

22 August 2016

Boart Longyear Announces First-Half 2016 Results

Boart Longyear Limited (**ASX: BLY**), the world's leading supplier of exploration drilling services, equipment and tooling for mining and drilling companies, today announces results for the half-year ended 30 June 2016. All results are unaudited and referenced in US dollars.

Jeff Olsen, Boart Longyear's CEO, commented on the Company's half-year results, stating, "The first half of 2016 was another challenging period for the resources sector. Exploration levels were low, which is evident in our revenue dropping 20% versus a year ago. On the positive side, our focus on productivity and cost control means that costs have dropped substantially faster than revenue. Comparing first-half 2016 to first-half 2015, despite revenue being down 20%, adjusted EBITDA was up \$12 million (694%) and cash from operating activities was up \$12 million (15%). We are also seeing positive signs in the market. Gold continues to climb (\$1,352 as of 18 August 2016), and the second quarter of 2016 was the strongest quarter for equity raisings by junior miners since the fourth quarter of 2012. Gold represents over half our revenues, and this improved price environment has already resulted in increased tenders for drilling. I also note that our results are substantially seasonal; cash generation in the second half is typically much higher than the first half."

Mr. Olsen continued, "Our objective is to be cash positive in 2017 through continued improvements in operating performance combined with better volumes from an improving market. In addition, we will continue to focus on at-site drilling technologies and leading our industry in safety performance. This is also a good time to evaluate capital structure options, and this work has already begun with the appointment of a team of advisors including restructuring specialist, Houlihan Lokey."

KEY METRICS AS OF 30 JUNE 2016 (compared to 30 June 2015, except as noted)**NEGATIVE FACTORS:**

- **REVENUE – Down \$77M (20%) driven by lower volume and unfavourable currency translations**
- **PRICING – Down 2% in Drilling Services, relatively flat in Products**
- **NET DEBT – Up 16% from 31 December 2016 driven by seasonality**

POSITIVE FACTORS:

- **ADJUSTED EBITDA – Up \$12M driven by improved productivity and lower costs**
- **CASH FROM OPERATING ACTIVITIES – \$73M used in 1H 2016 (\$12M improvement)**
- **ADJUSTED COGS – Down \$82M (23%) driven by productivity initiative started in 2H 2015**
- **ADJUSTED SG&A – Down \$8M (12%) driven by cost-out actions implemented in 2H 2015**
- **OPERATING MARGIN – Up \$54M (65%)**
- **NET PROFIT AFTER TAX – Up \$79M (52%)**

COMPARATIVE RESULTS

(US \$M)	Consolidated Results		
	Half-Year Ended		% Change Fav/(Unfav)
	30-Jun-16	30-Jun-15	
Total Company			
Revenue	310	387	-20%
Statutory EBITDA	3	(39)	NMF
Adjusted EBITDA	14	2	694%
Statutory Net Profit After Tax	(73)	(152)	52%
Adjusted Net Profit After Tax	(52)	(69)	24%
Net Cash Flows Generated / (Used) in Operating Activities	(73)	(85)	15%
Net Debt	670	556	-20%
Adjusted SG&A	56	64	12%
Number of Employees	4,629	5,151	10%
	Divisional Results		
	Half-Year Ended		% Change Fav/(Unfav)
	30-Jun-16	30-Jun-15	
Global Drilling Services			
Revenue	220	281	-22%
Statutory EBITDA	23	22	6%
Average Number of Operating Drill Rigs	279	340	-18%
Average Number of Drill Rigs	900	927	-3%
Average Rig Utilisation	31%	37%	-6%
Number of Employees	3,349	3,478	4%
Global Products			
Revenue	91	106	-14%
Statutory EBITDA	6	7	-14%
Average Backlog	13	19	-30%
Number of Employees	960	1,321	27%

RESULTS COMMENTARY

Revenues for the half-year ended 30 June 2016 were down 20% compared to the corresponding period in 2015, primarily driven by lower volume as well as unfavourable currency translations due to the strengthening US dollar. The negative impact of price on revenue was relatively minor.

Significant items for the half-year totalled \$10 million, compared to \$41 million recorded in the corresponding period in 2015 (of which \$31 million related to impairments). In first-half 2016, these items primarily included employee and related costs as well as other restructuring costs.



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Cash used in operating activities was \$73 million in first-half 2016, compared to \$85 million used in first-half 2015. The \$12 million improvement demonstrates the positive impact of the Company's ongoing focus on operating improvement and efficiency, including additional cost-out measures and the Drilling Services productivity initiative started in third-quarter 2015. In line with typical seasonality, the Company expects to be significantly cash positive during the second half of the year.

Decreased demand and oversupply in the Company's core markets continue to challenge pricing, though the impact on results was lower than in recent periods. Pricing in the Drilling Services division was down 2%, and pricing in the Products division was relatively flat.

Net working capital increased from 31 December 2015 levels, primarily due to higher receivables related to increasing revenues as projects started back up from year-end and lower payables on reduced spending. The Company typically sees a net working capital build during the first half of the year, and first-half 2016 was in-line with that historical seasonality. Liquidity at 30 June 2016 was \$57 million, comprised of cash balances totalling \$41 million and a further \$16 million of availability under the Company's asset-based loan facility.

BASIS OF ACCOUNT PREPARATION

The Company's half-year 2016 financial statements have been prepared on the basis of a going concern, subject to certain risks reported in Note 1 of the financial report that give rise to material uncertainty. The Company believes it can manage risks to liquidity, to the extent they eventuate, through additional cost actions and other strategies, including asset sales and other capital market transactions. The Company notes that its debt instruments do not carry maintenance covenants.

STRATEGIC PRIORITIES

Technology and product innovation remain strategic priorities for the Company's future growth, supported by disciplined and prudent control over capital expenditures. In the first half of 2016, the Company launched five new products, and it continues to invest in its new product pipeline. New product development efforts largely remain focused on incremental product changes that increase productivity so customers are willing to pay for them regardless of the business environment. The Company also has launched TruCore™, the first in a range of instrumentation tools, which provides accurate core orientation measurements. This represents the first step in implementing the Company's strategy to be the global technology leader in providing subsurface resource information to mining companies through its Geological Data Services business.

With its industry-leading safety record, unparalleled operating performance, and the latest in drilling technology, coupled with the improvements we have made in our cost structure and productivity, Boart Longyear is uniquely positioned to realize significant operational leverage as the market recovers.

Disclaimer

This announcement contains certain "forward-looking statements." The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and



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guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

About Boart Longyear

Boart Longyear is a leading global supplier of drilling services, drilling equipment and performance tooling. It also has a substantial presence in aftermarket parts and service, energy, mine dewatering, oil sands exploration, and production drilling.

The Global Drilling Services division operates in 30 countries 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, and aftermarket parts and services to customers in over 100 countries.

Boart Longyear is headquartered in Salt Lake City, Utah, USA, and listed on the Australian Securities Exchange in Sydney, Australia. More information about Boart Longyear can be found at www.boartlongyear.com. To get Boart Longyear news direct, visit <http://www.boartlongyear.com/rssfeed>.

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