BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2017

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Half-Year Financial Report
30 June 2017

Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2017**
Half year ended ('previous corresponding period'):	**30 June 2016**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2017 US$'000	**2016** US$'000	**$ change**	**% change**
Revenue from ordinary activities	356,181	310,498	45,683	14.7%
Net loss after tax attributable to members	(85,234)	(73,198)	(12,036)	-16.4%
Adjusted net loss after tax attributable to members	(41,813)	(52,057)	10,244	19.7%

Brief explanation of any figures reported above:

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

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

	30 June 2017	30 June 2016
Interim dividend	0 cents	0 cents
Franked amount	N/A	N/A

No dividend had been determined for either of the half-years ended 30 June 2017 or 2016.

Net Tangible Assets per share:

Current period:	$0.00
Previous corresponding period:	$0.00

DIRECTORS' REPORT

The Directors present their report together with the financial report of Boart Longyear Limited (the "Parent") and its controlled entities (collectively, the "Company" or "Boart Longyear") for the half-year ended 30 June 2017 and the Independent Auditor's Review Report thereon.

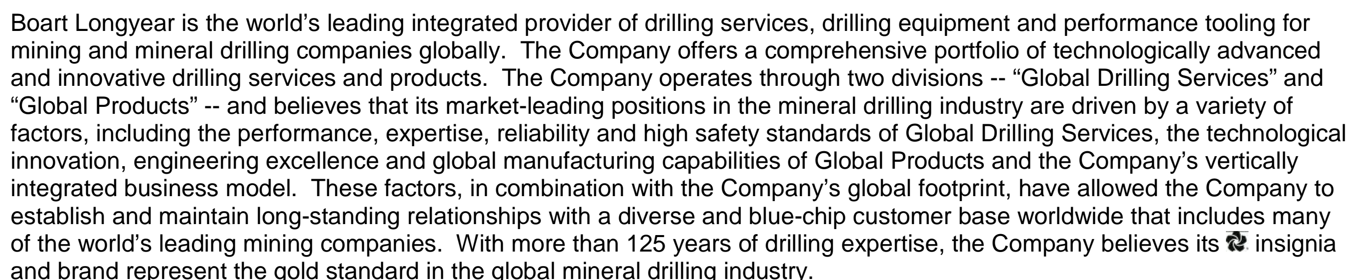
Financial results and information contained herein are presented in United States ("US") dollars unless otherwise noted.

DIRECTORS

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

- Bret Clayton
- W. Peter Day
- Jonathan Lewinsohn (resigned from the Board effective 20 January 2017)
- Jeffrey Long
- Gretchen McClain
- Rex McLennan
- Jeffrey Olsen
- Deborah O'Toole
- Marcus Randolph
- Conor Tochilin (appointed effective 20 January 2017)

PRINCIPAL ACTIVITIES



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

Significant Changes in the State of Affairs

The restructuring process announced in August 2016 is substantially progressed and is expected to complete in September 2017. Shareholder approval for key components of the restructuring was secured at the Company's annual general meeting on 13 June 2017. The two schemes of arrangement for secured and unsecured creditors comprising other key aspects of the restructuring were approved by creditors on 30 May 2017 and, on 22 August 2017 by the Supreme Court of New South Wales ("Schemes Approval"). The Schemes Approval is required to be ratified for implementation in the United States under chapter 15 of the United States Bankruptcy Code before a US Bankruptcy court ("US court"). The chapter 15 hearing in the United States is scheduled to occur on 30 August 2017. If approval of the US court is received and barring further legal challenges, all components of the restructuring would be implemented in early September 2017. The Schemes Approval both in Australia and the United States enables the Company to implement key components of the restructuring, including exchanging certain of the Company's bonds and term loan debt for equity in Boart Longyear and amending the terms of remaining bonds and its Term Loans A and B in accordance with the term amendments announced to the ASX on 3 April 2017, as further amended and announced to the ASX on 9 August 2017.

In addition, on 24 July 2017, the Company completed another key requirement of the restructuring by entering into a revolving credit facility with PNC Bank, National Association and a term loan credit facility with certain affiliates of Centerbridge Partners, L.P., Ares Management LLC and Ascribe Capital, LLC. These facilities will replace the Company's existing asset-backed loan facility, Delayed Draw Term Loan and Second-Out ABL once the restructuring is completed.

Events Subsequent to Reporting Date

Several significant developments have occurred subsequent to the reporting date related to the ongoing restructuring of the Company's financial debt. These are reflected in the preceding paragraph and, additionally, in the Company's announcements on the ASX (under the Company's "BLY" trading symbol) in connection with the Company's continuous disclosure obligations.

REVIEW OF OPERATIONS[1]

1. Safety Performance, Market Conditions and Strategies

1.1 Overview

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

We aim to create value for our customers through a comprehensive portfolio of technologically advanced and innovative drilling services and products. We believe that our market leading positions in the mineral drilling industry are driven by a variety of factors, including the performance, expertise and high safety standards of Global Drilling Services and the innovation, engineering excellence and global manufacturing capabilities of Global Products.

Our operating and commercial priorities include solidifying our competitive advantages with sustained investments in safety performance, productivity enhancements and operating improvements in our Global Drilling Services division, while remaining focused on the needs of our customer base. Similarly, technology and product innovation are central to the strength and future growth of our Global Products division, and we continue to pursue incremental product improvements that customers will need at any point in the mining cycle. Launching in the second half of 2017, our patented Longyear™ diamond bits improve productivity by lasting longer and cutting faster. Development of the new XQ™ coring rod continues smoothly, featuring a greater depth capacity than RQ™ rod, and faster, easier joint make/breaks for higher productivity. TruCore™ core orientation tools continue to expand geographically and are now available globally. The TruShot™ magnetic survey instrument, the second in a future suite of tools, is now under test with our Global Drilling Services. Both instruments are part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

The primary goals of our recapitalisation have been extending debt maturities, reducing debt, and enhancing liquidity through new money and improved terms for our debt facilities. With the anticipated successful conclusion of the recapitalisation, we believe these objectives will have been broadly met and our capital structure measurably improved. Through the first half of 2017, our capital structure has exposed us to a variety of market, operational and liquidity risks, and while these risks have not been eliminated, they have been reduced. Additionally, our goal is for our operations to be cash positive in 2017. We expect to achieve this through continued disciplined expense and capital management, opportunistic cost reductions and productivity enhancements.

1.2 Safety Performance

Central to our success is a clear focus on driving safety improvements. We regard safety as fundamental to our relationships with our employees, customers and all stakeholders. We also consider our safety performance to be both a significant opportunity and a risk, as our customers often look to safety as a basis to differentiate their suppliers.

For the half-year period ended 30 June 2017, the Company performance on key indicators includes a Total Case Incident Rate ("TCIR") of 1.89 and Lost-Time Injury Rate ("LTIR") of 0.12, compared to corresponding rates of 1.39 and 0.12 for the first half of 2016. (Both TCIR and LTIR are rates calculated based on 200,000 hours worked.) During this half-year period, our employees experienced 47 injuries that required some medical treatment and 3 injuries that resulted in lost work time. The deterioration in the Company's TCIR from the same period in 2016 may, in part, reflect the increase in drilling services activity during the period and the deployment of increasing numbers of new employees into operations. To counteract the increase in injuries to our employees, we continue to drive our key safety programs, which are focused on improved hazard identification and risk assessment in the field, and implementing enhanced training. Our strong performance on LTIR reflects our ongoing priority to identify and mitigate significant and critical risks.

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

1.3 Impact of Market Conditions

Market conditions in 2017 have seen modest improvements from 2016, but these gains are off a very low base. Mining companies are projecting an increase in their exploration and drilling activity, but, in the short term, they appear poised to continue to tightly control their exploration, development and capital expenditures and to seek savings from their suppliers.

During the first half of 2017, drill rig utilisation improved slightly from historical lows but pricing conditions for our goods and services continued to be soft. The Company's financial performance also is impacted by the terms of contracts that were signed during the market downturn.

As a result of challenging market conditions as well as significant ongoing finance costs, the Company reported a statutory loss for the half-year period ended 30 June 2017 of $85.2 million, which was consistent with the prior half-year (2016: $73.2 million loss). Adjusted net loss after tax for the half-year period ended 30 June 2017 (adding back significant items) was $41.8 million, compared to an adjusted net loss after tax for 2016 of $52.1 million, a decrease in loss of $10.3 million. See reconciliation in Section 7 'Non-IFRS Financial Information'.

Objectives and Strategies

We continue to prioritise cash generation and positioning the business with a more efficient operating platform in all phases of the mining industry's cycles. Key elements of this strategy include achieving and maintaining sustainable EBITDA-to-revenue margins, improving returns on capital through disciplined variable and fixed cost management and capital spending programs, and maintaining a rigorous focus on working capital, particularly inventory and accounts receivable.

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

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

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

In our Global Products division, we are focused on improving our commercial practices and product development to more closely align with customer priorities as well as delivering more cost-effective products offering improved productivity and safety.

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

2. Financial and Operating Highlights

	For the half-year ended 30 June			
	2017 US$ Millions	2016 US$ Millions	$ Change	% Change
Key financial data				
Revenue	356.2	310.5	45.7	14.7%
NPAT[1]	(85.2)	(73.2)	(12.0)	-16.4%
Adjusted NPAT[1]	(41.8)	(52.1)	10.3	19.8%
EBITDA[2]	(12.0)	3.1	(15.1)	-487.1%
Adjusted EBITDA[2]	21.4	13.5	7.9	58.5%
Operating Loss	(38.7)	(29.8)	(8.9)	-29.9%
Loss from Trading Activities [3]	(1.1)	(15.4)	14.3	92.9%
Cash used in operations	(50.5)	(48.9)	(1.6)	-3.3%
Net cash flows used in operating activities	(57.7)	(72.5)	14.8	20.4%
Capital expenditures (accrual)	15.2	8.3	6.9	83.1%
Capital expenditures (cash)	14.3	10.5	3.8	36.2%
Weighted Average number of ordinary shares	941.6	933.2	8.4	0.9%
Earnings per share (basic and diluted)	(9.1) cents	(7.8) cents	(1.3) cents	-16.7%
Average BLY rig utilisation	41%	31%	10%	32.3%
Average Fleet size	729	900	(171)	-19.0%

(1) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and before significant and other non-recurring items'. See reconciliation in section 7 'Non-IFRS Financial Information'.

(2) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before significant and other non-recurring items'. See reconciliation in section 7 'Non-IFRS Financial Information'.

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

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

3.1 Revenue

Revenue for the half-year period ended 30 June 2017 of $356.2 million increased by 14.7%, or $45.7 million, compared to revenue for the half-year period ended 30 June 2016 of $310.5 million.

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

Revenue during the first half of 2017 was higher as a result of higher volumes due to strengthening sentiment in the mining industry, when compared to the same period in 2016. We are still challenged by the negative impact of price on revenue but less so in 2017 than in 2016.

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

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

	For the half-year ended 30 June					
	2017			2016		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	356.2	-	356.2	310.5	-	310.5
Cost of goods sold	(305.0)	2.2	(302.8)	(271.5)	1.5	(270.0)
Gross margin	51.2	2.2	53.4	39.0	1.5	40.5
Other income	4.2	-	4.2	3.7	-	3.7
General and administrative expenses	(72.6)	30.9	(41.7)	(50.2)	7.3	(42.9)
Sales and marketing expenses	(13.2)	0.3	(12.9)	(14.6)	1.6	(13.0)
Significant items	-	(33.4)	(33.4)	-	(10.4)	(10.4)
Other expenses	(8.3)	-	(8.3)	(7.7)	-	(7.7)
Operating loss	(38.7)	-	(38.7)	(29.8)	-	(29.8)

Total adjusted Cost of Goods Sold (“COGS”), adjusted Sales and Marketing expenses (“S&M”) and adjusted General and Administrative expenses (“G&A”) for the Company for the half-year ended 30 June 2017 were $357.4 million, compared to $325.9 million for the same period in 2016, an increase of $31.5 million, or 9.7%.

Total adjusted COGS for the half-year period ended 30 June 2017 was $302.8 million, representing an increase of 12.1% compared to COGS of $270.0 million for 2016. Adjusted COGS as a percentage of revenue decreased as compared to the same period of the prior year. This decrease is due to the cost reduction actions that have been implemented over the past several years.

Total adjusted S&M expenses for the half-year period ended 30 June 2017 of $12.9 million decreased slightly by 0.8%, or $0.1 million, from the same period of the prior half-year (2016: $13.0 million for the comparable period). Adjusted S&M expenses decreased slightly as a percentage of revenue during the first half of 2017 compared to the same period of the prior year.

Total adjusted G&A expenses for the Company for the half-year period ended 30 June 2017 were $41.7 million, representing a decrease of 2.8%, or $1.2 million (2016: $42.9 million for the comparable period). Adjusted G&A expenses decreased as a percentage of revenue during the first half of 2017 compared to the same period of the prior year due to significant cost reduction actions taken.

In response to weak industry conditions, the Company has taken a series of initiatives to reset its cost base and to reduce its overall expenditure profile. The initiatives have included the removal of certain operating expenses, SG&A expense, other overhead-related expense and capital expenditures. From 2012 to 2017, the Company estimates that it has reduced its overall expenditure profile by approximately $1.4 billion.

3.3 Significant Items

During the first half periods of 2017 and 2016, the Company incurred the following recapitalisation costs and restructuring expenses related to current market conditions and cost reductions:

	For the half-year ended 30 June		
	2017 US$ Millions	2016 US$ Millions	$ Change
Significant items			
Recapitalisation costs	26.0	-	26.0
Impairments			
Intangible assets	-	0.5	(0.5)
Employee and related costs [1]	5.6	4.6	1.0
Other restructuring expenses	1.8	5.3	(3.5)
Total significant items	33.4	10.4	23.0

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

Significant items increased to $33.4 million during the half-year period ended 30 June 2017 (2016: $10.4 million for the comparable period), mainly related to the professional fees incurred in the first half of 2017 related to the recapitalisation efforts.

3.4 Other Income/Expenses

Other income increased to $4.2 million during the half-year period ended 30 June 2017 (2016: $3.7 million for the comparable period) primarily due to gains on disposals of surplus property and drilling equipment. Based on market conditions and future outlook, in 2015 the Company commenced a project to sell certain excess rigs and ancillary equipment that are underutilised. The disposition of these targeted assets allows the Company to rationalise its assets, raise capital and reduce ongoing maintenance costs. These asset rationalisation initiatives are expected to continue through 2017 and, accordingly, there are $1.7 million of assets classified as held for sale.

Other expenses, principally amortisation of intangible and VAT-related items, increased by $609 thousand, to $8.3 million, during the half-year period ended 30 June 2017 (2016: $7.7 million for the comparable period). The majority of the increase relates to a foreign currency loss ($1.9 million) compared to a gain in the prior year which was partially offset by a decrease in amortisation of intangible assets. During the half-year ended 30 June 2017 the US dollar strengthened against other currencies and the Company experienced a loss on foreign currency. We actively review our exposure to foreign currency exchange risk. Options to mitigate this risk may include the use of forward exchange contracts or currency options, but we did not employ these methods to manage currency exposures during the half-years ended 30 June 2017 and 2016 since most of the Company's currency risk relates to intercompany transactions.

3.5 Income Tax Expense

Income tax expense on the pre-tax loss of $75.2 million for the half-year period ended 30 June 2017 was $10.1 million (2016: $8.9 million for the comparable period) reflecting a negative tax rate of 13.4%. This tax rate can largely be attributed to several factors including:

- the impact of different tax rates and results in the jurisdictions in which the Company operates;
- the non-recognition of the tax benefits associated with certain current period losses; and
- non-deductible finance costs.

3.6 Earnings (Losses)

NPAT for the Company was negative $85.2 million for the half-year period ended 30 June 2017 (2016: NPAT of negative $73.2 million for the comparable period). EBITDA for the half-year ended 30 June 2017 was a negative $12.0 million (2016: $3.1 million EBITDA for the comparable period). Although operating results improved half-over-half, there was a decrease in EBITDA mainly due to significant costs related to the recapitalisation and restructuring efforts.

Adjusted NPAT for the period ended 30 June 2017 was a loss of $41.8 million (2016: $52.1 million for the comparable period) and adjusted EBITDA increased by $7.9 million to $21.4 million for the half-year ended 30 June 2017 (2016: $13.5 million for the comparable period). See reconciliation in Section 7 'Non-IFRS Financial Information'.

4. Discussion and Analysis of Cash Flow

	For the half-year ended 30 June			
	2017	2016		
	US$ Millions	US$ Millions	$ Change	% Change
Cash used in operations	(50.5)	(48.9)	(1.6)	-3.3%
Net cash flows used in operating activities	(57.7)	(72.5)	14.8	20.4%
Net cash flows used in investing activities	(10.3)	(6.3)	(4.0)	-63.5%
Net cash flows provided by financing activities	36.6	7.9	28.7	363.3%

Cash flow from operating activities for the half-year period ended 30 June 2017 was negative $57.7 million, an improvement of $14.8 million from the prior year comparable period (2016 negative $72.5 million for the comparable period). The improvement in the first half of 2017 was mainly due to a decrease in cash interest paid during the half-year period of $18.0 million.

We have invested $14.3 million in capital equipment to support existing operations during 2017, which is consistent with the comparable prior period (2016: $10.5 million). Of the 2017 amount, $12.6 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment, $1.7 million was spent on product development activities, including engineering and patent maintenance and the remaining amount related to miscellaneous expenditures. 2017 capital expenditures have been partially offset by proceeds from the sale of property, plant and equipment of $4.5 million (2016: $5.5 million). Our initiatives to conserve cash during the year have included prudent and judicious control over capital expenditures.

The increase in cash flows provided by financing activities is a direct result of the increase in costs associated with the recapitalisation and restructuring efforts undertaken in the half-year ended 30 June 2017.

5. Discussion of the Balance Sheet

The net assets of the Company decreased by $60.7 million, to negative $398.2 million as at 30 June 2017, compared to negative $337.5 million as at 31 December 2016. This decrease results from the use of cash to sustain business operations.

We continue to actively manage net working capital in relation to the current business cycle. In sustained periods of reduced global drill rig utilisation, inventory levels do not shrink as quickly as demand and the Company must evaluate inventory monthly to determine appropriate accounting reserves for slow-moving and obsolete inventory. When the Company's markets begin to improve, it is likely that net working capital levels will increase as we increase inventory and the Company generates additional receivables.

Cash and cash equivalents decreased by $24.1 million, or 40.6%, to $35.2 million as at 30 June 2017 (2016: $59.3 million as at 31 December). The decrease was due to cash used in operating activities of the Company.

Trade and other receivables increased by $45.8 million, or 42.5%, to $153.7 million as at 30 June 2017 (2016: $107.9 million as at 31 December). This reflects typical seasonality for the business as rigs shut down at year end, driving lower receivable balances. At the end of the half-year period, the Company typically is in its peak revenue season, and therefore, receivable balances are higher. Days Sales Outstanding ("DSO") at 30 June 2017 increased slightly at 64 days as compared with the same period in 2016 which was 61 days. We continue to maintain intense focus on collections and continued emphasis on prompt customer billing by our Global Drilling Services division.

Inventories increased by $8.0 million, or 4.9% to $173.1 million as at 30 June 2017 (2016: $165.0 million as at 31 December). The net increase was due to $101.1 million related to third party sales and Global Drilling Services consumption, offset by $91.6 million of purchases and manufactured items, an increase of $4.4 million related to foreign currency exchange differences and $13.0 million related to other non-cash items.

The net value of property, plant and equipment remained consistent at $127.8 million as at 30 June 2017 (2016: $127.7 million as at 31 December), which was mainly due to depreciation expenses of $20.7 million offset by additions of $13.5 million and foreign currency movement of $4.7 million and other miscellaneous items.

Tax assets decreased by $7.0 million to $16.9 million as at 30 June 2017 (2016: $23.9 million as at 31 December) as we derecognise our deferred tax assets as a result of adverse business conditions reflected in the Company's medium term earnings forecast.

Trade and other payables increased by $38.1 million, or 30.1%, to $164.7 million as at 30 June 2017 (2016: $126.6 million as at 31 December). The average credit period on purchases of certain goods increased by 10 days to 38 days. Trade payables represent 15.0% of the Company's total liabilities. The increase in trade and other payables was driven by the increased level of manufacturing activity and recapitalisation costs.

Provisions of $27.5 million as at 30 June 2017 decreased by 29.3%, or $11.4 million (2016: $39.0 million as at 31 December), and represent 2.9% of total Company liabilities. The decrease is mainly due to a decrease in defined benefit plan liabilities. We have experienced increases in pension plan assets due to market appreciation, along with increases in discount rates resulted in a larger offsetting increase in projected liabilities.

Borrowings of $788.5 million, representing 71.9% of the Company's liabilities, increased by $53.4 million during the half-year ended 30 June 2017 (2016: $735.1 million as at 31 December). The Company's net debt (gross debt less cash and cash equivalents) increased by $77.4 million, to $753.2 million, as at 30 June 2017 (2016: $675.8 million as at 31 December). The largest contributors to the need for cash and therefore the increase in the borrowings were the ongoing operational needs as well as the capital expenditures of $14.3 million. The borrowings also increased due to the interest that accretes on the term loans ($28.3 million).

Liquidity and Debt Facilities

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

Description	Principal Outstanding as at 30 June 2017 (millions)	Accreted Interest as at 30 June 2017 (millions)	Interest Rate	Scheduled Maturity	Security
Senior Secured Notes	$195.0	N/A	10%	1 October 2018	Second lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the Term Loan B and 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.
Term Loan – Tranche B	$105.0	$36.4	12%[2]	3 January 2021	Same as Senior Secured Notes
ABL	$17.9[1]	N/A	Variable[3]	29 May 2020	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property).
Term Loan – Tranche A	$85.0	$32.0	12%[2]	3 January 2021	First lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital Assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.
Senior Unsecured Notes	$284.0	N/A	7%	1 April 2021	Unsecured
Delayed Draw Term Loan	$20.0	$0.9	12%[2]	31 December 2020	Secured by $50 million of collateral in the form of certain of the Company's drilling rigs in the United States, Canada and Australia
Second-Out ABL	$15.0	$0.4	12%[2]	31 December 2017	Same as ABL

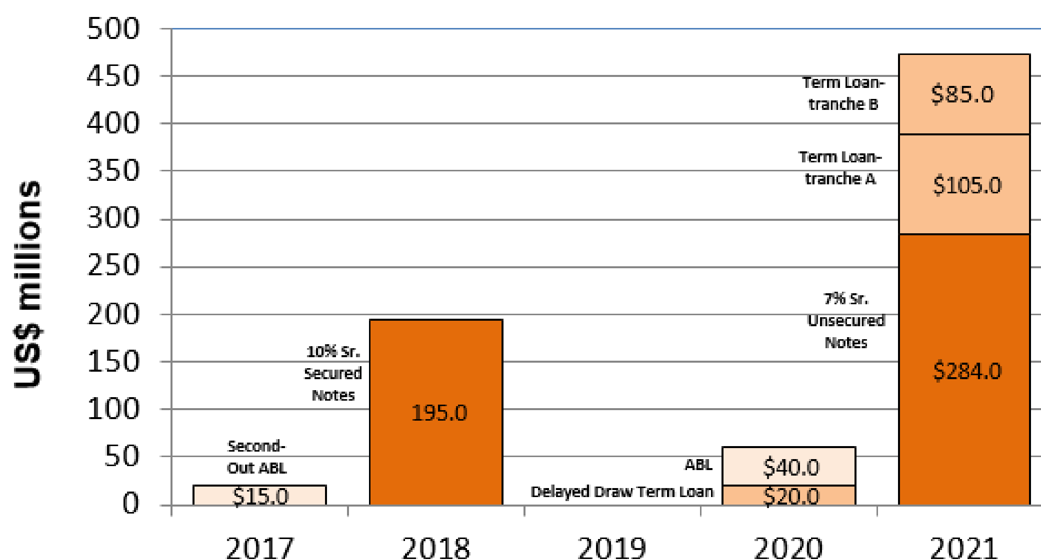
(1) $11.9 million in letters of credit were issued.
(2) Interest rate may be reduced to 10% payable in Cash at the Company's option.
(3) Based on LIBOR + margin (grid-based margin is currently 3.5%).

The Company's ABL facility provides for a commitment of up to $40.0 million in revolving borrowings and other extensions of credit such as for letters of credit. This facility is a secured loan with a first-priority lien on the issuer's and guarantors' accounts receivable, inventories, and cash. Scheduled maturity is 29 May 2020. Pricing for the facility is based on LIBOR plus a grid-based spread, which spread currently is 3.5%. The facility does not include ongoing financial maintenance covenants. Certain restrictions under the facility currently limit maximum borrowings to $35.0 million and require $5.0 million in cash to be held in a restricted account with the lender. These restrictions will be lifted if the Company satisfies a 1.0x fixed charge coverage test for four consecutive quarters related to the restricted borrowings and two consecutive quarters as it relates to the restricted cash.

On 5 January 2017, the Company entered into a $20.0 million delayed draw term loan ("DDTL") with Centerbridge Partners L.P. The DDTL has been established to provide additional financial resources to support ongoing restructuring discussions with the Company's lenders as well as to provide additional working capital in the first quarter of 2017. The Company drew the available $20.0 million balance on 13 February 2017. This Term Loan contains a maturity of 31 December 2020. It is secured by a first lien on certain of the Company's drilling rigs in the United States, Canada, and Australia.

On 2 April 2017, the Company entered into a $15.0 million Second-Out ABL Facility with Centerbridge Partners L.P., Ares and Ascribe. This facility has been established to provide short-term financial support to the Company until the Recapitalisation can be completed. This Facility contains a maturity of the earlier 31 December 2017 or the date on which the Recapitalisation is completed. Interest is payable in kind at 12% per annum or 10% if paid in cash. This facility is secured by substantially the same collateral currently pledged to the Company's existing ABL.

The following table shows the outstanding debt with maturities.



The Company's debt ratings were subject to review by S&P Global ("S&P") on 6 April 2017. As a result of the reviews, the following actions were taken:

- Corporate credit rating lowered to "CC",
- Rating outlook lowered to "Credit Watch Negative",
- Ratings on senior secured notes and senior unsecured notes lowered to "CCC-" and "C", respectively,
- Recovery ratings on senior secured notes and senior unsecured notes remained unchanged at "2" and "5", respectively.

As disclosed in the summary of Significant Changes in the State of Affairs at the outset of the Directors' Report, on 24 July 2017 the Company entered into a new asset-backed loan facility with PNC Bank and term loan facility with Centerbridge, Ares and Ascribe. The combined commitment of the lenders under these facilities is $75 million, and they will replace the existing PNC ABL, DDTL and Second-out ABL upon implementation of the recapitalisation. Further, the recapitalisation will result in several additional significant changes to the Company's debt facilities once completed, including the conversion of $196 million of Senior Unsecured Notes into the Company's equity, the amendment of certain interest obligations, the extension of facility maturities, and other changes to terms and covenants. A comprehensive summary of the changes that will occur upon implementation of the recapitalisation may be found in the Company's announcements on the ASX dated 3 April 2017 and 9 August 2017.

6. Review of Segment Operations

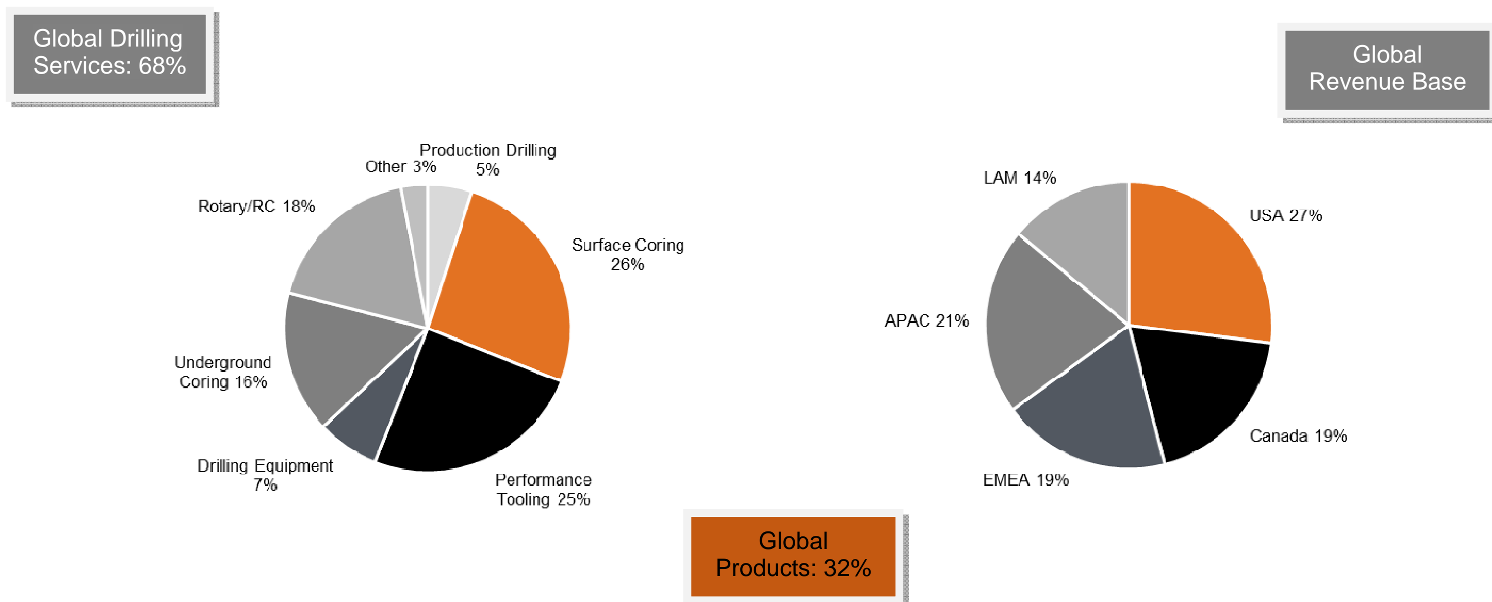
The following table shows our third party revenue and revenue from inter-segment sales by our Global Drilling Services division. Segment profit represents earnings before interest and taxes.

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	2017		2016		2017	2016
	US$ Millions		US$ Millions		US$ Millions	US$ Millions
Drilling Services		241.4		219.5	17.9	2.6
Global Products revenue						
Products third party revenue	114.8		91.0			
Products inter-segment revenue (1)	25.2		22.7			
Total Global Products		140.0		113.7	2.2	2.1
Less Global Product sales to Global Drilling Services		(25.2)		(22.7)		
Total third party revenue		356.2		310.5		
Total segment profit					20.1	4.7

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

Revenue by Type (1)

Revenue by Geography (1)



(1) Based on percentages of total Company revenue for the half-year period ended 30 June 2017.

6.1 Review of Segment Operations - Global Drilling Services

	For the half-year ended 30 June			
	2017	2016		
	US$ Millions	US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	241.4	219.5	21.9	10.0%
COGS				
Materials/labor/overhead/other	192.9	179.2	13.7	7.6%
Depreciation and amortisation	16.1	20.4	(4.3)	-21.1%
Total COGS	209.0	199.6	9.4	4.7%
COGS as a % of Revenue	*86.6%*	*90.9%*	*-4.3%*	*-4.7%*
Contribution margin $	28.2	14.5	13.7	94.5%
Contribution margin %	11.7%	6.6%	5.1%	77.3%
Business unit SG&A	4.2	5.4	(1.2)	-22.2%
Allocated SG&A	10.3	11.0	(0.7)	-6.4%
EBITDA	34.3	23.4	10.9	46.6%
Capital spend (accrual)	8.0	6.6	1.4	21.2%
Other Metrics				
Average # of Operating Drill Rigs	300	279	21	7.5%
Average # of Drill rigs	729	900	(171)	-19.0%
# of Employees at period-end	3,338	3,349	(11)	-0.3%

Safety

The Global Drilling Services division's Total Case Incident Rate (TCIR) for the first half of 2017 was 2.25, compared to 1.41 for the comparable period in 2016. Its Lost-Time Incident Rate (LTIR) for the first half of 2017 was 0.15, compared to 0.10 for the comparable period in 2016. 2017 has been challenging for Global Drilling Services in terms of TCIR performance through June. We continue to push our key safety initiatives, which include better analysis of high-potential near miss incidents and significant injuries; applying corrective actions more globally; increasing management safety interactions at operating locations; increasing supervisory competencies through training; reinforcing hazard assessments; and increasing drill rig inspection frequency.

Key Safety Metrics

	2017	2016	
	First half	First half	Full Year
TCIR	2.25	1.41	1.43
LTIR	0.15	0.10	0.10

Rig fleet

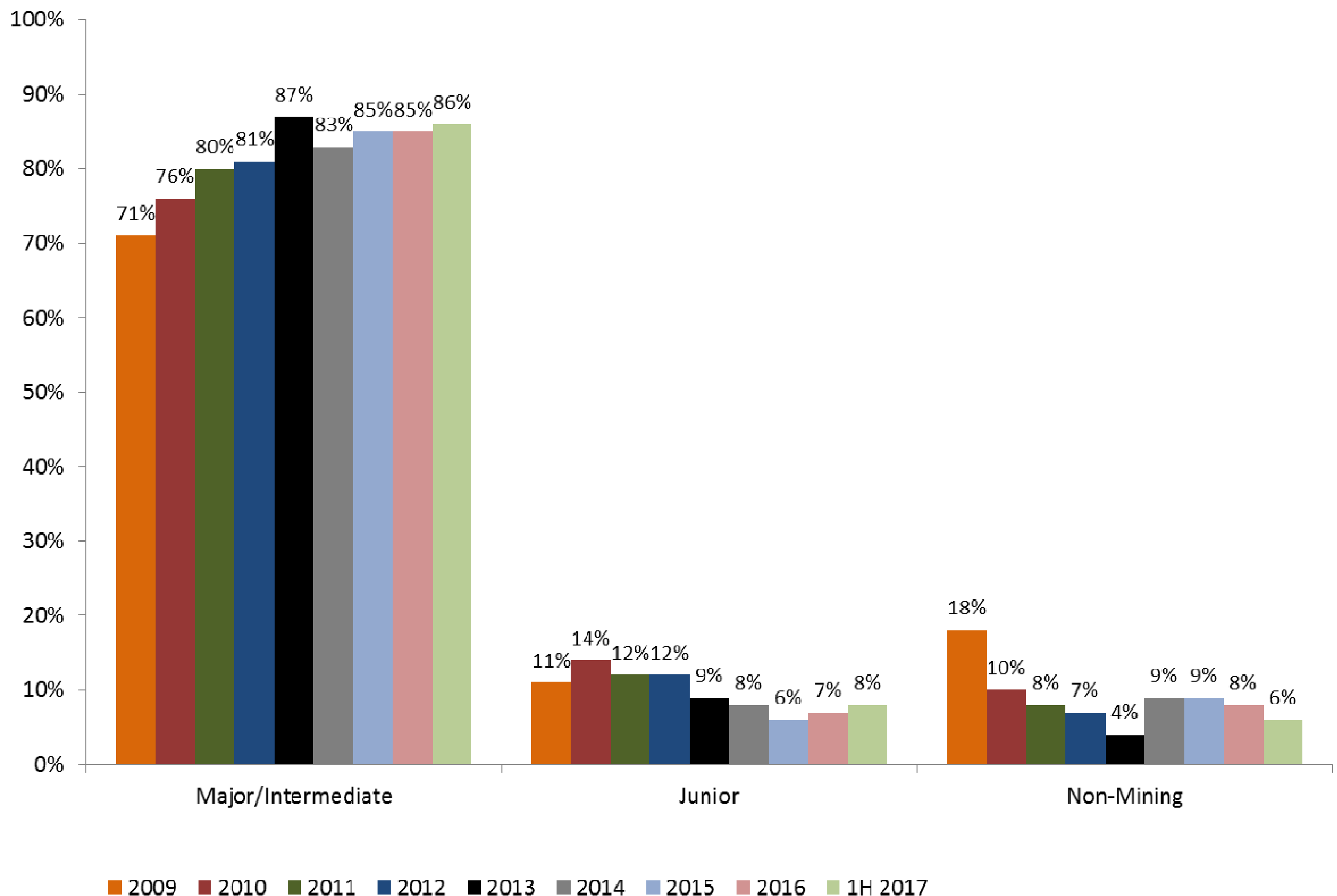
Our Global Drilling Services division's rig fleet, consisting of 729 rigs as at 30 June 2017, is the largest fleet operated by a mineral drilling services company in the world. Our drill rig packages range from small underground packages costing approximately $500 thousand to large diameter rotary packages that cost in excess of $4.0 million. The operational life of a drill rig varies greatly. Underground rigs are depreciated over a five-year period, whereas surface core rigs are depreciated over 10 years and rotary rigs over 12 years, or their estimated useful life.

Revenue

Global Drilling Services' revenue in the first half of 2017 was $241.4 million, up 10.0% from $219.5 million in the first half of 2016. The year-over-year revenue increase was driven primarily by volume. Volume increases were driven by Rotary and Surface Coring work in the USA, and Surface Coring work in EMEA. Price decreases are averaging less than 1.0% as a percentage of revenue reduced year-over-year revenue.

Revenue for the second half of 2016 was $228.1 million, compared to $241.4 million in the first half of 2017, an increase of 5.8%. The year-over-year increase in revenue can be attributed to a stronger Q1; which was primarily due to earlier project start ups in January.

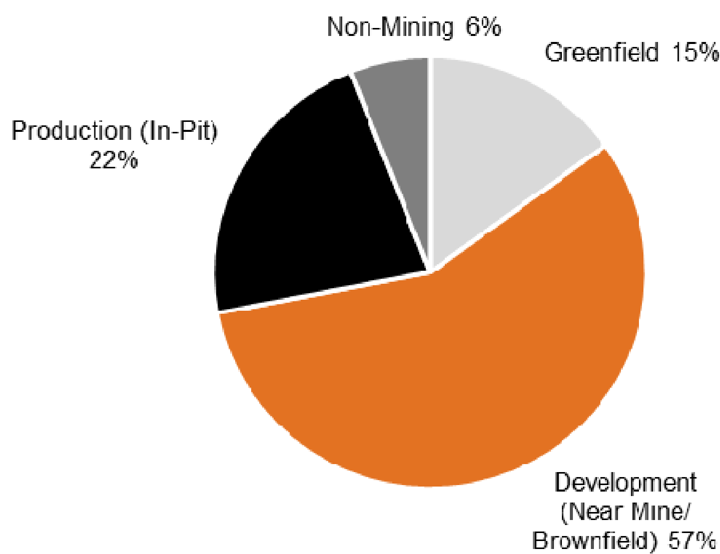
Approximately 86% of Global Drilling Services' revenue for the first half of 2017 was derived from major mining companies, including Barrick, BHP Billiton, Freeport-McMoRan, Goldcorp, Newmont and Rio Tinto. Our top 10 Global Drilling Services customers represented approximately 65% of the division's revenue for the first half of 2017, with no contract contributing more than 11% of our consolidated revenue.



Revenue by Drill Type

Revenues closely tied to mine production proved more stable in the first half of 2017 than those linked to green field exploration. Surface Coring, Water Well, and Sonic were the primarily drivers for the volume increase compared to the first half of 2016. Other Drilling Disciplines remained relatively flat compared to the first half of 2016.

Revenue by Stage (1)



(1) Based on percentages of total Company revenue for the first half of 2016

Revenue by Drill Type (1)

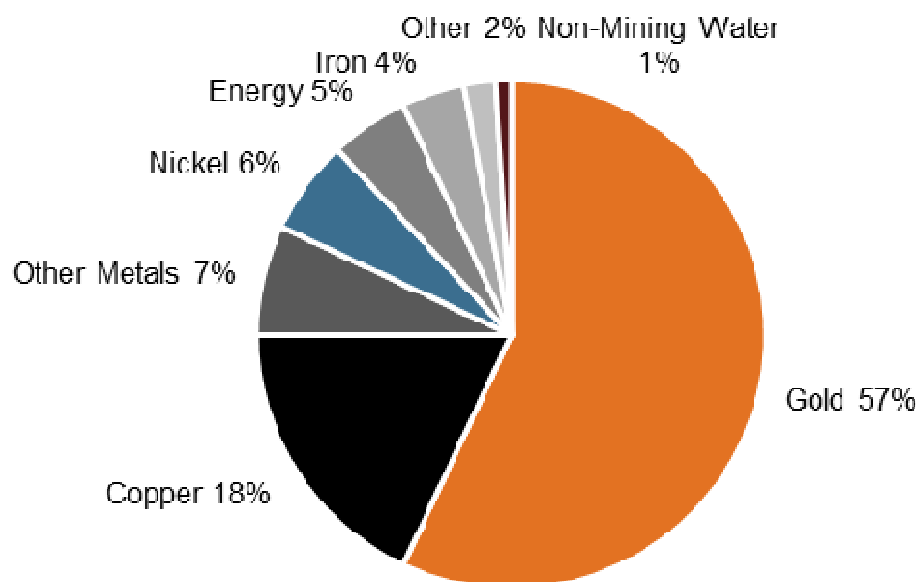
	First Half 2017		First Half 2016		First Half 2015	
	US$ Millions	**% of Total**	**US$ Millions**	**% of Total**	**US$ Millions**	**% of Total**
Surface Coring	90.5	37.4%	75.5	34.4%	94.5	33.6%
UG Coring	56.7	23.5%	60.7	27.7%	76.3	27.1%
Water Well	36.9	15.3%	31.3	14.3%	44.1	15.7%
Rotary	30.6	12.7%	29.6	13.5%	34.5	12.3%
Percussive	18.5	7.7%	17.7	8.1%	20.3	7.2%
Sonic	8.2	3.4%	4.7	2.1%	11.5	4.1%
Grand Total	**241.4**		**219.5**		**281.2**	

(1) Based on percentages of total Company revenue for the first half of 2017

Revenue by commodity

Gold and copper continue to be the primary commodities on which our customers were spending their exploration budgets in the first half of 2017 representing 57.2% and 18.4% of revenue, respectively. Global Drilling Services' revenue associated with gold increased to $138.1 million for the first half of 2017, compared to $124.3 million for the same period 2016, and for the same time periods revenue associated with copper increased to $44.5 million from $39.3 million.

Revenue by Commodity [(1)]



(1) Based on percentages of total Global Drilling Services revenue for the half-year ended 30 June 2017

Revenue by Commodity

	First Half 2017		First Half 2016		First Half 2015	
	US$ Millions	% of Total	US$ Millions	% of Total	US$ Millions	% of Total
Gold	138.1	57.2%	124.3	56.6%	130.3	46.3%
Copper	44.5	18.4%	39.3	17.9%	54.0	19.2%
Other Metals	16.2	6.7%	7.7	3.5%	30.0	10.7%
Nickel	14.2	5.9%	13.2	6.0%	13.5	4.8%
Energy	11.6	4.8%	9.7	4.4%	25.3	9.0%
Iron	9.4	3.9%	9.2	4.2%	7.6	2.7%
Other	4.3	1.8%	4.1	1.9%	0.6	0.2%
Water Services	3.1	1.3%	12.0	5.5%	19.9	7.1%
Grand Total	**241.4**		**219.5**		**281.2**	

Margins

Despite a challenging market, Global Drilling Services in the first half of 2017 achieved $28.2 million of Contribution Margin compared to $14.5 million in the first half of 2016, an increase of 94.8%. The primary drivers for the increase in Contribution Margin were the cost control initiatives undertaken by the business, productivity improvements, and increased volume. In the first half of 2017, the business continued to improve in meters per shift, non-billable hours and revenue per shift while reducing variable and fixed cost to maintain a flat cost structure from a percent of revenue perspective.

EBITDA in the first half of 2017 was $34.3 million, up 46.6% from $23.4 million in the first half of 2016. The largest improvement was seen in our USA operations.

6.2 Review of Segment Operations - Global Products

	2017 US$ Millions	2016 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	114.8	91.0	23.8	26.2%
COGS				
Materials/labor/overhead/other	90.9	68.9	22.0	31.9%
Inventory obsolescence	-	(1.9)	1.9	-100.0%
Depreciation and amortisation	3.0	3.4	(0.4)	-11.8%
Total COGS	93.9	70.4	23.5	33.4%
COGS as a % of Revenue	*81.8%*	*77.4%*	*4.4%*	*5.7%*
Contribution margin $	10.7	10.7	-	0.0%
Contribution margin %	9.3%	11.8%	-2.5%	-21.2%
Business unit SG&A	10.4	9.9	0.5	5.1%
Allocated SG&A	8.4	8.5	(0.1)	-1.2%
EBITDA	5.7	6.1	(0.4)	-6.6%
Capital Spend (accrual basis)	5.5	1.0	4.5	450.0%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	22.7	13.1	9.6	73.5%
Inventories [1]	173.1	166.5	6.6	4.0%
# of Employees	983	960	23	2.4%

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

Safety

In first half 2017, the Total Case Incident Rate (TCIR) for the Global Products segment was 0.76 recordable incidents per 200,000 hours worked and the Lost-Time Incident Rate (LTIR) was 0.00. As with the Global Drilling Services division, these results reflect the Company's continued focus on programs to reinforce hazard recognition and consistently apply the Company's EHS management system across all operations. With the release of the Company's updated EHS management system, redefined and expanded EHS standards will continue to drive continuous improvement with a streamlined and comprehensive approach to best practices in safety.

Revenue

Revenue for the half-year 2017 was $114.8 million, up 23.8% from $91.0 million for the half year of 2016. The significant increase was driven by improved capital equipment and exploration tooling sales volumes.

Of Global Products' revenue for the half-year ended 30 June 2017, approximately 77% was comprised of performance tooling components, and the remaining 23% was comprised of drilling equipment and spares. We have a global network of over 100 sales and customer service representatives marketing our products to drilling contractors, mining companies, and distributors. Our customer base is diversified with no external Global Products customer representing more than 2% of consolidated revenue for the half-year. Global Products continues to provide many of the products necessary for our Global Drilling Services division.

Margins

Although revenue increased 23.8% in Global Products, EBITDA for the half-year ended 30 June 2017 was down 6.6% compared to the first half 2016. The drop in EBITDA was primarily driven by the inventory obsolescence credit of $1.9 million which was recognised in 2016 but was not applicable in 2017. We continue to control costs and operate our manufacturing facilities at lean levels, only producing what is needed to support sales.

Backlog

At 30 June 2017, Global Products had a backlog of product orders valued at $25.4 million. This compares to $19.0 million at 31 December 2016 and $10.6 million at 30 June 2016. Average backlog during the first half of 2016 was $22.7 million compared to $16.0 million during the second half of 2016. The increase in our backlog – which we define as product orders we believe to be firm – was driven by increase in demand for capital equipment and consumables. It should be noted that an order shipped within the same month the order is received does not show up in backlog. Also, there is no certainty that orders in our backlog will result in actual sales at the times or in the amounts ordered because our customers generally can cancel their orders without penalty (with some exceptions on capital equipment orders).

Intellectual Property

We rely on a combination of patents, trademarks, trade secrets and similar intellectual property rights to protect the proprietary technology and other intellectual property that are instrumental to our Global Products business. As at 30 June 2017, we had 420 issued patents, 614 registered trademarks, 251 pending patent applications and 21 pending trademark applications. One of the most significant patents is for our RQ™ coring rod. The RQ™ patented thread design withstands greater stress than all previously available coring rod designs, enabling drilling of substantially deeper holes. We do not consider our Global Products business, or our business as a whole, to be materially dependent upon any particular patent, trademark, trade secret or other intellectual property.

Research and Development

Our Global Products division employs engineers and technicians to develop, design and test new and improved products. We work closely with our customers, as well as our Global Drilling Services division, to identify opportunities and develop technical solutions for issues that arise on site. We believe that sharing field data, challenges, safety requirements and best practices accelerates innovation and increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from our Global Drilling Services network around the world. New product development efforts remain focused on incremental product changes that increase productivity so customers are willing to pay for them regardless of the business environment. Launching in the second half of 2017, our patented Longyear™ diamond bits improve productivity by lasting longer and cutting faster. Development of the new XQ™ coring rod continues smoothly, featuring a greater depth capacity than RQ™ rod, and faster, easier joint make/breaks for higher productivity. TruCore™ core orientation tools continue to expand geographically and are now available globally. The TruShot™ magnetic survey instrument, the second in a future suite of tools, is now under test with our Global Drilling Services. Both instruments are part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

Inventories

Cash continued to be generated from inventory in first half 2017 due to careful management of demand in our supply chain organisation and continuous efforts to reduce excess inventory. While we generated $9.5 million related to third-party sales (less purchases and manufactured goods) and consumption in our Global Drilling Services division, this was offset by an increase of $4.4 million related to foreign currency translation and $13.0 million related to a net increase in other non-cash items.

7. Non-IFRS Financial Information

	For the half-year ended 30 June			
	2017	2017	2016	2016
US$ Millions	**US$ Millions**	**US$ Millions**	**US$ Millions**	**US$ Millions**
EBITDA[1]	**(12.0)**		**3.1**	
NPAT[2]		**(85.2)**		**(73.2)**
Recapitalisation costs	26.0	26.0	-	-
Impairments				
Intangible assets	-	-	0.5	0.5
Employee and related costs	5.6	5.6	4.6	4.6
Other restructuring expenses	1.8	1.8	5.3	5.3
Tax effect of items and other tax write offs[3]	-	10.0	-	10.7
Total of significant and non-recurring items	33.4	43.4	10.4	21.1
Adjusted EBITDA[1]	**21.4**		**13.5**	
Adjusted NPAT[2]		**(41.8)**		**(52.1)**

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

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

(3) Includes tax expense on derecognition of deferred tax assets and unrecognised tax losses of $28.9 million.

8. Outlook

8.1 Our 2017 Priorities

Our key priorities for 2017 are to:

- continue to eliminate job related injuries and significant safety risks by enhancing our culture around safety and compliance;
- expand our mining and minerals drilling customer base by focusing on efficiency and productivity and enhancing our commercial practices and processes;
- effectively manage customer relationships, pricing and contract terms;
- create new products and respond to new Global Drilling Services customers while judiciously managing capital; and
- improve cash generation, with the goal to become cash positive, through disciplined management of liquidity and costs.

Continue to eliminate job related injuries and significant safety risks by enhancing our strong safety and compliance record. Safety is critical to the Company, our employees and our customers, both in determining the success of our business and in ensuring the ongoing well-being of our employees and others with whom we come into contact. We are dedicated to providing a safe work environment for every employee and contractor and implementing state-of-the-art safety tools and practices to become the safety leader in our industry. We are particularly focused on significant risks, continually seeking ways to mitigate those risks and ensuring that, when significant injuries or high-potential near-misses occur, we thoroughly investigate the root causes of those incidents and apply the lessons learned from them broadly. We also promote a culture where employees and managers at all levels are actively engaged in promoting safe work practices.

Expand our mining and minerals drilling customer base by focusing on efficiency and productivity. We remain focused on providing our customers with a full range of drilling services offerings. Our commitment is underpinned by initiatives to improve the efficiency and productivity with which we deliver services and information to our customers, combined with enhancements of our commercial practices and capabilities to ensure alignment with our customers' most important needs. Our goal is to be the driller of choice for our clients and thereby bring value both to the customer and to Boart Longyear.

Effectively manage customer relationships, pricing and contract terms. Our Global Drilling Services and Global Products businesses have implemented rigorous internal processes to ensure our products and services reflect the full value delivered to our customers and to solidify and create lasting customer relationships.

Create new products and respond to new opportunities within a constrained capital budget. We continue to pursue disciplined investments in our business to drive returns and capitalise on high-value opportunities in which we can leverage distinctive competencies. We also will continue to pursue strategic technologies and high value-added and more profitable activities, such as expanding our product and services offerings to provide subsurface resource information to our mining customers through our Geological Data Services business.

Improve cash generation in 2017, with the goal to become cash positive, through careful management of liquidity and costs. We have established being cash positive in 2017 as a primary goal for the business, which we intend to achieve through continued disciplined expense and capital management, opportunistic cost reductions and productivity enhancements. Throughout the first half of 2017, our business initiatives focused on improving our fixed and variable cost structures in key areas of the business and we expect these benefits to improve liquidity during the remainder of 2017 and beyond. Furthermore, we will continue to focus on process improvements, streamlined working capital management and structural changes to improve customer support and responsiveness and drive long-term efficiencies throughout 2017.

8.2 Outlook and Future Developments

We are not providing an outlook for 2017 revenue or EBITDA. Our productivity and commercial improvement initiatives are making a positive impact, as significant improvements in results have been achieved so far in 2017. We expect to continue to see gains in both of these areas going forward.

The mining industry is cyclical. Notwithstanding current sector challenges, the longer-term outlook for the mining industry is expected to remain attractive and to be underpinned by:

- continued industrialisation and urbanisation of developing economies, which are expected to support structural increases in demand for minerals and metals; and
- although volatile, improving commodity prices and customer margins relative to those over the past few years.

As a result, we believe natural resources companies will remain motivated to produce throughout the cycle and both supplement and replace their depleted reserves and resources over time, driving exploration, development and capital spending. As the leading drilling services provider in the mineral industry globally with the world's largest drilling fleet, we continue to drive operational improvements and technological innovation which we believe will benefit the business through increased market opportunities.

We remain focused on our core mining markets and intend to continue to invest in promising organic growth opportunities in a selective and disciplined manner. Examples of such opportunities include developing the next generation of consumable products, rod-handling solutions for the entire range of drilling rigs the Company offers, providing subsurface resource information to our mining customers through our Geological Data Services business and other products and services that enhance safety and productivity. In addition, we continue to pursue operational enhancements to deliver more value to our customers and improve operating margins, cash generation and debt reduction.

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

8.3 Key Risks

The Company maintains an Enterprise Risk Management ("ERM") system by which we systematically assess the consequences of risk in areas such as market, health and safety, environment, finance, legal compliance, and reputation. We also identify and track appropriate mitigation actions for identified risks. A range of material risks have been identified, as follows, that could adversely affect the Company. These risks are not listed in order of significance. Nor are they all-encompassing. Rather, they reflect the most significant risks identified at a whole-of-entity or consolidated level.

Market Risk. The Company's operating results, financial condition and ability to achieve shareholder returns are directly linked to underlying market demand for drilling services and drilling products. Demand for our drilling services and products depends in significant part upon the level of mineral exploration, production and development activities conducted by mining companies, particularly with respect to gold, copper and other base metals. In recent years, we have experienced significant declines in our financial performance as a result of declining demand for, and global oversupply of, the Company's services and products due to the global contraction in exploration and development spending in the commodities sector and by our mining customers. Mineral exploration, production and development activities are uncertain and could remain at depressed levels for an extended period of time or decline even further, resulting in adverse effects on our operating results, liquidity and financial condition.

We seek to mitigate the risk associated with volatility and weak demand conditions in our core mining markets by pursuing business development opportunities in other markets, such as infrastructure and geotechnical applications for our Global Products business, and new technologies for our markets, such as our Geological Data Services business. In addition, as previously outlined, our business priorities for 2017 include ongoing initiatives to gain market share in our core markets and expand our mining industry customer base by improving the efficiency and productivity with which we deliver services and information to our customers and making additional investments in our commercial organisation to augment our business development efforts and improve commercial practices for better alignment with our customers' needs.

Operational Risks. The majority of our drilling contracts are either short-term or may be cancelled upon short notice by our customers, and our products backlog is subject to cancellation. We seek to strengthen customer relationships and lessen retention risks through improved commercial practices and ongoing initiatives targeted at strengthening our operational and safety performance. Also, we pursue contracting practices to minimise the financial cost associated with the termination or suspension of customer contracts or orders but often are limited by industry practice as to the degree to which we can allocate termination risks and obligations to our customers.

We have implemented significant cost savings, productivity improvements and efficiencies during the course of the industry downturn but our future operating results, financial condition and competiveness depend on our ability to sustain previously implemented reductions and realise additional savings and improvements from ongoing and future productivity and efficiency initiatives. We may not be able to achieve expected cost savings and operational improvements in anticipated amounts or within expected time periods, and, if achieved, we may not be able to sustain them. Accordingly, we have implemented a project management organisation and rigorous monitoring processes around our key operational improvement programmes to track progress against project objectives, quantify results that are being achieved and ensure process improvements are sustainable.

Risks Related to Liquidity and Indebtedness. At 30 June 2017, our net debt was $753.2 million, with $788.5 million in gross debt and $35.2 million of cash on hand and available through our Asset-Based Loan ("ABL") facility. The instruments comprising the Company's debt and their terms are set out in detail in Note 11 of the financial statements.

As announced in August 2016, the Company appointed legal and financial advisors to pursue a restructuring transaction to improve the capital structure of the business.

The restructuring process is substantially progressed and is expected to complete in September 2017. Shareholder approval for key components of the restructuring was secured at the Company's annual general meeting on 13 June 2017. The two schemes of arrangement for secured and unsecured creditors, comprising key components of the restructuring, were approved by creditors on 30 May 2017 and, on 22 August 2017 by the Supreme Court of New South Wales ("Schemes Approval"). The Schemes Approval is required to be ratified for implementation in the United States under chapter 15 of the United States Bankruptcy Code before a US Bankruptcy court ("US court"). The chapter 15 hearing in the United States is scheduled to occur on 30 August 2017. If approval of the US court is received and barring further legal challenges, all components of the restructuring would be implemented in early September 2017. The Schemes Approval both in Australia and the United States enables the Company to implement key components of the restructuring, including exchanging certain of the Company's bonds and term loan debt for equity in Boart Longyear and amending the terms of remaining bonds and its Term Loans A and B in accordance with the term amendments announced to the ASX on 3 April 2017, as further amended and announced to the ASX on 9 August 2017.

In addition, on 24 July 2017, the Company completed another key requirement of the restructuring by entering into a revolving credit facility with PNC Bank, National Association and a term loan credit facility with certain affiliates of Centerbridge Partners, L.P., Ares Management LLC and Ascribe Capital, LLC. These facilities will replace the Company's existing asset-backed loan facility, Delayed Draw Term Loan and Second-Out ABL once the restructuring is completed.

The Company's ability to fund operations and make further investments in the business remains dependent on the outcome of the restructuring process. If completed, the implemented restructuring will generally have met the fundamental objectives identified by the Board and announced in August 2016. The restructuring will reduce financial debt, reduce cash interest payments and otherwise secure additional liquidity to sustain the Company, and extend maturities on existing debt to 2022 to provide the Company additional time to benefit from the expected recovery in its core markets.

The completion of the restructuring does not assure, however, that liquidity will be adequate to meet the Company's short-term or longer-term operating needs. In line with typical seasonality, the Company expects an increase in available cash in the fourth quarter of 2017 which could result in an increase in liquidity of $10 million to $20 million relative to 30 June 2017. However, The Company has incurred higher fees and one-off expenses in connection with the restructuring due to the length of time required to reach agreement on a restructuring framework, including as a result of the various legal challenges from dissenting creditors and shareholders. In combination with the market and operational risks set out in greater detail in this section of this report, there remains a risk that the Company's liquidity position could be insufficient to sustain operations, particularly during the first half of FY2018. The Company may have additional liquidity requirements in such circumstances and may be dependent on Centerbridge, Ares, Ascribe and other creditors to provide additional liquidity.

The Company will remain heavily leveraged even after implementation of the restructuring. While interest on all of the Company's debt facilities (other than the revolving ABL facility with PNC Bank) may be payable in kind until December 2018, interest on the 10% Secured Notes is payable in cash thereafter. The Company may therefore be required to dedicate a significant portion of its cash flow from operations to fund the payment of interest in the future, reducing the availability of cash flow to fund working capital, capital expenditures, development activity, acquisitions and other general corporate purposes. The Company's ability to refinance or renew its debt in 2022, when it is scheduled to come due, will still depend on its ability to generate cash flow and, potentially, other circumstances, such as existing market conditions at the time of refinancing.

Tax Risk. As previously disclosed and further detailed in Note 7 of the financial statements, the Company is contesting a series of tax audits performed by the Canada Revenue Agency ("CRA"). We also are responding to audits that are underway or anticipated to be performed by the CRA. The resolution of existing and potential assessments by Canadian tax authorities may adversely affect our liquidity. While the timing and resolution of the Company's appeals of the CRA's assessments are uncertain, we are pursuing strategies to mitigate the risks of an adverse outcome with the assistance of our external legal and tax experts.

The closure of our centralised operating structure based in Switzerland and the establishment of a master distributor entity based in the United States could result in audits or assessments in many of the jurisdictions in which we operate and could lead to a higher effective tax rate and tax payments. Assessments related to these issues may adversely affect our liquidity in the event we are required to pay assessments, or post security to maintain challenges to such assessments. In making the decision to move to the master distributor entity, management and our external advisors carefully evaluated the operational requirements of the business, future tax risk and potential forecast scenarios and considered that the US-based master distributor structure effectively balances business objectives and tax risks inherent in any reorganisation.

Government and Regulatory Risk. Changes in, or failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business could have a material adverse effect on our financial condition, liquidity, results of operations and cash flows. Our operations are subject to numerous laws, regulations and guidelines (including anti-bribery, tax, health and safety, and environmental regulations) that could result in material liabilities or increases in our operating costs, or lead to the decline in the demand for our services or products. We therefore carefully monitor, and educate our employees and business partners about, legal requirements and developments to make sure our operations remain aware of applicable laws and regulations at all times. Further, we have implemented various internal and external resources and controls to promptly detect and address any potential non-compliance.

8.4 Forward Looking Statements

This report contains forward looking statements, including statements of current intention, opinion and expectation regarding the Company's present and future operations, possible future events and future financial prospects. While these statements reflect expectations at the date of this report, they are, by their nature, not certain and are susceptible to change. The Company makes no representation, assurance or guarantee as to the accuracy of or likelihood of fulfilling any such forward looking statements (whether express or implied), and, except as required by applicable law or the Australian Securities Exchange Listing Rules, disclaims any obligation or undertaking to publicly update such forward looking statements.

9. Quarterly Income Statement and Related Information

	Quarters ended 2017		Quarters ended 2016				Quarters ended 2015			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Company										
Revenue (US$ millions)	192.5	163.7	156.9	175.0	168.7	141.8	160.9	186.8	200.3	187.2
EBITDA (US$ millions)	(7.6)	(4.4)	(15.3)	13.8	15.5	(12.4)	(75.2)	(0.7)	(25.2)	(14.2)
Adjusted EBITDA (US$ millions) [2]	12.8	8.6	1.3	17.2	19.8	(6.3)	(4.9)	3.1	11.2	(9.5)
Operating Loss	(16.9)	(21.8)	(25.5)	(5.5)	3.4	(33.2)	(90.4)	(24.8)	(44.6)	(39.4)
(Loss) Profit from Trading Activities [3]	7.4	(8.5)	(7.7)	(0.8)	7.8	(23.2)	(10.3)	(7.7)	(3.6)	(24.2)
Net cash flows (used in) provided by operating activities	(18.3)	(39.4)	5.5	16.6	(22.5)	(50.0)	28.2	2.0	(10.2)	(74.9)
Net Debt (US$ millions)	753.2	718.4	675.8	674.3	670.1	639.6	576.4	554.6	556.1	538.1
Adjusted SG&A (US$ millions) [2]	27.2	27.4	28.7	28.1	28.9	27.0	28.3	31.0	32.5	30.6
# of employees [1]	4,636	4,444	4,337	4,626	4,629	4,611	4,725	5,089	5,151	5,537
Global Drilling Services										
Revenue (US$ millions)	134.1	107.3	104.5	123.7	122.2	97.3	111.3	135.4	145.1	136.1
EBITDA (US$ millions)	23.8	10.5	8.2	20.0	21.5	1.9	3.0	15.8	18.1	4.0
Average # of drill rigs [1]	718	739	878	878	889	911	914	917	921	933
Average rig utilisation [1]	45%	37%	32%	35%	34%	28%	33%	37%	38%	35%
# of employees [1]	3,338	3,146	3,011	3,307	3,349	3,300	3,127	3,420	3,478	3,833
Global Products										
Revenue (US$ millions)	58.4	56.4	52.4	51.3	46.5	44.5	49.6	51.4	55.2	51.1
EBITDA (US$ millions)	(0.1)	5.8	2.1	5.2	4.3	1.8	4.0	3.4	4.5	2.6
Average backlog (US$ millions)	23.7	21.7	19.3	12.8	11.3	14.9	13.3	16.7	18.4	18.9
# of employees [1]	983	974	1,001	988	960	974	1,258	1,314	1,321	1,338

(1) Except for the number of employees, utilisation and rigs. Figures are period end, except where averages are indicated.

(2) Adjusted EBITDA and Adjusted SG&A are non-IFRS measures and are used internally by management to assess the underlying performance of the business and have been derived from the Company's financial results by adding back significant items, (i.e., charges relating to impairments, recapitalisation, restructuring, and employee and related costs).

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

AUDITOR'S INDEPENDENCE DECLARATION

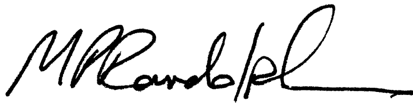
The Auditor's independence declaration is on page 29 of this report.

ROUNDING OF AMOUNTS

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

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

On behalf of the Directors



Marcus Randolph
Chairman

24 August 2017

Deloitte.

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24 August 2017

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

Dear Directors

Boart Longyear Limited

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

As lead audit partner for the review of the financial statements of Boart Longyear Limited for the half-year ended 30 June 2017, 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

A T Richards
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

Deloitte.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Boart Longyear Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2017, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 32 to 57.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 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.

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Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 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 T Richards
Partner
Chartered Accountants
Perth, 24 August 2017

DIRECTORS' DECLARATION

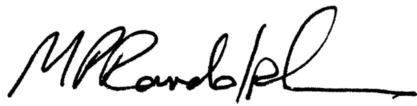
The Directors declare that:

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

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

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

On behalf of the Directors



Marcus Randolph
Chairman

24 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2017

	Note	Half-year ended 30 June 2017 US$'000		Half-year ended 30 June 2016 US$'000
Continuing operations				
Revenue		356,181		310,498
Cost of goods sold		(304,952)	1	(271,488)
Gross margin		51,229		39,010
Other income	3	4,205		3,746
General and administrative expenses		(72,560)	1	(50,187)
Sales and marketing expenses		(13,199)	1	(14,640)
Other expenses	3	(8,343)		(7,734)
Operating loss		(38,668)		(29,805)
Interest income		1,486		1,169
Finance costs	4	(37,979)		(35,637)
Loss before taxation		(75,161)		(64,273)
Income tax expense	7	(10,073)		(8,925)
Loss for the period attributable to equity holders of the parent		(85,234)		(73,198)
Loss per share				
Basic loss per share		(9.1) cents		(7.8) cents
Other comprehensive loss				
Loss for the period attributable to equity holders of the parent		(85,234)		(73,198)
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations		12,309		3,625
Items that will not be reclassified subsequently to profit or loss				
Actuarial (losses) gains related to defined benefit plans		11,800		(10,880)
Income benefit (tax) on income and expense recognised directly through equity		(982)		756
Other comprehensive loss for the period, net of tax		23,127		(6,499)
Total comprehensive loss for the period attributable to equity holders of the parent		(62,107)		(79,697)

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

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 38-57

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Note	30 June 2017 US$'000	31 December 2016 US$'000
Current assets			
Cash and cash equivalents	**14**	35,238	59,343
Trade and other receivables	**8**	153,735	107,898
Inventories		173,054	165,020
Current tax receivable		1,970	4,399
Prepaid expenses and other assets		15,796	13,604
		379,793	350,264
Asset classified as held for sale	**15**	1,692	5,923
Total current assets		381,485	356,187
Non-current assets			
Property, plant and equipment		127,757	127,660
Goodwill	**9**	100,505	100,036
Other intangible assets	**9**	39,662	43,920
Deferred tax assets		14,929	19,465
Non-current tax receivable		21,372	19,035
Other assets		13,193	10,326
Total non-current assets		317,418	320,442
Total assets		698,903	676,629
Current liabilities			
Trade and other payables	**10**	164,712	126,589
Provisions	**12**	12,164	13,014
Current tax payable		97,392	94,577
Loans and borrowings	**11**	15,742	140
Total current liabilities		290,010	234,320
Non-current liabilities			
Loans and borrowings	**11**	772,705	734,987
Deferred tax liabilities		19,111	18,884
Provisions	**12**	15,299	25,941
Total non-current liabilities		807,115	779,812
Total liabilities		1,097,125	1,014,132
Net liabilities		**(398,222)**	**(337,503)**
Equity			
Issued capital		1,265,925	1,263,798
Reserves		(106,116)	(117,686)
Other equity		(137,182)	(137,182)
Accumulated losses		(1,420,849)	(1,346,433)
Total deficiency in equity		**(398,222)**	**(337,503)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 38-57

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2017

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Other equity US$'000	Accumulated losses US$'000	Total attributible to owners of the parent US$'000
Balance at 1 January 2016	1,262,431	(131,025)	10,212	(137,182)	(1,184,635)	(180,199)
Loss for the period	-	-	-	-	(73,198)	(73,198)
Other comprehensive (gain) loss for the period - net of tax	-	3,625	-	-	(10,124)	(6,499)
Total other comprehensive loss	-	3,625	-	-	(83,322)	(79,697)
Issued under recapitalisation program	423	-	-	-	-	423
Vesting of LTIP rights, restricted shares	501	-	(501)	-	-	-
Share-based compensation	-	-	1,787	-	-	1,787
Balance at 30 June 2016	**1,263,355**	**(127,400)**	**11,498**	**(137,182)**	**(1,267,957)**	**(257,686)**
Balance at 1 January 2017	1,263,798	(130,661)	12,975	(137,182)	(1,346,433)	(337,503)
Loss for the period	-	-	-	-	(85,234)	(85,234)
Other comprehensive gain for the period - net of tax	-	12,309	-	-	10,818	23,127
Total other comprehensive loss	-	12,309	-	-	(74,416)	(62,107)
Issued under recapitalisation program	47	-	-	-	-	47
Vesting of LTIP rights, restricted shares	2,080	-	(2,080)	-	-	-
Share-based compensation	-	-	1,341	-	-	1,341
Balance at 30 June 2017	**1,265,925**	**(118,352)**	**12,236**	**(137,182)**	**(1,420,849)**	**(398,222)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 38-57

Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2017

	Note	Half-year ended 30 June 2017 US$'000	Half-year ended 30 June 2016 US$'000
Cash flows from operating activities			
Loss for the period		(85,234)	(73,198)
Adjustments provided by operating activities:			
Income tax expense recognised in profit		10,073	8,925
Finance costs recognised in profit	**4**	37,979	35,637
Depreciation and amortisation		26,639	32,938
Interest income recognised in profit		(1,486)	(1,169)
Gain on sale or disposal of non-current assets		(2,783)	(1,890)
Other non-cash items		(13,067)	(7,860)
Shares issued to directors		47	-
Impairment of current and non-current assets		77	490
Non-cash foreign exchange loss		(5,097)	857
Equity-settled share-based payments		1,341	1,787
Long-term compensation - cash rights		1,930	1,194
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
Decrease (increase) in assets:			
Trade and other receivables		(42,227)	(17,578)
Inventories		9,408	10,064
Other assets		(3,592)	4,624
Decrease in liabilities:			
Trade and other payables		18,140	(34,239)
Provisions		(2,610)	(9,479)
Cash used in operations		(50,462)	(48,897)
Interest paid		(4,316)	(22,363)
Interest received		1,486	1,169
Income taxes paid		(4,422)	(2,420)
Net cash flows used in operating activities		**(57,714)**	**(72,511)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 38-57

Condensed Consolidated Statement of Cash Flows (continued)

For the half-year ended 30 June 2017

	Note	Half-year ended 30 June 2017 US$'000	Half-year ended 30 June 2016 US$'000
Cash flows from investing activities			
Investment in unaffiliated companies		(471)	(1,286)
Purchase of property, plant and equipment		(12,593)	(9,490)
Proceeds from sale of property, plant and equipment		4,458	5,507
Intangible costs paid		(1,721)	(996)
Net cash flows used in investing activities		**(10,327)**	**(6,265)**
Cash flows from financing activities			
Payments for debt issuance costs		-	(54)
Proceeds from borrowings		43,098	14,102
Repayment of borrowings		(6,455)	(6,105)
Net cash flows provided by financing activities		**36,643**	**7,943**
Net decrease in cash and cash equivalents		(31,398)	(70,833)
Cash and cash equivalents at the beginning of the period		59,343	113,357
Effects of exchange rate changes on the balance of cash held in foreign currencies		7,293	(1,436)
Cash and cash equivalents at the end of the period		**35,238**	**41,088**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 38-57

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Statement of compliance

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

Basis of preparation

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

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

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

Going concern

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

At 30 June 2017, the Company has net liabilities of $398.2 million (2016: net liabilities of $337.5 million as at 31 December). The increase in net liabilities is mainly a result of a loss after income tax of $85.2 million. At 30 June 2017, the Company has net current assets of $91.5 million (2016: $121.9 million as at 31 December).

In preparing the financial report, the Directors have made an assessment of the ability of the Company to continue as a going concern. The Company’s ability to meet its ongoing operational and financing obligations requires the Company to achieve:

- the successful completion of the announced restructuring process;
- the Company’s forecast cash flows which requires the ability to
    - sustain previously implemented cost reductions and realise cost savings from ongoing and future cost-reduction and efficiency initiatives; and
    - actively manage cash flows.

Restructure

The restructuring process is substantially progressed and is expected to complete in September 2017. Shareholder approval for key components of the restructuring was secured at the Company’s annual general meeting on 13 June 2017. The two schemes of arrangement for secured and unsecured creditors, comprising key components of the restructuring, were approved by creditors on 30 May 2017 and, on 22 August 2017 by the Supreme Court of New South Wales (“Schemes Approval”). The Schemes Approval is required to be ratified for implementation in the United States under chapter 15 of the United States Bankruptcy Code before a US Bankruptcy court (“US court”). The chapter 15 hearing in the United States is scheduled to occur on 30 August 2017. If approval of the US court is received, and barring further legal challenges, all components of the restructuring would be implemented in early September 2017. The Schemes Approval both in Australia and the United States enables the Company to implement key components of the restructuring, including exchanging certain of the Company’s bonds and term loan debt for equity in Boart Longyear and amending the terms of remaining bonds and its Term Loans A and B in accordance with the term amendments announced to the ASX on 3 April 2017, as further amended and announced to the ASX on 9 August 2017.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

In addition, on 24 July 2017, the Company completed another key requirement of the restructuring by entering into a revolving credit facility with PNC Bank, National Association and a term loan credit facility with certain affiliates of Centerbridge Partners, L.P., Ares Management LLC and Ascribe Capital, LLC. These facilities will replace the Company's existing asset-backed loan facility, Delayed Draw Term Loan and Second-Out ABL once the restructuring is completed.

The Company's ability to fund operations and make further investments in the business remains dependent on the outcome of the restructuring process. If completed, the implemented restructuring will generally have met the fundamental objectives identified by the Board and announced in August 2016. The restructuring will reduce financial debt, reduce cash interest payments and otherwise secure additional liquidity to sustain the Company, and extend maturities on existing debt to 2022 to provide the Company additional time to benefit from the expected recovery in its core markets.

The Company will remain heavily leveraged even after implementation of the restructuring. While interest on all of the Company's debt facilities (other than the revolving ABL facility with PNC Bank) may be payable in kind until December 2018, interest on the 10% Secured Notes is payable in cash thereafter. The Company may therefore be required to dedicate a significant portion of its cash flow from operations to fund the payment of interest in the future, reducing the availability of cash flow to fund working capital, capital expenditures, development activity, acquisitions and other general corporate purposes. The Company's ability to refinance or renew its debt in 2022, when it is scheduled to come due, will still depend on its ability to generate cash flow and, potentially, other circumstances, such as existing market conditions at the time of refinancing.

The completion of the restructuring does not assure, however, that liquidity will be adequate to meet the Company's short-term or longer-term operating needs. In line with typical seasonality, the Company expects an increase in available cash in the fourth quarter of 2017. However, the Company has incurred higher fees and one-off expenses in connection with the restructuring due to the length of time required to reach agreement on a restructuring framework, including as a result of the various legal challenges from dissenting creditors and shareholders. In combination with the market and operational risks set out below, there remains a risk that the Company's liquidity position could be insufficient to sustain operations, particularly during the first half of FY2018. The Company may have additional liquidity requirements in such circumstances and may be dependent on Centerbridge, Ares, Ascribe and other creditors to provide additional liquidity.

Cash flow Forecasts

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

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

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

Operational risk
In response to the ongoing effects of the industry downturn, the Company has implemented significant cost savings and efficiency initiatives. These initiatives are aggressively managing fixed, variable and capital costs and, in particular, improving operational efficiencies and commercial practices.

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

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

- assumptions relating to the timing and outcome of the tax audits detailed in Note 7 of the financial statements; and
- that the US dollar remains consistent with current levels, particularly in relation to the Australian and Canadian dollars.

There is still a risk that the Company will not achieve successful completion to the restructuring process or achieve its forecast cash flows, which may impact liquidity.

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

Accounting polices

The accounting policies and methods of computation followed in the preparation of the half-year financial report are consistent with those followed and disclosed in the Company's 2016 Annual Financial Report for the financial year ended 31 December 2016, except for the impact of the standards, interpretations and amendments described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Standards and Interpretations issued not yet effective

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
- AASB 9 ‘Financial instruments’, and the relevant amending standards	1 January 2018	31 December 2018
- AASB 15 ’Revenue from Contracts with Customers’ and AASB 2014-5 “Amendments to Australian Accounting Standards arising from AASB 15’	1 January 2018	31 December 2018
- AASB 16 ‘Leases’	1 January 2019	31 December 2019

The potential impact of the initial application of the Standards above is yet to be determined.

The following standards are not expected to have a significant impact on the consolidated financial statements:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
- AASB 2016-5 ’Amendments to Australian Accounting Standards – Classification and Measurement of Share-Based Payment Transactions’	1 January 2018	31 December 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Key Judgements and Estimates

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

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

The key judgments, estimates and assumptions that have or could have the most significant effect on the amounts recognised in the financial statements relate to the following areas:

(a) Goodwill, intangible assets and property, plant and equipment

The Company determines whether goodwill is impaired on an annual basis and assesses impairment of all assets, including goodwill, at each reporting date by evaluating whether indicators of impairment exist. This evaluation includes consideration of the market conditions specific to the industry in which the group operates, the decline in demand for drilling services and low rig utilisation rates, the political environment in countries in which the group operates, technological changes, expectations in relation to future cash flows and the Company's market capitalisation. Where an indication of impairment exists the recoverable amount of the asset is determined. Recoverable amount is the greater of fair value less costs to sell and value in use. Impairment is considered for individual assets, or cash generating units ("CGU"). Judgments are made in determining appropriate CGUs. When considering whether impairments exist at a CGU, the Company uses the value in use methodology.

The value in use calculation requires the Company to estimate the future cash flows expected to arise from a cash-generating unit and a suitable discount rate in order to calculate present value. These estimates are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets.

See Note 9 for details of the impairment process and a description of the key assumptions made.

(b) Recoverability of inventories

The Company measures inventory at the lower of cost or net realisable value. Due to the decline in the demand for products, and consumables used in our Global Drilling Services business, and the high inventory balances across the group and the speed at which inventory is turning in the current market, significant judgment is required in determining net realisable value of inventory.

(c) Property, plant and equipment

The Company's assets are held in various differing geographical, political and physical environments across the world, therefore, the estimation of useful lives of assets is an area of significant judgment. Our current estimate has been based on historical experience. In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

(d) Income taxes

The Company is subject to income taxes in Australia and other jurisdictions around the world in which the Company operates. Significant judgment is required in determining the Company's current tax assets and liabilities. Judgments are required about the application of income tax legislation and its interaction with income tax accounting principles. Tax positions taken by the Company are subject to challenge and audit by various income tax authorities in jurisdictions in which the group operates.

Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses, foreign tax credits and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future earnings.

These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and tax liabilities recognised on the balance sheet. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and tax liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

(e) Defined benefit pension plans

The Company's accounting policy for defined benefit pension plans requires management to make annual estimates and assumptions about future returns on classes of assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in equity.

2. SEGMENT REPORTING

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

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

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	30 June 2017		30 June 2016		30 June 2017	30 June 2016
	US$'000		US$'000		US$'000	US$'000
Drilling Services		241,376		219,528	17,894	2,629
Global Products revenue						
Products third party revenue	114,805		90,970			
Products inter-segment revenue [1]	25,180		22,721			
Total Products		139,985		113,691	2,181	2,114
Less Global Products sales to Global Drilling Services		(25,180)		(22,721)		
Total third party revenue		356,181		310,498		
Total segment profit (loss)					20,075	4,743
Unallocated costs [2]					(25,346)	(24,136)
Restructuring expenses and related impairments					(33,397)	(10,412)
Finance costs					(37,979)	(35,637)
Interest income					1,486	1,169
Loss before taxation					(75,161)	(64,273)

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

Geographic information

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

	Revenue from external customers		Non-current assets[1]	
	30 June 2017	30 June 2016	30 June 2017	31 December 2016
	US$'000	US$'000	US$'000	US$'000
North America	164,987	141,056	218,248	218,460
Asia Pacific	74,816	79,626	52,378	56,188
Latin America	50,824	42,051	27,191	24,232
EMEA	65,554	47,765	4,672	2,097
	356,181	310,498	302,489	300,977

(1) Non-current assets excluding deferred tax assets

3. OTHER INCOME AND EXPENSES

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

	2017 US$'000	2016 US$'000
Other income		
Gain on disposal of property, plant and equipment	2,783	1,890
Gain on foreign currency exchange differences	-	607
Other	1,422	1,249
	4,205	3,746
Other expenses		
Amortisation of intangible assets	5,369	6,641
Loss on foreign currency exchange differences	1,899	-
VAT-related items	-	354
Other	1,075	739
	8,343	7,734

4. FINANCE COSTS

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

	2017 US$'000	2016 US$'000
Interest on loans and bank overdrafts	36,938	34,608
Amortisation of debt issuance costs	1,028	1,029
Interest on obligations under finance leases	13	-
Total finance costs	37,979	35,637

5. SIGNIFICANT ITEMS

During the first half of 2017, the Company continued to reduce operating costs through a series of restructuring activities. The Company's restructuring efforts included:

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

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

In addition, due to the continued low level of revenues and profitability as well as continuing forecast for global low levels in the demand for drilling services and products, the Company reassessed the carrying value of certain assets, including goodwill, intangible assets, plant and equipment and inventories. There were no impairments related to this assessment. A description of the impairment process is provided in Note 9.

5. SIGNIFICANT ITEMS (CONTINUED)

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

	2017 US$'000	2016 US$'000
Recapitalisation costs	25,999	-
Impairments:		
Other intangible assets	-	490
Employee and related costs[1]	5,563	4,561
Other restructuring costs	960	5,030
Onerous leases	875	331
	33,397	10,412
Net of tax[2]	33,220	10,328

(1) Employee and related costs include separation costs, retention and other employee-related costs.
(2) The tax effect was calculated using applicable local country tax rates before application of excess of net operating losses.

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

	2017 US$'000	2016 US$'000
Cost of goods sold	2,140	1,436
General and administrative expenses	30,929	7,334
Sales and marketing expenses	152	129
Research and development	176	1,513
	33,397	10,412

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

	2017 US$'000	2016 US$'000
Global drilling services	2,221	6,628
Global products	1,279	620
Unallocated	29,897	3,164
	33,397	10,412

6. ISSUANCE OF LTIP RIGHTS, SHARES AND PURCHASES

During the half-year ended 30 June 2017, the Company granted 6,585,500 cash rights under its long-term incentive plan (LTIP). The cash rights have a vesting period over the next three years. During the half-year ended 30 June 2016, the Company granted 47,140,000 share rights under its LTIP with a combined fair value of approximately $2.4 million and a vesting period over the next three years.

During the half-year ended 30 June 2016, the Company granted 1,000,000 share options to a member of management. The options were granted at a strike price of $0.16 (A$0.20) with the market price of the Company's shares at $0.04 (A$0.06) at time of grant. The options vest three to five years from grant date and are exercisable for five to seven years after the vesting date. There were no options granted during the half-year ended 30 June 2017.

The Company purchased 184,535 and 1,347,420 shares of the Company's stock with accumulated dividends held within the trust in the half-years ended 30 June 2017 and 2016, respectively.

The Company also issued 7,872,292 shares to Board members for compensation and 6,534,925 to employees for vesting of LTIP rights during the half-year ended 30 June 2017. There were 8,209,518 shares issued to Board members during the half-year ended 30 June 2016.

7. INCOME TAXES

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

	2017 US$'000	2016 US$'000
Loss before taxation	(75,161)	(64,273)
Income tax benefit calculated at Australian rate of 30%	(22,547)	(19,282)
Impact of different tax rates in foreign jurisdictions	6,014	2,279
Net nondeductible/non assessable items	33,228	8,725
Unrecognised tax losses[1]	11,755	11,096
Utilisation of previously unrecognised tax losses[2]	(23,314)	(285)
Derecognition of deferred tax assets[3]	4,381	1,575
Other	607	2,098
Under provision from prior years	(51)	2,719
Income tax expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	10,073	8,925

(1) Due to the group being in a tax loss position in many jurisdictions during the current period, the Company has not recognised current period losses.

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

(3) As a result of adverse business conditions in certain jurisdictions, the Company has reduced its earnings forecast, restructured or withdrawn its operations and as a result has derecognised deferred tax assets recognised in prior periods.

7. INCOME TAXES (CONTINUED)

Canadian income tax audits

The Company's Canadian income tax returns for the tax years 2007-2012 have been reassessed by the Canada Revenue Agency ("CRA"). These reassessments are being appealed through a multi-national dispute resolution process, known as "competent authority" to prevent the double-taxation of income assessed by multiple jurisdictions. The assessment for the 2007 through 2012 tax years, if upheld, would result in federal and provincial tax liabilities (including interest) of approximately C$112.0 million.

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

The Company has recorded a tax provision related to the CRA's audits of the 2007 through 2012 tax years. The provision reflects the uncertainties regarding the outcome of those audits. While the Company believes it is appropriately reserved in respect of the CRA tax disputes, the resolution of those disputes on terms substantially as assessed by the CRA for the 2007 through 2012 tax years could be material to the Company's financial position or results of operations. The Company's liquidity could also be impacted negatively by the CRA reassessments.

8. TRADE AND OTHER RECEIVABLES

	30 June 2017 US$'000	31 December 2016 US$'000
Trade receivables	138,158	94,220
Allowance for doubtful accounts	(831)	(1,278)
Goods and services tax receivable	15,298	13,194
Other receivables	1,110	1,762
	153,735	107,898

The ageing of trade receivables is detailed below:

	30 June 2017 US$'000	31 December 2016 US$'000
Current	110,579	68,591
Past due 0 - 30 days	16,105	14,682
Past due 31 - 60 days	6,421	4,134
Past due 61-90 days	2,995	3,259
Past due 90 days	2,058	3,554
	138,158	94,220

The average credit period on sales of goods and services is 64 days as at 30 June 2017 and 61 days at 30 June 2016. 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.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

	30 June 2017 US$'000	31 December 2016 US$'000
Goodwill	100,505	100,036
Other intangible assets:		
Software	7,785	12,265
Customer relationships	6,715	7,453
Development assets	16,119	15,555
Patents	5,994	5,624
Trademarks	3,049	3,023
	39,662	43,920

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in cash-generating units that are significant individually or in aggregate. The carrying amount of goodwill of $100.5 million as at 30 June 2017 and $100.0 million as at 31 December 2016 was in the North America Drilling Services CGU.

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.

Goodwill impairment by cash-generating units

Goodwill and intangible assets in the EMEA, Latin America and Asia Pacific Drilling Services CGUs have been fully impaired. For the cash-generating units with remaining goodwill and intangible assets, being the North America Drilling Services CGU, the Company performed a goodwill impairment test at 30 June 2017 and the recoverable amount for the North America Drilling Services CGU exceeded the goodwill carrying amount. Consequently, no goodwill impairments were recorded for the half-year period ended 30 June 2017.

Impairment process

In performing its impairment analysis the Company takes the following approach:

- Assets are first considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe.
- The Company also assesses the recoverability of its assets collectively across CGUs, where assets are not fully covered by the individual analysis above. In assessing the appropriate CGUs to test the Company takes the following approach:
  - Whilst not operating its full asset pool on an individual country basis, where goodwill exists the Company assesses the recoverability of goodwill within the region in which the original acquisition generating the goodwill was incurred;
  - For the Global Drilling Services segment, as the Company operates the business on a regional basis and the primary assets being rigs and associated equipment and inventory, are considered to be mobile between countries within a region, the Company assesses for impairment at a regional CGU level.

As a result of the impairment process set out above, the Company did not record any impairment charges as at 30 June 2017.

9. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Key assumptions

Certain key assumptions are used for CGU impairment testing and are described below.

In its impairment assessment, the Company calculates the recoverable amounts based on value-in-use calculations. Cash flow projections are based on the Company's expected performance over a ten-year period, which approximates the length of a typical mining business cycle based on historical industry experience, with a terminal value. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. The post-tax discount rate is applied to post tax cash flows that include an allowance for tax based on the respective jurisdictions' tax rate. No allowance is made for existing timing differences or carry-forward losses.

This method is used to approximate the requirement of the accounting standards to apply a pre-tax discount rate to pre-tax cash flows as the Company determined it was not feasible to calculate a stand-alone pre-tax discount rate.

As noted above cash flow projections are based on the Company's expected performance over a ten-year period, which approximates the length of a typical mining business cycle based on historical industry experience, with a terminal value. Central to the approach adopted is the assumption that the mining industry will continue to follow its historical trend of cycles and that we are currently at or near the bottom of the current cycle.

In considering the appropriateness of the assumptions used in the value in use analysis, the Company has considered the fact that the implied enterprise value implicit in its market capitalisation is below its internal models. This factor is one of many indicators of impairment that the Company has considered.

Revenue – Global Drilling Services
In determining the growth rates applied to revenue through the mining cycle, we have had regard to the following:

- Average revenue growth over previous mining cycles, with revenue in the forecast period and terminal year based on the average actual revenue in the last five years.
- Rates of inflation in the countries where the Company does business (sourced from Bloomberg and Damodaran).
- Price and volume expectations over the forecast period.

Revenue – Global Products
Revenue for the Global Products CGU (manufacturing facilities) has been determined based on current production levels with revenue assumed to grow at 5% each year in the forecast period.

Expenses
In determining gross margin and SG&A expenses management has used historical performance trends, overlaying the impacts of recent programs and other initiatives already taken within the business to reduce costs.

Working capital and capital expenditure
Working capital and capital expenditure assumptions are assumed to be in line with historic trends given the level of utilisation and operating activity.

9. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Discount rate and terminal growth rate

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 Bloomberg, the adjusted post-tax discount rates ranged from 10.3% to 27.1%, as shown in the table below. The terminal growth rate does not exceed the long-term average growth rate for the industry.

	Post tax Discount Rate	Growth Rate
Global	11.5%	3.0%
North America	10.3%	2.1%
Asia Pacific	11.3%	2.9%
Latin America	12.8%	7.6%
Europe and Africa	27.1%	7.3%

As part of our impairment analysis we have considered a number of different scenarios that consider the impact on the value-in-use calculations if key assumptions were to vary from those used in the calculations. Whilst a number of our scenarios did not show any impairment, if revenue and gross margins for each region and manufacturing facility deteriorate further than included in our impairment analysis due to lower than expected price and volume changes (1) and the Company is unable to adjust its cost structure, there would be impairments as follows:

	US$'000
North America	35,059
Asia Pacific	19,657
Latin America	7,020
Manufacturing facilities	5,805

(1) For the purposes of our sensitivity analysis, we have assumed that revenue is on average 2.5% lower than forecast and gross margin is on average 2.5% lower than forecast.

10. TRADE AND OTHER PAYABLES

	30 June 2017 US$'000	31 December 2016 US$'000
Current		
Trade payables	65,890	55,082
Accrued payroll and benefits	23,569	24,000
Accrued recapitalisation costs	11,441	4,150
Goods and services tax payable	12,327	11,128
Accrued drilling costs	3,846	2,798
Accrued legal and environmental	4,800	1,866
Accrued interest	28,059	10,036
Professional fees	4,278	7,351
Other sundry payables and accruals	10,502	10,178
	164,712	126,589

The average credit period on purchases of certain goods is 38 days as at 30 June 2017 compared to 27 days as at 30 June 2016. No interest is charged on trade payables for this period. Thereafter, various percentages of interest may be charged on the outstanding balance based on the terms of specific contracts. The Company has financial risk management policies in place to ensure that all payables are paid within the agreed upon terms.

11. LOANS AND BORROWINGS

	30 June 2017 US$'000	31 December 2016 US$'000
Unsecured - at amortised cost		
Non-current		
Senior notes	284,000	284,000
Debt issuance costs	(2,184)	(2,473)
Secured - at amortised cost		
Current		
Revolver bank loans	15,000	-
Accreted interest	400	-
Finance lease liabilities	342	140
Non-current		
Senior notes	195,000	195,000
Term loans	210,000	190,000
Accreted interest	69,316	53,779
Revolver bank loans	17,886	17,566
Debt issuance cost	(2,637)	(3,380)
Finance lease liabilities	1,324	495
	788,447	735,127
Disclosed in the financial statements as:		
Current borrowings	15,742	140
Non-current borrowings	772,705	734,987
	788,447	735,127
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	15,742	140
Between 1 and 2 years	195,378	328,576
Between 2 and 3 years	18,255	156
Between 3 and 4 years	563,704	128,068
More than 4 years	189	284,040
	793,268	740,980
Debt Issuance Cost	(4,821)	(5,853)
	788,447	735,127

Senior notes

Senior unsecured notes
The Company has $284.0 million of senior unsecured notes outstanding as at 30 June 2017 and 31 December 2016. These notes carry 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.

Senior secured notes
The Company has $195.0 million of senior secured notes outstanding as at 30 June 2017 and 31 December 2016. These notes carry an interest rate of 10% with a scheduled maturity date of 1 October 2018. 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.

11. LOANS AND BORROWINGS (CONTINUED)

Bank credit facility

The Company has an asset-based, revolving bank credit facility (the "ABL") that provides up to $40.0 million of capacity for loans or other purposes such as letters of credit. As at 30 June 2017 there was $17.9 million outstanding under this facility. In addition, there were outstanding letters of credit totalling $11.9 million that reduced the amount available to draw under the ABL commitments. Interest rates on usage/drawings (we pay this on letters of credit which are not "borrowings") are based on a base rate plus an applicable margin. The base rate is generally based on 30-day USD LIBOR, while the margin is determined based on the Company's leverage according to a pricing grid. As at 30 June 2017 the applicable margin was 3.5% for LIBOR-based loans.

The ABL facility is secured by a first lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the ABL borrower and guarantors and a third lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property). Provisions in the facility currently restrict availability by $5.0 million until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for four consecutive quarters. Provisions also require that $5.0 million of cash be held in a restricted bank account with the lender until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for two consecutive quarters, at which time the restricted cash shall be released. Following release of the restricted cash, but only to the extent that less than $7.5 million of excess availability exists under the facility, the facility triggers a requirement to maintain an unadjusted fixed charge coverage ratio of not less than 1.1:1.0. Scheduled maturity is 29 May 2020.

Second-Out ABL Facility
On 2 April 2017, the Company entered into a $15 million Second-Out ABL Facility with Centerbridge Partners L.P., Ares and Ascribe. This facility has been established to provide short-term financial support to the Company until the Recapitalisation can be completed. This Facility contains a maturity of the earlier 31 December 2017 or the date on which the Recapitalisation is completed. Interest is payable in kind at 12% per annum or 10% if paid in cash. This facility is secured by substantially the same collateral currently pledged to the Company's existing ABL. As of 30 June 2017 the amount drawn under this facility is $15 million.

Term loans

The Company has a term loan facility which is structured as Tranche A, Tranche B loans, and Delayed Draw Term Loan. The term loan has an interest rate of 12% per annum payable in kind or 10% payable in cash at the Company's option.

Tranche A
As at 30 June 2017 the amount outstanding under Tranche A was $85.0 million. This tranche contains a maturity that has been extended from 22 October 2020 to 3 January 2021 and is non-callable for the first 4 years. It is secured by a first lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

Tranche B
As at 30 June 2017 the amount outstanding under Tranche B was $105.0 million. This tranche contains maturity that has been extended from 1 October 2018 to 3 January 2021, and is non-callable for the life of the loan. It is secured by a second lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

11. LOANS AND BORROWINGS (CONTINUED)

Delayed Draw Term Loan
On 5 January 2017, the Company entered into a $20 million delayed draw term loan (“DDTL”) with Centerbridge Partners L.P. The DDTL has been established to provide additional financial resources to support ongoing restructuring discussions with the Company’s lenders as well as to provide additional working capital in the first quarter of 2017. The Company drew the available $20 million balance on 13 February 2017. This Term Loan contains a maturity of 31 December 2020. It is secured by a first lien on certain of the Company’s drilling rigs in the United States, Canada, and Australia. As of 30 June 2017 the amount drawn under this facility is $20 million.

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

The Company’s ABL term loans and senior notes does not require maintenance or testing of financial covenant ratios.

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

The Company’s ABL includes a covenant that is triggered following release of the restricted cash, but only to the extent that less than $7.5 million of excess availability exists under the facility. If triggered, the Company is required to maintain an unadjusted fixed charge coverage ratio of not less than 1.1:1.0.

As at 30 June 2017 the Company was in compliance will all of its debt covenants.

Further details around the Issuer/Borrower and Guarantors of the Company’s debt instruments are included below:

Description	Issuer/Borrower	Guarantors
Senior Secured Notes	Boart Longyear Management Pty Limited	*Australia:* Boart Longyear Australia Pty Limited, Boart Longyear Limited and Votraint No. 1609 Pty Limited *Canada:* Boart Longyear Canada, Boart Longyear Manufacturing Canada Ltd. And Longyear Canada ULC *Chile:* Boart Longyear Chile Limitada and Boart Longyear Commercializadora Limitada *Peru:* Boart Longyear S.A.C. *Switzerland:* Boart Longyear Suisse Sarl *United States:* Boart Longyear Company, Boart Longyear Manufacturing and Distribution Inc., Longyear Holdings, Inc. and Longyear TM, Inc.
Term Loan – tranche B	Same as Senior Secured Notes	Same as Term Loan tranche A
ABL	Same as Senior Secured Notes	*Australia:* Boart Longyear Australia Pty Limited, Boart Longyear Limited *Canada:* Boart Longyear Canada *United States:* Boart Longyear Company and Longyear TM, Inc. *Chile:* Boart Longyear Chile Limitada and Boart Longyear Commercializadora Limitada

		Peru: Boart Longyear S.A.C. *Switzerland:* Boart Longyear Suisse Sarl
Term Loan – tranche A	Same as Senior Secured Notes	*Australia:* Boart Longyear Australia Pty Limited, Boart Longyear Limited and Votraint No. 1609 Pty Limited *Canada:* Boart Longyear Canada, Boart Longyear Manufacturing Canada Ltd. And Longyear Canada ULC *Chile:* Boart Longyear Chile Limitada and Boart Longyear Commercializadora Limitada *Peru:* Boart Longyear S.A.C. *Switzerland:* Boart Longyear Suisse Sarl *United States:* Boart Longyear Company, Boart Longyear Manufacturing USA, Inc.,Longyear Holdings, Inc., BLY IP Inc. and Longyear TM, Inc.
Senior Unsecured Notes	Same as Senior Secured Notes	Same as Senior Secured Notes
Delayed Draw Term Loan	BLY IP Inc.	*Australia:* BL DDL Holdings pty, Ltd., BL DDL II Holdings Pty, Ltd. *Canada:* BL Canada Holdings Inc., BL Canada DDL, Inc. *United States:* BL DDL NY Inc.
Second-Out ABL	Same as Senior Secured Notes	*Australia:* Boart Longyear Australia Pty Limited and Boart Longyear Limited *Canada:* Boart Longyear Canada *Chile:* Boart Longyear Chile Limitada and Boart Longyear Commercializadora Limitada *Peru:* Boart Longyear S.A.C. *Switzerland:* Boart Longyear Suisse Sarl *United States:* Boart Longyear Company and Longyear TM, Inc.

As disclosed in the summary of Significant Changes in the State of Affairs at the outset of the Directors' Report, on 24 July 2017 the Company entered into a new asset-backed loan facility with PNC Bank and term loan facility with Centerbridge, Ares and Ascribe. The combined commitment of the lenders under these facilities is $75 million, and they will replace the existing PNC ABL, DDTL and Second-out ABL upon implementation of the recapitalisation. Further, the recapitalisation will result in several additional significant changes to the Company's debt facilities once completed, including the conversion of $196 million of Senior Unsecured Notes into the Company's equity, the amendment of certain interest obligations, the extension of facility maturities, and other changes to terms and covenants. A comprehensive summary of the changes that will occur upon implementation of the recapitalisation may be found in the Company's announcements on the ASX dated 3 April 2017 and 9 August 2017.

12. PROVISIONS

	30 June 2017 US$'000	31 December 2016 US$'000
Current		
Employee benefits	9,130	9,935
Restructuring and termination costs [1]	400	590
Warranty [2]	1,255	885
Onerous lease costs	1,379	1,604
	12,164	13,014
Non-current		
Employee benefits	4,469	1,559
Pension and post-retirement benefits [3]	9,466	22,435
Onerous lease	1,364	1,947
	15,299	25,941
	27,463	38,955

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

13. DIVIDENDS

No dividend has been determined for either of the half-years ended 30 June 2017 and 30 June 2016.

14. CASH AND CASH EQUIVALENTS

Included in the cash balance at 30 June 2017 and 31 December 2016 is $6.9 million of restricted cash. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to the Company's ABL facility as well as restrictions to secure facility leases.

15. ASSETS CLASSIFIED AS HELD FOR SALE

Based on current market conditions and future outlook, the Company has classified certain property, plant and equipment assets in the amount of $1.7 million as held for sale as at 30 June 2017. These assets consist primarily of excess rigs and ancillary equipment. The opportunity for a gain by the disposition of these targeted assets allows the Company to rationalise its assets, raise capital and eliminate ongoing costs associated with maintaining these assets. These initiatives are expected to continue through 2017.

16. COMMITMENTS AND CONTINGENT LIABILITIES

Legal contingencies

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

Certain tax audits

The Company is subject to certain tax audits that arise in the normal course of its business. Management believes that the ultimate amount of liability, if any, for any pending assessments (either alone or combined) would not materially affect the Company's operations, liquidity, or financial position taken as a whole. However, the ultimate outcome of these audits is uncertain and unfavourable outcomes could have a material adverse impact. See additional disclosure in Note 7.

17. SUBSEQUENT EVENT

The restructuring process announced in August 2016 is substantially progressed and is expected to complete in September 2017. Shareholder approval for key components of the restructuring was secured at the Company's annual general meeting on 13 June 2017. The two schemes of arrangement for secured and unsecured creditors, comprising other key aspects of the restructuring, were approved by creditors on 30 May 2017 and on 22 August 2017, by the Supreme Court of New South Wales ("Schemes Approval"). The Schemes Approval is required to be ratified for implementation in the United States under chapter 15 of the United States Bankruptcy Code before a US Bankruptcy court ("US court"). The chapter 15 hearing in the United States is scheduled to occur on 30 August 2017. If approval of the US court is received, and barring further legal challenges, all components of the restructuring would be implemented in early September 2017. The Schemes Approval both in Australia and the United States enables the Company to implement key components of the restructuring, including exchanging certain of the Company's bonds and term loan debt for equity in Boart Longyear and amending the terms of remaining bonds and its Term Loans A and B in accordance with the term amendments announced to the ASX on 3 April 2017, as further amended and announced to the ASX on 9 August 2017.

In addition, on 24 July 2017, the Company completed another key requirement of the restructuring by entering into a revolving credit facility with PNC Bank, National Association and a term loan credit facility with certain affiliates of Centerbridge Partners, L.P., Ares Management LLC and Ascribe Capital, LLC. These facilities will replace the Company's existing asset-backed loan facility, Delayed Draw Term Loan and Second-Out ABL once the restructuring is completed.