BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2010

CONTENTS

Half-Year Financial Report
30 June 2010

Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2010**
Half year ended ('previous corresponding period'):	**30 June 2009**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2010 US$'000	2009 US$'000	$ change	% change
Revenue from ordinary activities	685,411	462,895	222,516	48.1%
Net profit (loss) from ordinary activities after tax attributable to members	32,711	(5,361)	38,072	
Net profit (loss) after tax attributable to members	32,711	(5,361)	38,072	

Brief explanation of any figures reported above:

Refer to the Directors' Report

Dividends per ordinary share paid or to be paid

	30 June 2010	30 June 2009
Dividends per ordinary share		
Interim dividend	2.1 cents	0.0 cents

An Interim Dividend of US 2.1 cents per share has been determined, representing approximately 30% of net profit after tax for the first half of 2010. The dividend will be 35% franked at the Australian corporate taxation rate of 30% and will be paid on 14 October 2010 to shareholders of record on 16 September 2010. 100% of the unfranked portion of the dividend will be Conduit Foreign Income.

There were no dividends declared or paid in the half-year ended 30 June 2010.

Net Tangible Assets per share:

Current period:	$1.28
Previous corresponding period:	$(0.81)

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 2010.

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:

David McLemore	
Bruce Brook	
David Grzelak	
Craig Kipp	
Peter St George	
Roger Brown	Appointed 1 July 2010
Graham Bradley	Resigned effective 23 August 2010

PRINCIPAL ACTIVITIES

The Group is a leading integrated provider of drilling services, capital equipment and consumable products for customers in the mining and minerals exploration, 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, but not limited to, diamond core, underground, reverse circulation, rotary and sonic drilling.

The Global Products division manufactures and sells capital equipment and consumables primarily to customers in the drilling services and mining industries globally. These products include rigs and products such as bits, rods and in-hole tools for exploration drilling, rock drilling and environmental, infrastructure and construction applications. The division also distributes a wide variety of products and supplies through its network of retail drill stores in the United States.

REVIEW OF OPERATIONS

Financial performance

Total revenue for the half-year was $685,411,000, an increase of 48% when compared to the half-year ended 30 June 2009. The period-on-period increase is primarily attributable to the improvement of the worldwide economic outlook that has positively impacted our drilling services and products businesses.

The Global Drilling Services division generated revenue of $510,507,000, an increase of 47% when compared to the same period last year. The increase is primarily driven by improved rig utilisation.

The Global Products division generated revenue of $174,904,000, an increase of 50% when compared to the same period last year. The increase is primarily driven by improved sales volumes of consumables and capital equipment.

Net income after tax for the first half of the year was $32,711,000, an increase of $38,072,000 when compared to the results for the first half of 2009.

Earnings (loss) per share in the first half of 2010 was 7.14 cents on a basic basis and 7.12 cents on a diluted basis, compared to (3.58) cents on a basic basis and (3.56) cents on a diluted basis for the same period in 2009 (giving effect to the 10 for 1 share consolidation – see "Share Consolidation" below).

Dividends

No dividends have been paid or declared during the period.

On 23 August 2010, the Directors determined to pay an interim dividend of 2.1 cents (total of approximately $10,000,000) on each of the issued ordinary shares of the Company. The dividend is payable on 14 October 2010 to shareholders of record on 16 September 2010. This dividend equates to approximately 30% of consolidated net profit after tax for the half-year ended 30 June 2010. The dividend will be 35% franked at the Australian corporate taxation rate of 30%. The dividend was not included as a liability in the 30 June 2010 financial statements.

Share Consolidation

At the Group's annual general meeting on 11 May 2010, shareholders approved a 10 for 1 share consolidation. Trading in the consolidated shares commenced 13 May 2010.

Disposals

There have been no disposals of businesses during the period.

Enterprise Resource Planning System Implementation

The Company has initiated a project to implement a new Enterprise Resource Planning ("ERP") system. The ERP system will be an integral element of the Company's management, reporting and control systems. The Company will transition to the new ERP system in a series of conversions scheduled to occur in 2011.

Future Developments

The Group intends to continue its principal activities related to providing drilling services and selling drilling capital equipment and consumable products while focusing on operating improvements, product development, cost management and cash generation. The Group may also elect to expand its product or service offerings through organic growth initiatives or strategic acquisition.

Further information about likely developments in the operations of the Group in future years, expected results of those operations, and strategies of the Group and its prospects for future financial years has been omitted from this report because disclosure of the information is likely to result in unreasonable prejudice to 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 the kind referred to in Class Order 98/100, dated 10 July 1998, 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 half-year 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 made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors

David R. McLemore

Dave McLemore
Chairman

Sydney, 23 August 2010

Deloitte.

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

23 August 2010

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 consolidated financial statements of Boart Longyear Limited for the half-year ended 30 June 2010, 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

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants

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

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 2010, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows, 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 10 to 26.

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 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 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 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 2010 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.

Member of
Deloitte Touche Tohmatsu

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 2010 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

A V Griffiths
Partner
Chartered Accountants
Sydney, 23 August 2010

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.

On behalf of the Directors

David R. McLemore

Dave McLemore
Chairman

Sydney, 23 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2010

	Note	Consolidated Half-year ended 30 June 2010 US$'000	Consolidated Half-year ended 30 June 2009 US$'000
Continuing operations			
Revenue		685,411	462,895
Cost of goods sold		(520,645)	(348,018)
Gross margin		164,766	114,877
Other income		1,498	1,585
General and administrative expenses		(84,956)	(70,485)
Selling and marketing expenses		(19,417)	(21,280)
Restructuring expense and related impairments	6	(635)	(8,316)
Other expenses	4	(10,702)	(8,165)
Operating profit		50,554	8,216
Interest income		1,626	284
Finance costs	5	(4,416)	(16,626)
Profit (loss) before taxation		47,764	(8,126)
Income tax (expense) benefit		(15,053)	2,765
Profit (loss) for the period attributable to equity holders of the parent		32,711	(5,361)
Earnings (loss) per share			
Basic earnings (loss) per share		7.14 cents	(3.58) cents
Diluted earnings (loss) per share		7.12 cents	(3.56) cents
Other comprehensive income			
Profit (loss) for the period attributable to equity holders of the parent		32,711	(5,361)
Exchange differences arising on translation of foreign operations		(22,985)	60,996
Gains on cash flow hedges recorded in equity		272	6,174
Income tax on income and expense recognised directly through equity		(96)	(2,119)
Other comprehensive income for the period (net of tax)		(22,809)	65,051
Total comprehensive income for the period attributable to equity holders of the parent		9,902	59,690

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 16 – 26.

Condensed Consolidated Statement of Financial Position

As of 30 June 2010

	Note	Consolidated 30 June 2010 US$'000	Consolidated 31 December 2009 US$'000
Current assets			
Cash and cash equivalents		92,079	87,557
Trade and other receivables	9	274,553	198,598
Inventories		200,684	159,460
Other financial assets		899	1,818
Current tax receivable		22,991	21,215
Prepaid expenses		16,152	13,575
Total current assets		607,358	482,223
Non-current assets			
Property, plant and equipment		367,817	380,515
Goodwill	10	270,280	276,956
Other intangible assets	10	89,100	84,287
Deferred tax assets		125,944	122,100
Other assets		1,354	1,799
Defined benefit plan asset		18,550	17,958
Total non-current assets		873,045	883,615
Total assets		1,480,403	1,365,838
Current liabilities			
Trade and other payables		209,451	170,118
Provisions	13	15,152	13,973
Other financial liabilities	12	9,940	11,835
Current tax payable		44,831	41,221
Loans and borrowings	11	1,656	3,133
Total current liabilities		281,030	240,280
Non-current liabilities			
Loans and borrowings	11	204,022	132,486
Other financial liabilities	12	2,122	4,822
Deferred tax liabilities		7,819	5,323
Provisions	13	41,238	44,890
Total non-current liabilities		255,201	187,521
Total liabilities		536,231	427,801
Net assets		**944,172**	**938,037**
Equity			
Issued capital		1,130,579	1,136,347
Reserves		2,230	23,038
Other equity		(137,182)	(137,182)
Accumulated losses		(51,455)	(84,166)
Total equity		**944,172**	**938,037**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 16 – 26.

Condensed Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2010

	Issued Capital US$'000	Foreign Currency Translation Reserve US$'000	Equity Settled Compensation Reserve US$'000	Hedging Reserve US$'000	Other Equity US$'000	Accumulated Losses US$'000	Total Attributible to Owners of the Parent US$'000
Balance at 1 January 2009	478,036	(103,548)	2,592	(17,363)	(141,539)	(65,830)	152,348
Loss for the period	-	-	-	-	-	(5,361)	(5,361)
Other comprehensive income for the period	-	60,996	-	4,055	-	-	65,051
Share-based compensation expense	-	-	1,674	-	-	-	1,674
Capitalised transaction costs - GST refund *	-	-	-	-	4,207	-	4,207
Balance at 30 June 2009	**478,036**	**(42,552)**	**4,266**	**(13,308)**	**(137,332)**	**(71,191)**	**217,919**
Balance at 1 January 2010	1,136,347	17,630	6,024	(616)	(137,182)	(84,166)	938,037
Profit for the period	-	-	-	-	-	32,711	32,711
Other comprehensive income for the period	-	(22,985)	-	176	-	-	(22,809)
Repurchase of shares for long-term incentive plan	(5,768)	-	-	-	-	-	(5,768)
Share-based compensation expense	-	-	2,001	-	-	-	2,001
Balance at 30 June 2010	**1,130,579**	**(5,355)**	**8,025**	**(440)**	**(137,182)**	**(51,455)**	**944,172**

* During the period, a GST refund was received relating to the IPO transaction costs that were capitalised in 2007.

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 16 – 26.

Condensed Consolidated Statement of Cash Flows
For the half-year ended 30 June 2010

	Note	Consolidated Half-year ended 30 June 2010 US$'000	Consolidated Half-year ended 30 June 2009 US$'000
Cash flows from operating activities			
Profit (loss) for the year		32,711	(5,361)
Adjustments provided by operating activities:			
Income tax expense (benefit) recognised in profit		15,053	(2,765)
Finance costs recognised in profit	**5**	4,416	16,626
Investment revenue recognised in profit		(1,626)	(284)
(Gain) Loss on sale or disposal of non-current assets		700	(44)
Loss on disposal of businesses	**14**	-	4,092
Impairment of current and non-current assets		177	-
Depreciation and amortisation		47,198	42,496
Foreign exchange loss on intercompany balances		1,267	870
Share-based compensation		2,001	1,674
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
(Increase) decrease in assets:			
Trade and other receivables		(86,239)	47,587
Inventories		(49,039)	11,731
Other assets		(2,340)	25,198
Increase (decrease) in liabilities:			
Trade and other payables		42,135	(66,624)
Provisions		797	(5,272)
Cash generated from operations		7,211	69,924
Interest paid		(8,553)	(15,214)
Interest received		1,626	284
Income taxes paid		(13,222)	(24,699)
Net cash flows (used in) provided by operating activities		**(12,938)**	**30,295**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 16 – 26.

Condensed Consolidated Statement of Cash Flows (continued)

For the half-year ended 30 June 2010

	Note	Consolidated Half-year ended 30 June 2010 US$'000	Consolidated Half-year ended 30 June 2009 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(36,775)	(14,016)
Purchase of rods and casings		(2,203)	(1,148)
Proceeds from sale of property, plant and equipment		450	5,847
Intangible and development costs paid		(11,229)	(10,422)
Payments for acquisitions of businesses		-	(403)
Proceeds on disposal of subsidiaries, net of cash disposed	**14**	-	2,587
Net cash flows used in investing activities		**(49,757)**	**(17,555)**
Cash flows from financing activities			
Payment for share buy back for LTIP		(5,768)	-
Proceeds from borrowings		125,000	28,897
Repayment of borrowings		(55,078)	(2,132)
Payments for debt issuance costs		-	(880)
GST refund on capitalised IPO transaction costs		-	4,207
Net cash flows provided by financing activities		**64,154**	**30,092**
Net increase in cash and cash equivalents		**1,459**	**42,832**
Cash and cash equivalents at the beginning of the period		**87,557**	**50,603**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**3,063**	**(2,088)**
Cash and cash equivalents at the end of the period		**92,079**	**91,347**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 16 – 26.

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 30 June 2010

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.

General information and basis of preparation

The condensed consolidated 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 the fair value of the consideration given in exchange for assets.

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

At the Group’s annual general meeting on 11 May 2010, shareholders approved a 10 for 1 share consolidation. Trading in the consolidated shares commenced 13 May 2010. The Group’s earnings (loss) per share information has been restated in this report using the consolidated share amounts.

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

2. SUMMARY OF ACCOUNTING POLICIES AND ADOPTION OF NEW STANDARDS

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 Group’s 2009 annual financial report for the financial year ended 31 December 2009, 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.

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:

Amendments to Australian Accounting Standards
AASB 2009-4 ‘Amendments to Australian Accounting Standards arising from the Annual Improvement Process’. These amendments to Accounting Standards are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are technical changes to other pronouncements as the result of AASB 3 ‘Business Combinations’ (2008), to align the scope of the pronouncements or to implement other consequential amendments. The adoption of these amendments did not have a significant impact on the Group’s financial results or statement of financial position.

Further Amendments to Australian Accounting Standards
AASB 2009-5 ‘Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process’. These amendments to Accounting Standards are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular items, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings. The adoption of these amendments did not have a significant impact on the Group’s financial results or statement of financial position.

2. SUMMARY OF ACCOUNTING POLICIES AND ADOPTION OF NEW STANDARDS (continued)

Group Cash-Settled Share-Based Payments
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions'. These amendments to AASB2 'Share-based Payment' clarify the accounting for group cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The adoption of these amendments did not have a significant impact on the Group's financial results or statement of financial position.

3. SEGMENT REPORTING

Segment information reported externally continues to be analysed on the basis of the Group's two general operating activities – 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. This information is reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue, results and assets by reportable operating segment for the periods identified below:

	Revenue		Segment profit	
	Half-year ended		Half-year ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	US$'000	US$'000	US$'000	US$'000
Global Drilling Services	510,507	346,677	53,702	38,064
Global Products	174,904	116,218	32,172	6,333
	685,411	462,895	85,874	44,397
Unallocated			(35,320)	(36,181)
Finance costs			(4,416)	(16,626)
Interest income			1,626	284
Profit (loss) before taxation			47,764	(8,126)

	Segment assets	
	30 June 2010	31 Dec 2009
	US$'000	US$'000
Global Drilling Services	846,193	781,115
Global Products	256,074	225,947
Total of all segments	1,102,267	1,007,062
Unallocated	378,136	358,776
Total	1,480,403	1,365,838

3. SEGMENT REPORTING (continued)

The revenue reported above represents revenue generated from external customers.

Segment profit represents the profit earned by each segment without allocation of corporate selling and marketing expenses, general and administrative expenses, other income, and other expenses. These amounts are included in the “unallocated” category above. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment assets are those operating assets that are employed by a segment in its operating activities that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. These assets include trade receivables, inventories, property plant and equipment, goodwill and other intangibles.

4. OTHER EXPENSES

During the half-year periods ended 30 June 2010 and 2009, other expenses consist of:

	Consolidated	
	2010	2009
	US$'000	US$'000
Amortisation of other intangible assets	4,290	3,875
Investment mark-to-market	934	-
Loss on disposal of subsidiaries	-	4,092
Loss on sale of property, plant and equipment	700	-
Loss on foreign currency denominated assets and liabilities	4,778	198
	10,702	8,165

5. FINANCE COSTS

During the half-year periods ended 30 June 2010 and 2009, finance costs consist of:

	Consolidated	
	2010	2009
	US$'000	US$'000
Interest on loans and bank overdrafts	1,626	7,693
Interest rate swap expense	2,467	7,211
Amortisation of debt issuance costs	191	1,052
Write-off of debt issuance costs	-	360
Interest on obligations under finance leases	132	310
Total interest expense	4,416	16,626
Loss arising on derivatives in a designated fair value hedge accounting relationship	-	694
Gain arising on adjustment to hedged item in a designated fair value hedge accounting relationship	-	(694)
Total finance costs:	4,416	16,626

6. GROUP RESTRUCTURING

During 2010 and 2009 the Group executed a series of restructuring activities. The Group's restructuring efforts include:

- reduction of drilling services, manufacturing, general and administrative, and sales and marketing staff levels;
- consolidation of manufacturing, sales and services facilities; and
- discontinuation of certain businesses/product lines.

As a result of these restructuring activities, the Group recognised separation costs associated with staff reductions, provisions related to leases associated with facilities being closed, and impairments of inventory and capital equipment related to businesses and product lines being discontinued.

Restructuring expenses are as follows:

	Consolidated	
	2010 US$'000	2009 US$'000
Employee separation costs	430	6,664
Occupancy and other	205	1,652
	635	8,316

Restructuring expenses relate to the following expense categories:

	Consolidated	
	2010 US$'000	2009 US$'000
Cost of goods sold	189	1,415
General and administrative expenses	411	2,770
Selling and marketing expenses	35	4,131
	635	8,316

7. RECLASSIFICATION

During the second half of 2009, the Group performed a review of selling and marketing expenses and general and administrative expenses and determined that certain costs would be more appropriately classified as general and administrative expenses or costs of goods sold. As a result, the accounts were reclassified. In order to present comparable financial results, the related accounts for the half-year ended 30 June 2009 have been reclassified as follows:

	2009 Selling and marketing US$'000	2009 Cost of goods sold US$'000	2009 General and administrative US$'000
Amounts originally reported	(37,110)	(346,721)	(55,952)
Reclassification	15,830	(1,297)	(14,533)
Restated amounts	(21,280)	(348,018)	(70,485)

Additionally, certain other amounts have been reclassified in the 2009 condensed consolidated statement of financial position and condensed consolidated statement of cash flows to conform to the 2010 presentation.

8. DIVIDENDS

There were no dividends declared or paid during the periods ended 30 June 2010 and 30 June 2009.

On 23 August 2010, the Directors determined to pay an interim dividend of 2.1 cents (total of approximately $10,000,000) on each of the issued ordinary shares of the Company. The dividend is payable on 14 October 2010 to shareholders of record on 16 September 2010. This dividend equates to approximately 30% of consolidated net profit after tax for the half-year ended 30 June 2010. The dividend will be 35% franked at the Australian corporate taxation rate of 30%. The dividend was not included as a liability in the 30 June 2010 financial statements.

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following:

	Consolidated	
	30 June 2010 US$'000	31 December 2009 US$'000
Trade receivables	250,337	177,442
Allowance for doubtful accounts	(4,746)	(5,940)
Goods and services tax receivable	17,438	14,901
Other receivables	11,524	12,195
	274,553	198,598

9. TRADE AND OTHER RECEIVABLES (continued)

The aging of trade receivables is detailed below:

	Consolidated	
	30 June 2010 US$'000	31 December 2009 US$'000
Current	196,673	128,700
Past due 0 - 30 days	32,414	32,235
Past due 31 - 60 days	11,239	6,771
Past due 61-90 days	2,748	3,086
Past due 90 days	7,263	6,650
	250,337	177,442

The movement in the allowance for doubtful accounts is detailed below:

	Consolidated	
	30 June 2010 US$'000	31 December 2009 US$'000
Opening Balance	5,940	8,100
Additional provisions	1,818	4,989
Amounts used	(1,314)	(2,664)
Amounts reversed	(1,378)	(5,080)
Foreign currency exchange differences	(320)	595
Closing balance	4,746	5,940

The average credit period on sales of goods was 58 days as of 30 June 2010. No interest is charged on trade receivables.

The Group's policy requires customers to pay the Group in accordance with agreed payment terms. The Group'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 Group holds security for a number of trade receivables in the form of letters of credit, deposits, and advanced payments.

The Group has used the following criteria to assess the allowance loss for trade receivables and as a result is unable to specifically allocate the allowance to the aging categories shown above:

- the general economic conditions in specific geographical regions;
- an individual account by account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

10. GOODWILL AND OTHER INTANGIBLES

Goodwill and other intangibles consist of the following:

	Consolidated	
	30 June 2010 US$'000	31 December 2009 US$'000
Goodwill	270,280	276,956
Other Intangibles:		
Customer relationships	41,530	45,165
Software	27,020	19,428
Development assets	16,088	15,468
Trademarks	3,325	3,176
Patents	1,137	1,050
Total other intangibles	89,100	84,287

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to individual cash generating units. The carrying amount of goodwill by geographic area allocated to cash-generating units that are significant individually or in aggregate is as follows:

	Consolidated	
	30 June 2010 US$'000	31 December 2009 US$'000
Asia Pacific	131,343	136,943
Latin America	32,791	33,884
North America	106,146	106,129
	270,280	276,956

The carrying amount of goodwill is tested for impairment annually at 31 October and whenever there is an indicator that the asset may be impaired. If goodwill is impaired, it is written down to its recoverable amount. The Company concluded that there were no indicators of impairment in the period ended 30 June 2010.

11. LOANS AND BORROWINGS

Loans and borrowings consist of the following:

	Consolidated	
	30 June 2010	31 December 2009
Unsecured - at amortised cost	**US$'000**	**US$'000**
Current		
Term bank loans	-	1,000
Debt issuance costs	(381)	(381)
Non-current		
Term bank loans	65,000	65,000
Revolver bank loans	139,000	67,000
Debt issuance costs	(288)	(475)
Secured - at amortised cost		
Current - finance lease liabilities	2,037	2,514
Non-current - finance lease liabilities	310	961
	205,678	135,619
Disclosed in the financial statements as:		
Current borrowings	1,656	3,133
Non-current borrowings	204,022	132,486
	205,678	135,619
A summary of the maturity of the Group's borrowings is as follows:		
Less than 1 year	1,656	3,133
Between 1 and 2 years	203,911	458
Between 2 and 3 years	111	132,028
	205,678	135,619

Term Bank Loans

At 30 June 2010 and 31 December 2009, outstanding bank term loans primarily consist of a variable rate loan with a scheduled maturity date of 13 April 2012. The interest rates on the loans are based on a base rate plus applicable margin. The base rate is generally based on USD LIBOR rates, while the margin is determined based on leverage according to a pricing grid. At 30 June 2010, the rates were based on USD LIBOR + 0.65%, which totaled 0.96%. At 31 December 2009, the rates were based on USD LIBOR + 1.05%, which totaled 1.36%.

The Group hedges its exposure to floating rates under the loans via interest rate swaps, exchanging variable rate interest payments for fixed rate interest payments. The interest swap contracts were largely entered into in 2006 and reflect notional amounts and maturities assuming (a) a portion of the variable interest loans would be hedged and (b) that bank term loans would be repaid largely according to original, scheduled maturity dates. As of 30 June 2010 and 31 December 2009, the notional amount of interest rate swap contracts was $275,000,000, which exceeded outstanding bank term loans. As of 30 June 2010 and 31 December 2009, interest rate swap contracts with notional value up to $16,250,000 are deemed effective and are accounted for as cash flow hedges, while $258,750,000 of the interest rate swap contracts are deemed ineffective as cash flow hedges due to repayment of the $585,000,000 bank term loan in late 2009.

As of 30 June 2010 and 31 December 2009, the $275,000,000 of interest rate swap contracts outstanding swapped variable rates (as noted above) to fixed at a base rate of 5.18%.

11. LOANS AND BORROWINGS (continued)

Revolver Bank Loans

Bank facilities include a revolver of $200,000,000. As of 30 June 2010, $139,000,000 is drawn with interest rates of 1.025% and as of 31 December 2009, $67,000,000 was drawn with interest rates of 1.3%. Outstanding letters of credit of $4,405,000 and $11,405,000 as of 30 June 2010 and 31 December 2009, respectively, reduce the amount available to draw under the revolver.

Loan Covenants - Term and Revolver Bank Loans

The Group's borrowings contain covenants and restrictions requiring the Group to meet certain financial ratios and reporting requirements, as well as minimum levels of subsidiaries that are guarantors of the borrowings. These covenants include maintaining a Debt to EBITDA ratio of not more than 3.75:1 and an EBITDA to Interest ratio of not less than 3.0:1. The agreement also requires that borrowers and guarantors represent at least 75% of the EBITDA and total tangible assets of the Group. The agreement also requires any individual entity representing 5% or more of consolidated EBITDA and/or tangible assets of the Company to be a guarantor of the Term and Revolver Bank Loans. Testing of covenant compliance takes place twice-yearly for the trailing 12 month periods to 30 June and 31 December. Noncompliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the associated debt becoming immediately due and payable. The Group is in compliance with the debt covenants as of 30 June 2010 and 2009.

Finance Leases

The finance lease liabilities are secured by the assets leased and have interest rates ranging from 6.77% to 13.08%, with repayment periods not exceeding 3 years.

12. FINANCIAL INSTRUMENTS

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held.

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the LIBOR curve at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following table details the notional principal amounts and the remaining terms of interest rate swap contracts outstanding as of reporting date.

Outstanding floating for fixed contracts	Average contracted fixed interest rate 30 Jun 2010 %	Average contracted fixed interest rate 31 Dec 2009 %	Notional principal amount 30 Jun 2010 US$'000	Notional principal amount 31 Dec 2009 US$'000	Fair value 30 Jun 2010 US$'000	Fair value 31 Dec 2009 US$'000
Consolidated						
1 to 2 years	5.1825%	5.1825%	275,000	275,000	(12,062)	(16,657)
			275,000	275,000	(12,062)	(16,657)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is 90-day USD LIBOR. The Group settles the difference between the fixed and floating interest rate on a net basis.

The effective portion of the interest rate swap contracts, exchanging floating rate interest amounts for fixed rate interest amounts, are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period of the respective loan.

13. PROVISIONS

Current provisions consist of the following:

	Consolidated	
	30 June 2010 US$'000	31 December 2009 US$'000
Employee benefits	13,228	11,103
Restructuring and termination costs	1,568	2,256
Warranty	356	614
Current provisions	15,152	13,973

Non-current Provisions consist of the following:

	Consolidated	
	30 June 2010 US$'000	31 December 2009 US$'000
Employee benefits	1,385	1,942
Pension and post-retirement benefits	39,853	42,948
Non-current provisions	41,238	44,890

Full actuarial valuations of the defined benefit pension and post-retirement benefit plans are performed annually by qualified independent actuaries for the Group's 31 December year-end closing. Management believes that movements in the defined benefit obligations and fair values of plan assets during the half-year ended 30 June 2010 have not been significant and, as a result, has not performed full actuarial valuations at 30 June 2010.

14. DISPOSAL OF OPERATIONS

There were no disposal of operations during the half-year period ended 30 June 2010.

On 30 June 2009, the Group announced the sale of its Sub Saharan manufacturing operations and the exclusive right to sell certain of the Group's percussive rock drills and hard rock tools in Sub Saharan Africa for $7,802,000. The disposal is consistent with the Group's on-going strategy to divest select non-core assets. The assets that were sold were not considered a core business and earned lower returns than the core business lines.

The net assets disposed of are as follows:

	Consolidated 30 June 2009 US$'000
Assets	7,015
Liabilities	(444)
Net assets disposed	6,571
Foreign currency translation reserve	2,684
Disposal costs	1,031
Working capital adjustment	1,388
Loss on disposal	(3,872)
Total proceeds	7,802
Proceeds held as receivable as at 30 June 2009	(4,995)
Net cash inflow from disposal of subsidiaries	2,807

During the half-year ended 30 June 2009 the Group also paid $220,000 related to the settlement of the disposal of its diamond wire business in South Africa, which was sold on 2 September 2008.

15. 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), 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.