BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2018

CONTENTS

Half-Year Financial Report
30 June 2018

Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2018**
Half year ended ('previous corresponding period'):	**30 June 2017**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2018 US$'000	2017 US$'000	$ change	% change
Revenue from ordinary activities	394,195	356,181	38,014	10.7%
Net loss after tax attributable to members	(16,323)	(85,234)	68,911	80.8%
Adjusted net loss after tax attributable to members	(9,764)	(53,568)	43,804	81.8%

Brief explanation of any figures reported above:

Adjusted net loss after tax attributable to members is a non-IFRS measure and is used internally by management to assess the performance of the business and has been derived from the Company's financial statements by adding back significant items. Refer to Directors' Report for explanations.

Dividends per ordinary share paid or to be paid (US¢):

	30 June 2018	30 June 2017
Interim dividend	0 cents	0 cents
Franked amount	N/A	N/A

No dividend had been determined for either of the half-years ended 30 June 2018 or 2017.

Net Tangible (Liabilities) per share:

Current period:	$	(0.02)
Previous corresponding period:	$	(0.56)

DIRECTORS' REPORT

The Directors present their report together with the financial report of Boart Longyear Limited (the "Parent") and its controlled entities (collectively, the "Company" or "Boart Longyear") for the half-year ended 30 June 2018 and the Independent Auditor's Review Report thereon.

Financial results and information contained herein are presented in United States ("US") dollars unless otherwise noted.

DIRECTORS

The Directors of the Company (the "Directors") in office during the half-year and as at the date of this report are set out below:

Others who held office as Directors during the financial period were:

Directors	Position
Marcus Randolph	Executive Chairman
Kyle Cruz	Non-executive Director
Jason Ireland	Non-executive Director
James Kern[1]	Non-executive Director (appointed effective 20 February 2018)
Gretchen McClain	Non-executive Director
Jeffrey Olsen	Executive Director
Robert Smith	Non-executive Director
Richard Wallman	Non-executive Director
Eric Waxman	Non-executive Director

PRINCIPAL ACTIVITIES

Boart Longyear is the world's leading integrated provider of drilling services, drilling equipment and performance tooling for mining and mineral drilling companies globally. The Company offers a comprehensive portfolio of technologically advanced and innovative drilling services and products. The Company operates through two divisions -- "Global Drilling Services" and "Global Products" -- and believes that its market-leading positions in the mineral drilling industry are driven by a variety of factors, including the performance, expertise, reliability and high safety standards of Global Drilling Services, the technological innovation, engineering excellence and global manufacturing capabilities of Global Products and the Company's vertically integrated business model. These factors, in combination with the Company's global footprint, have allowed the Company to establish and maintain long-standing relationships with a diverse and blue-chip customer base worldwide that includes many of the world's leading mining companies. With more than 125 years of drilling expertise, the Company believes its insignia and brand represent the gold standard in the global mineral drilling industry.

(1) James Kern served as an alternate, non-executive director on behalf of Lawrence First from 29 September 2017 to 20 February 2018 at which time Mr. First resigned from the Board and Mr. Kern was appointed to fill the vacated Board position.

REVIEW OF OPERATIONS[1]

1. Safety Performance, Market Conditions and Strategies

1.1 Overview

Boart Longyear is the world's leading integrated provider of drilling services, drilling equipment and performance tooling for mining and mineral drilling companies globally. We conduct our business activities through two segments, Global Drilling Services and Global Products.

We aim to create value for our customers through a comprehensive portfolio of technologically advanced and innovative drilling services and products. We believe that our market leading positions in the mineral drilling industry are driven by a variety of factors, including the performance, expertise and high safety standards of Global Drilling Services and the innovation, engineering excellence and global manufacturing capabilities of Global Products. We draw your attention to pages 22-24 of our 2017 full year financial report where we explain our 2018 priorities.

Our operating and commercial priorities include solidifying our competitive advantages with sustained investments in safety performance, productivity enhancements and operating improvements in our Global Drilling Services division, while remaining focused on the needs of our customer base. Similarly, technology and product innovation are central to the strength and future growth of our Global Products division, and we continue to pursue incremental product improvements that customers will need at any point in the mining cycle. Our recent successes include the LF160 surface coring drill paired with our Freedom Loader which has set a new benchmark in productivity and hands-free rod handling. Launched in the second half of 2017, our patented Longyear™ coloured diamond bits continue to show improved productivity by lasting longer and cutting faster. Commercial launch of the new XQ™ coring rod continues globally, featuring a greater depth capacity than the RQ™ rod, and faster, easier joint make/breaks for higher productivity. TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey instrument, the second in a future suite of tools, was launched in the first half of 2018 and we are now using our TruScan™ geological sample field screening technology at mine sites with several mining customers. These instruments are part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

Our capital structure exposes us to a variety of market, operational and liquidity risks. As at 30 June 2018 cash flows from operating activities was negative $12.0 million. We continue to be focused on being cash positive in 2018 as a primary goal for the business which we intend to achieve through continued discipline expense control and capital management, opportunistic cost reductions and productivity enhancements.

1.2 Safety Performance

Each year Boart Longyear strives to continuously improve safety performance. Health and Safety is a core company value at Boart Longyear along with Integrity, Customer Focus, and Team Work which is not only expected from our employees, but also drives value for our customers and stakeholders. Through our company initiatives and robust safety programs, Boart Longyear builds trust with our employees, customers, and all stakeholders.

For the half-year period ended 30 June 2018, the Company performance on key indicators includes a Total Case Incident Rate (TCIR) of 1.99 and Lost-Time Injury Rate (LTIR) of 0.15, compared to corresponding rates of 1.89 and 0.12 for the first half of 2017. Both TCIR and LTIR are rates calculated based on 200,000 hours worked. During this half-year period, our employees experienced 53 injuries that required some medical treatment and four of those injuries resulted in lost work time. The Company's TCIR increase from the same period in 2017, reflects in part, the increase in exposure in drilling services activity and the deployment of increasing numbers of new employees into the operations. However, the severity of incidents, compared to 2017, has decreased substantially.

The improvements made this year are primarily due to a change in focus from lagging indicators to key performance indicators and associated measured programs. Boart Longyear's four key leading indicator programs focus on leadership interaction with field employees, new and existing employee training, non-conformance corrective action monitoring, and vehicle driver performance – monitored with a fleet of In-Vehicle Monitoring Systems (IVMS). These programs along with others reflects our ongoing priority to identify and mitigate significant and critical risks.

(1) The Review of Operations contains information sourced from our reviewed financial statements as well as additional supplemental information that has not been subject to audit or review.

1.3 Impact of Market Conditions

Market conditions in 2018 have continued to improve with the mining companies looking for opportunities to invest to replenish their depleted ore reserves. Mining companies continue to project increasing exploration and drilling activity over the coming periods however we do see them continue to tightly control their exploration, development and capital expenditures.
During the first half of 2018, drill rig utilisation improved slightly across the global operations. The Company continues to improve on terms and conditions in each contract as they mature. Increasing demand for our goods and services has allowed the Company to make small improvements on pricing conditions.

We added new exploration drill rigs to the drilling services fleet around the world to meet the demand of expanding exploration budgets and we continue to evaluate opportunities where we can help our customers meet their 2018 exploration goals, utilizing the latest technology improvements that support both safety and productivity enhancements.

As a result of improving market conditions and continued focus on cost control and productivity improvements, the Company reported a statutory loss for the half-year period ended 30 June 2018 of $16.3 million, which was a significant improvement over the prior half-year (2017: $85.2 million loss). Adjusted net loss after tax for the half-year period ended 30 June 2018 (adding back significant items) was $9.7 million, compared to an adjusted net loss after tax for 2017 of $53.5 million, an improvement of $43.8 million. See reconciliation in Section 3.3 'Significant Items'.

Objectives and Strategies

In addition to our prime goal of returning our employees home safely each day, we continue to position the business to operate more efficiently across all phases of the mining cycle. Key elements of this strategy include focusing more closely on cash generation, achieving and maintaining sustainable EBITDA-to-revenue margins, improving returns on capital through disciplined variable and fixed cost management and capital spending programs, and maintaining a rigorous focus on working capital, particularly inventory and accounts receivable.

We are committed to driving long-term shareholder value by executing on several initiatives to improve our commercial practices in both our divisions and safety, productivity and profitability in our Global Drilling Services division, including through:

1. focusing on operational efficiencies and productivity at the drill rig level;
2. optimising the commercial organisation to drive value through contracting and pricing processes;
3. leveraging the supply chain function across the business; and
4. controlling SG&A and other overhead related costs.

We are also pursuing market leadership in providing subsurface resource information to our mining customers in an integrated, real-time and cost-effective manner through our Geological Data Services business.

Ultimately, our goal is operational excellence to help us address the risks and challenges of the mining industry cycle while also preserving the significant upside that we may realise in our operations as market conditions change and our operating leverage improves as a result of our significantly improved cost structure and operating performance. We are also capitalising on longer-term growth opportunities through investment in technologies that will broaden our customer offerings.

2. Financial and Operating Highlights

	For the half-year ended 30 June			
	2018	2017		
	US$ Millions	US$ Millions	$ Change	% Change
Key financial data				
Revenue	394.2	356.2	38.0	10.7%
NPAT(1)	(16.3)	(85.2)	68.9	80.9%
Adjusted NPAT(1)	(9.7)	(53.5)	43.8	81.9%
EBITDA(2)	28.3	(12.0)	40.3	335.8%
Adjusted EBITDA(2)	36.6	21.4	15.2	71.0%
Operating profit (loss)	9.9	(38.7)	48.6	125.6%
Profit (loss) from Trading Activities (3)	23.0	(1.1)	24.1	2190.9%
Cash used in operations	(2.0)	(50.5)	48.5	96.0%
Net cash flows used in operating activities	(12.0)	(57.7)	45.7	79.2%
Capital expenditures (accrual)	20.5	15.2	5.3	34.9%
Capital expenditures (cash)	19.4	14.3	5.1	35.7%
Weighted Average number of ordinary shares	26,289.8	941.6	25,348.2	2692.0%
Earnings per share (basic and diluted)	(0.1) cents	(9.1) cents	9.0 cents	98.9%
Average BLY rig utilisation	47%	41%	6%	14.6%
Average Fleet size	674	729	(55)	-7.5%

(1) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and before significant and other non-recurring items'.
See reconciliation in section 3.3 'Significant Items'.

(2) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before significant and other non-recurring items'.
See reconciliation in section 3.3 'Significant Items'.

(3) Profit (loss) from Trading Activities is a non-IFRS measure and is used internally by management to assess the underlying performance of the business and has been derived from the Company's financial results by eliminating from Operating Loss charges relating to significant and other expense/income items.

3. Discussion and Analysis of Operational Results and the Income Statement

3.1 Revenue

Revenue for the half-year period ended 30 June 2018 of $394.2 million increased by 10.7%, or $38.0 million, compared to revenue for the half-year period ended 30 June 2017 of $356.2 million.

A majority of the revenue for both Global Drilling Services and Global Products is derived from providing drilling services and products to the mining industry and is dependent on mineral exploration, development and production activities. Those activities are driven by several factors, including anticipated future demand for commodities, the outlook for supply and mine productive capacity, the level of mining exploration and development capital and the availability of financing for, and the political and social risks around, mining development.

Revenue during the first half of 2018 was higher as a result of higher volumes due to strengthening sentiment in the mining industry, when compared to the same period in 2017.

3.2 Cost of Goods Sold, Sales and Marketing Expense, and General and Administrative Expense

The following pro forma income statement shows the effects of removing significant items from their respective income statement line. The adjusted balances will be used in the following narrative to reflect cost categories after removing the impact of significant items.

	For the half-year ended 30 June					
	2018			2017		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	394.2	-	394.2	356.2	-	356.2
Cost of goods sold	(329.8)	3.4	(326.4)	(305.0)	2.2	(302.8)
Gross margin	64.4	3.4	67.8	51.2	2.2	53.4
Other income	6.4	-	6.4	4.2	-	4.2
General and administrative expenses	(38.3)	4.7	(33.6)	(72.6)	30.9	(41.7)
Sales and marketing expenses	(11.3)	0.2	(11.1)	(13.2)	0.3	(12.9)
Significant items	-	(8.3)	(8.3)	-	(33.4)	(33.4)
Other expenses	(11.3)	-	(11.3)	(8.3)	-	(8.3)
Operating profit (loss)	9.9	-	9.9	(38.7)	-	(38.7)

Gross margin in 2018 improved to 17.2% compared to 15.0% in 2017. The higher margin is related to cost savings from key improvement initiatives as well as improved margins on fixed costs relative to stronger sales volumes.

The total of other income, general and administrative expenses (“G&A”), sales and marketing expenses (“S&M”) and other expenses (adjusted for significant items) of $49.6 million in 2018 was lower compared to 2017 of $58.7 million. Lower G&A and S&M costs were partly offset by higher other expenses, which were driven by foreign currency exchange losses and VAT related items.

3.3 Significant Items

During the first half periods of 2018 and 2017, the Company incurred restructuring and recapitalisation expenses, respectively.

	For the half-year ended 30 June			
	2018	2018	2017	2017
US$ Millions	**US$ Millions**	**US$ Millions**	**US$ Millions**	**US$ Millions**
EBITDA[(1)]	**28.3**		**(12.0)**	
NPAT[(2)]		**(16.3)**		**(85.2)**
Recapitalisation costs	-	-	26.0	26.0
Impairments				
Property, plant and equipment	0.1	0.1	-	-
Inventories	1.5	1.5	-	-
Employee and related costs	1.6	1.6	5.6	5.6
Other restructuring expenses	5.1	5.1	1.8	1.8
Tax effect of significant items	-	(1.7)	-	(1.7)
Total of significant and non-recurring items	8.3	6.6	33.4	31.7
Adjusted EBITDA[(1)]	**36.6**		**21.4**	
Adjusted NPAT[(2)]		**(9.7)**		**(53.5)**

(1) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and significant and other non-recurring items'.

(2) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and before significant and other non-recurring items'.

Significant items reduced to $8.3 million during the half-year period ended 30 June 2018 (2017: $33.4 million for the comparable period). The reduction is primarily due to the absence of professional fees incurred in the first half of 2017 related to the recapitalisation effort.

4. Discussion and Analysis of Cash Flow

	For the half-year ended 30 June			
	2018	2017		
	US$ Millions	US$ Millions	$ Change	% Change
Cash used in operations	(2.0)	(50.5)	48.5	96.0%
Net cash flows used in operating activities	(12.0)	(57.7)	45.7	79.2%
Net cash flows used in investing activities	(13.1)	(10.3)	(2.8)	-27.2%
Net cash flows provided by financing activities	14.0	36.6	(22.6)	-61.7%

Cash flow from operating activities for the half-year period ended 30 June 2018 was negative $12.0 million, an improvement of $45.7 million from the prior year comparable period (2017 negative $57.7 million for the comparable period). The improvement in the first half of 2018 was mainly due to better operating results as the mining industry improves and we continue to focus on cost and working capital management.

We have invested $19.4 million in capital equipment to support existing operations during 2018, which is higher than the comparable prior period (2017: $14.3 million). Of the 2018 amount, $19.0 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment, $0.4 million was spent on product development activities, including engineering and patent maintenance. 2018 capital expenditures have been partially offset by proceeds from the sale of property, plant and equipment of $6.4 million (2017: $4.5 million). As markets continue to show improvement we place significant rigour around our capital allocation and approval process in order to meet demand.

The cash flows provided by financing activities were significantly higher during the first half of 2017 compared to 2018 because of the proceeds received from the Delayed Draw Term Loan and Second-out ABL that were part of the debt recapitalisation efforts completed in 2017. We draw your attention to footnote 21 on pages 113-116 of our 2017 Annual Report.

5. Discussion of the Balance Sheet

The net liabilities of the Company increased by $20.4 million, to negative $279.4 million as at 30 June 2018, compared to negative $259.0 million as at 31 December 2017. This decrease is primarily from the loss incurred for the period.

There were no significant movements in total assets during the first half of 2018. Working capital (assets and inventory) increased as the trading environment improved. This was offset by normal depreciation on property, plant and equipment.

Total liabilities increased by $20.1 million to $952.3 million. This is primarily driven by accreted interest for the period.

Liquidity and Debt Facilities

The Company's debt is comprised of the following instruments:

Description	Principal Outstanding as at 30 June 2018 (millions)	Accreted Interest as at 30 June 2018 (millions)	Interest Rate	Scheduled Maturity	Security
Senior Secured Notes	$217.0	$22.1	12%[2]	December 2022	Second lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the Term Loan B and Senior Secured Notes guarantors that are not ABL or Backstop ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and the other Term Loan B and Senior Secured Notes guarantors that are also ABL or Backstop ABL guarantors, and a first lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the Term Loan B and Senior Secured Notes issuer and other guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Term Loan – Tranche B	$105.0	$46.9	10%[3]	December 2022	Same as Senior Secured Notes
ABL	$31.1 [1]	Nil	Variable[4]	23 July 2020	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the Non-Working Capital Assets of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property), and in any case excluding assets of BLY IP, Inc., Boart Longyear Suisse Sarl and Boart Longyear S.A.C.
Term Loan – Tranche A	$85.0	$40.7	10%[3]	December 2022	First lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL or Backstop ABL guarantors, a second lien on the Working Capital Assets of the Term Loan A issuer and the other Term Loan A guarantors that are also ABL and Backstop ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Backstop ABL	$45.0	$4.0	11%[5]	23 October 2020[5]	Same as ABL but including any real property required to be pledged as security for the Senior Secured Notes
Senior Unsecured Notes	$88.9	$1.1	1.5%[6]	December 2022	Unsecured

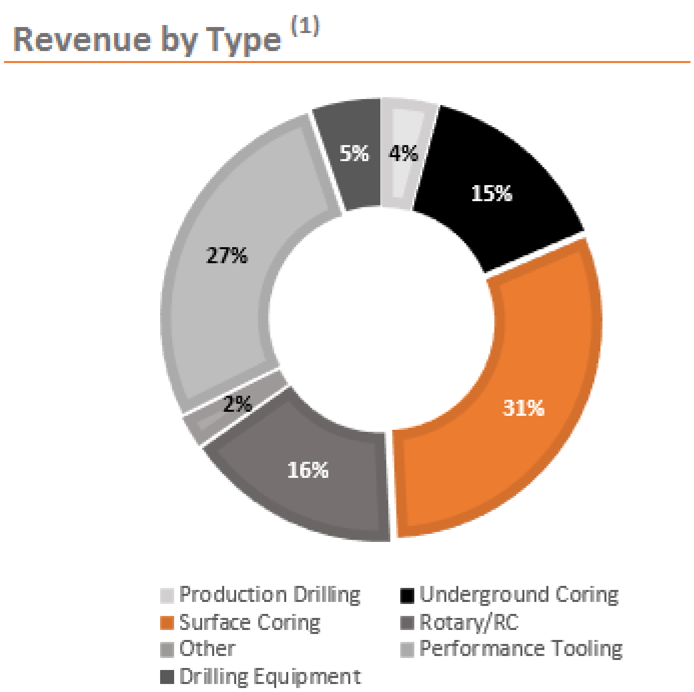
(1) $5.2 million in letters of credit were issued in addition to the $31.1 million borrowings that were outstanding.
(2) Interest rate payable-in kind at an interest rate of 12% per annum at the Company's election until December 2018 and thereafter in cash at a reduce interest rate of 10% per annum.
(3) Interest is 10% payable-in-kind through December 2018 and 8% payable in-kind thereafter.
(4) Based on LIBOR + margin (grid-based margin is currently 3.5%).
(5) Interest is payable-in-kind at 11% at Company's election or 10% cash. Maturity Date is 23 October 2020 or 90 days after the ABL due date.
(6) Interest is 1.5% payable-in-kind at Company's election until maturity.

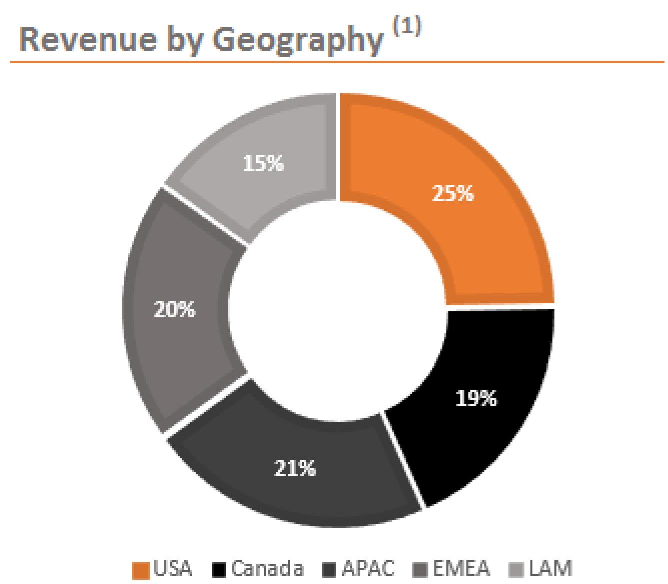
6. Review of Segment Operations

The following table shows our third party revenue and revenue from inter-segment sales by our Global Drilling Services division. Segment profit represents earnings before interest and taxes.

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	2018 US$ Millions		2017 US$ Millions		2018 US$ Millions	2017 US$ Millions
Drilling Services		266.9		241.4	27.1	17.9
Global Products revenue						
Products third party revenue	127.3		114.8			
Products inter-segment revenue (1)	30.0		25.2			
Total Global Products		157.3		140.0	11.9	2.2
Less Global Product sales to Global Drilling Services		(30.0)		(25.2)		
Total third party revenue		394.2		356.2		
Total segment profit					39.0	20.1

(1) Transactions between segments are carried out at arm's length and are eliminated on consolidation.





(1) Based on percentages of toal revenue for the half-year period ended 30 June 2018.

6.1 Review of Segment Operations - Global Drilling Services

	For the half-year ended 30 June			
	2018	2017		
	US$ Millions	US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	266.9	241.4	25.5	10.6%
COGS				
Materials/labor/overhead/other	215.2	192.9	22.3	11.6%
Depreciation and amortisation	11.5	16.1	(4.6)	-28.6%
Total COGS	226.7	209.0	17.7	8.5%
COGS as a % of Revenue	*84.9%*	*86.6%*	*-1.7%*	*-2.0%*
Contribution margin $	36.8	28.2	8.6	30.5%
Contribution margin %	13.8%	11.7%	2.1%	17.9%
Business unit SG&A	3.4	4.2	(0.8)	-19.0%
Allocated SG&A	8.5	10.3	(1.8)	-17.5%
EBITDA	38.9	34.3	4.6	13.4%
Capital spend (accrual)	16.9	8.0	8.9	111.3%
Other Metrics				
Average # of Operating Drill Rigs	315	300	15	5.0%
Average # of Drill rigs	674	729	(55)	-7.5%
# of Employees at period-end	3,763	3,338	425	12.7%

Safety

The Global Drilling Services division's Total Case Incident Rate (TCIR) for the first half of 2018 was 2.04, compared to 2.25 for the comparable period in 2017. The Lost-Time Incident Rate (LTIR) for the first half of 2018 was 0.14, compared to 0.15 for the comparable period in 2017. We continue to push our key safety initiatives, which include better analysis of high-potential near miss incidents and significant injuries; applying corrective actions globally; increasing management safety interactions at operating locations; increasing supervisory competencies through training; reinforcing hazard assessments; and increasing drill rig inspection frequency.

Revenue

Global Drilling Services' revenue in the first half of 2018 was $266.9 million, up 10.6% from $241.4 million in the first half of 2017. The year-over-year revenue increase was driven primarily by volume, but price did play a role in the increase. Volume increases were driven by Surface Coring and Underground Coring work in Australia, EMEA, and LAM. Price increases are averaging approximately 2.0% as a percentage of year-over-year revenue.

Revenue for the second half of 2017 was $259.2 million, compared to $266.9 million in the first half of 2018, an increase of 3.0%. The year-over-year increase in revenue can be attributed to a stronger Q1; which is driven by earlier than normal January project start ups in Australia, EMEA, and LAM.

Approximately 90% of Global Drilling Services' revenue for the first half of 2018 was derived from major mining companies, including Barrick, BHP Billiton, Freeport-McMoRan, Goldcorp, Newmont and Rio Tinto. Our top 10 Global Drilling Services customers represented approximately 63% of the division's revenue for the first half of 2018, with no single contract contributing more than 10% of our consolidated revenue.

Margins

Global Drilling Services in the first half of 2018 achieved $38.9 million of EBITDA compared to $34.3 million in the first half of 2017, an increase of 13.4%. The primary drivers for the increase in EBITDA were increases to volume and price. The largest margin improvements have come from: Australia $5.2 million, and EMEA $2.8 million. In the first half of 2018, the business continued to focus on improving meters per shift, non-billable hours and revenue per shift while reducing variable and fixed cost to maintain a flat cost structure from a percent of revenue perspective.

6.2 Review of Segment Operations - Global Products

	For the half-year ended 30 June			
	2018 US$ Millions	2017 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	127.3	114.8	12.5	10.9%
COGS				
Materials/labor/overhead/other	96.7	90.9	5.8	6.4%
Inventory obsolescence	0.3	-	0.3	-
Depreciation and amortisation	2.8	3.0	(0.2)	-6.7%
Total COGS	99.8	93.9	5.9	6.3%
COGS as a % of Revenue	*78.4%*	*81.8%*	*-3.4%*	-4.2%
Contribution margin $	19.0	10.7	8.3	77.6%
Contribution margin %	14.9%	9.3%	5.6%	60.2%
Business unit SG&A	8.7	10.4	(1.7)	-16.3%
Allocated SG&A	7.0	8.4	(1.4)	-16.7%
EBITDA	15.3	5.7	9.6	168.4%
Capital Spend (accrual basis)	1.2	5.5	(4.3)	-78.2%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	29.9	22.7	7.2	31.7%
Inventories [1]	179.6	173.1	6.5	3.8%
# of Employees	946	983	(37)	-3.8%

(1) Represents total Company inventories including Global Services and Global Products.

Safety

In first half 2018, the Total Case Incident Rate (TCIR) for the Global Products segment was 2.32 recordable incidents per 200,000 hours worked and the Lost-Time Incident Rate (LTIR) was 0.77. We continue to focus on programs to reinforce hazard recognition and consistently apply the Company's EHS management system across all operations. With the release of the Company's updated EHS management system, redefined and expanded EHS standards will continue to drive continuous improvement with a streamlined and comprehensive approach to best practices in safety.

Revenue

Revenue for the half-year 2018 was $127.3 million, up 10.9% from $114.8 million for the half year of 2017. The primary driver of the increase was coring tools and capital equipment. Approximately 76% of the 2018 half-year revenue was comprised of performance tooling components, and the remaining 24% was comprised of capital equipment and spares.

Margins

Global Products EBITDA for the half-year ended 30 June 2018 was $15.3 million, up $9.6 million compared to the first half of 2017. The increase in EBITDA was primarily driven by flow through of higher revenue and disciplined cost control, as evidenced by a 16.3% decrease in Business SG&A costs and 16.7% decrease in Allocated SG&A costs. We continue to operate our manufacturing facilities at lean levels, only producing what is required to meet market demand.

Backlog

At 30 June 2018, Global Products had a backlog of product orders valued at $27.0 million. This compares to $33.5 million at 31 December 2017 and $25.4 million at 30 June 2017. The decrease in our backlog – which we define as product orders we believe to be firm – was driven by decrease in demand for capital equipment and consumables. Average backlog during the first half of 2018 was $29.9 million compared to $29.1 million during the second half of 2017. It should be noted that an order shipped within the same month the order is received does not show up in backlog. Also, there is no certainty that orders in our backlog will result in actual sales at the times or in the amounts ordered.

Intellectual Property

We rely on a combination of patents, trademarks, trade secrets and similar intellectual property rights to protect the proprietary technology and other intellectual property that are instrumental to our Global Products business. As at 30 June 2018, we had 390 issued patents, 613 registered trademarks, 198 pending patent applications and 16 pending trademark applications. One of the most significant products for which we have obtained patent protection is our XQ™ wireline coring rod. The XQ™ wireline coring rods feature self-aligning double start threads, rod joints that engage smoothly without wedging or jamming, and exclusive heat treatments to provide stronger, longer lasting rods. We do not consider our Global Products business, or our business as a whole, to be materially dependent upon any particular patent, trademark, trade secret or other intellectual property.

Research and Development

Our Global Products division employs engineers and technicians to develop, design and test new and improved products. We work closely with our customers, as well as our Global Drilling Services division, to identify opportunities and develop technical solutions for issues that arise on site. We believe that sharing best practices amongst our divisions accelerates innovation and increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from our Global Drilling Services network. New product development efforts remain focused on product changes that continue to drive increased safety and productivity so customers see real added value regardless of the business environment. Our recent successes include the LF160 surface coring drill paired with our Freedom Loader which has set a new benchmark in productivity and hands-free rod handling. Launched in the second half of 2017, our patented Longyear™ coloured diamond bits continue to show improved productivity by lasting longer and cutting faster. Commercial launch of the new XQ™ coring rod continues globally, featuring a greater depth capacity than the RQ™ rod, and faster, easier joint make/breaks for higher productivity. TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey instrument, the second in a future suite of tools, was launched in the first half of 2018. Both instruments are part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

Inventories

We continue careful management of demand in our supply chain organisation and continuous efforts to reduce excess inventory. To support increased revenue in the first half of 2018, we expended $12.6 million on inventory related to third-party sales (less purchases and manufactured goods) and consumption in our Global Drilling Services division. Foreign currency translation related increases were $7.3 million.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is on page 17 of this report.

ROUNDING OF AMOUNTS

Boart Longyear Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and half-year financial report. Amounts in the Directors' Report and the half-year financial report are presented in US dollars and have been rounded off to the nearest thousand dollars in accordance with that Corporations Instrument, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors

Marcus Randolph
Chairman

23 August 2018

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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23 August 2018

The Board of Directors
Boart Longyear Limited
26 Butler Boulevard
Adelaide Airport SA 5650
Australia

Dear Directors

Boart Longyear Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Boart Longyear Limited.

As lead audit partner for the review of the financial statements of Boart Longyear Limited for the half-year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Review Report to the members of Boart Longyear Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Boart Longyear Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 21 to 41.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Boart Longyear Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Boart Longyear Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Boart Longyear Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants
Perth, 23 August 2018

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached half-year financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards, and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Marcus Randolph
Chairman

23 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2018

	Note	Half-year ended 30 June 2018 US$'000	Half-year ended 30 June 2017 US$'000
Continuing operations			
Revenue		394,195	356,181
Cost of goods sold		(329,821) [1]	(304,952)
Gross margin		64,374	51,229
Other income	**3**	6,366	4,205
General and administrative expenses		(38,275) [1]	(72,560)
Sales and marketing expenses		(11,332) [1]	(13,199)
Other expenses	**3**	(11,245)	(8,343)
Operating profit (loss)		9,888	(38,668)
Interest income		295	1,486
Finance costs	**4**	(33,427)	(37,979)
Loss before taxation		(23,244)	(75,161)
Income tax benefit (expense)	**6**	6,921	(10,073)
Loss for the period attributable to equity holders of the parent		(16,323)	(85,234)
Loss per share			
Basic loss per share		(0.1) cents	(9.1) cents
Other comprehensive loss			
Loss for the period attributable to equity holders of the parent		(16,323)	(85,234)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(9,615)	12,309
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains related to defined benefit plans		5,700	11,800
Income (tax) on income and expense recognised directly through equity		(164)	(982)
Other comprehensive income (loss) for the period, net of tax		(4,079)	23,127
Total comprehensive loss for the period attributable to equity holders of the parent		(20,402)	(62,107)

(1) Significant items have not been separately presented but have been included in the relevant line items. Details of items considered to be significant are included in Note 5.

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26-41

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 US$'000	31 December 2017 US$'000
Current assets			
Cash and cash equivalents	**13**	38,321	43,758
Trade and other receivables	**7**	143,187	131,861
Inventories		179,649	174,375
Current tax receivable		1,639	1,657
Prepaid expenses and other assets		15,938	13,749
		378,734	365,400
Asset classified as held for sale		530	530
Total current assets		379,264	365,930
Non-current assets			
Property, plant and equipment		116,484	118,130
Goodwill	**8**	100,296	101,196
Other intangible assets	**8**	31,125	34,109
Deferred tax assets		18,891	20,597
Non-current tax receivable		12,251	18,033
Other assets		14,566	15,134
Total non-current assets		293,613	307,199
Total assets		672,877	673,129
Current liabilities			
Trade and other payables	**9**	145,817	138,248
Provisions	**11**	19,860	19,451
Current tax payable		75,841	99,590
Loans and borrowings	**10**	855	794
Total current liabilities		242,373	258,083
Non-current liabilities			
Loans and borrowings	**10**	687,146	641,884
Deferred tax liabilities		14,564	13,439
Provisions	**11**	8,176	18,720
Total non-current liabilities		709,886	674,043
Total liabilities		952,259	932,126
Net liabilities		**(279,382)**	**(258,997)**
Equity			
Issued capital		1,468,758	1,468,758
Reserves		(110,733)	(101,135)
Other equity		(137,182)	(137,182)
Accumulated losses		(1,500,225)	(1,489,438)
Total deficiency in equity		**(279,382)**	**(258,997)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26-41

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2018

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Other equity US$'000	Accumulated losses US$'000	Total attributible to owners of the parent US$'000
Balance at 1 January 2017	1,263,798	(130,661)	12,975	(137,182)	(1,346,433)	(337,503)
Loss for the period	-	-	-	-	(23,932)	(23,932)
Other comprehensive (gain) loss for the period - net of tax	-	12,309	-	-	10,818	23,127
Total other comprehensive loss	-	12,309	-	-	(13,114)	(805)
Issued under recapitalisation program	47	-	-	-	-	47
Vesting of LTIP rights, restricted shares	2,080	-	(2,080)	-	-	-
Share-based compensation	-	-	1,341	-	-	1,341
Balance at 30 June 2017	**1,265,925**	**(118,352)**	**12,236**	**(137,182)**	**(1,359,547)**	**(336,920)**
Balance at 1 January 2018	1,468,758	(112,118)	10,983	(137,182)	(1,489,438)	(258,997)
Loss for the period	-	-	-	-	(16,323)	(16,323)
Other comprehensive gain for the period - net of tax	-	(9,615)	-	-	5,536	(4,079)
Total other comprehensive loss	-	(9,615)	-	-	(10,787)	(20,402)
Share-based compensation	-	-	17	-	-	17
Balance at 30 June 2018	**1,468,758**	**(121,733)**	**11,000**	**(137,182)**	**(1,500,225)**	**(279,382)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26-41

Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2018

	Note	Half-year ended 30 June 2018 US$'000	Half-year ended 30 June 2017 US$'000
Cash flows from operating activities			
Loss for the period		(16,323)	(85,234)
Adjustments provided by operating activities:			
Income tax expense recognised in profit		(6,921)	10,073
Finance costs recognised in profit	**4**	33,427	37,979
Depreciation and amortisation		18,449	26,639
Interest income recognised in profit		(295)	(1,486)
Gain on sale or disposal of non-current assets		(4,589)	(2,783)
Other non-cash items		(1,432)	(13,067)
Shares issued to directors		-	47
Impairment of current and non-current assets		1,670	77
Non-cash foreign exchange loss		(1,728)	(5,097)
Equity-settled share-based payments		17	1,341
Long-term compensation - cash rights		-	1,930
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
Decrease (increase) in assets:			
Trade and other receivables		(18,243)	(42,227)
Inventories		(12,571)	9,408
Other assets		(3,370)	(3,592)
(Decrease) increase in liabilities:			
Trade and other payables		13,050	18,140
Provisions		(3,175)	(2,610)
Cash used in operations		(2,034)	(50,462)
Interest paid		(3,886)	(4,316)
Interest received		295	1,486
Income taxes paid		(6,331)	(4,422)
Net cash flows used in operating activities		**(11,956)**	**(57,714)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26-41

Condensed Consolidated Statement of Cash Flows (continued)

For the half-year ended 30 June 2018

	Note	Half-year ended 30 June 2018 US$'000	Half-year ended 30 June 2017 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(19,020)	(12,593)
Proceeds from sale of property, plant and equipment		6,391	4,458
Intangible costs paid		(394)	(1,721)
Investment in unaffiliated companies		(47)	(471)
Net cash flows used in investing activities		**(13,070)**	**(10,327)**
Cash flows from financing activities			
Proceeds from borrowings		14,049	43,098
Repayment of borrowings		(3)	(6,455)
Net cash flows provided by financing activities		**14,046**	**36,643**
Net decrease in cash and cash equivalents		(10,980)	(31,398)
Cash and cash equivalents at the beginning of the period		43,758	59,343
Effects of exchange rate changes on the balance of cash held in foreign currencies		5,543	7,293
Cash and cash equivalents at the end of the period		**38,321**	**35,238**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26-41

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting' ("AASB 134"). Compliance with AASB 134 ensures compliance with International Accounting Standard 34 'Interim Financial Reporting.' The half-year financial report does not include notes of the type normally included in an annual financial report, but additional notes have been included where such notes are deemed relevant to the understanding of the half-year financial report. The half-year financial report should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated half-year financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments that are stated at fair value. Cost is based on fair values of the consideration given in exchange for assets. The financial report has also been prepared on the basis that the consolidated entity is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Except where indicated otherwise, all amounts are presented in United States dollars.

Going concern

The half-year financial report has been prepared on the going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business.

At 30 June 2018, the Company has net liabilities of $279.4 million (2017: net liabilities of $259.0 million as at 31 December). The increase in net liabilities is mainly a result of a loss after income tax of $16.3 million. At 30 June 2018, the Company has net current assets of $136.9 million (2017: $107.8 million as at 31 December).

In preparing the financial report, the Directors have made an assessment of the ability of the Company to continue as a going concern. The Company's ability to meet its ongoing operational and financing obligations requires the Company to achieve its forecast cash flows by sustaining previously implemented cost reductions, realise cost savings from ongoing and future cost-reduction and actively managing cash flows. The Directors reaffirm that current and expected operating cash flow, cash on hand and available drawings under the Company's asset-based loan facility provide sufficient liquidity to meet its debts as and when they fall due.

Cash flow Forecasts

The Company has prepared detailed cash flow forecasts which incorporate the financial impact of continued actions to address the market environment. In preparing the cash flow forecasts the Company has used best estimate assumptions. The Directors have assessed the Company's cash flow forecasts and revenue projections based on current market conditions and on results achieved to date attributable to ongoing cash-generating actions as well as continuing to evaluate risks and opportunities to this best estimate. Some of the key assumptions underpinning the cash flow forecasts and revenue projections are inherently uncertain and are subject to variation due to factors which are outside the control of the Company. The key assumptions are discussed below.

<u>Market risk</u>
The Company experienced significant declines in financial performance through mid-2016, as a result of declining demand for, and global oversupply of, the Company's services and products. This decline was driven by the global contraction in exploration and development spending across the commodities sector and by mining customers in particular. We have seen an improvement in the market through 2017 and into 2018; however, despite recent improvements in the market, and increasing revenues, mineral exploration, production and development activities and contract pricing could remain at depressed levels for an extended period of time or decline, resulting in adverse effects on the Company's operating results, liquidity and financial condition.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

Operational risk
In response to potential market risk, the Company continues to focus on significant cost savings and efficiency initiatives. These initiatives are aggressively managing fixed and variable costs and, in particular, improving operational efficiencies and commercial practices.

The cash flow forecasts assume that the Company is able to maintain and improve on current volumes of work, sustain previously implemented reductions and realise additional cost savings from both ongoing and future cost-reduction and efficiency initiatives.

Other key assumptions
The cash flow forecasts also include a number of other key assumptions, in particular:

- assumptions relating to the timing and outcome of the tax audits detailed in Note 6 of the financial statements; and
- that the US dollar remains consistent with current levels, particularly in relation to the Australian and Canadian dollars.

Notwithstanding the uncertainties set out above, the Directors have given careful consideration to the risks and believe at the date of signing of the half-year financial report that there are reasonable grounds to continue to prepare the half-year financial report on a going concern basis.

Accounting polices

The accounting policies and methods of computation followed in the preparation of the half-year financial report are consistent with those followed and disclosed in the Company’s 2017 Annual Financial Report for the financial year ended 31 December 2017, except for the impact of the standards, interpretations and amendments described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. These standards and interpretations are set forth throughout the notes to the financial statements. The adoption of each standard individually did not have a significant impact on the Company’s financial results or consolidated statement of financial position.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Standards and Interpretations issued, but not yet effective

The accounting standards and AASB Interpretations that will be applicable to the Company and may have an effect in future reporting periods are detailed below. Apart from these standards and interpretations, management has considered other accounting standards that will be applicable in future periods.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	31 December 2019

Under the new standard, a lessee is in essence required to:

(a) recognise all right of use assets and lease liabilities, with the exception of short term (under 12 months) and low value leases, on the balance sheet. The liability is initially measured at the present value of future lease payments for the lease term. Where a lease contains an extension option, the lease payments for the extension period will be included in the IFRS 16 liability if the company is reasonably certain that it will exercise the option. The liability includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right of use asset reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provision for dismantling and restoration.
(b) recognise depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term.
(c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the cash flow statement.

The adoption of AASB 16 will therefore result in higher assets and liabilities on the balance sheet. Information on the undiscounted amount of the Group's noncancelable operating lease commitments of $42.2 million as defined under AASB 17, the current leasing standard, are disclosed in the financial statements for the year ended 31 December 2017 (Note 26).

The full impact of the adoption of AASB 16 has not yet been determined.

Standards and Interpretations issued and effective

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15 'Revenue from Contracts with Customers'	1 January 2018	31 December 2018
AASB 9 'Financial Instruments'	1 January 2018	31 December 2018
AASB 2016-5 'Amendments to Australian Accounting Standards - Classification and Measurement of Share-Based Payment Transactions'	1 January 2018	31 December 2018

AASB 15 – Revenue from Contracts with Customers

In the current half year, the Company has applied AASB 15 *Revenue from Contracts with Customers* (as amended in April 2016) which has come into effect 1 January 2018. AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

AASB 15 – Revenue from Contracts with Customers (continued)

Boart Longyear operates two different business units throughout various geographical locations – Drilling Services and Drilling Products. Judgements and estimates are used in determining the impact of AASB 15, such as the type of drilling services provided and the type of drilling products manufactured and sold. Details of how the Company's revenue recognition policy aligns with the new requirements of AASB 15 are described below.

Drilling Services
The Company performs various types of drilling services within the mining and minerals industry. Contracts entered into can cover services which may involve various different processes, such as equipment mobilisation, drilling activities and equipment de-mobilisation. These processes and activities tend to be highly inter-related and the Company provides a significant service of integration for these activities. Where this is the case, these are taken to be activities to satisfy one performance obligation, where the transaction price is allocated to the performance obligation based upon contracted prices.

Revenue from services rendered is recognised in the statement of profit and loss and other comprehensive income over time. The measurement of progress is determined as follows:

- actual meters drilled, or as other activities are performed for each contract; and
- time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue is recognised in the accounting period in which the services are rendered. Customers are in general invoiced on a fortnightly basis according to contract prices relative to the services described above. Payment is received following invoice according to normal commercial terms.

There have been no material adjustments made to the financial statements on adoption of AASB 15.

Drilling Products
The Company manufactures, distributes and sells equipment that is necessary for the mining and mineral industry. Sales orders are completed across multiple geographies for products, such as large drill rigs and drilling components (bits, coring rods, etc.). Revenue from the sale of these items is recognised through two service obligations at a point in time. The first is based upon the delivery of goods and the second is associated with the commissioning of the rigs. Under both obligations revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and sales tax.

Revenue is recognised when control has been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

There have been no material adjustments made to the financial statements on adoption of AASB 15.

Other New and Amended Accounting Standards

- AASB 9 – Financial Instruments
- AASB 2016-5 – Amendments to the Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

While these standards introduce new disclosure requirements, the impact on the Company's financial statements was not material.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Key Judgements and Estimates

In applying Australian Accounting Standards, management is required to make judgments, estimates and form assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported revenue and expenses during the periods presented herein. On an ongoing basis, management evaluates its judgments and estimates in relation to asset, liabilities, contingent liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the respective periods in which they are revised if only those periods are affected, or in the respective periods of the revisions as well as future periods if the revision affects both current and future periods.

The key judgments, estimates and assumptions that have or could have the most significant effect on the amounts recognised in the financial statements are found in the following notes:

Note 1	Going Concern
Note 6	Income Taxes
Note 8	Goodwill and Other Asset Impairment Considerations
Note 14	Contingent Liabilities

2. SEGMENT REPORTING

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is aggregated based on the Company's two general operating activities: Global Drilling Services and Global Products. The Global Drilling Services segment provides a broad range of drilling services to companies in mining, energy and other industries. The Global Products segment manufactures and sells drilling equipment and performance tooling to customers in the drilling services and mining industries.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Company's accounting policies. Segment profit shown below is consistent with the income reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	30 June 2018		30 June 2017		30 June 2018	30 June 2017
	US$'000		US$'000		US$'000	US$'000
Drilling Services		266,930		241,376	27,077	17,894
Global Products revenue						
Products third party revenue	127,265		114,805			
Products inter-segment revenue [1]	29,955		25,180			
Total Products		157,220		139,985	11,945	2,181
Less Global Products sales to Global Drilling Services		(29,955)		(25,180)		
Total third party revenue		394,195		356,181		
Total segment profit (loss)					39,022	20,075
Unallocated costs [2]					(20,862)	(25,346)
Restructuring expenses and related impairments					(8,272)	(33,397)
Finance costs					(33,427)	(37,979)
Interest income					295	1,486
Loss before taxation					(23,244)	(75,161)

(1) Transactions between segments are carried out at arm's length and are eliminated on consolidation.
(2) Unallocated costs include corporate general and administrative costs, as well as other expense items such as foreign exchange gains and losses.

Geographic information

The Company's two business segments operate in four principal geographic areas – North America, Asia Pacific, Latin America and Europe, Middle East and Africa ("EMEA"). The Company's revenue from external customers and information about its segment assets by geographical locations are detailed below:

	Revenue from external customers		Non-current assets [1]	
	30 June 2018	30 June 2017	30 June 2018	31 December 2017
	US$'000	US$'000	US$'000	US$'000
North America	171,629	164,987	205,030	210,440
Asia Pacific	85,030	74,816	38,700	45,476
Latin America	59,767	50,824	19,852	23,054
EMEA	77,769	65,554	11,140	7,632
	394,195	356,181	274,722	286,602

(1) Non-current assets excluding deferred tax assets

3. OTHER INCOME AND EXPENSES

For the half-year ended 30 June, other income and expenses consist of the following:

	2018 US$'000	2017 US$'000
Other income		
Gain on disposal of property, plant and equipment	4,589	2,783
Other	1,777	1,422
	6,366	4,205
Other expenses		
Loss on foreign currency exchange differences	5,892	1,899
Amortisation of intangible assets	2,223	5,369
Impairment of fixed assets	81	-
Other	3,049	1,075
	11,245	8,343

4. FINANCE COSTS

For the half-year ended 30 June, finance costs consist of the following:

	2018 US$'000	2017 US$'000
Interest on loans and bank overdrafts	32,167	36,938
Amortisation of debt issuance costs	1,193	1,028
Interest on obligations under finance leases	67	13
Total finance costs	33,427	37,979

5. SIGNIFICANT ITEMS

During the first half of 2018, the Company continued to reduce operating costs through a series of restructuring activities. The Company's restructuring efforts included:

- controlling SG&A and other overhead related costs;
- exiting certain loss-making project or territories;
- leveraging the supply chain function across the business, and
- focusing on operational efficiencies and productivity at the drill rig level and across the global organisation.

The Company has incurred costs related to cost-reduction plans. These costs include employee separations, exiting leased facilities, impairments of inventories and professional fees related to resizing the business.

5. SIGNIFICANT ITEMS (CONTINUED)

Significant items for the half-year ended 30 June are, as follows:

	2018 US$'000	2017 US$'000
Recapitalisation costs	-	25,999
Impairments:		
Property, plant and equipment	106	-
Inventories	1,464	-
Employee and related costs[1]	1,644	5,563
Other restructuring costs	4,511	960
Onerous leases	547	875
	8,272	33,397

(1) Employee and related costs include separation costs, retention and other employee-related costs.

Classification of significant items on the income statement for the half-year ended 30 June are, as follows:

	2018 US$'000	2017 US$'000
Cost of goods sold	3,313	2,140
General and administrative expenses	4,740	30,929
Sales and marketing expenses	219	152
Research and development	-	176
	8,272	33,397

Significant items for the half-year ended 30 June by business segment are, as follows:

	2018 US$'000	2017 US$'000
Global drilling services	2,365	2,221
Global products	4,795	1,279
Unallocated	1,112	29,897
	8,272	33,397

6. INCOME TAXES

Reconciliation of the prima facie income tax expense on pre-tax accounting profit to the income tax expense in the financial statements:

	2018 US$'000	2017 US$'000
Loss before taxation	(23,244)	(75,161)
Income tax benefit calculated at		
Australian rate of 30%	(6,974)	(22,547)
Impact of different tax rates in foreign jurisdictions	226	6,014
Net nondeductible/non assessable items	18,492	33,228
Net benefit from previously Unrecognised tax losses[1]	(3,433)	(7,178)
Other[2]	(16,502)	607
Under provision from prior years	1,270	(51)
Income tax (benefit) expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(6,921)	10,073

(1) The utilisation of previous unrecognised tax losses arises as a result of forecasted income in the current period in certain jurisdictions.

(2) The majority of this adjustment relates to effectively settling a portion of the disputes in the Canada Revenue Agency tax audit from 2007-2012. (See Canada note below.)

Current Tax Payable

The current tax payable as of 30 June 2018 of $75.8 million consists of income tax payable and income and withholding tax provisions for uncertain tax positions in various jurisdictions in which the Company operated.

Canadian Income Tax Audit

The Company's Canadian income tax returns for the tax years 2007-2012 have been reassessed and the tax years 2013-2014 have been partially reassessed by the Canada Revenue Agency ("CRA"). A portion of these reassessments has been resolved through a multi-national dispute resolution process, known as "competent authority" to prevent the double-taxation of income assessed by multiple jurisdictions. The remaining unsettled assessments are under appeal for the 2007 through 2014 tax years and, if upheld, would result in federal and provincial tax liabilities (including interest) of approximately CAD $24.9 million.

The outcome and timing of any resolution of the Canadian reassessments are unknown. Interest will continue to accrue on all disputed and unpaid amounts until they are paid, or, alternatively, until the disputes are resolved in the Company's favour.

The Company has recorded a tax provision related to the CRA's audits of the 2007 through 2014 tax years. The provision reflects the uncertainties regarding the outcome of those audits. While the Company believes it is appropriately reserved in respect of the CRA tax disputes, the resolution of those disputes on terms substantially as assessed by the CRA for the 2007 through 2014 tax years could be material to the Company's financial position or results of operations.

7. TRADE AND OTHER RECEIVABLES

	30 June 2018 US$'000	31 December 2017 US$'000
Trade receivables	133,944	123,554
Allowance for doubtful accounts	(935)	(1,844)
Goods and services tax receivable	7,430	8,229
Other receivables	2,748	1,922
	143,187	131,861

The ageing of trade receivables is detailed below:

	30 June 2018 US$'000	31 December 2017 US$'000
Current	105,156	90,156
Past due 0 - 30 days	18,635	18,963
Past due 31 - 60 days	6,431	6,338
Past due 61-90 days	3,381	3,338
Past due 90 days	341	4,759
	133,944	123,554

The average credit period on sales of goods and services is 58 days as at 30 June 2018 and 64 days at 30 June 2017. No interest is charged on trade receivables.

The Company's policy requires customers to pay the Company in accordance with agreed payment terms. The Company's settlement terms are generally 30 to 60 days from date of invoice. All credit and recovery risk associated with trade receivables has been provided for in the statement of financial position. Trade receivables have been aged according to their original due date in the above aging analysis. The Company holds security for a number of trade receivables in the form of letters of credit, deposits, and advanced payments.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

	30 June 2018 US$'000	31 December 2017 US$'000
Goodwill	100,296	101,196
Other intangible assets:		
Software	2,165	3,709
Customer relationships	5,299	5,871
Development assets	14,287	15,356
Patents	6,315	6,113
Trademarks	3,059	3,060
	31,125	34,109

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in Cash Generating Units (CGUs) that are significant individually or in aggregate. The carrying amount of goodwill of $100.3 million as at 30 June 2018 and $101.2 million as at 31 December 2017 was in the North America Drilling Services CGU.

The carrying amount of goodwill is tested for impairment annually at 31 December and whenever there is an indicator that the asset may be impaired. If goodwill is impaired, it is written down to its recoverable amount.

Goodwill impairment by cash-generating units

Goodwill and intangible assets in the EMEA, Latin America and Asia Pacific Drilling Services CGUs have been fully impaired. For the period ended 30 June 2018, management performed a risk assessment in accordance with AASB 136.12 for all CGUs within the Company. This risk assessment is to identify potential triggers that could give rise to impairment testing for any CGUs. The risk assessments are reviewed in detail at both the regional and corporate level. The results of the risk assessments indicated that none of the CGUs would be required to perform an impairment test as at 30 June 2018. At year-end 31 December 2017 the North American Drilling Services CGU performed a required impairment test due to recorded goodwill and no impairment was required.

9. TRADE AND OTHER PAYABLES

	30 June 2018 US$'000	31 December 2017 US$'000
Current		
Trade payables	87,423	65,486
Accrued payroll and benefits	24,895	26,759
Accrued recapitalisation costs	-	9,898
Goods and services tax payable	16,212	13,229
Accrued drilling costs	2,928	2,484
Accrued legal and environmental	4,371	5,625
Accrued interest	1,081	1,051
Professional fees	3,043	4,535
Other sundry payables and accruals	5,864	9,181
	145,817	138,248

The average credit period on purchases of certain goods is 49 days as at 30 June 2018 compared to 38 days as at 30 June 2017. No interest is charged on trade payables for this period. Thereafter, various percentages of interest may be charged on the outstanding balance based on the terms of specific contracts. The Company has financial risk management policies in place to ensure that all payables are paid within the agreed upon terms.

10. LOANS AND BORROWINGS

	30 June 2018 US$'000	31 December 2017 US$'000
Unsecured - at amortised cost		
Non-current		
Senior notes	88,882	88,882
Accreted interest	1,111	444
Secured - at amortised cost		
Current		
Finance lease liabilities	855	794
Non-current		
Senior notes	217,035	217,035
Term loans	190,000	190,000
Accreted interest	113,747	85,153
Revolver bank loans	76,060	62,011
Debt issuance cost	(1,368)	(1,917)
Original issue discount	(1,300)	(1,600)
Finance lease liabilities	2,979	1,876
	688,001	642,678
Disclosed in the financial statements as:		
Current borrowings	855	794
Non-current borrowings	687,146	641,884
	688,001	642,678
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	855	794
Between 1 and 2 years	1,015	657
Between 2 and 3 years	80,933	64,255
Between 3 and 4 years	730	562
More than 4 years	607,136	579,927
	690,669	646,195
Original issue discount	(1,300)	(1,600)
Debt Issuance Cost	(1,368)	(1,917)
	688,001	642,678

Senior notes

Senior unsecured notes
The Company has $88.9 million of senior unsecured notes outstanding as at 30 June 2018 and 31 December 2017. These notes carry an interest rate of 1.5%, per annum, which is payable-in-kind (i.e. non cash) until maturity in December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

Senior secured notes
The Company has $217.0 million of senior secured notes outstanding as at 30 June 2018 and 31 December 2017. These notes carry an interest rate of 12% per annum which is payable-in-kind at the Company’s election until December 2018 and thereafter in cash at the reduced interest rate of 10% per annum with a scheduled maturity date of December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

10. LOANS AND BORROWINGS (CONTINUED)

With respect to the senior notes issued by the Company, the indenture governing those senior notes includes covenants that restrict the Company's ability to engage in certain activities, including incurring additional indebtedness and making certain restricted payments as well as a limitation on the amount of secured debt the Company may incur. The senior notes contain certain provisions that provide the note holders with the ability to declare a default, and accelerate the notes, should a default occur under either of the Term Loans that results in acceleration of such Term Loans. The senior notes do not require maintenance or testing of financial covenant ratios.

Revolver Bank Loans

ABL	30 June 2018 US$M	31 December 2017 US$M
Available Facility	50.0	40.0
Drawn (i)	31.1	17.0
Letters of Credit (ii)	5.2	13.0
Availability Block (iii)	5.0	5.0
Undrawn (iv)	8.7	5.0
	50.0	40.0

(i) The Company has an asset based revolving bank facility that was amended in July 2017 that increased capacity to $50.0 million of which $31.1 million (31 December 2017: $17.0 million) was drawn.

(ii) As at 30 June 2018 $5.2 million (31 December 2017: $13.0 million) of outstanding letters of credit were drawn under the facility.

(iii) The facility requires $5.0 million availability to be restricted until such time as the Company maintains a Fixed Charge Coverage Ratio (defined as: (a) EBITDA, minus unfunded capital expenditures made during the period, minus distributions (including tax distributions) and dividends made during such period, minus cash taxes paid during such period, to (b) all debt payments made during such period) of at least 1.1 to 1.0 for four consecutive quarters from 1 January 2018.

(iv) Of the undrawn amount $7.5 million is subject to springing dominion and is restricted until such time as the company maintains a Fixed Charge Coverage Ratio (as defined above) of at least 1.1 to 1.0 for four consecutive quarters from 1 April 2018. The facility also requires that an additional $5.0 million of cash be held in a restricted cash account until such time as the Company maintains a Fixed Charge Coverage Ratio (as defined above) of at least 1.1 to 1.0 for four consecutive quarters and forms part of the restricted cash disclosed in Note 13.

Interest on drawn amounts and letters of credit are based on a base rate plus margin (30 day USD LIBOR plus 3.5%).

The facility is secured by a first lien on the accounts receivable, inventories, deposit accounts and cash ("working capital assets") of the ABL borrower and guarantors, and a third lien over substantially all of the other tangible and intangible assets ("non-working capital assets") of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property).

Scheduled maturity date of the facility is July 2020. As at 30 June 2018 the Company was in compliance with all of its debt covenants.

10. LOANS AND BORROWINGS (CONTINUED)

Backstop ABL
As part of the Recapitalisation on 1 September 2017, the Company entered into a new term loan facility. The new term loan has an interest rate of 11% per annum payable-in kind or 10% per annum payable in cash at the option of the borrower. It is secured by substantially the same collateral as the ABL credit facility and contains a maturity of October 2020. As at 30 June 2018 the amount outstanding under this facility was $45.0 million (31 December 2017: $45.0 million).

As at 30 June 2018 the Company was in compliance with all of its debt covenants.

Term loans

The Company has a term loan facility which is structured as Tranche A and Tranche B loans. As part of the Recapitalisation in September 2017 the Company restructured its Term Loans. Interest on Term Loans A and B is reduced from 12% to 10% payable –in-kind through to December 2018 and 8% payable-in-kind thereafter. Maturity was extended until December 2022. The term loan tranches are structured to accrete interest, which is payable to the term loan lender, Centerbridge Partners, L.P., a related party.

Tranche A
As at 30 June 2018 and 31 December 2017 the amount outstanding under Tranche A was $85.0 million. This tranche contains a maturity of December 2022 and is non-callable for the first 4 years. It is secured by a first lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

Tranche B
As at 30 June 2018 and 31 December 2017 the amount outstanding under Tranche B was $105.0 million. This tranche contains a maturity of December 2022 and is non-callable for the life of the loan. It is secured by a second lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

The Company's term loans do not require maintenance or testing of financial covenant ratios.

11. PROVISIONS

	30 June 2018 US$'000	31 December 2017 US$'000
Current		
Employee benefits	11,955	8,995
Restructuring and termination costs [1]	6,473	7,644
Warranty [2]	971	1,299
Onerous lease costs	461	1,513
	19,860	19,451
Non-current		
Employee benefits	1,917	4,607
Pension and post-retirement benefits [3]	5,323	12,601
Onerous lease	936	1,512
	8,176	18,720
	28,036	38,171

(1) The provision for restructuring and termination costs represent the present value of management's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits.
(2) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's warranty program.
(3) Full actuarial valuations of the defined benefit pension and post-retirement benefit plans are performed annually by qualified independent actuaries for the Company's 31 December year-end closing.

12. DIVIDENDS

No dividend has been determined for either of the half-years ended 30 June 2018 and 30 June 2017.

13. CASH AND CASH EQUIVALENTS

Included in the cash balance at 30 June 2018, is $6.1 million of restricted cash. At 31 December 2017, $5.8 million was considered restricted. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to the Company's ABL facility as well as restrictions to secure facility leases.

14. COMMITMENTS AND CONTINGENT LIABILITIES

Legal contingencies

The Company is subject to certain routine legal proceedings that arise in the normal course of its business. Management believes that the ultimate amount of liability, if any, for any pending claims of any type (either alone or combined) will not materially affect the Company's operations, liquidity, or financial position taken as a whole. However, the ultimate outcome of any litigation is uncertain, and unfavourable outcomes could have a material adverse impact.

Certain tax audits

The Company is subject to certain tax audits that arise in the normal course of its business. Management believes that the ultimate amount of liability, if any, for any pending assessments (either alone or combined) would not materially affect the Company's operations, liquidity, or financial position taken as a whole. However, the ultimate outcome of these audits is uncertain and unfavourable outcomes could have a material adverse impact. See additional disclosure in Note 6.