BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2008

CONTENTS

Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2008**
Half year ended ('previous corresponding period'):	**30 June 2007**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2008 US$'000	2007 US$'000	$ change	% change
Revenue from ordinary activities	985,216	749,985	235,231	31.4%
Net profit from ordinary activities after tax attributable to members	111,740	17,350	94,390	544.0%
Net profit after tax attributable to members	111,740	17,350	94,390	544.0%

Brief explanation of any figures reported above:

Refer to the Directors' Report

Dividends per ordinary share paid or to be paid

	30 June 2008	30 June 2007
Dividends per ordinary share Interim dividend	2.3 cents	N/A

Final dividends for the financial year ended 31 December provided for and paid during the interim period Final dividend	1.5 cents	N/A

Our interim and final ordinary dividends are franked at 35%.

Our interim ordinary dividend in respect of the half-year ended 30 June 2008 will have a record date of 18 September 2008 with payment to be made on 16 October 2008.

Our final ordinary dividend in respect of the financial year ended 31 December 2007 was provided for and paid during the interim period. The final ordinary dividend had a record date of 20 March 2008 and payment was made on 18 April 2008.

Net Tangible Assets per share:

Current period:	2.46 cents
Previous corresponding period:	(9.31) cents

DIRECTORS' REPORT

The directors present their report together with the financial report of Boart Longyear Limited ("Boart Longyear" or the "Company") and its controlled entities (collectively the "Group" or the "Consolidated Entity") for the half-year ended 30 June 2008.

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

DIRECTORS

The directors of the Company in office during the half-year and until the date of this report are set out below:

Name
Graham Bradley
Bruce Brook
Paul Brunner
Geoffrey Handley
David McLemore
Peter St George

Craig Kipp Appointed 24 June 2008

PRINCIPAL ACTIVITIES

The Company is an integrated provider of drilling services and drilling products for customers in the mining and minerals, environmental and infrastructure, and energy industries. The Group conducts these activities through two operating divisions, known as the Global Drilling Services and Global Products divisions.

The Global Drilling Services division operates in over 40 countries. It provides services to a diverse customer base and offers a broad range of drilling technologies, including diamond core drilling, rotary drilling and sonic drilling, to suit its customers' requirements.

The Global Products division manufactures and sells capital equipment and consumables to customers in the drilling services industry globally. These products include rigs, coring tools and percussive tools.

REVIEW OF OPERATIONS

Financial performance

Total revenue for the half-year was $985.2 million, an increase of 31.4% over the prior period. Of the $235.2 million period-on-period increase in revenue, $63 million was due to foreign currency translation arising from the ongoing weakness of the US dollar. The results include revenues attributable to the Australian and South African mining capital equipment businesses that were divested in 2007 and earlier this year. After allowing for the impact of these divestments, the underlying revenue growth for the half year was 36% on a like for like basis.

The Global Drilling Services generated revenue of $649.4 million, up 41.3% on the same period last year. Of the total growth of $189 million, $168 million was derived organically and $21 million is attributable to the acquisitions made in 2007 and the first half of 2008. Demand for minerals drilling has continued to be strong globally; with double-digit growth experienced in every region. The USA business has a much higher proportion of revenue derived from non-mining environmental drilling services, and experienced lower growth in 2007, partly impacted by the slowdown in the US economy.

Products generated revenue of $335.8 million, up 15.7% on the same period last year. Removing the impact of the mining capital equipment businesses that were divested, underlying revenue growth for the half year on a like for like basis was 26.7%. The underlying revenue growth of $70 million is attributable to volume growth of $34 million, real price increases of $15 million and $21 million to the positive impact of currency movements.

Net profit after tax for the first half of the year was $111.7 million, up $95 million when compared to the results for the first half of 2007. This improvement reflects the growth in the businesses and lower finance costs after the IPO in April 2007. Net finance costs were $18 million, a decrease of $63 million compared to the same period last year.

The Group's effective tax rate of 32.0% is the expected annual rate for 2008.

Earnings per share in the first half of 2008 were 7.44 cents on a basic basis and 7.43 cents on a diluted basis, compared to 1.17 cents on a basic and diluted basis for the same period in 2007.

Dividends

On 26 August 2008, the directors of the Company declared a dividend of US 2.3 cents on each of the issued ordinary shares of the Company. The dividend will be payable on 16 October 2008 to shareholders of record on 18 September 2008. This dividend equates to 31% of consolidated profit after tax for the half-year ended 30 June 2008. The dividend will be 35% franked.

Acquisitions

During the half-year, the Group completed the acquisitions of Britton Brothers Diamond Drilling, located in Mexico and Canada, and Aqua Drilling and Grouting Pty Ltd, located in Australia.

Disposals

During the half-year, the Group completed the sale of the Mining Capital Equipment division in South Africa. In addition, there is a contract to sell the Group's Diamond Wire business in South Africa which transaction was approved by the South African Competition Commission on 13 August 2008 and is expected to be completed on 29 August 2008.

Subsequent acquisition

On 1 July 2008, the Group completed the acquisition of Westrod Engineering Unit Trust, located in Western Australia.

Future Developments

Due to the ongoing strength in world commodity markets Boart Longyear remains on track to deliver its forecasts for its Drilling Services and Products business units for the 2008 financial year, assuming no significant change in exchange rates through the end of the year.

The Company's focus remains on identifying accretive opportunities in minerals exploration drilling and products and on expanding the Group's US environmental and infrastructure business globally. In addition, operational improvements and new product development always remain important areas of focus for the Group.

Events After the Balance Sheet Date

Other than the matters discussed above, there has been no matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, its results, or its operations or results in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 7 of this half-year financial report.

ROUNDING OF AMOUNTS

Boart Longyear Limited is a company of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the Directors' Report and the Financial Report are presented in US dollars and have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Graham Bradley
Chairman

Sydney, 26 August 2008

Deloitte.

Deloitte Touche Tohmatsu
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The Directors
Boart Longyear Limited
919 – 929 Marion Road
Mitchell Park SA 5043
Australia

26 August 2008

Dear Directors

Auditor's Independence Declaration to 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 consolidated financial statements of Boart Longyear Limited for the half-year ended 30 June 2008, 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

Rod Smith
Partner
Chartered Accountants

Deloitte.

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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 balance sheet as at 30 June 2008, and the income statement, cash flow statement, statement of recognised income and expense 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 10 to 25.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Boart Longyear Limited's financial position as at 30 June 2008 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*.

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 2008 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

Rod Smith
Partner
Chartered Accountants
Sydney, 26 August 2008

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 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.

Graham Bradley
Chairman

Sydney, 26 August 2008

Condensed Consolidated Income Statement
For the half-year ended 30 June 2008

	Note	Consolidated Half-year ended 30 June 2008 US$'000	Half-year ended 30 June 2007 US$'000
Continuing operations			
Revenue		985,216	749,985
Cost of goods sold		(643,004)	(504,144)
Gross margin		342,212	245,841
Other Income	**3**	11,769	13,713
General and administrative expenses		(82,657)	(73,412)
Selling and marketing expenses		(86,276)	(72,782)
Other expenses	**4**	(2,285)	(2,902)
Operating profit		182,763	110,458
Interest income		969	2,247
Finance costs	**5**	(19,408)	(83,264)
Profit before taxation		164,324	29,441
Income tax expense	**6**	(52,584)	(12,091)
Profit for the period		111,740	17,350
Earnings per share:			
Basic earnings per share		7.44 cents	1.17 cents
Diluted earnings per share		7.43 cents	1.17 cents

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Balance Sheet
As at 30 June 2008

		Consolidated	
	Note	30 June 2008 US$'000	31 December 2007 US$'000
Current assets			
Cash and cash equivalents		48,973	87,548
Trade and other receivables		323,384	243,212
Inventories		211,326	176,265
Other financial assets		93	604
Current tax receivable		4,569	9,918
Prepaid expenses		52,146	32,975
		640,491	550,522
Assets classified as held for sale	**8**	2,925	16,067
Total current assets		643,416	566,589
Non-current assets			
Property, plant and equipment		411,441	358,360
Goodwill	**14**	258,699	206,186
Other intangible assets		32,668	29,478
Deferred tax assets		34,612	31,391
Other financial assets		943	-
Other assets		-	544
Defined benefit plan asset		16,590	19,797
Total non-current assets		754,953	645,756
Total assets		1,398,369	1,212,345
Current liabilities			
Trade and other payables		255,360	244,685
Provisions	**9**	21,348	14,318
Current tax payable		37,055	25,323
Loans and borrowings		5,275	6,543
		319,038	290,869
Liabilities directly associated with non-current assets classified as held for sale		-	8,370
Total current liabilities		319,038	299,239
Non-current liabilities			
Trade and other payables		100	200
Loans and borrowings		708,149	650,170
Other financial liabilities		12,208	12,985
Deferred tax liabilities		7,620	7,632
Provisions	**9**	22,886	22,479
Total non-current liabilities		750,963	693,466
Total liabilities		1,070,001	992,705
Net assets		**328,368**	**219,640**
Equity			
Issued capital	**10**	479,673	479,673
Reserves	**11**	45,280	22,534
Other equity	**12**	(141,539)	(141,539)
Accumulated losses	**13**	(55,046)	(141,028)
Total equity		**328,368**	**219,640**

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Recognised Income and Expense

For the half-year ended 30 June 2008

	Note	Consolidated Half-year ended 30 June 2008 US$'000	Half-year ended 30 June 2007 US$'000
Gains on cash flow hedges recorded in equity		3,489	2,653
Exchange differences arising on translation of foreign operations	**11**	21,539	6,567
Actuarial gains (losses) related to defined benefit plans		(2,515)	9,860
Income tax on income and expense recognised directly through equity		(972)	(5,605)
Net income recognised directly in equity		21,541	13,475
Transfer to profit or loss on cash flow hedges	**5**	(2,712)	1,176
Profit for the period		111,740	17,350
Total recognised income and expense for the period		130,569	32,001

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement
For the half-year ended 30 June 2008

	Note	Consolidated Half-year ended 30 June 2008 US$'000	Consolidated Half-year ended 30 June 2007 US$'000
Cash flows from operating activities			
Profit for the year		111,740	17,350
Adjustments provided by operating activities:			
Income tax expense recognised in profit		52,584	12,091
Finance costs recognised in profit	**5**	19,408	83,264
Investment revenue recognised in profit		(969)	(2,247)
Loss on sale or disposal of non-current assets		223	629
Gain on disposal of business	**3**	(9,409)	-
Depreciation and amortisation		40,682	29,372
Foreign exchange gain		(407)	(8,842)
Share-based compensation		703	328
Non-operating expenses		-	3,442
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
(Increase) decrease in assets:			
Trade and other receivables		(68,965)	(23,191)
Inventories		(37,321)	(19,108)
Other assets		(19,387)	4,291
Increase (decrease) in liabilities:			
Trade and other payables		8,543	(2,994)
Provisions		8,095	(14,847)
Cash generated from operations		105,520	79,538
Interest paid		(18,564)	(15,834)
Interest received		969	2,247
Income taxes paid		(42,554)	(30,121)
Net cash flows provided by operating activities		**45,371**	**35,830**

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement (continued)

For the half-year ended 30 June 2008

		Consolidated	
	Note	Half-year ended 30 June 2008 US$'000	Half-year ended 30 June 2007 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(82,900)	(67,044)
Proceeds from sale of property, plant and equipment		1,474	5,337
Development costs paid		(1,548)	-
Payments for acquisitions of businesses	**14**	(45,132)	(116,296)
Proceeds on disposal of subsidiary, net of cash disposed	**15**	16,375	-
Proceeds from settlement of derivative instruments		-	1,762
Net cash flows used in investing activities		**(111,731)**	**(176,241)**
Cash flows from financing activities			
Proceeds from issuance of shares		-	1,923,452
Payments for share issuance costs		-	(76,025)
Proceeds from borrowings		122,908	1,016,955
Payments for debt issuance costs		(24)	(16,811)
Interest and other costs of finance related to pre-IPO debt structure		-	(37,332)
Repayment of borrowings		(70,539)	(1,622,598)
Dividends paid	**7**	(22,543)	-
Payment to redeemable note holders		-	(1,030,829)
Net cash flows provided by financing activities		**29,802**	**156,812**
Net increase (decrease) in cash and cash equivalents		**(36,558)**	**16,401**
Cash and cash equivalents at the beginning of the period		**87,548**	**26,547**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(2,017)**	**374**
Cash and cash equivalents at the end of the period		**48,973**	**43,322**

See accompanying notes to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. SUMMARY OF ACCOUNTING POLICIES

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' ("IAS 34"). 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 and should be read in conjunction with the most recent annual financial report.

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

Basis of preparation

The condensed consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The Company is a company of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2007 annual financial report for the financial year ended 31 December 2007, other than as detailed below.

Adoption of new and revised Accounting Standards

The Group 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 reporting period. These Standards and Interpretations include:

- AASB 2007-4 'Amendments to Australian Accounting Standards Arising from ED 151 and Other Amendments'. The adoption of this Standard did not change any of the amounts recognised in the financial statements but did change the format of the Cash Flows Statement from the direct method to the indirect method.

- AASB Interpretation 11 AASB 2 'Group and Treasury Share Transactions' and AASB 2007 – 1 'Amendments to Australian Accounting Standards arising from AASB Interpretation 11'. The adoption of this Interpretation did not have a significant impact on the Group's financial results or balance sheet.

Recently issued accounting standards to be applied in future reporting periods

The accounting standards and AASB Interpretations that will be applicable to the Group in future reporting periods that were not included in the most recent annual financial report are detailed below. Apart from these standards and interpretations, management has considered other accounting standards that will be applicable in future periods, however they have been considered insignificant to the Group.

- AASB 3 'Business Combinations (2008)', AASB 127 'Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 are effective for annual reporting periods commencing on or after 1 July 2009. These standards alter the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for. There are also consequential amendments to other standards affected through AASB 2008-2, most notably AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. Management has not yet assessed the impact of these standards.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

- AASB 2008-4 'Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities' is effective for annual reporting periods ending on or after 30 June 2008. This amends AASB 124 'Related Party Disclosures' to exclude disclosing entities that are companies from the application of certain paragraphs in the standard (dealing with certain key management personnel disclosures), as the requirements for these entities are now incorporated into the Corporations Act, 2001.

2. SEGMENT REPORTING

The Group has two business segments – Global Drilling Services and Global Products – which provide services and products to mining companies, energy companies (coal, oil, gas and geothermal), water utilities, environmental and geotechnical engineering firms, government agencies and other mining services companies.

These business segments are the basis for which the Group reports its primary segment information.

	Consolidated Half-Year 30 June 2008	
	Revenue US$'000	**Profit / (loss) US$'000**
Global Drilling Services	649,424	128,094
Global Products	335,792	78,504
	985,216	206,598
Unallocated		(23,835)
Finance costs		(19,408)
Interest income		969
Profit before taxation		164,324
Income tax expense		(52,584)
Profit for the period		111,740

	Consolidated Half-Year 30 June 2007	
	Revenue US$'000	**Profit / (loss) US$'000**
Global Drilling Services	459,711	87,464
Global Products	290,274	46,687
	749,985	134,151
Unallocated		(23,693)
Finance costs		(83,264)
Interest income		2,247
Profit before taxation		29,441
Income tax expense		(12,091)
Profit for the period		17,350

Included in the "Unallocated" category above are corporate selling and marketing expenses; general and administrative expenses; other income; and other expenses.

Notes to the Condensed Consolidated Financial Statements

3. OTHER INCOME

During the half-year ended 30 June 2008 and 30 June 2007, other income consisted of:

	Consolidated	
	2008 US$'000	2007 US$'000
Gain on foreign currency translation	105	12,494
Gain on disposal of subsidiary	9,409	-
Other income, net	2,255	1,219
	11,769	13,713

The majority of the gain on foreign currency translation during the half-year ended 30 June 2007 relates to foreign currency movement on intercompany loan balances that were ultimately settled and a US dollar denominated loan held by a Canadian that was hedged subsequent to 30 June 2007.

4. OTHER EXPENSES

During the half-year ended 30 June 2008 and 30 June 2007, other expenses consisted of:

	Consolidated	
	2008 US$'000	2007 US$'000
Amortisation of other intangible assets	1,373	1,436
Restructuring expense	689	837
Loss on sale of property, plant and equipment	223	629
Gain arising on derivatives in a designated fair value hedge accounting relationship	(1,796)	-
Loss arising on adjustment to hedged item in a designated fair value hedge accounting relationship	1,796	-
	2,285	2,902

Notes to the Condensed Consolidated Financial Statements

5. FINANCE COSTS

During the half-year ended 30 June 2008 and 30 June 2007, finance costs consisted of:

	Consolidated	
	2008 US$'000	2007 US$'000
Interest on bank overdrafts and loans	15,549	51,972
Interest rate swap (income) expense	2,712	(1,176)
Amortisation of debt issuance costs	830	26,338
Debt early termination costs	-	5,600
Interest on obligations under finance leases	317	443
Total interest expense	19,408	83,177
Loss arising on derivatives in a designated cash flow hedge accounting relationship	-	87
Total finance costs:	19,408	83,264

In the prior year, interest paid prior to the IPO was included in the cash flow statement as a financing activity. Interest paid after the IPO was included in the cash flow statement as an operating activity.

6. INCOME TAX EXPENSE

The Group anticipates the effective tax rate for the half-year ended 30 June 2008 to be 32.0%. This is in comparison to the 41.1% rate that was reported for the half-year ended 30 June 2007. The drop in the rate can be attributed to the 2007 group restructuring and an increased proportion of income earned in lower tax rate jurisdictions.

7. DIVIDENDS

	Half-Year ended 30 June 2008	
	Cents per share	Total US$'000
Fully paid ordinary shares		
Final dividend	1.5	22,543

In addition to the above dividends, on 26 August 2008, the directors determined to pay an interim dividend of 2.3 cents (total of $34,565,000) on each of the issued ordinary shares of the Company. The dividend will be payable on 16 October 2008 to shareholders of record on 18 September 2008. This dividend equates to 31% of consolidated net profit after tax for the half-year ended 30 June 2008. The dividend will be 35% franked and has not been included as a liability in these financial statements.

There were no dividends declared or paid in the period ended 30 June 2007.

Notes to the Condensed Consolidated Financial Statements

8. ASSETS CLASSIFIED AS HELD FOR SALE

The Group holds assets directly associated with its Diamond Wire business in South Africa, which is subject to a sale agreement and is pending completion. The impending disposal of this business is consistent with the Group's long-term policy to focus its activities on higher-return, core business opportunities. This division is not considered a core business and earned lower returns than the core business lines.

The Group has not recognised any impairment losses on reclassification of these operations to assets held for sale. This division has been classified and accounted for at 30 June 2008 as a disposal group held for sale.

9. PROVISIONS

The current provisions balances as at 30 June 2008 and 31 December 2007 are as follows:

	Consolidated	
	30 June 2008 US$'000	31 December 2007 US$'000
Employee benefits	14,387	10,712
Warranty	3,682	1,665
Restructuring and termination costs	3,279	1,941
Current provisions	21,348	14,318

The non-current provisions balances as at 30 June 2008 and 31 December 2007 are as follows:

	Consolidated	
	30 June 2008 US$'000	31 December 2007 US$'000
Pension and post-retirement benefits	20,413	20,584
Employee benefits	2,473	1,895
Non-current provisions	22,886	22,479

10. ISSUED CAPITAL

Pursuant to its Initial Public Offering ("IPO") in April 2007 on the Australian Securities Exchange, Boart Longyear Limited issued 1,269,158,552 ordinary shares. An additional 216,091,448 ordinary shares were issued to redeem exchangeable notes and an additional 17,595,513 ordinary shares were issued to previous shareholders of Resources Services Holdco, Inc. (RSHI) to repurchase RSHI shares surrendered.

There have been no shares issued during the half-year ended June 30, 2008.

As the acquisition of RSHI by Boart Longyear Limited was accounted for as a reverse acquisition, the amount recognised for the newly issued equity was equal to the value of the issued equity of RSHI prior to the combination. The difference between the value of the issued equity of RSHI prior to the combination and the actual net proceeds received for the issue of Boart Longyear Limited shares is included within other equity amounts on the balance sheet.

No shares were issued by RSHI during the comparative period between 1 January 2007 and the date of acquisition by Boart Longyear Limited.

Notes to the Condensed Consolidated Financial Statements

11. RESERVES

The reserve balances as at 30 June 2008 and 31 December 2007 are as follows:

	Consolidated	
	30 June 2008 US$'000	31 December 2007 US$'000
Foreign currency translation	51,755	30,216
Equity-settled employee benefits	1,071	368
Unrealised losses related to hedging instruments	(7,546)	(8,050)
	45,280	22,534

12. OTHER EQUITY

During the half-year ended 30 June 2008 and 30 June 2007, the changes in other equity consisted of:

	Consolidated	
	30 June 2008 US$'000	30 June 2007 US$'000
Balance at 1 January	(141,539)	(991,546)
Cancellation of shares	-	7,743
Proceeds from issuance of shares	-	2,253,201
IPO transaction costs capitalised (net of tax)	-	(52,059)
Payment to redeemable note holders	-	(1,360,578)
Balance at 30 June	(141,539)	(143,239)

13. ACCUMULATED LOSSES

During the half-year ended 30 June 2008 and 30 June 2007, the changes in accumulated losses consisted of:

	Consolidated	
	30 June 2008 US$'000	30 June 2007 US$'000
Balance at beginning of period	(141,028)	(245,948)
Profit for the period attributable to equity holders of the parent	111,740	17,350
Dividends paid	(22,543)	-
Actuarial gains (losses) on defined benefit pension plans (net of tax)	(3,215)	5,825
Balance at end of period	(55,046)	(222,773)

14. ACQUISITION OF OPERATIONS

During the half-year ended 30 June 2008 the Group acquired the following entities:

On 25 February 2008, the Group acquired Britton Bros Diamond Drilling ("Britton Bros") which has operations in Canada and Mexico. The Canadian operations were acquired as a purchase of substantially all of the Canadian assets and the Mexican operations involved the purchase of the shares of two Mexican entities. Britton Bros, with a total of 30 drill rigs, is an industry leader in surface and underground mineral drilling located in Canada and Mexico. The goodwill arising on the acquisition of Britton Brothers is attributable to the capacity it provides the Group to expand both its mineral and energy footprints in North and Latin America. Accounting for this acquisition has been determined provisionally at 30 June 2008.

On 5 May 2008, the Group acquired 100% of the issued share capital of Aqua Drilling and Grouting Pty Ltd ("Aqua"). Aqua is located in Melbourne and specializes in environmental drilling, geotechnical drilling, water drilling and related services. The goodwill arising on the acquisition of Aqua Drilling and Grouting Pty Ltd is attributable to its ability to complement the Group's growing Environmental & Infrastructure Drilling Services footprint and add an additional 11 rigs to the Boart Longyear fleet. Accounting for this acquisition has been determined provisionally at 30 June 2008.

Both of these acquisitions were accounted for as purchase transactions, and the consolidated profit and loss amounts include the operations of the acquisitions from the date of acquisition through 30 June 2008.

The revenue contributed by these acquisitions in the period between the dates of acquisition and the reporting date were approximately $3.4 million. Had the acquisitions been completed on 1 January 2008, total consolidated revenue for the period would have been $994.5 million, and consolidated profit for the period would have been $114.2 million.

The net assets acquired in these business combinations, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination US$'000	Fair value adjustments US$'000	Fair value US$'000
Net assets acquired			
Cash and cash equivalents	11	-	11
Trade and other receivables	7,125	-	7,125
Other assets	523	-	523
Intangible assets	-	-	-
Property, plant and equipment	4,502	6,107	10,609
Trade and other payables	(5,039)	-	(5,039)
Deferred tax assets	34	-	34
	7,156	6,107	13,263
Goodwill arising on the acquisition			**33,902**
Total consideration			47,165
Net cash outflow arising on acquisition:			
Total consideration			(47,165)
Deferred consideration			1,707
Cash and cash equivalents acquired			11
			(45,447)

On 31 December 2007, the Group acquired Patagonia Drilling, which was accounted for provisionally at 31 December 2007. During the half-year period ended 30 June 2008, additional goodwill of approximately $4 million was recorded related to Patagonia Drilling purchase price adjustments and the finalisation of the closing balance sheet. In addition, net cash received related to Patagonia Drilling during the period was $315,000.

14. ACQUISITION OF OPERATIONS (CONTINUED)

During the half-year ended 30 June 2007 the Group acquired the following entities:

On 10 January 2007, the Group acquired certain assets of KWL Drillrig Engineering Pty Limited ("KWL"). KWL is located in Australia and its principal activity is designing and manufacturing reverse circulation rigs for use in the mining industry. The goodwill arising on the acquisition of KWL is attributable to the capability it provides the Group to manufacture reverse circulation rigs and allow the Group to expand the capacity of the reverse circulation operations in Western Australia.

On 23 January 2007, the Group acquired 100% of issued share capital of Grimwood Davies Pty Limited. Grimwood Davies Pty Limited's principal activity is providing reverse circulation exploration drilling services, primarily in Western Australia. The goodwill arising on the acquisition of Grimwood Davies Pty Limited is attributable to the position it occupies as a significant reverse circulation driller in Western Australia, which provides the Group with a tremendous opportunity to expand these services with other key accounts of the Group, building on the Group's already significant reverse circulation drilling services presence in Western Australia.

On 31 January 2007, the Group acquired 100% of the issued share capital of Connors S.A. (“Connors Chile”) and Connors Argentina S.A. (“Connors Argentina”). Connors Chile is a mineral exploration drilling service provider in Chile operating with 25 rigs in both the underground and surface markets. Connors Argentina is a mineral exploration drilling service provider in the Argentine market operating with 9 rigs. The goodwill arising on the acquisition of Connors Chile is attributable to the entry it provides the Group’s operation in Chile into Connors Chile. The goodwill arising on the acquisition of Connors Argentina is attributable to the entry it provides Boart Longyear into the Argentine surface exploration market, and is an excellent opportunity for the Group to expand these services and further penetrate the Argentine exploration market.

The net assets acquired in these business combinations, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination US$'000	Fair value adjustments US$'000	Fair value US$'000
Net assets acquired			
Cash and cash equivalents	4,147	-	4,147
Trade and other receivables	8,131	-	8,131
Inventories	4,713	-	4,713
Other assets	1,466	-	1,466
Intangible assets	-	10,460	10,460
Property, plant and equipment	11,950	4,882	16,832
Trade and other payables	(8,100)	-	(8,100)
Deferred tax liabilities	(520)	(3,976)	(4,496)
Finance lease	(2,930)	-	(2,930)
	18,857	11,366	30,223
Goodwill arising on the acquisition			**53,073**
Total consideration			83,296
Net cash outflow arising on acquisition:			
Total consideration			(83,296)
Deferred consideration			387
Cash and cash equivalents acquired			4,147
			(78,762)

14. ACQUISITION OF OPERATIONS (CONTINUED)

The revenue contributed by these acquisitions in the period between the dates of acquisition and the reporting date were approximately $4.4 million. Had the acquisitions been completed on 1 January 2007, total consolidated revenue for the period would have been $753.3 million, and consolidated profit for the period would have been $17.6 million.

On 6 December 2006, the Group acquired Prosonic Corporation, which was accounted for provisionally at 31 December 2006. During the interim period ended 30 June 2007, the final purchase price payment for Prosonic Corporation of $38.4 million was made.

15. DISPOSAL OF OPERATIONS

On 17 March 2008, the Group announced the sale of the Mining Capital Equipment ("MCE") division in South Africa for $16,200,000. The disposal is consistent with the Group's long-term policy to focus its activities on higher-return, core business opportunities. The MCE South Africa division was not considered a core business and earned lower returns than the core business lines.

The MCE South Africa net assets disposed of are as follows:

Net assets disposed:	**US$'000**
Assets	13,060
Liabilities	(6,095)
Net assets disposed	6,965
Disposal costs	597
Gain on disposal	9,409
Total proceeds	16,971
Net cash disposed and cash used for disposal costs	(596)
Net cash inflow from disposal of subsidiaries	16,375

16. SHARE-BASED COMPENSATION

During the half-year ended 30 June 2008, there were several grants of performance rights made under the Long-Term Incentive Plan ("LTIP"). The share-based expense related to these grants recorded during the period was $363,000.

The following table shows the details of the grants made during the period:

Series	**Number**	**Grant Date**	**Vesting Date**	**Fair Value at Grant Date**
(1) Issued 11 April 2008	3,766,310	11-Apr-08	11-Apr-11	1.77
(2) Issued 25 June 2008	354,250	25-Jun-08	11-Apr-11	2.10

The fair value of the rights was determined using the Black-Scholes-Merton pricing model using the following inputs:

Inputs into the model	**Series 1**	**Series 2**
Grant date share price	1.77	2.10
Expected volatility	49.62%	50.34%
Life of rights	36 months	34 months
Dividend yield	0.00%	0.00%
Risk-free interest rate	5.43%	5.67%

Notes to the Condensed Consolidated Financial Statements

17. CONTINGENCIES

Legal claims

The Group is subject to certain routine legal proceedings that arise in the normal course of its business. The Group believes that the ultimate amount of liability, if any, for any pending claims of any type (either alone or combined), including the legal proceedings described above, will not materially affect the Group'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.

18. SUBSEQUENT EVENTS

On 1 July 2008, the Group entered into an agreement to acquire Westrod Engineering Unit Trust, a Western Australia-based manufacturer of reverse circulation rods, subs and swivels for minerals drilling. As the acquisition was recently completed, the necessary market valuations and other calculations have not been finalised and therefore the fair values of the assets acquired (including identifiable assets), liabilities, contingent liabilities assumed and goodwill arising as part of the business combination have not yet been determined.