Boart Longyear Limited
ABN 49 123 052 728

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ASX ANNOUNCEMENT (ASX:BLY)

27 August 2020

ASX Markets Announcement Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

2020 Half Year Financial Report and Appendix 4D

Please find attached for release to the market, Boart Longyear Limited's 2020 Half Year Financial Report and Appendix 4D.

-ENDS-

Authorised for lodgement by:
Nora Pincus,
Company Secretary

About Boart Longyear

Established in 1890, Boart Longyear is the world's leading provider of drilling services, drilling equipment and performance tooling for mining and drilling companies. It also has a substantial presence in aftermarket parts and service, energy, mine de-watering, oil sands exploration, production drilling, and down-hole instrumentation.

The Global Drilling Services division operates for a diverse mining customer base spanning a wide range of commodities, including copper, gold, nickel, zinc, uranium, and other metals and minerals. The Global Products division designs, manufactures and sells drilling equipment, performance tooling, down-hole instrumentation and parts and services.

Boart Longyear is headquartered in Salt Lake City, Utah, USA, and listed on the Australian Securities Exchange in Sydney, Australia (ASX:BLY). More information about Boart Longyear can be found at www.boartlongyear.com. To get Boart Longyear news direct, follow us on Twitter, LinkedIn and Facebook.

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BOART LONGYEAR LIMITED
A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2020

CONTENTS

Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2020**
Half year ended ('previous corresponding period'):	**30 June 2019**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2020 US$'000	**2019 US$'000**	**$ change**	**% change**
Revenue from ordinary activities	309,224	387,884	(78,660)	-20.3%
Net profit / (loss) after tax attributable to members	(61,099)	(3,074) [1]	(58,025)	-1887.6%

(1) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1 to the half-year financial report.

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

	30 June 2020	30 June 2019
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 2020 or 2019.

Net Tangible (Liabilities) per share:

Current period:	$	(6.70)
Previous corresponding period:	$	(5.20)

DIRECTORS' REPORT

The Directors of the Company (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 2020 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 in office during the half year and as at the date of this report are set out below:

Directors	Position
Kevin McArthur	Non-executive Chairman
Tye Burt	Non-executive Director
Kyle Cruz[1]	Non-executive Director
Jason Ireland	Non-executive Director
James Kern	Non-executive Director
Rubin McDougal[2]	Non-executive Director
Jeffrey Olsen	Executive Director
Robert Smith	Non-executive Director
Conor Tochilin[3]	Non-executive Director
Richard Wallman[4]	Non-executive Director

(1) Kyle Cruz retired from the Board effective 17 January 2020.

(2) Rubin McDougal joined the Board of Directors as a Non-Executive Independent Director effective 1 March 2020.

(3) Conor Tochilin joined the Board of Directors as a Non-Executive Director effective 17 January 2020.

(4) Richard Wallman retired from the Board effective 29 February 2020.

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 130 years of drilling expertise, the Company believes its insignia and brand represent the gold standard in the global mineral drilling industry.

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, which includes our Geological Data Services.

We aim to create value for our customers through a comprehensive portfolio of technologically advanced and innovative drilling services and products. We believe that our market leading positions in the mineral drilling industry are driven by a variety of factors, including the performance, expertise and high safety standards of Global Drilling Services and the innovation, engineering excellence and global manufacturing capabilities of Global Products. We draw your attention to pages 16-18 of our 2019 full year financial report where we explain our 2020 priorities.

Our operating and commercial priorities include solidifying our competitive advantages with sustained investments in safety performance, productivity enhancements, and operating improvements in our Global Drilling Services division, while remaining focused on the needs of our customer base. In the Global Products division, we draw current customers and future growth from technical innovation, expertise, strong field support and value-added products. Our engineering and product management teams pursue new products as well as continuous improvements to benefit both the mining and construction markets in applications including exploration, blast hole, and sonic drilling. Some recently introduced products continue to gain momentum globally. This includes the LF160 surface coring drill rig which, when paired with our hands-free Freedom Loader, sets a new benchmark in productivity and safety. Our patented Longyear™ diamond coring bits demonstrate increased productivity by drilling faster, lasting longer, or both. Also patented, the innovative XQ™ coring rod is quickly becoming the preferred thread design thanks to ease of use, unsurpassed depth capacity, and superior wear life. In percussive tooling for blast hole drilling applications, our line of DriftMaster™ drill rods is growing both in product offering and customer adoption for underground mining applications. TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey instrument is the second offering in a future suite of tools. We are now using our TruScan™ geological sample field screening technology at mine sites with several mining customers. We have also recently launched our TruSub™ drill rig performance monitoring technology. TruSub™ is a digital drill sub technology that fits between the drill head and drill rods. TruSub™ allows for key drilling parameters to be digitally recorded and viewed in real time to drive drilling productivity. We will be rolling out TruSub™ with our Global Drilling Services and third-party party customers on several mine sites later this year. These instruments are part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

Our capital structure exposes us to a variety of market, operational and liquidity risks. As at 30 June 2020 cash flows from operating activities was $29.5 million. This represents an improvement of $9.4 million over half year 2019 cash flows of $20.1 million. The improvement in the first half of 2020 was largely a result of concerted efforts to maintain more timely collections as well as a heightened focus on liquidity necessitated by current market conditions.

1.2 Safety Performance

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

For the half-year period ended 30 June 2020, the Company's world class performance on key indicators includes a Total Case Incident Rate (TCIR) of 1.42 and Lost-Time Injury Rate (LTIR) of 0.09. Both TCIR and LTIR rates are calculated based on 200,000 hours worked. During this half-year period, our employees experienced 32 injuries that required some medical treatment; two of those injuries resulted in lost work time. The Company's TCIR at half-year is lower than the 4-year average. The 2020 focus has been on leading indicators, field level risks and empowering employees to utilise our Environmental, Health, Safety and Training fundamentals.

(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

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a global pandemic. That same month, as a result of the COVID-19 pandemic, the Company implemented its business continuity plan. The plan included measures required to protect the health and well-being of employees while ensuring ongoing operational sustainability; transitioning of corporate and regional office staff to work from home; and ceasing all non-essential international and domestic travel. The plan also contained initiatives aimed at maintaining liquidity. The actions taken to conserve cash included, but were not limited to, temporary salary reductions and amending the terms of the Company’s Senior Secured Notes to satisfy interest payments due in respect of the notes on 30 June 2020 and 31 December 2020 by way of payment-in-kind (“PIK”) rather than by payment in cash. See Note 11.

The exploration market, mining market, and constructions market conditions so far in 2020 have been materially impacted by the COVID-19 pandemic. The Company has seen a decline in customer activities due to government-imposed closures and customers choosing to reduce exposure across their operations by delaying new projects. We have worked closely with our key customers to continue operations where possible, while ensuring we protect our people and the communities in which they work.

Once the COVID-19 pandemic subsides, and the industry returns to more normal operations and people movements, we believe that mining companies will respond to the material increase in commodity pricing and underlying demand. These price increases, particularly in precious metals, appear to be resulting in greater investor interest in the sector and improved access to financing. We anticipate that mining companies will use some of these funds to replenish their ore reserves, which have been materially depleted since the peak of the cycle. By contrast, prices for base and industrial minerals are more closely linked with GDP. As such, there is greater uncertainty around the outlook in these markets based on the timing and strength of the global economic recovery.

We continue to retire older fleet and add new upgraded exploration drill rigs to the drilling services fleet to meet the demand and expanded budgets of our key customers in different regions around the world. We continually evaluate opportunities where we can help our customers meet their exploration goals, utilising the latest technological improvements that support both safety and productivity enhancements. The same is true for our Global Products business where we are working to provide our customers technologies that help them both in productivity and safety.

As a result of the COVID-19 pandemic, the Company reported a statutory loss for the half-year period ended 30 June 2020 of $61.1 million.

Objectives and Strategies

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

We are committed to driving long-term shareholder value by executing on several key initiatives to improve our commercial practices. In our Global Drilling Services division, we are committed to improving safety, productivity, and profitability through:

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

In the Global Products division, we continue to maintain our market leadership with the recent commercialisation of new products such as our LF160 surface coring drill with the Freedom loader, our patented Longyear™ diamond bits, DriftMaster™ drill rods for blast-hole applications, and our XQ coring rods. These newer products complement the well-respected lines of existing products that customers have come to rely on from Boart Longyear.

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

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

2. Financial and Operating Highlights

	For the half-year ended 30 June			
	2020	**2019**		
	US$ Millions	**US$ Millions**	**$ Change**	**% Change**
Key financial data				
Revenue	309.2	387.9	(78.7)	-20.3%
Net loss after tax[3]	(61.1)	(3.1)	(58.0)	-1871.0%
EBITDA[1]	13.4	53.7	(40.3)	-75.0%
Adjusted EBITDA[1]	24.1	57.7	(33.6)	-58.2%
Operating (loss) / profit	(6.5)	34.5	(41.0)	-118.8%
Cash provided by operations	35.5	30.1	5.4	17.9%
Net cash flows provided by operating activities	29.5	20.1	9.4	46.8%
Capital expenditures (accrual)	17.6	27.6	(10.0)	-36.2%
Capital expenditures (cash)	15.0	21.6	(6.6)	-30.6%
Weighted Average number of ordinary shares [2]	87.8	87.7	0.1	0.1%
Earnings per share (basic and diluted)[3]	(69.6) cents	(3.5) cents	(66.1) cents	-1888.6%
Average BLY rig utilisation	35%	42%	-7%	-16.7%
Average Fleet size	691	692	(1)	-0.1%

(1) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before major restructuring initiatives, impairment of assets, and other significant and other non-recurring transactions outside the ordinary course of business'. These items are identified by management as not represeting the underlying perofrmance of the business. See reconciliation in section 3.3 'Significant Items'.

(2) Reverse stock split of 300 to 1 occurred on 30 October 2019. For clarity and comparability the 30 June 2019 shares have been adjusted for the stock split.

(3) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.

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

3.1 Revenue

Revenue for the half-year period ended 30 June 2020 of $309.2 million decreased by 20.3%, or $78.7 million, compared to revenue for the half-year period ended 30 June 2019 of $387.9 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.

Underlying demand for the Company's Drilling Services, Drilling Products, and Geological Data Services remain strong; however, the Company witnessed a postponement of some exploration spend in the second quarter of 2020 due to impacts from the COVID-19 pandemic. Overall, we saw drilling activity decline as customers delayed decisions to fund exploration drilling. Revenue was most significantly impacted at the onset of the COVID-19 pandemic in April and May 2020; beginning in June 2020, revenues started to improve as the mining industry resumed activities that had been stopped to slow the spread of COVID-19. We anticipate, following a recovery from COVID-19 impacts, that exploration spend levels will regain momentum heading into the second half of 2020.

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					
	2020			2019		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	309.2	-	309.2	387.9	-	387.9
Cost of goods sold	(264.3)	1.1	(263.2)	(302.2)	0.3	(301.9)
Gross margin	44.9	1.1	46.0	85.7	0.3	86.0
Other income	2.0	-	2.0	4.7	-	4.7
General and administrative expenses	(31.9)	9.6	(22.3)	(38.8)	3.7	(35.1)
Sales and marketing expenses	(8.4)	-	(8.4)	(11.0)	-	(11.0)
Significant items	-	(10.7)	(10.7)	-	(4.0)	(4.0)
Other expenses	(13.1)	-	(13.1)	(6.1)	-	(6.1)
Operating profit (loss)	(6.5)	-	(6.5)	34.5	-	34.5

Gross margin (adjusted for significant items) in 2020 decreased to 14.9% compared to 22.2% in 2019. The reduction to Gross Margin was directly impacted by lower demand in the second quarter due to the effects of COVID-19. The Company implemented a number of initiatives to match the workforce and related costs to the activity in each of our business units with a view to continue to provide quality support to our customers. The steps taken through the second quarter by the Executive Team have been measured to ensure that Boart Longyear will be in a position to continue to support the mining industry when it returns to its normal operating levels.

The total of other income, general and administrative expenses ("G&A"), sales and marketing expenses ("S&M") and other expenses (adjusted for significant items) of $41.8 million in 2020 was lower compared to 2019 of $47.5 million as a result of the actions of the business continuity plan implemented in March. As part of the plan, the Company temporarily moved into a partial or full stand down of the workforce in parts of the business, including significant but temporary reductions to compensation. Included in these cost reduction measures, the Board, CEO and other highly compensated executives elected to temporarily reduce their cash remuneration by 75%-100% collectively.

3.3 Significant Items

During the first half periods of 2020 and 2019, the Company recognised the following significant items:

	For the half-year ended 30 June	
	2020	2019
US$ Millions	US$ Millions	US$ Millions
EBITDA[1]	**13.4**	**53.7**
Impairments		
Property, plant and equipment	7.8	0.1
Intangible assets	0.4	-
Inventories	-	0.1
Employee and related costs	0.4	0.3
Other restructuring expenses	2.1	3.5
Total of significant and non-recurring items	10.7	4.0
Adjusted EBITDA[1]	**24.1**	**57.7**

(1) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before major restructuring initiatives, impairments of assets, and other significant and non-reccuring trasactions outside the ordinary couse of buisness'. These items are identified by management as not representing the underlying performance of the business.

Significant items increased to $10.7 million during the half-year period ended 30 June 2020 (2019: $4.0 million for the comparable period). The increase is predominately due to impairment charges of $6.8 million against property, plant, and equipment in the Latin America Drilling Services Cash Generating Unit ("CGU"). See Note 8.

4. Discussion and Analysis of Cash Flow

	For the half-year ended 30 June			
	2020	2019		
	US$ Millions	US$ Millions	$ Change	% Change
Cash provided by operations	35.5	30.1	5.4	17.9%
Net cash flows provided by operating activities	29.5	20.1	9.4	46.8%
Net cash flows used in investing activities	(12.4)	(18.8)	6.4	34.0%
Net cash flows used in financing activities	(4.4)	(11.4)	7.0	61.4%

Cash flow from operating activities for the half-year period ended 30 June 2020 was $29.5 million, an improvement of $9.4 million from the prior year comparable period (2019 $20.1 million). The improvement in the first half of 2020 was largely a result of concerted efforts to maintain more timely collections as well as a heightened focus on liquidity.

We have invested $15.0 million in capital equipment to support existing operations during 2020, which is less than the comparable prior period (2019: $21.6 million). Of the 2020 amount, $9.8 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment, and $4.6 million was spent on product development activities, including Geological Data Services, engineering and patent maintenance. Capital expenditure in 2020 have been partially offset by proceeds from the sale of property, plant and equipment of $2.6 million (2019: $2.8 million). We continue to place significant rigour around our capital allocation and approval process in order to meet demand.

The cash outflows by financing activities for the period ended 30 June 2020 were due to payments made on the asset backed loan facility ("ABL").

5. Discussion of the Balance Sheet

The net liabilities of the Company increased by $74.0 million to negative $456.2 million as at 30 June 2020, compared to negative $382.2 million as at 31 December 2019 (restated[1]). This increase results primarily from the total comprehensive loss for the half year of $74.1 million.

Total assets decreased by $41.5 million to $600.5 million as at 30 June 2020, compared to $642.0 million as at 31 December 2019. The decrease is primarily due to depreciation and impairment of property, plant and equipment, a reduction in receivables caused by decreased revenue and continued collections, and a decrease in inventory resulting from the Company's continuous efforts to reduce excess inventory.

Total liabilities increased by $32.5 million to $1,056.6 million (restated[1]). This is primarily driven by an increase of $44.4 million in loans and borrowings resulting from the Company's amendment on the Senior Secured Notes and paid-in-kind interest on long-term debt.

Net debt at 30 June 2020 is $815.0 million which has increased by $33.5 million from 31 December 2019 net debt of $781.5 million (restated[1]). The increase is primarily related to the amendments on the Company's Senior Secured Notes and the accreted interest on long-term debt facilities as per the terms of the debt agreements.

(1) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.

Liquidity and Debt Facilities

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

Description	Principal Outstanding as at 30 June 2020 (millions)	Accreted Interest as at 30 June 2020 (millions)	Debt Modification / Applicable Premium[10]	Interest Rate	Scheduled Maturity	Security
Senior Secured Notes (CUSIP: 09664PAJ1)	$216.5	$49.1	$34.8	Various[2]	Dec-2022	Second lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the Term Loan B and Senior Secured Notes guarantors that are not ABL or Backstop ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and the other Term Loan B and Senior Secured Notes guarantors that are also ABL or Backstop ABL guarantors, and a first lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the Term Loan B and Senior Secured Notes issuer and other guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Senior Secured Notes (CUSIP: 09664PAE2)	$0.5	$0.1	$0.1	10%[9]	Dec-2022	Same as Senior Secured Notes
Term Loan – Tranche B	$159.8	$20.5	Nil	8%[3]	Dec-2022	Same as Senior Secured Notes
ABL[8]	30.9 [1]	Nil	Nil	Variable[4]	Jul-2022	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the Non-Working Capital Assets of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property), and in any case excluding assets of BLY IP, Inc., Boart Longyear Suisse Sarl and Boart Longyear S.A.C.
Term Loan – Tranche A	132.6 [7]	$17.0	Nil	8%[3]	Dec-2022	First lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL or Backstop ABL guarantors, a second lien on the Working Capital Assets of the Term Loan A issuer and the other Term Loan A guarantors that are also ABL and Backstop ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Backstop ABL[8]	$45.0	$9.3	Nil	11%[5]	Oct-2022[5]	Same as ABL but including any real property required to be pledged as security for the Senior Secured Notes
Senior Unsecured Notes	$88.9	$3.9	Nil	1.5%[6]	Dec-2022	Unsecured

(1) Letters of credit of $5.6 million were issued in addition to the $30.9 million borrowings that were outstanding.
(2) Interest is payment-in-kind from 1 January 2020 to 30 June 2020 at an interest rate of 12%. Interest is payment-in kind from 1 July 2020 to 31 December 2020 at an interest rate of 14.5%. Interest in cash at a reduced interest rate of 10% per annum from 1 January 2021.The effective interest rate on a go-forward basis is 14.4%. Refer to Note 11 for additional information.
(3) Interest is 8% payment-in-kind.
(4) Based on LIBOR + margin (grid-based margin is currently 3.25%).
(5) Interest is payment-in-kind at 11% at the Company's election or 10% cash. Maturity Date is October 2022 or 90 days after the ABL due date.
(6) Interest is 1.5% payment-in-kind at the Company's election until maturity.
(7) The secured amounts under Term Loan A and Term Loan B are capped at the base principal amounts as agreed in the recapitalisation 2017 amendments.
(8) In July 2019 the Company amended terms to provide the Company additional liquidity and extend maturities from July 2020 to July 2022 and from October 2020 to October 2022 for the ABL and Backstop facilities, respectively. See Note 11 for more information.
(9) Interest in cash at an interest rate of 10% per annum.
(10) Refer to Note 11 for information on the debt modification and applicable premium.

6. Review of Segment Operations

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

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	2020		2019		2020	2019
	US$ Millions		US$ Millions		US$ Millions	US$ Millions (Restated[2])
Global Drilling Services		213.9		270.9	12.1	43.8
Global Products revenue						
Global Products third party revenue	95.4		117.0			
Global Products inter-segment revenue[1]	26.5		30.3			
Total Global Products		121.9		147.3	8.9	13.6
Less Global Product sales to Global Drilling Services		(26.6)		(30.3)		
Total third party revenue		309.2		387.9		
Total segment profit					21.0	57.4

(1) Transactions between segments are carried out at arm's length and are eliminated on consolidation.
(2) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.

6.1 Review of Segment Operations - Global Drilling Services

	For the half-year ended 30 June			
	2020 US$ Millions	2019 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	213.9	270.9	(57.0)	-21.0%
COGS				
Materials/labor/overhead/other	178.5	204.3	(25.8)	-12.6%
Depreciation and amortisation	12.8	12.4	0.4	3.2%
Total COGS	191.3	216.7	(25.4)	-11.7%
COGS as a % of Revenue	*89.4%*	*80.0%*	*9.4%*	*11.8%*
Contribution margin $	19.2	50.9	(31.7)	-62.3%
Contribution margin %	9.0%	18.8%	-9.8%	-52.1%
Business unit SG&A	3.4	3.3	0.1	3.0%
Allocated SG&A	5.2	7.1	(1.9)	-26.8%
EBITDA	25.6	57.0	(31.4)	-55.1%
Other Metrics				
Average # of Operating Drill Rigs	239	288	(49)	-17.0%
Average # of Drill rigs	691	692	(1)	-0.1%

Safety

The Global Drilling Services division's Total Case Incident Rate (TCIR) for the first half of 2020 was 1.55, compared to 1.40 for the comparable period in 2019. The Lost-Time Incident Rate (LTIR) for the first half of 2020 was 0.06, compared to 0.0 for the comparable period in 2019. We continue to push our key safety initiatives, which include critical control verifications; applying corrective actions globally; increasing employee competencies through training; reinforcing hazard assessments; and quality drill rig inspections.

Revenue

Global Drilling Services' revenue in the first half of 2020 was $213.9 million, down 21.0% from $270.9 million in the first half of 2019. The year-over-year revenue decrease was driven primarily by COVID-19 impacts in Q2 2020 as customers and governments restricted activities. Secondarily, a decrease in Water Well volume in the USA also factored into the year-over-year decline. Although prices remained flat compared to the prior year, fluctuations in foreign exchange rates contributed to an additional $4.0 million decrease in revenue in the first half of 2020.

Approximately 89% of Global Drilling Services' revenue for the first half of 2020 was derived from major mining companies, including Anglogold Ashanti, Barrick, BHP Billiton, Newmont and Rio Tinto. Our top 10 Global Drilling Services customers represent approximately 52% of the division's revenue for the first half of 2020.

Margins

Global Drilling Services in the first half of 2020 achieved $25.6 million of EBITDA compared to $57.0 million in the first half of 2019, a decrease of 55.1%. The decrease in margins is primarily attributable to COVID-19 impacts and not being able to reduce costs as quickly as customers and governments shut down projects. Lower water well volume also negatively impacted drilling services margins due to the profitability of the work. Finally, the inability to increase prices year-over-year eroded margins slightly as inflation and merit increases occurred in the second half of 2019 resulting in higher wages and inflation in the first half of 2020 compared to the first half of 2019.

6.2 Review of Segment Operations - Global Products

	For the half-year ended 30 June			
	2020	**2019**		
	US$ Millions	**US$ Millions**	**$ Change**	**% Change**
Financial Information				
Third party revenue	95.4	117.0	(21.6)	-18.5%
COGS				
Materials/labor/overhead/other	71.4	82.4	(11.0)	-13.3%
Inventory obsolescence	(0.3)	0.6	(0.9)	-150.0%
Depreciation and amortisation	2.1	2.2	(0.1)	-4.5%
Total COGS	73.2	85.2	(12.0)	-14.1%
COGS as a % of Revenue	*76.7%*	*72.8%*	*3.9%*	5.4%
Contribution margin $	15.8	22.8	(7.0)	-30.7%
Contribution margin %	16.6%	19.5%	-2.9%	-14.9%
Business unit SG&A	7.7	8.9	(1.2)	-13.5%
Allocated SG&A	6.2	7.5	(1.3)	-17.3%
EBITDA	12.3	17.3	(5.0)	-28.9%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	33.2	30.6	2.6	8.5%
Inventories [1]	151.6	163.6	(12.0)	-7.3%

(1) Represents total company inventories including Global Drilling Service, Global Products, and Geological Data Services.

Safety

In first half 2020, the Total Case Incident Rate (TCIR) for the Global Products division was 0.79 recordable incidents per 200,000 hours worked and the Lost-Time Incident Rate (LTIR) was 0.0. We continue to focus on programs to reinforce the Company's Environmental, Health, and Safety management system across all operations. Tracking and educating our employees on our proactive safety systems will drive continuous improvement.

Revenue

Revenue for the half-year 2020 was $95.4 million, down 18.5% from $117.0 million for the half year of 2019. Revenues in the first half of 2019 included sales of $0.7 million of obsolete inventory while 2020 revenues included $2.0 million. The Products business also benefited from price increases of approximately 1.1%. About 71% of the 2020 half-year revenue was comprised of performance tooling components, and the remaining 29% was comprised of capital equipment and spares.

Margins

Global Products EBITDA for the half-year ended 30 June 2020 was $13.4 million, down $3.9 million compared to the first half of 2019, while EBITDA as a percentage of revenue decreased 0.8% to 14.0% in 2020. The decrease in EBITDA as a percentage of revenue is primarily due to a decrease in higher margin revenue from our Mining and Exploration Tooling, Mining and Exploration Drilling Equipment, and our Production Tooling lines. The Company continues to engage in ongoing cost control and has benefited from COVID-19 related payroll reductions in Q2 and the flow through of pricing improvements.

Backlog

At 30 June 2020, Global Products had a backlog of product orders valued at $28.1 million. This compares to $35.9 million at 31 December 2019 and $30.6 million at 30 June 2019. The decrease in our backlog – which we define as product orders we believe to be firm – was driven primarily by COVID-19 impacts and a softening demand for exploration tooling, 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 our backlog. Also, there is no certainty that orders in our backlog will result in actual sales at the times or in the amounts ordered.

Intellectual Property

We rely on a combination of patents, trademarks, trade secrets and similar intellectual property rights to protect the proprietary technology and other intellectual property that are instrumental to our Global Products business. As at 30 June 2020, we had 391 issued patents, 444 registered trademarks, 149 pending patent applications and 19 pending trademark applications. One of the most significant products for which we have obtained patent protection is our XQ™ wireline coring rod. The XQ™ wireline coring rods feature self-aligning double start threads, rod joints that engage smoothly without wedging or jamming, and exclusive heat treatments to provide stronger, longer lasting rods. We do not consider our Global Products business, or our business as a whole, to be materially dependent upon any particular patent, trademark, trade secret or other intellectual property.

Research and Development

Our Global Products division employs engineers and technicians to develop, design and test new and improved products. We work closely with our customers, as well as our Global Drilling Services division, to identify opportunities and develop technical solutions for issues that arise on site. We believe that sharing best practices amongst our divisions accelerates innovation and increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from our Global Drilling Services network. New product development efforts remain focused on product changes that continue to drive increased safety and productivity, so customers see real added value regardless of the business environment. Our recent successes include the LF160 surface coring drill paired with our Freedom Loader which has set a new benchmark in productivity and hands-free rod handling. Our patented Longyear™ coloured diamond bits continue to show improved productivity by lasting longer and cutting faster. Commercial launch of the new XQ™ coring rod continues globally, featuring a greater depth capacity than the RQ™ rod, and faster, easier joint make/breaks for higher productivity.

Under our Geological Data Services business, TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey technology is the second offering in a future suite of tools and is available globally. We have recently launched our TruSub™ technology. TruSub™ is a digital drill sub technology that fits between the drill head and drill rods. TruSub™ allows for key drilling parameters to be digitally recorded and viewed in real time to drive drilling productivity. We will be rolling this technology out at mine sites this year. We see value in this technology and will continue to develop in this space.

Our Truscan™ matrix calibrated XRF and photo sample scanning technology is currently being used at several locations globally with long term 24/7 utilisation producing results that are being used for real time decision making by the mining client. TruScan™ continues to spread its footprint globally with additional units being deployed within Australia as well as North and South America. New features utilising artificial intelligence and machine learning continue to be integrated into Truscan™ ensuring it is well differentiated in the market.

Inventories

We continue careful management of demand in our Supply Chain organisation with continuous efforts to reduce excess inventory. As a result of Supply Chain process improvements, $7.3 million cash was realised from inventory as at 30 June 2020. Foreign currency translation and other non-cash related increases were $4.2 million.

AUDITOR'S INDEPENDENCE DECLARATION

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

SUBSEQUENT EVENTS

None.

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

Kevin McArthur
Chairman

25 August 2020

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

25 August 2020

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 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Boart Longyear Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 21 to 43.

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 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Boart Longyear Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants
Perth, 25 August 2020

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

Kevin McArthur
Chairman

25 August 2020

	Note	Half-year ended 30 June 2020 US$'000	Half-year ended 30 June 2019 US$'000 (Restated[1])
Continuing operations			
Revenue	**2**	309,224	387,884
Cost of goods sold		(264,275)	(302,247)
Gross margin		44,949	85,637
Other income	**4**	2,018	4,718
General and administrative expenses		(31,873)	(38,811)
Sales and marketing expenses		(8,387)	(11,040)
Other expenses	**4**	(13,213)	(5,956)
Operating (loss) / profit		(6,506)	34,548
Interest income		16	18
Finance costs	**5**	(50,883)	(36,346)
Loss before taxation		(57,373)	(1,780)
Income tax expense	**6**	(3,726)	(1,294)
Loss for the period attributable to equity holders of the parent		(61,099)	(3,074)
Loss per share			
Loss per share		(69.6) cents	(3.5) cents
Diluted earnings per share		(69.6) cents	(3.5) cents
Other comprehensive income / (loss)			
Loss for the period attributable to equity holders of the parent		(61,099)	(3,074)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(6,651)	1,655
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains / (loss) related to defined benefit plans		(6,356)	200
Income (tax) on income and expense recognised directly through equity		(43)	(368)
Other comprehensive income / (loss) for the period, net of tax		(13,050)	1,487
Total comprehensive loss for the period attributable to equity holders of the parent		(74,149)	(1,587)

(1) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.

See accompanying notes to the Condensed Consolidated Financial Statements included on pages 26 to 43.

	Note	30 June 2020 US$'000	31 December 2019 US$'000 (Restated[1])
Current assets			
Cash and cash equivalents	**14**	32,210	20,240
Trade and other receivables	**7**	93,642	113,738
Inventories		151,585	163,088
Current tax receivable		1,600	2,504
Prepaid expenses and other assets		12,341	13,574
		291,378	313,144
Assets classified as held for sale		517	-
Total current assets		291,895	313,144
Non-current assets			
Property, plant and equipment	**8**	148,753	165,037
Goodwill	**9**	103,704	104,458
Other intangible assets	**9**	29,195	27,634
Deferred tax assets		14,878	16,875
Non-current tax receivable		6,762	10,811
Other assets		5,269	4,008
Total non-current assets		308,561	328,823
Total assets		600,456	641,967
Current liabilities			
Trade and other payables	**10**	94,674	111,123
Provisions	**12**	13,090	14,437
Current tax payable		2,749	5,424
Loans and borrowings	**11**	9,401	8,328
Total current liabilities		119,914	139,312
Non-current liabilities			
Loans and borrowings	**11**	837,803	793,388
Deferred tax liabilities		17,651	16,878
Provisions	**12**	81,272	74,544
Total non-current liabilities		936,726	884,810
Total liabilities		1,056,640	1,024,122
Net liabilities		**(456,184)**	**(382,155)**
Equity			
Issued capital		1,468,896	1,468,776
Reserves		(124,448)	(117,797)
Other equity		(137,182)	(137,182)
Accumulated losses		(1,663,692)	(1,595,565)
Total deficiency in equity		(456,426)	(381,768)
Non-controlling interest		242	(387)
Total equity		**(456,184)**	**(382,155)**

(1) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.

See accompanying notes to the Condensed Consolidated Financial Statements included on pages 26 to 43.

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Other[2] equity US$'000	Accumulated losses US$'000	Total attributable to owners of the parent US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 January 2019 - as restated[1]	1,468,776	(127,239)	11,008	(137,182)	(1,538,809)	(323,446)	2,430	(321,016)
Loss for the period - as restated[1]	-	-	-	-	(3,074)	(3,074)	-	(3,074)
Other comprehensive (gain) / loss for the period - net of tax	-	1,655	-	-	(168)	1,487	-	1,487
Total other comprehensive loss	-	1,655	-	-	(3,242)	(1,587)	-	(1,587)
Balance at 30 June 2019 - as restated[1]	**1,468,776**	**(125,584)**	**11,008**	**(137,182)**	**(1,542,051)**	**(325,033)**	**2,430**	**(322,603)**
Balance at 1 January 2020 - as restated[1]	1,468,776	(128,805)	11,008	(137,182)	(1,595,565)	(381,768)	(387)	(382,155)
Loss for the period	-	-	-	-	(61,099)	(61,099)	-	(61,099)
Other comprehensive gain for the period - net of tax	-	(6,651)	-	-	(6,399)	(13,050)	-	(13,050)
Total other comprehensive loss	-	(6,651)	-	-	(67,498)	(74,149)	-	(74,149)
Shares issued to directors	120	-	-	-	-	120	-	120
Non-controlling interest	-	-	-	-	(629)	(629)	629	-
Balance at 30 June 2020	**1,468,896**	**(135,456)**	**11,008**	**(137,182)**	**(1,663,692)**	**(456,426)**	**242**	**(456,184)**

(1) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.
(2) Other equity represents the Company's reorganization reserve on creation of the Company in 2007.

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26 to 43.

	Note	Half-year ended 30 June 2020 US$'000	Half-year ended 30 June 2019 US$'000 (Restated[1])
Cash flows from operating activities			
Loss for the period		(61,099)	(3,074)
Adjustments provided by operating activities:			
Income tax expense recognised in profit		3,726	1,294
Finance costs recognised in profit	**4**	50,883	36,346
Depreciation and amortisation		19,903	19,149
Interest income recognised in profit		(16)	(18)
Gain on sale or disposal of non-current assets		(1,423)	(1,087)
Other non-cash items		(67)	(2,608)
Shares issued to directors		120	-
Impairment of current and non-current assets		8,195	203
Non-cash foreign exchange loss / (gain)		1,969	(181)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
Decrease / (increase) in assets:			
Trade and other receivables		16,124	(27,127)
Inventories		7,320	4,814
Other assets		(1,624)	1,528
(Decrease) / increase in liabilities:			
Trade and other payables		(9,305)	6,528
Provisions		745	(5,635)
Cash generated / (used in) operations		35,451	30,132
Interest paid		(4,328)	(2,686)
Interest received		16	18
Income taxes paid		(1,600)	(7,405)
Net cash flows provided by operating activities		**29,539**	**20,059**

(1) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26 to 43.

	Note	Half-year ended 30 June 2020 US$'000	Half-year ended 30 June 2019 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,302)	(16,797)
Proceeds from sale of property, plant and equipment		2,603	2,796
Intangible costs paid		(3,739)	(4,845)
Net cash flows used in investing activities		**(12,438)**	**(18,846)**
Cash flows from financing activities			
Payments for debt issuance costs		(106)	-
Proceeds from borrowings		38,514	3,000
Repayment of borrowings		(42,828)	(14,430)
Net cash flows used in financing activities		**(4,420)**	**(11,430)**
Net increase / (decrease) in cash and cash equivalents		12,681	(10,217)
Cash and cash equivalents at the beginning of the period		20,240	38,942
Effects of exchange rate changes on the balance of cash held in foreign currencies		(711)	(120)
Cash and cash equivalents at the end of the period		**32,210**	**28,605**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26 to 43.

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 and ASX announcements.

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. The Directors consider that current and expected liquidity from operating cashflow, cash on hand and available drawings under the Company's Asset Backed Revolver Bank Loan will be adequate to enable the Company to meet its debts and obligations as and when they fall due for the twelve months from the date of issuance of this half-year financial report, subject to the matters described below.

As at 30 June 2020 the Company had net liabilities of $456.2 million (31 December 2019: $382.2 million as restated) and incurred a loss after tax for the half year then ended of $61.1 million (30 June 2019: $3.1 million as restated).

The Company had total loans and borrowings at 30 June 2020 of $847.2 million (31 December 2019: $801.7 million as restated) maturing in the period July 2022 to December 2022 (further details are set out in Note 11).

As described below, during the period to 30 June 2020, the Company was impacted by the COVID-19 global pandemic with the slowing or in some cases ceasing of exploration activity. The Company implemented its business continuity plan which included ceasing all non-essential international and domestic travel, temporary salary reductions for employees, and amending the terms of the Company's Senior Secured Notes to satisfy interest payments of $12.7 million due at both June 2020 and December 2020 by way of payment-in-kind rather than payment of cash.

Despite the difficult trading conditions, the Company generated statutory EBITDA for the half-year ended 30 June 2020 of $13.4 million (30 June 2019: $53.7 million) and net cash inflows from operations of $29.5 million (30 June 2019: $20.1 million).

In preparing the half-year financial report the Directors have made an assessment of the ability of the Company to continue as a going concern. The Company has prepared detailed cash flow forecasts modelling the financial impact of ongoing actions to improve operational performance, financial results, and liquidity.

In preparing those forecasts the Company has used best estimate assumptions. The Directors have assessed the Company's cash flow forecasts and revenue projections based on the current level of market activity across the Company's operations delivered in the months of June and July 2020 following the recovery from the low levels of activity experienced in March, April and May 2020 as a result of COVID-19 across the Company's operations.

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.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

The Company's ability to meet its ongoing operational and financial obligations for the period of twelve months from the approval of this report is primarily dependent on:

- Achieving the cash flow forecasts for the period through to August 2021 which is dependent on achieving the key assumptions on EBITDA and working capital movements;
- The timing and outcome of the tax audits detailed in Note 6 are in line with the Directors' best estimate;
- No further significant slowdown or ceasing of exploration activity as a result of government-imposed closures or customers choosing to reduce their exposure across their operations by delaying projects as a result of COVID-19; and
- The ongoing financial support of the Company's debt providers.

As a result of the above, the Directors have considered a number of scenarios in forming their view that in the event that assumptions vary, the Company has options available to meet its financial obligations. These options include but are not limited to seeking additional short-term funding from the debt providers, asset sales and/or reducing the level of capital expenditure included in the cash flow forecasts.

There is a risk that the Company will not achieve its forecast cashflows or realise sufficient cash from alternative options to the Company. The majority of the Company's debt facilities as set out in Note 11 of this report mature in late December 2022. The Company's ability to refinance or renew this debt when it becomes due will depend on a number of circumstances including the Company's ability to generate cash flows, its success in managing the matters identified above, and the prevailing market conditions at the time debt matures. Management and the Directors will continue to monitor these matters and develop mitigation plans.

The Directors believe that at the date of signing of the half-year financial report there is a reasonable basis on which to prepare the report on the 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 2019 Annual Financial Report for the financial year ended 31 December 2019, 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 ("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 condensed consolidated financial statements. The adoption of each standard individually did not have a significant impact on the Company's condensed financial results or consolidated statement of financial position.

Impact of COVID-19

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. COVID-19 has surfaced in nearly all regions of the world, which has driven the implementation of significant, government-imposed measures to prevent or reduce its spread. As a result of the COVID-19 pandemic, the Company implemented its business continuity plan. The plan included measures required to protect the health and well-being of employees while ensuring ongoing operations sustainability; transitioning of corporate and regional office staff to work from home; and ceasing all non-essential international and domestic travel.

<u>Government Assistance</u>
In response to the COVID-19 pandemic, many governments implemented legislation to help businesses experiencing financial difficulty stemming from the pandemic. The Company has been successful in securing a number of government relief packages which have improved liquidity and/or reduced operating expenses for the half-year ended 30 June 2020. This assistance includes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Impact of COVID-19 (continued)

- Funding of $2.5 million under the Canada Employee Wage Subsidy program to cover a portion of eligible employee wages in Canada; and
- Payroll tax relief deferrals of $0.8 million in the United States in accordance with the Coronavirus Aid, Relief, and Economic Security Act Employee Retention Payroll Tax Credit.

Deferred Rent and Rent Relief
To preserve cash and improve liquidity, the Company was able to successfully defer rent payments and/or receive rent abatements on several lease contracts. The Company has elected to apply the practical expedient offered by *Covid-19-Related Rent Concessions (Proposed amendment to AASB 16)*. Under this practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all of the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to the other terms and conditions of the lease.

The impact of applying this practical expedient was immaterial to the Company's Condensed Consolidated Statement of Profit or Loss for the half-year ended 30 June 2020.

Restatement of prior periods

Following the amendment to the Senior Secured Notes as announced to the ASX on 19 June 2020, the Company became aware that it had not been accounting correctly for the Applicable Premium following its addition to the Senior Secured Notes as part of the 2017 Debt Restructure. The Applicable Premium was negotiated into the terms of the Senior Secured Notes as part of the settlement with First Pacific Advisors as announced to the market on 9 August 2017 and becomes payable at the maturity of the notes due December 2022 (as well as in certain circumstances if the Senior Secured Notes are redeemed prior to maturity). The Applicable Premium had not been considered in determining the finance costs and Loans and Borrowings for the periods ended 31 December 2017 through to 31 December 2019. As a result, the Company has restated affected comparative financial information in these condensed consolidated half-year financial statements.

The following tables illustrate the effects of this restatement on the Company's condensed consolidated half-year financial statements for those line items affected (these revisions have no net impact on the Company's net cash amounts provided by or used in operating, financing or investing activities for any of the periods previously reported):

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Half-year ended 30 June 2019		
	As previously reported	Adjustment	As restated
Finance costs	(30,946)	(5,400)	(36,346)
Profit / (loss) before taxation	3,620	(5,400)	(1,780)
Profit / (loss) for the period attributable ot equity holders of the parent	2,326	(5,400)	(3,074)
Earnings / (loss) per share	0.0 cents	(3.5) cents	(3.5) cents

Consolidated Statement of Financial Position:	Balance at 31 December 2019		
	As previously reported	Adjustment	As restated
Loans and borrowings (non-current)	775,985	17,403	793,388
Accumulated losses	(1,578,162)	(17,403)	(1,595,565)

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Standards and Interpretations issued, but not yet effective

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued, but are not yet effective.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 17 'Insurance Contracts'	1 January 2021	31 December 2021
AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an investor and its Associate or Joint Venture [AASB 10 & AASB 128]	1 January 2022	31 December 2022
AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 & AASB 128	1 January 2022	31 December 2022
AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 & AASB 128 and Editorial Corrections	1 January 2022 Editorial Corrections apply from 1 January 2018	31 December 2022

Standards and Interpretations issued and effective

The Company has adopted all the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020.

New and revised Standards and amendments thereof and Interpretations effective for the current financial year, and which have been applied in the preparation of this half-year report, that are relevant to the Company include:

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material	1 January 2020
AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework	1 January 2020
AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business	1 January 2020
AASB 2020-4 Amendments to Australian Accounting Standards - Covid-19 Related Rent Concessions	1 June 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Key Judgements and Estimates

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

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

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

Note 1	Going Concern
Note 6	Income Taxes
Note 9	Goodwill and Other Asset Impairment Considerations
Note 12	Provisions
Note 15	Commitments and Contingent Liabilities

2. SEGMENT REPORTING

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

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

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	30 June 2020 US$'000		30 June 2019 US$'000		30 June 2020 US$'000	30 June 2019 US$'000 (Restated[3])
Global Drilling Services		213,860		270,888	12,125	43,833
Global Products revenue						
Global Products third-party revenue	95,364		116,996			
Global Products inter-segment revenue [1]	26,509		30,260			
Total Global Products		121,873		147,256	8,892	13,620
Less Global Products sales to Global Drilling Services		(26,509)		(30,260)		
Total third-party revenue		309,224		387,884		
Total segment profit					21,017	57,453
Unallocated costs [2]					(19,328)	(22,703)
Global Drilling Services impairment costs					(7,828)	(229)
Global Products impairment costs					(368)	27
Finance costs					(50,883)	(36,346)
Interest income					16	18
Loss before taxation					(57,373)	(1,780)

(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.
(3) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.

2. SEGMENT REPORTING (CONTINUED)

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	
	30 June 2020 US$'000	30 June 2019 US$'000	30 June 2020 US$'000	31 December 2019 US$'000
North America	130,463	179,396	201,452	214,841
Asia Pacific	79,601	86,678	44,891	44,967
Latin America	33,000	53,304	15,696	23,005
EMEA	66,160	68,506	31,644	29,135
	309,224	387,884	293,683	311,948

3. REVENUE

Boart Longyear operates two different business units throughout various geographical locations – Global Drilling Services and Global Products.

Global Drilling Services

The Company performs various types of drilling services within the mining and minerals industry. Contracts can cover services which involve different processes and continuous drilling services activities in a sequential set of mobilisation, drilling, and demobilisation activities which are invoiced to the customer as those activities progress. These processes and activities are highly inter-related, and the Company provides a significant service of integration of such activities. Where this is the case, these activities and processes are accounted for as one performance obligation.

Revenue from services rendered is recognised in the statement of profit and loss and other comprehensive income over time. Boart Longyear has a contractual right to consideration from a customer for an amount that corresponds directly with the value to the customer of the performance completed to date (for example, number of meters drilled). As a result, Boart Longyear applies the practical expedient under AASB 15.B16 to recognise revenue at the amount which it has the right to invoice.

Customers are invoiced on a fortnightly basis and revenue is recognised in the accounting period in which the right to invoice is obtained. Payment is received following invoice according to standard payment terms, which are generally between 30 to 60 days. There are no significant financing components. Most drilling services contracts do not include variable payment terms. Where variable payment terms exist, these are usually in the form of penalties for late completion. Variable consideration is only recognised to the extent that it is considered highly probable that such amounts will not reverse in the future and is estimated using the expected value approach.

Global Products

The Company manufactures, distributes and sells equipment that is necessary for the mining and mineral industry. Sales orders are completed across multiple geographies for products, such as large drill rigs, and drilling components, such as bits and coring rods. Each product promised to the customer is distinct under the contract according to AASB 15.27 and gives rise to a separate performance obligation. Revenue is recognised when control of the products has transferred to the customer. Transfer of control happens at the point the products are delivered to the customer for drilling rigs and at the point the products are shipped to the customer's specific location for drilling components. The transaction price is allocated to each product on a stand-alone basis.

3. REVENUE (CONTINUED)

Payment is received following invoice according to standard payment terms, which are generally between 30 to 60 days. There are no significant financing components and there is no significant reversal of variable consideration expected at the point of revenue recognition.

For the half-year ended 30 June 2020, the components of revenue are as follows:

	2020 US$'000	2019 US$'000
Revenue from the rendering of services	213,860	270,888
Revenue from the sale of goods	95,364	116,996
	309,224	387,884

For the six months ended 30 June 2020, one customer accounted for 12.6% of the Company's total revenue. There were no customer(s) that contributed 10% or more to the Company's revenue at 30 June 2019.

4. OTHER INCOME AND EXPENSES

For the half-year ended 30 June 2020, other income and expenses consist of the following:

	2020 US$'000	2019 US$'000
Other income		
Gain on disposal of property, plant and equipment	1,423	1,087
Other	595	3,631
	2,018	4,718
Other expenses		
Impairment of Latin America property, plant and equipment	6,807	-
Impairment of property, plant and equipment	1,019	-
Loss on foreign currency exchange	3,413	2,517
Amortisation of intangible assets	907	1,272
Other	1,067	2,167
	13,213	5,956

5. FINANCE COSTS

For the half-year ended 30 June 2020, finance costs consist of the following:

	2020 US$'000	2019 US$'000 (Restated[1])
Interest on loans and bank overdrafts	30,562	28,894
Debt modification[2]	11,786	-
Applicable premium	6,101	5,490
Amortisation of debt issuance costs	773	558
Interest on lease liabilities	1,661	1,404
Total finance costs	50,883	36,346

(1) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.
(2) See Note 11.

6. INCOME TAXES

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

	2020 US$'000	2019 US$'000 (Restated)
Loss before taxation	(57,373)	(1,780)
Income tax benefit calculated at Australian rate of 30%[2]	(17,212)	(534)
Impact of different tax rates in foreign jurisdictions	167	(171)
Net nondeductible/non assessable items	12,830	3,043
Unrecognized current year tax losses[1]	10,758	401
Utilisation of previously unrecognised tax losses	(1,556)	(2,147)
Derecognition of deferred tax assets[2]	746	1,173
Other	(1,020)	(257)
Under provision from prior years	(987)	(214)
Income tax expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	3,726	1,294

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

(2) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.

Canadian Income Tax Audit

As previously disclosed by the Company, tax years 2010 through 2014 have been reassessed by the Canada Revenue Agency ("CRA"). These tax reassessments remain in various stages of appeal with the CRA or are proceeding under the mutual agreement procedure, which is a negotiation between Canada and Switzerland on the allocation of taxable profits between the countries. The remaining unsettled tax, penalties and interest for these years could result in a maximum remaining assessment of $48.1 million CAD. After the application of tax credits and payments, the maximum future cash outlay could be $34.0 million CAD for the remaining 2010-2014 unsettled issues. The Company plans to vigorously dispute these reassessments. See Note 12.

7. TRADE AND OTHER RECEIVABLES

	30 June 2020 US$'000	31 December 2019 US$'000
Trade receivables	83,508	102,054
Loss allowance	(1,617)	(1,015)
Goods and services tax receivable	8,049	10,183
Other receivables	3,702	2,516
	93,642	113,738

The ageing of trade receivables is detailed below:

	30 June 2020 US$'000	31 December 2019 US$'000
Current	76,328	90,525
Past due 0 - 30 days	2,398	8,655
Past due 31 - 60 days	2,154	1,325
Past due 61-90 days	893	480
Past due 90 days	1,736	1,069
	83,508	102,054

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

8. IMPAIRMENT OF ASSETS

The Company's property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed at each reporting date to determine whether there is an indication of potential impairment.

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 salability within a reasonable time frame. The Company recorded $1.0 million in impairment charges to property, plant, and equipment which were recognised in other expenses and $0.4 million of impairment charges to intangible assets which were recognised in general and administrative expenses based on impairment assessments of individual assets.

At 30 June 2020, the Company identified the global economic impact of COVID-19 as a potential indicator of impairment. Accordingly, an impairment risk assessment was performed for the Company's CGUs.

The results of the risk assessment analysis necessitated further evaluation of the Company's Latin America Drilling Services CGU and North America Drilling Services CGU. Therefore, management prepared value-in-use models based on the CGU's expected performance over a 10-year period; cash flows beyond the 10-year period were extrapolated using a terminal value growth rate.

As a result of this impairment test, the Company recorded further impairment charges of $6.8 million against property, plant, and equipment in the Latin America Drilling Services CGU which were recognised in other expenses. The recoverable amount of the North America Drilling Services CGU exceeded its carrying amount by approximately 35% resulting in no impairment to the North America Drilling Services CGU for the half-year ended 30 June 2020. The key assumptions considered in these value-in-use models are included below.

8. IMPAIRMENT OF ASSETS (CONTINUED)

Revenue growth rate. In determining the growth rates applied to revenue through the mining cycle, management considered the following taking into account the best available information given the current uncertain economic environment:

- Average revenue growth over previous mining cycles;
- Rates of inflation in the countries where the Company does business; and
- Price and volume expectations over the forecast period.

Discount rate and terminal growth rate. The Company used a post-tax discount rate of 14.1% for Latin America Drilling Services and 10.6% for North America Drilling Services. These rates reflect an underlying global discount rate of 11.5% adjusted for regional variations in the required equity rate of return. The terminal growth rate of 3.0% does not exceed the long-term average growth rate for the industry.

Expenses. In determining gross margin and SG&A expenses, management has considered the impacts of recent programs and other initiatives already taken within the business and similar future initiatives to reduce operational costs. The recoverable value assessment of the Latin America and North America Drilling Services CGUs is based on gross margin increasing as a result of the reduction in costs and improved market conditions.

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

Other economic factors. As part of the impairment test, management considered several different scenarios that consider the impact on the value-in-use calculations if key assumptions were to vary from those used in the calculations. These change scenarios assessed the impact of a 20.0% decrease to revenue, a 10.0% increase to SG&A expense, a 2.0% reduction to gross margin and a 1.0% reduction to terminal growth rate assumptions. The impairment charge against the Latin America Drilling Services CGU would increase $2.9 million, $1.5 million, $8.4 million, and $0.7 million, respectively, under these change scenarios. The recoverable amount of the North America Drilling Services CGU continued to exceed its carrying value when the value-in-use model was modified using the above change scenarios.

Each of the change scenarios tested assumes that a specific assumption moves in isolation while all other assumptions are held constant. A change in one of the aforementioned assumptions could be accompanied by a change in another assumption which may increase or decrease the net impact on the calculation.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

	30 June 2020 US$'000	31 December 2019 US$'000
Goodwill	103,704	104,458
Other intangible assets:		
Software	564	849
Customer relationships	3,251	3,718
Development assets	19,654	17,079
Patents	3,779	4,041
Trademarks	1,947	1,947
	29,195	27,634

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in CGUs. The carrying amount of goodwill by geographic segment allocated to CGUs that are significant individually or in aggregate is as follows:

	30 June 2020 US$'000	31 December 2019 US$'000
Geological Data Services (GDS)[1]	3,840	3,909
North America Drilling Services	99,864	100,549
	103,704	104,458

(1) Geological Data Services is included in Global Products.

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

Goodwill impairment by cash-generating units

Goodwill and intangible assets in the EMEA, Latin America, and Asia Pacific Drilling Services CGUs have been fully impaired.

Management performed interim impairment evaluations of North America Drilling Services goodwill in connection with the preparation of the financial statements for the half-year ended 30 June 2020 due to the impact that COVID-19 has had on the Company’s projected cash flows for this CGU. Based on this impairment test, the recoverable amount for the North America Drilling Services CGU exceeded its carrying amount. Consequently, no goodwill impairment was recorded for the half-year ended 30 June 2020. Refer to Note 8 for additional information on impairment.

10. TRADE AND OTHER PAYABLES

	30 June 2020 US$'000	31 December 2019 US$'000
Current		
Trade payables	46,782	65,177
Accrued payroll and benefits	26,823	23,655
Goods and services tax payable	10,669	4,457
Accrued interest	391	420
Accrued legal and environmental costs[1]	715	6,339
Accrued professional fees	3,182	3,242
Accrued drilling costs	1,743	2,538
Other sundry payables and accruals	4,370	5,295
	94,674	111,123

(1) Accrued legal and environmental costs of $5.1 million as of 31 December 2019 were reclassified to Provisions as of 30 June 2020. See Note 12.

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 2020 US$'000	31 December 2019 US$'000 (Restated[1])
Unsecured - at amortised cost		
Non-current		
Senior notes	88,882	88,882
Accreted interest	3,851	3,159
Secured - at amortised cost		
Current		
Lease liabilities	8,578	8,328
Equipment finance	823	-
Non-current		
Senior notes	217,035	217,035
Term loans	292,441	292,441
Accreted interest	95,872	68,240
Debt modification[2]	11,786	-
Applicable premium	23,104	17,403
Revolver bank loans	75,929	79,904
Debt issuance cost	(1,063)	(1,605)
Original issue discount	(100)	(400)
Lease liabilities	27,075	28,329
Equipment finance	2,991	-
	847,204	801,716
Disclosed in the financial statements as:		
Current borrowings	9,401	8,328
Non-current borrowings	837,803	793,388
	847,204	801,716
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	9,401	8,328
Between 1 and 2 years	7,924	6,897
Between 2 and 3 years	815,846	772,447
Between 3 and 4 years	5,500	4,436
More than 4 years	9,696	11,613
	848,367	803,721
Original issue discount	(100)	(400)
Debt Issuance Cost	(1,063)	(1,605)
	847,204	801,716

(1) The comparative information has been restated as a result of additional accreted interest recorded on the Senior Secured Notes as discussed in Note 1.
(2) Debt modification relates to the amendment to the Senior Secured Notes during the period.

Senior notes

Senior Unsecured Notes
The Company has $88.9 million of Senior Unsecured Notes outstanding as at 30 June 2020 and 31 December 2019. These notes carried an interest rate of 1.5%, per annum, which was payment-in-kind (i.e. noncash) until maturity in December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

11. LOANS AND BORROWINGS (CONTINUED)

Senior Secured Notes

The Company has $217.0 million of Senior Secured Notes outstanding as at 30 June 2020 and 31 December 2019. As of 31 December 2019 these notes carried an interest rate of 12% per annum which were payable-in-kind at the Company's election until December 2018 and thereafter scheduled to be paid in cash at the reduced interest rate of 10% per annum with a scheduled maturity date of December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

On 19 June 2020 the Company received consent from the holders of the Senior Secured Notes and also received the ASX relief necessary to implement amendments to satisfy the interest payments due in respect of the notes on 30 June 2020 and 31 December 2020 by way of payment in-kind rather than by payment of cash (PIK Notes). As a result of these amendments, the Company recorded a modification loss of $11.8 million within finance costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2020 with an offsetting increase to loans and borrowings in the Condensed Consolidated Statement of Financial Position as of 30 June 2020. These amendments were treated as a modification as the difference between the net present value of the cash flows under the amended Senior Secured Notes compared to the net present value of the cash flows under the original terms of the Senior Secured Notes was not considered "substantial" as defined by AASB 9 'Financial Instruments.' The debt modification loss, recorded to comply with AASB 9, is an adjustment to the amortised cost of the Senior Secured Notes. The adjustment equals the difference between the present value of the cash flows under the original terms and the most recent modified terms, discounted at the original effective interest rate.

The current rate of interest applicable in respect of the notes is 10%. The interest entitlement for those noteholders who agree to take interest by way of PIK Notes will be 12% and 14.5% for 30 June 2020 and 31 December 2020, respectively. Non-consenting Senior Secured Note holders will continue to receive interest in cash at the stated rate of 10% per annum.

The Senior Secured Notes include a premium, payable at the maturity of the notes due December 2022 (as well as in certain circumstances if the Senior Secured Notes are redeemed prior to maturity). The premium is expressed as a percentage of the principal redeemed or repaid and includes PIK Interest. The premium percentage increases over time from 0.9% to 24.4% of the principal balance, depending on the timing of repayment. Together, the debt modification, stated terms, and the applicable premium result in an effective interest rate on the Senior Secured Notes of 14.4% per annum.

PIK Notes will be issued on the same terms and conditions as the current outstanding Senior Secured Notes.

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.

11. LOANS AND BORROWINGS (CONTINUED)

Revolver Bank Loans

ABL
The Company has an asset-based revolver bank loan with an available facility of $75.0 million of which $31.0 million was drawn as at 30 June 2020.

ABL	30 June 2020 US$M	31 December 2019 US$M
Available Facility	75.0	75.0
Drawn	31.0	34.9
Letters of Credit	5.6	5.6
Availability Block	10.0	10.0
Undrawn	28.4	24.5
	75.0	75.0

As at 30 June 2020, $5.6 million (31 December 2019: $5.6 million) of outstanding letters of credit were drawn under the facility. Interest on drawn amounts and letters of credit are based on a base rate plus margin (30-day USD LIBOR plus 3.5%).

The facility has an "availability block" of $10.0 million that will release when the business reaches certain Net Debt/EBITDA leverage ratios. Borrowing on this facility is also limited to the lower of the Lender's commitment or the borrowing base that supports the Asset Based Loan. This "borrowing base" is made up of eligible receivables and inventory. As of 30 June 2020, the borrowing base was $45.1 million.

The asset-based revolver bank loan also includes a "Springing Dominion"/Minimum liquidity covenant that requires the Company to maintain on the last day of any month 15% of the lesser of "borrowing base" or "facility capacity" less the "availability block" ($6.8 million at 30 June 2020). If a trigger event occurs the agent can provide an activation notice that will allow them to access all funds deposited into "Blocked Bank Accounts." These funds will become the property of the agent and will be applied to outstanding advances.

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

Scheduled maturity date of the facility is July 2022. As at 30 June 2020 the Company was in compliance with all of its debt covenants.

Backstop ABL
The Backstop ABL term loan has an interest rate of 11% per annum payable-in kind or 10% per annum payable in cash at the option of the borrower. It is secured by substantially the same collateral as the ABL credit facility and contains a maturity date of October 2022. As at 30 June 2020 the amount outstanding under this facility was $45.0 million (31 December 2019: $45.0 million).

As at 30 June 2020 the Company was in compliance with all of its debt covenants.

Term loans

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

11. LOANS AND BORROWINGS (CONTINUED)

Tranche A
As at 30 June 2020 and 31 December 2019, the amount outstanding under Tranche A was $132.6 million. This tranche contains a maturity of December 2022 and is non-callable for the first 4 years. It is secured by a first lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

Tranche B
As at 30 June 2020 and 31 December 2019, the amount outstanding under Tranche B was $159.9 million. This tranche contains a maturity of December 2022 and is non-callable for the life of the loan. It is secured by a second lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

The Company's Term Loans, ABL, and Backstop ABL require that obligors under the term loans account for at least 60% of consolidated Group EBITDA and total Tangible Assets. This covenant is tested at each publicly released financial report.

The Group's position in relation to these metrics was as follows:

Metric	Target Range	30 June 2020	31 December 2019
% of consolidated EBITDA	Equal or more than 60%	96%	71%
% of consolidated tangible assets	Equal or more than 60%	67%	73%

Further details around the Issuer / Borrower and Guarantors of the Company's debt instruments are included in the 31 December 2019 financial statements.

12. PROVISIONS

	30 June 2020 US$'000	31 December 2019 US$'000
Current		
Employee benefits	9,035	8,820
Restructuring and termination costs[1]	3,241	4,684
Warranty[2]	814	933
	13,090	14,437
Non-current		
Employee benefits	454	403
Pension and post-retirement benefits[3]	16,781	10,349
Environmental reserve[4]	2,500	-
Legal reserve[4]	2,558	-
Provision for tax contingencies	58,979	63,792
	81,272	74,544
	94,362	88,981

(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.
(4) Accrued legal and environmental costs of $5.1 million as of 31 December 2019 were reclassified from Trade and Other Payables to Provisions as of 30 June 2020. See Note 10.

13. DIVIDENDS

No dividend has been determined for either of the half-years ended 30 June 2020 and 30 June 2019.

14. CASH AND CASH EQUIVALENTS

Included in the cash balance at 30 June 2020, is $0.2 million of restricted cash. At 31 December 2019, $0.2 million was considered restricted. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to the Company's ABL facility as well as restrictions to secure facility leases.

15. 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.

Tax and certain audits

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

16. SUBSEQUENT EVENTS

None.