BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2013

CONTENTS

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Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2013**
Half year ended ('previous corresponding period'):	**30 June 2012**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2013 US$'000	2012 US$'000	$ change	% change
Revenue from ordinary activities	718,863	1,098,795	(379,932)	-34.6%
Net profit from ordinary activities after tax attributable to members	(329,394)	97,731	(427,125)	-437.0%
Net profit after tax attributable to members	(329,394)	97,731	(427,125)	-437.0%

Brief explanation of any figures reported above:

Refer to the Directors' Report

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

	30 June 2013	30 June 2012
Interim dividend	N/A	6.4 cents
Franked amount	N/A	0.96 cents

No interim dividend was determined for the half-year period ended 30 June 2013.

Net Tangible Assets per share:

Current period:	$1.10
Previous corresponding period:	$1.65

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") for the half-year ended 30 June 2013.

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 until the date of this report are:

Bruce Brook
Roger Brown
Roy Franklin
Tanya Fratto
Barbara Jeremiah
David McLemore
Richard O'Brien (appointed effective 21 May 2013)

Peter St George, who resigned effective 21 May 2013, also served as a director during the half-year period.

A new director, Rex McLennan, was appointed effective 24 August 2013.

PRINCIPAL ACTIVITIES

Boart Longyear is a provider of drilling services, drilling equipment and performance tooling for mining and drilling companies globally. It conducts its business activities through two operating divisions, Global Drilling Services and Global Products.

The Global Drilling Services division operates in approximately 40 countries on five continents for a diverse mining customer base spanning a wide range of commodities, including copper, gold, iron, nickel, zinc, uranium, and other metals and minerals. Among other advantages, Global Drilling Services is able to offer the broadest range in its market segments of drilling technologies to suit its customers' requirements. Those technologies include surface and underground diamond coring, reverse circulation, rotary and sonic drilling, as well as the world's largest mine water services fleet. With its global footprint, a commitment to providing employees and customers a safe work environment and industry leading drilling expertise, the Global Drilling Services business supports all phases of its customers' operations, from greenfield exploration through mine development to production to mine closure.

The Global Products division designs, manufactures and sells drilling equipment and performance tooling to customers in over 100 countries. These products are used by the Company's own Global Drilling Services division, as well as other drilling services companies in the mineral exploration, mining, and energy industries and by mining companies. The Global Products division has positioned itself as an innovation leader in the segments in which it competes and offers a full range of products within those segments. The division also has invested in recent years in developing a stronger aftermarket service and support business to provide its customers with drill equipment commissioning, training, maintenance programs, spare parts and emergency parts kits.

Boart Longyear's overall strategy is to be the "One Source" for drilling services, drilling equipment and performance tooling for mining and drilling companies globally. The Company believes it gains a significant advantage from its integrated structure – i.e., from the interaction of its Drilling Services and Products divisions – both for the product innovations it can deliver to the market as well as the safety and productivity gains its drilling services operations enjoy from being early adopters of new technologies. The exchange of expertise, knowledge and ideas between the Company's divisions allows the Company to deliver a continually improving range of products and services to customers worldwide.

REVIEW OF OPERATIONS

Financial performance

	Half-year ended 30 June 2013 US$ Millions	Half-year ended 30 June 2012 US$ Millions	Movement %
Revenue [(1)]	718.9	1,098.8	Down 34.6%
NPAT	(329.4)	97.7	
Adjusted NPAT	(60.4)	98.4	
EBITDA	(235.1)	207.7	
Adjusted EBITDA	80.4	208.7	Down 61.5%
Cash (used in) provided by operating activities	(28.7)	23.9	
Earnings per share (basic)	(72.5) cents	21.5 cents	
Earnings per share (diluted)	(72.5) cents	21.3 cents	
Adjusted Earnings per share (basic)	(13.3) cents	21.6 cents	

Drilling Services

US$ Millions	Half-year ended 30 June 2013	Half-year ended 30 June 2012	% Change
Revenue [(1)]	537.6	816.7	-34.2%
EBITDA [(2)]	83.7	176.8	-52.7%
EBITDA as a percent of revenue	16%	22%	

Products

US$ Millions	Half-year ended 30 June 2013	Half-year ended 30 June 2012	% Change
Revenue [(1)]	181.2	282.1	-35.8%
EBITDA [(2)]	21.7	68.3	-68.2%
EBITDA as a percent of revenue	12%	24%	

(1) Represents revenue generated from external customers
(2) Excluding restructuring and impairment charges

Total revenue for the half-year period ended 30 June 2013 was $718,863,000, a decrease of 34.6% compared to the same period last year. The period-on-period decrease is primarily attributable to a sharp reduction in capital and exploration spending in the mining sector globally.

Net income after tax for the half-year period was negative $329,394,000, a decrease of 437% compared to the same period last year. The loss is primarily a result of a period-on-period increase in other expenses of $321,406,000, which includes $315,489,000 from restructuring expenses and impairment charges. Adjusted NPAT was negative $60,381,000, net of adding back the $269,013,000 ($315,489,000 pre-tax) of restructuring and impairment charges.

EBITDA for the half-year period was negative $235,089,000, a decrease of 213% compared to the same period last year. Adjusted EBITDA of $80,400,000 is represented by adding back the $315,489,000 of restructuring and impairment charges to EBITDA.

Earnings per share for the half-year were negative 72.5 cents on both a basic and diluted basis, compared to 21.5 cents on a basic basis and 21.3 cents on a diluted basis, for the same period last year. Adjusted earnings per share was negative 13.3 cents on an adjusted NPAT basis.

Due to the significant decline and persisting uncertain outlook in the Company's core markets, the Company performed an impairment analysis as at 30 June 2013, which resulted in the write-off of goodwill and intangible assets of approximately $183,576,000. The Company also performed an analysis of inventory as well as property, plant and equipment assets. Based upon this analysis the Company has recorded an impairment charge of $57,165,000 related to inventory and $57,540,000 related to property, plant and equipment. Total asset impairment charges for the half-year period were $298,281,000.

The Company continued the restructuring of its operations that began in 2012 and recorded $17,208,000 of additional restructuring expenses for the half-year ended 30 June 2013. These charges, in addition to the asset impairment charges listed above, resulted in a total restructuring and impairment charge of $315,489,000 for the half-year period.

Going concern

During the half-year period ended 30 June 2013, the Company incurred a net loss of $329,394,000, whereas net profit for the period ended 30 June 2012 was $97,731,000. Cash flow used in operating activities during the half-year period ended 30 June 2013 totaled $28,744,000, compared to cash flow generated from operating activities of $23,857,000 for the half-year period ended 30 June 2012.

The Company has outstanding debt totalling $597,954,000 as of 30 June 2013, of which $295,491,000 (net of deferred debt issuance costs) is in senior unsecured notes, $302,288,000 (net of deferred debt issuance costs) is from drawings against the Company's revolving bank credit facility and $175,000 is from finance lease liabilities.

In addition, certain contingent liabilities, such as letters of credit, security and certain guarantees, are considered gross debt for the purpose of determining compliance with the gross-debt-to-EBITDA leverage covenant of the Company's bank credit facility. As at 30 June 2013, the Company had $14,755,000 of such contingent liabilities. In certain cases, the providers of those instruments are entitled to demand collateral from the Company to secure their obligation. Accordingly, the Company will have to maintain sufficient liquidity to meet those collateral requirements, should they occur.

The Company has complied with all bank credit facility covenants for the period ended 30 June 2013. The Directors have reviewed the Company's projections, which they believe are based on market data and past experience. Although certain of the Company's projections indicate that, absent a recapitalisation or modification of the terms of the bank credit facility, the Company may breach the leverage covenant in the bank credit agreement as at 31 December 2013 and 30 June 2014, the Company believes alternate funding arrangements and other options are available to remedy a potential breach, as described more fully below. No restrictions have been imposed by the banks on the use of the current credit facility, and access to the facility continues to be made available in the ordinary course of business.

The half-year financial report has been prepared on the basis that the Company is a going concern, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In preparing the half-year financial report on this basis, the Directors have had regard to the following:

- positive cash-flow projections for the Company;
- significant actions taken to reduce operating costs and enhance cash flows;
- the Company's compliance with bank credit facility covenants as at 30 June 2013;
- continuation of payments to creditors on their due date;
- the viability of alternate financing structures to provide enhanced liquidity and flexibility, particularly regarding financial covenants; and
- the potential negative impact on liquidity of the contingent liabilities noted above and Canada Revenue Agency tax assessments, as discussed in Note 6 to the half-year financial report.

The Company's management has engaged with its bank lending group to assess available refinancing and recapitalisation structures and has received detailed proposals and timelines that the Directors consider credible and achievable in current market conditions. These structures, which potentially would provide credit facilities without financial maintenance covenants or a less restrictive covenant structure, include financing alternatives in the bank, bond and institutional loan markets. Management also notes that the Company has from time-to-time had access to the equity markets to secure required capital. The Company and its advisors have evaluated the equity markets and related costs and have determined that, at this time, debt restructuring is the preferred alternative. The terms and conditions of refinancing and recapitalisation structures, including pricing and availability, will depend on market conditions, the outlook for the Company and other factors at the time of execution.

The Directors believe that the Company is adequately positioned to manage its business risks successfully despite the current economic outlook and challenging market environment. They consider that the Company has the flexibility to react to changes in market conditions and that the Company's costs can be reduced to partially offset the reduction in revenues associated with potentially declining business condition.

In light of all the matters set out above, the Directors believe that there is not material uncertainty in relation to the Company continuing as a going concern and, accordingly, that it is appropriate to prepare the half-year financial report on a going concern basis.

Dividends

No dividend has been determined for the half-year period ended 30 June 2013.

A dividend of 1.0 US cent per share (for a total of $4,612,412) was paid during the half-year ended 30 June 2013. The dividend, which was for the second half of 2012, was paid on 12 April 2013 and was 35% franked at the Australian corporate taxation rate of 30%. All of the unfranked portion of the dividend was conduit foreign income.

Disposals

There were no disposals of businesses during the half-year, but a disposal of the Company's environmental and infrastructure drilling services operations in the United States was completed after the half-year period, as further explained below.

Significant Changes in the State of Affairs

Throughout the half-year period, the Company continued to implement a series of restructuring actions and cost reductions that began in the second-half of 2012 in response to declining demand for the Company's services and products due to the global contraction in mining spending as well as a focused effort to become much more cost efficient across all aspects of the business, while maintaining safe, reliable and productive drilling services and products to customers. Restructuring charges and related impairments totaled $315,489,000 for the half-year ended 30 June 2013. Included in these charges are goodwill and intangible asset impairments of $183,576,000, property, plant and equipment asset impairments of $57,540,000, inventory impairments of $57,165,000 and $17,208,000 of other restructuring expenses.

The Company also amended several key terms of its bank credit facility effective 29 June 2013. The amendment was entered into to provide additional financial flexibility and covenant headroom as a result of market volatility by revising the facility's leverage covenant to less restrictive ratios of gross-debt-to-EBITDA. In exchange for covenant relief, the Company agreed, among other terms, to provide security to its lenders over a range of its assets as well as to an increase in its borrowing rate and to a schedule to progressively reduce the amount committed under the revolver to $350,000,000 by 15 August 2015.

Future Developments

The Company intends to continue its principal activities related to serving its customers' needs for drilling services and drilling equipment and performance tooling, particularly in the Company's core mining markets. It remains focused on its customer base with detailed action plans identifying select customers and low-cost mines on which to focus its investment and efforts. Further, while maintaining a disciplined approach to capital expenditures, the Company will continue to invest in safety improvements and productivity enhancements in its Global Drilling Services division that will contribute to project margins. New product development efforts in its Global Products division will remain focused for the time being on incremental product improvements that customers will pay for in any market environment, and new product launches will continue over the short and long-term.

While it has implemented significant cost reductions during and since the second-half of 2012, the Company will pursue further operational efficiencies that will enhance its performance in a market recovery and are sustainable in all phases of industry cycles. Among other areas, the Company has focused on the consolidation of the supply chain organizations in its Global Drilling Services and Global Products division with the objective of improving performance, the rationalisation of inventory and the reduction of overheads. Similarly, the Company has combined its aftermarket services and support operations with the maintenance operations of its Global Drilling Services division, not only to reduce costs but to enhance its ability to deliver support both to internal and external customers. These and other initiatives will continue for the foreseeable future with expected completion dates within the next two years.

Further information about potential developments in the operations of the Company in future years, expected results of those operations, strategies of the Company and its prospects for future financial years has been omitted from this report because disclosure of the information would be speculative or prejudicial to the Company.

Events Subsequent to Reporting Date

On 15 July 2013, the Company sold the United States assets of its environmental and infrastructure drilling services operations. The sale is consistent with the Company's desire to focus resources and efforts on its core markets and on higher margin drilling services segments. An impairment charge of $7,707,000 was recorded in the period ended 30 June 2013 to decrease the assets held for sale to their fair value less cost to sell. This business was classified, and accounted for, at 31 December 2012 and 30 June 2013 as a disposal group held for sale.

The Company's debt ratings were downgraded in July 2013 by Moody's Investor Services and Standard & Poor's in response to the weakness in the Company's core mining markets. Moody's downgraded the Company's Corporate Family Rating and Probability of Default Rating to Ba3 and Ba3-PD, respectively, and the rating of the Company's senior unsecured notes to B1, reflecting the security given to the Company's lenders in June in conjunction with the amendment of its bank credit facility to relax leverage covenants. Standard and Poor's downgraded its Corporate Family Rating and senior unsecured note rating to B+.

As noted in Note 6 to the half-year financial report, additional security of C$24 million was provided to the Canadian Revenue Agency in August 2013.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is on page 10 of this 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 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 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

Barbara Jeremiah
Chairman

26 August 2013

Deloitte.

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

26 August 2013

Dear Board Members

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 2013, 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

Samantha Lewis
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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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 statement of financial position as at 30 June 2013, and the condensed statement of profit or loss and comprehensive income, the condensed statement of cash flows and the condensed 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 13 to 31.

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 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 2013 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 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 2013 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

Samantha Lewis
Partner
Chartered Accountants
Sydney, 26 August 2013

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

Barbara Jeremiah
Chairman

26 August 2013

Condensed Consolidated Statement of Profit or Loss and Comprehensive Income

For the half-year ended 30 June 2013

	Note	Half-year ended 30 June 2013 US$'000	Half-year ended 30 June 2012 US$'000
Continuing operations			
Revenue		718,863	1,098,795
Cost of goods sold		(584,463)	(786,738)
Gross margin		134,400	312,057
Other income	**4**	327	440
General and administrative expenses		(85,538)	(122,762)
Selling and marketing expenses		(24,611)	(31,958)
Other expenses	**4**	(331,135)	(9,729)
Operating (loss) profit		(306,557)	148,048
Interest income		924	1,741
Finance costs	**5**	(16,671)	(14,039)
(Loss) Profit before taxation		(322,304)	135,750
Income tax expense	**6**	(7,090)	(38,019)
(Loss) Profit for the period attributable to equity holders of the parent		(329,394)	97,731
(Loss) Earnings per share			
Basic (loss) earnings per share		(72.5) cents	21.5 cents
Diluted (loss) earnings per share		(72.5) cents	21.3 cents
Other comprehensive (loss) income			
(Loss) profit for the period attributable to equity holders of the parent		(329,394)	97,731
Exchange differences arising on translation of foreign operations		(83,070)	(12,073)
Other comprehensive loss for the period, net of tax		(83,070)	(12,073)
Total comprehensive (loss) income for the period attributable to equity holders of the parent		(412,464)	85,658

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 19 – 31

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Note	30 June 2013 US$'000	31 December 2012 US$'000
Current assets			
Cash and cash equivalents		34,181	89,628
Trade and other receivables	**8**	250,524	260,502
Inventories		410,571	533,690
Current tax receivable		44,343	39,331
Prepaid expenses and other assets		27,171	42,021
		766,790	965,172
Asset classified as held for sale		25,897	33,997
Total current assets		792,687	999,169
Non-current assets			
Property, plant and equipment		505,083	628,691
Goodwill	**9**	104,356	290,786
Other intangible assets	**9**	103,595	128,158
Deferred tax assets		217,079	192,352
Other assets		10,798	11,582
Total non-current assets		940,911	1,251,569
Total assets		1,733,598	2,250,738
Current liabilities			
Trade and other payables		195,907	284,251
Provisions	**11**	27,677	36,271
Current tax payable		104,330	97,486
Loans and borrowings	**10**	175	189
Total current liabilities		328,089	418,197
Non-current liabilities			
Loans and borrowings	**10**	597,779	601,733
Deferred tax liabilities		6,262	7,757
Provisions	**11**	84,126	87,634
Total non-current liabilities		688,167	697,124
Total liabilities		1,016,256	1,115,321
Net assets		**717,342**	**1,135,417**
Equity			
Issued capital		1,128,043	1,122,189
Reserves		(19,009)	70,914
Other equity		(137,182)	(137,182)
Accumulated (loss) profit		(254,510)	79,496
Total equity		**717,342**	**1,135,417**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 19 – 31

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2013

	Issued Capital US$'000	Foreign Currency Translation Reserve US$'000	Equity Settled Compensation Reserve US$'000	Other Equity US$'000	Accumulated (Losses) Profit US$'000	Total Attributible to Owners of the Parent US$'000
Balance at 1 January 2012	1,128,923	50,334	9,333	(137,182)	83,032	1,134,440
Profit for the period	-	-	-	-	97,731	97,731
Other comprehensive loss for the period	-	(12,073)	-	-	-	(12,073)
Payment of dividends	-	-	-	-	(25,825)	(25,825)
Vesting of LTIP rights, restricted shares	868	-	(868)	-	-	-
Purchase of shares for LTIP	(9,039)	-	-	-	-	(9,039)
Share-based compensation	-	-	3,249	-	-	3,249
Balance at 30 June 2012	**1,120,752**	**38,261**	**11,714**	**(137,182)**	**154,938**	**1,188,483**
Balance at 1 January 2013	1,122,189	56,658	14,256	(137,182)	79,496	1,135,417
Loss for the period	-	-	-	-	(329,394)	(329,394)
Other comprehensive loss for the period	-	(83,070)	-	-	-	(83,070)
Payment of dividends	-	-	-	-	(4,612)	(4,612)
Vesting of LTIP rights, restricted shares	5,854	-	(5,854)	-	-	-
Share-based compensation	-	-	(999)	-	-	(999)
Balance at 30 June 2013	**1,128,043**	**(26,412)**	**7,403**	**(137,182)**	**(254,510)**	**717,342**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 19 – 31

Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2013

	Note	Half-year ended 30 June 2013 US$'000	Half-year ended 30 June 2012 US$'000
Cash flows from operating activities			
(Loss) Profit for the year		(329,394)	97,731
Adjustments provided by operating activities:			
Income tax expense recognised in profit		7,090	38,019
Finance costs recognised in profit	**5**	16,671	14,039
Investment revenue recognised in profit		(924)	(1,741)
(Gain) loss on disposal of non-current assets		(327)	270
Impairment of current and non-current assets		299,400	205
Depreciation and amortisation		71,467	59,658
Foreign exchange loss (gain) on intercompany balances		3,593	(620)
Share-based compensation		(999)	3,249
Long-term compensation - cash rights		(16)	2,118
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
(Increase) Decrease in assets:			
Trade and other receivables		(4,760)	(137,354)
Inventories		39,568	(93,294)
Other assets		14,370	(21,099)
(Decrease) Increase in liabilities:			
Trade and other payables		(90,430)	97,476
Provisions		(9,108)	1,995
Cash generated from operations		16,201	60,652
Interest paid		(16,089)	(13,591)
Interest received		924	1,741
Income taxes paid		(29,780)	(24,945)
Net cash flows (used in) provided by operating activities		**(28,744)**	**23,857**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 19 – 31

Condensed Consolidated Statement of Cash Flows (continued)

For the half-year ended 30 June 2013

	Note	Half-year ended 30 June 2013 US$'000	Half-year ended 30 June 2012 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,498)	(114,322)
Proceeds from sale of property, plant and equipment		12,200	605
Intangible costs paid		(4,403)	(16,814)
Net cash flows used in investing activities		**(9,701)**	**(130,531)**
Cash flows from financing activities			
Purchase shares for LTIP	**14**	-	(9,039)
Proceeds from borrowings		103,006	219,461
Repayment of borrowings		(106,056)	(75,761)
Payments for debt issuance costs		(1,473)	-
Dividends paid	**12**	(4,612)	(25,825)
Net cash flows (used in) provided by financing activities		**(9,135)**	**108,836**
Net (decrease) increase in cash and cash equivalents		**(47,580)**	**2,162**
Cash and cash equivalents at the beginning of the period		**89,628**	**82,286**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(7,867)**	**(698)**
Cash and cash equivalents at the end of the period		**34,181**	**83,750**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 19 – 31

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 30 June 2013

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 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 the fair values of the consideration given in exchange for assets.

The Company is a company of the 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.

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

Going concern

During the half-year period ended 30 June 2013, Boart Longyear Limited (the “Parent”) and its controlled entities (collectively, the “Company”) incurred a net loss of $329,394,000, whereas net profit for the period ended 30 June 2012 was $97,731,000. Cash flow used in operating activities during the half-year period ended 30 June 2013 totaled $28,744,000, compared to cash flow generated from operating activities of $23,857,000 for the half-year period ended 30 June 2012.

The Company has outstanding debt totalling $597,954,000 as of 30 June 2013, of which $295,491,000 (net of deferred debt issuance costs) is in senior unsecured notes, $302,288,000 (net of deferred debt issuance costs) is from drawings against the Company’s revolving bank credit facility and $175,000 is from finance lease liabilities.

In addition, certain contingent liabilities, such as letters of credit, security and certain guarantees, are considered gross debt for the purpose of determining compliance with the gross-debt-to-EBITDA leverage covenant of the Company’s bank credit facility. As at 30 June 2013, the Company had $14,755,000 of such contingent liabilities. In certain cases, the providers of those instruments are entitled to demand collateral from the Company to secure their obligation. Accordingly, the Company will have to maintain sufficient liquidity to meet those collateral requirements, should they occur.

The Company has complied with all its bank credit facility covenants for the period ended 30 June 2013. The Directors have reviewed the Company’s projections, which they believe are based on market data and past experience. Although certain of the Company’s projections indicate that, absent a recapitalisation or a modification of the terms of the bank credit facility, the Company may breach the leverage covenant in the bank credit facility as at 31 December 2013 and 30 June 2014, the Company believes alternate funding arrangements and other options are available to remedy a potential breach, as described more fully below. No restrictions have been imposed by the banks on the use of the current credit facility and access to the facility continues to be made available in the ordinary course of business.

The half-year financial report has been prepared on the basis that the Company is a going concern, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (Continued)

In preparing the half-year financial report on this basis, the Directors have had regard to the following:

- positive cash-flow projections for the Company;
- significant actions taken to reduce operating costs and enhance cash flows;
- the Company's compliance with bank credit facility covenants as at 30 June 2013;
- continuation of payments to creditors on their due date;
- the viability of alternate financing structures to provide enhanced liquidity and flexibility, particularly regarding financial covenants: and
- the potential negative impact on liquidity of the contingent liabilities noted above and the Canada Revenue Agency tax assessments, as discussed in Note 6 to the half-year financial report.

The Company's management has engaged with its bank lending group to assess available refinancing and recapitalisation structures and has received detailed proposals and timelines that the Directors consider credible and achievable in current market conditions. These structures, which potentially would provide credit facilities without financial maintenance covenants or a less restrictive covenant structure, include financing alternatives in the bank, bond and institutional loan markets. Management also notes that the Company has from time-to-time had access to the equity markets to secure required capital. The Company and its advisors have evaluated the equity markets and related costs and have determined that, at this time, debt restructuring is the preferred alternative. The terms and conditions of refinancing and recapitalisation structures, including pricing and availability, will depend on market conditions, the outlook for the Company and other factors at the time of execution.

The Directors believe that the Company is adequately positioned to manage its business risks successfully despite the current economic outlook and challenging market environment. They consider that the Company has the flexibility to react to changes in market conditions and that the Company's costs can be reduced to partially offset the reduction in revenues associated with potentially declining business conditions.

In light of all the matters set out above, the Directors believe that there is not material uncertainty in relation to the Company continuing as a going concern and accordingly that it is appropriate to prepare the half-year financial report on a going concern basis.

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 Company's 2012 Annual Financial Report for the financial year ended 31 December 2012, 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

There are no new or revised Standards and Interpretations adopted in these half-year financial statements affecting the reporting results or financial position.

3. 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 mining companies and energy companies as well as customers in 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.

	Revenue [1]		Profit Before Tax	
	Half-year ended		Half-year ended	
	30 June 2013 US$'000	30 June 2012 US$'000	30 June 2013 US$'000	30 June 2012 US$'000
Global Drilling Services	537,630	816,682	29,802	132,149
Global Products	181,233	282,113	14,580	61,791
	718,863	1,098,795	44,382	193,940
Unallocated costs [2]			(350,939)	(45,892)
Finance costs			(16,671)	(14,039)
Interest income			924	1,741
Profit before taxation			(322,304)	135,750

(1) Represents revenue generated from external customers.
(2) Unallocated costs include corporate general and administrative costs as well as other expense items such as restructuring costs, asset write downs and impairments and foreign exchange gains and losses.

4. OTHER INCOME AND EXPENSES

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

	Note	2013 US$'000	2012 US$'000
Other income			
Profit on foreign currency-denominated assets and liabilities		-	114
Profit on disposal of property, plant and equipment		327	-
Miscellaneous		-	326
		327	440
Other expenses			
Amortisation of intangible assets		9,718	8,252
Restructuring expenses and impairment charges	7	315,489	1,002
Loss on foreign currency-denominated assets and liabilities		2,701	-
Loss on disposal of property, plant and equipment		-	270
Impairment of property, plant and equipment		3,159	205
Miscellaneous		68	-
		331,135	9,729

5. FINANCE COSTS

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

	2013 US$'000	2012 US$'000
Interest on loans and bank overdrafts	16,038	13,508
Amortisation of debt issuance costs	582	448
Interest on obligations under finance leases	51	83
	16,671	14,039

6. INCOME TAXES

	2013	2012
Effective income tax rate:		
Income tax (benefit) expense calculated at Australian rate of 30%	(30.0)%	30.0 %
Impact of higher rate tax countries	(0.5)%	4.9 %
Impact of lower rate tax countries	8.2 %	(0.6)%
Net non-deductible/non-assessable items	11.6 %	3.0 %
Unrecognised tax losses	2.2 %	0.1 %
Profit/Losses subject to double taxation in the US	(2.1)%	(2.5)%
Unutilised foreign tax credits	3.4 %	7.1 %
Recognition of net deferred tax assets/liabilities arising in prior years	3.7 %	(16.8)%
Other	3.3 %	4.3%
	(0.2)%	29.5 %
Under provision from prior years	2.4 %	2.3 %
Effective income tax rate	2.2 %	31.8 %

In accordance with AASB 134, the effective tax rate is based on the projected full year 2013 tax liability.

Canadian Income Tax Assessments

The Canada Revenue Agency (“CRA”) has been reviewing the Company’s income tax returns for the years 2005 through 2009. The review has been conducted for two time periods, 2005 through 2006 and 2007 through 2009. The most significant contested areas of the CRA’s reviews relate to three issues: (1) the transfer pricing structure and methodology used by Longyear Canada ULC and Boart Longyear Canada Partnership for sales of products to international affiliates; (2) management fees paid to a United States affiliate; and (3) intellectual property royalties paid to a United States affiliate.

Taxation Years Under Review

From 2011 through 2013, the CRA has issued notices of reassessment for taxes, interest and penalties for the 2005 and 2006 taxation years totaling C$11,583,000 and C$46,188,000, respectively. The foregoing reassessments resulted in reassessments by Canadian provincial tax authorities totaling an additional C$2,127,000 and C$9,364,000 for 2005 and 2006, respectively. The Company disputes the methodology utilised by the CRA and the amounts that the CRA has reassessed the Company. These reassessments have resulted in the Company electing to make cash payments of approximately C$8.7 million to-date for undisputed and certain disputed adjustments.

6. INCOME TAXES (Continued)

The CRA's audit for the 2007 through 2009 taxation years has not been completed. The Company has been informed by the CRA that it will receive proposed assessments for the 2007 audit year by the end of 2013, but it remains unclear when final assessments for 2007 or subsequent years will be issued. The Company also is not aware of the magnitude of any assessments for 2007 through 2009, but, although it disagrees, it expects that they would be determined on a basis that is consistent with the 2005 and 2006 adjustments.

The CRA also has expressed its intention to audit the 2010 through 2012 taxation years in the future.

Dispute of Reassessments

The CRA's reassessments for 2005 and 2006 result in a disproportionate percentage of the Company's global profits for those years being subject to tax in Canada. Based on the advice of its external advisors, the Company's view is that the CRA's position is incorrect. In addition, the disputed profits the CRA attributes to the Company's Canadian operations have been reported as income and taxed in other jurisdictions, many of which have tax rates similar to, or higher than, Canada.

The Company is therefore contesting the CRA's position through all available processes. It has filed a Notice of Objection for the 2005 and 2006 time periods with the CRA Appeals Division. Additionally, it has requested relief for approximately 99 percent of the 2005 and 2006 assessed amounts through a process known as a mutual agreement procedure ("MAP") under Canada's tax treaties with other countries. Under the MAP, tax authorities for the interested jurisdictions negotiate where the Company's income and costs should be reported for transfer pricing purposes. The MAP thus avoids double payment of taxes (i.e., taxes paid in two jurisdictions on the same income). The Company would, however, be exposed to penalties and interest to the extent the MAP determined any underpayments of disputed taxes in Canada by the Company.

If, in the view of the Company and its advisors, the MAP process does not result in an acceptable outcome, the Company will continue with its appeal through the CRA's appeals process and, possibly, pursue judicial relief in the Canadian court system. The Company would likely follow similar dispute procedures for any final reassessments for 2007 through 2009, or any other subsequent period.

Security for Appeal of Reassessments

As required by law in Canada, the Company has provided security of approximately C$35 million (of which C$11 million was provided as at 30 June 2013 and an additional C$24 million was provided in August 2013), while the 2005 and 2006 reassessments are under dispute. The security is required until the resolution of the relevant dispute, which, in the case of the MAP, is expected to take approximately two years from its 20 July 2012 filing date for adjustments involving US affiliates. 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 favor. Additional security would be required for the Company's appeal of assessments arising from other periods. If, for example, the Company were to receive assessments for 2007 and 2009 on a basis consistent with the 2005 and 2006 assessments, it could be required to post additional security in excess of C$50,000,000 to contest such adjustments.

Risks in Respect of Reassessments

The Company has recorded a tax provision related to this matter for the years 2005 through 2009 that reflects the uncertainties of the MAP. The provision has been established primarily for penalties and interest, as the Company would be entitled to recover taxes owed to the CRA from those jurisdictions in which those taxes were erroneously reported. While the Company believes it is appropriately reserved in respect of the CRA's final and proposed reassessments, the resolution of this matter on terms substantially as proposed by the CRA could be material to the Company's financial position or results of operations.

The Company's liquidity also could be impacted negatively by the CRA reassessments. To the extent disputes are resolved in the CRA's favor, the time required to recover overpayments to other jurisdictions likely would exceed the period in which underpayments would need to be made to Canada. In addition, the amounts provided as security to the CRA are considered outstanding debt of the Company for the purpose of calculating the Company's compliance with its leverage covenant under the existing revolving bank credit facility. As such, these amounts may also impact the Company's ability to access liquidity under the bank credit facility.

7. RESTRUCTURING AND IMPAIRMENT CHARGES

During 2013, the Company continued to significantly reduce operating costs through a series of restructuring activities. The Company's restructuring efforts include:

- Reductions of over 2,800 personnel since 1 January 2013, including approximately 25% of sales, general and administrative positions across the business;
- Consolidation of drilling services zones into larger territories;
- Rationalisation of manufacturing, inventory and administrative facilities;
- Consolidation of the Products division's aftermarket services group with the Drilling Services maintenance group as well as the supply chain groups for both divisions; and
- Sale of its non-core environmental and infrastructure drilling services operations (see Note 15).

The Company has incurred costs related to executing its restructuring and cost-reduction plans, including costs associated with employee separations, leased facilities, and impairments of inventory and capital equipment related to relocating certain manufacturing activities and resizing the business.

In addition, due to the significant deterioration in revenues and profitability as well as a forecasted global slowdown in the demand for drilling services and products, the Company has reassessed the carrying value of certain assets, including goodwill, intangibles, plant and equipment and inventory, resulting in additional impairment charges and provisions.

Restructuring expenses and impairment charges for the half-years ended 30 June are, as follows:

	Note	2013 US$'000	2012 US$'000
Impairment of goodwill	9	166,313	-
Impairment of equipment		52,662	-
Impairment of inventories		57,165	-
Impairment of intangible assets		17,263	-
Employee separation costs		13,775	654
Impairment of land and buildings		4,878	-
Professional fees and other		2,677	22
Onerous leases		756	326
		315,489	1,002
Net of tax		269,013	683

Restructuring expenses and impairment charges for the half-years ended 30 June relate to the following expense categories:

	2013 US$'000	2012 US$'000
Cost of goods sold	107,745	-
General and administrative expenses	27,696	946
Selling and marketing expenses	1,729	56
Research and development	12,006	-
Other expense	166,313	-
	315,489	1,002
Net of tax	269,013	683

7. RESTRUCTURING AND IMPAIRMENT CHARGES (Continued)

Restructuring expenses and impairment charges for the half-years ended 30 June by business segment are, as follows:

	2013 US$'000	2012 US$'000
Global drilling services	264,781	-
Global products	28,072	-
Unallocated	22,636	1,002
	315,489	1,002
Net of tax	269,013	683

8. TRADE AND OTHER RECEIVABLES

	30 June 2013 US$'000	31 December 2012 US$'000
Trade receivables	214,121	222,248
Allowance for doubtful accounts	(2,061)	(1,841)
Goods and services tax receivable	34,204	35,082
Other receivables	4,260	5,013
	250,524	260,502

The aging of trade receivables is detailed below:

	30 June 2013 US$'000	31 December 2012 US$'000
Current	168,587	156,357
Past due 0 - 30 days	24,526	45,273
Past due 31 - 60 days	10,000	7,074
Past due 61-90 days	3,551	6,005
Past due 90 days	7,457	7,539
	214,121	222,248

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

	30 June 2013 US$'000	31 December 2012 US$'000
Opening Balance	1,841	1,412
Additional provisions	801	1,583
Amounts used	(34)	(186)
Amounts reversed	(503)	(978)
Foreign currency exchange differences	(44)	10
Closing balance	2,061	1,841

8. TRADE AND OTHER RECEIVABLES (Continued)

The average credit period on sales of goods is 59 days as at 30 June 2013, compared to 63 days as at 30 June 2012. 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.

The Company 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.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

	30 June 2013 US$'000	31 December 2012 US$'000
Goodwill	104,356	290,786
Other Intangible Assets:		
Software	54,510	58,067
Customer relationships	14,195	27,177
Development assets	27,110	35,765
Patents	4,941	4,436
Trademarks	2,839	2,713
	103,595	128,158

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in cash-generating units that are significant individually or in the aggregate. The carrying amount of goodwill included in cash-generating units by geographic area is, as follows:

	30 June 2013 US$'000	31 December 2012 US$'000
Argentina	-	13,572
Australia	-	157,427
Canada	19,244	20,255
Chile	-	12,776
New Zealand	-	1,644
United States of America	85,112	85,112
	104,356	290,786

9. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

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 performed a goodwill impairment test at 30 June 2013 and has recognised an impairment loss of $166,313,000 due to the most recent half-year financial performance of various cash-generating units as well as the expected financial performance of the business, as described further below.

Goodwill Impairment by cash-generating units

	30 June 2013 US$'000	30 June 2012 US$'000
Argentina	12,226	-
Australia	139,751	-
Chile	12,776	-
New Zealand	1,560	-
	166,313	-

In its impairment assessment, the Company assumes the recoverable amount based on a value-in-use calculation. Cash flow projections are based on the Company's three-year strategic plan and financial forecasts over a nine-year period, which approximates the length of a typical business cycle based on historical industry experience, with a terminal value.

Certain key assumptions are used for impairment testing. More specifically, a global discount rate of 11.5% is used and adjusted on a case-by-case basis for regional variations in the required equity rate of return. Based on information published by Morningstar, the adjusted post tax discount rates ranged from 8.7% to 21.2%, as shown in the table below. In addition, assumed growth rates are based on the compound average growth rate for the various cash-generating units being tested for impairment over the mining cycle from the mid-point of the cycle and do not exceed the historical rates of inflation in the countries where the Company does business.

	Post tax Discount Rate	Growth Rate
Global	11.5%	3.0%
Argentina	21.2%	12.2%
Austrialia and New Zealand	10.2%	2.5%
Canada	9.3%	1.9%
Chile	11.7%	2.9%
Mexico	14.0%	3.7%
United States	8.7%	2.1%

9. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Sensitivity analyses were performed to determine whether carrying values are supported by different assumptions. Key variables of the sensitivity analysis include:

- applicable discount rates;
- terminal growth rates; and
- inflation assumptions.

Each of these variables in the analysis is examined at levels above and below expected values.

Goodwill and intangible assets in Australia, New Zealand, Chile and Argentina have been fully impaired. For the cash-generating units with remaining goodwill and intangible assets, being USA and Canada, management has not identified a reasonably possible change in key assumptions that would result in the carrying amount of the assets in these cash-generating units exceeding their recoverable amount.

10. LOANS AND BORROWINGS

Unsecured - at amortised cost	**30 June 2013 US$'000**	**31 December 2012 US$'000**
Non-current		
Senior notes	300,000	300,000
Revolver bank loans	-	308,000
Debt issuance costs	(7,221)	(6,331)
Secured - at amortised cost		
Current - finance lease liabilities	175	189
Non-current		
Finance lease liabilities	-	64
Revolver bank loans	305,000	-
	597,954	601,922
Disclosed in the financial statements as:		
Current borrowings	175	189
Non-current borrowings	597,779	601,733
	597,954	601,922
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	175	189
Between 1 and 2 years	-	64
Between 2 and 3 years	-	-
Between 3 and 4 years	302,288	306,470
More than 4 years	295,491	295,199
	597,954	601,922

10. LOANS AND BORROWINGS (Continued)

Senior Notes

The Company has $300,000,000 of senior unsecured notes at an interest rate of 7% with a scheduled maturity date of 1 April 2021. 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. Obligors for the senior notes are the Company's Australian, Canadian, United States and Swiss subsidiaries.

Bank Credit Facility

The Company's bank credit facility provides a $450,000,000 revolving bank loan, which was increased on 15 February 2013 from a committed amount of $350,000,000. In June 2013, the Company amended the facility to increase the maximum leverage covenant for certain covenant testing periods. The June 2013 amendment increases the maximum leverage ratio of gross-debt-to-EBITDA to 4.0:1 at 30 June 2013, 4.75:1 at 31 December 2013 and 30 June 2014, and 4.0:1 at 31 December 2014 and 30 June 2015. The maximum leverage ratio for subsequent compliance testing dates until the 29 July 2016 maturity date is 3.5:1. According to the June 2013 amendment, the revolver commitment will be permanently reduced to $425 million on15 June 2014, $400 million on15 August 2014, $375 million on 15 June 2015 and $350 million on 15 August 2015. Additional material changes to the terms of the credit facility included the Company's agreement to provide security to its lenders over a range of its assets as well as an increase in the Company's borrowing rates.

$305,000,000 of the $450,000,000 bank credit facility commitment was drawn as at 30 June 2013. Interest rates on borrowings are based on a base rate plus an applicable margin. The base rate is generally based on either 30-day USD LIBOR or the prime rate as determined by Bank of America, while the margin is determined based on leverage according to a pricing grid. All of the borrowings under the bank credit facility as at 30 June 2013 were based on 30-day LIBOR at the time of draws (between 0.19% and 0.20%) plus a margin of 2.50%, for a weighted average interest rate of 2.69%.

Outstanding letters of credit of $2,305,000 as at 30 June 2013 and 31 December 2012 reduce the amount available to draw under the bank credit facility commitments.

Covenants and other material terms – bank credit facility and senior notes

The Company's bank credit facility contains covenants and restrictions requiring the Company to meet certain financial ratios and reporting requirements, as well as minimum levels of subsidiaries that are obligors for the borrowings. This includes maintaining a gross-debt-to-EBITDA ratio of not more than 4.0:1 at 30 June 2013, 4.75:1 at 31 December 2013 and 30 June 2014, and 4.0:1 at 31 December 2014 and 30 June 2015. The maximum leverage ratio at subsequent compliance testing dates until the facility's maturity date is 3.5:1. Additionally, the facility also contains an interest coverage covenant requiring an EBITDA-to-interest ratio of not less than 3.0:1 at all compliance testing dates. The facility also contains a covenant requiring that Company borrowers and guarantors represent at least 60% of EBITDA and total tangible assets of the Company.

Testing of covenant compliance takes place twice-yearly for the trailing twelve-month periods to 30 June and 31 December of each year. The terms of the bank credit facility provide for certain adjustments to EBITDA, including deductions or contributions related to non-recurring and non-cash items during the period. Non-compliance with one or more of the covenants could result in the Company being unable to make further borrowings under the credit facility and the full or partial principal balance of the associated debt becoming immediately due and payable. The Company was in compliance with the debt covenants as at 30 June 2013 and 31 December 2012.

The revolving credit facility also contains other terms and conditions that may restrict certain of the Company's activities or, in some circumstances, prevent the Company from incurring additional indebtedness under the revolver even in the absence of a covenant breach. The Company currently is in compliance with all such terms.

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 similar to the bank revolver but do not require maintenance or testing of financial ratios, such as for leverage and interest cover.

Please refer to the Going Concern reference in Note 1 regarding the Company's ability to meet future banking covenants.

Finance leases

The Company's finance lease liabilities were assumed largely as part of acquiring certain businesses prior to 2008. The leases are secured by the assets leased. The borrowings have interest rates ranging from 7.65% to 8.07%, with repayment periods not exceeding one year.

11. PROVISIONS

	30 June 2013 US$'000	31 December 2012 US$'000
Current		
Employee benefits	19,832	22,018
Restructuring and termination costs	2,978	8,765
Warranty	169	223
Onerous lease costs	4,698	5,265
	27,677	36,271
Non-current		
Employee benefits	2,535	3,753
Pension and post-retirement benefits (1)	78,634	80,422
Onerous Lease	2,957	3,459
	84,126	87,634
	111,803	123,905

(1) 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. Management believes that movements in the defined benefit obligations and fair values of plan assets during the half-year ended 30 June 2013 have not been significant and, as a result, has not performed full actuarial valuations at 30 June 2013.

12. DIVIDENDS

No dividend has been determined for the half-year ended 30 June 2013.

A dividend of 1.0 US cent per share (total of $4,612,412) was paid during the half-year ended 30 June 2013. The dividend, which was for the second half of 2012, was paid on 12 April 2013 and was 35% franked at the Australian corporate taxation rate of 30%. All of the unfranked portion of the dividend will be conduit foreign income.

13. CONTINGENCIES

Legal claims

The Company is subject to certain legal proceedings that arise in the normal course of its business. The Company 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.

14. ISSUANCE OF SHARE RIGHTS AND PURCHASE OF SHARES

During the half-year ended 30 June 2013, the Company granted 8,227,651 share rights under its long-term incentive plan (LTIP) with a combined fair value of approximately $10,741,000 and vesting period over the next three years. The Company purchased no shares of the Company's stock during the period.

During the half-year ended 30 June 2012, the Company granted 2,689,710 share rights under its long-term incentive plan (LTIP) with a combined fair value of approximately $12,104,000 and vesting period over the next three years. The Company also purchased 2,641,580 shares of the Company's stock at a cost of approximately $9,039,000.

15. SUBSEQUENT EVENT

On 15 July 2013, the Company sold its US-based environmental and infrastructure drilling services operations. The sale is consistent with the Company's desire to focus resources and efforts on its core markets and on higher margin drilling services segments. An impairment charge of $7,707,000 was recorded in the period ended 30 June 2013 to decrease the assets held for sale to their fair value less cost to sell. This business has been classified and accounted for at 31 December 2012 and 30 June 2013 as a disposal group held for sale.

The Company's debt ratings were downgraded in July 2013 by Moody's Investor Services and Standard & Poor's in response to the weakness in the Company's core mining markets. Moody's downgraded the Company's Corporate Family Rating and Probability of Default Rating to Ba3 and Ba3-PD, respectively, and the rating of the Company's senior unsecured notes to B1, reflecting the security given to the Company's lenders in June 2013 in conjunction with the amendment of its debt facility to relax leverage covenants. Standard and Poor's downgraded its Corporate Family Rating and senior unsecured note rating to B+.

As noted in Note 6, additional security of C$24 million was provided to the CRA in August 2013.