



# 1H 2014 Results

## August 2014

Drilling Services – Western Australia





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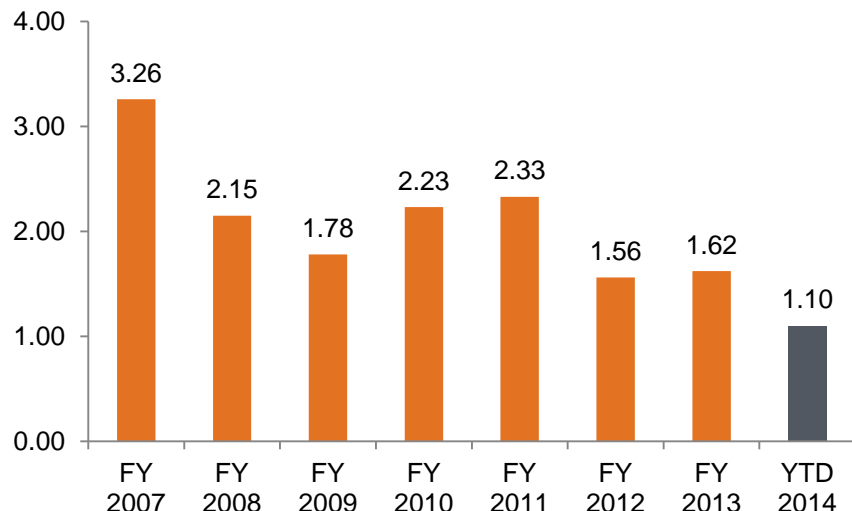
**Footnotes referred to throughout presentation are described on slides 43 to 44**

# Safety & Environment

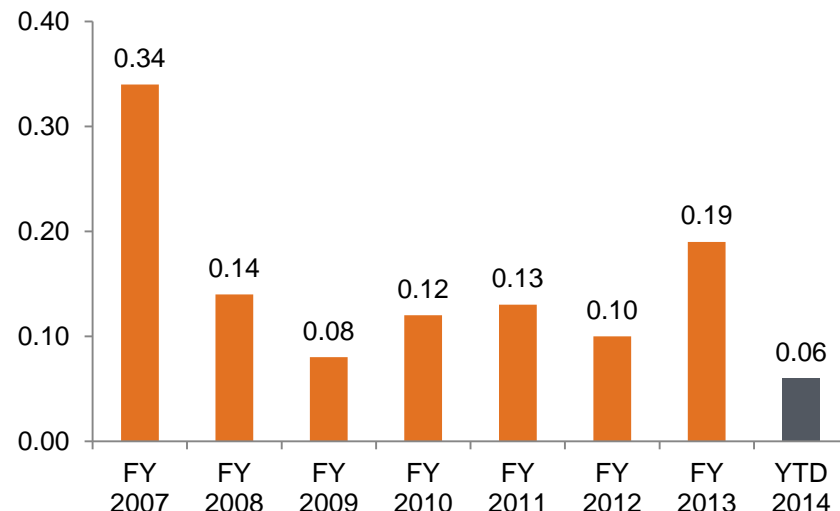
Our goal is adding value with zero harm – leading our industry with our employees returning home safely each day and performing our work with minimal impact to our neighbours or the environment.



## Total Case Incident Rate <sup>1</sup>



## Lost Time Incident Rate <sup>1</sup>



- **Safety Performance**

Significant reductions in Total Case Incident Rate (TCIR) and Lost Time Incident Rate (LTIR).

- **Proactive Safety Culture**

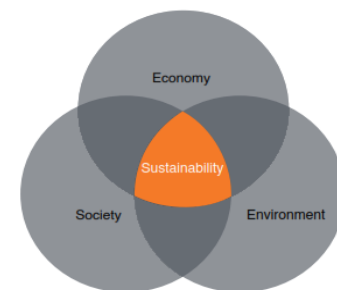
Safety KPIs based on employee engagement, leadership and resolving high potential near miss events.

- **Driver Safety (In-Vehicle-Monitoring-System)**

IVMS telematics units continue to contribute to a significant reduction in vehicle incident rates.

- **Sustainability**

Global progress on data collection and analysis for utility usage, waste streams and hazardous materials inventory.



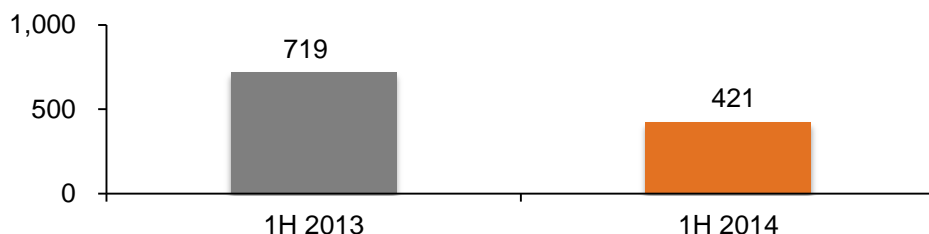
**Significant improvement in safety performance realised in 1<sup>st</sup> half of 2014**

# 1H 2014 – Consolidated Results Summary

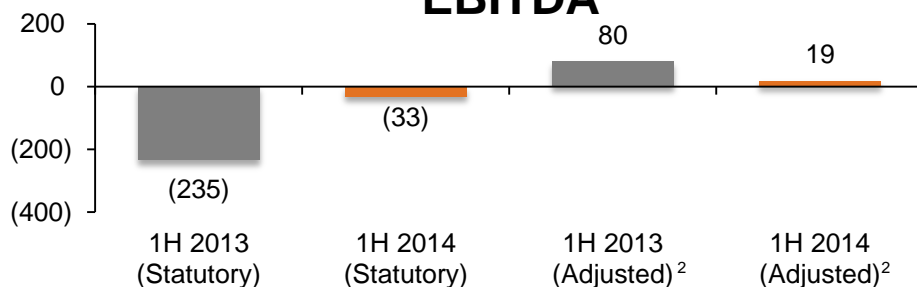


(US\$M)

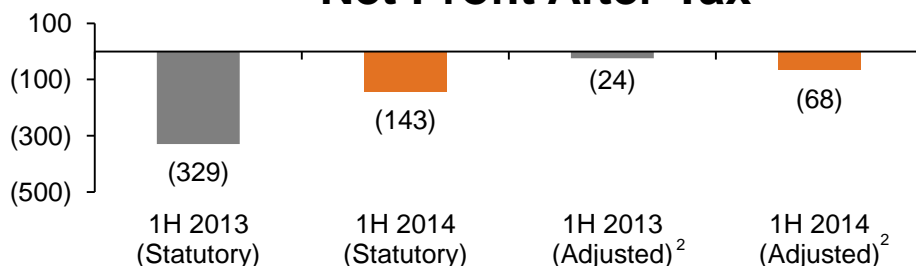
## Revenue



## EBITDA



## Net Profit After Tax



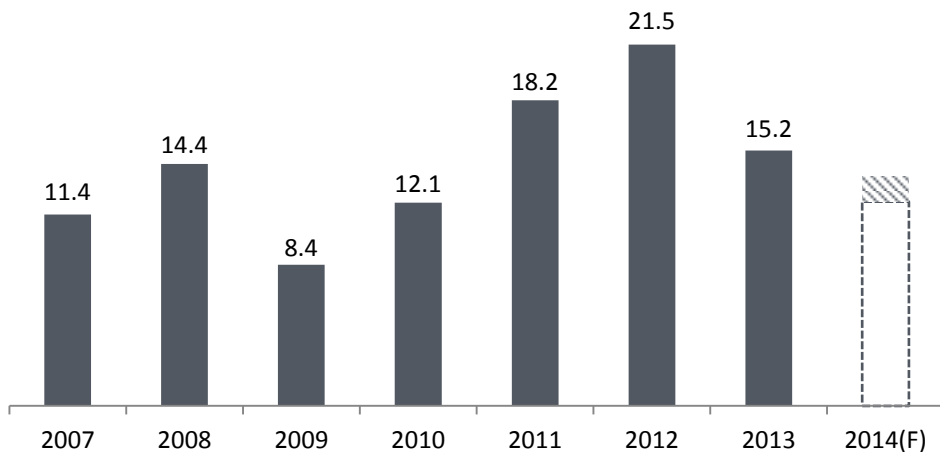
- Mining sector-wide contraction in exploration and development spend, which began in the 2<sup>nd</sup> half of 2012, persists through mid-2014, but showing signs of stabilisation
- Stable demand for underground applications and products
- Rig utilisation down ~5 percentage points year over year and roughly in line with utilisation in 2H2013
- Products revenue stabilised in 1H2014
- Drilling Services price and volume reductions negatively impacting margins
  - \$26M SG&A reduction for the comparable period partially offset the impact of price and volume reductions
- \$52M of restructuring and related impairment costs in 2014, of which \$43M are impairment related and non-cash
- Statutory EPS of (31.3) cents compared to (72.5) cents
- No interim dividend to be paid

# Key mining performance indicators are starting to show signs of stabilisation...

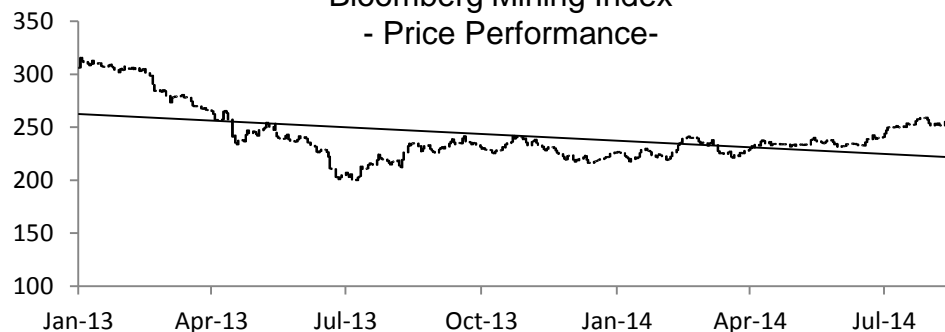


## Mining Performance

SNL MEG<sup>3</sup>  
- Exploration Spend (US\$ Billions)

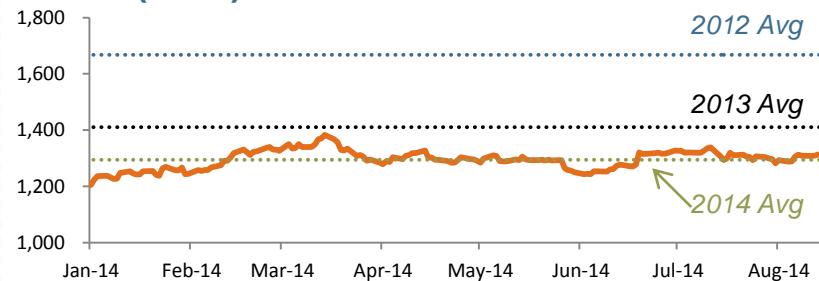


Bloomberg Mining Index<sup>4</sup>  
- Price Performance-

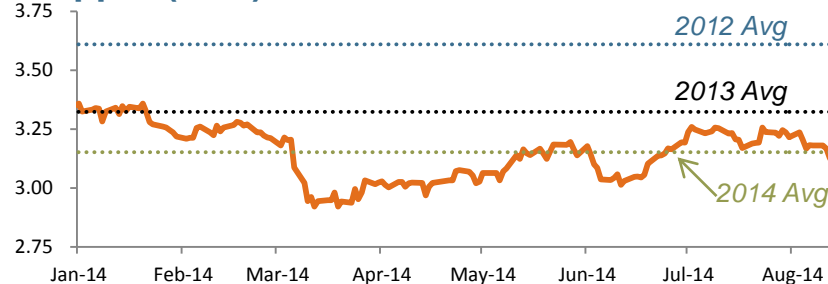


## Key Commodity Trends<sup>4</sup>

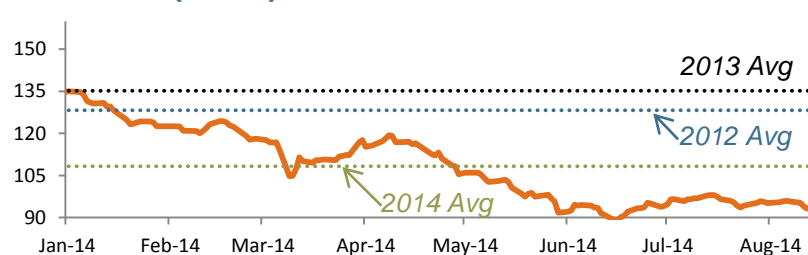
Gold (\$/oz.)



Copper (\$/lb.)



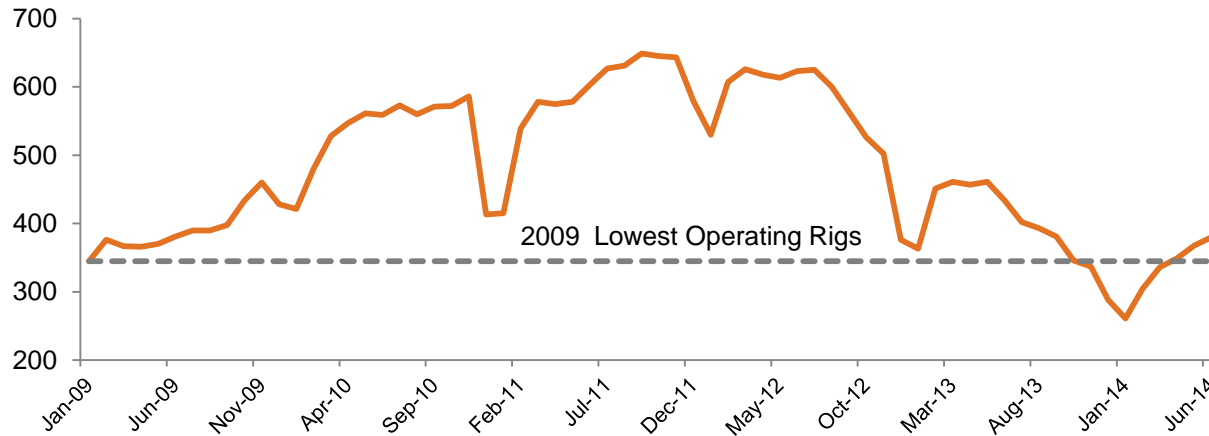
Iron Ore (\$/MT)



# ...but demand for our services and products remains tempered...

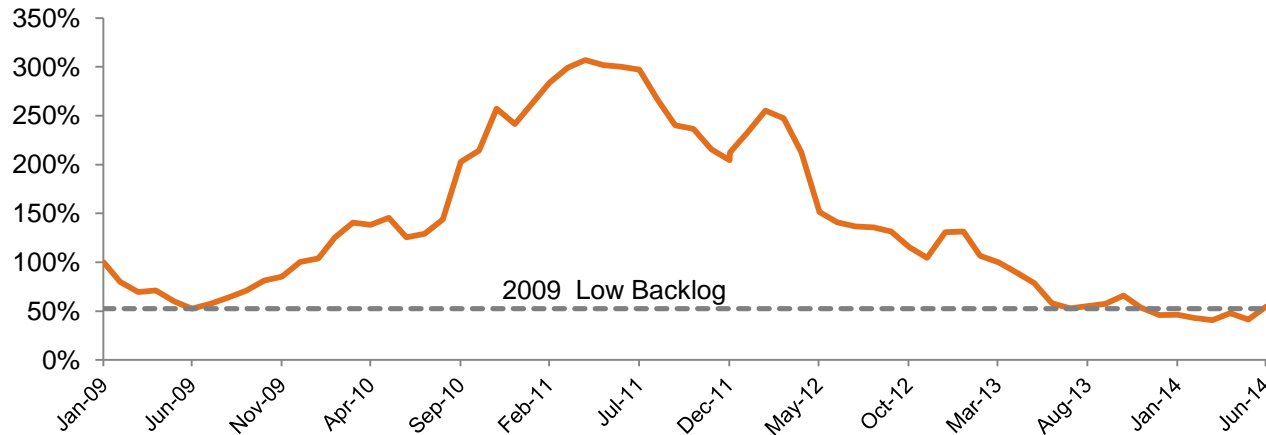


## Drilling Services' Historical Operating Rigs<sup>5</sup>



- In 4Q2013 and 1Q2014, the number of operating rigs fell below the previous low point experienced in 2009
- A surplus of global rig capacity, especially surface coring rigs, is leading to a very competitive environment

## Products' Historical Order Backlog (Indexed to Jan-09)



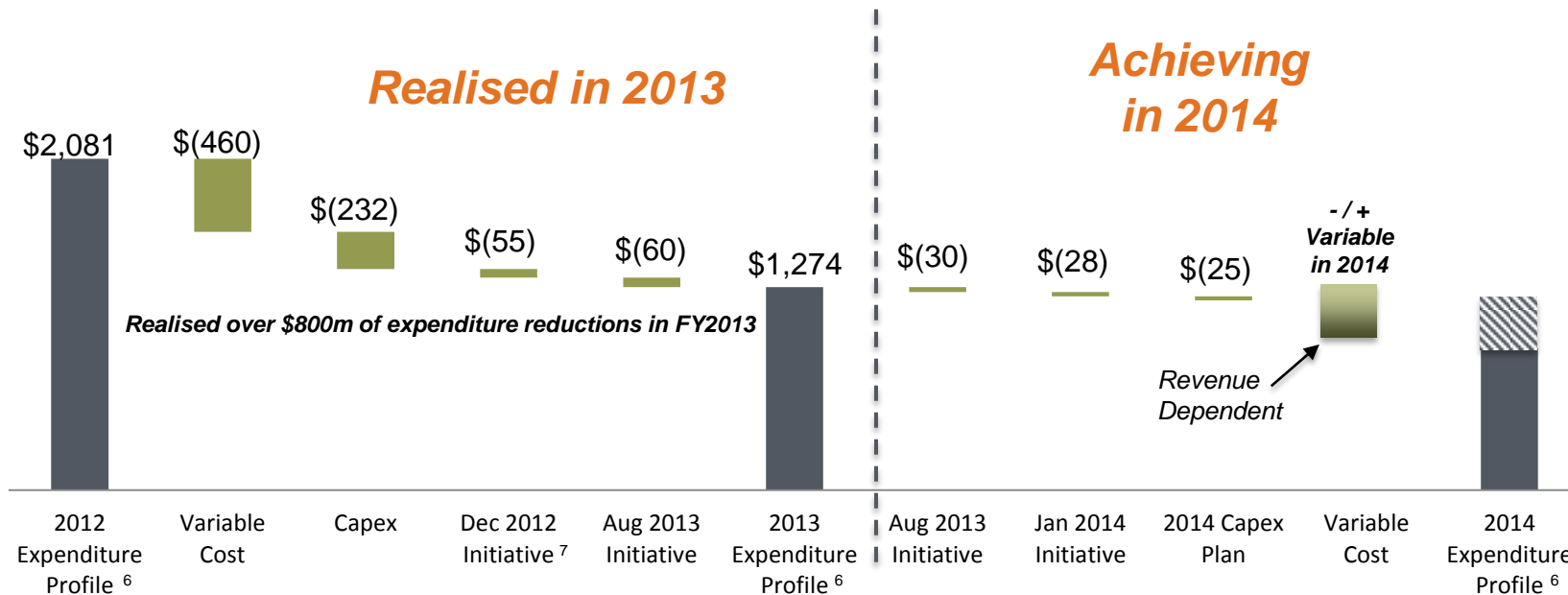
- Declining global utilisation rates resulting in reduced demand for products --- however, demand appears to be stabilising
- Existing inventory levels allow us to respond quickly to customer demand

# ...leading us to continue to reduce our overall cost structure



(US\$M)

Cost efficiency measures are on track to achieve previously announced reductions



## The Jan 2014 initiative includes:

- Wage freezes and the suspension of profit sharing in certain jurisdictions
- Ongoing consolidation of corporate and regional functions and facilities

The Company expects SG&A levels of between \$165M and \$170M in FY 2014

# Key Performance Indicators



	2013		2014	
	Q3	Q4	Q1	Q2
Average Rig Count	1,037	1,031	950	945
Average Operating Rig Utilisation	37%	31%	32%	39%
Average Product Backlog	\$20M	\$19M	\$15M	\$17M
Headcount	6,020	5,681	5,593	5,871
Net Debt <sup>8</sup>	\$530M	\$526M	\$544M	\$556M

## Positives

- Drilling services for underground and large rotary have remained stable, albeit at a low level, over the last 9 months to a year
- Overall demand, in both Products and Drilling Services, appears to be stabilising
- Cost/productivity improvements partially offsetting price
- Targeted R&D investment continues
- Key Drilling Services project wins in 2014
- Ability to fulfill most customer orders with existing stock

## Weaknesses

- Commodity prices remain depressed relative to recent price levels
- Global rig utilisation near historic lows
- Pricing pressure continues in Drilling Services
- Mining companies continue to focus on cost reductions

**Focus on safety, customer satisfaction, cost reduction, and deleveraging**





# Business Overview

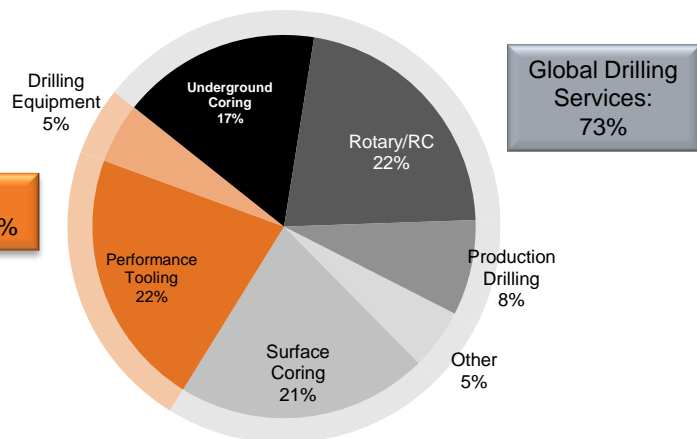
Roller Latch™ Head Assembly



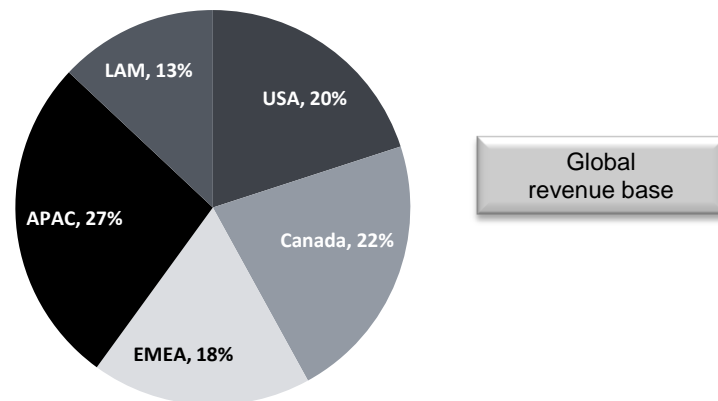
# Diversified End Market Exposure



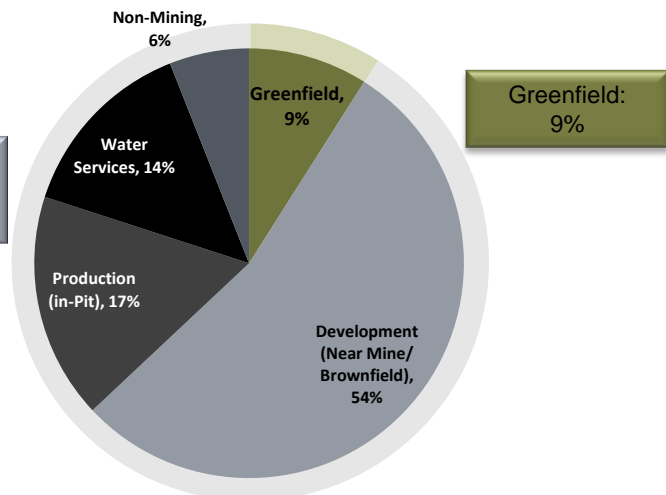
1H 2014 Total BLY Revenue – Products & Services



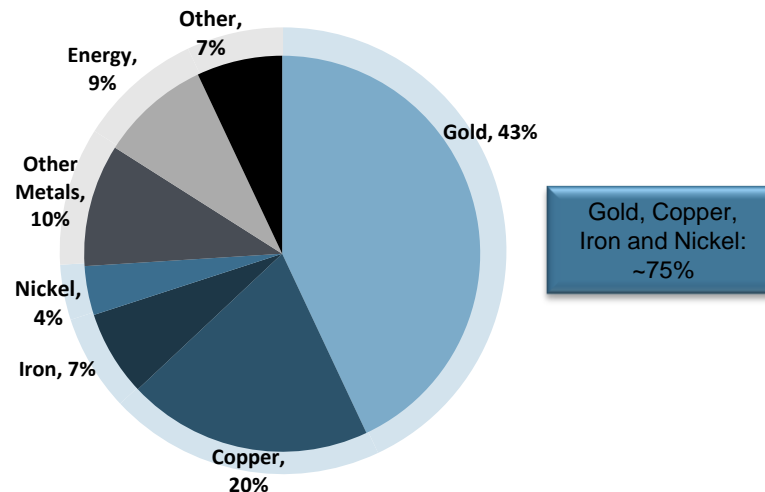
1H 2014 Total BLY Revenue by Region – Products & Services



1H 2014 Drilling Services Revenue by Stage



1H 2014 Services Revenue by Commodity



# 1H 2014 Operations

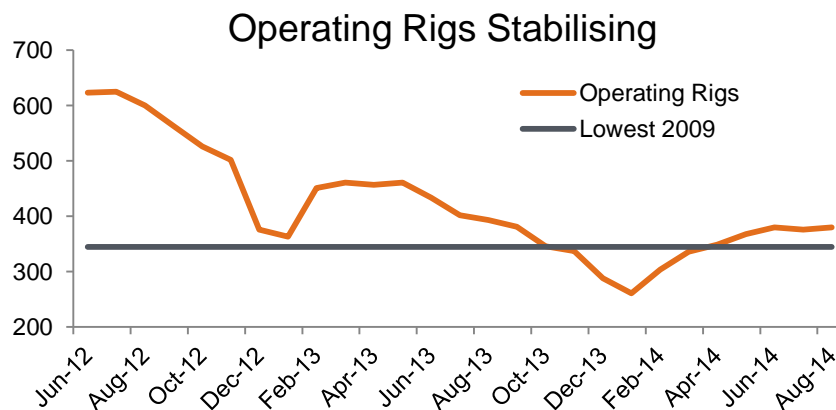
Drilling Services – Operating rigs stabilising, pricing pressure continues



(US\$M)	1H13	1H14	Change Fav/(Unfav)
Revenue	538	308	(43%)
COGS	453	281	38%
SG&A	50	28	44%
<b>EBITDA</b>	<b>84</b>	<b>37</b>	<b>(56%)</b>
<i>EBITDA as a % of Revenue</i>	16%	12%	

Key Performance Indicators	1H13	1H14	Change Fav/(Unfav)
Average Operating Rigs (without E&I) <sup>9</sup>	439	333	(24%)
Average Rig Utilisation <sup>9</sup>	41%	36%	(12%)
Average # of Drill Rigs (with E&I)	1,143	948	(17%)
Average # of Drill Rigs (without E&I)	1,041	948	(9%)
Headcount (30 June) <sup>10</sup>	5,859	4,130	30%

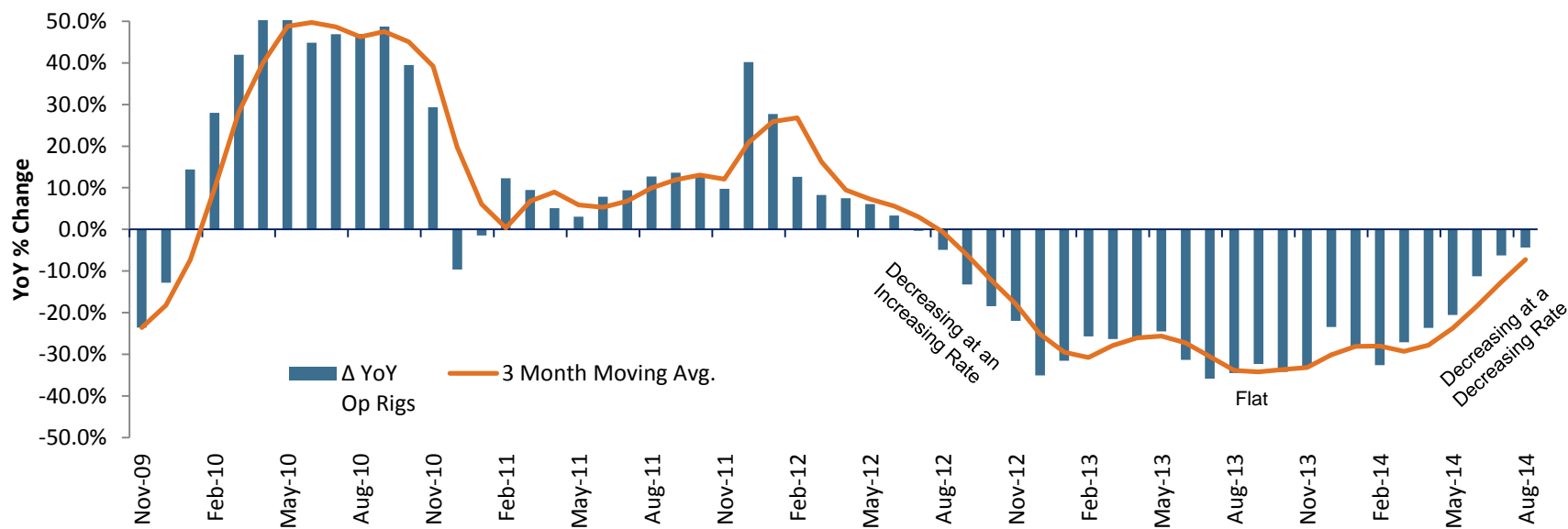
- Revenue down ~61% from 1H2012 and down ~43% from 1H2013 levels
- Average Rig Utilisation down ~5 percentage points 1H2014 vs 1H2013 and appears to be stable, near October 2013 run rates
- Surface coring utilisation ~30% globally, underground near capacity, rotary/water strengthening
- Pricing down low to mid-teens
- Cost/productivity improvements partially offsetting price



# Operating rig trends indicate the market may be stabilising



## Year over Year % Change in Drilling Services' Operating Rigs





# 1H 2014 Performance Bridges

## - Drilling Services



(US\$M)

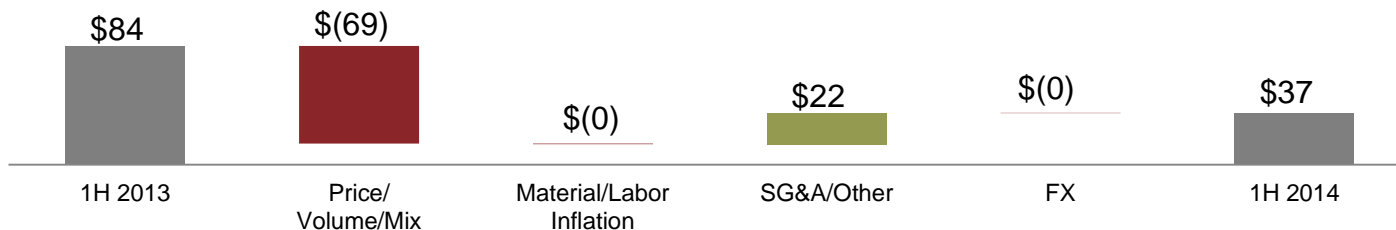
### Drilling Services Revenue Bridge



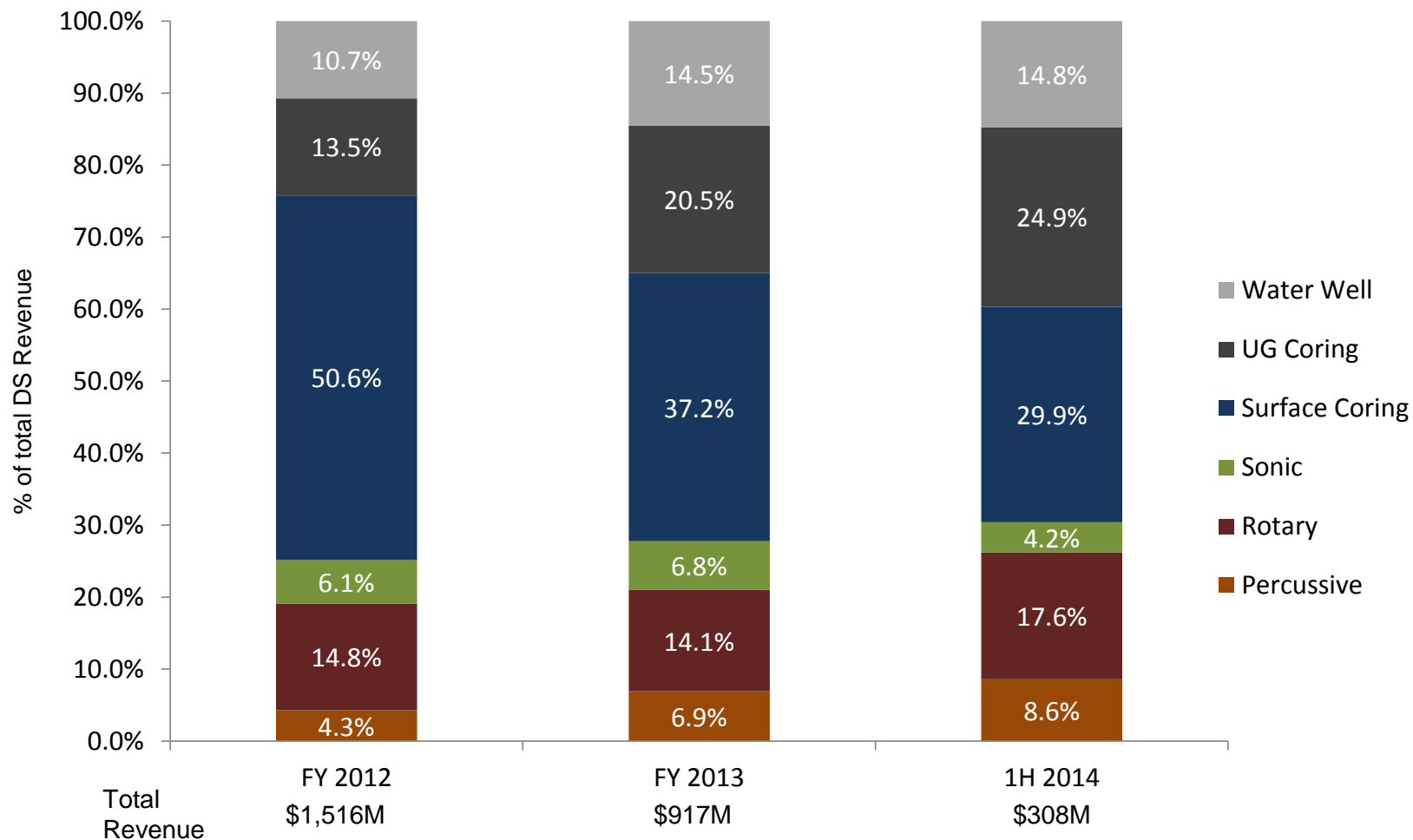
- Revenue down 43%; driven by lower utilisation and price

- Margins negatively impacted by
  - Price and lower utilisation
  - Timing of reducing variable costs
  - One-time severance costs
- SG&A down \$22M

### Drilling Services EBITDA<sup>2</sup> Bridge

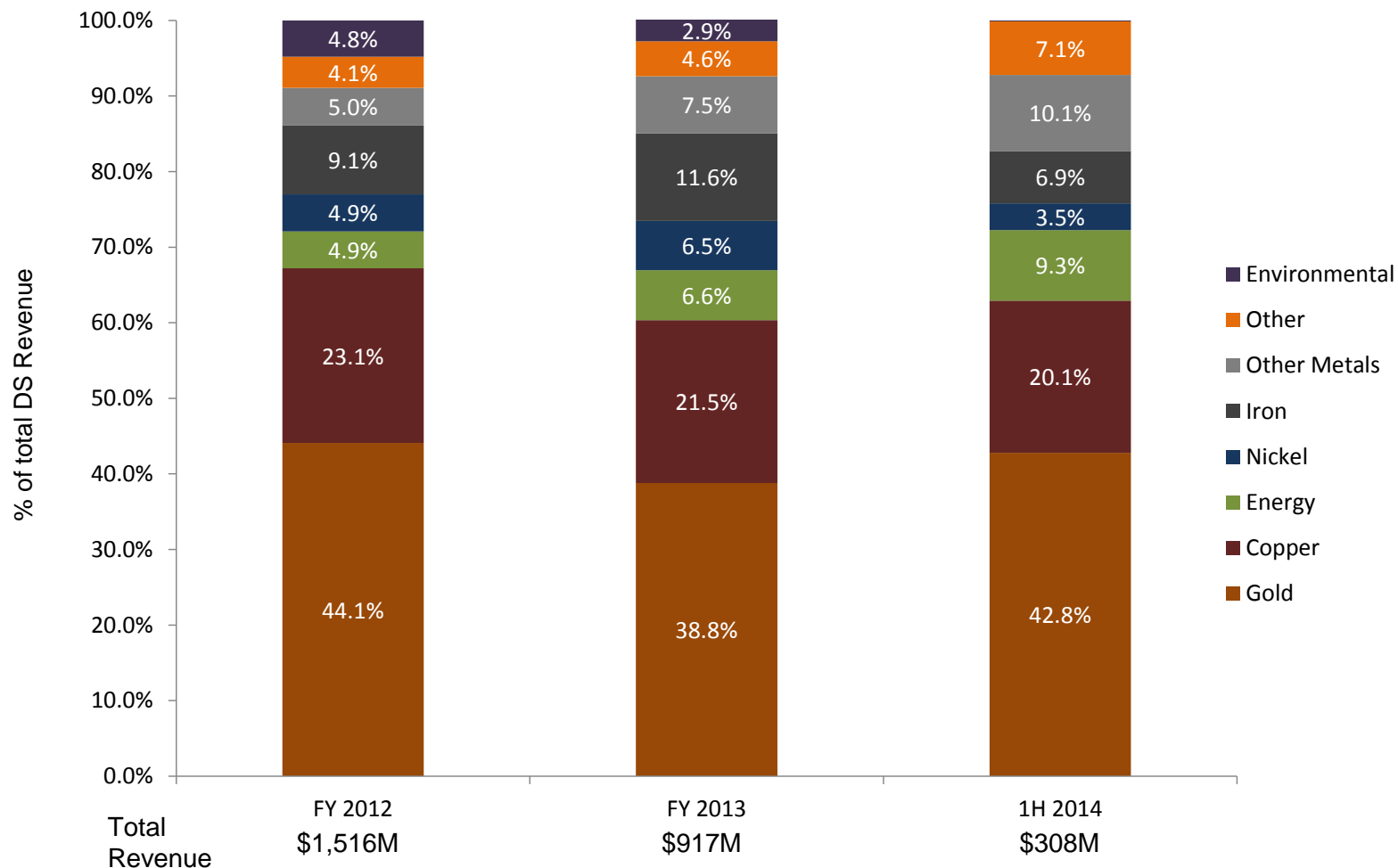


# Revenue by rig type



**Surface Coring revenue down significantly**

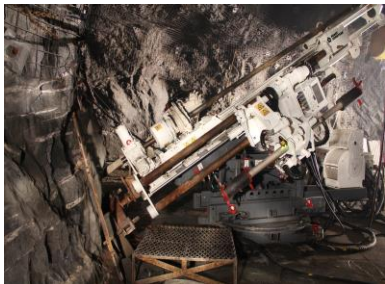
# Revenue by commodity



Relative share of revenue by commodity not materially different through recent cycle

# Drilling Services Key Wins

## Diversified Mix





# 1H 2014 Operations

Global Products – Markets appear to be stabilising with order backlog and other leading indicators improving



(US\$M)	1H13	1H14	Change Fav/(Unfav)
Revenue	181	113	(38%)
COGS	131	85	35%
SG&A	36	29	19%
<b>EBITDA</b>	<b>22</b>	<b>6</b>	<b>(73%)</b>
<i>EBITDA as a % of Revenue</i>	12%	5%	

Proforma <sup>12</sup> – (US\$M)	1H13	1H14	Change Fav/(Unfav)
Sales to Boart Longyear Drilling Services Division	44	38	(14%)
<b>Proforma Revenue</b>	<b>225</b>	<b>151</b>	<b>(33%)</b>

Key Performance Indicators (US\$M, except headcount)	1H13	1H14	Change Fav/(Unfav)
Average Backlog <sup>11</sup>	37	16	(57%)
Headcount <sup>10</sup>	990	1,382	(40%)

- Low single-digit price decline from 1H 2013 to 1H 2014; stabilised during Q2 2014
- EBITDA, while down significantly first half 2014 relative to 2013, is improving on a monthly basis in the first half of 2014 as a result of better fixed cost absorption
- Surface coring continues to be slow; underground steady
- Slight upward trend in order backlog during Q2 2014
- R&D investment focused on production drilling opportunities & incremental improvements to enhance productivity

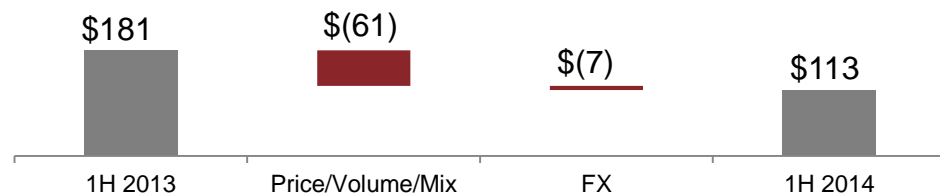
# 1H 2014 Performance Bridges

## - Products



(US \$M)

### Products' Revenue Bridge



- Revenue down 38%
- Decrease primarily due to lower volume (minimal price impact)

### Products' EBITDA<sup>2</sup> Bridge



- EBITDA decrease primarily driven by flow-through of lower volume
- SG&A down \$6M

# Product Innovation

## Focus on Safety & Productivity



Launched



LM™ 110 underground rig: More powerful power pack increases productivity by providing high pullback force and fast rod-handling rates



TruCore™ Core Orientation increases productivity through innovation that reduces the overall time needed to take measurements

Coming Soon



Industry leading rod-handling solutions continue to be developed



## Financial Overview



**BOART  
LONGYEAR™**

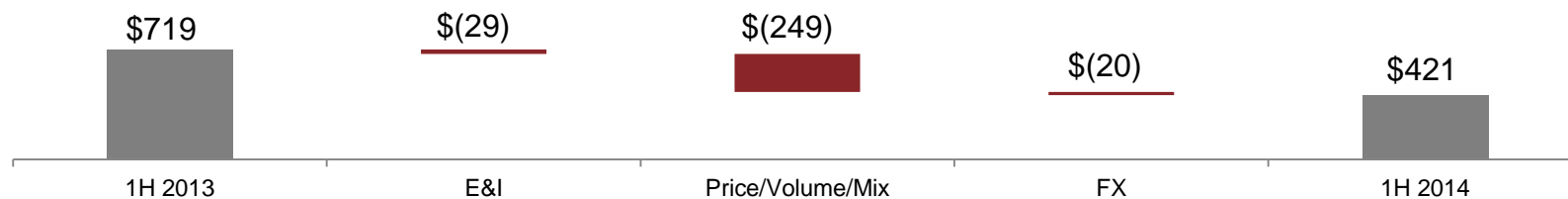


# 1H 2014 Consolidated Overview

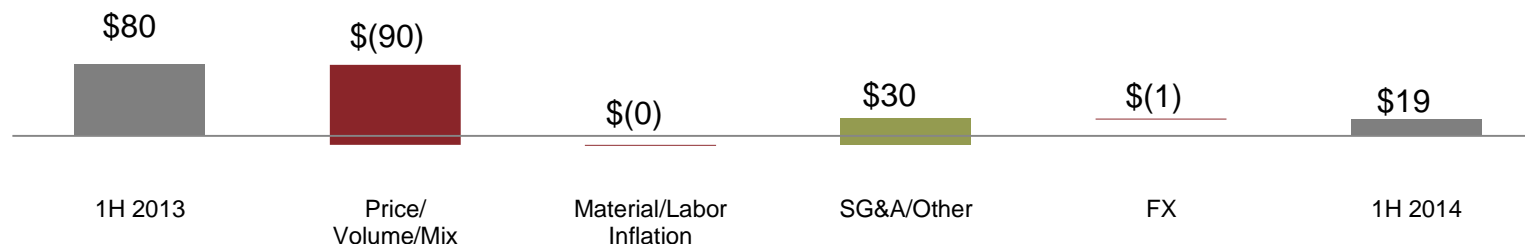


(US \$M)

## Revenue Bridge



## Adjusted EBITDA<sup>2</sup> Bridge



# Half over Half Overview – 1H 2014 vs 1H 2013



(US \$M) - (except EPS (cents) and headcount)

## Statutory

	1H 2013	1H 2014	% Change Fav/(Unfav)
Revenue	719	421	(41%)
Gross Margin	134	56	(58%)
Gross Margin %	19%	13%	
EBIT / Operating Profit	(307)	(86)	NMF
EBIT / Op Profit %	(43%)	(20%)	
EBITDA	(235)	(33)	NMF
EBITDA Margin %	(33%)	(8%)	
NPAT	(329)	(143)	NMF
NPAT Margin %	(46%)	(34%)	
EPS	(72.5)	(31.3)	NMF
Cash from Operations <sup>13</sup>	16	16	0%
Net Debt <sup>8</sup>	564	556	1%
Headcount	7,147	5,871	19%

## Adjusted <sup>2</sup>

	1H 2013	1H 2014	% Change Fav/(Unfav)
Revenue	719	421	(41%)
Gross Margin	134	56	(58%)
Gross Margin %	19%	13%	
EBIT / Operating Profit	9	(34)	NMF
EBIT / Op Profit %	1%	(8%)	
EBITDA	80	19	(77%)
EBITDA Margin %	11%	5%	
NPAT	(24)	(68)	NMF
NPAT Margin %	(3%)	(16%)	

Significant restructuring and related impairment charges impact statutory results

# Sequential Half over Half Overview – 1H 2014 vs. 2H 2013



(US\$M) - (except EPS (cents) and headcount)

## Statutory

	2H 2013	1H 2014	% Change Fav/(Unfav)
Revenue	504	421	(16%)
Gross Margin	68	56	(18%)
Gross Margin %	13%	13%	
EBIT / Operating Profit	(161)	(86)	NMF
EBIT / Op Profit %	(32%)	(20%)	
EBITDA	(102)	(33)	NMF
EBITDA Margin %	(20%)	(8%)	
NPAT	(291)	(143)	NMF
NPAT Margin %	(58%)	(34%)	
EPS	(63.1)	(31.3)	NMF
Cash from Operations <sup>13</sup>	60	16	(73%)
Net Debt <sup>8</sup>	526	556	(6%)
Headcount	5,681	5,871	(3%)

## Adjusted <sup>2</sup>

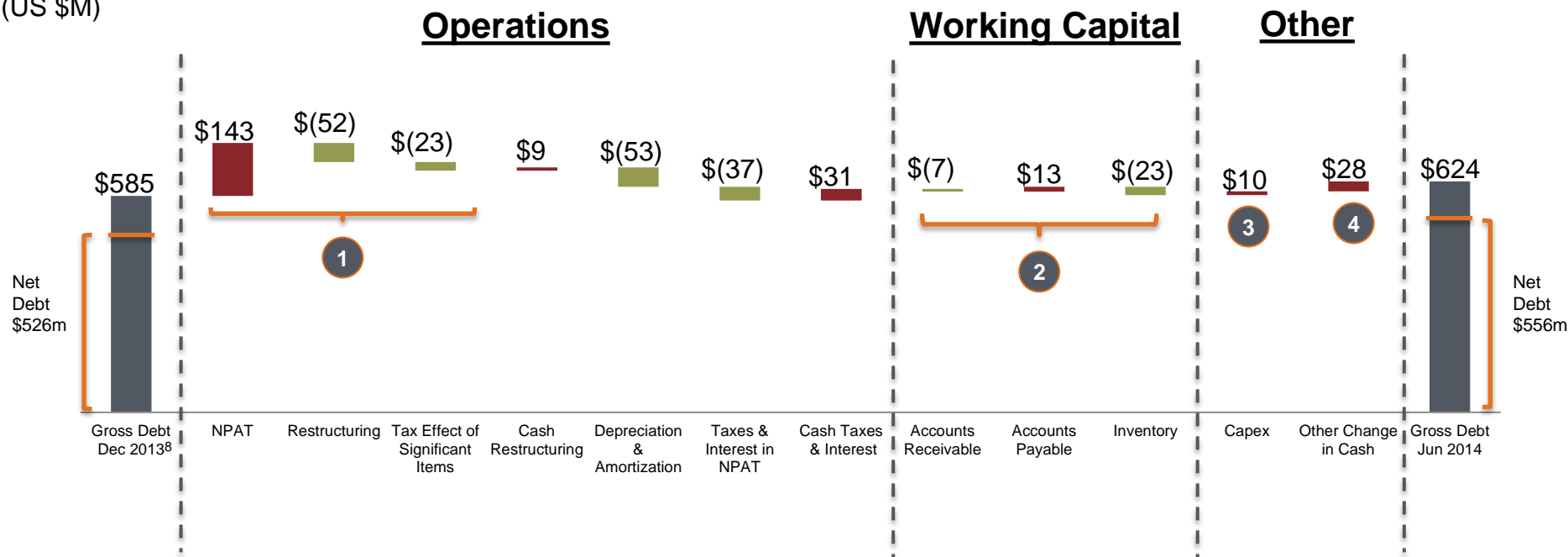
	2H 2013	1H 2014	% Change Fav/(Unfav)
Revenue	504	421	(16%)
Gross Margin	68	56	(18%)
Gross Margin %	13%	13%	
EBIT / Operating Profit	(32)	(34)	(5%)
EBIT / Op Profit %	(6%)	(8%)	
EBITDA	27	19	(30%)
EBITDA Margin %	5%	5%	
NPAT	(70)	(68)	NMF
NPAT Margin %	(14%)	(16%)	

Challenging market conditions led to a 16% contraction in topline revenue from 2H 2013 to 1H 2014

# Net debt increased by \$30M to \$556M



(US \$M)



- 1 Adjusted NPAT<sup>2</sup> is \$68m.
- 2 **Accounts Receivable:** Primarily driven by reduction in revenue  
**Accounts Payable:** Minimal purchasing levels as sales and consumption were filled with existing stock  
**Inventory:** Continue to focus on cash generation and reducing excess levels of stock
- 3 Cash capex of \$10m compared to accrual capex of \$11m
- 4 Significant items included in "Other Change in Cash":
  - Change in cash: \$9m
  - Effect of changes in foreign currencies on balance sheet items: \$6m
  - Change in provisions and other assets: \$8M and \$5M respectively



# Compliant with Covenants at 30 June 2014



	Actuals	Covenant								
	Jun-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
<b>Min LTM EBITDA</b>	\$63.5M	\$45M	\$35M				N/A			
<b>Min Interest Coverage</b>	N/A	Suspended				1.55x				
<b>Min Liquidity</b>		Suspended				\$30M				
<b>Max Total Indebtedness<sup>14</sup></b>	\$654.0M	\$700M	\$715M	\$670M	\$720M	\$725M				



Changes from prior amendment (amendment #6, dated Feb-2014)

## Other Key Terms:

- ❖ **Maturity Date:** Remains July 2016
- ❖ **Commitment:** Remains at \$140M; however, reduces to \$120M if CRA obligations for tax years 2007-2009 are overturned
- ❖ **Monthly Borrowing Base:** 75% of eligible AR plus 35% of eligible inventory
- ❖ **Drawn Pricing:** LIBOR + 475 basis points
- ❖ **Capital Expenditures:** Maximum of \$55M per year

Recent amendment provides runway and time to complete the strategic review

# 2014 Full Year Outlook



Bloomberg Consensus (21 Aug 2014)	Revenue	EBITDA	Net Debt
Low	\$766M	\$26.4M	\$514M
High	\$878M	\$57.6M	\$561M
Mean	\$842M	\$46.6M	\$532M

- Range of analysts' full-year forecasts for revenue, normalised EBITDA and net debt appear reasonable.
- Risks to full-year performance include:
  - Mineral exploration and mining capital expenditure reductions
  - Excess global rig capacity puts further pressure on Drilling Services' pricing
  - Commodity prices falling materially
  - Political or macro economic disruption in key markets
  - Possible restructuring charges if our market and business performance don't stabilise



Conclusion

LM 90 Underground Rig



# Strategic Review – well-advanced



## Robust Review

- Considered a broad range of recapitalisation structures beginning February 2014
- Goldman Sachs and other advisors add experience and judgment

## Significant Interest

- Engaged numerous reputable, capable and well capitalised potential investors
- Investor headline conclusions: “Great franchise, lousy balance sheet”

## Narrowing Options

- Board and management analysing a subset of available options

## Conclusion Expected

- Optimistic that results of strategic review of recapitalisation options will be announced prior to year end

# Business is well-positioned with improving operating leverage when our markets return



## Valuable Franchise

- Drilling Services continues to win contracts with major mining companies
- Products quoting continues to increase
- Product innovation continues as demonstrated by recent entrance into instrumentation

## Right Path Forward

- Operational and overhead efficiencies realised in the first half results taken over the past 18 months should provide improved margins when our markets recover
- Newly amended terms of revolving credit facility provide additional flexibility

## Adequate Liquidity

- Expect to be covenant compliant through March 2015 testing date
- Material uncertainty but anticipated liquidity and financial resources available to meet business needs during pendency of Strategic Review
- Available liquidity to sustain operations, with \$68 million of cash at 30 June 2014 and continuing access to bank revolver

**We look forward to celebrating our 125<sup>th</sup> anniversary in 2015**



[http://youtu.be/XHYWE\\_3DLds](http://youtu.be/XHYWE_3DLds)



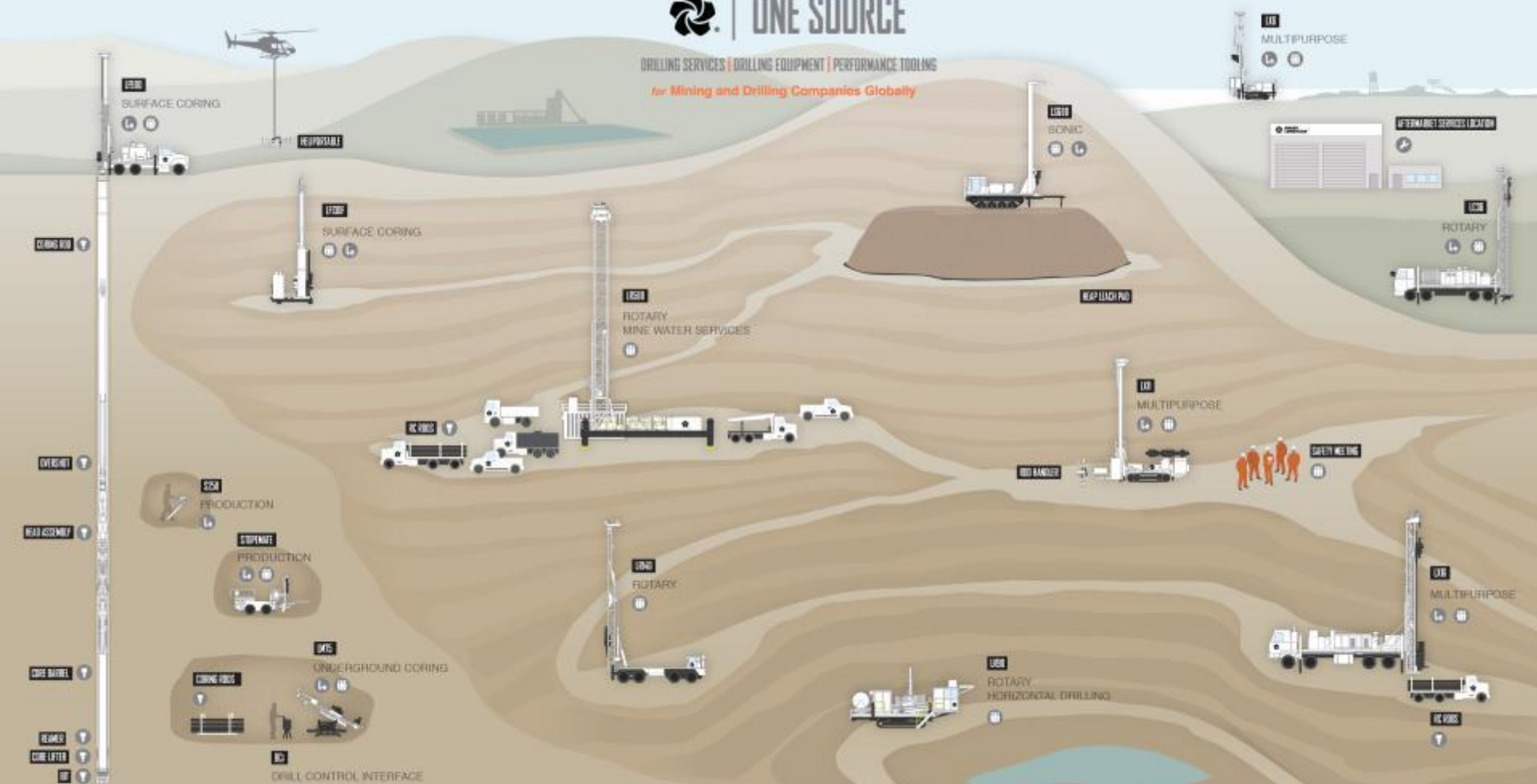
# QUESTIONS?



**ONE SOURCE**

DRILLING SERVICES | DRILLING EQUIPMENT | PERFORMANCE TOOLING

for Mining and Drilling Companies Globally



## DRILLING SERVICES

With the world's largest drilling fleet, we are committed to providing the same consistent superior service around the globe, regardless of location, environment or type of service you need.



## DRILLING EQUIPMENT

Boart Longyear is a leading manufacturer and supplier of drill rigs to the global mining industry. Our range of highly-productive drill rigs is suited for a variety of applications.



## PERFORMANCE TOOLING

Designed by drillers and manufactured in our plants, we provide the most technologically advanced drilling products in the industry.



## AFTERMARKET PARTS AND SERVICES

We offer a complete service and maintenance program designed to prevent and minimize down time.



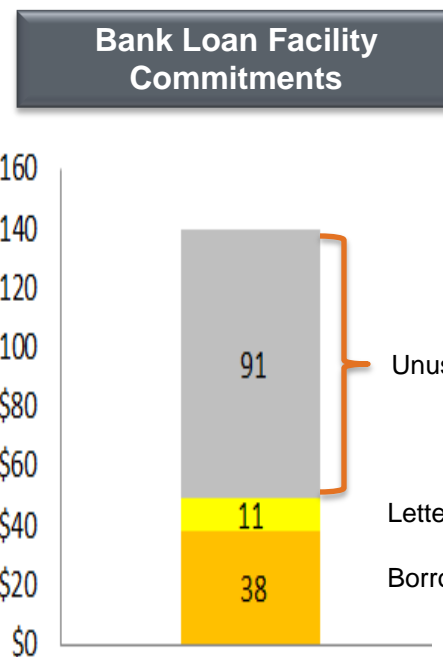
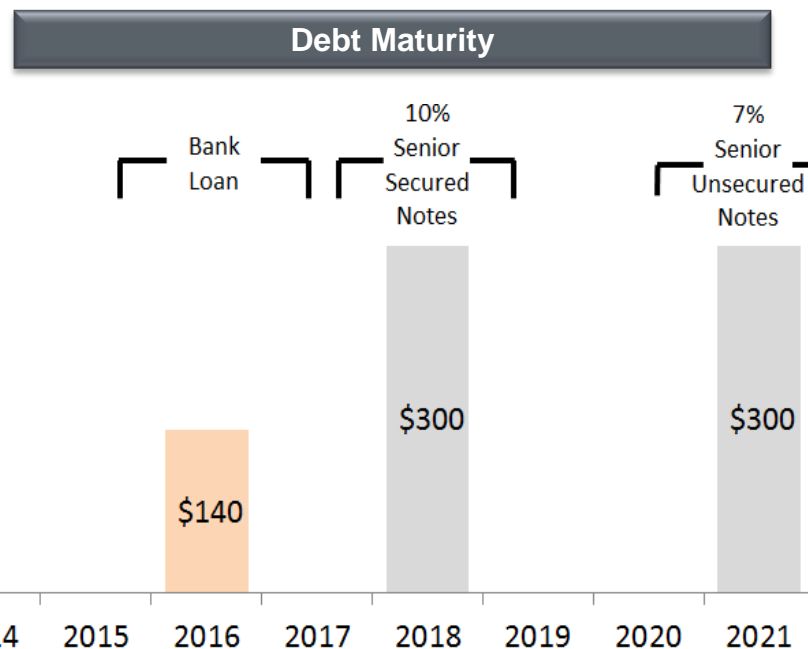
## Appendix



# Debt Maturity Schedule



(US \$M)



30 June 2014

**Proactively exploring alternate financing structures through the Strategic Review of recapitalisation options**



## 2005-06 Audit

- Good progress on completing open items to finalise reversal
  - Ontario assessments replicate federal Canada Revenue Agency ("CRA"); no independent audit
  - C\$24.5 million federal security released 26 May 2014
  - C\$6.7 million refund received 2 July 2014 from CRA
  - C\$11.0 million provincial security expected to be released in September 2014

## 2007-09 Audit

Income Adjustment	Total Exposure (taxes, penalties, interest)	Approximate Security That May Be Required
C\$105 million	C\$68 million	C\$42 million

Reflects aggregated CRA and Ontario assessments

- Similar to 2005-2006, disputed amounts relate entirely to inter-company transactions (Product sales, Royalties and Management Fees).
- Adjustments (received December 2013) result in:
  - 2007 – 50% of consolidated group EBIT attributed to Canada
  - 2008 – 87% of consolidated group EBIT attributed to Canada
  - 2009 – 110% of consolidated group EBIT attributed to Canada
- CRA Competent Authority division review is underway and appears to be progressing quickly
- Discussing security requirements with relevant taxing authorities

# Reconciliation: Statutory to Adjusted



(US \$M)

\$ in Millions	Statutory 1H 2013	Adjustments	Adjusted 1H 2013 <sup>2</sup>	Statutory 1H 2014	Adjustments	Adjusted 1H 2014 <sup>2</sup>
Revenue	719	-	719	421	-	421
EBIT	(307)	316	9	(86)	52	(34)
EBITDA	(235)	315	80	(33)	52	19
NPAT	(329)	305	(24)	(143)	75	(68)

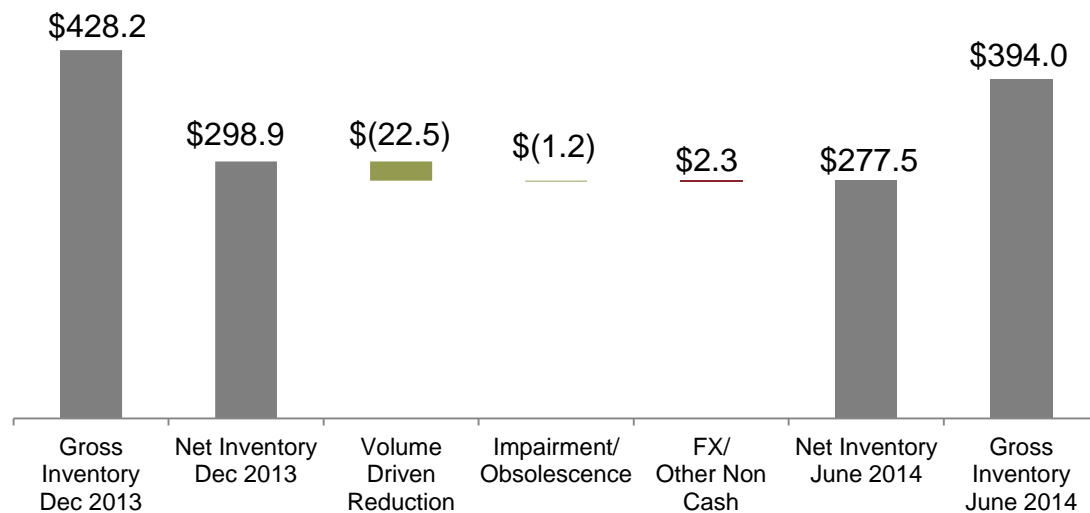


# Inventory



(US \$M)

## Inventory Balance



- Peaked at ~\$570M gross in October 2012
- Continued focus on supply chain efficiencies to further decrease total company inventory



# End Market Exposure

## Year over year comparison



### ***BLY Revenue - Products & Services***

<b>% of Revenue</b>	<b>1H 2013</b>	<b>1H 2014</b>
Production Drilling	5%	8%
Surface Coring	32%	21%
Underground Coring	15%	17%
Rotary/RC	20%	22%
Other	3%	5%
Performance Tooling	19%	22%
Drilling Equipment	6%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### ***BLY Revenue by Region - Products & Services***

<b>% of Revenue</b>	<b>1H 2013</b>	<b>1H 2014</b>
USA	22%	20%
Canada	18%	22%
EMEA	21%	18%
APAC	26%	27%
LAM	13%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### ***Drilling Services Revenue by Commodity***

<b>% of Revenue</b>	<b>1H 2013</b>	<b>1H 2014</b>
Gold	42%	43%
Copper	20%	20%
Iron	5%	7%
Nickel	7%	4%
Other Metals	7%	10%
Energy	6%	9%
Environmental	5%	0%
Other Metals	8%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### ***Drilling Services Revenue by Stage***

<b>% of Revenue</b>	<b>1H 2013</b>	<b>1H 2014</b>
Greenfield	15%	9%
Development (Near Mine/Brownfield)	54%	54%
Production (in-Pit)	15%	17%
Water Services	13%	14%
Non-Mining	3%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

# Income Statement



	6 months ended 30 June 2014 US\$'000	6 months ended 30 June 2013 US\$'000
<b>Continuing operations</b>		
Revenue	421,495	718,863
Cost of goods sold	(365,564)	(584,463)
Gross margin	55,931	134,400
Other income	4,310	327
General and administrative expenses	(63,047)	(85,538)
Selling and marketing expenses	(20,271)	(24,611)
Restructuring expenses and related impairments	(51,719)	(315,489)
Other expenses	(11,157)	(15,646)
Operating loss	(85,953)	(306,557)
Interest income	2,809	924
Finance costs	(30,911)	(16,671)
Loss before taxation	(114,055)	(322,304)
Income tax expense	(28,771)	(7,090)
<b>Loss for the period attributable to equity holders of the parent</b>	<b>(142,826)</b>	<b>(329,394)</b>
<b>Other comprehensive loss</b>		
Loss for the period attributable to equity holders of the parent	(142,826)	(329,394)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(3,642)	(83,070)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial loss related to defined benefit plans	(5,439)	-
Income tax on income and expense recognised directly through equity	1,121	-
Other comprehensive loss for the period, net of tax	(7,960)	(83,070)
<b>Total comprehensive loss for the period attributable to equity holders of the parent</b>	<b>(150,786)</b>	<b>(412,464)</b>

# Balance Sheet



	30 June 2014 US\$'000	31 December 2013 US\$'000
<b>Current assets</b>		
Cash and cash equivalents	68,675	59,053
Trade and other receivables	189,653	196,912
Inventories	277,533	298,947
Current tax receivable	15,041	18,253
Prepaid expenses and other assets	21,454	25,054
<b>Total current assets</b>	<b>572,356</b>	<b>598,219</b>
<b>Non-current assets</b>		
Property, plant and equipment	337,053	408,311
Goodwill	104,047	103,974
Other intangible assets	84,796	92,028
Deferred tax assets	99,880	110,243
Other assets	31,713	17,706
<b>Total non-current assets</b>	<b>657,489</b>	<b>732,262</b>
<b>Total assets</b>	<b>1,229,845</b>	<b>1,330,481</b>
<b>Current liabilities</b>		
Trade and other payables	144,485	153,152
Provisions	31,747	33,263
Current tax payable	92,794	91,649
Loans and borrowings	5	84
<b>Total current liabilities</b>	<b>269,031</b>	<b>278,148</b>
<b>Non-current liabilities</b>		
Loans and borrowings	624,436	585,375
Deferred tax liabilities	17,671	1,179
Provisions	39,398	37,184
<b>Total non-current liabilities</b>	<b>681,505</b>	<b>623,738</b>
<b>Total liabilities</b>	<b>950,536</b>	<b>901,886</b>
<b>Net assets</b>	<b>279,309</b>	<b>428,595</b>
<b>Equity</b>		
Issued capital	1,131,465	1,129,014
Reserves	(41,905)	(37,312)
Other equity	(137,182)	(137,182)
Accumulated (loss) profit	(673,069)	(525,925)
<b>Total equity</b>	<b>279,309</b>	<b>428,595</b>

# Cash Flow Statement (1 of 2)



	6 months ended 30 June 2014 US\$'000	6 months ended 30 June 2013 US\$'000
<b>Cash flows from operating activities</b>		
Loss for the year	(142,826)	(329,394)
<i>Adjustments provided by operating activities:</i>		
Income tax (benefit) expense recognised in profit	28,771	7,090
Finance costs recognised in profit	30,911	16,671
Depreciation and amortisation	52,904	71,467
Interest income recognised in profit	(2,809)	(924)
(Gain) loss on disposal of non-current assets	(206)	(327)
Loss on disposal of businesses	-	-
Impairment of current and non-current assets	42,488	299,400
Foreign exchange loss (gain) on intercompany balances	760	3,593
Share-based compensation	1,500	(999)
Long-term compensation - cash rights	2,342	(16)
<i>Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:</i>		
Decrease (increase) in assets:		
Trade and other receivables	7,187	(4,760)
Inventories	22,474	39,568
Other assets	(5,580)	14,370
(Decrease) increase in liabilities:		
Trade and other payables	(13,127)	(90,510)
Provisions	(8,725)	(9,108)
Cash generated from (used in) operations	16,064	16,121
Interest paid	(28,555)	(16,009)
Interest received	2,809	924
Income taxes paid	(4,914)	(29,780)
Net cash flow s (used in) provided by operating activities	<b>(14,596)</b>	<b>(28,744)</b>

# Cash Flow Statement (2 of 2)



	6 months ended 30 June 2014 US\$'000	6 months ended 30 June 2013 US\$'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,451)	(17,498)
Proceeds from sale of property, plant and equipment	2,739	12,200
Intangible costs paid	(3,423)	(4,403)
Net cash flow s (used in) provided by investing activities	<b>(7,135)</b>	<b>(9,701)</b>
<b>Cash flows from financing activities</b>		
Payments for debt issuance costs	(838)	(1,473)
Proceeds from borrow ings	51,000	103,006
Repayment of borrow ings	(13,085)	(106,056)
Dividends paid	-	(4,612)
Net cash flow s provided by (used in) financing activities	<b>37,077</b>	<b>(9,135)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>15,346</b>	<b>(47,580)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>59,053</b>	<b>89,628</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(5,724)	(7,867)
<b>Cash and cash equivalents at the end of the period</b>	<b>68,675</b>	<b>34,181</b>

# Restructuring & Impairment Detail



US\$ Millions	For the half-year ended 30 June			
	2014 US\$ Millions	2014 US\$ Millions	2013 US\$ Millions	2013 US\$ Millions
<b>EBITDA(1)</b>	<b>(33.0)</b>		<b>(235.1)</b>	
<b>NPAT(2)</b>		<b>(142.8)</b>		<b>(329.4)</b>
Goodwill impairment	-	-	166.3	166.3
Property, plant and equipment impairment	41.4	41.4	55.7	55.7
Inventory impairment	1.1	1.1	57.0	57.0
Employee separation and related costs	3.5	3.5	13.7	13.7
Development asset impairment	-	-	8.1	8.1
Intangible assets impairment	-	-	9.1	9.1
Other restructuring and impairment costs	5.7	5.7	5.6	5.6
Tax effect of significant items and other tax write offs(3)		23.1		(10.3)
<b>Total of significant items</b>	<b>51.7</b>	<b>74.8</b>	<b>315.5</b>	<b>305.2</b>
<b>Adjusted EBITDA(1)</b>	<b>18.7</b>		<b>80.4</b>	
<b>Adjusted NPAT(2)</b>		<b>(68.0)</b>		<b>(24.2)</b>

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

(2) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and significant items'.

(3) Includes tax expense on derecognition of deferred tax assets and unrecognised tax losses of \$32.0 million.





- **Footnote 1:** Per 200,000 work hours.
- **Footnote 2:** EBITDA, Adjusted EBITDA, Adjusted EBIT, and Adjusted NPAT are non-IFRS measures and are used internally by management to assess the performance of the business. For 2014, the adjusted figures have been derived from the Company's financial statements by adding back \$52M pre-tax (\$43M post-tax) of restructuring charges and impairments; and \$32M of tax expense on derecognition of deferred tax assets and unrecognised tax losses in the current year.
- **Footnote 3:** Source: SNL Metals Economics Group.
- **Footnote 4:** Source: Bloomberg.
- **Footnote 5:** Operating rigs defined as the number of weekly operating rigs generating revenue. Previously, the Company has provided utilisation figures based on operating rigs divided by rigs held in the fleet.
- **Footnote 6:** Expenditure profile defined as operating costs plus capital expenditures.
- **Footnote 7:** Realised an additional \$15M of savings in FY2012.
- **Footnote 8:** Excludes contingent liabilities relevant to determining bank covenant compliance. Net debt at 15 August 2014 was approximately \$555M.
- **Footnote 9:** As of 15 August 2014 operating rigs and rig utilisation was 380 and 40% respectively.

# Footnote Disclosures cont.



- **Footnote 10:** Increase in Global Products employees is due to the consolidation of maintenance and supply chain operations into the Global Products division.
- **Footnote 11:** Backlog as of 15 August 2014 was \$23M.
- **Footnote 12:** Transactions between segments are carried out at arm's length and are eliminated on consolidation. Inter-segment revenue is counted as products are moved to a Drilling Services project (as opposed to a Drilling Services inventory location in the past).
- **Footnote 13:** Excludes interest and taxes.
- **Footnote 14:** Maximum Total Indebtedness permitted for each fiscal quarter shall be reduced by the amount by which instruments issued to support potential payments to the Canada Revenue Agency have been reduced below \$37.5M. As of 30 June 2014, approximately \$10M of instruments were outstanding resulting in a reduction of the maximum indebtedness covenant for that period from \$700M to approximately \$672M.