTHONY SALVATORE CARUSO
Full name of director

CHRISTOPHER JAMES KWEIPP
Full name of company secretary/director

Schedule 1—DMS's representations and warranties

- (a) **Incorporation:** DMS is a valid existing corporation registered under the laws of its place of incorporation.
- (b) **Execution:** The execution and delivery of this deed has been properly authorised by all necessary corporate action of DMS.
- (c) **Corporate power:** DMS has full corporate power and lawful authority to execute and deliver this deed and to consummate and perform or cause to be performed its obligations under this deed in accordance with its terms.
- (d) **Binding obligations:** (Subject to laws generally affecting creditors' rights and the principles of equity) this deed constitutes legal, valid and binding obligations on DMS.
- (e) **DMS Provided Information:** To the best of the knowledge of each DMS Director as at the date of this deed, the DMS Provided Information provided in accordance with this deed and included in the Scheme Booklet:
 - (i) as at the date of the Scheme Booklet, will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements and will comply in all material respects with the requirements of the Corporations Act, the Policy Statements and ASIC Regulatory Guide 60; and
 - (ii) will be included in good faith and on the understanding that the Independent Expert will rely on that Information for the purposes of preparing the Independent Expert's Report;
- (f) **DMS Disclosure Materials:** To the best of the knowledge of each DMS Director as at the date of this deed, all DMS Disclosure Materials were prepared in good faith with due care, skill and diligence, and DMS has not knowingly:
 - (i) omitted any information reasonably requested by Mastermyne or its Representatives for the purposes of the Transaction;
 - (ii) omitted anything from the DMS Disclosure Materials that is material to the financial position or performance of the DMS Group's business;
 - (iii) omitted anything from the DMS Disclosure Materials such as to make any part of the information materially false or misleading;
 - (iv) included information that is materially false or misleading in the DMS Disclosure Materials; or
 - (v) withheld any information from the DMS Disclosure Materials because DMS believed that the provision of that information would affect Mastermyne's willingness to enter into this deed;
- (g) **Compliance:** As at the date of this deed and to the best of the knowledge of each DMS Director, DMS and its Subsidiaries:
 - (i) have complied in all material respects with all laws applicable to them and orders of Australian and foreign Regulatory Authorities having jurisdiction over them, where failure to comply with any such laws and regulations would result in a DMS Material Adverse Change; and

- (ii) have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted, where a failure to hold any such licenses, permits and franchises would result in a DMS Material Adverse Change.
- (h) **Insolvency:** No member of the DMS Group is subject to an Insolvency Event (other than a DMS Permitted Event).
- (i) **Securities:** DMS's issued securities as at the date of this deed are 136,926,369 ordinary shares and 1,350,528 DMS Options and the DMS Group has not issued, or agreed to issue, any other securities or instruments which are still in force and may convert into DMS Shares or any other securities in DMS.
- (j) **Complete and accurate:** To the best of the knowledge of each DMS Director as at the date of this deed, all the information provided to Mastermyne by DMS in connection with this deed, whether under due diligence or not:
 - (i) is materially complete and accurate; and
 - (ii) has been collated with all reasonable care and skill.
- (k) **Opinion:** Any statement of opinion or belief contained in the DMS Provided Information is honestly held and there are reasonable grounds for holding the opinion or belief.
- (l) **Encumbrances:** Other than as set out in the DMS Disclosure Materials, there is no material encumbrance over all of any of its (or any of its Subsidiaries) material assets or revenues.
- (m) **Contracts:** Other than as set out in the DMS Disclosure Materials, to the best of the knowledge of each DMS Director no DMS Group Member is in default under any of its material contracts.
- (n) **Assets:** Other than as set out in the DMS Disclosure Materials, to the best of the knowledge of each DMS Director a DMS Group Member owns all rights, title and interest in and to, or has valid and continuing rights to use, all of the material assets and intellectual property rights used in the conduct of the DMS Group's business.
- (o) **Financial Statement:** The DMS Group financial statements provided to Mastermyne present fairly, in all material respects, the combined balance sheets and combined statements of income, equity and cash flows of the DMS Group as of the date thereof, or for the periods covered thereby, and have been prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board, and International Financial Reporting Standards as issued by the International Accounting Standards Board, consistently applied, based on the historical practice and accounting policies of the DMS Group.
- (p) **Reliance:** The DMS Provided Information has and will be provided in good faith and on the understanding that Mastermyne and its directors will rely on that information in relation to the Transaction.

Schedule 2—Mastermyne's representations and warranties

- (a) **Incorporation:** Mastermyne is a valid existing corporation registered under the laws of its place of incorporation.
- (b) **Execution:** The execution and delivery of this deed has been properly authorised by all necessary corporate action of Mastermyne.
- (c) **Corporate power:** Mastermyne has full corporate power and lawful authority to execute and deliver this deed and to consummate and perform or cause to be performed its obligations under this deed in accordance with its terms.
- (d) **Binding obligations:** (Subject to laws generally affecting creditors' rights and the principles of equity) this deed constitutes legal, valid and binding obligations on Mastermyne.
- (e) **Mastermyne Provided Information:**
 - (i) To the best of the knowledge of each Mastermyne Director as at the date of this deed, the Mastermyne Provided Information provided in accordance with this deed and included in the Scheme Booklet:
 - A. as at the date of the Scheme Booklet, will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements and will comply in all material respects with the requirements of the Corporations Act, the Policy Statements, the ASX Listing Rules and ASIC Regulatory Guide 60; and
 - B. will be included in good faith and on the understanding that the Independent Expert will rely on that Information for the purposes of preparing the Independent Expert's Report;
 - (ii) Mastermyne will, as a continuing obligation, provide to DMS all such further or new information which may arise after the date of the Scheme Booklet until the date of the Scheme Meeting which may be necessary to ensure that there would be no breach of the warranty in paragraph (i) above if it applied as at the date upon which that information arose.
- (f) **Mastermyne Disclosure Materials:** To the best of the knowledge of each Mastermyne Director as at the date of this deed, all Mastermyne Disclosure Materials were prepared in good faith with due care, skill and diligence, and Mastermyne has not knowingly:
 - (i) omitted any information reasonably requested by DMS or its Representatives for the purposes of the Transaction;
 - (ii) omitted anything from the Mastermyne Disclosure Materials that is material to the financial position or performance of the Mastermyne Group's business;
 - (iii) omitted anything from the Mastermyne Disclosure Materials such as to make any part of the information materially false or misleading;
 - (iv) included information that is materially false or misleading in the Mastermyne Disclosure Materials; or

- (v) withheld any information from the Mastermyne Disclosure Materials because Mastermyne believed that the provision of that information would affect DMS's willingness to enter into this deed;
- (g) **Reliance:** The Mastermyne Provided Information provided to DMS for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that DMS and its directors will rely on that information in relation to the Transaction.
- (h) **Provision of information to Independent Expert:** All information provided by or on behalf of Mastermyne to the Independent Expert to enable the Independent Expert's report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing an Independent Expert's Report.
- (i) **Continuous Disclosure:** Mastermyne is not in breach of its continuous disclosure obligations under the ASX Listing Rules and is not relying on the carve-out in ASX Listing Rule 3.1A to withhold any information from disclosure other than the Scheme.
- (j) **Complete and accurate:** To the best of the knowledge of each Mastermyne Director as at the date of this deed, all the information provided to DMS by Mastermyne in connection with this deed, whether under due diligence or not:
 - (i) is materially complete and correct; and
 - (ii) has been collated with all reasonable care and skill.
- (k) **Opinion:** Any statement of opinion or belief contained in the Mastermyne Provided Information is honestly held and there are reasonable grounds for holding the opinion or belief.
- (l) **Compliance:** As at the date of this deed and to the best of the knowledge of each Mastermyne Director, Mastermyne and its Subsidiaries:
 - (i) have complied in all material respects with all laws applicable to them and orders of Australian and foreign Regulatory Authorities having jurisdiction over them, where failure to comply with any such laws and regulations would result in a Mastermyne Material Adverse Change; and
 - (ii) have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted, where a failure to hold any such licenses, permits and franchises would result in a Mastermyne Material Adverse Change.
- (m) **Securities:** Mastermyne's issued securities as at the date of this deed are 75,517,514 ordinary shares and 1,050,000 performance rights and the Mastermyne Group has not issued, or agreed to issue, any other securities or instruments which are still in force and may convert into Mastermyne Shares or any other securities in Mastermyne other than in accordance with its Employee Performance Rights Plan.
- (n) **New Mastermyne Shares:** The New Mastermyne Shares will, upon their issue:
 - (i) rank equally with all other Mastermyne Shares then on issue;
 - (ii) be duly authorised and validly issued;

- (iii) be fully paid and non-assessable; and
 - (iv) be free of all security interests, third party rights and other Encumbrances.
- (o) **Insolvency:** No member of the Mastermyne Group is subject to an Insolvency Event.
- (p) **Funding:** On and from 5.00pm on the Business Day before the Second Court Date and at all times up to and including the Implementation Date, it will have available to it sufficient cash amounts (whether from internal cash resources or external funding arrangements or a combination of both) to satisfy its obligations under this deed, the Deed Poll and the Scheme.
- (q) **Encumbrances:** Other than as set out in the Mastermyne Disclosure Materials, there is no material encumbrance over all of any of its (or any of its Subsidiaries) material assets or revenues.
- (r) **Contracts:** Other than as set out in the Mastermyne Disclosure Materials, to the best of the knowledge of each Mastermyne Director no Mastermyne Group Member is in default under any of its material contracts.
- (s) **Assets:** Other than as set out in the Mastermyne Disclosure Materials, to the best of the knowledge of each Mastermyne Director a Mastermyne Group Member owns all rights, title and interest in and to, or has valid and continuing rights to use, all of the material assets and intellectual property rights used in the conduct of the Mastermyne Group's business.
- (t) **Financial Statement:** The Mastermyne Group financial statements provided to DMS present fairly, in all material respects, the combined balance sheets and combined statements of income, equity and cash flows of the Mastermyne Group as of the date thereof, or for the periods covered thereby, and have been prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board, and International Financial Reporting Standards as issued by the International Accounting Standards Board, consistently applied, based on the historical practice and accounting policies of the Mastermyne Group.

Schedule 3—Timetable

Action	Date
Announcement Date	25 September 2014
Draft Scheme Booklet lodged with ASIC	Mid October 2014
Deed Poll executed by Mastermyne	Early November 2014
First Court Date	Early November 2014
Scheme Booklet registered by ASIC and released on ASX by Mastermyne	Early November 2014
Scheme Booklet despatched to Scheme Shareholders	Early November 2014
Scheme Meeting	Late November 2014
Second Court Date	Early December 2014
Effective Date: Scheme Order lodged with ASIC	Early December 2014
Record Date	Mid December 2014
Implementation Date	Mid December 2014

Schedule 4—Deed Poll

Deed Poll

Relating to a Scheme of Arrangement for
Diversified Mining Services Limited

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Deed Poll made on

2014

Parties **Mastermyne Group Limited ACN 142 490 579** of Level 1, Riverside Plaza, 45 River Street, Mackay, Queensland, 4740 (**Mastermyne**)

In favour of **Each person registered as a holder of fully paid ordinary shares in the capital of Diversified Mining Services Limited ACN 126 482 282 (DMS) on issue as at the Record Date (Scheme Shareholders)**

Background

- A. On 25 September 2014, DMS and Mastermyne entered into a Scheme Implementation Deed (**Implementation Deed**) to provide for the implementation of the Scheme.
- B. The effect of the Scheme will be to transfer all of the Scheme Shares from the Scheme Shareholders to Mastermyne in exchange for the Scheme Consideration.
- C. In accordance with the Implementation Deed, Mastermyne enters into this deed poll to covenant in favour of the Scheme Shareholders to pay or procure the payment of the Scheme Consideration in accordance with the Scheme and to otherwise undertake all other actions attributed to it under the Scheme.

It is declared as follows

1. Definitions and interpretation

1.1 Definitions

In this deed poll:

Scheme means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between DMS and its shareholders, a copy of which is attached to the Implementation Deed, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Mastermyne and DMS.

1.2 Terms defined in Scheme

Capitalised words and phrases defined in the Scheme or in the Implementation Deed and not in this deed poll have the same meaning in this deed poll as in the Scheme unless the context requires otherwise.

1.3 Reasonable endeavours

Any provision of this deed which requires a party to use reasonable endeavours or all reasonable endeavours to procure that something is performed or occurs or does not occur does not include any obligation to commence any legal action or proceeding against any person.

1.4 Business days

If the day on which any act to be done under this deed is a day other than a Business Day, that act must be done on or by the next Business Day except where this deed expressly specifies otherwise.

1.5 Interpretation

In this deed:

- (a) headings are for convenience only and do not affect interpretation;
and unless the context indicates a contrary intention:
- (b) **"person"** includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (c) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation;
- (d) a reference to a document (including this deed) is to that document as varied, novated, ratified or replaced from time to time;
- (e) a reference to a statute includes its delegated legislation and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (f) a reference to a time and date is a reference to the time and date in Queensland;
- (g) a word importing the singular includes the plural (and vice versa), and a word indicating a gender includes every other gender;
- (h) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this deed, and a reference to this deed includes all schedules, exhibits, attachments and annexures to it;
- (i) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) **"includes"** in any form is not a word of limitation; and
- (k) a reference to **"\$"** or **"dollar"** is to Australian currency.

1.6 Nature of this deed poll

Mastermyne acknowledges and agrees that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints DMS and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Mastermyne.

2. Condition precedent

2.1 Condition

The obligations of Mastermyne under clause 3 are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Mastermyne under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date,

unless Mastermyne and DMS otherwise agree in writing.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, then in addition to and without prejudice to any other rights, powers or remedies available to it:

- (a) Mastermyne is released from its obligations to further perform this deed poll except those obligations contain in clause 7.8; and
- (b) each Scheme Shareholder retains the rights they have against Mastermyne in respect of any breach of this deed poll by Mastermyne which occurs before this deed poll was terminated.

3. Payment of the Scheme Consideration

3.1 Undertaking

Subject to clause 2, Mastermyne undertakes in favour of each Scheme Shareholder to:

- (a) procure the issue of the Scheme Consideration to each Scheme Shareholder; and
- (b) undertake all other actions attributed to it under the Scheme,

subject to and in accordance with the terms of the Scheme.

4. Warranties

Mastermyne represents and warrants to each Scheme Shareholder that:

- (a) **Incorporation:** Mastermyne is a valid existing corporation registered under the laws of its place of incorporation.
- (b) **Execution:** the execution and delivery of this Deed Poll has been properly authorised by all necessary corporate action of Mastermyne.
- (c) **Corporate Power:** Mastermyne has full corporate power and lawful authority to execute and deliver this Deed Poll and to consummate and perform or cause to be performed its obligations under this Deed Poll in accordance with its terms, and to carry out or cause to be carried out the transactions contemplated by this Deed Poll.
- (d) **Binding Obligations:** (Subject to laws generally affecting creditors' rights and the principles of equity) this Deed Poll contains legal, valid and binding obligations on Mastermyne.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until Mastermyne has fully performed its obligations under it or the earlier termination of this deed poll under clause 2.

6. Further assurances

Mastermyne will do all things and execute all deeds, instruments, transfers or other documents and do all acts or things as may be necessary or desirable to give full effect to the provisions of this deed poll and the transactions contemplated by it.

7. General

7.1 Notices

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed poll:

- (a) must be in writing;
- (b) must be addressed as follows:

if to Mastermyne:

Attention: Company Secretary

Address: Level 1, Riverside Plaza, 45 River Street, Mackay,
 Queensland, 4740

Fax number: +61 7 4944 0822
- (c) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;
- (d) must be delivered by hand or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 7.1(b); and
- (e) is taken to be received by the addressee:
 - (i) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
 - (ii) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
 - (iii) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and
 - (iv) (in the case of delivery by hand) on delivery,

but if the communication is taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

7.2 Governing law

This deed poll is governed by and must be construed according to the law applying in Queensland.

7.3 Jurisdiction

Mastermyne irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Queensland, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed poll; and
- (b) waive any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 7.3(a).

7.4 Amendments

This deed poll may be amended only by another deed poll entered into by Mastermyne and then only if the amendment is agreed to by DMS in writing and, if on or after the Second Court Date, only if it is approved by the Court.

7.5 Waiver

- (a) Failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this deed poll by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.
- (b) A waiver or consent given by a party under this deed poll is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of a term of this deed poll operates as a waiver of another breach of that term or of a breach of any other term of this deed poll.

7.6 Further acts and documents

Mastermyne must do all further acts and execute and deliver all further documents required by law or necessary to give effect to this deed poll and the transactions contemplated by it.

7.7 Assignment

The rights of each Scheme Shareholder under this deed poll are personal and cannot be assigned, novated or otherwise transferred without the prior written consent of Mastermyne.

7.8 Stamp duties

Mastermyne must pay all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll and are authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause.

7.9 Cumulative rights

The rights, powers and remedies of Mastermyne and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

Executed and delivered as a deed poll

Executed by Mastermyne Group Limited
in accordance with section 127 of the
Corporations Act 2001 (Cth):

Signature of director

Full name of director

Signature of company secretary/director

Full name of company secretary/director

Schedule 5—Scheme

Scheme of Arrangement for Diversified Mining Services Limited

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Scheme of Arrangement

Parties **Diversified Mining Services Limited ACN 126 482 282** of Level 10, 9
Sherwood Road, Toowong, Qld 4066 (DMS)

Each person registered as a holder of fully paid ordinary shares in the capital of DMS on issue as at the Record Date

Background

- A. DMS and Mastermyne have entered into the Implementation Deed, pursuant to which, amongst other things, DMS has agreed to propose this Scheme to DMS Shareholders and each of the parties hereto have agreed to take certain steps to give effect to this Scheme.
- B. If this Scheme becomes Effective, Mastermyne will procure the issue of the Scheme Consideration to the Scheme Shareholders and Mastermyne will acquire all Scheme Shares in accordance with the provisions of this Scheme, and DMS will enter the name and address of Mastermyne in the DMS Share Register as the holder of all of the Scheme Shares.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this Scheme:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Business Day means a day other than a Saturday, Sunday or public holiday in the State of Queensland.

Corporations Act means the Corporations Act 2001 (Cth).

Court means Supreme Court of Queensland or such other court of competent jurisdiction as DMS and Mastermyne agree in writing.

Deed Poll means the deed poll executed by Mastermyne in accordance with the Implementation Deed in favour of the Scheme Shareholders (subject to any amendments permitted by its terms).

DMS Option means an option to subscribe for a DMS Share that was issued by DMS on or before the date of the Implementation Deed.

DMS Shareholder means a person who is registered in the DMS Share Register as a holder of DMS Shares.

DMS Shares means fully paid ordinary shares in the capital of DMS.

DMS Share Register means the register of members of DMS maintained by or on behalf of DMS in accordance with section 168(1) of the Corporations Act.

DMS Share Registry means Link Market Services Limited ACN 083 214 537.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means the date which is 5 months after the date of the Implementation Deed or such other date agreed in writing between DMS and Mastermyne.

Implementation Deed means the Scheme Implementation Deed entered into between DMS and Mastermyne on 25 September 2014.

Implementation Date means the 3rd Business Day after the Record Date or such other date as as ordered by the Court or agreed between DMS and Mastermyne in writing.

Ineligible Foreign Holder means a Scheme Shareholder:

- (a) who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than residents of Australia (and its external territories) or New Zealand; or
- (b) whose address shown in the DMS Share Register is a place outside Australia (and its external territories) or New Zealand or who is acting on behalf of such a person,

unless the parties (acting reasonably) agree:

- (c) it is lawful and not unduly onerous or unduly impracticable to issue that Scheme Shareholder with Scheme Consideration when the Scheme becomes Effective; and
- (d) it is lawful for that Scheme Shareholder to participate in the Scheme by the law of the relevant place outside Australia (and its external territories) or New Zealand.

Mastermyne means Mastermyne Group Limited ACN 142 490 579.

Mastermyne Share means a fully paid ordinary share in the capital of Mastermyne.

Mastermyne Share Register means the register of members of Mastermyne maintained by or on behalf of Mastermyne in accordance with section 168(1) of the Corporations Act.

Record Date means 5.00 pm on the 5th Business Day following the Effective Date or such other date as DMS and Mastermyne may agree in writing.

Registered Address means, in relation to a Scheme Shareholder, the address of the Scheme Shareholder as recorded in the DMS Share Register.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act between DMS and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved in writing by Mastermyne and DMS.

Scheme Consideration means 0.1126 Mastermyne Shares for each Scheme Share.

Scheme Meeting means the meeting of DMS Shareholders to be convened by the Court in relation to this Scheme pursuant to section 411(1) of the Corporations Act.

Scheme Share means a DMS Share on issue on the Record Date and for the avoidance of doubt includes any DMS Shares issued on or before the Record Date, including upon the exercise of any DMS Option.

Scheme Shareholder means each person who holds Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving this Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Subsidiary has the meaning given in section 9 of the Corporations Act.

1.2 Business days

If the day on which any act to be done under this Scheme is a day other than a Business Day, that act must be done on or by the next Business Day except where this Scheme expressly specifies otherwise.

1.3 General rules of interpretation

In this Scheme headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word including or any other form of that word is not a word of limitation;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) a reference to a document (including this Scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (g) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this Scheme, and a reference to this Scheme includes all schedules, exhibits, attachments and annexures to it;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (obsolete body), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (delegated legislation) and a reference to a statute or delegated legislation or a

provision of either includes consolidations, amendments, re-enactments and replacements;

- (j) a reference to \$ or dollar is to Australian currency;
- (k) a reference to time is to Brisbane, Australia time; and
- (l) this Scheme must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

2. Preliminary matters

2.1 DMS

DMS is a public company limited by shares, incorporated in Australia and registered in the State of Queensland.

2.2 Mastermyne

Mastermyne is:

- (a) a public company limited by shares, incorporated in Australia and registered in the State of Queensland; and
- (b) admitted to the official list of the ASX and Mastermyne Shares are quoted on ASX.

2.3 Implementation Deed

Mastermyne and DMS have agreed, by executing the Implementation Deed, to implement this Scheme.

2.4 Deed Poll

Mastermyne has agreed, by executing the Deed Poll, to perform its obligations under this Scheme, including the obligation to procure the issue of the Scheme Consideration to the Scheme Shareholders.

3. Conditions precedent

3.1 Conditions

This Scheme is conditional on, and will have no force and effect until, the satisfaction of each of the following conditions, and the provisions of clauses 4, 5 and 6 will not come into effect unless and until each of these conditions have been satisfied:

- (a) all the conditions precedent in clause 3.1 of the Implementation Deed (other than the condition relating to the approval of the Court set out in clause 3.1(f)) having been satisfied or waived in accordance with the terms of the Implementation Deed before 8.00 am on the Second Court Date;
- (b) the Implementation Deed and Deed Poll not having been terminated in accordance with their terms before 8.00 am on the Second Court Date;
- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with such other conditions imposed by the Court under section

411(6) of the Corporations Act as are acceptable to DMS and Mastermyne, having been satisfied; and

- (d) the orders of the Court made under section 411(4)(b) (and if applicable, section 411(6)) of the Corporations Act approving this Scheme coming into effect under section 411(10) of the Corporations Act.

3.2 Certificate

- (a) DMS and Mastermyne must each provide to the Court on the Second Court Date a certificate authorised by each of their respective boards and signed by at least one of their respective directors (or such other evidence as the Court may request) stating (to the best of each of their knowledge) whether or not all the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived (subject to the terms of the Implementation Deed) as at 8.00am on the Second Court Date.
- (b) The giving of a certificate by each of DMS and Mastermyne in accordance with clause 3.2(a) will, in the absence of manifest error, be conclusive evidence of the matters referred to in the certificate.

3.3 Termination of Implementation Deed

Without limiting the rights under, and subject to the terms of, the Implementation Deed, if the Implementation Deed is terminated in accordance with its terms before 8.00am on the Second Court Date, Mastermyne and DMS are each released from:

- (a) any further obligation to take steps to implement this Scheme; and
- (b) any liability with respect to this Scheme.

4. Scheme

4.1 Effective Date of the Scheme

Subject to clause 4.2, the Scheme will take effect on and from the Effective Date.

4.2 End Date

The Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date.

5. Implementation

5.1 Lodgement of Court orders

DMS must lodge with ASIC an office copy of any Court orders under section 411(10) of the Corporations Act approving this Scheme as soon as possible after the approval of the Scheme or entry of the Court orders, and in any event no later than by 5.00 pm on the first Business Day after the date the Court approves this Scheme or by 5.00 pm on the first Business Day after the date on which the Court orders are entered, whichever is later, or such other Business Day as Mastermyne and DMS agree in writing.

5.2 Consequences of this Scheme becoming Effective

If this Scheme becomes Effective:

- (a) it will override the constitution of DMS, to the extent of any inconsistency;
- (b) Mastermyne must (subject to clause 5.4) procure the issue of the Scheme Consideration to the Scheme Shareholders;
- (c) subject to the issue of the Scheme Consideration under clause 5.2(b):
 - (i) all the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares) will be transferred to Mastermyne; and
 - (ii) DMS will enter the name of Mastermyne in the DMS Share Register in respect of all the Scheme Shares.

5.3 Transfer of Scheme Shares

On the Implementation Date, subject to the issue of the Scheme Consideration in the manner contemplated by clause 6.2(a) and Mastermyne providing DMS with written confirmation of that issue:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to Mastermyne, without the need for any further act by any Scheme Shareholder (other than acts performed by DMS or its officers as agent and attorney of the Scheme Shareholders under clause 8.4 or otherwise) by:
 - (i) DMS delivering to Mastermyne a duly completed and executed share transfer form to transfer all the Scheme Shares to Mastermyne; and
 - (ii) Mastermyne duly executing such transfer form and delivering it to the DMS for registration; and
- (b) immediately after receipt of the transfer form in accordance with clause 5.3(a)(ii), DMS must enter the name of Mastermyne in the DMS Share Register as the holder of all of the Scheme Shares; and
- (c) the transfer of Scheme Shares will be deemed to be effective on the Implementation Date.

5.4 Ineligible Foreign Shareholders

- (a) Mastermyne will be under no obligation to issue Scheme Consideration to any Ineligible Foreign Shareholder. If there are Ineligible Foreign Shareholders, Mastermyne must, before 12.00pm on the Implementation Date, issue the Scheme Consideration (in accordance with clause 6.2) to which that Ineligible Foreign Shareholder would have been entitled (were they not an Ineligible Foreign Shareholder) (**Sale Shares**) to a nominee agent appointed by Mastermyne and DMS (the **Sale Nominee**) who must hold the Scheme Consideration for the benefit of the Ineligible Foreign Shareholder pending a sale under clause 5.4(b).
- (b) Mastermyne must procure that on, or as soon as reasonably practicable after, the Implementation Date and at its cost, the Sale Nominee uses its best endeavours to:
 - (i) in the ordinary course of trading on the ASX, sell for the benefit of the Ineligible Foreign Shareholders, all Sale Shares it holds in accordance with the Mastermyne Constitution; and

- (ii) remit to Mastermyne any net proceeds of sale received after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges.
- (c) Promptly after the last sale of Sale Shares in accordance with clause 5.4(b), Mastermyne will pay to each Ineligible Foreign Shareholder the proportion of the net proceeds of sale received by Mastermyne pursuant to clause 5.4(b)(ii) as is equal (subject to rounding) to the number of Mastermyne Shares that would have been issued pursuant to the Scheme to that Ineligible Foreign Shareholder (were they not an Ineligible Foreign Shareholder) divided by the total number of Mastermyne Shares issued to the Sale nominee pursuant to clause 5.4(a).
- (d) Ineligible Foreign Shareholders agree that the amount referred to in clause 5.4(c) may be paid by Mastermyne doing any of the following at Mastermyne's election:
 - (i) sending by pre-paid post (or pre-paid airmail if the address is outside Australia) a cheque for the proceeds to the Ineligible Foreign Shareholder's address as shown in the DMS Share Register on the Record Date (the **Registered Address**);
 - (ii) depositing the proceeds into an account with any Australian bank as notified to DMS or the DMS Share Registry by an appropriate authority from the Ineligible Foreign Shareholder;
 - (iii) in the event that an Ineligible Foreign Shareholder does not have a Registered Address or Mastermyne believes an Ineligible Foreign Shareholder is not known at its Registered Address, and no account has been notified in accordance with clause 5.4(d)(ii) or a deposit into such account is rejected or refunded, Mastermyne may credit the amount payable to that Ineligible Foreign Shareholder to a separate bank account of Mastermyne to be held until the Ineligible Foreign Shareholder claims the amount or the amount is dealt with in accordance with unclaimed money legislation. Mastermyne must hold the amount on trust, but any benefit accruing from the amount will be to the benefit of Mastermyne. An amount credited to the account is to be treated as having been paid to the Ineligible Foreign Shareholder. Mastermyne must maintain records of the amount paid, the people who are entitled to the amounts and any transfers of the amounts.
- (e) Payment by Mastermyne to an Ineligible Foreign Shareholder in accordance with clause 5.4(c) satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.
- (f) Neither Mastermyne nor DMS gives any assurance as to the price that will be achieved for the sale of the Sale Shares described in clause 5.4(b). The sale of the Sale Shares under this clause 5.4 will be at the risk of the Ineligible Foreign Shareholder.
- (g) Each Ineligible Foreign Shareholder appoints Mastermyne as its agent to receive on its behalf any financial services guide or other notices which may be given by Mastermyne to that that Ineligible Foreign Shareholder.

6. Scheme Consideration

6.1 Scheme Consideration

On the Implementation Date, in consideration for the transfer to Mastermyne of each Scheme Share under the terms of the Scheme, each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder.

6.2 Issue of Scheme Consideration

Mastermyne must at or before 12.00pm on the Implementation Date, in consideration for the transfer to Mastermyne of the Scheme Shares, procure the issue of the Scheme Consideration to all Scheme Shareholders by:

- (a) passing a resolution of the directors of Mastermyne and doing all things necessary to validly issue the Scheme Consideration due to each Scheme Shareholder; and
- (b) entering the name and registered address of the Scheme Shareholder (or in the case of Ineligible Foreign Shareholders, the name and address of the Sale Nominee appointed under clause 5.4) in the Mastermyne Share Register as the holder of the Scheme Consideration issued to that Scheme Shareholder.

Within 5 Business Days after the Implementation Date, Mastermyne must dispatch, or procure the dispatch of, a holding statement or share certificate for the Scheme Consideration issued to that Scheme Shareholder (or Sale Nominee) by pre-paid post to the Registered Address of the Scheme Shareholder (or Sale Nominee).

6.3 Joint holders

In the case of Scheme Shares held in joint names, the Scheme Consideration must be issued in the names of those joint holders.

6.4 Rank equally

- (a) New Mastermyne Shares issued to Scheme Shareholders under this Scheme will rank equally with all existing Mastermyne Shares.
- (b) On issue, each new Mastermyne Share issued to Scheme Shareholders under this Scheme will be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (c) Mastermyne will do everything reasonably necessary to ensure that the new Mastermyne Shares to be issued to Scheme Shareholders under this Scheme:
 - (i) are admitted to the official list of ASX and are approved for official quotation on the ASX by 8.00am on the Second Court Date; and
 - (ii) commence trading on the ASX by the first Business Day after the Implementation Date.

7. Dealings in DMS Shares

7.1 Dealings in DMS Shares by Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in DMS Shares or other alterations to the DMS Share Register will only be recognised if registrable transmission applications or transfers in respect of those dealings are received on or before 5:00pm on the Record Date at the place where the DMS Share Register is kept (in which case DMS must register such transfers by 5:00pm on that day), and DMS will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders, any transfer or transmission application in respect of the DMS Shares received after such times or received prior to such times but not in registrable form.

7.2 DMS Share Register

- (a) DMS must maintain the DMS Share Register in accordance with the provisions of this clause 7 until the Scheme Consideration has been issued to the Scheme Shareholders and Mastermyne has been entered in the DMS Share Register as the holder of all of the Scheme Shares, and the DMS Share Register in this form and the terms of the Scheme will solely determine entitlements to the Scheme Consideration.
- (b) DMS must register registrable transmission applications or transfers of the kind referred to in clause 7.1 by 5:00pm on the Record Date.
- (c) DMS will not accept for registration or recognise for any purpose any transmission application or transfer in respect of DMS Shares received after 5:00pm on the Record Date.
- (d) If this Scheme becomes Effective, from the Record Date until the earlier of registration of Mastermyne as the holder of all Scheme Shares under clause 5.3(b) or the End Date, no Scheme Shareholder nor any person claiming through that Scheme Shareholder may deal with Scheme Shares in any way (or attempt or agree to do so) except as set out in this Scheme and any attempt to do so will have no effect and DMS will be entitled to disregard any such dealing or purported dealing.

7.3 Information to be made available

As soon as practicable after the Record Date, DMS will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Shareholder shown in the DMS Share Register at the Record Date are available to Mastermyne in a form as Mastermyne may reasonably require.

7.4 Effect of share certificates and holding statements

Subject to the issue of the Scheme Consideration in the manner contemplated by clause 6.2(a):

- (a) all statements of holding or share certificates for DMS Shares will cease to have effect from the Record Date as documents of title in respect of those shares (other than statements of holding in favour of Mastermyne and its successors in title); and
- (b) as from the Record Date, each entry current at that date on the DMS Share Register (other than entries in respect of Mastermyne and its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the DMS Shares relating to that entry.

8. General Scheme Provisions

8.1 Alterations and Conditions

If the Court proposes to approve this Scheme subject to any alterations or conditions, DMS may, by its counsel or solicitors, consent on behalf of all persons concerned, including a Scheme Shareholder, to those alterations or conditions to which Mastermyne has consented in writing.

8.2 Agreement of Scheme Shareholders

Each Scheme Shareholder:

- (a) agrees to the transfer of their Scheme Shares to Mastermyne, together with all rights and entitlements attaching to those Scheme Shares, in accordance with terms of this Scheme and agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme; and
- (b) acknowledges that this Scheme binds DMS and all Scheme Shareholders including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against this Scheme at that Scheme Meeting.

8.3 Warranties by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Mastermyne:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to Mastermyne under this Scheme will, at the date they are transferred to Mastermyne, be fully paid and free from all mortgages, charges, security interests, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- (b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to Mastermyne.

8.4 Authority given to DMS

Upon this Scheme becoming Effective, each Scheme Shareholder without the need for any further act:

- (a) irrevocably appoints DMS and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
 - (i) enforcing the Deed Poll against Mastermyne (as applicable); and
 - (ii) executing any document necessary to give effect to this Scheme including, the execution of the share transfer to be delivered under clause 5.3(a)(i),and DMS accepts such appointment; and
- (b) will be deemed to have authorised DMS to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary to implement this Scheme, including executing, as agent and attorney of each Scheme Shareholder, a

share transfer or transfers in relation to Scheme Shares as contemplated by clause 8.4(a).

8.5 Appointment of sole proxy

On this Scheme becoming Effective, and until DMS registers Mastermyne as the holder of all Scheme Shares in the DMS Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed Mastermyne as its attorney and agent (and directed Mastermyne in such capacity) to appoint any director, officer, secretary or agent nominated by Mastermyne as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings of DMS, exercise the votes attaching to the Scheme Shares registered in their name and sign any DMS Shareholders' resolutions, whether in person, by proxy or by corporate representative;
- (b) undertakes not to otherwise attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than as pursuant to clause 8.5(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Mastermyne reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.5(a), Mastermyne and any director, officer, secretary or agent nominated by Mastermyne under clause 8.5(a) may act in the best interests of Mastermyne as the intended registered holder of the Scheme Shares.

8.6 Scheme Shareholders' Consent

Subject to the Scheme becoming Effective, each Scheme Shareholder irrevocably consents to Mastermyne and DMS doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of the Scheme.

8.7 Title to Scheme Shares

Mastermyne will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by DMS of Mastermyne in the DMS Share Register as the holder of the Scheme Shares.

9. General

9.1 Stamp duties

Mastermyne must pursuant to their obligations under the Deed Poll pay all stamp duties and any related fines and penalties in respect of the transfer of the Scheme Shares to Mastermyne and are authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause.

9.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to DMS, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if

any) on which it is actually received at the place where the DMS Share Registry is kept.

- (b) The accidental omission to give notice of the Scheme Meeting or the non receipt of such a notice by any DMS Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.3 Further acts and documents

DMS must promptly do all further acts and execute and deliver all further documents required by law or reasonably requested by another party to give effect to this Scheme and the transactions contemplated by it.

10. Governing law and jurisdiction

10.1 Governing law

This Scheme is governed by the law applying in Queensland.

10.2 Jurisdiction

Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Queensland, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
- (b) waives any objection it may have now or in the future to the venue of any proceedings, and any claim it may have now or in the future that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 10.2(a).

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