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Boart Longyear Announces 2015 Half Year Results

Boart Longyear Limited (**ASX: BLY**), the world's leading supplier of drilling services, equipment and tooling for mining and drilling companies, today announces results for the half-year ended 30 June 2015. All results are unaudited and are referenced in US dollars.

- Revenues were down 8% from the corresponding period in 2014, primarily driven by unfavourable currency movements due to the strengthening US Dollar. Absent these currency movements, revenues would have been down 1%.
- Significant items of \$41 million reflect an \$11 million decrease over the first half of 2014. The 2015 items included \$31 of non-cash impairments compared to \$43 million of non-cash impairments in 2014.
- The statutory operating loss of \$84 million reflects a \$2 million improvement over the first half of 2014. The loss from trading activities¹ of \$28 million was roughly flat compared to the first half of 2014 on a \$34 million reduction in revenues compared to the prior period, indicating that the Company's ongoing operational improvements, especially cost and productivity improvements, are favourably impacting results and continue to gain traction.
- Pricing in the Drilling Services division is unfavourable compared to the corresponding period in 2014 due to price erosion that occurred in connection with 2014 contract negotiations, the impact of which flows into 2015. Pricing on renewals and new contracts has stabilised in 2015 for Drilling Services and remains relatively flat for the Products division.
- Product innovation and vitality remain priorities despite ongoing cost reduction efforts, with two new products – the LS 250™ MiniSonic drill rig and the reverse circulation hammer – launched during the half-year.
- Net working capital increased from year-end 2014 levels due to the business' normal seasonal upturn in activity levels and approximately \$19 million in cash payments for fees related to the Company's recapitalisation, which were accrued at year-end 2014. The Company continues to reduce excess inventory balances and expects net working capital balances to decrease by year-end 2015.
- The Company completed an Asset Based Loan facility with a commercial bank in June 2015. The ABL, which does not currently have any financial maintenance covenants, reduces interest costs by replacing \$35 million of interest-accreting term loan debt with less expensive debt that is currently undrawn.
- Liquidity at 30 June 2015 was approximately \$145 million, comprised of cash balances totalling \$121 million and a further \$24 million of availability under the Company's new ABL facility.
- Based on a July 2015 safety spotlight report from Citi, our lost time incident rate (LTIR)² for both 2013 and 2014 performance placed us in the top quartile of evaluated ASX-listed companies. While this result is encouraging, management and our employees are committed to continuously improving performance and pursuing a safe workplace for every employee and contractor.

	Half-Year Consolidated Results			
	First Half Ended		% Change Fav/(Unfav)	Second Half Ended
	2015	2014		2014
(Millions) ³				
Total Company				
Revenue	387.5	421.5	(8.1%)	445.1
Statutory EBITDA	(39.4)	(33.0)	(19.4%)	(49.6)
Adjusted EBITDA ¹	1.7	18.7	(90.9%)	12.7
Statutory Operating Loss	(84.0)	(86.0)	2.3%	(99.0)
Loss from Trading Activities ¹	(27.8)	(27.4)	(1.5%)	(20.5)
Net Cash Flows Used In Operating Activities	(85.1)	(14.6)	(482.9%)	3.3
Net Debt	556.1	555.8	(0.1%)	547.6
Adjusted SG&A ¹	79.4	83.3	4.7%	81.1
Number of Employees	5,151	5,871	12.3%	5,933

	Half-Year Divisional Results			
	First Half Ended		% Change Fav/(Unfav)	Second Half Ended
	2015	2014		2014
(Millions) ³				
Global Drilling Services				
Revenue	281.2	308.3	(8.8%)	327.8
Statutory EBITDA	22.1	36.6	(39.6%)	32.0
Average Number of Operating Drill Rigs	340	333	2.1%	372
Average Number of Drill Rigs	927	948	(2.2%)	949
Average Rig Utilisation	37%	35%	4.4%	39%
Number of Employees	3,478	4,130	(15.8%)	4,172
Global Products				
Revenue	106.3	113.2	(6.1%)	117.2
Statutory EBITDA	7.1	5.8	22.4%	8.2
Average Backlog	18.6	16.1	15.5%	19.8
Number of Employees	1,321	1,382	(4.4%)	1,393

Richard O'Brien, Boart Longyear's President and Chief Executive Officer, commented on the Company's half-year 2015 results, stating, "We are seeing some stabilisation in activity levels and are realising the benefits of our aggressive cost actions and strategies to streamline and improve productivity in our core operations. The impact of these improvements can be seen in a Loss from Trading Activities¹ for the period that was relatively flat to the same period in 2014 despite a revenue decrease of \$34 million for the period. Although normal seasonality combined with the payment of final recapitalisation expenses consumed some of our cash in the first half of 2015, our liquidity is strong, as evidenced by about \$145 million of cash and available capacity under our ABL facility and an upgraded credit rating from Standard & Poor's."

Mr O'Brien continued, "Our markets will improve, and, when they do, we expect the significant reductions and operational improvements we have implemented in recent years will yield significantly improved profit margins and cash generation. Our disciplined approach to cost control and greater emphasis on capital efficiency should allow us to sustainably operate our business at lower SG&A and capital costs than the Company achieved in the last market upcycle."

We also believe we have additional opportunities to improve efficiencies in our business and variabilise costs in line with changes in operating activity. In the near term we will continue to focus on preserving liquidity and further improving our operational performance by pursuing ongoing cost optimisation initiatives as well as identifying opportunities to grow the top line through new, customer-driven designs from our Products business and enhanced value-added service offerings for our Drilling Services customers. We have not lost sight that the Company's long-term success depends on our ability to anticipate and fully serve our customers' needs and meet our commitments to all of our stakeholders to operate safely and compliantly within a disciplined capital structure.

"We are excited and proud to celebrate our 125th anniversary this year and, as we have been throughout our history, we continue to be driven by the desire to find more ways to help our customers efficiently discover and delineate new reserves and produce from existing reserves."

Safety

For the half-year ended 30 June 2015, the Company recorded strong safety performance, with a Lost Time Injury Rate (LTIR)² of 0.16 and a Total Case Incident Rate (TCIR)² of 1.11. The Company continues to pursue better safety performance by focusing on forward-looking safety indicators, such as increased interactions between managers and field employees, disciplined tracking and remediation of risks and increased training for field supervisors and employees.

Financial and Operational Overview

With weak outlooks for most key commodities, the world's mining companies remain focused on maximising near-term cash flows and continue to hold back on their exploration, development and capital expenditures. As a result, the Company, along with the entire drilling industry, continues to experience muted demand and intense competition related to excess supply in its core markets. Activity levels for the Company, however, appear to have stabilised.

The Company's financial results for the half-year ended 2015 are set out in the tables below:

STATUTORY				ADJUSTED			
US\$M, except EPS	1H 2015	1H 2014	% Change Fav / (Unfav)	US\$M	1H 2015	1H 2014	% Change Fav / (Unfav)
Revenue	387.5	421.5	(8.1%)	Revenue	387.5	421.5	(8.1%)
Gross Margin	17.5	7.7	127.3%	Adjusted Gross Margin ¹	51.6	55.9	(7.7%)
<i>Gross Margin as a % of Revenue</i>	5%	2%		<i>Adjusted Gross Margin as a % of Revenue</i>	13%	13%	
Operating Loss	(84.0)	(86.0)	2.3%	Adjusted Operating Loss ¹	(42.9)	(34.3)	(25.1%)
<i>Operating Loss as a % of Revenue</i>	(22%)	(20%)		<i>Adjusted Operating Loss as a % of Revenue</i>	(11%)	(8%)	
EBITDA Loss	(39.4)	(33.0)	(19.4%)	Adjusted EBITDA ¹	1.7	18.7	(90.9%)
<i>EBITDA Loss as a % of Revenue</i>	(10%)	(8%)		<i>Adjusted EBITDA as a % of Revenue</i>	0%	4%	
NPAT Loss	(152.3)	(142.8)	(6.7%)	Adjusted NPAT Loss ¹	(68.8)	(68.0)	(1.2%)
<i>NPAT Loss as a % of Revenue</i>	(39%)	(34%)		<i>Adjusted NPAT Loss as a % of Revenue</i>	(18%)	(16%)	
EPS (Cents)	(17.2)	(31.3)	45.0%				

Revenue

Consolidated revenue declined 8% (\$34 million) in the first half of 2015 compared to the first half of 2014. On a consolidated basis, slightly improved volumes were offset by the unfavourable impact of foreign currency translation (totalling \$29 million) against a stronger US dollar in both the Drilling Services and Products divisions and by lower prices within Drilling Services.

Operating Loss and EBITDA

Operating loss for the first half of 2015 was \$84 million, compared to a loss of \$86 million for the same period in 2014. The \$2 million improvement was primarily attributable to lower significant items of \$41 million (being charges relating to recapitalisation, impairments, restructuring, and employee and related costs), compared to \$52 million in 2014, partially offset by other income and expense items. Adjusting operating loss for significant items and other income/expense, loss from trading activities¹ was \$28 million, compared to \$27 million in the corresponding 2014 period. Management views this as a positive achievement in light of the \$34 million period-over-period decrease in revenue and as an indicator that management actions to improve core operating performance are taking hold.

Consolidated statutory EBITDA for the first half of 2015 was a loss of \$39 million, compared to a loss of \$33 million for the same period in 2014, driven by the same factors that impacted operating loss. Adjusting statutory EBITDA for significant items, adjusted EBITDA¹ was lower by \$17 million due to reduced EBITDA within Drilling Services of \$14 million, partially offset by higher EBITDA in Products, and unfavourable foreign exchange movements.

Net Cash Flows Used in Operating Activities

Net cash flows used in operating activities for the first half of 2015 totaled \$85 million (compared to \$15 million in the first half of 2014) due to a \$49 million unfavourable change in net assets and liabilities, inclusive of approximately \$19 million in cash payments for fees related to the Company's recapitalisation (which were accrued at year-end 2014 and paid during the first half of 2015), reduced earnings in the Drilling Services division and \$11 million in higher income tax payments primarily

related to tax audits in Canada. Changes in net assets and liabilities were driven by a \$35 million decrease in trade and other payables, reflecting the Company's tight cost and purchasing controls and reduced inputs at its factories and by a \$25 million increase in trade and other receivables due to increased activity levels in Drilling Services. Inventory balances continue to reduce, with \$13 million in cash conversion achieved during the first half of 2015. The Company's aggregate cash released from inventory exceeds \$155 million since the end of 2012.

Asset Based Loan Facility

On 1 June 2015 the Company entered into a covenant-lite, asset-based, revolving bank credit facility (the "ABL") that provides up to \$40 million of capacity for loans or other purposes, such as letters of credit. As of 30 June 2015, there were no borrowings under this facility, although outstanding letters of credit totaling \$11 million reduced available drawing capacity under the ABL commitments.

Interest rates on usage are based on a base rate, generally 30-day USD LIBOR, plus an applicable margin. The margin is determined based on the Company's leverage and, as of 30 June 2015, was 3.5% for LIBOR-based loans. The facility is secured by liens on certain current and non-current assets. Provisions in the facility currently restrict availability by \$5 million until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for four consecutive quarters. Accordingly, the facility's current effective capacity is \$35 million.

The ABL's terms also require that \$5 million of cash be held in a restricted bank account with the lender until the fixed charge coverage ratio is maintained for two consecutive quarters. Following release of the restricted cash, but only to the extent that less than \$7.5 million of excess availability exists under the facility, the facility triggers a requirement to maintain an unadjusted fixed charge coverage ratio of not less than 1.1:1.0. Scheduled maturity is May 2020 but may accelerate to July 2018 under certain conditions.

Net Debt and Liquidity

Available liquidity at 30 June 2015 was approximately \$145 million, with cash and cash equivalents of \$121 million and \$24 million of undrawn availability under the ABL facility. The \$121 million cash balance, which includes the proceeds of the January 2015 recapitalisation, declined \$48 million from year-end 2014 in part because of the repayment of \$35 million of the Company's tranche A term loan with Centerbridge upon completion of the ABL facility in June 2015.

Net debt totaled \$556 million at 30 June 2015, an increase of \$8 million from the year-end 2014 total of \$548 million, including the benefit of the recapitalisation transactions that occurred in January 2015. Gross debt decreased by \$39 million, to \$677 million, at 30 June 2015 from \$716 million at year-end 2014. The decrease in gross debt resulted from the equitisation of \$16 million of the Company's senior unsecured notes previously held by Centerbridge and the above-referenced \$35 million pay-down of the Company's term loans.

Completion of Recapitalisation

As previously reported, the Company successfully completed a comprehensive recapitalisation transaction with Centerbridge Partners in January 2015. Centerbridge owns 49.9% of the Company's ordinary shares in addition to 434 million preference shares.

Additional Financial and Operational Information

Additional analysis of the Company's half-year 2015 financial performance and results is available in the Operating and Financial Review of the Company's half-year financial report, which was lodged with the Australian Securities Exchange today.

Segment Overview

Drilling Services

Drilling Services (US\$M)	1H 2015	1H 2014	% Change Half over Half
Revenue	281.2	308.3	(8.8%)
COGS	258.4	281.0	(8.0%)
SG&A	29.6	28.2	5.0%
EBITDA	22.1	36.6	(39.6%)
<i>EBITDA as a % of Revenue</i>	7.9%	11.9%	(33.8%)

The Drilling Services division's revenue decreased 9% (\$27 million) from the comparable 2014 period, to \$281 million. Principal factors for the change were unfavourable currency movements totaling \$16 million and price reductions totaling \$14 million, which were partially offset by higher volumes of drilling activity. The market overall remains relatively flat compared to 2014, with some regional variation being experienced. The Company continues to evaluate and pursue opportunities to leverage its expertise in both traditional and adjacent drilling markets.

The business achieved limited growth in North America, driven by further diversification into the agricultural water well market. The iron ore market has experienced a decline in 2015, which has presented challenges to operations in Australia, as iron ore mining clients have curtailed spending. Demand for underground and production drilling remained relatively strong, and mining customers remain focused on production to maximize profitability and returns to shareholders. Price reductions taken in 2014 are impacting 2015 results, but pricing for more recent contract renewals appears to have stabilised and significant incremental adverse pricing impacts are not expected at this time.

Drilling Services' EBITDA was down \$15 million, to \$22 million, in the first half of 2015 from \$37 million for the first half of 2014. The decrease was primarily a result of price reductions in 2014. While currency was an overall headwind to performance, the unfavourable impact on revenues translated into US dollars was partially offset by a favourable impact on costs translated into US dollars.

Products

Products (US\$M)	1H 2015	1H 2014	% Change Half over Half
Revenue	106.3	113.2	(6.1%)
COGS	77.5	84.6	(8.4%)
SG&A	26.0	28.6	(9.1%)
EBITDA	7.1	5.8	22.4%
<i>EBITDA as a % of Revenue</i>	6.7%	5.1%	30.4%

The Products division's revenue decreased by 6% (\$7 million) over the comparable 2014 period, to \$106 million. Principal factors for the change were adverse currency movements totaling \$13 million, which were partially offset by increased volume. Pricing has been relatively flat in the Products division.

Demand for the Company's products continues to be tempered by low utilisation rates globally and by customer purchasing patterns that generally limit orders to only those amounts necessary to support short-term drilling activity and associated minimal levels of inventory. While there are isolated

instances of customers increasing their inventory levels, such behavior is not widespread and management does not believe it is a definitive indicator of a market recovery. This fairly stable level of activity is supported by the Products division's relatively flat backlog, which has not changed materially since July 2013. Similar to Drilling Services, the Products division continues to drive sales growth in areas outside of the Company's core exploration business. Sales of products used in non-exploration activities (such as production, geotechnical and environmental) represented about half of the division's total revenue in the first half of 2015.

The Products division's EBITDA increased by \$1 million, driven by an increase in volume, improved fixed cost absorption in the Company's manufacturing plants and SG&A reductions. Products experienced a relatively muted impact from foreign currency movements on EBITDA, as the unfavourable impact on revenues translated into US dollars was partially offset by a favourable impact on costs translated into US dollars.

The division maintained its investment in new product development, which resulted in two new products being launched so far this year. The innovative new LS250™ MiniSonic™ was successfully launched in the first half of 2015. Boart Longyear also launched a reverse circulation hammer as an expansion of the successful BLH™ down-the-hole hammers and bits line. Ongoing product development activity remains focused on innovations that help customers meet their need to enhance driller safety and drive increased drilling productivity.

2015 Market Outlook

The Company is not providing an outlook for 2015 revenue or EBITDA. While there have been some signs of a levelling in industry demand, the Company's financial results, especially margins, will continue to be challenged by extremely competitive industry pricing for drilling services and by other factors, such as the strengthening of the US dollar relative to many of the currencies in which the Company transacts. Management expects, however, that the primary factors driving revenue, such as rig utilisation rates and product sales volumes, will remain broadly consistent with levels experienced in the first half of 2015. Management also expects that revenue and EBITDA will be negatively impacted by the read-through of price reductions incurred in 2014, especially in the Drilling Services division, and weakening currencies against the US dollar, the Company's reporting currency. Profitability should also be influenced positively by other factors, such as productivity and management's ability to further control costs.

Considerations in evaluating 2015 outlook include:

2015	
Revenue	Volumes consistent with first half 2015 runrate, but adjusting for any further: > Read-through of price reductions from 2014 > Currency movements
SG&A	Similar to first half 2015 runrate, with full year expectations between US\$165 million to US\$170 million
Capex	Similar to first half 2015 runrate, with full year target of US\$25 million, but subject to changing market conditions
Working Capital	Release expected in second half 2015, with full year release estimated at US\$25 million to US\$35 million, primarily as a result of inventory reductions (excluding impact of recapitalisation fees)

Note: working capital refers to trade receivables and inventory, less trade payables

Mr. O'Brien commented, "In the medium-term, we expect that mining companies and junior explorers will have to increase their exploration spending to replace and add to reserves. Several major mining companies have not replaced reserves over the last few years, so we remain confident that a sustained, multi-year recovery in demand for our drilling services and products will occur. We only wish we were as confident in our ability to say exactly when that recovery will occur. In the meantime,



we will continue to do what we do very well: invest in and support the value of our franchise, sustain and develop the considerable talent and commitment of our employees worldwide to allow us to deliver and exceed our customers' expectations and safely, efficiently and effectively manage our total costs and increase our margins. Overall, our goal remains: being the safest, most efficient and most profitable global drilling services and products company in the world."

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 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

Celebrating its 125 year anniversary in 2015, Boart Longyear is the world's leading provider of drilling services, drilling equipment, and performance tooling for mining and drilling companies globally. It also has a substantial presence in aftermarket parts and service, energy, mine de-watering, oil sands exploration, and production drilling. The Global Drilling Services division operates in over 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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¹ Loss from Trading Activities, Adjusted Gross Margin, Adjusted Operating Loss, Adjusted SG&A, Adjusted EBITDA and Adjusted NPAT Loss are non-IFRS measures and are used internally by management to assess the underlying performance of the business and have been derived from the Company's financial results by adding back significant items (i.e., charges relating to recapitalisation, impairments, restructuring, and employee and related costs). In the case of Adjusted NPAT, additional adjustments are made to account for the tax effect of significant items and other tax write offs and, in the case of Loss from Trading Activities, adjustments are made to Adjusted Operating Loss to remove other expense/income.

² Based on 200,000 hours worked.

³ Except number of employees, utilisation and rigs. Figures are period end, except where averages are indicated.