

BOART LONGYEAR LIMITED

NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY STATEMENT

ABN 49 123 052 728

NOTICE IS GIVEN OF AN EXTRAORDINARY GENERAL MEETING TO BE HELD ON 8 SEPTEMBER 2021 AT 10.00 AM (SYDNEY TIME) AT ASHURST, LEVEL 11, 5 MARTIN PLACE, SYDNEY NEW SOUTH WALES 2000 AND ONLINE

THE INDEPENDENT DIRECTORS OF BOART LONGYEAR LIMITED UNANIMOUSLY RECOMMEND THAT SHAREHOLDERS VOTE IN FAVOUR OF ALL THE RECAPITALISATION RESOLUTIONS IN THE ABSENCE OF A SUPERIOR PROPOSAL

THE INDEPENDENT EXPERT HAS CONCLUDED THE RECAPITALISATION IS FAIR AND REASONABLE TO NON-ASSOCIATED SHAREHOLDERS IN THE ABSENCE OF A SUPERIOR PROPOSAL

This is an important document and requires your immediate attention.

You should read the whole of this document before you decide whether and how to vote on the resolutions in the Notice of Meeting. If you are in doubt as to what you should do, please consult your financial or other professional adviser.

IMPORTANT NOTICES

This Explanatory Statement is intended to provide Shareholders with information to assess the merits of the proposed resolutions in the accompanying Notice of Meeting and is to be read in conjunction with the Notice of Meeting.

Read this Document

This Explanatory Statement is an important document. You should read it in its entirety before deciding how to vote on the resolutions. If you have any doubt regarding what you should do, you should consult your investment, financial or other professional adviser.

Defined Terms

Capitalised words and phrases used in this Explanatory Statement (including in the resolutions) have the meaning set out in the Glossary in Section 13 of this Explanatory Statement.

Responsibility Statement

This Explanatory Statement (excluding the Independent Expert's Report, the Centerbridge Information and the Ad Hoc Group Information) has been prepared by the Company.

The Company, its related bodies corporate and their respective directors, officers and advisers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report, the Centerbridge Information and the Ad Hoc Group Information.

The Independent Expert has provided and is responsible for the Independent Expert's Report contained in Annexure A of this Explanatory Statement. The Independent Expert's Report considers whether the Recapitalisation is fair and reasonable to Non-Associated Shareholders.

Centerbridge has provided and is responsible for the information contained in Section 8 of this Explanatory Statement, statements describing Centerbridge's present voting power in the Company and statements describing Centerbridge's intentions regarding the future of the Company (collectively the **Centerbridge Information**). Centerbridge does not assume any responsibility for the completeness or accuracy of any information prepared by the Company, the Ad Hoc Group or the Independent Expert.

Each member of the Ad Hoc Group has provided and is responsible for the information contained in Section 9 of this Explanatory Statement which relates to that member of the Ad Hoc Group, statements describing that Ad Hoc Group member's present voting power in the Company and statements describing that Ad Hoc Group member's intentions regarding the future of the Company (collectively, in respect of all members of the Ad Hoc Group, the **Ad Hoc Group Information**). No member of the Ad Hoc Group assumes any responsibility for the completeness or accuracy of any information prepared by the Company, Centerbridge, the Independent Expert or any other member of the Ad Hoc Group.

Forward Looking Statements

Certain statements in this Explanatory Statement may constitute "forward looking statements" for the purposes of applicable securities laws. You should be aware that there are a number of risks (known and unknown), uncertainties and assumptions and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements, expressed or implied, by such statements. Factors that could cause or contribute to such differences include the general trading and economic conditions affecting the Company or its subsidiaries. The past performance of the Company is not necessarily representative of future performance.

None of the Company, its related bodies corporate and their respective Directors, officers and advisers, or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Explanatory Statement will actually occur. Shareholders are cautioned not to place undue reliance on these forward looking statements.

All subsequent written and oral forward looking statements attributable to the Company or its related bodies corporate or any person acting on their behalf are qualified by the above cautionary statement.

Date

This Explanatory Statement is dated 29 July 2021.

Currency

As the Company reports its results in US dollars, and the Recapitalisation has been negotiated in US dollar terms, all references to dollars in this Explanatory Statement are to US dollars, unless otherwise stated.

Not an offer

This Explanatory Statement and the Notice of Meeting do not constitute an offer to acquire or sell or a solicitation of an offer to sell or purchase any securities in any jurisdiction. In particular, this document does not constitute an offer, solicitation or sale to any U.S. person or in the United States or any state or jurisdiction in which such an offer, tender offer, solicitation or sale would be unlawful. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (**U.S. Securities Act**), and neither such securities nor any interest or participation therein may be offered, or sold, pledged or otherwise transferred, directly or indirectly, in the United States or to any U.S. person absent registration or an available exemption from, or a transaction not subject to, registration under the U.S. Securities Act.

Letter from the Chair

Dear Shareholder,

On behalf of the Directors of Boart Longyear, I am pleased to invite you to attend an extraordinary general meeting (**EGM**) of Boart Longyear Limited (the **Company** or **BLY**) to consider and vote on, among other things, the resolutions required to implement the proposed recapitalisation announced by the Company to the ASX on 13 May 2021.

Background

BLY has entered into a binding Restructuring Support Agreement with an overwhelming majority of the Company's lenders including Ascribe, affiliates of Corre, FPA, Nut Tree, Ares (together, the **Ad Hoc Group**) and affiliates of Centerbridge (together, the Ad Hoc Group and Centerbridge being the **Supporting Creditors**) in relation to a proposed recapitalisation transaction (**Recapitalisation**). The Recapitalisation will convert approximately US\$795 million of the Company's debt and accrued interest costs into 98.5% of the Company's post-recapitalisation ordinary shares (before (1) the issue of any Shares under the Share Purchase Plan or the Creditor Share Purchase Option (2) the issue of any Shares on exercise of any New Warrants, Existing Warrants and Existing Options, (3) any buy back of Shares under the Selective Buy-Back, and (4) the issue of any Shares under any management incentive plan). If approved and implemented, the Recapitalisation will significantly reduce the Company's debt, strengthen the balance sheet, lower interest expenses and enhance liquidity to support the Company's operations and growth.

Shareholders will have the opportunity to consider and approve the Recapitalisation. The proposed resolutions relating to the Recapitalisation are the primary business of the EGM that this Explanatory Statement invites you to consider. You are encouraged to vote to express your support for the Recapitalisation and the other matters presented for your approval, should you wish to do so.

Overview of the Recapitalisation

The Recapitalisation will primarily be implemented by two interdependent creditors' schemes of arrangement between the Company and its creditors under Part 5.1 of the Corporations Act.

Creditors' Schemes

The Creditors' Schemes comprise the Secured Creditors' Scheme and the Unsecured Creditors' Scheme and will effect a release of all outstanding amounts under the Term Loan A, Term Loan B, SSN Indenture and SUN Indenture, in consideration for:

- the issuance to the TLA Purchasers, TLB Purchasers, SSN Noteholders and SUN Noteholders of Shares equal to in aggregate 98.5% of the Company's post-Recapitalisation ordinary shares (before (1) the issue of any Shares on the exercise of any New Warrants, Existing Warrants and Existing Options (2) the issue of any Shares under the Share Purchase Plan and Creditor Share Purchase Option, (3) any buy-back of Shares under the Selective Buy-Back, and (4) the issue of any Shares under any management incentive plan) (the **New Common Equity**);
- the issuance of the New Warrants to SUN Noteholders in accordance with the terms of the Unsecured Creditors' Scheme with a strike price per Warrant Share of A\$2.79 (the **New Warrants Issuance**); and
- the offer, first to SUN Noteholders, then to TLA Purchasers, TLB Purchasers and SSN Noteholders, of the opportunity to purchase Shares at a price of A\$2.48 per Share (calculated on a post-Share Consolidation basis), up to an aggregate cap of US\$2.5 million plus any unsubscribed amount under the Share Purchase Plan (the **Creditor Share Purchase Option**).

Other elements of the Recapitalisation

In addition, the Company also proposes to:

- undertake a 20 for 1 share consolidation to reduce the number of Shares on issue which will be effected prior to the issue of any new Shares under the Creditors' Schemes, Share Purchase Plan and Creditor Share Purchase Option and the completion of the Selective Buy-Back (**Share Consolidation**);
- offer Eligible SPP Shareholders the opportunity to subscribe for up to A\$30,000 of Shares at a price of A\$2.48 per Share (calculated on a post-Share Consolidation basis) under a share purchase plan, to raise up to a maximum of US\$2.5 million (**Share Purchase Plan**); and
- refinance the Working Capital Facilities pursuant to the Exit Financing Facility.

Under the terms of the Restructuring Support Agreement the Company has also agreed to give:

- Centerbridge certain rights to nominate directors for appointment to the BLY Board if the Recapitalisation is implemented, having regard to the significant equity interests Centerbridge will hold following implementation of the Recapitalisation; and
- the Ad Hoc Group certain rights to nominate directors for appointment to the BLY Board if the Recapitalisation is implemented, having regard to the significant equity interests the Ad Hoc Group will hold following implementation of the Recapitalisation.

Conditions to the Recapitalisation

Implementation of the Recapitalisation is subject to the satisfaction of a number of conditions, including the following:

- Shareholders of the Company approving the Recapitalisation Resolutions by the requisite majorities;
- creditors of the Company approving the Creditors' Schemes by the requisite majorities;
- Court approval of the Creditors' Schemes;
- the Exit Financing Facility being duly executed and delivered by all parties to it and all conditions precedent to the initial drawing under the Exit Financing Facility being satisfied or waived, other than any conditions relating to:
 - the Creditors' Schemes becoming effective;
 - no amendments, waivers or modifications to the RSA, RID or the Creditors' Schemes having been made since 8:00 am on the Second Court Date, other than any amendments, waivers or modifications that are not materially adverse to the interests of the Exit Financiers unless the prior written consent of the Exit Financiers was obtained (such consent not to be unreasonably withheld or delayed);
 - each Implementation Step in clauses 8(a) (*Step 1 (Issue of Shares and New Warrants)*) and 8(b) (*Step 2 (Releases)*) of the RID having been completed in accordance with their terms; and
 - any conditions which the Exit Financier has agreed to waive or defer;
- each relevant Supporting Creditor obtaining a no objection notification from the Treasurer under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in relation to the proposed

acquisition by the Supporting Creditor of Shares and New Warrants (as applicable) under the relevant Recapitalisation Transactions;

- the issue of Shares and New Warrants under the Recapitalisation Transactions, where relevant, being exempt from registration under the U.S. Securities Act; and
- the Company obtaining all other relevant regulatory approvals, confirmations, consents or waivers.

A condition may be waived, modified or amended by the party with authority to waive such a condition giving notice in writing to the other parties to the Restructuring Support Agreement.

Impact of the Recapitalisation

If the Recapitalisation is implemented, existing Non-Associated Shareholders will be significantly diluted. The Recapitalisation will convert approximately US\$795 million of the Company's debt and accrued interest costs into 98.5% of the Company's post Recapitalisation ordinary shares (before (1) the issue of any Shares on the exercise of any New Warrants, Existing Warrants or Existing Options, (2) the issue of any Shares under the Share Purchase Plan and Creditor Share Purchase Option, (3) any buy-back of Shares under the Selective Buy-Back, and (4) the issue of any Shares under any management incentive plan).

Additional transactions to be undertaken in conjunction with the Recapitalisation

Re-domiciliation

The Company also proposes to pursue a re-domiciliation to Canada (**Re-domiciliation**). The Re-domiciliation will be effected by way of a scheme of arrangement between the Company and its Shareholders (**Re-domiciliation Scheme**). Subject to satisfaction of all conditions to the Re-domiciliation Scheme including approval by Shareholders at a meeting to be held on the same date as the EGM, and Court approval, it is proposed that the Re-domiciliation will be implemented shortly after implementation of the Recapitalisation. The Re-domiciliation is also subject to the Creditors' Schemes becoming effective.

The explanatory statement and notice of meeting for the Re-domiciliation Scheme to effect the Re-domiciliation will be dispatched to Shareholders on or about the date of this Explanatory Statement.

Selective Buy-Back

In conjunction with the Re-domiciliation and subject to Shareholder approval of the Re-domiciliation Scheme, the Company proposes that Eligible SBB Shareholders who hold small parcels of Shares valued at less than A\$3,000 (calculated by reference to the closing price of Shares on ASX on the SBB Record Date) will have the opportunity, subject to certain conditions, to offer to sell their Shares to the Company at a price of A\$2.48 per Share (calculated on a post-Share Consolidation basis, being the same price as the implied issue price of the Shares issued under the Creditors' Schemes) under a selective buy-back (**Selective Buy-Back**). The Company may in its absolute discretion determine whether to accept (in whole or in part) or reject an offer to sell Shares received by the Company. The maximum aggregate amount that BLY will spend to buy back Shares under the Selective Buy-Back will be US\$500,000. The Selective Buy-Back will be subject to certain conditions including Shareholders approving the Re-domiciliation at the Re-domiciliation Scheme Meeting and the Selective Buy-Back at the EGM, and the Creditors' Schemes becoming Effective.

The Selective Buy-Back is intended to give Eligible SBB Shareholders who hold small parcels of Shares the opportunity to exercise a cash-out option in lieu of retaining their existing Shares, noting that existing Shareholders will be significantly diluted following implementation of the

Recapitalisation and may not wish to hold CDIs in the re-domiciled Canadian company if the Re-domiciliation proceeds. The Selective Buy-Back will provide Eligible SBB Shareholders with the opportunity to sell their Shares without incurring brokerage fees and other expenses.

Incremental Finance Facility

On 11 May 2021, BLY Issuer entered into a binding commitment letter with various lenders affiliated with each of Corre, FPA and Nut Tree regarding the provision of debt financing in an aggregate maximum amount of US\$50,000,000 (**Incremental Finance Facility**).

Pursuant to the Incremental Finance Commitment Letter, BLY Issuer and BLY, amongst other members of the BLY Group, and the relevant affiliates of each of Corre, FPA and Nut Tree, amongst others, entered into a term loan securities agreement (**Incremental Finance Facility Agreement**) and related finance documents on 1 June 2021.

The Incremental Finance Facility was established to provide additional working capital to support the BLY Group whilst the Recapitalisation is being implemented.

Restatement of and amendments to the Existing PNC ABL

On 12 May 2021, BLY Issuer and PNC Bank, National Association, as lender and agent, entered into the Seventh Amendment to the Amended and Restated Revolving Credit and Security Agreement to amend the Existing PNC ABL (**2021 Existing PNC ABL Amendment**).

The 2021 Existing PNC ABL Amendment resulted in US\$15,000,000 of additional liquidity, an extension of the term to 24 July 2022 and the ability to enter into the Incremental Finance Facility.

Each of the Existing Backstop ABL, Term Loan A, Term Loan B, SSN Indenture and SUN Indenture have also been amended, and consents have been obtained by the relevant finance parties for the intercreditor agreement in relation to the Existing PNC ABL, the Existing Backstop ABL, the Term Loan A and the Term Loan B to:

- permit the BLY Group to incur indebtedness under the Incremental Finance Facility;
- provide the finance parties under the Incremental Finance Facility with security interests in the relevant collateral; and
- place the finance parties under the Incremental Finance Facility in the relevant position in the BLY Group's intercreditor and collateral waterfall arrangements to reflect the commercial intention reached by the BLY Group and its creditors.

Recommendation of the Independent Directors

All the Independent Directors (being all the Directors other than Conor Tochilin and Rubin McDougal) unanimously recommend that Shareholders vote in favour of the Recapitalisation Resolutions, as each of the Independent Directors believes that the Recapitalisation Resolutions are in the best interests of the Company and its Shareholders. The Independent Directors intend to vote any Shares they own or control in favour of the Recapitalisation Resolutions on which they are entitled to vote. The recommendation of the Independent Directors is subject to no Superior Proposal emerging.

In coming to their recommendation to endorse the Recapitalisation, the Independent Directors have considered the following factors:

- the Independent Directors believe the Recapitalisation is the best and only executable option to maximise long term value for the Company and its stakeholders;
- the Company's current capital structure is not sustainable and the Company requires a significant reduction in its overall debt in order to de-lever and to fund growth;

- a comprehensive strategic review was undertaken to evaluate and consider options available to the Company, with the Independent Directors considering that the other options considered by the Company are not currently executable or provide less favourable outcomes for Shareholders and other stakeholders (largely because of the rights held by current debt holders); and
- while existing Non-Associated Shareholders will be significantly diluted, the Recapitalisation will give those Shareholders the best feasible opportunity to extract value from their shareholding when measured against the alternatives.

A detailed list of reasons why you may consider voting for or against the Recapitalisation Resolutions is contained in Sections 6.2 and 6.3. However, it should be noted that a failure to pass the Recapitalisation Resolutions will mean that the Recapitalisation will not proceed and, as a result, the Company may not be able to meet its debt repayment obligations absent a refinancing (which is considered unlikely given the Company's current financial position). If this occurs, there is a significant and present risk that the Company would be placed in external administration in which event Shareholders will likely receive little or no return on their shareholding.

The Directors also unanimously recommend that Shareholders vote in favour of the Selective Buy-Back Resolution.

The Independent Expert, KPMG, has prepared an Independent Expert's Report in relation to the Recapitalisation. **The Independent Expert has concluded that the Recapitalisation is fair and reasonable to Non-Associated Shareholders in the absence of a superior proposal.** The Independent Expert's Report is set out in Annexure A, and I encourage you to review it in its entirety.

This Explanatory Statement includes the Notice of Meeting and the Independent Expert's Report. A Proxy Form accompanies this Explanatory Statement. I encourage you to read this Explanatory Statement carefully and in full, as it contains important information to assist you in making an informed decision.

This Explanatory Statement is also available on the Company's website, <http://www.boartlongyear.com/company/investors/announcements/>. The Company's website will also allow you to access other materials that may be relevant to your consideration of the Recapitalisation, such as the Company's ASX announcement regarding the Recapitalisation dated 13 May 2021.

If you intend to attend the EGM:

- in person, please bring your Proxy Form with you to assist us in the efficient processing of your registration;
- online, please refer to the Virtual Meeting Online Guide at Annexure B to the Explanatory Statement, which outlines how to access the platform.

The EGM will commence at 10.00 am (Sydney time). If you are unable to attend the EGM, you may appoint a proxy to vote for you at the EGM, either in person or online, by completing the Proxy Form that accompanies this Explanatory Statement. If you intend to appoint a proxy, please return the completed Proxy Form in accordance with the directions on the form by 10.00 am on 6 September 2021 (Sydney time).

Shareholders who are unable to, or do not wish to, attend the EGM in person may attend online through an online platform by accessing the following link: <https://agmlive.link/BLYEGM21> Shareholders using the online platform will be able to view the meeting live, lodge a direct vote in real time and ask questions online.

More detailed instructions on how to participate at the EGM via the online platform are set out in the Virtual Meeting Online Guide set out at Annexure B to the Explanatory Statement.

If you do not plan to attend the EGM in person, I encourage you to appoint a proxy to attend and vote on your behalf by lodging your completed proxy form in any of the following ways:

Online At www.linkmarketservices.com.au

By post: Boart Longyear Limited
c/ - Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

Facsimile: In Australia (02) 9287 0309
From outside Australia +61 2 9287 0309

By delivery: Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia

Proxy forms and online proxy appointments must be received no later than 10.00 am on 6 September 2021 (Sydney time).

Your Directors look forward to seeing you at the EGM.

Yours sincerely



Kevin McArthur

Chair

NOTICE OF EXTRAORDINARY GENERAL MEETING

Boart Longyear Limited ABN 49 123 052 728

Notice is given that the Extraordinary General Meeting of Shareholders of Boart Longyear Limited (the **Company**) will be held at Ashurst, Level 11, 5 Martin Place, Sydney NSW 2000 and online on 8 September 2021 commencing at 10.00 am (Sydney time).

Shareholders who are unable to, or do not wish to, attend the EGM in person may attend online through an online platform by accessing the following link: <https://agmlive.link/BLYEGM21>

More detailed instructions on how to participate at the EGM via the online platform are set out in the Virtual Meeting Online Guide set out at Annexure B.

For the health and safety of all attendees, the Company will be observing social distancing and any other government requirements that apply at the time of the EGM. The Company will be monitoring the COVID-19 situation closely and if it becomes necessary or appropriate to change the way the EGM will be held or conducted, information will be provided on the Company's website at www.boartlongyear.com and lodged with ASX.

BUSINESS: RESOLUTIONS RELATED TO THE RECAPITALISATION

RESOLUTIONS 1 – 6 MUST ALL BE PASSED FOR THE RECAPITALISATION TO BE APPROVED AND IMPLEMENTED

ITEMS FOR APPROVAL

Resolution 1 – Approval for the issue of Shares to, and acquisition of Shares by, Centerbridge

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

"That, subject to the passing of Resolutions 2, 3, 4, 5 and 6, for the purposes of item 7 of section 611 of the Corporations Act, Chapter 2E of the Corporations Act, and for all other purposes, approval is given for the issue to, and the acquisition by, the CBP Creditors or their nominees who are Affiliates of Centerbridge, of:

- (a) *up to 110,681,146 Shares under the Secured Creditors' Scheme (not including Shares issued under the Creditor Share Purchase Option);*
- (b) *up to 21,462,841 Shares under the Unsecured Creditors' Scheme (not including Shares issued under the Creditor Share Purchase Option); and*
- (c) *up to 2,604,166 Shares under the Creditor Share Purchase Option,*

on the terms and conditions described in the Explanatory Statement."

Voting exclusion applicable to Resolution 1

In accordance with the Corporations Act, a vote on Resolution 1 must not be cast by or on behalf of:

- the CBP Creditors, their nominees who are Affiliates of Centerbridge, or any of their associates; or

- the persons (if any) from whom the acquisition is to be made or any of their associates.

However, this does not apply to a vote cast on Resolution 1 if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; and
- it is not cast on behalf of the CBP Creditors, their nominees who are Affiliates of Centerbridge, or any of their associates.

Resolution 2 – Approval for the issue of Shares to, and acquisition of Shares by, the Ad Hoc Group

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

"That, subject to the passing of Resolutions 1, 3, 4, 5 and 6, for the purposes of item 7 of section 611 of the Corporations Act, and for all other purposes, approval is given for:

- (a) *the issue to, and the acquisition by, the AHG Members or their nominees that are Affiliates of the AHG Members, of:*
 - (i) *up to 141,789,575 Shares under the Secured Creditors' Scheme (not including Shares issued under the Creditor Share Purchase Option);*
 - (ii) *up to 15,431,407 Shares under the Unsecured Creditors' Scheme (not including Shares issued under the Creditor Share Purchase Option);*
 - (iii) *the maximum number of Shares that are to be issued on the exercise of up to 30,810,489 New Warrants issued to the AHG Members under the Unsecured Creditors' Scheme; and*
 - (iv) *up to 2,604,166 Shares under the Creditors' Share Purchase Option, (**Relevant AHG Securities**) on the terms and conditions described in the Explanatory Statement; and*
- (b) *the acquisition by any AHG Member (or any Affiliate of any such person) of Relevant AHG Securities or any Shares held by an AHG Member (or any Affiliate of any such person) as at the date this resolution is passed from any AHG Member (or any Affiliate of any such person) at any time during the period of 5 years after the date this resolution is passed."*

Voting exclusion applicable to Resolution 2

In accordance with the Corporations Act, a vote on Resolution 2 must not be cast by or on behalf of:

- any of the AHG Members, or their nominees that are Affiliates of the AHG Members, or any of their associates; or
- the persons (if any) from whom the acquisition is to be made or any of their associates.

However, this does not apply to a vote cast on Resolution 2 if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 2; and
- it is not cast on behalf of the AHG Members, or their nominees that are Affiliates of the AHG Members, or any of their associates.

Resolution 3 – Approval for the issue of Shares and New Warrants under the Creditors' Schemes for the purposes of ASX Listing Rule 7.1

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

"That, subject to the passing of Resolutions 1, 2, 4, 5 and 6, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue of:

- (a) *up to 253,046,838 Shares under the Secured Creditors' Scheme (not including Shares issued under the Creditor Share Purchase Option);*
- (b) *up to 37,566,905 Shares under the Unsecured Creditors' Scheme (not including Shares issued under the Creditor Share Purchase Option); and*
- (c) *up to 32,782,148 New Warrants under the Unsecured Creditors' Scheme,*
on the terms and conditions in the Explanatory Statement."

Voting exclusion applicable to Resolution 3

In accordance with ASX Listing Rule 7.3, the Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- a person who is expected to participate in or who will obtain a material benefit as a result of the proposed issue, except a benefit solely by reason of being a holder of Shares; or
- an associate of any of those persons.

However, this does not apply to a vote cast in favour of Resolution 3 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with directions given to the proxy or attorney to vote on Resolution 3 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with a direction given to the chair to vote on Resolution 3 as their chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on Resolution 3; and
 - the holder votes on Resolution 3 in accordance with the directions given by the beneficiary to the holder to vote in that way.

Resolution 4 – Approval for the consolidation of Shares

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

"That, subject to the passing of Resolutions 1, 2, 3, 5 and 6, for the purpose of section 254H(1) of the Corporations Act, and for all other purposes, the Shares of the Company be consolidated through the conversion of every 20 Shares held by a Shareholder into (1) Share and, where this Share Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share, with the Share Consolidation to take effect on the date of approval by

the Court of the Creditors' Schemes and on the terms and conditions described in the Explanatory Statement."

Resolution 5 – Approval for the issue of Shares under the Share Purchase Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

"That, subject to the passing of Resolutions 1, 2, 3, 4 and 6 that, for the purposes of ASX Listing Rule 7.1 and ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of up to 1,302,083 Shares to Eligible SPP Shareholders under the Share Purchase Plan, on the terms and conditions described in the Explanatory Statement."

Voting exclusion applicable to Resolution 5

The Company has been granted a waiver by ASX to permit the Company not to include the voting exclusion statement required under Listing Rule 7.3.9 for this Resolution 5.

Resolution 6 – Approval for the issue of Shares under the Creditor Share Purchase Option

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

"That, subject to the passing of Resolutions 1, 2, 3, 4 and 5, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue of Shares, the number of which is to be determined as 2,604,166 Shares less the number of Shares taken up by Eligible SPP Shareholders under the Share Purchase Plan, under the Creditor Share Purchase Option, on the terms and conditions in the Explanatory Statement."

Voting exclusion applicable to Resolution 6

In accordance with ASX Listing Rule 7.3, the Company will disregard any votes cast in favour of Resolution 6 by or on behalf of:

- a person who may participate in the proposed issue or who will obtain a material benefit as a result of the proposed issue of Shares under the Creditor Share Purchase Option, except a benefit solely by reason of being a holder of Shares; or
- an associate of any of those persons.

However, this does not apply to a vote cast in favour of Resolution 6 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 6, in accordance with directions given to the proxy or attorney to vote on Resolution 6 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 6, in accordance with a direction given to the chair to vote on Resolution 6 as their chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on Resolution 6; and
 - the holder votes on Resolution 6 in accordance with the directions given by the beneficiary to the holder to vote in that way.

Resolution 7 – Approval of Selective Buy Back

To consider and, if thought fit, to pass the following resolution as a special resolution of the Company:

"That, subject to the passing of Resolutions 1, 2, 3, 4, 5 and 6 and the Re-domiciliation Scheme Resolution at the Re-domiciliation Scheme Meeting, for the purpose of section 257D of the Corporations Act, approval is given for the Company to selectively buy-back up to 260,416 of the Company's Shares at a price of A\$2.48 per Share and cancellation of those Shares, on the terms and conditions in the Explanatory Statement.

Voting exclusion applicable to Resolution 7

Votes must not be cast in favour of Resolution 7 by, and the Company will disregard any votes cast in favour of Resolution 7 by, any person whose Shares are proposed to be bought back under the Selective Buy-Back (being a person who has submitted a SBB Tender Form to sell their Shares to the Company under the Selective Buy-Back) or any of their associates.

The Chair of the Meeting intends to vote all available undirected proxies in favour of Resolutions 1-7.

By order of the Board of Directors



Nora Pincus
Company Secretary

29 July 2021

NOTES

Entitlement to Attend and Vote

In accordance with Reg 7.11.37 of the *Corporations Regulations 2001*, the BLY Board has determined that persons who are registered holders of Shares as at 7.00 pm (Sydney time) on 6 September 2021 will be entitled to attend and vote at the EGM as a Shareholder. Accordingly, transactions registered after that time will be disregarded for determining which Shareholders are entitled to attend and vote at the EGM.

Attending and participating in the EGM

As a result of the potential health risks and the government's restrictions in response to the COVID-19 pandemic from time to time, the Company encourages Shareholders to attend the EGM online or lodge a proxy in advance of the EGM, rather than attending the meeting in person.

For the health and safety of all attendees, the Company will be observing social distancing and any other government requirements that apply at the time of the EGM. The Company will be monitoring the COVID-19 situation closely and if it becomes necessary or appropriate to change the way the EGM will be held or conducted, information will be provided on BLY's website at <https://www.boartlongyear.com> and lodged with ASX.

Attending physically

If you or your proxies, attorneys or corporate representative(s) plan to attend the EGM in person, please arrive at the venue at least 30 minutes before the scheduled time for commencement of the meeting, so that your shareholding can be checked against the BLY Share Register, any power of attorney or certificate of appointment of body corporate representative verified, and your attendance noted.

Attending online

Shareholders and their proxies, attorneys or corporate representatives who are unable to attend the EGM physically will be able to participate online from their computer or mobile device by:

- (a) entering the following URL into their browser: <https://agmlive.link/BLYEGM21>; and
- (b) following the steps set out in the Virtual Meeting Online Guide at Annexure B.

Participating in the EGM via the online platform will allow Shareholders, their proxies, attorneys or corporate representatives to listen to the EGM live, view slides, ask questions during the EGM and vote in real time at appropriate times during the EGM.

To participate and vote online, Shareholders (or their attorney or corporate representative, as applicable) will need the following information:

- (a) your full name;
- (b) mobile number;
- (c) email address;
- (d) company name (if applicable); and
- (e) if you are an individual or joint securityholder:
 - (i) your securityholder number; and

- (ii) postcode; or
- (f) if you are an appointed proxy, the proxy number issued to you by the Share Registry.

A proxy number will be emailed to all proxyholders 24 hours before the start of the EGM.

Further information about the online platform can be found in the Virtual Meeting Online Guide at Annexure B.

Even if you plan to attend the EGM online, we encourage you to submit a directed proxy vote as early as possible by completing and returning the proxy form Shareholders will receive either electronically or in hard copy, or lodging your proxy form online at www.linkmarketservices.com.au.

Registration will open 30 minutes prior to the start of the EGM. We recommend logging on to the online platform at least 15 minutes prior to the scheduled start time for the EGM. If you experience technical difficulties, please call 1800 990 363.

How to Vote

Voting will be conducted by a poll.

If you are a Shareholder entitled to vote at the EGM, you may vote by:

- (a) attending and voting in person or via BLY's online meeting platform;
- (b) appointing one or two proxies to attend the EGM and vote on your behalf, by lodging your Proxy Form;
- (c) appointing an attorney to attend the EGM and vote on your behalf, using a power of attorney; or
- (d) in the case of a body corporate, appointing a body corporate representative to attend the EGM and vote on your behalf, using a certificate of appointment of body corporate representative.

A proxy may be an individual or a body corporate.

Please see below for additional instructions specific to each voting method.

Voting by Proxy

A shareholder entitled to attend and vote at the EGM may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the *Corporations Act 2001* (Cth) (**Corporations Act**) to exercise its powers as proxy at the EGM.

A proxy need not be a Shareholder.

A Shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the Shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the Shareholder's votes.

Even if you plan to attend the EGM online, we encourage you to submit a directed proxy vote as early as possible by completing and returning the proxy form Shareholders will receive either electronically or in hard copy, or lodging your proxy form online at www.linkmarketservices.com.au.

Details for completion and lodgement of proxies are on the reverse side of the Proxy Form. To be effective, the proxy must be received at the Share Registry no later than 10:00 am on 6 September 2021. Proxies must be received before that time by one of the following methods:

- Online At www.linkmarketservices.com.au
- By post: Boart Longyear Limited
c/ - Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia
- Facsimile: In Australia (02) 9287 0309
From outside Australia +61 2 9287 0309
- By delivery: Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia

Voting by Attorney

If voting by attorney, the power of attorney appointing the attorney must be duly signed by the Shareholder and specify the name of each of the Shareholder, the Company and the attorney, and also specify the meetings at which the appointment may be used.

The power of attorney, or a certified copy of the power of attorney must be received by the Share Registry by 10:00 am (Sydney time) on 6 September 2021 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- (a) by post in the provided reply-paid envelope to the Share Registry at the following address:
- Boart Longyear Limited
c/ - Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia
- (b) by delivery to the following address:
- Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia
- (c) by fax to Link Market Services on:
- In Australia (02) 9287 0309
- From outside Australia +61 2 9287 0309

Please note that the power of attorney or a certified copy of the power of attorney cannot be lodged online or by a mobile device.

If attending:

- **in person**, attorneys of eligible Shareholders will be admitted to the EGM and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, (as previously provided to the Registry in accordance with the requirements set out above), their name and address, and the name of their appointors;
- **online**, by logging into the virtual meeting platform at <https://agmlive.link/BLYEGM21>, register to view the meeting by entering your name and contact details, to register as a shareholder and vote, click the “get a Voting Card’ option on the screen. You will be required to enter your Securityholder Reference Number (SRN) or Holder Identifier Number (HIN) and postcode or country to proceed. Once you have your voting card, it may be submitted at any time during the meeting.

For further information, please refer to the Virtual Meeting Online Guide at Annexure B to the Explanatory Statement.

Your appointment of an attorney does not preclude you from attending in person and voting at the meeting.

Corporate Representatives

A body corporate that is a Shareholder, or that has been appointed as a proxy, is entitled to appoint any person to act as its representative at the EGM. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act, meaning that BLY will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. An appointment form may be obtained from the Share Registry by calling +61 1800 781 633 (within and outside Australia) Monday to Friday between 9.00am to 5.00pm (AEST). The certificate of appointment may set out restrictions on the representative's powers.

The appointment form must be received by the Registry before 10:00 am (Sydney time) on 6 September 2021 (or, if the EGM is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- by post in the provided reply-paid envelope to the Registry at the following address:
Boart Longyear Limited
c/ - Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia
- by delivery to the following address:
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia
- by fax to the Registry on:
In Australia (02) 9287 0309
From outside Australia +61 2 9287 0309

Please note that an appointment form for appointing body corporate representative cannot be lodged online or by a mobile device.

If an appointment form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of

attorney or other authority, must accompany the completed appointment form unless the power of attorney or other authority has previously been noted by the Registry.

If attending:

- **in person**, corporate representatives of eligible Shareholders will be admitted to the EGM and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address and the name of their appointors; or
- **online**, by logging into the virtual meeting platform at <https://agmlive.link/BLYEGM21>, register to view the meeting by entering your name and contact details, to register as a shareholder and vote, click the "get a Voting Card" option on the screen. You will be required to enter your Securityholder Reference Number (SRN) or Holder Identifier Number (HIN) and postcode or country to proceed. Once you have your voting card, it may be submitted at any time during the meeting.

For further information, please refer to the Virtual Meeting Online Guide.

How to ask questions

Shareholders who would like to ask questions are encouraged to do so in writing by submitting your questions to the Share Registry by 5.00pm on Wednesday 1 September 2021. You can also submit your questions online at www.linkmarketservices.com by 10.00am on Monday, 6 September 2021.

Alternatively, Shareholders can submit questions when attending the EGM either in person or, if attending online, live via the online platform (at <https://agmlive.link/BLYEGM21>). More information regarding how to participate in the EGM online (including how to ask questions online during the meeting) is available in the Virtual Meeting Online Guide which is set out in Annexure B.

Technical difficulties

Technical difficulties may arise during the course of the EGM. The Chair of the Meeting has discretion as to whether and how the EGM should proceed in the event that a technical difficulty arises. In exercising their discretion, the Chair of the Meeting will have regard to the number of Shareholders impacted and the extent to which participation in the business of the EGM is affected. In these circumstances, where the Chair of the Meeting considers it appropriate, the chair may continue to hold the EGM and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, Shareholders are encouraged to lodge a proxy by 10.00 am (Sydney time) on 6 September 2021 even if they plan to attend the EGM online.

Further Information

If you have any additional questions in relation to this Notice of Meeting, Explanatory Statement or the Recapitalisation, please call the Shareholder Information Line on 1300 540 303 (within Australia) or +61 2 9066 4083 (from outside Australia) on Business Days from 9.00 am to 5.00 pm (Sydney time) Monday to Friday (excluding public holidays).

Alternatively, you should consult your financial, legal, taxation or other independent and appropriately licensed and authorised professional adviser.

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EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for Shareholders in relation to the business to be conducted at the Company's Extraordinary General Meeting and forms part of the Notice of Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with information they may reasonably require to decide how to vote upon the Resolutions. The Directors recommend that Shareholders read this Explanatory Statement before determining whether or not to support a resolution.

Each of the Recapitalisation Resolutions are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by Shareholders entitled to vote on the resolution.

The Selective Buy-Back Resolution is a special resolution. A special resolution requires a 75% majority of votes cast by Shareholders entitled to vote on the resolution.

1. THE RECAPITALISATION

1.1 Background to the Recapitalisation

On 13 May 2021, the Company announced that it had entered into the Restructuring Support Agreement with the Supporting Creditors in relation to the Recapitalisation. On 11 May 2021, in conjunction with the execution of the Restructuring Support Agreement, BLY Issuer entered into a binding commitment letter with various lenders affiliated with each of Corre, FPA and Nut Tree regarding the provision of the Incremental Finance Facility (the **Incremental Finance Commitment Letter**).

Pursuant to the Incremental Finance Commitment Letter, BLY Issuer and BLY, amongst other members of the BLY Group, and the relevant affiliates of each of Corre, FPA and Nut Tree, amongst others, entered into the Incremental Finance Facility Agreement and related finance documents on 1 June 2021.

The Recapitalisation is the outcome of the process that the Company commenced in August 2020 to evaluate BLY's strategic options (**Strategic Review**) in light of significant debt maturities falling due in 2022. The BLY Board established a Restructuring Committee (the **Restructuring Committee**) comprised of a majority of independent non-executive Directors and led by the Company's Executive Chairman, Kevin McArthur, to oversee the Strategic Review.

The primary objective of the Strategic Review was to identify options available to the Company to reduce the Company's high levels of debt and improve the Company's tight liquidity position, providing it with a more sustainable capital structure, and improving its underlying financial performance, while achieving the best possible outcome for Shareholders.

The Recapitalisation achieves the Company's objectives and is critical to providing the Company with a more appropriate balance sheet for its current circumstances and to improve prospects for future growth. The Independent Directors believe the Recapitalisation is presently the best available and only executable option to maximise long term value for the Company and its stakeholders. Further details of the potential advantages and disadvantages of the Recapitalisation are set out in Sections 6.2 and 6.3, respectively.

1.2 Background to the Strategic Review

(a) Debt capital structure

The following table summarises the Company's debt capital structure as at the RSA Date:

Description (including holding)	%	Total amount outstanding (principal and interest)	Principal (not including accreted principal) / total commitment	Accrued/ Accreted interest	Interest rate	Maturity
Term Loan A (100% Centerbridge)		US\$160.3m	\$85.0m	\$75.3m	8% payable in kind (PIK) from 1 January 2019	31 December 2022
Term Loan B (100% Centerbridge)		US\$193.3m	\$105.0m	\$88.3m	8% PIK from 1 January 2019	31 December 2022
SSN Indenture Notes (8.5% Centerbridge, 91.1% Ad Hoc Group, 0.4% Other) (1)		US\$348.5m	\$217.0m	\$131.5m	10% in cash from 1 January 2021 (2)	31 December 2022
Asset Backed Loan (PNC Bank)		US\$43.5m	\$43.5m	\$0.0m	Variable	The earlier of 90 days before the maturity of the Term Loan A, the Term Loan B, the SSN Indenture Notes Incremental Financing Facility, the Exit Financing Facility (or any indebtedness refinancing the Exit Financing Facility), 24 July 2022 or if extended, 12 May 2025

Description (including holding)	%	Total amount outstanding (principal and interest)	Principal (not including accreted principal) / total commitment	Accrued/ Accreted interest	Interest rate	Maturity
SUN Indenture Notes (48.5% Corre, 45.5% Ascribe, 6% Other)		US\$93.9m	\$88.9m	\$5.1m	1.5% PIK at the Company's election until maturity	31 December 2022
Existing Backstop ABL (28.4% Centerbridge, 61.6% Corre and 10% FPA)		US\$61.5m	\$45.0m	\$16.5m	10% in cash or 11% capitalised and added to the principal outstanding	90 days following the ABL Maturity Date or 22 October 2022
Incremental Finance Facility (3)		US\$50.0m	\$50.0m	\$0.0m	10% in cash or 11% capitalised and added to the principal outstanding	31 December 2021

(1) Includes SSN applicable premium.

(2) Pursuant to the sixth supplemental indenture dated 1 June 2021, interest up to 30 June 2021 is paid in kind.

(3) The Company entered into the Incremental Finance Facility Agreement on 1 June 2021 following execution of the RSA on 12 May 2021; the commitment amount is shown for illustrative purposes only

(b) **Equity capital structure**

The following table summarises the voting power in the Company of the substantial shareholders in the Company as at the date of this Explanatory Statement (to one decimal place):

Party	Voting power
Centerbridge	53.3%
Ad Hoc Group	23.6%
Other shareholders	23.1%
TOTAL	100%

Note: The AHG Members consider that they may be deemed to be associates of each other in relation to the Company by virtue of section 12(2)(b) or 12(2)(c) of the Corporations Act on the basis that the Restructuring Support Agreement contemplates that they will have a collective right to nominate a specified number of individuals for appointment to the BLY Board from time to time on and from the Creditors' Schemes Implementation Date. Consequently, each of the AHG Members has disclosed that it has voting power equal to the aggregate of the total number of votes attaching to voting shares in which any of the AHG Members hold a relevant interest.

1.3 What is the Recapitalisation?

The Recapitalisation will primarily be implemented by two interdependent creditors' schemes of arrangement under Part 5.1 of the Corporations Act and a number of other transactions summarised in the table below:

Mechanism	What Recapitalisation Transaction does it effect?	Where do you find more information?	What Shareholders are being asked to approve?
Secured Creditors' Scheme	<ul style="list-style-type: none"> Secured Debt Release Issue of Shares under the Creditor Share Purchase Option 	Section 2	Issue of Shares under the Secured Creditors' Scheme and under the Creditor Share Purchase Option including to Centerbridge and the Ad Hoc Group (see Resolutions 1, 2, 3 and 6)
Unsecured Creditors' Scheme	<ul style="list-style-type: none"> Unsecured TLA, TLB, SSN Release Unsecured SUN Debt Release New Warrants Issuance Issue of Shares under the Creditor Share Purchase Option 	Section 3	Issue of Shares under the Unsecured Creditors' Scheme and Creditor Share Purchase Option and New Warrants issued under the Unsecured Creditors' Scheme, including to Centerbridge and the Ad Hoc Group (see

Mechanism	What Recapitalisation Transaction does it effect?	Where do you find more information?	What are Shareholders being asked to approve?
			Resolutions 1, 2, 3 and 6)
Share Consolidation	<ul style="list-style-type: none"> Consolidation of Shares on issue 	Section 4.1	Consolidation of Shares on issue (See Resolution 4)
Share Purchase Plan	<ul style="list-style-type: none"> Issue of Shares to Eligible SPP Shareholders 	Section 4.2	Issue of Shares under the Share Purchase Plan (see Resolution 5)
Exit Financing Facility	<ul style="list-style-type: none"> Replacement of the Working Capital Facilities through the refinance of the Incremental Finance Facility and the Existing Backstop ABL 	Section 4.3	N/A

Each of the Recapitalisation Transactions is inter-conditional, such that if either or both of the Creditors' Schemes is not approved by the requisite majority of relevant creditors or any of the Recapitalisation Resolutions are not approved by the requisite majority of Shareholders or any other condition to the Recapitalisation is not satisfied or waived (as applicable) (Section 12.1), the other Recapitalisation Transactions will not proceed. Each Recapitalisation Resolution should therefore be considered in the context of the overall benefits of the Recapitalisation.

Resolution 7 (the Selective Buy-Back Resolution) is not a Recapitalisation Resolution, so implementation of the Recapitalisation does not depend on the outcome of that resolution.

The Recapitalisation is not conditional on the passing of the Re-domiciliation Scheme Resolution at the Re-domiciliation Scheme Meeting.

The Creditors' Scheme Meetings to consider the Creditors' Schemes are expected to be held on 31 August 2021. If either or both of the Creditors' Schemes are not approved by the requisite majorities, then the Recapitalisation will not proceed.

1.4 **What are the key dates and times?**

All dates and times referred to in this Explanatory Statement are to times in Sydney, Australia, except where otherwise stated. The dates set out in the below table are indicative only and may be subject to change. The Company reserves the right to vary the times and dates set out below, subject to the Corporations Act and the approval of any variations by the Court or ASIC where required.

Event	Indicative time/date
Date of this Explanatory Statement	29 July 2021
Time and date of the Creditors' Scheme Meetings Secured Creditors' Scheme Meeting Unsecured Creditors' Scheme Meeting Note: The Creditors' Scheme Meetings are being held for the Secured Scheme Creditors to vote on the Secured Creditors' Scheme and for Unsecured Scheme Creditors to vote on the Unsecured Creditors' Scheme, and is not a meeting of Shareholders.	10.30 am (Sydney time) on 31 August 2021 11.30 am (Sydney time) on 31 August 2021
Proxy Form cut-off time for EGM Latest time and date by which completed Proxy Forms must be received by the Share Registry	10.00 am (Sydney time) on 6 September 2021
Voting entitlement record date for EGM Time and date for determining eligibility to vote at the EGM	7.00 pm (Sydney time) on 6 September 2021
Offer period for SPP and Selective Buy-Back closes Latest time and date by which completed SBB Tender Forms and SPP Application Forms must be received by the Share Registry	7.00 pm (Sydney time) on 6 September 2021
Time and date of the EGM To be held at Ashurst, Level 11, 5 Martin Place, Sydney NSW 2000 and online	10.00 am (Sydney time) on 8 September 2021
Time and date of the Re-domiciliation Scheme Meeting To be held at Ashurst, Level 11, 5 Martin Place, Sydney NSW 2000 and online	10.30 am (Sydney time) on 8 September 2021
Second Court Hearing for Creditors' Schemes	16 September 2021
Creditors' Schemes Effective Date (if Creditors' Schemes are approved by Scheme Creditors and the Court and all other conditions precedent to the Creditors Schemes are satisfied or waived)	17 September 2021
Share Consolidation Record Date	21 September 2021
BLY Share Register updated for Share Consolidation	22 September 2021

Event	Indicative time/date
<p>Creditors' Schemes Implementation Date</p> <p>Shares issued pursuant to the Creditors' Schemes (including under the Creditor Share Purchase Option).</p> <p>Shares issued pursuant to the SPP.</p> <p>New Warrants issued pursuant to the Unsecured Creditors' Scheme.</p> <p>Buy-Back Date under the Selective Buy-Back. Any Shares bought back by BLY will be cancelled on this date.</p>	23 September 2021
<p>Second Court Hearing for the Re-domiciliation Scheme</p> <p>Date of the Second Court Hearing for approval of the Re-domiciliation Scheme</p>	28 September 2021
<p>Re-domiciliation Scheme Effective Date</p> <p>(if Re-domiciliation Scheme is approved by Shareholders and the Court and all other conditions precedent to the Re-domiciliation Scheme are satisfied or waived)</p>	29 September 2021
<p>Re-domiciliation Scheme Implementation Date</p>	5 October 2021

This timetable is indicative only and, among other things, is subject to all necessary Court and regulatory approvals. BLY has the right to vary any or all of these dates and times, subject to the approval of the variation by ASX, ASIC, or the Court, where required. Any variation to the timetable set out above will be announced to ASX and notified on BLY's website (<https://www.boartlongyear.com>).

1.5 Incremental Finance Facility

On 11 May 2021, BLY Issuer entered into a binding commitment letter with various lenders affiliated with each of Corre, FPA and Nut Tree regarding the provision of debt financing in an aggregate maximum amount of US\$50,000,000. BLY announced that it had entered into the binding commitment letter to the ASX on 13 May 2021. Each of Corre, FPA and Nut Tree is a member of the Ad Hoc Group.

On 1 June 2021, BLY Issuer and BLY, amongst other members of the BLY Group, and affiliates of each of Corre, FPA, Nut Tree, amongst others, entered into a Term Loan Securities Agreement (**Incremental Finance Facility Agreement**) and related finance documents as contemplated by the binding commitment letter.

The purpose of the Incremental Finance Facility is to provide working capital and other general corporate purposes which will support the BLY Group whilst the Recapitalisation Transactions are being pursued and then implemented. As at the date of this Explanatory Statement, US\$30,000,000 had been drawn under the Incremental Finance Facility Agreement.

The material terms of the Incremental Finance Facility are as follows:

- (a) **(commitment)** a commitment of US\$50,000,000 in aggregate principal amount (noting that US\$30,000,000 of that amount has already been drawn under the facility);
- (b) **(collateral)** the obligations under the Incremental Finance Facility are guaranteed by the same obligors as the Existing Backstop ABL and is secured by the same collateral as the Existing Backstop ABL;
- (c) **(priority)** the Incremental Finance Facility is:
 - (i) regarding working capital assets, second ranking (pari passu with the Existing Backstop ABL); and
 - (ii) regarding non-working capital assets, first ranking (pari passu with the small number of SSN Noteholders that did not consent to the Incremental Finance Facility being entered into);
- (d) **(maturity date)** 31 December 2021;
- (e) **(interest rate)**
 - (i) interest will accrue on drawings under the Incremental Finance Facility at the rate of either:
 - (A) to the extent BLY Issuer elects to pay in cash, 10% per annum payable monthly in arrears; or
 - (B) otherwise, 11% per annum with such amounts being capitalised and added to the principal monthly in arrears; and
- (f) **(commitment fee)** an undrawn commitment fee accrues on the undrawn amount of the Incremental Finance Facility at the rate of 1.50% per annum and is either:
 - (i) to the extent BLY Issuer elects to pay in cash, payable monthly in arrears; or
 - (ii) otherwise, will be capitalised and added to the principal monthly in arrears; and
- (g) **(other terms and conditions)** the Incremental Finance Facility includes other customary terms and conditions, including customary covenants and events of default that are substantially the same as those in the Existing Backstop ABL.

1.6 **Restatement of and amendments to the Existing PNC ABL**

On 12 May 2021, BLY Issuer and PNC Bank, National Association, as lender and agent, entered into the Seventh Amendment to the Amended and Restated Revolving Credit and Security Agreement to amend the Existing PNC ABL¹ (**2021 Existing PNC ABL Amendment**).

¹ The Existing PNC ABL is an asset-based revolving bank credit facility agreement that was originally entered into in 2015 between, amongst others, BLY Issuer as borrower, other members of the BLY Group and PNC Bank, National Association (as lender and agent) and which has been amended from time to time.

The 2021 Existing PNC ABL Amendment came into effect on 12 May 2021, which amended the Existing PNC ABL to:

- (a) **(liquidity)** (i) allow full access to the US\$75,000,000 revolver and release the US\$10,000,000 block to the current revolver limit and (ii) increase borrowing base (a) unbilled accounts receivable sub-limit from US\$10,000,000 to US\$15,000,000, (b) accounts receivable advance rate from 85% to 90% until the earliest of implementation under the RSA, completion of an Exit Financing Facility or 30 September 2021 and (c) cap on advance rate on inventory to 65%;
- (b) **(maturity)** subject to certain conditions including that an Exit Financing Facility has been made available to the BLY Group on or before 30 September 2021, extend the term to 12 May 2025; and
- (c) **(Incremental Finance Facility Agreement)** make necessary amendments to permit the BLY Group to incur indebtedness under the Incremental Finance Facility Agreement and to incur indebtedness under an Exit Financing Facility.

1.7 Selective Buy-Back

In conjunction with the Recapitalisation and the Re-domiciliation, the Company is proposing to offer Eligible SBB Shareholders the opportunity to offer to sell their Shares to the Company as part of a selective buy-back (the **Selective Buy-Back**), subject to:

- (a) Shareholders approving the Re-domiciliation Scheme at the Re-domiciliation Scheme Meeting;
- (b) Shareholders approving the Selective Buy-Back at the EGM; and
- (c) the Creditors' Schemes becoming effective under clause 411(10) of the Corporations Act.

Under the Selective Buy-Back, Eligible SBB Shareholders will be entitled to offer to sell their Shares to the Company at a sale price of A\$2.48 per Share (calculated on a post-Share Consolidation basis) (the **Buy-Back Price**).

The Buy-Back Price is the same as:

- (a) the implied price of the Shares that will be issued to Scheme Creditors pursuant to the Creditors' Schemes; and
- (b) the price of the Shares issued under the Share Purchase Plan and the Creditor Share Purchase Option.

The Selective Buy-Back is intended to provide Eligible SBB Shareholders who do not elect to take up further Shares under the Share Purchase Plan an opportunity to sell their small parcel of Shares without incurring brokerage fees and other expenses, which Shares may otherwise become difficult to divest in the future. Any Shares bought back by the Company pursuant to the Selective Buy-Back will be cancelled by the Company in accordance with the Corporations Act.

An "**Eligible SBB Shareholder**" is a person who:

- (a) is the registered holder of Shares as at 7.00 pm (Sydney time) on 28 July 2021 (the **SBB Record Date**) which have an aggregate value equal to less than

A\$3,000 (calculated by reference to the closing price of Shares on the ASX on the SBB Record Date);

- (b) is a Non-Associated Shareholder; and
- (c) is not an Excluded Foreign Person.

The Selective Buy-Back will be conducted through a tender process in which Eligible SBB Shareholders can offer to sell their Shares back to BLY at the Buy-Back Price. BLY may, in its absolute discretion, determine whether to accept (in whole or in part) or reject an offer to sell Shares received by BLY from Eligible SBB Shareholders. The maximum amount that BLY will spend to buy-back Shares under the Selective Buy-Back will be US\$500,000.

The purchase of any Shares under the Selective Buy-Back will occur after the Share Consolidation has been effected. Consequently, the number of Shares held by an Eligible SBB Shareholder which will be bought back will be equal to the number of Shares held by the Eligible SBB Shareholder at the SBB Record Date as reduced by the Share Consolidation (subject to BLY's absolute discretion to determine whether to accept (in whole or in part) or reject an offer to sell Shares received by BLY from Eligible SBB Shareholders).

Any Shares bought back by BLY under the Selective Buy-Back will be acquired by BLY on the same date as the implementation date of the Creditors' Schemes, which will be announced by BLY to the ASX.

A booklet containing additional information about the Selective Buy-Back including details on how Eligible SBB Shareholders can participate and offer their Shares for sale to BLY as part of the Selective Buy-Back (the **SBB Booklet**) will be dispatched to Shareholders with a registered address in Australia or New Zealand together with this Explanatory Statement and Notice of Meeting. The SBB Booklet sets out the key terms of the SBB, which include that:

- (a) (**opening date**) the opening date for Eligible SBB Shareholders to elect to participate in the Selective Buy-Back is 29 July 2021;
- (b) (**closing date**) the closing date for Eligible SBB Shareholders to elect to participate in the Selective Buy-Back is 7.00 pm (Sydney time) on 6 September 2021;
- (c) (**Buy-Back Price**) the Buy-Back Price is A\$2.48 for each Share (calculated on a post Share Consolidation basis);
- (d) (**Buy-Back Date**) the Buy-Back Date for Shares disposed of under the SBB is the Creditors' Schemes Implementation Date;
- (e) (**SBB Payment Date**) the SBB Payment Date for Shares disposed of under the SBB is currently expected to be 23 September 2021;
- (f) (**conditionality**) the Selective Buy-Back is conditional upon:
 - (i) approval by Shareholders of the Selective Buy-Back at the EGM;
 - (ii) approval by Shareholders of the Re-domiciliation Scheme; and
 - (iii) the Creditors' Schemes becoming effective under clause 411(10) of the Corporations Act.

A tender form, pursuant to which Eligible SBB Shareholders can make an offer to the Company to sell their Shares under the Selective Buy-Back is provided with the SBB Booklet (**SBB Tender Form**). If you would like to make the Company an offer to buy back your Shares, please complete and return the SBB Tender Form to the address nominated on the SBB Tender Form by 7.00 pm (Sydney time) on 6 September 2021 in accordance with the instructions in the SBB Booklet.

1.8 Governance matters

In light of the significant equity interests held by the Supporting Creditors following the Recapitalisation, the Company has agreed to grant the Supporting Creditors certain director nomination rights pursuant to the BLY Director Nomination Agreements.

Subject to the Recapitalisation Resolutions being passed, under the BLY Director Nomination Agreements:

- whilst the BLY Board is comprised of nine directors, Centerbridge are entitled to nominate up to five persons for appointment to the BLY Board. This will supersede and replace Centerbridge's existing director nomination rights under the director nomination agreement dated 5 May 2017, as amended from time to time, between CCP II Dutch Acquisition – ND2 B.V. and CCP Credit SC II Dutch Acquisition – ND B.V and BLY; and
- the Ad Hoc Group are entitled to nominate up to three persons for appointment to the BLY Board. This will supersede and replace any director nomination rights given to:
 - Ares, under the director nomination agreement dated 8 May 2017, as amended from time to time, between Ares and BLY; and
 - Ascribe, under the Ascribe Director Nomination Agreement.

A summary of Centerbridge's rights to nominate directors under the CBP Director Nomination Agreement where the BLY Board comprises nine directors, and the Ad Hoc Group's rights to nominate directors under the Ad Hoc Group Director Nomination Agreements, is set out in the following table.

	Centerbridge	Ad Hoc Group
Percentage shareholding in Retained Shares in BLY or New BLY Parent (as applicable)	Number of directors who can be nominated under CBP Director Nomination Agreement	Number of directors who can be nominated by the Ad Hoc Group under the Ad Hoc Group Director Nomination Agreements
40% or more	5	3
35.00% or more but less than 40.00%	4	3
30% or more but less than 35.00%	3	3
20% or more but less than 30.00%	2	2

	Centerbridge	Ad Hoc Group
10% or more but less than 20.00%	1	1
Less than 10%	0	0

In the event that the BLY Board increases in size from nine to ten directors at any time (excluding alternate directors) pursuant to the Company's constitution, and provided that increase was not caused by an act of the Centerbridge Board Nominees, Centerbridge or an associate of Centerbridge, so long as Centerbridge holds, in aggregate, Retained Shares which represent 40% or more of the issued Shares in the Company, Centerbridge will have the right to nominate six directors for appointment to the BLY Board.

The nomination rights afforded to Centerbridge under the CBP Director Nomination Agreement and to the Ad Hoc Group under the Ad Hoc Group Director Nomination Agreements mean that the ongoing composition of the BLY Board will not comply with Recommendation 2.1 of the ASX Corporate Governance Council's recommendations in relation to board independence. Under Recommendation 2.1, ASX considers that the board of a listed entity should maintain a nomination committee which has at least three members, with a majority of whom are independent directors and is chaired by an independent director. The operation of the director nomination rights under the CBP Director Nomination Agreement and the Ad Hoc Group Director Nomination Agreements will negate the need for BLY to maintain such a nomination committee. However, the BLY Board will continue to be governed by the Board Charter dated as at 26 November 2019.

All existing Directors, other than Mr Olsen, the Chief Executive Officer, intend to resign from the BLY Board with effect from implementation of the Recapitalisation when the Centerbridge nominee directors are appointed to the BLY Board and Ad Hoc Group nominee directors are appointed to the BLY Board in accordance with the BLY Director Nomination Agreements.

1.9 **Re-domiciliation**

Pursuant to the Restructuring Support Agreement, the Company has also agreed to pursue the Re-domiciliation. The Re-domiciliation involves BLY taking steps to re-domicile its corporate and tax domicile to Canada. Canada was chosen after a review of the benefits and disadvantages as against remaining incorporated in Australia and re-domiciling to the United States.

The Re-domiciliation will be effected by way of a members' scheme of arrangement between the Company and its Shareholders under Part 5.1 of the Corporations Act. Subject to satisfaction of all conditions to the Re-domiciliation Scheme, including approval by Shareholders at a meeting to be held on the same date as the EGM, and Court approval, it is proposed that the Re-domiciliation will be implemented shortly after implementation of the Recapitalisation.

The Re-domiciliation is subject to, amongst other things:

- (a) the Creditors' Schemes becoming effective under clause 411(10) of the Corporations Act;

- (b) approval of the Re-domiciliation Scheme Resolution by:
 - (i) greater than 50% in number of Shareholders present and voting at the Re-domiciliation Scheme Meeting (in person, by proxy, by attorney or by a corporate representative); and
 - (ii) at least 75% of the total number of votes cast on the Re-domiciliation Scheme Resolution at the Re-domiciliation Scheme Meeting; and
- (c) approval by the Court of the Re-domiciliation Scheme.

1.10 **North American Dual Listing**

Subject to the implementation of the Re-domiciliation, BLY will remain listed on the ASX through New BLY Parent and also expects that New BLY Parent will pursue a dual listing of its shares in North America at a later date.

For more information about the Re-domiciliation, refer to the explanatory memorandum included in the notice of the Re-domiciliation Scheme Meeting, which was dispatched to Shareholders on or about the date of this Notice of Meeting, a copy of which is available on the Company's website at "<http://www.boartlongyear.com/company/investors/announcements/>".

2. SECURED CREDITORS' SCHEME

2.1 Secured Debt Release

The Secured Creditors' Scheme will effect a release by the Secured Scheme Creditors of all of the outstanding Secured Debt in consideration for the issue to the Secured Scheme Creditors of their relevant proportions of New Common Equity in accordance with the terms of the Secured Creditors' Scheme (the **Secured Debt Release**).

To facilitate the implementation of the Secured Creditors' Scheme, the Secured Creditors' Scheme provides for the execution of the Restructuring Implementation Deed by the Secured Scheme Administrators as agent and attorney on behalf of the Secured Scheme Creditors shortly after the Secured Creditors' Scheme becomes effective.

Pursuant to the terms of the Restructuring Implementation Deed, the Secured Debt Release will occur on the Creditors' Schemes Implementation Date.

2.2 Creditor Share Purchase Option

In addition to the Secured Debt Release, as part of each of the Secured Creditors' Scheme and the Unsecured Creditors' Scheme, the Company proposes to offer SUN Noteholders, TLA Purchasers, TLB Purchasers and SSN Noteholders, in each case who are Secured Scheme Creditors or Unsecured Scheme Creditors, the opportunity to subscribe for Shares at an issue price of A\$2.48 per Share (**CSPO Issue Price**) under the Creditor Share Purchase Option. The Creditor Share Purchase Option is intended to raise an amount up to a cap of US\$2.5 million plus any unsubscribed amount under the SPP (the **CSPO Cap Amount**).

Shares under the Creditor Share Purchase Option will be allocated by the Company in accordance with the principles set out below (subject to rounding) (**CSPO Allocation Principles**).

- (a) **(Firstly, allocations to Participating SUN Noteholders):** Shares will first be allocated to Participating SUN Noteholders (or their Permitted CSPO Nominee) on the following basis:
 - (i) *(Initial pro rata allocation to Participating SUN Noteholders)* the Shares available under the CSPO Cap Amount will initially be allocated to Participating SUN Noteholders (or their Permitted CSPO Nominee) on a pro rata basis in the same proportions as the amount of SUN Debt held (or deemed to be held) by each particular Participating SUN Noteholder as at the Creditors' Schemes Voting Entitlement Record Date represents of the total amount of SUN Debt held (or deemed to be held) by all Participating SUN Noteholders as at the Creditors' Schemes Voting Entitlement Record Date, provided that the maximum number of Shares that will be allocated to a Participating SUN Noteholder (or their Permitted CSPO Nominee) pursuant to the Creditor Share Purchase Option will be equal to the Maximum Committed Securities number specified in their SUN Account Holder Letter; and
 - (ii) *(Allocation of undersubscriptions to other Participating SUN Noteholders)* if the total number of Shares available under the CSPO Cap Amount are not fully allocated as a result of the initial pro rata allocation to Participating SUN Noteholders (or their Permitted CSPO

Nominee) under paragraph (a)(i) above, the remaining available Shares will be allocated to the Participating SUN Noteholders (or their Permitted CSPO Nominees) whose Maximum Committed Securities exceeded their respective initial pro rata allocation under paragraph (a)(i) above (**Oversubscribing Participating SUN Noteholders**) on a pro rata basis in the same proportions as the amount of SUN Debt held (or deemed to be held) by each particular Oversubscribing SUN Noteholder as at the Creditors' Schemes Voting Entitlement Record Date represents of the total amount of SUN Debt held (or deemed to be held) by all Oversubscribing Participating SUN Noteholders as at the Creditors' Schemes Voting Entitlement Record Date, provided always that the maximum number of Shares that will be allocated to a Participating SUN Noteholder (or their Permitted CSPO Nominee) pursuant to the Creditor Share Purchase Option will be equal to their Maximum Committed Securities. This allocations process will be repeated until either:

- (A) the total number of Shares available under the CSPO Cap Amount have been fully allocated; or
 - (B) each Participating SUN Noteholder (or their Permitted CSPO Nominee) has been allocated a number of Shares equal to the Maximum Committed Securities number specified in their SUN Account Holder Letter; and
- (b) (**Secondly, allocations to Other CSPO Participants**): If the total number of Shares available under the CSPO Cap Amount are not fully allocated as a result of the allocation of Shares to Participating SUN Noteholders (or their Permitted CSPO Nominees) under the paragraph (a) above, then the remaining available Shares will be allocated to the Other CSPO Participants (or their Permitted CSPO Nominees) on the following basis:
- (i) (*Initial pro rata allocation to Other CSPO Participants*) the remaining available Shares will be allocated to the Other CSPO Participants (or their Permitted CSPO Nominees) on a pro rata basis in the same proportions as the number of the Shares allocated to each particular Other CSPO Participant under the Creditors' Schemes (not including Shares under the Creditor Share Purchase Option) represents of the total number of Shares allocated to all Other CSPO Participants under the Creditors' Schemes (not including Shares under the Creditor Share Purchase Option), provided that the maximum number of Shares that will be allocated to Other CSPO Participants (or their Permitted CSPO Nominees) pursuant to the Creditor Share Purchase Option will be the Maximum Committed Securities number specified in their TLA Proof of Debt Form, TLB Proof of Debt Form or SSN Account Holder Letter; and
 - (ii) (*Allocation of undersubscriptions to Other CSPO Participants*) if the total number of Shares available under the CSPO Cap Amount are not fully allocated as a result of the allocations under paragraphs (a) and (b)(i) above, the remaining available Shares will be allocated to the Other CSPO Participants (or their Permitted CSPO Nominees) whose Maximum Committed Securities exceeded their respective initial pro rata allocation under paragraph (b)(i) above (**Oversubscribing Other CSPO Participants**) on a pro rata basis in the same proportions as

the number of the Shares allocated to each particular Oversubscribing Other CSPO Participant under the Creditors' Schemes (not including Shares under the Creditor Share Purchase Option) represents of the total number of Shares allocated to all Oversubscribing Other CSPO Participants under the Creditors' Schemes (not including Shares under the Creditor Share Purchase Option), provided always that the maximum number of Shares that will be allocated to an Other CSPO Participant (or their Permitted CSPO Nominee) pursuant to the Creditor Share Purchase Option will be equal to their Maximum Committed Securities. This allocations process will be repeated until either:

- (A) the total number of Shares available under the CSPO Cap Amount have been fully allocated; or
- (B) each Other CSPO Participant (or their Permitted CSPO Nominee) has been allocated a number of Shares equal to the Maximum Committed Securities number specified in their TLA Proof of Debt Form, TLB Proof of Debt Form or SSN Account Holder Letter.

In each case, a Participating SUN Noteholder and Other CSPO Participants may only participate in the Creditor Share Purchase Option if they are not an Ineligible Person or, if they are an Ineligible Person, if they nominate a Permitted CSPO Nominee.

Participating SUN Noteholders and Other CSPO Participants may nominate another person to take up their allocation of Shares under the Creditor Share Purchase Option provided that:

- (a) the nominee is a party to the Restructuring Support Agreement, or accedes to the Restructuring Support Agreement; and
- (b) the Participating SUN Noteholder or Other CSPO Participant specifies the nominee's name and details in the relevant section of their TLA Proof of Debt Form, TLB Proof of Debt Form, SSN Account Holder Letter or SUN Account Holder Letter (as applicable),

(a **Permitted CSPO Nominee**).

The Shares issued under the Creditor Share Purchase Option will be issued on the Creditors' Schemes Implementation Date (which is after completion of the Share Consolidation). The CSPO Issue Price is the same price as:

- (a) the implied price of the Shares that will be issued to Scheme Creditors pursuant to the Creditors' Schemes; and
- (b) the price of the Shares issued to Eligible SPP Shareholders pursuant to the Share Purchase Plan.

The maximum number of Shares that will be issued under the Creditor Share Purchase Option will be:

- (a) 1,302,083 Shares, if all of the Shares offered under the SPP are subscribed for by Eligible SPP Shareholders (calculated as the CSPO Cap Amount in those circumstances of US\$2.5 million, divided by the CSPO Issue Price);² and
- (b) 2,604,166 Shares, if no Shares are subscribed for under the SPP (calculated as the CSPO Cap Amount in those circumstances of US\$5 million, divided by the CSPO Issue Price).³

Proceeds received by the Company from the Creditor Share Purchase Option will be applied to pay down the outstanding balance under the Existing PNC ABL.

The Creditors' Schemes Explanatory Booklet and each of the TLA Proof of Debt Form, TLB Proof of Debt Form, SSN Account Holder Letter and SUN Account Holder Letter set out the key terms of the Creditor Share Purchase Option, which include that:

- (a) (**opening date**) the opening date for SUN Noteholders, TLA Purchasers, TLB Purchasers and SSN Noteholders to elect to participate in the Creditor Share Purchase Option is 3 August 2021;
- (b) (**closing date**) the closing date for SUN Noteholders, TLA Purchasers, TLB Purchasers and SSN Noteholders to return the SUN Account Holder Letter, TLA Proof of Debt Form, TLB Proof of Debt Form or SSN Account Holder Letter to elect to participate in the Creditor Share Purchase Option is 4.00 pm (New York time) on 25 August 2021;
- (c) (**CSPO Issue Price**) the CSPO Issue Price for each Share purchased under the Creditor Share Purchase Option is A\$2.48;
- (d) (**ranking**) the Shares issued under the Creditor Share Purchase Option will rank equally with BLY's existing fully paid ordinary Shares on issue as at the date that the Shares are issued under the CSPO;
- (e) (**issue date**) the Shares will be issued under the Creditor Share Purchase Option on the Creditors' Schemes Implementation Date; and
- (f) (**conditionality**) the offer under the Creditor Share Purchase Option is conditional upon:
 - (i) approval by Shareholders of the issue of Shares under the Creditors Share Purchase Option at the EGM; and
 - (ii) the Creditors' Schemes becoming effective under clause 411(10) of the Corporations Act.

2.3 Detailed disclosure relating to the Secured Creditors' Scheme

Further information relating to the Secured Creditors' Scheme is set out in the Creditors' Schemes Explanatory Booklet and report of the independent expert, FTI Consulting (the **FTI Consulting Report**) for the Secured Creditors' Scheme, released

² For the purpose of preparing this calculation, the US\$2.5 million aggregate cap for the Creditor Share Purchase Option has been converted to Australian Dollars at the average May 2021 USD/AUD exchange rate of \$1.29 (source: CapIQ).

³ For the purpose of preparing this calculation, the US\$2.5 million aggregate cap for the Creditor Share Purchase Option and the US\$2.5 million aggregate cap for the Share Purchase Plan have been converted to Australian Dollars at the average May 2021 USD/AUD exchange rate of \$1.29 (source: CapIQ).

to the ASX on or about the date of this Notice of Meeting, a copy of which is available at "<http://www.boartlongyear.com/company/investors/announcements/>".

The FTI Consulting Report has been prepared for the purpose of opining on the solvency of the BLY Group following implementation of the Creditors' Schemes and the likely outcome for the BLY Group if the Creditors' Schemes are not implemented.

The FTI Consulting Report includes an enterprise value of the Company which differs from the enterprise value of the Company included in the Independent Expert's Report, prepared by KPMG.

KPMG's enterprise valuation of US\$455.0 to US\$510.0 million adopts a through-the-cycle approach by looking at the historical 3 year (US\$76.0m), 5 year (US\$60.6m) and 7 year (US\$47.8m) average EBITDA having considered adjusted EBITDA and statutory EBITDA ending December 2020 and the 3 year (US\$78.3m), 5 year (US\$71.7m) and 7 year (US\$55.8m) average EBITDA having considered adjusted EBITDA and statutory EBITDA ending December 2021. Based on this analysis KPMG selected a maintainable EBITDA range of US\$65.0 million to US\$85.0 million. An EBITDA multiple of 7.0 to 6.0 times EBITDA (inclusive of a control premium) has then been applied to derive an enterprise value for the Company utilising through-the-cycle multiples observed for comparable companies.

FTI Consulting's enterprise valuation of US\$394.2 to US\$417.4 million is derived using the capitalisation of earnings method as their primary method, based on an estimated maintainable earnings figure calculated by reference to FTI's FY21 forecast of adjusted EBITDA (assuming that the BLY Creditor Schemes are approved) of US\$115.9 million. In determining this value, FTI Consulting adjusted BLY's 2021 forecast adjusted EBITDA to account for AASB16 'Leases' (where relevant), gains on sale of assets and the removal of VAT write offs. An EBITDA multiple of 3.4 to 3.6 times EBITDA (not inclusive of a control premium) was then applied to derive an enterprise value for the Group.

FTI Consulting cross-checked the above method using a discounted cash flow method and derived an enterprise valuation of US\$376.5 million to US\$444.9 million. FTI Consulting state that this supports their valuation under the primary capitalisation of earnings method.

While FTI Consulting and KPMG have both adopted a capitalisation of earnings approach, the differences in enterprise value result from the different basis of earnings and capitalisation rates applied by each and KPMG preparing a valuation on a control basis and FTI Consulting preparing a valuation not on a control basis.

3. UNSECURED CREDITORS' SCHEME

3.1 Unsecured Debt Release

The Unsecured Creditors' Scheme will effect:

- (a) a release by the Unsecured Scheme Creditors of all of the outstanding Unsecured TLA, TLB, SSN Debt in consideration for the issue to the Unsecured Scheme Creditors of their relevant proportions of New Common Equity (the **Unsecured TLA, TLB, SSN Release**);
- (b) a release by the SUN Noteholders of all of the outstanding SUN Debt in consideration for the issue to the SUN Noteholders of:
 - (i) their relevant proportions of New Common Equity (the **Unsecured SUN Debt Release**, together with the Unsecured TLA, TLB, SSN Release the **Unsecured Debt Release**); and
 - (ii) the issue of the New Warrants with a strike price per Warrant Share of A\$2.79 (the **New Warrants Issuance**), as described in Section 3.2 below,

in each case in accordance with the terms of the Unsecured Creditors' Scheme.

To facilitate the implementation of the Unsecured Creditors' Scheme, the Unsecured Creditors' Scheme provides for the execution of the Restructuring Implementation Deed by the Unsecured Scheme Administrators as agent and attorney on behalf of the Unsecured Scheme Creditors shortly after the Unsecured Creditors' Scheme becomes effective.

Pursuant to the terms of the Restructuring Implementation Deed, the Unsecured Debt Release and New Warrants Issuance will occur on the Creditors' Schemes Implementation Date.

3.2 New Warrants Issuance

In addition to the Unsecured Debt Release, pursuant to the Unsecured Creditors' Scheme and the Restructuring Implementation Deed, SUN Noteholders will be issued such number of New Warrants which, in aggregate, confer the right to call for the issue of such number of shares (in BLY or the New BLY Parent, depending on whether the Re-domiciliation Scheme is approved) that would result in SUN Noteholders, assuming all New Warrants were exercised, holding 10% of the total post-recapitalisation Shares on issue (with the total number of Shares on issue for the purpose of this calculation determined (1) including the new Shares that would be issued on exercise of the New Warrants, (2) before the issue of any Shares on the exercise of any Existing Warrants and Existing Options, (3) before the issue of any Shares under the Share Purchase Plan and the Creditor Share Purchase Option, (4) before any buy-back of Shares under the Selective Buy-Back and (5) before the issue of any Shares under any management incentive plan).

The terms of the New Warrants are set out in the New Warrant Deed Poll at Schedule 11 to the Unsecured Creditors' Scheme, which is at Annexure B to the Creditors' Scheme Explanatory Booklet. Information on how Shareholders can access that information is found in Section 3.4, but the key terms are summarised as follows:

Subscription Right	<p>Each New Warrant will confer on its holder the right (but not the obligation) to subscribe for one Warrant Share, subject to any adjustment (set out below).</p> <p>A New Warrant will not confer any rights to dividends or to participate in any new issue of shares without exercising the New Warrant.</p> <p>Warrant Shares allotted and issued on the exercise of a New Warrant will rank <i>pari passu</i> in all respects (including as to dividends the entitlement to which is determined after allotment) with the then-issued shares and are subject to the Constitution.</p>
Exercise Price	A\$2.79 (as adjusted in accordance with clause 6 of the New Warrant Deed Poll)
Method of Exercise	<p>Each New Warrant may be exercised at any time in the period after its issue to 5.00 pm Sydney time on the date which is the 6th anniversary of the date of its issue (Exercise Period).</p> <p>Each New Warrant may be exercised at any time during the Exercise Period by delivering a duly completed Exercise Notice (accompanied, if New Warrant Certificates have been issued, by the New Warrant Certificate(s) for the New Warrants exercised), and if the New Warrant is exercised for cash, a Representation Letter, to the Company.</p>
Adjustments	<p>The terms of the New Warrants will be adjusted in the following circumstances (excluding any of the following circumstances which are triggered by the Implementation Steps set out in the Restructuring Implementation Deed):</p> <ul style="list-style-type: none"> • (pro-rata issues) the Exercise Price will be reduced in accordance with the formula in the ASX Listing Rules; • (bonus issues) the number of Warrant Shares over which New Warrants will be exercisable will be increased by the number of Warrant Shares the holder would have received if the New Warrant had been exercised before the record date of the bonus issue; • (reorganisation of capital) the rights of the holder of the Warrant (and the Exercise Price) will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital; • (distributions when the Company is not listed on the ASX) if, at any time during the Exercise Period when the Company is not listed on the ASX, the Company fixes a record date for the payment of a distribution of any evidences of indebtedness,

	<p>Shares or any other property of any nature whatsoever (including cash) or any options, warrants or other rights to subscribe for such property, to the holders of Shares (other than a dividend, a pro rata issue of Shares, a bonus issue of Shares or a corporate action which is a re-organisation of capital), the Exercise Price will be adjusted in accordance with a formula set out in the New Warrant Deed Poll;</p> <ul style="list-style-type: none"> • (change in capital) on a Change in Capital, the rights of the holder of the New Warrant will be changed to reflect what the holder would have received if the New Warrant had been exercised prior to the record date for that Change in Capital.
Change of Control	<p>On a Change of Control transaction (which includes a sale of all or substantially all of the assets of the Company but excludes a public stock merger), the Company will cancel the New Warrants and pay the holder the warrant value (determined in accordance with a Black-Scholes model) in cash.</p> <p>Where the Change of Control transaction is a public stock merger, the Company shall procure that the acquirer or successor entity shall assume the obligations of the Company and the warrant will become exercisable into the public stock except where the market capitalisation is less than US\$500 million where the New Warrant will be cancelled and the holder will be paid the warrant value in cash unless it elects for the New Warrant to remain on foot and become exercisable over the public stock.</p>
Re-domiciliation	<p>If the Company re-domiciles, the New Warrants will confer the right (but not the obligation) to acquire the securities or other property received in place of a Warrant Share as a result of the re-domiciling.</p>
Transfer	<p>Subject to certain restrictions on transfer to U.S. Persons, the New Warrants may only be transferred in lots of not less than 100,000 New Warrants (except where the transfer is to effect a transfer by a New Warrant holder of all New Warrants held by that New Warrant holder, at the Company's discretion).</p> <p>Subject to compliance with the terms of the New Warrant Deed Poll, the New Warrants are transferrable without the prior written consent of the Company.</p>

3.3 Creditor Share Purchase Option

In addition to the Unsecured Debt Release and the New Warrants Issuance, as part of the Secured Creditors' Scheme and the Unsecured Creditors' Scheme, the Company proposes to offer SUN Noteholders, TLA Purchasers, TLB Purchasers and

SSN Noteholders, in each case who are Secured Scheme Creditors or Unsecured Scheme Creditors the opportunity to participate in the Creditor Share Purchase Option.

For further information about the Creditor Share Purchase Option, please refer to Section 2.2.

3.4 **Detailed disclosure relating to the Unsecured Creditors' Scheme**

Further information relating to the Unsecured Creditors' Scheme is set out in the Creditors' Schemes Explanatory Booklet and FTI Consulting Report for the Unsecured Creditors' Scheme, which was disclosed to ASX on or about 29 July 2021, a copy of which is available at "<http://www.boartlongyear.com/company/investors/announcements/>".

For further information regarding the differences in enterprise value of the Company as set out in the FTI Consulting Report and the Independent Expert's Report, please refer to Section 2.3.

4. OTHER RECAPITALISATION TRANSACTIONS

4.1 Share Consolidation

A significant number of the new Shares in BLY will be issued pursuant to:

- (a) the Secured Debt Release; and
- (b) the Unsecured Debt Release.

However, the number of Shareholders who hold a significant proportion of those Shares will be small.

Accordingly, as part of the Recapitalisation, the Company is proposing that prior to the issue of Shares under the Creditors' Schemes, the Share Purchase Plan and the Creditor Share Purchase Option (and completion of the purchase by the Company of any Shares under the Selective Buy-Back), the Shares be consolidated through the consolidation of every 20 fully paid ordinary Shares into 1 fully paid ordinary Share.

The Share Consolidation is proposed to occur prior (rather than subsequent) to implementation of the Creditors' Schemes so that all securities issued under the Recapitalisation Transactions are issued on a post-Share Consolidation basis. The Share Consolidation will only occur if all of the Recapitalisation Resolutions are passed by the requisite majorities of Shareholders at the EGM. The effective date of the Share Consolidation will be the date of approval by the Court of the Creditors' Schemes (**Share Consolidation Effective Date**).

Where the Share Consolidation results in a Shareholder having an entitlement to a fraction of a Share, that fraction will be rounded up to the nearest whole number of Shares.

The Share Consolidation will:

- (a) reduce the number of Shares on issue prior to the issue of Shares under the Creditors' Schemes, Share Purchase Plan and the Creditor Share Purchase Option and buy-back of Shares under the Selective Buy-Back from 88,511,800 to 4,425,590 (subject to rounding);
- (b) simplify and provide a more efficient capital structure for BLY; and
- (c) create a share price that is more appealing to a wider range of investors.

As the Share Consolidation will apply equally to all Shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject to rounding). Accordingly, the Share Consolidation itself will have no effect on the percentage equity interest each Shareholder has in BLY (subject to the impacts of the rounding).

In addition, the Share Consolidation will result in the following impacts on the Existing Options or the Existing Warrants:

- (a) in accordance with clause 3(b)(ii) of the 2014, 2015 and 2016 Option Plans, and ASX Listing Rule 7.22.1, the number of Existing Options will be consolidated so that every 20 Existing Options are converted to 1 Existing Option post-Share Consolidation and the exercise price of each Existing Option is multiplied by 20, so that:

- (i) the exercise price for each of the consolidated 2014 Options becomes A\$1,152 per option; and
 - (ii) the exercise price for each of the consolidated 2015 Options and the consolidated 2016 Options becomes A\$1,920 per option; and
- (b) in accordance with clause 6.3(a) of the Ordinary Warrant Deed Poll, the Class A 7% Warrant Deed Poll and the Class B 7% Warrant Deed Poll, the number of Existing Warrants will be consolidated so that every 20 Existing Warrants is converted into 1 Existing Warrant post-Share Consolidation and the exercise price of each Existing Warrant is multiplied by 20, so that:
- (i) the exercise price of each consolidated Ordinary Warrant will be A\$126;
 - (ii) the exercise price of each consolidated Class A 7% Warrant will be US\$36; and
 - (iii) the exercise price of each consolidated Class B 7% Warrant will be US\$60.

Where the Share Consolidation results in a holder of an Existing Warrant or an Existing Option having an entitlement to a fraction of an Existing Option or an Existing Warrant, that fraction will be rounded up to the nearest whole number of Existing Warrants or Existing Options (as applicable).

An indicative timetable for the Share Consolidation (assuming each of the Recapitalisation Resolutions is approved by Shareholders) is set out below. The Company reserves the right to vary the times and dates set out below, subject to the Corporations Act and the approval of any variations by the Court or ASIC where required.

Event	Indicative time/date
Time and date of the EGM	10.00 am (Sydney time) on 8 September 2021
Share Consolidation Effective Date	16 September 2021
Last day for trading in Shares on a pre-Share Consolidation basis	17 September 2021
Post-Share Consolidation trading starts on a deferred settlement basis	20 September 2021
Record date for the Share Consolidation – last day to register transfers on a pre-Share Consolidation basis	21 September 2021
BLY Share Register updated, and holding statements dispatched to Shareholders	22 September 2021
Deferred settlement trading ends	22 September 2021
Normal settlement trading starts	23 September 2021

4.2 Share Purchase Plan

The Company also proposes to offer Eligible SPP Shareholders the opportunity to participate in a share purchase plan (the **Share Purchase Plan** or **SPP**).

Pursuant to the Share Purchase Plan, Eligible SPP Shareholders will be entitled to subscribe for up to A\$30,000 worth of Shares at an issue price of A\$2.48 per Share (calculated on a post-Share Consolidation basis) (the **SPP Issue Price**) without incurring brokerage or other transaction costs. The total amount to be raised by the Company under the SPP is capped at US\$2.5 million.

The issue of Shares pursuant to the Share Purchase Plan is subject to:

- (a) Shareholders approving the issue of the Shares under the Share Purchase Plan at the EGM; and
- (b) the Creditors' Schemes becoming effective under section 411(10) of the Corporations Act 2001 (Cth) (Corporations Act).

Shares issued under the Share Purchase Plan will be issued on the Creditors' Schemes Implementation Date (which is after completion of the Share Consolidation).

The SPP Issue Price is the same as:

- (a) the implied price of the Shares that will be issued to Scheme Creditors pursuant to the Creditors' Schemes; and
- (b) the price of the Shares issued to Scheme Creditors pursuant to the Creditor Share Purchase Option.

The table set out below provides an overview of the share price for each of (a) the Share Purchase Plan and the Selective Buy-Back (being options available to Shareholders); and (b) the CSPO and the New Warrants (being options available to Scheme Creditors).

Shareholder transactions	Pricing (on a post-Share Consolidation basis)
Buy back of existing shares under Selective Buy-Back (as summarised in Section 1.7)	A\$2.48 per share
Issue of new shares under Share Purchase Plan	A\$2.48 per share
Scheme Creditor transactions	Pricing (on a post-Share Consolidation basis)
Issue of new shares under Creditor Share Purchase Option (as summarised in Section 2.2)	A\$2.48 per share

The maximum number of Shares that will be issued under the Share Purchase Plan (which Shares will be issued following the Share Consolidation), calculated as the US\$2.5 million aggregate cap divided by the SPP Issue Price, will be 1,302,083 (based on the average May 2021 US\$/A\$ exchange rate of \$1.29 (source: CapIQ)).

An "**Eligible SPP Shareholder**" is a person who:

- (a) is registered as a Shareholder on the BLY Share Register as at 7.00 pm (Sydney time) on 28 July 2021 (the **SPP Record Date**) with a registered address in Australia or New Zealand;
- (b) is not in the United States and not acting for the account or benefit of a person in the United States; and
- (c) is eligible under all applicable securities laws to receive an offer under and participate in the Share Purchase Plan.

Eligible SPP Shareholders' right to participate in the Share Purchase Plan will not be transferrable to any other person.

The Share Purchase Plan will enable Eligible SPP Shareholders, whose shareholding will be diluted under the Creditors' Schemes, the opportunity to maintain a more meaningful equity interest in the Company following completion of the Recapitalisation.

To the extent that the Share Purchase Plan is oversubscribed (that is, where Eligible SPP Shareholders subscribe for an aggregate amount of Shares that exceeds the US\$2.5 million aggregate cap), participating Eligible SPP Shareholders' subscriptions will be scaled back (such that they will acquire a pro-rata percentage of the US\$2.5 million cap, calculated by reference to the amount that the participating Eligible SPP Shareholder elected to take up under the Share Purchase Plan).

The Share Purchase Plan is not underwritten. However to the extent that the Share Purchase Plan is undersubscribed (ie where Eligible SPP Shareholders do not subscribe for an aggregate amount of Shares that equals or exceeds the US\$2.5 million aggregate cap), the number of Shares not subscribed for under the Share Purchase Plan will be offered to SUN Noteholders, TLA Purchasers, TLB Purchasers, and SSN Noteholders under, and in accordance with the terms of, the Creditor Share Purchase Option (described further at Section 2.2 above).

Proceeds received by the Company under the Share Purchase Plan will be applied to pay down the outstanding balance under the Existing PNC ABL.

Further information regarding the Share Purchase Plan is set out in the SPP Booklet dispatched to Eligible SPP Shareholders together with this Notice of Meeting (**SPP Booklet**). The SPP Booklet sets out the key terms of the SPP, which include that:

- (a) (**opening date**) the opening date for Eligible SPP Shareholders to elect to participate in the SPP is 29 July 2021;
- (b) (**closing date**) the closing date for Eligible SPP Shareholders to elect to participate in the SPP is 7.00 pm (Sydney time) on 6 September 2021;
- (c) (**SPP Issue Price**) the SPP Issue Price for each Share purchased under the Share Purchase Plan is A\$2.48 (calculated on a post Share Consolidation basis);
- (d) (**ranking**) the Shares purchased under the Share Purchase Plan will rank equally with BLY's existing fully paid ordinary Shares on issue as at the date that the Shares are issued under the SPP;

- (e) **(issue date)** the Shares will be issued to successful applicants on the Creditors' Scheme Implementation Date which is currently expected to be 23 September 2021;
- (f) **(scale-back)** if the total value of applications exceeds the US\$2.5 million cap, BLY will scale back the number of Shares that a Shareholder will be allocated under the SPP. If a scale-back occurs, the difference between the value of the Shares allocated under the SPP (calculated at the SPP Issue Price) and the application monies received will be refunded to the Shareholder without interest; and
- (g) **(conditionality)** the offer under the SPP is conditional upon:
 - (i) approval by Shareholders of the issue of Shares under the Share Purchase Plan at the EGM; and
 - (ii) the Creditors' Schemes becoming effective under clause 411(10) of the Corporations Act.

An application form, pursuant to which Eligible SPP Shareholders can apply to subscribe for Shares under Share Purchase Plan is provided with the SPP Booklet (**SPP Application Form**). If you would like to subscribe for Shares under the Share Purchase Plan, please complete and return the SPP Application Form to the address nominated on the SPP Application Form by 7.00 pm (Sydney time) on 6 September 2021 in accordance with the instructions in the SPP Booklet.

4.3 **Exit Financing Facility**

Prior to settlement of the other Recapitalisation Transactions, the BLY Group expects to secure a long term new money investment to fully refinance the Existing Backstop ABL and the Incremental Finance Facility, in the form of the Exit Financing Facility (the **Exit Financing Facility**).

In this regard, on 19 July 2021 (Salt Lake City) BLY entered into a binding commitment letter in relation to the Exit Financing Facility (**Exit Financing Commitment Letter**).

As at the date of this Explanatory Statement, it is proposed that BLY US Holdings Inc. (or another BLY Group member) as borrower, and other BLY Group members as guarantors, will enter into the Exit Financing Facility to fully refinance the Working Capital Facilities. The Exit Financing Facility will take the form of a five year term loan facility with a total commitment of US\$115,000,000.

The Exit Financing Facility will be drawn to refinance the Existing Backstop ABL and the Incremental Finance Facility on the Creditors' Scheme Implementation Date.

It is a condition precedent to both BLY Creditor Schemes that as at 8.00 am on the Second Court Date, the credit agreement for the Exit Financing Facility has been duly executed and delivered by all parties to it and all conditions precedent to the initial drawing under the Exit Financing Facility have been satisfied, other than any conditions relating to:

- (a) the Secured Creditors' Scheme and the Unsecured Creditors' Scheme becoming Effective;
- (b) no amendments, waivers or modifications to the RSA, RID, the Secured Creditors' Scheme or the Unsecured Creditors' Scheme having been made

since 8:00 am on the Second Court Date, other than any amendments, waivers or modifications that are not materially adverse to the interests of the Exit Financiers unless the prior written consent of the Exit Financiers was obtained (such consent not to be unreasonably withheld or delayed);

- (c) each Implementation Step in clauses 8(a) (*Step 1 (Issue of Shares and New Warrants)*) and 8(b) (*Step 2 (Releases)*) of the RID having been completed in accordance with their terms; and
- (d) any conditions which the Exit Financier has agreed to waive or defer.

5. IMPACT OF THE RECAPITALISATION

5.1 Further S&P review

On 20 May 2021, following announcement of the Recapitalisation, S&P Global undertook a further review of the Company's credit ratings and took the following actions:

- (a) the corporate credit rating was lowered to "D";
- (b) the rating outlook was removed from "CreditWatch Negative";
- (c) the rating on the SSN Indenture Notes was lowered to "D";
- (d) the rating on the SUN Indenture Notes remained at "D";
- (e) the recovery rating on the SSN Indenture Notes was lowered to "4" and
- (f) the recovery rating on the SUN Indenture Notes remains unchanged at "6".

5.2 Further Moody's review

On 4 June 2021, following announcement of the Recapitalisation, Moody's Investor Services undertook a further review of the Company's credit ratings and took the following actions:

- (a) the corporate family rating was lowered to "Ca";
- (b) the rating outlook was downgraded to "Negative";
- (c) the rating on the SSN Indenture Notes was lowered to "Ca";
- (d) the rating on the SUN Indenture Notes was lowered to "C"; and
- (e) the speculative grade liquidity rating was lowered to "SGL-4".

5.3 Effect of Recapitalisation Transactions – Sources and Uses, pro forma debt and financial ratios

The tables below show the change in the Company's debt levels, gross leverage, net leverage and interest coverage as a result of the Recapitalisation Transactions.

Table 1: Sources and uses of funds raised from Recapitalisation Transactions

Sources	US\$ million
Share Purchase Plan (1)	\$2.5
Creditor Share Purchase Option (1)	\$2.5
Exit Financing Facility (2)	\$115.0
Total Sources	\$120.0
Uses	US\$ million
Refinance Existing Backstop ABL (3)	\$62.4
Refinance Incremental Finance Facility (4)	\$50.3
Repayment of portion of the Existing PNC ABL (1)	\$5.0
Partial payment of transaction costs and interest costs (5)	\$2.3
Total Uses	\$120.0

(1) Assumes that the SPP and the Creditor Share Purchase Option are fully subscribed. If less than \$5 million is raised by the Company from the SPP and CSPO, the amount of the Existing PNC ABL that is repaid will lower.

(2) The Company entered into the Exit Financing Commitment Letter on 19 July 2021; the commitment amount is shown for illustrative purposes only.

(3) Includes accrued interest as at 30 June 2021.

(4) Represents commitment amount for illustrative purposes and actual accrued interest as at 30 June 2021.

(5) Remaining available balance under the Exit Financing Facility to be applied to pay any further accrued interest on the Existing Backstop ABL, the Incremental Finance Facility and some transaction costs.

Table 2: Pro-forma Debt

US\$ million	30 June 2021 Pre- Recapitalisation	Transaction Adjustments	Post- Recapitalisation
Existing PNC ABL (1) (5) (7)	\$6.0	(\$5.0)	\$1.0 (6)
Existing Backstop ABL (1) (7)	\$62.4	(\$62.4)	-
Incremental Finance Facility (2)	\$50.3	(\$50.3)	-
Exit Financing Facility (4)	-	\$115.0	\$115.0
Term Loan - Tranche A (1) (7)	\$162.1	(\$162.1)	-
Term Loan - Tranche B (1) (7)	\$195.4	(\$195.4)	-
SSN Indenture Notes (3) (7)	\$354.9	(\$354.9)	-
SUN Indenture Notes (1) (7)	\$94.1	(\$94.1)	-
Lease liability (IFRS-16)	\$39.3	-	\$39.3
Total Debt	\$964.5	(\$809.2)	\$155.3

(1) Includes accrued interest as at 30 June 2021.

(2) Represents commitment amount for illustrative purposes and actual accrued interest as at 30 June 2021.

(3) Includes accrued interest and SSN applicable premium as at 30 June 2021.

(4) The Company entered into the Exit Financing Commitment Letter on 19 July 2021; the commitment amount is shown for illustrative purposes only.

(5) Assumes that the SPP and the Creditor Share Purchase Option are fully subscribed. If less than \$5 million is raised by the Company from the SPP and CSPO, the amount of the Existing PNC ABL that is repaid will lower.

(6) This demonstrates the adjusted balance of the Existing PNC ABL as at 30 June 2021 for illustrative purposes only, and will vary.

(7) The debt balances shown in the table above represent the amounts owing to the relevant lenders as at 30 June 2021, as advised to the Company by the relevant lenders. The debt balances for the same debt facility may be reported slightly differently in the Company's balance sheet as a consequence of the debt balances being reported in accordance with AASB accounting standards.

The impact of the Recapitalisation Transactions on certain financial ratios of the Company is set out below.

US\$ million	Pre-Recapitalisation	Post-Recapitalisation
Total Long-Term Debt (1)	\$964.5	\$155.3
FY 2020 Adjusted EBITDA	\$60.1	\$60.1
Total Gross Leverage Ratio	16.1x	2.6x
Net Long-Term Debt (2)	\$931.8	\$122.6
FY 2020 Adjusted EBITDA	\$60.1	\$60.1
Total Net Leverage Ratio	15.50x	2.04x
FY 2020 Adjusted EBITDA	\$60.1	\$60.1
Annualised Cash Interest (3)	\$21.6 (4)	\$16.4 (5)
Annualised PIK Interest	\$60.8(4)	\$0.0 (5)
Cash Interest Coverage Ratio	2.78x	3.66x
Interest Coverage Ratio (6)	0.73x	3.66x

Source: Company financial statements and disclosures

(1) Represents long-term debt as at 30 June 2021.

(2) Represents long-term debt and cash as at 30 June 2021.

(3) Does not include interest under the Term Loan A, Term Loan B, Existing Backstop ABL, SSN Indenture, SUN Indenture or Incremental Finance Facility, which is paid in kind (PIK) interest.

- (4) Annualised interest calculated by reference to pre-recapitalisation debt.
- (5) Annualised interest calculated by reference to post-recapitalisation debt.
- (6) Includes both PIK and cash interest.

5.4 **Potential voting power in the Company of Centerbridge and the Ad Hoc Group following the Recapitalisation**

The voting power of Centerbridge and the Ad Hoc Group in the Company following implementation of the Recapitalisation will depend on a number of factors, including:

- (a) the number of Shares issued to Non-Associated Shareholders under the SPP;
- (b) the number of Shares issued to SUN Noteholders under the Creditor Share Purchase Option and the extent to which any Shares are issued to Other CSPO Participants under the Creditor Share Purchase Option as a result of undersubscriptions by SUN Noteholders under the Creditor Share Purchase Option;
- (c) the number of New Warrants exercised and converted into Shares by SUN Noteholders; and
- (d) the number of Shares (if any) purchased and cancelled by the Company under the Selective Buy-Back.

The tables below set out the potential voting power of Centerbridge and the Ad Hoc Group following implementation of the Recapitalisation under various different scenarios.

Each table is prepared having regard to the following assumptions:

- (a) the debt holdings of the Supporting Creditors is based on information known to the Company as at 9 July 2021; and
- (b) the number of Shares in the column under current voting power are listed on a pre-consolidation basis and when included in the column under voting power on implementation of the restructuring this is on a post 20 for 1 consolidation basis (calculated without regard to separate share parcels and associated rounding adjustments) (see Section 4.1);
- (c) the foreign exchange conversion price used assumes a conversion price based on the average May 2021 USD/AUD exchange rate of \$1.29 (source: CapIQ); and
- (d) none of the Existing Warrants and Existing Options are exercised. The current exercise prices of the Existing Warrants and Existing Options will be adjusted as a result of the Share Consolidation by multiplying the exercise prices by 20 (see Section 4.1). Following that adjustment to the relevant exercise prices, the Existing Warrants and Existing Options will be significantly out of the money. It is therefore assumed for these purposes that the Existing Warrants and Existing Options will not be exercised. The tables below do not show the current holdings of the parties of the Existing Warrants and Existing Options.

Table 1: The SPP and Creditor Share Purchase Option are fully subscribed, New Warrants are not exercised

Party	Current voting power as at the date of this Explanatory Statement (including %)	Voting power on implementation of the Recapitalisation (including %)	
		Shares	New Warrants
Centerbridge	47,189,771 (53.3%)	134,503,475 (45.2%)	0
AHG Members	20,897,240 (23.6%)	159,489,615 (53.6%) (This includes 1,233,770 Shares issued to AHG Members pursuant to the CSPO)	30,810,489
Other persons	20,424,789 (23.1%)	3,650,408 (1.2%) (This includes 78,313 Shares issued under the CSPO and 1,302,083 issued under the SPP)	1,971,659
Total	88,511,800 (100.0%)	297,643,499 (100.0%)	32,782,148

Assumptions:

- (a) All Shares offered under the SPP are taken up by Non-Associated Shareholders.
- (b) All Shares offered under the Creditor Share Purchase Option are taken up by all of the SUN Noteholders (and the Shares are issued pro rata to the total amount of SUN Debt held by all SUN Noteholders as at the RSA Date).
- (c) None of the New Warrants are exercised.
- (d) None of the Existing Warrants and Existing Options are exercised. The current exercise prices of the Existing Warrants and Existing Options will be adjusted as a result of the Share Consolidation by multiplying the exercise prices by 20 (see Section 4.1). Following that adjustment to the relevant exercise prices, the Existing Warrants and Existing Options will be significantly out of the money. It is therefore assumed for these purposes that the Existing Warrants and Existing Options will not be exercised.
- (e) No Shares are purchased by the Company under the Selective Buy-Back.

Table 2: The SPP and Creditor Share Purchase Option are fully subscribed, New Warrants are exercised

Party	Current voting power as at the date of this Explanatory Statement (including %)	Voting power on implementation of the Recapitalisation and before exercise of the New Warrants (including %)		Voting power post exercise of New Warrants issued under the Recapitalisation (including %)
		Shares	New Warrants	Shares
Centerbridge	47,189,771 (53.3%)	134,503,475 (45.2%)	0	134,503,475 (40.7%)

Party	Current voting power as at the date of this Explanatory Statement (including %)	Voting power on implementation of the Recapitalisation and before exercise of the New Warrants (including %)		Voting power post exercise of New Warrants issued under the Recapitalisation (including %)
		Shares	New Warrants	
AHG Members	20,897,240 (23.6%)	159,489,615 (53.6%) (This includes 1,233,770 Shares issued to AHG Members pursuant to the CSPO)	30,810,489	190,300,104 (57.6%)
Other persons	20,424,789 (23.1%)	3,650,409 (1.2%) (This includes 78,313 Shares issued under the CSPO and 1,302,083 issued under the SPP)	1,971,659	5,622,067 (1.7%)
Total	88,511,800 (100.0%)	297,643,499 (100.0%)	32,782,148	330,425,647 (100.0%)

Assumptions:

- (a) All Shares offered under the SPP are taken up by Non-Associated Shareholders.
- (b) All Shares offered under the Creditor Share Purchase Option are taken up by all of SUN Noteholders (and the Shares are issued pro rata to the total amount of SUN Debt held by all SUN Noteholders as at the RSA Date).
- (c) All of the New Warrants are exercised.
- (d) None of the Existing Warrants and Existing Options are exercised. The current exercise prices of the Existing Warrants and Existing Options will be adjusted as a result of the Share Consolidation by multiplying the exercise prices by 20 (see Section 4.1). Following that adjustment to the relevant exercise prices, the Existing Warrants and Existing Options will be significantly out of the money. It is therefore assumed for these purposes that the Existing Warrants and Existing Options will not be exercised.
- (e) No Shares are purchased by the Company under the Selective Buy-Back.

Table 3: No shares are subscribed for under the SPP, the Creditor Share Purchase Option is fully subscribed, New Warrants are exercised

Party	Current voting power as at the date of this Explanatory Statement (including %)	Voting power on implementation of the Recapitalisation and before exercise of the New Warrants (including %)		Voting power post exercise of New Warrants issued under the Recapitalisation (including %)
		Shares	New Warrants	
Centerbridge	47,189,771 (53.3%)	134,503,475 (45.2%)	0	134,503,475 (40.7%)
AHG Members	20,897,240 (23.6%)	160,713,386 (54.0%) (This includes 2,447,540 Shares issued to AHG)	30,810,489	191,523,875 (58.0%)

Party	Current voting power as at the date of this Explanatory Statement (including %)	Voting power on implementation of the Recapitalisation and before exercise of the New Warrants (including %)		Voting power post exercise of New Warrants issued under the Recapitalisation (including %)
		Shares	New Warrants	
		Members pursuant to the CSPO)		
Other persons	20,424,789 (23.1%)	2,426,639 (0.8%) (This include 156,626 Shares issued under the CSPO)	1,971,659	4,398,298 (1.3%)
Total	88,511,800 (100.0%)	297,643,499 (100.0%)	32,782,148	330,425,647 (100.0%)

Assumptions:

- (a) None of the Shares offered under the SPP are taken up.
- (b) All Shares offered under the Creditors Share Purchase Option (including the US\$2.5 million unsubscribed amount from the SPP) are taken up by all of the SUN Noteholders (and the Shares are issued pro rata to the total amount of SUN Debt held by all SUN Noteholders as at the RSA Date).
- (c) All of the New Warrants are exercised.
- (d) None of the Existing Warrants and Existing Options are exercised. The current exercise prices of the Existing Warrants and Existing Options will be adjusted as a result of the Share Consolidation by multiplying the exercise prices by 20 (see Section 4.1). Following that adjustment to the relevant exercise prices, the Existing Warrants and Existing Options will be significantly out of the money. It is therefore assumed for these purposes that the Existing Warrants and Existing Options will not be exercised.
- (e) No Shares are purchased by the Company under the Selective Buy-Back.

Table 4: No Shares are subscribed for under the SPP, all Shares offered under the Creditor Share Purchase Option (including the US\$2.5 million unsubscribed amount from the SPP) are taken up by Centerbridge, none of the New Warrants are exercised

Party	Current voting power as at the date of this Explanatory Statement (including %)	Voting power on implementation of the Recapitalisation (including %)	
		Shares	New Warrants
Centerbridge	47,189,771 (53.3%)	137,107,641 (46.1%) (This includes 2,604,166 Shares issued to Centerbridge pursuant to the CSPO)	0
AHG Members	20,897,240 (23.6%)	158,265,845 (53.2%)	30,810,489
Other persons	20,424,789 (23.1%)	2,009,597 (0.7%)	1,971,659
Total	88,511,800 (100.0%)	297,383,083 (100.0%)	32,782,148

Assumptions:

- (a) No Shares are taken under the SPP, but those Shares are instead taken up by Centerbridge under the Creditor Share Purchase Option.
- (b) All Shares offered under the Creditor Share Purchase Option (including the US\$2.5 million unsubscribed amount from the SPP) are taken up by Centerbridge. This maximum number of Shares is calculated assuming no Shares were taken up under the SPP and the CBP Creditors (or their nominees who are Affiliates of Centerbridge) acquire all of the available Shares under the Creditor Share Purchase Option because all participants in the Creditor Share Purchase Option transferred their entitlements under the Creditor Share Purchase Option to the CBP Creditors (or their nominees who are Affiliates of Centerbridge).
- (c) None of the New Warrants are exercised.
- (d) None of the Existing Warrants and Existing Options are exercised. The current exercise prices of the Existing Warrants and Existing Options will be adjusted as a result of the Share Consolidation by multiplying the exercise prices by 20 (see Section 4.1). Following that adjustment to the relevant exercise prices, the Existing Warrants and Existing Options will be significantly out of the money. It is therefore assumed for these purposes that the Existing Warrants and Existing Options will not be exercised.
- (e) The Company buys back the maximum amount of Shares (260,416) under the Selective Buy-Back.

Table 5: No Shares are subscribed for under the SPP, all Shares offered under the Creditor Share Purchase Option (including the US\$2.5 million unsubscribed amount from the SPP) are taken up by the AHG Members, all of the New Warrants held by the AHG Members are exercised, no other New Warrants are exercised

Party	Current voting power as at the date of this Explanatory Statement (including %)	Voting power on implementation of the Recapitalisation (including %) and exercise of New Warrants by AHG Members	
		Shares	New Warrants
Centerbridge	47,189,771 (53.3%)	134,503,475 (41.0%)	0
AHG Members	20,897,240 (23.6%)	191,680,500 (58.4%) (This includes 2,604,166 Shares issued to the AHG Members pursuant to the CSPO)	Assumed exercised
Other persons	20,424,789 (23.1%)	2,009,597 (0.6%)	1,971,659
Total	88,511,800 (100.0%)	328,193,572 (100.0%)	1,971,659

Assumptions:

- (a) No Shares are taken under the SPP, but those Shares are instead taken up by AHG Members under the Creditor Share Purchase Option.
- (b) All Shares offered under the Creditor Share Purchase Option (including the US\$2.5 million unsubscribed amount from the SPP) are taken up by the AHG Members. This maximum number of Shares is calculated assuming no Shares were taken up under the SPP and the AHG Members acquire all of the available Shares under the Creditor Share Purchase Option because all participants in the Creditor Share Purchase Option transferred their entitlements under the Creditor Share Purchase Option to the AHG Members.
- (c) All of the New Warrants held by the AHG Members are exercised, no other New Warrants are exercised.
- (d) None of the Existing Warrants and Existing Options are exercised by any of the holders of these warrants and options. The current exercise prices of the Existing Warrants and Existing Options will be adjusted as a result of the Share Consolidation by multiplying the exercise prices by 20 (see Section 4.1). Following that adjustment to the relevant exercise prices, the Existing Warrants and Existing Options will be significantly out of the money. It is therefore assumed for these purposes that the Existing Warrants and Existing Options will not be exercised.
- (e) The Company buys back the maximum amount of Shares (260,416) under the Selective Buy-Back.

Note 1: Shareholder approval is being sought for each of Centerbridge and the AHG Members to acquire the maximum number of Shares that can be issued pursuant to the Recapitalisation Transactions, being the maximum voting power that each of Centerbridge and the AHG Members may acquire pursuant to the terms of the Creditors' Schemes and the Creditor Share Purchase Option.

Note 2: The New Warrants do not confer voting rights.

6. ADVANTAGES AND RISKS OF THE RECAPITALISATION

6.1 Rationale for Recapitalisation

The Independent Directors believe that the Recapitalisation provides a comprehensive recapitalisation solution that is the best available option to maximise long-term Shareholder value, with other options considered as part of the Strategic Review either not providing a comprehensive solution or leaving existing Shareholders and other stakeholders with an inferior outcome. The Independent Directors believe that the Recapitalisation will improve the Company's capital structure and provide significantly improved financial flexibility to better position the Company to sustain operations through current and expected market conditions and also to provide resources to allow the Company to make tactical investments in incremental, customer-focused product and service enhancements.

6.2 Reasons Shareholders may vote FOR the Recapitalisation Resolutions

- (a) The Recapitalisation is the result of the comprehensive Strategic Review in which a range of potential recapitalisation and restructuring options were evaluated.
- (b) The Company's current capital structure is unsustainable in the medium term. The Company has been operating under high debt levels and constrained liquidity conditions which became more severe as a result of the COVID-19 pandemic, given the high costs to service existing debt and the lack of available options to obtain incremental capital to fund business operations.
- (c) The Company believes that the announced Recapitalisation represents the best and only executable option for the Company to create a more sustainable capital structure and secure needed liquidity.
- (d) The Recapitalisation will provide the best feasible opportunity for future value recovery for Shareholders and other stakeholders, when measured against the alternatives.
- (e) A failure to pass the Recapitalisation Resolutions will mean that the Recapitalisation will not proceed and, as a result, the Company may not be able to meet its debt repayment obligations absent a refinancing (which is considered unlikely given the Company's current financial position). The Directors consider it unlikely that a superior proposal could be agreed with the Company's lenders, or that any alternative proposal would result in a better return for creditors and shareholders than the announced Recapitalisation. There is a significant and present risk that the Company would be placed in external administration if Shareholders fail to pass the Recapitalisation Resolutions. In this event, Shareholders would likely receive little or no return on their shareholding.
- (f) The Directors are of the opinion that if the Company is unable to implement the Recapitalisation, the Company's secured creditors may appoint a receiver over certain assets.
- (g) The Recapitalisation provides an opportunity for Eligible SPP Shareholders to participate in the issue of further Shares under the Share Purchase Plan.
- (h) If the Re-domiciliation Scheme Resolution is passed at the Re-domiciliation Scheme Meeting and the Selective Buy-Back Resolution is passed at the

EGM, Eligible SBB Shareholders with small parcels of Shares will have an opportunity to cash out their shareholding in the Company without incurring brokerage fees and other expenses, subject to the Company's absolute discretion to determine whether to accept or reject an offer to sell Shares to the Company under the Selective Buy-Back (see Section 1.7).

- (i) The Recapitalisation will have the effect of significantly reducing the Company's debt levels, reducing financial pressure on the Company and thus allowing Directors and management to focus their attentions on further stabilising the Company's business.

6.3 **Reasons Shareholders may vote AGAINST the Recapitalisation Resolutions**

- (a) The aggregate percentage holding of Non-Associated Shareholders will be significantly diluted by the issue of Shares under the Recapitalisation. The Recapitalisation will convert approximately US\$795 million of the Company's debt and accrued interest costs into 98.5% of the Company's post Recapitalisation ordinary shares (before (1) the issue of any Shares on the exercise of any New Warrants, Existing Warrants or Existing Options, (2) the issue of Shares under the Share Purchase Plan and the Creditor Share Purchase Option, (3) any buy-back of Shares under the Selective Buy-Back, and (4) the issue of any Shares under any management incentive plan).
- (b) Following implementation of the Recapitalisation, the BLY Board will be comprised of nine Directors:
 - (i) five of whom will be nominees of Centerbridge;
 - (ii) three of whom will be nominees of the Ad Hoc Group; and
 - (iii) with the remaining director being Jeff Olsen, the Chief Executive Officer (Section 1.8).

This will mean that, following implementation of the Recapitalisation, the Company will not adhere to some of the non-binding ASX Corporate Governance Council Principles and Recommendations, including Recommendation 2.4 (being that a majority of the board of a listed entity should be independent directors).

- (c) Shareholders may disagree with the recommendation of the Independent Directors and/or the findings of the Independent Expert and be of the opinion that the Recapitalisation is not in the best interests of the Company and its Shareholders.
- (d) Potential Australian tax risk from implementation of the Creditors' Schemes

The exchange of debt for Shares is expected to give rise to a "commercial debt forgiveness" (CDF) under the Australian tax legislation. The CDF rules do not create immediate taxable income for BLY, but give rise to a "net forgiven amount" broadly equal to the difference between the amount of the outstanding debt being exchanged and the value of the Shares issued. This CDF net forgiven amount is applied to reduce available tax losses and other tax attributes of BLY. The amount of the possible CDF net forgiven amount is dependent on the value of the Shares as of the effective date of the exchange, which is not known at this time. While BLY anticipates that some of its carry forward losses will be available to offset the CDF net forgiven amount, BLY

may not have sufficient loss carry forwards available to fully offset any CDF net forgiven amount from the exchange. In this situation, the net forgiven amount would then reduce tax basis in other assets. The reduction in tax basis of short-term assets could result in a near-term cash tax liability in the event those assets are disposed of by BLY for amounts in excess of their reduced tax basis.

Australian tax law may limit the ability to use prior year losses to offset future income should BLY fail the "continuity of ownership test" (**COT**) under the Australian tax legislation (a **COT Failure**). If a COT Failure occurs prior to the end of the income tax year of BLY in which the CDF occurs, it will increase the risk that the CDF net forgiven amount (as discussed above) will not be fully offset by BLY's carry forward losses and will instead reduce the tax basis of BLY's assets, which could result in a near-term cash tax liability.

Broadly, the COT requires the Company to have maintained more than 50% of the same ultimate beneficial owners from the start of each loss year and at each applicable test time until the end of the income year in which the loss is sought to be recouped (certain concessions are available for listed companies that reduce the number of applicable testing points and limit the extent of tracing required through to ultimate beneficial owners). Due to significant overlap between the creditors who are being issued Shares under the Creditors' Schemes and BLY's current Shareholders, the implementation of the Creditors' Schemes is not expected to result in an "ownership change" of the Australia Tax Group for the purposes of COT calculation. However, the issuance of new equity to the debtholders may affect the Company's ability to satisfy the COT into the future and equity holders who exit their positions after the implementation of the Creditors' Schemes may put at risk the continued ownership requirement.

BLY is separately preparing for a re-domiciliation of the Company to North America which may increase the risk of a COT Failure.

However, in Australia there is a secondary same business test or (depending on the applicable loss year) alternately a similar business test (together known as the "continuity of business test") which, if BLY qualifies, may offer relief if a COT Failure occurs.

(e) ASX Spread Requirements

The value and number of registered shareholdings in the Company will be affected by certain of the Recapitalisation Transactions including the Selective Buy-Back, if it proceeds. Some of those transactions may increase the value of a registered shareholding, such as participation in the Share Purchase Plan. Other transactions may reduce the value or the number of registered shareholdings, such as the issue of shares under the Creditors' Schemes or participation by a holder in the Selective Buy-Back.

If in the view of ASX, including as a consequence of those transactions, there is not an orderly and liquid market in Shares then ASX may require the Company to obtain sufficient 'spread' so that an orderly and liquid market does exist, or take other action such as to suspend the quotation on ASX of the Shares. To the extent the Company has a discretion, for example in the allocation of Shares under the Share Purchase Plan, the Company intends, to the extent necessary, to exercise that discretion so as to help achieve an orderly and liquid market in the Shares.

Despite the reasons set out immediately above, the Independent Directors believe that the advantages outlined in Section 6.2 outweigh these considerations.

7. INDEPENDENT EXPERT'S REPORT AND INDEPENDENT DIRECTORS' RECOMMENDATION

7.1 Independent Expert's Report

The Company appointed KPMG to prepare the Independent Expert's Report in relation to the Recapitalisation. The Independent Expert's Report contains a detailed assessment of the Recapitalisation and sets out information to enable Non-Associated Shareholders to assess the merits of, and decide whether to approve, the Recapitalisation Resolutions.

The Independent Expert has concluded that the Recapitalisation is fair and reasonable to Non-Associated Shareholders in the absence of a superior proposal.

7.2 Independent Directors' Recommendation

Mr Tochilin and Mr McDougal consider themselves to be conflicted owing to their relationships with Centerbridge and therefore have abstained from making a recommendation in respect of the Recapitalisation Resolutions.

The Directors other than Mr Tochilin and Mr McDougal (the **Independent Directors**) consider that the Recapitalisation addresses the Company's critical financial needs and meets the primary objectives of the Strategic Review. Each of the Independent Directors believes that the Recapitalisation creates a more sustainable capital structure and increases the Company's financial flexibility, enabling the Company to better manage through a difficult operating environment and an uncertain period so as to enable a recovery in the Company's core markets and to better support strategies to restore earnings growth.

Subject to no Superior Proposal emerging, the Independent Directors unanimously recommend that Shareholders vote **IN FAVOUR** of the Recapitalisation Resolutions, and intend to vote any Shares that they own or control in favour of the Recapitalisation Resolutions. The rationale, risks and other factors relevant to whether Shareholders should vote for or against the Recapitalisation Resolutions are set out in detail in Section 6.

In making their recommendation, the Independent Directors have considered:

- (a) the advantages of the Recapitalisation being implemented, together with other factors relevant to a Shareholder's decision whether to vote for or against the Recapitalisation summarised in Section 6.2;
- (b) the risks associated with the Recapitalisation, as summarised in Section 6.3; and
- (c) the opinion of the Independent Expert, as contained in the Independent Expert's Report set out in Annexure A to this Explanatory Statement.

The Independent Directors consider that the rationale for undertaking the Recapitalisation clearly outweighs the risks of the Recapitalisation. Shareholders may wish to note that in providing their recommendation, the Independent Directors individually each hold in excess of 20,000 Shares in the Company, and therefore remain strongly aligned to the interests of Non-Associated Shareholders.

It is important for Shareholders to note that the Recapitalisation is subject to (among other things) the Recapitalisation Resolutions being passed by the required majority

of Shareholders. If Shareholders do not approve all of the Recapitalisation Resolutions, then the Recapitalisation will not occur.

7.3 **Advantages and risks of the Recapitalisation**

For information about the advantages and risks of the Recapitalisation, refer to Section 6.

8. CENTERBRIDGE

8.1 Overview of Centerbridge

Overview

Centerbridge is a private investment firm with approximately US\$31 billion in capital under management. Centerbridge focuses on private equity and credit investments and is dedicated to partnering with world-class management teams across industry sectors to help companies achieve their operating and financial objectives. Limited partners (investors) in the funds managed by Centerbridge include university endowments, state and corporate pension funds, sovereign wealth funds and family offices.

Centerbridge was established in 2005 and as at July 2021 currently has 100 investment professionals across its headquarters in New York and its office in London.

Centerbridge's recapitalisation investments in Australian publicly listed companies of note include:

- recapitalisation of Speedcast International Limited, an Australian satellite communications provider, in 2021;
- recapitalisations of the Company in 2015 and 2017;
- recapitalisation of Billabong International Limited, the ASX-listed global action sports apparel manufacturer and retailer, in 2013;
- restructuring of Centro Properties Group, an Australian shopping centre owner and operator, in 2011; and
- restructuring of Alinta Energy Group, an Australian natural gas utility, in 2010.

In each of these transactions, Centerbridge worked alongside management, shareholders and other stakeholders (including employees) to implement and support the respective companies' turnaround plans and create meaningful value for stakeholders.

Directors

Centerbridge currently has two nominee Directors appointed to the BLY Board. The details of the current Centerbridge nominee Directors are set out below.

Rob Smith

Mr Smith is a Partner of McGrathNicol. He joined the firm in May 2009 after spending nearly ten years with Ernst & Young's Transactions and Assurance divisions in Melbourne and Sydney. Since joining McGrathNicol, Rob has specialised in Advisory, Restructuring and Insolvency.

Mr Smith is a Member of the Institute of Chartered Accountants in Australia, Registered Liquidator and Member of the Australian Restructuring, Insolvency and Turnaround Association. He also holds a Bachelor of Commerce (University of Melbourne) and a Graduate Diploma of Applied Finance and Investment.

Mr Smith has led numerous complex trading insolvency engagements, restructurings, independent business reviews, strategy implementations and a range of performance improvement assignments.

Mr Smith's experience covers a variety of industries including manufacturing, automotive, mining and mining services, power and utilities, agribusiness, retail, media, biotechnology, information technology and financial services.

Conor Tochilin

Conor Tochilin was appointed a Director of the Company on 20 January 2017. Mr Tochilin is a Principal at Centerbridge Partners, L.P., a major shareholder in the Company. Centerbridge manages approximately \$29 billion of assets with a focus on credit, special situations, and private equity. Prior to joining Centerbridge Partners, L.P., Mr Tochilin was an Associate at TPG-Axon Capital Management in New York and London and a Business Analyst in McKinsey's Corporate Finance Practice in New York.

Mr Tochilin holds an A.B. in Economics and Philosophy, magna cum laude, from Harvard College, where he was elected to Phi Beta Kappa, a J.D. from Harvard Law School, and an M.B.A. from Harvard Business School.

8.2 Acquisition

Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in an entity if the acquisition would result in that person's voting power in the entity increasing from a starting point that is above 20% and below 90%, unless the acquisition falls within one of the exceptions in section 611, such as security holder approval under item 7 of section 611 of the Corporations Act.

(a) Identity of acquirer and associates

Centerbridge will acquire a relevant interest in Shares under the Secured Debt Release, the Unsecured TLA, TLB, SSN Release and the Creditor Share Purchase Option. For more information in relation to Centerbridge, see Section 8.1.

Centerbridge presently intends to nominate one or a combination of the following entities (each of which is an Affiliate of Centerbridge) to acquire and be issued up to 132,143,987 Shares under the Creditors' Schemes (excluding any Shares taken up under the Creditor Share Purchase Option):

- CCP II (Cayman) Holdings A, L.P.
- Credit SC II Holdings E (Cayman), L.P.
- CCP II Dutch Acquisition – E2 B.V
- CCP Credit SC II Dutch Acquisition – E, B.V.

In addition to the entities listed above, Centerbridge's associates are CB Dutch Holdings Cooperatieve, U.A., Centerbridge Capital Partners SBS II (Cayman), L.P., Centerbridge Capital Partners II (Cayman), L.P., Centerbridge Associates II (Cayman) L.P., Centerbridge Special Credit Partners II AIV IV (Cayman), L.P., Centerbridge Special Credit Partners General Partner II (Cayman) L.P., Centerbridge Credit Partners Master, L.P., Centerbridge Credit Partners

Offshore General Partner, L.P., Centerbridge Credit Partners, L.P., Centerbridge Credit Partners TE, L.P., Centerbridge Credit Partners Offshore Ltd., Centerbridge Credit Partners General Partners, L.P. and Centerbridge Partners, L.P..

(b) **Maximum extent of increase in Centerbridge and their associates' voting power in the Company**

As at the date of this Explanatory Statement, the CBP Registered Holders currently have combined voting power in the Company of 53.3%.

The voting power of Centerbridge in the Company following implementation of the Recapitalisation will depend on various factors including (among other things) the number of Shares issued under the SPP and Creditor Share Purchase Option, and the number of shares purchased under the Selective Buy-Back.

If the Recapitalisation Transactions are approved, following the Secured Debt Release and Unsecured Debt Release, and if (a) no Shares are subscribed for under the SPP, (b) all Shares offered under the Creditor Share Purchase Option (including the US\$2.5 million unsubscribed amount from the SPP) are taken up by Centerbridge (c) none of the New Warrants are exercised (d) the Company buys back the maximum amount of Shares under the Selective Buy-Back, the voting power of Centerbridge and their Affiliates would be 46.1% (see Section 5.4). This represents a decrease in the voting power of Centerbridge and their Affiliates, however Shareholder approval under item 7 of section 611 of the Corporations Act is being sought from Shareholders in case (due to the timing of the issue of the Shares to the different parties under the Creditors' Schemes, SPP, and Creditor Share Purchase Option) at any point in time Centerbridge's voting power in the Company did increase above 53.3% for a period of time.

(c) **Voting power that Centerbridge and its associates would have as a result of the Recapitalisation Transactions**

If the Recapitalisation Transactions are approved, following the Secured Debt Release and the Unsecured Debt Release and if (a) no Shares are subscribed for under the SPP, (b) all Shares offered under the Creditor Share Purchase Option (including the US\$2.5 million unsubscribed amount from the SPP) are taken up by Centerbridge (c) none of the New Warrants are exercised (d) the Company buys back the maximum amount of Shares under the Selective Buy-Back, the maximum voting power that Centerbridge and their Affiliates would have on a combined basis as a result of the Recapitalisation is 46.1% (see Section 5.4).

8.3 **Future intentions**

This section sets out the intentions of Centerbridge regarding the future of the Company if Shareholders approve the Recapitalisation Resolutions.

(a) **Qualifications**

The statements of intention in this section must be read subject to the following:

- the statements are based on the information concerning the Company and the circumstances affecting the business of the Company that are

known to Centerbridge at the date of this Explanatory Statement, including pursuant to a disclosure and confidentiality agreement dated October 2014 entered into in conjunction with the 2015 restructuring of the Company;

- Centerbridge is not aware of all of the material information, facts and circumstances that are necessary to assess the financial, operational, commercial, taxation and other implications of the intentions set out below – accordingly, the statements reflect current intentions only and are subject to change as new information becomes available or as circumstances change;
- if the Recapitalisation Transactions are implemented, then pursuant to the CBP Director Nomination Agreement, Centerbridge will be entitled to nominate five persons to be appointed to the BLY Board;
- any directors nominated by Centerbridge to the BLY Board will have a duty to act in good faith in the best interests of the Company for a proper purpose, and in doing so will need to have regard to the interests of all Shareholders. They will also have a duty to avoid conflicts of interest; and
- laws regarding related party transactions (particularly under the Corporations Act and ASX Listing Rules) may place restrictions on the ability of the Company to enter into certain transactions with Centerbridge or its associates.

(b) Nature and conduct of business

Centerbridge will have influence over the nature and conduct of the business of the Company. Centerbridge does not have a present intention to make any changes to the Company other than where this would be consistent with the turnaround strategy of the BLY Board.

(c) Injection of further capital

Centerbridge has no present intention to provide further additional capital to the Company in the near term.

(d) Future employment of employees

Centerbridge does not presently intend to make any changes to the workforce other than where this would be consistent with the turnaround strategy of the BLY Board.

(e) Transfer of assets

Centerbridge does not presently intend to propose any transfer of assets between the Company and the CBP Creditors or any of the CBP Creditors' associates. The Company has however granted security over certain of its assets in favour of lenders affiliated with Centerbridge and its associates to secure the Company's obligations under existing loan facilities.

(f) Redeployment of fixed assets

Centerbridge has no current intention to redeploy any of the assets of the Company.

(g) **Financial or dividend policies**

Centerbridge intends to support the continuation of the Company's efforts to build a healthy balance sheet, the maintenance of appropriate levels of debt capital, and dividend levels commensurate with the health and cash flow generation of the Company (and any necessary changes to the Company's financial and dividend policies to give effect to these things).

(h) **Re-domiciliation and Re-listing**

In the RSA the Company agreed at the request of the Supporting Creditors to take all requisite steps to re-domicile its business in Canada or such other jurisdiction as to which all the Initial Supporting Creditors agree. It is the current intention of Centerbridge to support the Company's re-domiciliation (see Section 1.9). In conjunction with any re-domiciliation that the Company may undertake, Centerbridge is considering a potential dual listing on a stock exchange other than the ASX.

9. AD HOC GROUP

9.1 Overview of the Ad Hoc Group

The Ad Hoc Group comprises of a number of lenders affiliated with global investment managers.

Ares is a publicly traded, leading global alternative investment manager operating complementary, integrated investment groups that invest across the credit, private equity and real estate markets. Founded in 1997 and with approximately US\$207 billion of assets under management as of 31 March 2021, Ares' distinct but complementary investment groups collaborate to aim to deliver innovative investment solutions and consistent and attractive investment returns for fund investors throughout market cycles. Ares has over 25 offices around the world.

Ascribe is a New York based institutional investment manager with approximately US\$3 billion in assets under management. Ascribe invests in securities of companies that may be stressed or undergoing operational, financial, or other challenges, and in securities trading at a discount to intrinsic value. Founded in 2006, Ascribe aims to act as a true partner to management teams and other investors seeking non-traditional capital solutions to complex strategic and operational objectives.

Corre is a New York based institutional investment manager with approximately US\$1 billion in assets under management. Corre was founded in 2009 to invest in turnarounds and special situations in the middle market space utilizing a tactical ability to invest across the capital structure. Corre's investment philosophy emphasizes primary research and analysis, a willingness to look at complex and often under-covered situations, and a sponsor approach to assist companies in their portfolio in meeting operational, commercial, and strategic challenges to drive value.

FPA is a Los Angeles based investment management firm with an emphasis on value investing, prudently seeking superior long-term returns while maintaining a focus on capital preservation. As of 31 March 2021, FPA managed approximately US\$28 billion across its multiple strategies – Absolute Fixed Income, Contrarian Value, Contrarian Value Equity, Small-Cap Value, Core Equity, Large-Cap Value, Multi-Advisor, and Direct Lending Strategy.

Nut Tree is a New York based institutional investment manager which seeks to generate attractive risk-adjusted returns primarily by investing in stressed and distressed corporate debt, deep value and special situation equities and low loan-to-value high yield debt. Formed in June 2015, Nut Tree had approximately US\$2.6 billion in assets under management as of 1 May 2021.

9.2 Acquisition

Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in an entity if the acquisition would result in that person's voting power in the entity increasing from a starting point that is above 20% and below 90%, unless the acquisition falls within one of the exceptions in section 611, such as security holder approval under item 7 of section 611 of the Corporations Act.

(a) Identity of acquirer and associates

The identity of the AHG Members are set out in Section 9.1.

The AHG Members consider that they may be deemed to be associates of each other in relation to the Company by virtue of section 12(2)(b) or 12(2)(c) of the Corporations Act on the basis that the Restructuring Support Agreement contemplates that they will have a collective right to nominate a specified number of individuals for appointment to the BLY Board from time to time on and from the Creditors' Schemes Implementation Date. That right will arise under the Ad Hoc Group Director Nomination Agreements.

Consequently, each of the AHG Members has disclosed that it has voting power equal to the aggregate of the total number of votes attaching to voting shares in which any of the AHG Members hold a relevant interest.

(b) **Maximum extent of increase in Ad Hoc Group and their associates' voting power in the Company**

As set out in Section 5.4, the Ad Hoc Group currently have a combined voting power in the Company of 23.6%.

As further set out in Section 5.4, upon implementation of the Recapitalisation, following the Secured Debt Release, the Unsecured Debt Release and if (a) no Shares are subscribed for under the SPP, (b) all Shares offered under the Creditor Share Purchase Option (including the US\$2.5 million unsubscribed amount from the SPP) are taken up by the AHG Members, (b) all of the New Warrants held by the AHG Members are exercised (c) no other New Warrants are exercised and (d) the Company buys back the maximum amount of Shares under the Selective Buy-Back, the maximum extent of the increase in the voting power of the Ad Hoc Group or their nominees would be 34.8%.

(c) **Voting power that the Ad Hoc Group and their associates would have as a result of the Recapitalisation Transactions**

As set out in Section 5.4, if the Recapitalisation Transactions are approved, following the Secured Debt Release, the Unsecured Debt Release and if (a) no Shares are subscribed for under the SPP, (b) all Shares offered under the Creditor Share Purchase Option (including the US\$2.5 million unsubscribed amount from the SPP) are taken up by the AHG Members, (b) all of the New Warrants held by the AHG Members are exercised (c) no other New Warrants are exercised and (d) the Company buys back the maximum amount of Shares under the Selective Buy-Back, the maximum voting power that the Ad Hoc Group or their nominees would have on a combined basis as a result of the Recapitalisation would be 58.4%.

9.3 **Future intentions**

The statements of intention in this section must be read subject to the following:

- the statements are based on the information concerning the Company and the circumstances affecting the business of the Company that are known to the Ad Hoc Group at the date of this Explanatory Statement;
- the Ad Hoc Group is not aware of all of the material information, facts and circumstances that are necessary to assess the financial, operational, commercial, taxation and other implications of the intentions set out below – accordingly, the statements reflect current intentions only and are subject to change as new information becomes available or as circumstances change;

- the Ad Hoc Group expects to be supportive of the continued turnaround strategy for the Company and the steps that are involved in executing it, and is ready to assist the Company in formulating and implementing this strategy in the shortest possible timeframe; and
- if the Recapitalisation Transactions are implemented, pursuant to the Ad Hoc Group Director Nomination Agreements, the Ad Hoc Group will be entitled to nominate three persons to be appointed to the BLY Board. Any directors nominated by the Ad Hoc Group to the BLY Board will not represent a majority of the BLY Board and therefore will not be able to determine decisions of the BLY Board;
- any directors nominated by the Ad Hoc Group to the BLY Board will have a duty to act in good faith in the best interests of the Company for a proper purpose, and in doing so will need to have regard to the interests of all Shareholders. They will also have a duty to avoid conflicts of interests; and
- laws regarding related party transactions (particularly under the Corporations Act and ASX Listing Rules) may place restrictions on the ability of the Company to enter into certain transactions with the Ad Hoc Group or its associates.

(a) **Nature and conduct of business**

It is the current intention of the Ad Hoc Group that the Company will continue to operate its business in substantially the same manner as it is currently being conducted.

The Company is expected to continue to review all aspects of its assets and operations to identify ways to maximise value for all Shareholders. The Ad Hoc Group does not have a current intention to support a divestment or redeployment of assets, and will await the Company's review of its assets and operations before considering options to maximise value.

(b) **Injection of further capital**

Other than as contemplated by the Recapitalisation Transactions, the Ad Hoc Group does not have a current intention to inject or provide further capital to the Company.

(c) **Future employment of employees**

The Ad Hoc Group does not presently intend to make any changes to the workforce other than where this would be consistent with the turnaround strategy of the BLY Board.

(d) **Transfer of assets**

The Ad Hoc Group does not presently intend to propose any transfer of assets between the Company and the Ad Hoc Group or any of the Ad Hoc Group's Associates.

(e) **Redeployment of fixed assets**

The Ad Hoc Group has no current intention to redeploy any of the assets of the Company.

(f) **Re-domiciliation and Re-listing**

In the RSA the Company agreed to take all requisite steps to re-domicile its business in Canada or such other jurisdiction as to which the Initial Supporting Creditors agree. It is the current intention of the Ad Hoc Group to support the Company's re-domiciliation (see Section 1.9). In conjunction with a potential re-domiciliation of the Company, the Ad Hoc Group would be likely to support a potential dual listing on a stock exchange other than the ASX.

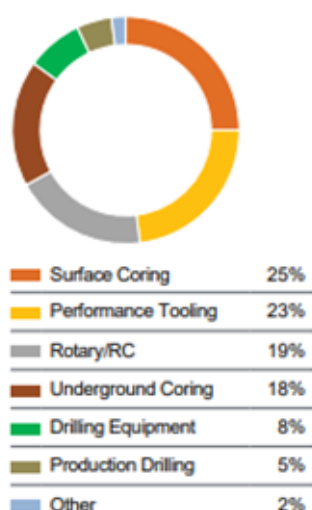
(g) **Financial or dividend policies**

The Ad Hoc Group is supportive of a policy under which no dividends are issued until the business of the Company is turned around.

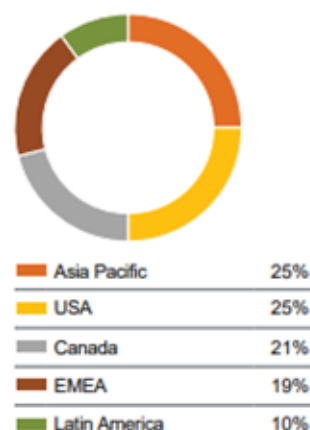
10. OVERVIEW OF THE COMPANY

The Company is a leading integrated provider of drilling services, drilling equipment and performance tooling for mining and mineral drilling companies globally, offering a comprehensive portfolio of technologically advanced and innovative drilling services and products. With its main focus in mining and exploration activities spanning a wide range of commodities, including copper, gold, nickel, zinc, uranium, and other metals and minerals, the Company also holds a substantial presence in the energy, oil sands exploration and environmental sectors. It operates through two segments, “Global Drilling Services” and “Global Products”, and believes 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. These factors, combined with the Company’s global footprint, have facilitated long-standing relationships with a diverse and blue-chip customer base worldwide that includes many 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.

**Company Revenue
(Products and Services)**



**Company Revenue
by Region (Products
and Services)**



10.1 Global Drilling Services

Overview

Global Drilling Services operates for a diverse mining customer base with drilling methods including diamond coring exploration, reverse circulation, large diameter rotary, mine dewatering, water supply drilling, pump services, production, and sonic drilling services.

Global Drilling Services is integral to its mining customers’ mineral exploration, evaluation and resource delineation activities, as the rock and core samples the Company extracts provide essential geological information about mineral deposits and subsurface conditions. As at 31 December 2020, the Company owned 640 drill rigs.

The exploration market, mining market and construction market were materially impacted by the COVID-19 pandemic in 2020 and, as a result of COVID-19 and the

trending uncertainty in mineral exploration, production and development activities, Global Drilling Services' revenue in 2020 was \$456 million, down 11.6% from \$516 million in 2019. The year-over-year revenue decrease was driven primarily by the COVID-19 pause through the second and third quarters as governments and customers restricted activities while developing safe work practices to protect employees from the transmission of the COVID-19 virus. Canada, Australia, Asia, and Africa recovered more quickly from COVID-19 restrictions than the United States, Chile, and Argentina. The majority of the year over year decrease in revenue is attributable to these three countries.

Approximately 89% of Global Drilling Services' revenue for 2020 was derived from major mining companies, including AngloGold Ashanti, Barrick, Newmont, and Rio Tinto. The Company's top 10 Global Drilling Services customers represented approximately 52% of the division's revenue for 2020, with no contract contributing more than 10% of the Company's consolidated revenue.

Drilling services offered

- **Mining** - Drilling services for minerals primarily involves the extraction of solid rock core or chip samples for technical analysis. This activity is typically contracted to third party service providers, such as the Company. The samples extracted provide the mining companies with critical information over the life of a mining project. Drilling services are used in each stage of the life cycle of the mining operation: greenfield, development, production and mine closure.
- **Energy** - The energy drilling services the Company provides relate to the exploration and development of non-conventional energy sources such as oil sands, oil shale, coal, coal seam gas and geothermal energy. The Company does not drill production wells for conventional oil or gas, but provides specialised gas well pre-collaring services. The Company provides earth and rock core samples for analysis, as well as completed holes for the installation of gas well casings.

Drilling technologies

The Company's Global Drilling Services division offers its mining customers a wide variety of drilling technologies tailored to meet clients' needs. All methods require purpose-built equipment, tooling and skilled operators to perform the drilling safely, efficiently and to a high standard of quality. Drilling technologies consist of the following:

- **Diamond core drilling (surface and underground)** - Diamond core drilling uses an industrial-grade diamond crown drill bit to cut a cylindrical core through solid rock. This is a desirable drilling technology suited to many mining customers' needs due to the information that it yields. The core barrel assembly used in diamond core drilling enables core samples to be retrieved through the hollow drill rods with a wireline device. The wireline device allows the core sample to be extracted without having to remove the entire string of drill rods from the hole to reach the sample. The benefits of this device are of particular importance for deep drilling.
- **Production drilling** - Production drilling is a fast and effective method to quickly remove earth and obtain ore. Holes are drilled with a pneumatic/hydraulic top hammer or an in-the-hole hammer with a carbide percussive bit. Once the hole is drilled into the rock, it is filled with explosives. After detonation, the debris is cleared and the process is repeated. This method

of drilling is sometimes referred to as long-hole drill-and-blast. This method of drilling is also used when holes are needed to connect from level to level in an underground mine or when up-holes are drilled in the back of underground tunnels to install cables for structural support in the tunnels.

- **Rotary drilling** - Rotary drilling involves a continuous rotation of a drill bit to bore through earth and rock. As cuttings are created, they are circulated out of the borehole with either air or drilling fluids. There are several technologies used to perform rotary drilling including reverse circulation, flooded reverse, and conventional rotary. Reverse circulation drilling is used to collect rock samples quickly and efficiently using a large rotary drill and air compressor. This method is ideal for obtaining mineral samples in the early phases of an exploration project. In addition, rotary drilling is used in the development and production stages of mining. The Company's dual-tube flooded reverse technology allows us to install dewatering wells in existing mines. This method can also be used to drill "service holes" in underground mines to supply utilities and air shafts to the mine. In addition, rotary drilling is also used where pockets of water near the walls of an open pit mine create pressure against the wall making it unstable. Horizontal holes are drilled in the wall to create an outlet for water to drain and relieve wall pressure.
- **Sonic drilling** - Sonic drilling produces a continuous, in-situ sample providing close to 100% recovery in almost any overburden formation. Sonic drilling relies upon sending a frequency from the head into the rod. The sonic tooling penetrates the surface with minimal rotation, friction and disruption. This method of drilling provides a continuous sample, and is ideal in both overburden and environmentally sensitive areas. Mining companies will utilise sonic drilling to examine leach pads, ore bodies just prior to processing, and pre-collars in unconsolidated formations. The technology does not require water or mud consumables, which makes it an environmentally friendly form of drilling that offers an uncontaminated sample.

10.2 Global Products

Overview

Global Products, which includes the rapidly growing Geological Data Services division, offers sophisticated research and development and holds hundreds of patented designs to manufacture, market, and service reliable drill rigs, innovative drill string products, rugged performance tooling, durable drilling consumables, and quality parts for customers worldwide. Global Products continues to maintain market leadership with the recent commercialisation of new products such as its LF160 surface coring drill with the Freedom loader, patented Longyear™ diamond bits, DriftMaster™ drill rods for blast-hole applications, and XQ™ coring rods. These newer products complement the well-respected lines of existing products that customers have come to rely on from the Company.

The Company is also pursuing market leadership in providing subsurface resource information to its mining customers in an integrated, real-time, and cost-effective manner through its Geological Data Services business. The Geological Data Services division utilises innovative scanning technology and down-hole instrumentation tools to capture detailed geological data from drilled core and chip samples. This valuable orebody knowledge gives mining companies the ability to make timely decisions for more efficient exploration activities.

Revenue for the Global Products division for the year was \$201.0 million, down 12.1% from \$228.7 million in 2019. Revenues generated from capital equipment, spares, and production tooling were the main drivers contributing to weaker revenue in 2020 relative to the prior period. The decrease in revenues across these product lines were primarily a result of decreased demand in the second and third quarters due to the COVID-19 pandemic that drove governments and customers to delay project activity while they implemented safe work practices to reduce the transmission of the COVID-19 virus.

Drilling Products Offered

Global Products supplies drilling equipment (surface and underground) and performance tooling (diamond drill bits, percussive drill bits, core barrels, drill rods and casings and other products) to the minerals, environmental and infrastructure and energy industries. Below is a summary of the primary products the Company sells.

- **Coring tools** - Coring tools include advanced wireline and conventional diamond drill coring systems used in minerals drilling, including diamond drill bits, core barrels, rods and casings. These products are designed and used to extract rock and other core samples drilled.
- **Rigs** - The Company manufactures a wide range of rigs for use by the minerals, environmental and infrastructure and energy industries. Each rig type is designed and manufactured for specific applications. The parameters used to design rigs include hole depth, hole diameter, hole use/maintenance and ground conditions.
- **Percussive tools** - Percussive tools include drill-mounted and hand-held hammers used to produce the rotation and impact forces, shank adaptors to transmit the energy to the drill string, drill rods and couplings for various hole depths and bits, which are fitted with tungsten carbide inserts to fracture the rock.
- **Aftermarket services** – The Company's customers are supported through experienced teams of service technicians. In-house and field-based repair services are available, as well as technical advice and support.

Backlog

At 31 December 2020, Global Products had a backlog of product orders valued at \$44.6 million. This compares to \$35.9 million at 31 December 2019. Average backlog during the second half of 2020 was \$33.5 million compared to \$33.2 million during the first half of 2020. The increase in backlog year over year, which is defined as product orders the Company believes to be firm, was driven by an increase in demand for consumables. An order shipped within the same month as an order is received does not show up in backlog. Further, there is no certainty that orders in backlog will result in actual sales at the times or in the amounts ordered.

Intellectual property

The Company relies 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 the Global Products business. As at 31 December 2020, the Company had 408 issued patents, 428 registered trademarks, 131 pending patent applications and 13 pending trademark applications. The Company does not consider the Global Products business, or the business as a whole,

to be materially dependent upon any particular patent, trademark, trade secret or other intellectual property.

Research and development

The Global Products division employs engineers and technicians to develop, design and test new and improved products. The Company works closely with its customers, as well as its Global Drilling Services division, to identify opportunities and develop technical solutions for issues that arise on site. The Company believes that sharing best practices amongst its divisions accelerates innovation and increases safety and productivity in the field. This integrated business model provides the Company with an advantage in product development, and it believes it enables it to bring new technology to the market with speed and reliability. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from the 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. The Company's recent successes include the LF160 surface coring drill paired with its Freedom Loader which has set a new benchmark in productivity and hands-free rod handling. The Company's 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 the Company's Geological Data Services business, TruCore™ electronic core orientation tools continue to expand geographically and are available globally. The TruShot™ electronic magnetic survey technology is the second offering in a future suite of tools and is available globally. The Company has recently launched its 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. The Company will be rolling this technology out at mine sites this year. It sees value in this technology and will continue to develop in this space.

The Company's 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 as part of the mine site workflow 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.

These technologies are part of the Company's strategy to provide real-time subsurface resource defining information to mining companies.

Inventories

The business consumed \$3.8 million of cash through the provision of inventory in 2020. The Company's Supply Chain organisation had a challenging year dealing with the impacts of COVID-19 which included variable demand levels from the customer base as well as challenges associated with traditional logistic lanes (swing of transport lines from airfreight to shipping). Through the first half of the year the business was able to generate cash through lowering the Company's reorder points with demand falling from COVID-19 slowdowns and shutdowns globally, as well as implementing a number of initiatives to improve the supply chain process and carrying levels of inventory. For the year ended 31 December 2020, the business implemented a

scrapping program removing \$1.8 million of obsolete inventory that will support a reduction in carrying costs going forward. In addition, the Company re-evaluated several key assumptions in the calculation of our allowance for excess or obsolete inventory resulting in an increase to the current year obsolescence expense of \$5.0 million and contributing to an overall increase to the allowance balance of \$23.5 million, up from the \$20.3 million at 31 December 2019. With industry metrics improving and customer demand increasing through the second half of the year, the business reinstated and increased stocking levels to support current and forecasted near term demand. The business will remain focused through 2021 to improve its inventory turns and improve inventory health however does anticipate the need to increase inventory levels to ensure continued support through to customers

10.3 Board of Directors

Name	Role
Kevin McArthur	Non-Executive Chairman
Jeffrey Olsen	Executive Director
Tye Burt	Non-Executive Director
Jason Ireland	Non-Executive Director
James Kern	Non-Executive Director
Rubin McDougal	Non-Executive Director
Robert Smith	Non-Executive Director
Conor Tochilin	Non-Executive Director

11. REASONS WHY SHAREHOLDER APPROVAL IS A REQUIREMENT

11.1 Introduction

The Recapitalisation will only proceed if all the Recapitalisation Resolutions are passed at the EGM and the other conditions set out in the Restructuring Support Agreement are either satisfied or waived (as applicable) (Section 12.1(a)).

If any of the Recapitalisation Resolutions are not passed at the EGM, the Recapitalisation will not proceed and, as a result, the Company may not be able to meet its debt repayment obligations absent a refinancing (which is considered unlikely given the Company's current financial position). The Directors consider it unlikely that a superior proposal could be agreed with the Company's lenders, or that any alternative proposal would result in a better return for creditors and shareholders than the announced Recapitalisation. There is a significant and present risk that the Company would be placed in external administration if Shareholders fail to pass the Recapitalisation Resolutions. In this event, Shareholders would likely receive little or no return on their shareholding.

As the Selective Buy-Back Resolution is not a Recapitalisation Resolution, if it is not passed at the EGM, the Recapitalisation may still proceed (provided each of the Recapitalisation Resolutions is passed).

The Selective Buy-Back will only proceed if the Re-domiciliation Scheme Resolution is passed at the Re-domiciliation Scheme Meeting.

All Recapitalisation Resolutions must be passed as ordinary resolutions and will therefore be passed if supported by a simple majority of votes cast on the Resolutions.

The Selective Buy-Back Resolution must be passed as a special resolution and will therefore be passed if supported by a 75% majority of votes cast on the Selective Buy-Back Resolution.

Each of the Resolutions is explained in this section. This explanation should be read together with the entirety of the Explanatory Statement.

11.2 Resolution 1 - Approval for the issue of Shares to, and acquisition of Shares by, Centerbridge

Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in the voting shares in an entity if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and the acquisition would result in that person's or another person's voting power in the entity increasing from 20% or below to more than 20% or from a starting point that is above 20% and below 90%, unless the acquisition falls within one of the exceptions in section 611, such as security holder approval under item 7 of section 611 of the Corporations Act.

As at the date of this Explanatory Statement, Centerbridge has voting power in the Company of 53.3%.

If the Recapitalisation is implemented:

- (a) the CBP Creditors (or their nominees who are Affiliates of Centerbridge) will be issued 132,143,987 Shares under the Creditors' Schemes (not including any Shares issued under the Creditor Share Purchase Option); and
- (b) the CBP Creditors (or their nominees who are Affiliates of Centerbridge) may acquire up to a maximum of 2,604,166 Shares under the Creditor Share Purchase Option. This maximum number of shares is calculated assuming no Shares were taken up under the SPP and the CBP Creditors (or their nominees who are Affiliates of Centerbridge) acquire all of the available shares under the Creditor Share Purchase Option because all participants in the Creditor Share Purchase Option transferred their entitlements by agreeing to nominate the CBP Creditors as their Permitted CSPO Nominee under the Creditor Share Purchase Option to the CBP Creditors (or their nominees who are Affiliates of Centerbridge).

Centerbridge's voting power in the Company following the implementation of the Recapitalisation will depend on a number of factors including:

- (a) the number of Shares issued under the SPP;
- (b) the number of Shares issued to SUN Noteholders under the Creditor Share Purchase Option and the extent to which any Shares are issued to Other CSPO Participants (including the CBP Creditors (or their nominees who are Affiliates of Centerbridge)) under the Creditor Share Purchase Option as a result of undersubscriptions by SUN Noteholders under the Creditor Share Purchase Option;
- (c) the number of New Warrants exercised and converted into Shares by SUN Noteholders; and
- (d) the number of Shares (if any) purchased and cancelled by the Company under the Selective Buy-Back.

The tables in Section 5.4 set out the potential voting power of Centerbridge following implementation of the Recapitalisation under various different scenarios.

The acquisition of Shares under the Creditors' Schemes and the Creditor Share Purchase Option by the CBP Creditors (or their nominees who are Affiliates of Centerbridge) requires Shareholder approval under item 7 of section 611 of the Corporations Act to the extent that it results in Centerbridge's voting power increasing above Centerbridge's voting power in the Company at the date of this Explanatory Statement of 53.3%. It is expected that Centerbridge's voting power in the Company will decrease following implementation of the Recapitalisation, in particular due to the significant number of Shares being issued to other creditors under the Creditors' Schemes and the Creditor Share Purchase Option, which will occur on the same date as the Shares are issued to the CBP Creditors (see the tables in Section 5.4, set out potential voting power of Centerbridge following implementation of the Recapitalisation under various different scenarios). However, Shareholder approval under item 7 of section 611 of the Corporations Act is being sought from Shareholders in case (due to the timing of issue of the Shares to the different parties under the Creditors' Schemes, SPP and Creditor Share Purchase Option) at any point in time Centerbridge's voting power in the Company did increase above 53.3% for a period of time.

Further information that is required to be provided to Shareholders where approval under item 7 of section 611 of the Corporations Act is sought is outlined in Sections 8.2 and 8.3.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company from giving a financial benefit to a related party unless an exception applies. A financial benefit includes a public company issuing securities. A related party of a public company is defined in section 228 of the Corporations Act to include an entity which controls that public company.

Centerbridge may be considered a related party of the Company on the basis it may be said to "control" the Company.

The Directors consider the issue of Shares to the CBP Creditors (or their nominees who are Affiliates of Centerbridge) under the Creditor Share Purchase Option would be reasonable in the circumstances if the Company and the CBP Creditors or their nominees were dealing at arms-length terms or on terms less favourable to the CBP Creditors or their nominees than arms-length terms. However, given the number of Resolutions that are being considered by Shareholders for the purpose of the Recapitalisation, the Directors have determined to seek approval for the issuance of Shares to the CBP Creditors or their nominees under the Creditor Share Purchase Option under Chapter 2E of the Corporations Act notwithstanding that such approval is not strictly necessary.

The table below sets out information required to be provided to Shareholders where approval under Chapter 2E of the Corporations Act is sought:

Identity of the related party (including existing interest)	Refer to Sections 1.2 and 8.
Nature of the financial benefit	Up to 2,604,166 Shares under the Creditor Share Purchase Option. ⁴
Directors' recommendations	Refer to Section 7.2.
Directors' interest in the outcome	Refer to Section 12.2.
Valuation of the financial benefit	Shares will not be issued under the Creditor Share Purchase Option unless each of the Recapitalisation Resolutions is passed. Therefore, the value of the Shares to be issued under the Creditor Share Purchase Option is to be assessed by reference to the Company's equity value per Share post implementation of the Recapitalisation. Refer to the Independent Expert's Report, including Section 16.
Dilution effect	Refer to Section 5.4.

⁴ For information on how the actual number of Shares to be issued under the Creditor Share Purchase Option will be determined, please refer to Section 2.2.

Resolution 1 therefore also seeks approval for the issue of Shares to the CBP Creditors or their nominees who are Affiliates of Centerbridge under the Creditor Share Purchase Option for the purposes of Chapter 2E of the Corporations Act.

The issue of Shares to the CBP Creditors or their nominees under the Creditors' Schemes will be an issue of Shares pursuant to a Court order. In accordance with section 216 of the Corporations Act Shareholder approval is not required for an issue of Shares to a related party pursuant to a Court order.

Resolution 1 is a Recapitalisation Resolution. Accordingly, the Recapitalisation will not proceed unless Resolution 1 is approved.

11.3 **Resolution 2 – Approval for the issue of Shares to, and acquisition of Shares by, the Ad Hoc Group**

Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in the voting shares in an entity if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and the acquisition would result in that person's or another person's voting power in the entity increasing from 20% or below to more than 20% or from a starting point that is above 20% and below 90%, unless the acquisition falls within one of the exceptions in section 611, such as security holder approval under item 7 of section 611 of the Corporations Act.

The voting power of a person is equal to the aggregate of the total number of votes attached to voting shares in which that person has a relevant interest and the total number of votes attaching to voting shares in which any of that person's associates have a relevant interest.

The AHG Members consider that they may be deemed to be associates of each other in relation to the Company by virtue of section 12(2)(b) or 12(2)(c) of the Corporations Act on the basis that the Restructuring Support Agreement contemplates that they will have a collective right to nominate a specified number of individuals for appointment to the BLY Board from time to time on and from the Creditors' Schemes Implementation Date. That right will arise under the Ad Hoc Group Director Nomination Agreements.

Consequently, each of the AHG Members has disclosed that it has voting power equal to the aggregate of the total number of votes attaching to voting shares in which any of the AHG Members hold a relevant interest.

As at the date of this Explanatory Statement, together, the AHG Members have aggregate voting power in the Company of 23.6%.

If the Recapitalisation is implemented:

- (a) the AHG Members will be issued 157,220,982 Shares under the Creditors' Schemes (not including any Shares issued under the Creditor Share Purchase Option);
- (b) the AHG Members may acquire up to a maximum of 2,604,166 Shares under the Creditor Share Purchase Option. This maximum number of shares is

calculated assuming no Shares were taken up by under the SPP and the AHG Members acquire all of the available shares under the Creditor Share Purchase Option because all participants in the Creditor Share Purchase Option transferred their entitlements under the Creditor Share Purchase Option to the AHG Members; and

- (c) the AHG Members will be issued 30,810,489 New Warrants,

The Ad Hoc Group's potential voting power in the Company following the implementation of the Recapitalisation will depend on a number of factors, including:

- (a) the number of Shares issued under the SPP;
- (b) the number of Shares issued to the AHG Members and other participants under the Creditor Share Purchase Option;
- (c) the number of New Warrants exercised and converted into Shares by SUN Noteholders; and
- (d) the number of Shares (if any) purchased and cancelled by the Company under the Selective Buy-Back.

The tables in Section 5.4 set out potential voting power in the Company of the Ad Hoc Group following implementation of the Recapitalisation under various different scenarios.

The acquisition of Shares by the AHG Members under the Creditors' Schemes and the Creditor Share Purchase Option and on exercise of the New Warrants issued to the AHG Members requires Shareholder approval under item 7 of section 611 of the Corporations Act because it results in their voting power in the Company increasing above the AHG Member's voting power in the Company of 23.6% as at the date of this Explanatory Statement.

In accordance with section 610(3) of the Corporations Act, if after implementation of the Recapitalisation, an AHG Member (or an Affiliate of such person) (the **First AHG Member**) transfers any of the Shares that were issued to the First AHG Member under the Creditors' Schemes or the Creditor Share Purchase Option or on exercise of the New Warrants issued to the First AHG Member (**Relevant AHG Securities**) or any other Shares held by an AHG Member (or any Affiliate of such person) to another AHG Member (or an Affiliate of such person) who did not prior to that transfer have a relevant interest in the Relevant AHG Securities (the **Second AHG Member**) the Second AHG Member's voting power in the Company will be taken to have increased as a result of the transfer from what it would have been before the transfer if the votes attached to the Shares transferred were disregarded to what it was after the transfer (taking the votes attached to those Shares into account).

If as a result the Second AHG Member's voting power in the Company increased from 20% or below to more than 20% or from a starting point that is above 20% and below 90%, then the transfer from the First AHG Member to the Second AHG Member would be prohibited under section 606 of the Corporations Act unless the acquisition falls within one of the exceptions in section 611, such as security holder approval under item 7 of section 611 of the Corporations Act.

Shareholder approval under item 7 of section 611 of the Corporations Act is therefore also being sought to permit the transfer of Relevant AHG Securities or any Shares held by an AHG Member (or any Affiliate of such person) as at the date this resolution

is passed from one AHG Member (or an Affiliate of such person) to another AHG Member (or an Affiliate of such person) at any time during the period 5 years after the date this resolution is passed.

Further information that is required to be provided to Shareholders where approval under item 7 of section 611 of the Corporations Act is sought is outlined in Sections 9.2 and 9.3.

Resolution 2 is a Recapitalisation Resolution. Accordingly, the Recapitalisation will not proceed unless Resolution 2 is approved.

11.4 **Resolution 3 – Approval for the issue of Shares and New Warrants under the Creditors' Schemes for the purposes of ASX Listing Rule 7.1**

ASX Listing Rule 7.1

ASX Listing Rule 7.1 imposes a limit on the number of equity securities which an ASX listed entity can issue without Shareholder approval.

In general terms, an entity may not, without prior shareholder approval, issue, or agree to issue, equity securities if the equity securities will in themselves or when aggregated with the securities issued by the entity during the previous 12 months, exceed 15% of the number of fully paid ordinary shares on issue at the commencement of that 12 month period, unless an exception applies.

Details of the issue of the Shares and New Warrants under the Creditors' Schemes, provided in accordance with ASX Listing Rule 7.3, are as follows:

Security	Maximum number of securities the entity is to issue	Date by which securities will be issued	Consideration	Summary of the material terms of the agreement	Allottees	Purpose and use of funds raised
Shares issued under the Secured Creditors' Scheme (not including Shares issued under the Creditor Share Purchase Option)	253,046,838 ⁵	To be issued on the Creditors' Schemes Implementation Date, which is currently expected to be 23 September 2021.	Release of the Secured Debt.	Refer to Section 2.	Secured Scheme Creditors	Shares issued under the Secured Creditors' Scheme as consideration for release of the Secured Debt.

⁵ For information on how the actual number of Shares to be issued under the Secured Creditors' Scheme will be determined, please refer to Section 2.

Security	Maximum number of securities the entity is to issue	Date by which securities will be issued	Consideration	Summary of the material terms of the agreement	Allottees	Purpose and use of funds raised
Shares issued under the Unsecured Creditors' Scheme (not including Shares issued under the Creditor Share Purchase Option)	37,566,905 ⁶	As above.	Release of the Unsecured Debt.	Refer to Section 3.	Unsecured Scheme Creditors	Shares issued under the Unsecured Creditors' Scheme as consideration for the release of the Unsecured Debt.
New Warrants issued under the Unsecured Creditors' Scheme	32,782,148 ⁷	As above.	Release of the SUN Debt ⁸ (each New Warrant will have an exercise price of A\$2.79).	Refer to Section 3.2.	SUN Noteholders	Warrants issued under the Unsecured Creditors' Scheme as additional consideration for the release of the SUN Debt.

The New Warrants are being issued pursuant to the New Warrant Deed Poll. For more information on the terms of the New Warrant Deed Poll, refer to Section 3.2.

The issue of securities under Resolution 3, Resolution 5 and Resolution 6, together, will exceed the 15% limit in ASX Listing Rule 7.1, and no relevant exception applies. BLY is therefore seeking shareholder approval for each of these issues under ASX Listing Rule 7.1.

Resolution 3 therefore seeks approval for the issue of Shares and New Warrants under the Creditors' Schemes for the purposes of ASX Listing Rule 7.1.

⁶ For information on how the actual number of Shares to be issued under the Unsecured Creditors' Scheme will be determined, please refer to Section 3.

⁷ For information on how the actual number of New Warrants to be issued under the Unsecured Creditors' Scheme will be determined, please refer to Section 3.

⁸ As consideration for their release of the SUN Debt, SUN Noteholders will receive both Shares and New Warrants under the Unsecured Creditors' Scheme. Please refer to Section 3 for further information.

Resolution 3 is a Recapitalisation Resolution. Accordingly, the Recapitalisation will not proceed unless Resolution 3 is approved.

If Resolution 3 is passed (and each other Recapitalisation Resolution is passed), BLY will be able to proceed with the Recapitalisation (including issuing the Shares and New Warrants under the Creditors' Schemes). In addition, if Resolution 3 is passed, the issue of the Shares and New Warrants under Resolution 3 will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under ASX Listing Rule 7.1.

If Resolution 3 is not passed (or any other Recapitalisation Resolution is not passed), none of the Recapitalisation Resolutions will pass. A failure to pass the Recapitalisation Resolutions will mean that the Recapitalisation will not proceed and, as a result, the Company may not be able to meet its debt repayment obligations absent a refinancing (which is considered unlikely given the Company's current financial position). The Directors consider it unlikely that a superior proposal could be agreed with the Company's lenders, or that any alternative proposal would result in a better return for creditors and shareholders than the announced Recapitalisation. There is a significant and present risk that the Company would be placed in external administration if Shareholders fail to pass the Recapitalisation Resolutions. In this event, Shareholders would likely receive little or no return on their shareholding.

11.5 **Resolution 4 – Approval for the consolidation of Shares**

Resolution 4 is a resolution for the purposes of section 254H(1) of the Corporations Act seeking members' approval for the Company to consolidate its Shares.

Section 254H(1) of the Corporations Act provides that a company may convert all or any of its shares into larger or smaller number of shares by resolution passed at a general meeting of shareholders.

Resolution 4 therefore seeks approval for the consolidation of every twenty (20) Shares into one (1) Share for the purposes of Section 254H(1) of the Corporations Act.

Resolution 4 is a Recapitalisation Resolution, so it is conditional on the passing of each other Recapitalisation Resolution. Further, the Recapitalisation will not proceed unless Resolution 4 is approved.

For more information about the Share Consolidation, see Section 4.1.

11.6 **Resolution 5 – Approval for the issue of Shares under the Share Purchase Plan**

ASX Listing Rule 7.1

ASX Listing Rule 7.1 imposes a limit on the number of equity securities which an ASX listed entity can issue without Shareholder approval.

In general terms, an entity may not, without prior shareholder approval, issue, or agree to issue, equity securities if the equity securities will in themselves or when aggregated with the securities issued by the entity during the previous 12 months, exceed 15% of the number of fully paid ordinary shares on issue at the commencement of that 12 month period, unless an exception applies.

ASX Listing Rule 7.2 (exception 5) provides an exception for an issue of securities under a share purchase plan that (relevantly) satisfies the conditions in ASIC

Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (**Instrument**). Because the SPP may not satisfy all of the conditions in the Instrument (as the SPP Issue Price may not comply with the requirement in paragraph (e) of the definition of "purchase plan" in the Instrument):

- the Company has sought relief from ASIC from the requirement to issue a disclosure document for the SPP; but
- the Company is not entitled to rely on the exception to ASX Listing Rule 7.1 in ASX Listing Rule 7.2 (exception 5) for security purchase plans.

The issue of securities under Resolution 3, Resolution 5 and Resolution 6, together, will exceed the 15% limit in ASX Listing Rule 7.1, and no relevant exception applies. BLY is therefore seeking shareholder approval for each of these issues under ASX Listing Rule 7.1.

Accordingly, Resolution 5 seeks approval for the issue of Shares under the Share Purchase Plan for the purposes of ASX Listing Rule 7.1.

Details of the issue of Shares, provided in accordance with ASX Listing Rule 7.3, are as follows:

Security	Maximum number of securities the entity is to issue	Date by which securities will be issued	Issue price / consideration (per security)	Summary of the material terms of the agreement	Allottees	Purpose and use of funds raised
Shares issued under the Share Purchase Plan	1,302,083 ⁹	To be issued on the Creditors' Schemes Implementation Date, which is currently expected to be 23 September 2021.	A\$2.48	Refer to Section 4.2.	Eligible SPP Shareholders	Funds raised by issue of Shares to be used to pay down the balance of the Existing PNC ABL.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, unless one of the exceptions in ASX Listing Rule 10.12 applies, an entity must not issue or agree to issue equity securities to:

- a related party;
- a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has

⁹ Assumes the Share Purchase Plan is fully subscribed. For information on how the actual number of Shares to be issued under the Share Purchase Plan will be determined, please refer to Section 4.2.

nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;

- an associate of a person referred to in the preceding 3 bullet points; or
- a person whose relationship with the company or a person referred to in the preceding 4 paragraphs is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders.

without the approval of holders of ordinary securities in the entity. The issue of Shares to a Director under the SPP will fall within ASX Listing Rule 10.11, as each Director will be considered a related party of the Company.

While ASX Listing Rule 10.12 (exception 4) provides an exception for an issue of securities under a share purchase plan that (relevantly) satisfies the conditions in the Instrument, for the reasons referred to in the approval sought for the purposes of ASX Listing Rule 7.1, the SPP may not satisfy the Instrument (and so the Company may not be able to rely on the exception in ASX Listing Rule 10.12 (exception 4)), and no other exemption applies.

Accordingly, Resolution 5 seeks members' approval to issue Shares to the Directors who are Shareholders (and thus may be an Eligible SPP Shareholder) and who may participate in the SPP for the purposes of ASX Listing Rule 10.11.

Details of the holdings of Shares of each Director, as at 31 March 2021, are summarised in the table below:

Director	Shares
Kevin McArthur	428,796
Jeffrey Olsen	271,872
Tye Burt	260,851
Jason Ireland	23,731
James Kern	202,602
Rubin McDougal	165,835
Robert Smith	23,731
Conor Tochilin	Nil

The table below sets out information required by ASX Listing Rule 10.13 in relation to the potential issue of Shares to Directors under the SPP.

Name	Category of person	Maximum number of securities to issue be issued ¹⁰	Date by which securities will be issued	Issue price / consideration (per security)	Purpose and use of funds raised	Summary of the material terms of the agreement
Kevin McArthur	Related party (director of the Company)	12,096	To be issued on the Creditors' Schemes Implementation Date, which is currently expected to be 23 September 2021.	A\$2.48	Funds raised by issue of Shares to be used to pay down the balance of the Existing PNC ABL.	Refer to Section 4.2.
Jeffrey Olsen	As above	As above	As above	As above	As above	As above
Tye Burt	As above	As above	As above	As above	As above	As above
Jason Ireland	As above	As above	As above	As above	As above	As above
James Kern	As above	As above	As above	As above	As above	As above
Rubin McDougal	As above	As above	As above	As above	As above	As above
Robert Smith	As above	As above	As above	As above	As above	As above

Resolution 5 is a Recapitalisation Resolution, so it is conditional on the passing of each other Recapitalisation Resolution. Further, the Recapitalisation will not proceed unless Resolution 5 is approved.

If Resolution 5 is passed (and each other Recapitalisation Resolution is passed), BLY will be able to proceed with the Recapitalisation (including issuing the Shares under the Share Purchase Plan). In addition, if Resolution 5 is passed, the issue of the Shares under Resolution 5 will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under ASX Listing Rule 7.1.

If Resolution 5 is not passed (or any other Recapitalisation Resolution is not passed), none of the Recapitalisation Resolutions will pass. A failure to pass the Recapitalisation Resolutions will mean that the Recapitalisation will not proceed and, as a result, the Company may not be able to meet its debt repayment obligations absent a refinancing (which is considered unlikely given the Company's current financial position). The Directors consider it unlikely that a superior proposal could be

¹⁰ Assumes full participation by the Director and no scale-backs occurring. For information on how the actual number of Shares to be issued under the Share Purchase Plan will be determined, please refer to Section 4.2.

agreed with the Company's lenders, or that any alternative proposal would result in a better return for creditors and shareholders than the announced Recapitalisation. There is a significant and present risk that the Company would be placed in external administration if Shareholders fail to pass the Recapitalisation Resolutions. In this event, Shareholders would likely receive little or no return on their shareholding.

11.7 **Resolution 6 – Approval for the issue of Shares under the Creditor Share Purchase Option**

Resolution 6 is a resolution for the purposes of ASX Listing Rule 7.1, seeking members' approval to issue Shares to SUN Noteholders and, if applicable, Other CSPO Participants.

ASX Listing Rule 7.1 imposes a limit on the number of equity securities which an ASX listed entity can issue without Shareholder approval.

In general terms, an entity may not, without prior shareholder approval, issue, or agree to issue, equity securities if the equity securities will in themselves or when aggregated with the securities issued by the entity during the previous 12 months, exceed 15% of the number of fully paid ordinary shares on issue at the commencement of that 12 month period, unless an exception applies.

The issue of securities under Resolution 3, Resolution 5 and Resolution 6, together, will exceed the 15% limit in ASX Listing Rule 7.1, and no relevant exception applies. BLY is therefore seeking shareholder approval for each of these issues under ASX Listing Rule 7.1.

Details of the issue of the Shares as required under ASX Listing Rule 7.3 are as follows:¹¹

Security	Maximum number of securities to be issued	Date by which securities will be issued	Issue price / consideration (per security)	Summary of the material terms of the agreement	Allottees	Purpose and use of funds raised
Shares issued under the Creditor Share Purchase Option	2,604,166 ¹²	To be issued on the Creditors' Schemes Implementation Date, which is currently expected to be 23 September 2021.	A\$2.48	Refer to Sections 1, 2 and 3, and, in particular, Sections 2.2 and 3.3.	SUN Noteholders TLA Purchasers TLB Purchasers SSN Noteholders	Funds raised by issue of Shares to be used to pay down the balance of the Existing PNC ABL.

¹¹ Excludes (1) the material terms of the Creditor Share Purchase Option (refer to Section 2.2), and (2) the voting exclusion statement (refer to the Notice of Meeting to which this Explanatory Statement is attached).

¹² For information on how the actual number of Shares to be issued under the Creditor Share Purchase Option will be determined (including allocation principles), please refer to Section 2.2.

Resolution 6 is a Recapitalisation Resolution so it is conditional on the passing of each other Recapitalisation Resolution. Further, the Recapitalisation will not proceed unless Resolution 6 is approved.

If Resolution 6 is passed (and each other Recapitalisation Resolution is passed), BLY will be able to proceed with the Recapitalisation (including issuing the Shares under the Creditor Share Purchase Option). In addition, if Resolution 6 is passed the issue of the Shares will be excluded from the calculation of the number of equity securities that the Company can issue without shareholder approval under Listing Rule 7.1.

If Resolution 6 is not passed (or any other Recapitalisation Resolution is not passed), none of the Recapitalisation Resolutions will pass. A failure to pass the Recapitalisation Resolutions will mean that the Recapitalisation will not proceed and, as a result, the Company may not be able to meet its debt repayment obligations absent a refinancing (which is considered unlikely given the Company's current financial position). The Directors consider it unlikely that a superior proposal could be agreed with the Company's lenders, or that any alternative proposal would result in a better return for creditors and shareholders than the announced Recapitalisation. There is a significant and present risk that the Company would be placed in external administration if Shareholders fail to pass the Recapitalisation Resolutions. In this event, Shareholders would likely receive little or no return on their shareholding.

11.8 **Resolution 7 – Approval of Selective Buy-Back**

Resolution 7 is a resolution for the purposes of section 257D of the Corporations Act seeking members' approval for the Company to selectively buy back up to 260,416 of its Shares from Eligible SBB Shareholders.

Section 257D of the Corporations Act provides that a company must seek members' approval by special resolution to selectively buy back certain of its Shares pursuant to a Company's general power to buy back its Shares under section 257A of the Corporations Act.

Further detail around the Selective Buy-Back is set out at Section 1.7.

Resolution 7 is not a Recapitalisation Resolution. However, it is conditional on the passing of each of the Recapitalisation Resolutions and the passing of the Re-domiciliation Scheme Resolution at the Re-domiciliation Scheme Meeting.

The Directors unanimously recommend that Shareholders vote in favour Resolution 7.

12. ADDITIONAL INFORMATION

12.1 Restructuring Support Agreement

The Restructuring Support Agreement sets out the terms and conditions on which the parties have agreed to pursue the Recapitalisation. A copy of the Restructuring Support Agreement was announced by the Company to ASX on 13 May 2021, and is available at <http://www.boartlongyear.com/company/investors/announcements/>.

The material provisions of the Restructuring Support Agreement are summarised below:

(a) Conditions precedent

The recapitalisation is subject to the satisfaction of certain conditions precedent, including:

- the Treasurer providing a no objection notification under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) to the CBP Creditors for the proposed acquisition by the CBP Creditors or their nominees of Shares under the relevant Recapitalisation Transactions;
- the Treasurer providing a no objection notification under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) to the AHG Members for the proposed acquisition by the AHG Members of Shares under the relevant Recapitalisation Transactions;
- Shareholders approving the Recapitalisation Resolutions at the EGM by the requisite majorities;
- the warranties given by the Company and by the Supporting Creditors being true and correct in all material respects;
- the Company's creditors approving the Creditors' Schemes by the requisite majorities;
- Court approval of the Creditors' Schemes;
- the Independent Expert not concluding in the Independent Expert's Report that the Recapitalisation is "not fair" and "not reasonable" to Non-Associated Shareholders;
- the Company and Supporting Creditors obtaining all other relevant regulatory approvals, confirmations, consents or waivers, including ASX confirmation that it approves the terms of the New Warrants;
- the issue of Shares and New Warrants under the Recapitalisation, where relevant, being exempt from registration under the U.S. Securities Act; and
- the Exit Financing Facility being duly executed and delivered by all parties to it and all conditions precedent to the initial drawing under the Exit Financing Facility being satisfied or waived, other than any conditions relating to:
 - the Creditors' Schemes becoming effective;

- no amendments, waivers or modifications to the RSA, RID or the Creditors' Schemes having been made since 8:00 am on the Second Court Date, other than any amendments, waivers or modifications that are not materially adverse to the interests of the Exit Financiers unless the prior written consent of the Exit Financiers was obtained (such consent not to be unreasonably withheld or delayed);
- each Implementation Step in clauses 8(a) (*Step 1 (Issue of Shares and New Warrants)*) and 8(b) (*Step 2 (Releases)*) of the RID having been completed in accordance with their terms; and
- any conditions which the Exit Financier has agreed to waive or defer.

Each party must use its respective reasonable endeavours to procure that each of the conditions precedent is satisfied as soon as reasonably practicable after the date of the RSA or continues to be satisfied at all times until the last time they are to be satisfied or waived in accordance with the RSA.

(b) **Implementation and Milestones**

The Company agrees to implement the recapitalisation in accordance with the Restructuring Support Agreement. The Supporting Creditors have agreed to support the Creditors' Schemes in accordance with the terms of the Restructuring Support Agreement.

The Company and the Supporting Creditors have also agreed under the Restructuring Support Agreement to use reasonable endeavours to agree in good faith the documents to give effect to the recapitalisation in accordance with agreed Milestones.

(c) **Exclusivity**

The Company is required to comply with certain exclusivity obligations under the Restructuring Support Agreement, including:

- **No shop restriction** – the BLY Group must ensure that neither it, nor any of its related entities, directly or indirectly solicit, invite, encourage or initiate any enquiries, proposals, negotiations or discussions (or communicate any intention to do any of these things) with a view to obtaining any expression of interest, offer or proposal from any other person in relation to a Competing Proposal or potential Competing Proposal;
- **Notification** – the Company must notify the Supporting Creditors if it is approached about a potential Competing Proposal, or provides or proposes to provide any material non-public information to a third party to enable that party to make a Competing Proposal.

(d) **Matching right**

The Restructuring Support Agreement requires that, if the Company determines that a Competing Proposal is a Superior Proposal, the Company

will provide the Supporting Creditors with details of the Competing Proposal that is a Superior Proposal.

The Supporting Creditors will have the right until the expiration of five Business Days of receiving the information to make one or more offers to the Company in writing to amend the terms of the Restructuring Support Agreement or propose any other transaction (a **Counterproposal**).

If the Supporting Creditors make a Counterproposal, then the BLY Board must review the Counterproposal in good faith to determine whether it is more favourable to the Company than the Superior Proposal.

If the BLY Board determines that the Counterproposal is more favourable to the Company, Shareholders and unsecured creditors of the Company than the Superior Proposal, and is capable of being implemented in a reasonable time, then:

- (i) if the Supporting Creditors contemplate an amendment to the Restructuring Support Agreement, the parties will enter into an amending deed reflecting the Counterproposal;
- (ii) if the Counterproposal contemplates any other transaction, the Company will make an announcement recommending the Counterproposal, in the absence of a Superior Proposal and, if required, subject to the conclusions of an independent expert, and the parties will pursue implementation of the Counterproposal in good faith with their best endeavours; and
- (iii) the Company will effect a change of recommendation of the BLY Board in relation to the transaction and will not authorise or enter into any letter of intention, memorandum of understanding, recapitalisation agreement or other agreement, arrangement or understanding relating to (or consummate) such former Superior Proposal.

The requirements of paragraph (ii), above, will not preclude the BLY Board from receiving and considering any further Competing Proposal (including from the same person which provided the former Superior Proposal). Any further Competing Proposal will require the BLY Board to comply with the requirements, above.

Any modification of any Superior Proposal will constitute a new Superior Proposal and require the BLY Board to again comply with the requirements above.

(e) **Reimbursement of costs and expenses of the CBP Creditors and the Ad Hoc Group**

BLY agrees to pay in cash, on a monthly basis for the period from the date of execution of the Restructuring Support Agreement and ending on the earlier of the completion of the Restructuring, the termination of the RSA, or the Longstop Date, all reasonable costs and out of pocket expenses relating to the Restructuring incurred by the CBP Creditors and the Ad Hoc Group.

(f) **Termination**

The Restructuring Support Agreement can be terminated in the following circumstances:

- (i) **Termination for no approval of the recapitalisation** – any party may terminate the Restructuring Support Agreement if, among others:
 - (A) the Creditors' Schemes Implementation Date, and/or the Re-domiciliation Scheme Implementation Date (assuming the requisite Shareholder approval has been obtained) have not occurred by the Longstop Date;
 - (B) Shareholders do not approve the Transaction Resolutions at the EGM;
 - (C) creditors of the Company do not approve the Creditors' Schemes by the requisite majorities;
 - (D) any Government Agency or court of competent jurisdiction issues a final, non-appealable judgment, order, injunction, decree, ruling or similar action restraining, enjoining or otherwise prohibiting the consummation of the recapitalisation or declaring unlawful the recapitalisation;
 - (E) an Australian Court does not approve the Creditors' Schemes;
 - (F) a U.S. bankruptcy court or Canadian court enters a final, non-appealable order denying final approval of the Australian Court's approval of the Creditors' Schemes provided that no such termination right exists if BLY and the Initial Supporting Creditors agree not to seek chapter 15 recognition; or
 - (G) at any time, the agent or lenders under the Existing PNC ABL are taking, or direct any person to take, any one or a series of Enforcement Actions that, in conjunction with any other pending Enforcement Actions taken by such agents, lenders or persons, seeks to recover collateral having an aggregate value of \$500,000 or more.
- (ii) **Termination by the Company for material breach** - the Company may terminate at any time before the Completion Date by written notice to the other parties if:
 - (A) a Supporting Creditor has terminated the Restructuring Support Agreement; or
 - (B) a Supporting Creditor has materially breached the Restructuring Support Agreement.
- (iii) **Termination by any of the Supporting Creditors** - any one of the Supporting Creditors may terminate by written notice to all the parties if:
 - (A) at any time before the Completion Date any one of them has materially breached the Restructuring Support Agreement

- (provided that the party terminating cannot be the party in breach);
- (B) the Company enters into an agreement to implement a Competing Proposal; or
 - (C) a warranty given by a Supporting Creditor becomes untrue or misleading (provided that the party terminating cannot be the party who has given the warranty which has become untrue or misleading).
- (iv) **Termination by the CBP Creditors or the Majority AHG Members** – each of the CBP Creditors or the Majority AHG Members may terminate by written notice to the Company if:
- (A) the BLY Board fails to recommend the Transaction Resolutions or withdraws or adversely modifies its recommendation that Shareholders vote in favour of the Transaction Resolutions;
 - (B) the Company materially breaches the Restructuring Support Agreement;
 - (C) any capacity warranty given by the Company or other Company warranty becomes untrue or misleading;
 - (D) a Milestone has not been achieved (other than as a result of any action or omission by a Supporting Creditor, a regulator or court);
 - (E) the Company seeks, and the Australian Court does not approve, an order under the Corporations Act and an insolvency event occurs;
 - (F) the Company seeks, and the U.S. Bankruptcy Court denies, pursuant to a final, non-appealable order, provisional relief and an insolvency event occurs;
 - (G) a Material Adverse Event has occurred;
 - (H) the Company files or otherwise provides to any person a document that:
 - (aa) materially affects the interest of the CBP Creditors or any member of the Ad Hoc Group; or
 - (bb) expressly describes or identifies the CBP Creditors or any member of the Ad Hoc Group,

without counsel to the CBP Creditors or the Ad Hoc Group's Counsel, as applicable, confirming in writing that the relevant document is in a form and substance satisfactory to it; or
 - (I) an event of default occurs under the Existing PNC ABL or any finance document concerning the Incremental Finance Facility.
- (v) **Other circumstances for termination by the Company** – the Company may terminate the Restructuring Support Agreement at any time before the date Shareholders approve the Transaction

Resolutions if, following full compliance with the other provisions of the Restructuring Support Agreement:

- (A) the Company's board adversely changes or withdraws its recommendation in accordance with the Restructuring Support Agreement; or
- (B) the Company enters into an agreement or arrangement with a third party with respect to a Competing Proposal that is a Superior Proposal, as permitted by the Restructuring Support Agreement.

12.2 Disclosure of other interests

Mr Tochilin is an employee of Centerbridge and as such a component of his remuneration relates to the performance of Centerbridge's funds, and therefore their respective portfolios, including the Centerbridge funds through which Centerbridge is invested in the Company. Mr Tochilin is one of Centerbridge's existing nominees to the BLY Board. Mr Tochilin was not a member of the Restructuring Committee established by the BLY Board to oversee the Strategic Review and because he is a Centerbridge nominee to the BLY Board and an employee of Centerbridge, neither he nor Centerbridge makes any recommendation in relation to the Recapitalisation Resolutions. Mr Tochilin holds no Shares in the Company and will not be receiving any Shares or warrants in connection with his prospective service as a BLY Board member or if the Recapitalisation Resolutions are approved.

Mr McDougal is an employee of Great Wolf Resorts, which is currently 35% owned by Centerbridge. Mr McDougal was not a member of the Restructuring Committee established by the BLY Board to oversee the Strategic Review and neither he nor Centerbridge makes any recommendation in relation to the Recapitalisation Resolutions.

12.3 Consents and disclaimers

The following persons have given and have not, before the date of issue of this Explanatory Statement, withdrawn their consent to:

- be named in this Explanatory Statement in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Explanatory Statement; and
- the inclusion of other statements in this Explanatory Statement which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

Name of person	Named as	Reports or statements
Centerbridge	Centerbridge	Centerbridge Information

Name of person	Named as	Reports or statements
Ad Hoc Group member	Ad Hoc Group member	Ad Hoc Group Information to the extent it relates to that AHG Member
KPMG	Independent Expert	Independent Expert's Report set out in Annexure A
FTI Consulting	Independent Expert in respect of the Creditors' Schemes	N/A
Link Market Services	Link Market Services/ Share Registry	N/A

Each person referred to above:

- does not make, or purport to make, any statement in this Explanatory Statement other than those statements referred to above as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Statement other than with respect to the statements and references included in this Explanatory Statement with the consent of that person as set out above.

12.4 **Material litigation to which the Company is a party**

Certain of the Company's subsidiaries are defendants to ongoing litigation in Australia in connection with alleged patent infringement. The BLY Group is actively defending this litigation and denies the allegations made by the various plaintiffs. In the event that the BLY Group is unsuccessful in defending the litigation, the BLY Group does not expect that outcome will have any material impact to its financial position and has made appropriate provisions.

13. GLOSSARY OF TERMS

In this Explanatory Statement, unless the context requires otherwise:

2014 Options means the options granted to eligible participants to purchase fully paid shares of BLY in accordance with the 2014 Option Plan.

2014 Option Plan means the option plan established by BLY entitled "Boart Longyear Limited Option Plan" governing the 2014 Options.

2015 Options means the options granted to eligible participants to purchase fully paid shares of BLY in accordance with the 2015 Option Plan.

2015 Option Plan means the option plan established by BLY entitled "Boart Longyear Limited Option Plan" governing the 2015 Options.

2016 Options means the options granted to eligible participants to purchase fully paid shares of BLY in accordance with the 2016 Option Plan.

2016 Option Plan means the option plan established by BLY entitled "Boart Longyear Limited Option Plan" governing the 2016 Options.

2021 Existing PNC ABL Amendment has the meaning outlined in Section 1.6 of the Explanatory Statement.

A\$ means Australian dollars.

ABL Maturity Date means the earlier of 90 days before the maturity of the Term Loan A, the Term Loan B, the SSN Indenture Notes, the Incremental Financing Facility, the Exit Financing Facility (or any indebtedness refinancing the Exit Financing Facility), 24 July 2022, or, subject to certain conditions, 12 May 2025.

ABN means Australian Business Number.

Account Holder means a person recorded directly in the records of Cede & Co. and DTC as holding an interest in the SSN Indenture or SUN Indenture (as applicable) in an account held with DTC.

Ad Hoc Group means Ascribe, Ares, Corre, FPA, and Nut Tree.

Ad Hoc Group Information has the meaning given in the "Important Notices".

Ad Hoc Group Director Nomination Agreements means each agreement between one or more AHG Members and BLY in relation to the nomination of no more than three persons to be appointed as directors of BLY.

Administrative Agent means:

- (a) Wilmington Trust, National Association in its capacity as administrative agent under the Term Loan A;
- (b) Wilmington Trust, National Association in its capacity as administrative agent under the Term Loan B; and
- (c) any successor administrative agent under the Term Loan A or Term Loan B.

Affiliate means:

- (a) with respect to any person, any other person that directly or indirectly controls, or is under common control with, or is controlled by, such person provided that in no event will the Company or any of its subsidiaries be deemed to be an Affiliate of Centerbridge or the AHG Members (or their Permitted Assignees) or vice versa, notwithstanding any control that Centerbridge and/or the AHG Members (or their Permitted Assignees) may have over the Company or its subsidiaries. As used in this definition, “control” (including with its correlative meanings, “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person (whether through ownership of share equivalents or partnership or other ownership interests, by contract or otherwise);
- (b) in the context of an AHG Member, includes an AHG Permitted Assignee; and
- (c) in the context of Centerbridge, includes a Centerbridge Permitted Assignee.

Agent means the Administrative Agent or the Collateral Agent or both of them, as the context requires.

AHG Member means any one of Ascribe, Ares, Corre, FPA, or Nut Tree and **AHG Members** means any two or more of them.

AHG Permitted Assignee means:

- (a) in respect of the Corre Shareholders, any fund, limited partnership or other collective investment vehicle or other person which is directly or indirectly managed and/or advised by Corre Partners Management, LLC or any affiliate of it;
- (b) in respect of the Ares Shareholders, any fund, limited partnership or other collective investment vehicle or other person which is directly or indirectly managed and/or advised by Ares Management LLC or any affiliate of it;
- (c) in respect of Ascribe, any fund, limited partnership or other collective investment vehicle or other person which is directly or indirectly managed and/or advised by Ascribe Management, LLC or any affiliate of it;
- (d) in respect of the FPA Shareholders, any fund, limited partnership or other collective investment vehicle or other person which is directly or indirectly managed and/or advised by First Pacific Advisors, LP or any affiliate of it; and
- (e) in respect of Nut Tree Master Fund, LP, any fund, limited partnership or other collective investment vehicle or other person which is directly or indirectly managed and/or advised by Nut Tree Capital Management or any affiliate of it.

Alternative Exchange means if the Company is no longer listed on ASX, a national or internationally recognised securities exchange other than ASX on which the Company, or a Successor Company, is listed.

Ares means Ares Management LLC, on behalf of its affiliated funds and accounts being ARES Institutional High Yield Master Fund LP, Kaiser Foundation Health Plan, INC., as fiduciary of Kaiser Permanente Group Trust, Kaiser Foundation Hospitals, Lucent Technologies Inc. Master Pension Trust, Seattle City Employees' Retirement

System, SEI Global Master Fund PLC, SEI Institutional Investment Trust - High Yield Bond Fund, SEI Institutional Managed Trust - High Yield Bond Fund, SEI Investments Canada Company – U.S. High Yield Bond Fund, Superannuation Funds Management Corporation of South Australia and Touchstone Funds Group Trust - Touchstone Credit Opportunities II Fund.

Ares Shareholders means ARES Institutional High Yield Master Fund LP, Kaiser Foundation Health Plan, INC., as fiduciary of Kaiser Permanente Group Trust, Kaiser Foundation Hospitals, Lucent Technologies Inc. Master Pension Trust, Seattle City Employees' Retirement System, SEI Global Master Fund PLC, SEI Institutional Investment Trust - High Yield Bond Fund, SEI Institutional Managed Trust - High Yield Bond Fund, SEI Investments Canada Company – U.S. High Yield Bond Fund, Superannuation Funds Management Corporation of South Australia and Touchstone Funds Group Trust - Touchstone Credit Opportunities II Fund.

Ascribe means Ascribe II Investments LLC.

Ascribe Director Nomination Agreement means the document entitled "Director Nomination Agreement" dated 8 May 2017, as amended from time to time, between Ascribe and BLY

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691) or the financial market conducted by it, as the context requires.

ASX Listing Rules means the listing rules of ASX, as waived or modified by ASX in respect of BLY, the Creditors' Schemes or otherwise.

ASX Settlement means ASX Settlement Pty Limited (ABN 49 008 504 532).

ASX Settlement Operating Rules means the settlement operating rules of ASX Settlement.

Authorised Nominee means CHESS Depository Nominees Pty Limited ACN 071 346 506, Australian Financial Licence number 254514, an approved general participant of ASX Settlement and a wholly owned subsidiary of ASX.

BCM means BL Capital Management LLC ARBN 649 445 321, a limited liability company formed under the laws of Delaware.

BLA means Boart Longyear Australia Pty Ltd ACN 000 401 025.

BLI means Boart Longyear Investments Pty Limited ACN 124 070 373.

BLY Board means the board of directors of BLY from time to time.

BLY Director Nomination Agreements means:

- (a) the CBP Director Nomination Agreement; and
- (b) the Ad Hoc Group Director Nomination Agreements.

BLY Group means BLY and each of its Subsidiaries.

BLY Issuer means Boart Longyear Management Pty Limited ACN 123 283 545.

BLY or the Company means Boart Longyear Limited ACN 123 052 728.

BLY Share Register means the register of members of BLY maintained by or on behalf of BLY in accordance with section 168(1) of the Corporations Act.

BLY US means BLY US Holdings Inc. ARBN 649 445 394, a corporation formed under the laws of the State of Utah.

Book Entry Interest means a beneficial interest in the SSN Indenture or SUN Indenture, as the context requires, held by or through an Account Holder.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney, New South Wales and Adelaide, South Australia.

Buy-Back Date means the date of disposal of Shares acquired by BLY under the Selective Buy-Back.

Buy-Back Price has the meaning outlined in Section 1.7 of the Explanatory Statement.

CBP Creditors means Centerbridge Special Credit Partners II L.P, Centerbridge Credit Partners Master AIV III, L.P, CCP II Acquisition Holdings, LLC, Centerbridge Credit Partners Master, L.P. and Centerbridge Special Credit Partners Master II AIV III, L.P.

CBP Director Nomination Agreement means the agreement between BLY and affiliates of Centerbridge in relation to the nomination of persons to be appointed as directors of BLY.

CBP Registered Holders means CCP II and CCP Credit.

CCP Credit means CCP Credit SC II Dutch Acquisition – E, B.V.

CCP II means CCP II Dutch Acquisition – E2, B.V.

CDI means a CHESS Depository Interest, that being a unit of beneficial ownership in a Principal Financial Product (as that term is defined in the ASX Settlement Operating Rules) that is registered in the name of the Authorised Nominee in accordance with the ASX Settlement Operating Rules, for the purpose of enabling the securities to be recorded and transferred in accordance with those operating rules.

Centerbridge means Centerbridge Partners, L.P. and its affiliates or managed funds (as applicable).

Centerbridge Board Nominee means a person nominated by Centerbridge for appointment to the BLY Board in accordance with the CBP Director Nomination Agreement.

Centerbridge Information has the meaning given in the "Important Notices".

Centerbridge Permitted Assignee means any fund, limited partnership or other collective investment vehicle or other person which is directly or indirectly managed and/or advised by any affiliate of Centerbridge Partners, L.P.

Chairman means the chairman of the BLY Board.

Chair of the Meeting means Jason Ireland.

Change in Capital means any recapitalization, reorganization, reclassification, consolidation, merger, amalgamation, sale of all or substantially all of the Company's assets or other transaction, which in each case is effected in such a way that Warrant Shares are converted into the right to receive (either directly or upon subsequent liquidation) stock, securities, other equity interests or assets (including cash), but does not include:

- (a) a Redomiciling Event;
- (b) a Change of Control;
- (c) a Public Stock Merger; or
- (d) a Small Public Stock Merger.

Change of Control occurs when a Third Party (other than as custodian, nominee or bare trustee):

- (a) acquires an interest in, or a relevant interest in or becomes the holder of, 50% or more of the Shares provided that where a Third Party acquires a relevant interest in 50% or more of the Shares by way of an off market takeover bid in accordance with Chapter 6 of the Corporations Act, the Change of Control will not occur until such time as that bid is declared free from all conditions;
- (b) acquires an interest in all or a substantial part of the assets of the Company;
- (c) otherwise acquires control (within the meaning of section 50AA of the Corporations Act) of the Company; or
- (d) otherwise directly or indirectly acquires, merges or amalgamates with the Company or a substantial part of its assets or business, whether by way of takeover offer, scheme or plan of arrangement, shareholder approval acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding company for the Company or other synthetic merger or any other similar transaction or arrangement which for the avoidance of doubt does not include where the Third Party is a new holding company and the shares or common stock in the new holding company are held by the holders of Shares in substantially the same proportion as they hold Shares in the Company immediately before the transaction,

but does not include:

- (a) a Redomiciling Event;
- (b) a Public Stock Merger; or
- (c) a Small Public Stock Merger.

CHESS means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement, which provides for the electronic transfer, settlement and registration of securities.

Class A 7% Warrant means the unquoted Class A 7% warrants initially issued in September 2017 to all holders of unsecured 1.50% subordinated PIK notes due 2022, which are subject to the Class A 7% Warrant Deed Poll dated 1 September 2017 in favour of the warrant holders.

Class B 7% Warrant means the unquoted Class B 7% warrants initially issued in September 2017 to all holders of unsecured 1.50% subordinated PIK notes due 2022, which are subject to the Class B 7% Warrant Deed Poll dated 1 September 2017 in favour of the warrant holders.

Collateral Agent means:

- (a) Wilmington Trust, National Association in its capacity as collateral agent under the Term Loan A;
- (b) Wilmington Trust, National Association in its capacity as collateral agent under the Term Loan B; and
- (c) any successor collateral agent under the Term Loan A or Term Loan B.

Competing Proposal means any dissolution, winding up, liquidation, reorganisation, assignment for the benefit of creditors, merger, transaction, consolidation, business combination, joint venture, partnership sale of assets, financing (debt or equity), refinancing, or restructuring of the Company, other than the proposed recapitalisation of BLY to be implemented through the Recapitalisation Transactions, including, but not limited to, any proposal, agreement, arrangement or transaction, received in writing within the period from which the RSA has been duly executed by all parties expressed to be parties to it, to the Completion Date, which the BLY Board determines, in good faith and in consultation with the Company's counsel, if completed, would mean a person who is not a party to the RSA (either alone or with any associate of that third party) may:

- (a) directly or indirectly acquire a Relevant Interest (as defined in the Corporations Act) in 20% or more of the Shares or 50% or more of the share capital of any material subsidiary of the Company;
- (b) acquire Control (as defined in the Corporations Act) of the Company;
- (c) directly or indirectly acquire a legal, beneficial or economic interest in, or Control of, all or a material part of the Company's business or assets or the business or assets of the Company taken as a whole; or
- (d) otherwise directly or indirectly acquire or merge with the Company or acquire a material subsidiary of the Company.

Completion Date means the earlier of:

- (a) the date upon which:
 - (i) the Creditors' Schemes Implementation Date has occurred;
 - (ii) the Re-domiciliation Scheme Implementation Date has occurred (assuming the requisite shareholder approval has been obtained); and
 - (iii) all other steps and requirements contemplated as part of the recapitalisation have been implemented; or
- (b) 31 October 2021.

Constitution means the constitution of BLY, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

Corre means Corre Partners Management, LLC and those entities affiliated with it including Corre Opportunities Qualified Master Fund, LP, Corre Horizon Fund, LP and Corre Horizon II Fund, LP.

Corre Shareholders means Corre Opportunities Qualified Master Fund, LP, Corre Horizon Fund, LP and Corre Horizon II Fund, LP.

Counterproposal has the meaning outlined in Section 12.1(d) of this Explanatory Statement.

Court or Australian Court means the Supreme Court of New South Wales.

Creditor Share Purchase Option means the option for each SUN Noteholder, TLA Purchaser, TLB Purchaser or SSN Noteholder which is a Secured Scheme Creditor or Unsecured Scheme Creditor to subscribe for Shares at the CSPO Issue Price with the Shares to be allocated by the Company in accordance with the CSPO Allocation Principles and issued in accordance with the Secured Creditors Scheme and Unsecured Creditors Scheme, subject to a maximum cap on the amount to be raised by BLY from the issue of the Shares equal to the CSPO Cap Amount, as described in Section 2.2.

Creditors' Scheme Meetings means the meetings of the Company's:

- (a) Secured Scheme Creditors; and
- (b) Unsecured Scheme Creditors,

for the purposes of considering the Creditors' Schemes.

Creditors' Schemes means both of the Secured Creditors' Scheme and the Unsecured Creditors' Scheme.

Creditors' Schemes Effective Date means the date upon which each of the conditions precedent in the Creditors' Schemes have been satisfied.

Creditors' Schemes Explanatory Booklet means the explanatory statement prepared by the Company and dated 29 July 2021 in respect of each of the Creditors' Schemes in accordance with the Corporations Act to be dispatched to creditors.

Creditors' Schemes Implementation Date means the date notified by the Scheme Administrators pursuant to the Restructuring Implementation Deed as the date upon which the Implementation Steps to implement the Creditors' Schemes will be commenced under the Restructuring Implementation Deed, unless another date is determined and notified by a Scheme Administrator in accordance with the Restructuring Implementation Deed, in which case that new date will be the Creditors' Schemes Implementation Date.

Creditors' Schemes Voting Entitlement Record Date means the date upon which a creditor's entitlement to vote at the Creditors' Scheme Meetings is determined, being 2 August 2021.

CSPO Allocation Principles has the meaning given to that term in Section 2.2.

CSPO Cap Amount means an amount equal to the aggregate of US\$2.5 million plus any unsubscribed amount under the Share Purchase Plan.

CSPO Issue Price means the issue price of the Shares to be issued under the Creditor Share Purchase Option, being A\$2.48 per Share.

Depository Trust Company or **DTC** means The Depository Trust Company, a central securities depository registered as a clearing agency with the Securities Exchange Commission.

Directors means the directors appointed to the Company as at the date of this Explanatory Statement.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Effective means:

- (a) when used in relation to a one of the Creditors' Schemes, the coming into effect of the Second Court Orders pursuant to section 411(10) of the Corporations Act;
- (b) when used in relation to the Re-domiciliation Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Re-domiciliation Scheme.

Eligible SBB Shareholder has the meaning outlined in Section 1.7 of this Explanatory Statement.

Eligible SPP Shareholder has the meaning outlined in Section 4.2 of this Explanatory Statement.

Enforcement Actions means in relation to a Supporting Creditor or the agent or lenders under the Existing ABL or Backstop ABL, such party taking any step(s) in connection with or in furtherance of:

- (a) any action for the enforcement of any security held in relation to the Relevant Finance Document, Existing PNC ABL or Existing Backstop ABL;
- (b) any action under any guarantee under or in relation to the Relevant Finance Documents, Existing PNC ABL or Existing Backstop ABL or the liabilities under them;
- (c) demanding or claiming repayment of all or part of any money owing under the Relevant Finance Documents, Existing PNC ABL or Existing Backstop ABL; or
- (d) instructing any agent, trustee or other party to take any of the actions specified above.

Excluded Foreign Person means anyone who falls within any of the following exclusions:

- (a) persons who are (or who are acting on behalf of or for the account of a person who is) located in the United States, a US Person, or a resident of Canada;
- (b) any other Shareholders to whom BLY would be prohibited, pursuant to any act, rule or regulation in any jurisdiction, from making payments;
- (c) persons who reside, or who are acting on behalf of or for the account of a person who resides, in a jurisdiction other than Australia or New Zealand, unless BLY determines that:

- (i) it would not be illegal for BLY to make an invitation to that person, or for that person to participate in the Selective Buy-Back under the laws of that jurisdiction; and
- (ii) it would not be impractical for BLY to permit the person to participate in the Selective Buy-Back, having regard to the number of Shareholders in the relevant jurisdiction and the requirements of the laws of that jurisdiction.

Exercise Notice means a notice substantially in the form set out in Attachment 1 to the New Warrant Deed Poll.

Exercise Period means the period commencing on the date of issue of the New Warrants until 5.00 pm on the sixth anniversary of that date.

Exercise Price means the relevant exercise price for the New Warrants, as set out in Section 3.2.

Existing Backstop ABL means the Term Loan Securities Agreement dated as of 23 July 2017 (as amended by the First Amendment to Term Loan Securities Agreement dated as of 5 August 2017, the Second Amendment to Term Loan Securities Agreement dated as of 31 August 2017, the Third Amendment to Term Loan Securities Agreement dated as of 24 July 2019, the Fourth Amendment to Term Loan Securities Agreement dated as of 19 March 2020, the Fifth Amendment to Term Loan Securities Agreement dated as of 1 June 2021 and as further amended, varied or amended and restated from time to time), between, amongst others, BLY Issuer, the other guarantors party thereto, and Wilmington Trust, National Association, as administrative agent, providing for the issuance of term loan securities with a final repayment date of the earlier of 22 October 2022 and 90 days following the final repayment date under the Existing PNC ABL.

Existing Options means the 2014 Options, 2015 Options and 2016 Options.

Existing PNC ABL means the Amended and Restated Revolving Credit and Security Agreement, originally dated as of July 23, 2017, among PNC Bank National Association as lender and as agent, BLY Issuer as a borrower and the guarantors party thereto as amended by the document titled "Seventh Amendment to Amended and Restated Revolving Credit and Security Agreement" among PNC Bank National Association as lender and as agent and BLY Issuer as borrower.

Existing Warrants means each of the following instruments:

- (a) the Ordinary Warrants;
- (b) the Class A 7% Warrants; and
- (c) the Class B 7% Warrants.

Exit Financier means each bank, fund or other financial institution who is designated a lender (howsoever described) pursuant to the terms of the Exit Financing Facility.

Exit Financing Facility means financing made available under a new money facility agreement, which shall:

- (a) be available for drawing by BLY US or another other member of the BLY Group;

- (b) be a five year term loan facility with a total aggregate commitment of US\$115,000,000 available for the purposes, amongst other things, of fully refinancing outstanding amounts (including, but not limited to, principal, interest and fees) under each of the Incremental Finance Facility and the Existing Backstop ABL; and
- (c) subject to certain conditions precedent, be available for drawing following completion of Step 1 and Step 2 (as set out in clause 8(a) and clause 8(b) (respectively) of the RID) in accordance with the RID.

Explanatory Statement means this explanatory statement which includes the Independent Expert's Report, Notice of Meeting and Proxy Form.

Extraordinary General Meeting or **EGM** means the extraordinary general meeting of Shareholders convened by the Notice of Meeting to consider, amongst other things, the Recapitalisation Resolutions.

FATA means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Finance Document means:

- (a) each of the documents listed in Schedule 1 of the Secured Creditors' Scheme other than an Incremental Finance Document;
- (b) each of the documents listed in Schedule 1 of the Unsecured Creditors' Scheme other than an Incremental Finance Document;
- (c) any document entered into by a Scheme Company under which it has granted a security interest over its property to secure the Secured Money; and
- (d) any other document designated as:
 - (i) a Loan Document under the Term Loan A and Term Loan B; or
 - (ii) a Notes Document under the SSN Indenture.

FPA means First Pacific Advisors, LP and those entities affiliated with it including FPA New Income, Inc., Motion Picture Industry Health Plan (Active), Motion Picture Industry Health Plan (Retiree), Motion Picture Industry Individual Account Plan, SAG-AFTRA Health Plan, The Health Plan of West Virginia, Inc. and The Nature Conservancy.

FPA Shareholders being FPA New Income, Inc., Motion Picture Industry Health Plan (Active), Motion Picture Industry Health Plan (Retiree), Motion Picture Industry Individual Account Plan, SAG-AFTRA Health Plan, The Health Plan of West Virginia, Inc. and The Nature Conservancy.

FTI Consulting means FTI Consulting of Level 22, Gateway 1 Macquarie Place, Sydney NSW 2000, Australia.

FTI Consulting Report means the independent expert report dated on or around the date of this Explanatory Statement prepared by FTI Consulting in relation to the Secured Creditors' Scheme and the Unsecured Creditors' Scheme.

Government Agency means, whether foreign or domestic:

- (a) a government, whether federal, state, provincial, territorial or local or a department, office or minister of a government acting in that capacity, or any

person acting within and under the authority of any of the foregoing or under a statute, rule or regulation thereof; or

- (b) a commission, delegate, instrumentality, agency, board, or other government semi-government, judicial, administrative, monetary or fiscal body, department, tribunal, entity or authority, whether statutory or not, and includes any self-regulatory organisation established under statute or any stock exchange.

Implementation Steps means each of the steps set out in clause 8 of the Restructuring Implementation Deed.

Incremental Finance Commitment Letter has the meaning outlined in Section 1.1 of this Explanatory Statement.

Incremental Finance Documents means together:

- (c) the Incremental Finance Facility; and
- (d) any Loan Document (as that term is defined in the Incremental Finance Facility).

Incremental Finance Facility means the Term Loan Securities Agreement dated as of 1 June 2021 between, amongst others, BLY Issuer, the guarantors party thereto, the purchasers party thereto, Wilmington Trust, National Association, as agent and U.S. Bank National Association, as collateral agent, and providing for the issuance of term loan securities with a final repayment date of 31 December 2021.

Incremental Finance Facility Agreement has the meaning outlined in Section 1.4 of this Explanatory Statement.

Independent Directors means all Directors other than Conor Tochilin and Rubin McDougal.

Independent Expert or **KPMG** means KPMG Corporate Finance, a division of KPMG Financial Advisory Services (Australia) Pty Ltd.

Independent Expert's Report means the report prepared by the Independent Expert which is contained in Annexure A of this Explanatory Statement.

Ineligible Person means a person:

- (a) located in any jurisdiction other than Australia, Canada, Bermuda, Cayman Islands, Ireland, Italy, Netherlands, Switzerland the United States of America or other jurisdiction as agreed to by BLY; or
- (b) to whom BLY considers it would be unlawful for BLY to make an offer of Shares or if applicable, New Warrants, in accordance with the laws of the jurisdiction in which the person is located.

Information Agent means Prime Clerk LLC.

Initial Supporting Creditors means affiliates of Centerbridge, Ascribe, Corre, FPA and Nut Tree in their capacity as a beneficial holder, or investment adviser or manager for the account of beneficial holders, of obligations arising under the Existing Backstop ABL, Term Loan A, Term Loan B, SSN Indenture and/or SUN Indenture.

Instrument means the ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547.

Link Market Services means Link Market Services Limited ACN 083 214 537.

Longstop Date means 31 October 2021, or such other date as extended in accordance with the RSA.

Majority AHG Members means any three (3) of Ascribe, Corre, FPA, and Nut Tree.

Material Adverse Event means any event occurring after the commencement date of the RSA that results in a material adverse change in the business, condition or results of operations of the Company and its subsidiaries, taken as a whole, other than:

- (a) as a result of the events contemplated by the RSA;
- (b) in any of the following circumstances:
 - (i) a change in applicable laws or the interpretation or enforcement thereof;
 - (ii) a change in prices, markets or general economic conditions; or
 - (iii) any act of war or terrorism or natural disaster,

except if such events, changes, effects, occurrences, developments, circumstances or changes of fact have a materially disproportionate adverse impact on the Company and its subsidiaries, taken as a whole, as compared to other participants engaged in the industries and geographies in which they operate; or
- (c) any change that does not result in a measurable decrease in the fair market value of the assets of the BLY Group entities by more than US\$40,000,000.

Maximum Committed Securities means the maximum number of Shares the relevant Participating SUN Noteholder or Other CSPO Participant (or their respective Permitted CSPO Nominee) is willing to subscribe for under the Creditor Share Purchase Option, as listed in its duly executed and delivered SUN Account Holder Letter, SSN Account Holder Letter, TLA Proof of Debt Form or TLB Proof of Debt Form (as applicable).

Meeting means the Extraordinary General Meeting convened by the Notice of Meeting.

Milestones means the events set out in Schedule 3 to the Restructuring Support Agreement.

New BLY Parent means Boart Longyear Ltd, a limited company incorporated in Ontario, Canada (Number 2854330), a newly incorporated company established for the purpose of the Re-domiciliation Scheme.

New BLY Parent CDI means a CDI representing one (1) New BLY Parent Share.

New BLY Parent Share means a fully paid common share in New BLY Parent.

New Common Equity has the meaning given to that term in the Letter from the Chair in this Explanatory Statement.

New Warrant Certificate means a certificate evidencing a person as a registered holder of any one or more New Warrants, and substantially in the form set out in Attachment 3 to the New Warrant Deed Poll.

New Warrant Deed Poll means the document entitled New Warrant Deed Poll substantially in the form set out in Schedule 11 of the Unsecured Creditors' Scheme to be executed by the Company which sets out the terms of issue of the New Warrants.

New Warrants means the warrants issued by the Company on the terms set out in Schedule 11 of the Unsecured Creditors' Scheme with a strike price of A\$2.79.

New Warrants Issuance means the issue of the New Warrants to SUN Noteholders as described in Section 3.2.

Non-Associated Shareholder means a Shareholder who is not any of the following:

- (a) a TLA Purchaser, TLB Purchaser, SSN Noteholder or SUN Noteholder; or
- (b) an associate of any of the persons referred to in paragraph (a).

Non-Executive Director means a non-executive director of the Company.

Notice of Meeting means the Notice of Extraordinary General Meeting included in this Explanatory Statement, as applicable.

Nut Tree means Nut Tree Capital Management and Nut Tree Master Fund, LP.

Obligors means each of:

- (a) BLY;
- (b) BLA;
- (c) BLI;
- (d) BLY Issuer;
- (e) BCM;
- (f) BLY US;
- (g) Boart Longyear Canada;
- (h) Boart Longyear Chile Limitada;
- (i) Boart Longyear Company;
- (j) Boart Longyear Manufacturing and Distribution Inc.;
- (k) Boart Longyear Manufacturing Canada Ltd.;
- (l) Boart Longyear S.A.C.;
- (m) Boart Longyear Suisse Sarl;
- (n) Longyear Canada, ULC;
- (o) Longyear TM, Inc.;

(p) Votraint; and

(q) BLY IP Inc.

Ordinary Warrant Deed Poll means the ordinary warrant deed poll dated 31 August 2017 executed by BLY.

Ordinary Warrants means quoted ordinary warrants trading on ASX initially issued in September 2017 to all eligible Shareholders, which are subject to an Ordinary Warrant Deed Poll.

Other CSPO Participants means TLA Purchasers, TLB Purchasers and SSN Noteholders who are either a Secured Scheme Creditor or an Unsecured Scheme Creditor who complete and return to the Information Agent a TLA Proof of Debt Form, TLB Proof of Debt Form or an SSN Account Holder Letter (as applicable) with the relevant section titled 'Creditor Share Purchase Option' completed, provided also that in each case they are not an Ineligible Person or, if they are an Ineligible Person, they nominate a Permitted CSPO Nominee.

Oversubscribing Other CSPO Participant means an Other CSPO Participant (or their Permitted CSPO Nominee) whose Maximum Committed Securities exceeds their initial pro rata allocation under paragraph (b)(i) of the CSPO Allocation Principles.

Oversubscribing Participating SUN Noteholder means a Participating SUN Noteholder (or their Permitted CSPO Nominee) whose Maximum Committed Securities exceeds their initial pro rata allocation under paragraph (a)(i) of the CSPO Allocation Principles.

Participating SUN Noteholder means SUN Noteholders who are Unsecured Scheme Creditors and who complete and return to the Information Agent the SUN Account Holder Letter with the relevant section titled 'Creditor Share Purchase Option' completed, provided also that in each case they are not an Ineligible Person or, if they are an Ineligible Person, they nominate a Permitted CSPO Nominee.

Permitted CSPO Nominee means a person (who is not an Ineligible Person) nominated by a Participating SUN Noteholder or Other CSPO Participant to take up their allocation of Shares under the Creditor Share Purchase Option provided that:

- (a) the nominee is a party to the RSA or accedes to the RSA; and
- (b) the Participating SUN Noteholder or Other CSPO Participant specifies the nominee's name and details in the relevant section titled 'Creditor Share Purchase Option' of their SUN Account Holder Letter, SSN Account Holder Letter, TLA Proof of Debt Form or TLB Proof of Debt Form (as applicable).

Proxy Form means the proxy form accompanying the Notice of Meeting.

Public Stock means common stock or shares of a company listed on ASX or an Alternative Exchange with an aggregate market capitalisation in excess of US\$500 million.

Public Stock Merger means an event described in any of paragraphs (a) to (d) of the definition of a Change of Control pursuant to which all of the Shares held by shareholders who are not affiliated with the Company or any entity acquiring the Company are exchanged for, converted into or constitute solely (except to the extent

of applicable appraisal rights or cash received in lieu of fractional shares) the right to receive as consideration Public Stock.

Recapitalisation means the proposed recapitalisation of the Company to be implemented through the Recapitalisation Transactions.

Recapitalisation Resolutions means resolutions 1 to 6 (inclusive) outlined in the Notice of Meeting.

Recapitalisation Transactions means the transactions to effect the Recapitalisation, as contemplated by the Restructuring Support Agreement, including:

- (a) the Secured Debt Release;
- (b) the Unsecured Debt Release;
- (c) the New Warrants Issuance;
- (d) the Share Consolidation;
- (e) the Creditor Share Purchase Option;
- (f) the Share Purchase Plan; and
- (g) the establishment of the Exit Financing Facility.

Re-domiciliation means the proposed re-domiciliation of the Company to Canada to be effected by way of the Re-domiciliation Scheme.

Re-domiciliation Scheme means a members' scheme of arrangement in accordance with Part 5.1 of the Corporations Act between BLY and Shareholders pursuant to which BLY will become a wholly owned subsidiary of the New BLY Parent by the transfer of all Shares to the New BLY Parent in exchange for issue of New BLY Parent CDIs to Shareholders.

Re-domiciliation Scheme Explanatory Statement means the explanatory statement prepared in accordance with the Corporations Act explaining the Re-domiciliation Scheme.

Re-domiciliation Scheme Implementation Date means the implementation date for the Re-domiciliation Scheme, which will be the Business Day which is 2 Business Days after the Re-domiciliation Scheme Record Date for the Re-domiciliation Scheme, or such other date as BLY and New BLY Parent may agree in writing, may be ordered by the Court or may be required by ASX.

Re-domiciliation Scheme Meeting means the meeting of Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Re-domiciliation Scheme.

Re-domiciliation Scheme Record Date means 7:00pm (Sydney time) on the day which is two business days after the date on which the Re-domiciliation Scheme becomes Effective or any other date (after the Re-domiciliation Scheme becomes Effective) agreed by BLY and New BLY Parent to be the record date to determine entitlements to receive Re-domiciliation Scheme Consideration under the Re-domiciliation Scheme.

Re-domiciliation Scheme Resolution means the resolution to be put to Shareholders at the Re-domiciliation Scheme Meeting to approve the Re-domiciliation Scheme.

Re-domiciling Event means completion of the implementation of a re-domiciling of the place of incorporation or organisation of the Company to a jurisdiction outside of Australia.

Relevant AHG Securities has the meaning outlined in Section 11.3 of this Explanatory Statement.

Relevant Finance Document means in respect of the Supporting Creditors, the documents listed in Schedule 5 to the Restructuring Support Agreement as amended, varied, supplemented, or amended and restated from time to time and any other agreements or documents entered into by the applicable obligors party thereunder from time to time, in each case in accordance with the terms of such documents.

Relevant AHG Shareholders at a time means:

- (a) the Ares Shareholders;
- (b) Ascribe;
- (c) the Corre Shareholders;
- (d) the FPA Shareholders;
- (e) Nut Tree Master Fund, LP; and
- (f) any AHG Permitted Assignee,

that are the registered holders of Retained Shares at that time.

Relevant CBP Shareholders at a time means:

- (a) the affiliates of Centerbridge who are party to the CBP Director Nomination Agreement; and
- (b) any Centerbridge Permitted Assignee,

that are the registered holders of Retained Shares at that time.

Representation Letter means a letter to be delivered to the Company with the Exercise Notice where a New Warrant is exercised for cash by a holder of a New Warrant under the terms of the New Warrant Deed Poll.

Resolutions means:

- (a) the Recapitalisation Resolutions; and
- (b) the Selective Buy-Back Resolution.

Restructuring means the restructuring of BLY and certain of its Subsidiaries as summarised in Schedule 2 to the Restructuring Support Agreement.

Restructuring Committee has the meaning given to that term in Section 1.1.

Retained Shares means:

- (a) immediately following completion of Step 8 (*Confirmation of Scheme Restructuring Effective Time*) of the Implementation Steps as set out in clause 8 (*Implementation Steps*) of the Restructuring Implementation Deed, those Shares in which any one or more of the Relevant AHG Shareholders or the Relevant CBP Shareholders (as applicable) have a relevant interest at that time; or
- (b) if the Re-domiciliation Scheme is implemented, those Shares in which any one or more of the Relevant AHG Shareholders or the Relevant CBP Shareholders (as applicable) has a relevant interest as at immediately following the implementation of the Re-domiciliation Scheme,

and in which, at any relevant time, any one or more of the Relevant AHG Shareholders or Relevant CBP Shareholders (as applicable) holds a relevant interest.

RID or Restructuring Implementation Deed means the Restructuring Implementation Deed substantially in the form set out in Schedule 2 of the Secured Creditors' Scheme and Schedule 2 of the Unsecured Creditors' Scheme to be executed by a Secured Scheme Administrator on behalf of the Secured Scheme Creditors and an Unsecured Scheme Administrator on behalf of the Unsecured Scheme Creditors.

RSA or Restructuring Support Agreement means the Restructuring Support Agreement entered into between, among others, BLY and BLY Issuer, dated 12 May 2021 as may be amended, modified or supplemented from time to time.

RSA Date means 12 May 2021, being the commencement date of the RSA.

SBB Booklet has the meaning outlined in Section 1.7 of this Explanatory Statement.

SBB Payment Date means the date on which Eligible SBB Shareholders whose Tender has been accepted by BLY will receive payment for their Shares.

SBB Record Date has the meaning outlined in Section 1.7 of this Explanatory Statement.

SBB Tender Form has the meaning outlined in Section 1.7 of this Explanatory Statement.

Scheme Administrators means the Secured Scheme Administrator and the Unsecured Scheme Administrator.

Scheme Companies means BLY, BLA, BLI, BLY Issuer, Votrant, BCM and BLY US and **Scheme Company** means any one of them.

Scheme Creditors means Secured Scheme Creditors and Unsecured Scheme Creditors.

Second Court Date means the first day of the hearing of an application made to the Court for the Second Court Orders or, if the hearing of such application is adjourned for any reason, means the first day to which the hearing is adjourned.

Second Court Orders means the orders of the Court approving either the Secured Creditors Scheme or the Unsecured Creditors Scheme (as applicable) under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act.

Secured Creditors' Scheme means the compromise or arrangement under Part 5.1 of the Corporations Act between the Scheme Companies and the Secured Scheme Creditors being the compromise or arrangement proposed by the Scheme Companies and approved by the Court in 2021.

Secured Creditors' Scheme Effective Date means the date on which each of the conditions precedent to the Secured Creditors' Scheme, as set out in clause 3.1 of the Secured Creditors' Scheme, have been satisfied.

Secured Debt means the TLA Secured Debt, the TLB Secured Debt and the SSN Secured Debt.

Secured Debt Release means the release of the full amount of the claims of Secured Scheme Creditors in consideration for the issue to the Secured Scheme Creditors of their relevant proportions of New Common Equity in accordance with the terms of the Secured Creditors' Scheme, as described in Section 2.

Secured Money means all amounts (including damages) that are payable, owing but not payable, or that otherwise remain unpaid by a Scheme Company to a Secured Scheme Creditor, Unsecured Scheme Creditor, the Agent, the TLB Collateral Agent, the SSN Trustee or the SUN Trustee on any account at any time under or in connection with the Term Loan A, Term Loan B, SSN Indenture Notes or SUN Indenture Notes or any transaction contemplated by those documents:

- (a) whether present or future, actual or contingent;
- (b) whether incurred alone, jointly, severally or jointly and severally;
- (c) whether a Secured Scheme Creditor, an Unsecured Scheme Creditor, the Agent, the TLB Collateral Agent, the SSN Trustee or the SUN Trustee is liable on its own account or for the account of, or as surety for, another person and without regard to the capacity in which a Secured Scheme Creditor, an Unsecured Scheme Creditor, the Agent, the TLB Collateral Agent, the SSN Trustee or the SUN Trustee is liable;
- (d) whether due to a Scheme Company alone or with another person;
- (e) whether a Scheme Company is entitled for its own account or the account of another person;
- (f) whether arising from a banker and customer relationship or any other relationship;
- (g) whether originally contemplated by a Secured Scheme Creditor, an Unsecured Scheme Creditor, the Agent, the TLB Collateral Agent, the SSN Trustee, the SUN Trustee or a Scheme Company or not;
- (h) whether a Scheme Company is the original person in whose favour the undertakings in the Term Loan A, Term Loan B, SSN Indenture or SUN Indenture were given or an assignee and, if a Secured Scheme Creditor, an Unsecured Scheme Creditor, the Agent, the TLB Collateral Agent, the SSN Trustee, the SUN Trustee is an assignee:
 - (i) whether or not a Secured Scheme Creditor, an Unsecured Scheme Creditor, the Agent, the TLB Collateral Agent, the SSN Trustee, the SUN Trustee consented to or knew of the assignment;

- (ii) no matter when the assignment occurred; and
 - (iii) whether or not the entitlements of that original person were assigned with the security interests; and
- (i) if determined pursuant to any award, order or judgment against a Scheme Company, whether or not that Scheme Company was a party to the court proceedings, arbitration or other dispute resolution process in which that award, order or judgment was made.

Secured Scheme Administrator means Christopher Clarke Hill and David Peter McGrath of FTI Consulting, or any other person who accepts the appointment to the role of scheme administrator of the Secured Creditors' Scheme, subject to section 411(7) of the Corporations Act provided, in each case, they have each executed a deed poll in substantially the same form as the Secured Scheme Administrators' Deed Poll.

Secured Scheme Administrators' Deed Poll mean the deed poll substantially in the form set out in Schedule 3 of the Secured Creditors' Scheme and executed by the Secured Scheme Administrators.

Secured Scheme Creditors means, as at the Secured Creditors' Scheme Effective Date, in respect of:

- (a) the Term Loan A, each TLA Purchaser with TLA Secured Debt;
- (b) the Term Loan B, each TLB Purchaser with TLB Secured Debt; and
- (c) the SSN Indenture:
 - (i) each SSN Noteholder with SSN Secured Debt; and
 - (ii) the SSN Notes Registered Holder, and the SSN Notes Registered Holder's nominee, Cede & Co.

Selective Buy-Back means the purchase of Shares by the Company from Eligible SBB Shareholders, pursuant to a tender process as described in Section 1.7 of this Explanatory Statement.

Selective Buy-Back Resolution means resolution 7 outlined in this Notice of Meeting.

Seventh Amendment to Amended and Restated Revolving Credit and Security Agreement means the document titled "Seventh Amendment to Amended and Restated Revolving Credit and Security Agreement" among PNC Bank National Association as lender and as agent and BLY Issuer as borrower, dated 12 May 2021.

Share Consolidation means the proposed consolidation of Shares under which every 20 Shares will be converted into 1 Share, pursuant to the Share Consolidation Resolution, as described in Section 4.1.

Share Consolidation Resolution means resolution 4.

Share Purchase Plan or **SPP** means the proposed share purchase plan to be offered to Eligible SPP Shareholders by the Company as described in Section 4.2 of this Explanatory Statement.

Shareholder means a person entered in the BLY Share Register as the holder of a Share.

Shareholder Information Line means the information line set up for the purpose of answering enquiries from Shareholders in relation to the Recapitalisation and the Re-domiciliation, the details of which are set out in the Notes section of the Notice of Meeting.

Share Registry means Link Market Services Limited or (as applicable) any other registry that BLY appoints to maintain the BLY Share Register.

Shares means fully paid ordinary shares in the capital of BLY.

Small Public Stock means common stock or shares of a company listed on ASX or an Alternative Exchange with an aggregate market capitalisation less than or equal to US\$500 million.

Small Public Stock Merger means an event described in any of clauses (a) to (d) of the definition of Change of Control pursuant to which all of the Shares held by shareholders who are not affiliated with the Company or any entity acquiring the Company are exchanged for, converted into or constitute solely (except to the extent of applicable appraisal rights or cash received in lieu of fractional shares) the right to receive as consideration Small Public Stock.

SPP Application Form has the meaning outlined in Section 4.2 of this Explanatory Statement.

SPP Booklet has the meaning outlined in Section 4.2 of this Explanatory Statement.

SPP Issue Price has the meaning set out in Section 4.2 of this Explanatory Statement.

SPP Record Date means the record date for the SPP, being 7.00 pm (Sydney time) on 28 July 2021.

SSN Account Holder Letter means the account holder letter substantially in the form set out at Annexure K of the Creditors' Schemes Explanatory Booklet.

SSN Indenture means the indenture dated 27 September 2013, between, amongst others, the BLY Issuer, as issuer, BLY, as parent, BLA, BLI, Votrant, BCM and BLY US, as guarantors, amongst others, and U.S. Bank National Association, as trustee and collateral agent, in respect of the 12.0% / 10.0% secured notes, as amended by the first supplemental indenture dated 31 August 2017, the second supplemental indenture dated 18 September 2017, the third supplemental indenture dated 31 December 2018, the fourth supplemental indenture dated 17 July 2019, the fifth supplemental indenture dated 24 June 2020, and the sixth supplemental indenture dated as of 1 June 2021, as amended, varied, or amended and restated from time to time.

SSN Indenture Notes means the 12.0% / 10.0% secured notes issued under the SSN Indenture.

SSN Noteholders means each person with a Book Entry Interest in the SSN Indenture.

SSN Notes Registered Holder means the "Holder" or "Securityholder" as those terms are defined in the SSN Indenture, being Depository Trust Company.

SSN Secured Debt means the aggregate outstanding amount, including all accrued and unpaid interest, owing to the SSN Noteholders under the SSN Indenture which is secured pursuant to the terms of the applicable Finance Documents.

SSN Trustee means U.S. Bank National Association in its capacity as trustee and collateral agent under the SSN Indenture and any successor trustee or collateral agent under that document.

SSN Unsecured Debt means the aggregate outstanding amount, including all accrued and unpaid interest, owing to the SSN Noteholders under the SSN Indenture which is unsecured pursuant to the terms of the applicable Finance Documents.

Strategic Review has the meaning outlined in Section 1.1 of the Explanatory Statement.

Subordinate Claim means a "subordinate claim" within the meaning of subsection 563A(2) of the Corporations Act against BLY in respect of any fact, matter, circumstance or event which has arisen or occurred at any time prior to the commencement of Implementation Step 7 (*Subordinate Claim Releases*) in clause 8 (*Implementation Steps*) of the RID.

Subordinate Claim Holder means any person who, as at immediately prior to the commencement of Implementation Step 7 (*Subordinate Claim Releases*) in clause 8 (*Implementation Steps*) of the RID, has or, but for the Unsecured Creditors' Scheme, would be entitled to make, a Subordinate Claim.

Subsidiaries has the meaning given in the Corporations Act and, as applied to BLY, Subsidiary shall include the BLY Issuer, BLA, BLI, BCM, BLY US, Boart Longyear Canada, Boart Longyear Chile Limitada, Boart Longyear Company, Boart Longyear Manufacturing and Distribution Inc., Boart Longyear Manufacturing Canada Ltd., Boart Longyear S.A.C., Boart Longyear Suisse Sarl, Longyear Canada, ULC, Longyear Holdings Inc., Votrait and BLY IP Inc.

Substitute Property means shares, stock, securities, other equity interests or assets issued to a Shareholder in respect of their shares pursuant to a Change in Capital or a Redomiciling Event.

Successor Company means, if there is a Redomiciling Event, such other company which becomes the parent company of the corporate group of which the Company is currently the parent company.

SUN Account Holder Letter means the account holder letter substantially in the form set out at Annexure L of the Creditors' Schemes Explanatory Booklet.

SUN Debt means the aggregate outstanding amount, including all accrued and unpaid interest, owing to the SUN Noteholders under the applicable Finance Documents.

SUN Indenture means the indenture dated 28 March 2011 between the BLY Issuer, as issuer, BLY, as guarantor, and Delaware Trust Company, as trustee, amongst others, as amended by the first supplemental indenture dated 14 June 2013, the second supplemental indenture dated 27 September 2013, the third supplemental indenture dated 2 April 2017, the fourth supplemental indenture dated 31 August 2017, the fifth supplemental indenture dated 18 September 2017, the sixth supplemental indenture dated 31 December 2018, the seventh supplemental indenture dated 17 July 2019, the eighth supplemental indenture dated 15 June 2020, and the ninth supplemental indenture dated as of 1 June 2021, as amended, varied, or amended and restated from time to time.

SUN Indenture Notes means the 1.5% pay in kind unsecured notes issued under the SUN Indenture.

SUN Noteholders means each person with a Book Entry Interest in the SUN Indenture.

SUN Notes Registered Holder means the "Holder" or "Securityholder" as that term is defined in the SUN Indenture, being Depository Trust Company.

SUN Trustee means Delaware Trust Company in its capacity as trustee under the SUN Indenture and any successor trustee under that document.

Superior Proposal means a bona fide written competing proposal of the kind referred to in (b) or (c) of the definition of Competing Proposal that the BLY Board, acting in good faith, and after receiving written legal advice from the Company's counsel and advice from its financial advisor, determines:

- (a) is reasonably capable of being valued and completed, taking into account all aspects of the Competing Proposal including any timing considerations, any conditions precedent, the identity, reputation and financial standing of the proponent, the current contractual rights of the Supporting Creditors under the Relevant Finance Documents, and any requirements set forth by the Supporting Creditors in their response to a Competing Proposal;
- (b) would, if completed substantially in accordance with its terms, be more favourable to Shareholders (as a whole) and the creditors of the Company than the Recapitalisation Transactions (having regard to the fact that trade creditors will be paid in full under the Recapitalisation Transactions) taking into account all terms and conditions of the Competing Proposal; and
- (c) would reasonably be expected to require it by virtue of its directors' fiduciary or statutory duties under applicable law to respond to such Competing Proposal or to change, withdraw or modify its recommendation.

Supporting Creditors means those creditors of the Company who are party to the RSA.

Tender means an offer, tendered on the SBB Tender Form by an Eligible SBB Shareholder, to sell their Shares to BLY under the Selective Buy-Back.

Term Loan A means the Term Loan A Securities Agreement dated 31 December 2018 between, amongst others, BCM as issuer, BLY, BLA, BLI, BLY Issuer, Votraint and BLY US, as guarantors, the TLA Purchasers, and Wilmington Trust, National Association, as administrative agent and collateral agent, pursuant to which term loan securities were issued, as amended by the First Amendment to Term Loan A Securities Agreement dated 17 July 2019, the Second Amendment to Term Loan A Securities Agreement dated 24 June 2020, and the Third Amendment to Term Loan A Securities Agreement dated as of 1 June 2021, as amended, varied, or amended and restated from time to time.

Term Loan B means the Term Loan B Securities Agreement dated 31 December 2018 between, amongst others, BCM as issuer, BLY, BLA, BLI, BLY Issuer, Votraint and BLY US, as guarantors, the TLB Purchasers, and Wilmington Trust, National Association, as administrative agent and collateral agent, pursuant to which term loan securities were issued, as amended by the First Amendment to Term Loan B Securities Agreement dated 17 July 2019, the Second Amendment to Term Loan B Securities Agreement dated 24 June 2020, and the Third Amendment to Term Loan B Securities Agreement dated as of 1 June 2021, as amended, varied, or amended and restated from time to time.

TEV means total enterprise value of the BLY Group.

TLA Proof of Debt Form means the proof of debt form substantially in the form set out at Annexure H of the Creditors' Schemes Explanatory Booklet.

TLA Purchasers means the "Purchasers" as that term is defined in the Term Loan A.

TLA Secured Debt means the aggregate outstanding amount, including all accrued and unpaid interest, owing to the TLA Purchasers under the Term Loan A which is secured pursuant to the terms of the applicable Finance Documents.

TLA Unsecured Debt means the aggregate outstanding amount, including all accrued and unpaid interest, owing to the TLA Purchasers under the Term Loan A which is unsecured pursuant to the terms of the applicable Finance Documents.

TLB Collateral Agent means U.S. Bank National Association in its capacity as collateral agent for the TLB Purchasers and any successor trustee or collateral agent.

TLB Proof of Debt Form means the proof of debt form substantially in the form set out at Annexure J of the Creditors' Schemes Explanatory Booklet.

TLB Purchasers means the "Purchasers" as that term is defined in the Term Loan B.

TLB Secured Debt means the aggregate outstanding amount, including all accrued and unpaid interest, owing to the TLB Purchasers under the Term Loan B which is secured pursuant to the terms of the applicable Finance Documents.

TLB Unsecured Debt means the aggregate outstanding amount, including all accrued and unpaid interest, owing to the TLB Purchasers under the Term Loan B which is unsecured pursuant to the terms of the applicable Finance Documents.

Transaction Resolutions means resolutions 1, 2, 3, 5 and 6 outlined in the Notice of Meeting.

Treasurer has the same meaning as it has for the purposes of the FATA.

Unsecured Creditors' Scheme means the compromise or arrangement under Part 5.1 of the Corporations Act between the Scheme Companies, the Unsecured Scheme Creditors and the Subordinate Claim Holders, being the compromise or arrangement proposed by the Scheme Companies and approved by the Court in 2021.

Unsecured Creditors' Schemes Effective Date means the date on which each of the conditions precedent to the Unsecured Creditors' Scheme, as set out in clause 3.1 of the Unsecured Creditors' Scheme, have been satisfied.

Unsecured Debt means:

- (a) the TLA Unsecured Debt;
- (b) the TLB Unsecured Debt;
- (c) the SSN Unsecured Debt; and
- (d) the SUN Debt.

Unsecured Debt Release has the meaning given to that term in Section 3.1.

Unsecured TLA, TLB, SSN Debt means:

- (a) the TLA Unsecured Debt;
- (b) the TLB Unsecured Debt; and
- (c) the SSN Unsecured Debt.

Unsecured TLA, TLB, SSN Release has the meaning given to that term in Section 3.1.

Unsecured Scheme Administrator means Christopher Clarke Hill and David Peter McGrath of FTI Consulting, or any other person who accepts the appointment to the role of scheme administrator of the Unsecured Creditors' Scheme, subject to section 411(7) of the Corporations Act provided, in each case, they have each executed a deed poll in substantially the same form as the Unsecured Scheme Administrators' Deed Poll.

Unsecured Scheme Administrators' Deed Poll means the deed poll substantially in the form set out in Schedule 3 of the Unsecured Creditors' Scheme and executed by the Unsecured Scheme Administrators.

Unsecured Scheme Creditors means as at the Unsecured Creditors' Schemes Effective Date, in respect of:

- (a) the Term Loan A, each TLA Purchaser with TLA Unsecured Debt;
- (b) the Term Loan B, each TLB Purchaser with TLB Unsecured Debt;
- (c) the SSN Indenture:
 - (i) each SSN Noteholder with SSN Unsecured Debt; and
 - (ii) the SSN Notes Registered Holder, and the SSN Notes Registered Holder's nominee, Cede & Co;
- (d) the SUN Indenture:
 - (i) each SUN Noteholder with SUN Debt; and
 - (ii) the SUN Notes Registered Holder, and the SUN Notes Registered Holder's nominee, Cede & Co.

Unsecured SUN Debt Release has the meaning given to that term in Section 3.1.

U.S. Bankruptcy Court means the United States Bankruptcy Court of the Southern District of New York.

U.S. Securities Act means the United States Securities Act of 1933, 15 U.S.C. § § 77a-77aa, as now in effect or hereafter amended, and the rules and regulations promulgated thereunder.

Votrant means Votrant No. 1609 Pty Limited ACN 119 244 272.

Warrant Share means:

- (a) one (1) Share; or

- (b) if there is a Re-domiciling Event, the Substitute Property received in place of one (1) Share as a result of the Re-domiciling Event,

to be issued to a holder of a New Warrant on exercise of a New Warrant.

Working Capital Facilities means each of:

- (a) the Incremental Finance Facility; and
- (b) the Existing Backstop ABL.

Annexure A – Independent Expert's Report



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The Directors
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29 July 2021

Dear Directors

PART ONE – RECAPITALISATION INDEPENDENT EXPERT’S REPORT

1 Introduction

On 13 May 2021 (Announcement Date) Boart Longyear Limited (BLY or the Company) announced that an overwhelming majority of its lenders (the Supporting Creditors)¹ had entered into a Restructuring Support Agreement (RSA) that would convert approximately \$795 million of BLY’s debt into 98.5%² of the post-recapitalisation ordinary shares of BLY (the Recapitalisation). The Recapitalisation is intended to provide a more sustainable capital structure for BLY through substantially reducing debt and interest costs, strengthening the balance sheet as well as enhancing liquidity to support operations and future growth.

As a consequence of the Recapitalisation all existing BLY shareholders (Shareholders) other than Centerbridge, Ascribe and Corre will be materially diluted. After the Recapitalisation, affiliates of Centerbridge and Ascribe who currently collectively represent over 66% of its secured lenders and 45.5% of its unsecured lenders, respectively, will collectively hold 60% of the ordinary shares of the company.³

The Recapitalisation forms part of a wider restructuring involving the proposed Re-Domicile Transaction and related transactions (the Restructuring).

¹ The Supporting Creditors comprise Ares Management LLC (Ares), Ascribe II Investments LLC (Ascribe), Centerbridge Partners, L.P. (Centerbridge), Corre Partners Management LLC (Corre), First Pacific Advisers LP (FPA) and Nut Tree Capital Management (Nut Tree).

² Subject to dilution (1) including the new Shares that would be issued on exercise of the New Warrants, (2) before the issue of any Shares on the exercise of any Existing Warrants and Existing Options (3) before the issue of any Shares under the Share Purchase Plan (SPP) and the Creditor Share Purchase Option (CSPO), (4) before any buy-back of Shares under the Selective Share Buy-Back Programme (SBB) and (5) before the issue of any Shares under any management incentive plan.

³ Subject to dilution for the SPP, CSPO, any management incentive plan and New Warrants.



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BLY is a leading global provider of drilling services and manufacturer of drilling equipment and performance tooling for mining and drilling companies. At 12 May 2021, the Company had a market capitalisation of US\$36.3 million.⁴

Centerbridge, a US-based private equity firm, and its affiliates manage approximately US\$29.0 billion of capital under management. Centerbridge's partners include prominent financial institutions, universities, pension and sovereign wealth funds, private foundations and charitable trusts.

Ascribe is a US-based, private equity firm with approximately US\$3 billion of capital under management. The company's investment strategy aims to invest in securities of middle-market companies that are either distressed, or undergoing operational or financial challenges.

The key elements of the Restructuring are:

- **Deleveraging:** Debt will decrease to less than US\$200 million as approximately US\$795 million of debt (plus further accrued interest post Announcement Date) would be converted under the Creditors' Schemes⁵ into 98.5% of BLY's post-recapitalisation equity⁶ and in respect of the senior unsecured notes (SUNs) only, into new warrants to purchase shares of up to 10% of post-recapitalisation equity (with the total number of Shares on issue for the purposes of this calculation determined (1) including the new Shares that would be issued on exercise of the New Warrants, (2) before the issue of any Shares on the exercise of any Existing Warrants and Existing Options, (3) before the issue of any Shares under the SPP and the CSPO, (4) before any buy-back of Shares under the SBB and (5) before the issue of any Shares under any management incentive plan) (New Warrants). As a result, BLY's interest cost will reduce by US\$19.9 million in FY21 and US\$60.8 million in FY22.⁷
- **Incremental Financing:** On 1 June 2021, BLY entered into a term loan securities agreement with Corre, FPA and Nut Tree regarding the provision of debt financing in an aggregate maximum amount of US\$50 million (Incremental Finance Facility). The Incremental Finance Facility was established to provide additional working capital to support the BLY Group whilst the Recapitalisation is being implemented. To provide further liquidity BLY and PNC Bank, National Association, entered into the Seventh Amendment to the Amended and Restated Revolving Credit and Security Agreement to amend the Existing PNC ABL (2021 Existing PNC ABL Amendment), that provides US\$15 million of additional liquidity, an extension of the term to 24 July 2022 and the ability to enter into the Incremental Finance Facility.
- **New Warrants:** The issuance of New Warrants to holders of SUN Claims under the Creditors' Schemes to purchase shares of up to 10.0% of post-recapitalisation equity (with the total number of Shares on issue for the purposes of this calculation determined (1) including the new Shares that would be issued on exercise of the New Warrants, (2) before the issue of any Shares on the exercise of any Existing Warrants and Existing Options (3) before the issue of any Shares under the SPP and

⁴ Based on an exchange rate of 0.7741 US\$/AU\$ and market capitalisation the day prior to Announcement Date

⁵ Creditors' Schemes means both of the Secured Creditors' Scheme and the Unsecured Creditors' Scheme.

⁶ Subject to dilution before (1) the issue of any new shares on the exercise of any New Warrants, (2) the issue of any Shares on the exercise of any Existing Warrants of Existing Options, (3) the issue of any Shares under the SPP and CSPO, (4) any buy back of Shares under the SBB, and (5) the issue of any Shares under any management incentive plan.

⁷ Excluding any potential savings on the interest cost for the refinance of the Backstop ABL



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the CSPO, (4) before any buy-back of Shares under the SBB and (5) before the issue of any Shares under any management incentive plan), with a strike price per share of \$2.79.

- Share Purchase Plan: Eligible SPP Shareholders, as defined in the Explanatory Statement, will be able to participate in a SPP to purchase shares in the Company at the same price as the implied price for the new shares that will be issued to BLY creditors under the Creditors' Schemes capped at a maximum total amount of US\$2.5 million
- Creditor Share Purchase Option: Creditors will be able to participate in a CSPO at the same price as the implied price for the new shares that will be issued to BLY creditors under the Creditors' Schemes, capped at a maximum total amount of US\$2.5 million (as increased by the extent of any SPP undersubscription)
- Shareholder Recoveries: Due to equity being issued for the deleveraging and reduced interest the percentage of ordinary shares held by Shareholders will decrease to approximately 1.5%⁸ Post-Recapitalisation.
- Re-Domiciliation: BLY will undertake a Re-Domiciliation from Australia to Canada subject to separate court and shareholder approval
- Selective Buy-Back Programme: Subject to the Re-Domiciliation being approved, BLY will allow Shareholders who hold parcels of shares valued at less than \$3,000 the opportunity, under certain conditions, to offer to sell their BLY shares to BLY under a SBB. BLY may in its absolute discretion determine whether to accept (in whole or in part) or reject an offer from Shareholders to sell shares under the SBB and the maximum amount that BLY will spend to buy back shares under the SBB will be US\$500,000.
- Share consolidation: BLY will undertake a 20 to 1 share consolidation (Share Consolidation) to reduce the number of shares on issue
- Exit financing: BLY to also secure a new money investment to fully refinance (1) the Existing Backstop ABL and (2) the Incremental Finance Facility. The maximum amount available to be drawn under the Exit Financing Facility is expected to be US\$115 million.

A consequence of the Recapitalisation is that Centerbridge will reduce its shareholding from its current holding of 53.3% to 45.59% and Ascribe will reduce its current holding of 20.7% to 14.9% through the Creditors' Schemes.⁹

The combined effect of the Restructuring is summarised below:

- a reduction in debt of US\$795 million¹⁰ (plus further accrued interest post Announcement Date)

⁸ Subject to dilution before (1) the issue of any new shares on the exercise of any New Warrants, (2) the issue of any Shares on the exercise of any Existing Warrants of Existing Options, (3) the issue of any Shares under the SPP and CSPO, (4) any buy back of Shares under the SBB, and (5) the issue of any Shares under any management incentive plan.

⁹ Subject to dilution before (1) the issue of any new shares on the exercise of any New Warrants, (2) the issue of any Shares on the exercise of any Existing Warrants of Existing Options, (3) the issue of any Shares under the SPP and CSPO, (4) any buy back of Shares under the SBB, and (5) the issue of any Shares under any management incentive plan.

¹⁰ Sourced from the BLY ASX announcement issued on 13 May 2021



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- a new Incremental Financing Facility of US\$50.0 million and Existing PNC ABL facility of US\$15.0 million¹¹
- a reduction in interest cost of US\$19.9 million in FY21 and US\$60.8 million in FY22¹²
- a dilution in the ordinary equity holdings of Shareholders¹³ to 1.5% of their original holding¹⁴ and
- post the Recapitalisation the Board will comprise the Chief Executive Office, five Centerbridge nominated directors and three other directors nominated by the Ad Hoc Group¹⁵.

The proposal is described more fully in Section 14 of this report.

The Restructuring contains a number of conditions (refer Section 5.1 of this report and Section 5 of the RSA).

In order to assist Shareholders in assessing the Recapitalisation, the Board of BLY has requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) to prepare an independent expert report (IER) setting out whether, in our opinion, the Recapitalisation is fair and reasonable to the Non-Associated Shareholders of BLY.

This report sets out KPMG Corporate Finance's opinion on the Recapitalisation and will be included in the Explanatory Statement to be sent to Shareholders prior to the Extraordinary General Meeting (EGM). This report should be considered in conjunction with, and not independently of, the information set out in the Explanatory Statement. It should also be read in conjunction with KPMG Corporate Finance's Re-Domiciliation independent expert report as set out in the Scheme Booklet with respect to the Re-Domiciliation.

Further information regarding KPMG Corporate Finance as it pertains to preparation of this report is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Requirement for our Report

Section 606 of the Corporations Act (the Act) expressly prohibits an individual (or corporation) as a result of a transaction increasing their shareholding either to obtain more than 20.0% or to move from a starting point that is above 20% and below 90% of the voting power of an Australian listed company, unless a full takeover offer is made. An exemption to this rule is contained in item 7 section 611 of the Act, which allows the target company shareholders the opportunity to vote to forgo their right to a full takeover. In passing the resolution, no votes may be cast by the potential acquirer or their associates or by the persons from whom the acquisition is to be made or their associates.

The acquisition of shares under the Creditors' Schemes and under the CSPO by Centerbridge requires shareholder approval under Item 7 of Section 611 of the Act to the extent that it results in Centerbridge's voting power increasing above Centerbridge's voting power in the Company at the date of this report of

¹¹ Sourced from the BLY ASX announcement issued on 13 May 2021

¹² Excluding any potential savings on the interest cost for the refinance of the Backstop ABL

¹³ Non-Associated Shareholders means a Shareholder who is not a Secured or Unsecured Scheme creditor or an associate of a Secured or Unsecured Scheme Creditor

¹⁴ Subject to dilution before (1) the issue of any new shares on the exercise of any New Warrants, (2) the issue of any Shares on the exercise of any Existing Warrants of Existing Options, (3) the issue of any Shares under the SPP and CSPO, (4) any buy back of Shares under the SBB, and (5) the issue of any Shares under any management incentive plan.

¹⁵ The Ad Hoc Group comprises Ascribe, Ares, Corre, FPA and Nut Tree



53.3%. It is expected that Centerbridge's voting power in the Company will decrease following implementation of the Recapitalisation, in particular due to the significant number of shares being issued to other creditors under the Creditors' Schemes and the CSPO, which will occur on the same date as the shares are issued to Centerbridge. However, Shareholder approval under item 7 of section 611 of the Corporations Act is being sought from Shareholders in case (due to the timing of issue of the shares to the different parties under the Creditors' Schemes, SPP and CSPO) at any point in time Centerbridge's voting power in the Company did increase above 53.3% for a period of time.

The Ad Hoc Group consider that they may be deemed to be associates of each other in relation to the Company by virtue of section 12(2)(b) or 12(2)(c) of the Act on the basis of the RSA. Consequently, each of the Ad Hoc Group members is treated as having voting power equal to the aggregate of the total number of votes attaching to voting shares in which any of the Ad Hoc Group members hold a relevant interest. As at the date of this report, together, the Ad Hoc Group members have aggregate voting power in the Company of 23.6%. The acquisition of Shares by the Ad Hoc Group members under the Creditors' Schemes and the CSPO and on exercise of the New Warrants issued to the Ad Hoc Group members requires shareholder approval under Item 7 of Section 611 of the Act because it results in their voting power in the Company increasing above the Ad Hoc Group member's voting power in the Company of 23.6% as at the date of this report.

In the case of a resolution pursuant to Item 7 Section 611 of the Act, Regulatory Guide 74 (RG74) "Acquisitions approved by members" issued by the Australian Securities and Investments Commission (ASIC) requires that Non-Associated Shareholders be supplied with all information that is material to the decision on how to vote on the Restructuring. In such circumstances, the Directors are required to provide Shareholders with a detailed analysis of whether the Restructuring is fair and reasonable. The Directors may undertake such an analysis or, as is more commonly the case, the Directors may engage an independent expert to report on the Restructuring. In this case, the Independent Directors have requested KPMG Corporate Finance to prepare an IER, opining on whether the Restructuring is fair and reasonable.

Further, we note that the analysis as to fairness must be made on the basis that the Recapitalisation is for 100.0% ownership of BLY and should not consider Centerbridge's, Ascribe's or any Ad Hoc Group member's existing shareholding.

Refer to Section 6 of our attached report for further details on the technical requirements and the basis of assessment for the IER.

3 Summary of opinion

3.1 Conclusion

In our opinion, having assessed the Recapitalisation to the Shareholders, we consider the Recapitalisation to be fair and reasonable to Non-Associated Shareholders, in the absence of a superior proposal.

In arriving at this opinion, we have considered the terms of the Recapitalisation. We have assessed whether the Recapitalisation is:

- *fair*, by comparing our assessed value of BLY prior to the Recapitalisation, on a controlling interest basis, to our assessed value of a share in BLY following completion of the Recapitalisation, on a minority (portfolio) basis
- *reasonable*, by assessing for the Shareholders:
 - implications of the Recapitalisation
 - available alternatives to the Recapitalisation, and



- the consequences of not approving the Recapitalisation.

The Recapitalisation is the outcome of a Capital Structure Review process which BLY initiated in 2020 to evaluate capital structure options given the significant debt maturities falling due in 2022. The Capital Structure Review had a number of key objectives including reducing the high levels of debt, improving liquidity, providing a more sustainable capital structure whilst at the same time achieving the best possible outcome for Shareholders.

The significant debt maturities the Company was facing was also reflected in the going concern comments made in the Annual Report 2020 which noted that going concern was dependent on the support of the creditors and the ability to refinance various obligations. The difficult industry conditions that had impacted BLY's financial results were further exacerbated by the COVID-19 pandemic in FY20. This made it difficult in the context of the Capital Structure Review to achieve an optimal outcome for all the objectives.

Any examination of the Recapitalisation needs to recognise these events, the inherent uncertainty that this creates for any valuation, their impact on available alternatives and the consequences should the Recapitalisation not be approved.

As a starting point, we have assessed whether the Recapitalisation is fair by comparing the value prior to the Recapitalisation, on a control basis, to that post the Recapitalisation on a non-controlling basis. In our valuation we have recognised the cyclical nature of the industry by applying 'through-the-cycle' earnings figures as well as 'through-the-cycle' capitalisation multiples. However, a valuation of the Company in the current stage of the cycle is complex as this requires estimates of the length and the impact of the current industry cycle and therefore includes some optionality regarding the recovery of the industry.

Our valuation analysis indicates that Non-Associated Shareholders will be better off post the Recapitalisation. Fundamentally this arises because BLY's current debt is greater than the value of its assets Pre-Recapitalisation. On this basis, no value is attributable to the shares Pre-Recapitalisation whereas Post-Recapitalisation the value is between US\$0.0432 and US\$0.0498 per share of BLY.

This outcome is not unexpected given the current position of BLY in the industry cycle, the impacts of the COVID-19 pandemic and its resulting current level of debt.

In forming our opinion as to the reasonableness of the Recapitalisation, we have considered a number of advantages and disadvantages for the Non-Associated Shareholders. The principal factors supporting the conclusion include:

- in our view it represents the most superior option currently available to Non-Associated Shareholders. If the Recapitalisation is not approved BLY faces a potential insolvency
- it provides a more appropriate capital structure and improved liquidity
- the Recapitalisation substantially reduces the net debt of the Company to a more sustainable position
- the Recapitalisation provides certainty of the outcome in relation of the Capital Structure Review and looming debt maturity events
- the removal of liquidity concerns may result in improved business performance as the management of BLY (Management) can focus on improving operational results, rather than on the liquidity concerns, and
- additional liquidity is facilitated through the Recapitalisation.

Principal factors that do not support the conclusion include:



- the Non-Associated Shareholders' investments will be significantly diluted.

Other considerations such as the costs of the transaction had a lesser impact on our reasonableness conclusion. The key factors and other considerations are discussed in more detail in Sections 3.3.1 and 3.3.2 respectively.

In relation to these matters, notwithstanding their subjective nature, we consider the advantages of the Recapitalisation to considerably exceed the disadvantages particularly given the potential adverse effects should the Recapitalisation not be approved.

The principal matters that KPMG Corporate Finance has taken into consideration in forming its opinion that the Recapitalisation is fair and reasonable are summarised in the remainder of Section 3 below.

3.2 Assessment of fairness

Our fairness assessment has been based on comparing the value of a share in BLY prior to the Recapitalisation, on a control basis, to that post the Recapitalisation on a non-controlling basis.

Whilst the BLY creditors under the Creditors' Schemes are not acquiring 100.0% of BLY we are required to consider the value as if the offer was for full control. Therefore, we have assessed the value of a BLY share based on 100.0% ownership, having regard to synergies which would be generally available to a broad pool of potential purchasers.

We have applied a capitalised earnings approach to derive the value of BLY on a controlling basis. Due to the characteristics of the business operations, we have based our valuation on an analysis of 'through-the-cycle' maintainable earnings of the Company as well as capitalisation multiples for a similar period. The reason for this being the cyclical nature of the drilling business as a result of fluctuations in exploration spending in the mining industry. We have further reflected certain balance sheet items as at 30 June 2021. The number of shares is based on the expected number of shares at the Implementation Date prior to the Recapitalisation. Under this approach, we have assessed the control value of a BLY share, Pre-Recapitalisation, to be in the range of negative US\$5.147 to negative US\$4.525 per share, as outlined in the table below.

Table 1: Boart Longyear Valuation Summary

	Report Section	Value range (US\$ million)	
		Pre-Recapitalisation	
		Low	High
Maintainable earnings (EBITDA)	16.3.2	65.0	85.0
EBITDA multiple (on a controlling basis) (times)	16.3.3	7.0x	6.0x
Enterprise Value of Boart Longyear		455.0	510.0
Less: Net debt as at 30 June 2021	16.4.2	(910.7)	(910.7)
Add: Assets held for sale	8.3	0.2	0.2
Equity Value of Boart Longyear		(455.5)	(400.5)
Issued shares (million) up to	14	88.5	88.5
Equity value per share on a marketable, controlling basis (US\$)		(5.147)	(4.525)
Foreign currency exchange rate as at 15 July 2021 (US\$:AU\$)		0.75	0.75
Equity value per share on a marketable, controlling basis (AU\$)		(6.882)	(6.051)

Source: FY20 Annual Report, Management, KPMG Corporate Finance analysis

Note 1: Differences in calculations due to rounding

The equity value per share on a marketable, controlling basis, is negative primarily as the debt outstanding is greater than the assessed enterprise value of the Company. The current level of gearing is a result of both debt drawdowns over the last years since the top of the mining cycle in 2012, the sustained

weakness in the mining services industry cycle since then and the impacts of the COVID-19 pandemic over the past year. Weakened market conditions led to a continued increase in outstanding debt as cash interest was deferred through ‘payment-in-kind’ interest capitalisation in order to meet liquidity requirements.

The value of BLY increases from a range of negative US\$5.147 to negative US\$4.525 per share Pre-Recapitalisation to a range of US\$0.0432 to US\$0.0498 per share Post-Recapitalisation. The increase in value relates mainly to the cancellation of US\$795¹⁶ million of debt in exchange for the issuance of ordinary equity to the Supporting Creditors. This reduces the financial leverage of the Company sufficiently to create a positive equity valuation. We note that as a result of the Recapitalisation there is a significant dilution to current Non-associated Shareholders, reflecting the issuance of approximately 6,520.3 million additional shares¹⁷.

In contrast to the Pre-Recapitalisation valuation, we have set out below the value per share Post-Recapitalisation, which is based on an equity value for a minority shareholder and the number of shares Post-Recapitalisation. This value per share Post-Recapitalisation also takes into account the proceeds from the SPP and CSPO and the reduction of net debt and only considers the cost incurred in respect of the Recapitalisation as at 30 June 2021 of approximately US\$12.6 million¹⁸. The calculation of the value per share Post-Recapitalisation is shown in the table below.

Table 2: Post-Recapitalisation value analysis

	Report Section	Value range (US\$ million) Post-Recapitalisation	
		Low	High
Maintainable earnings (EBITDA)	16.3.2	65.0	85.0
EBITDA multiple (on a controlling basis) (times)	16.3.3	7.0x	6.0x
Enterprise Value of Boart Longyear		455.0	510.0
Less: Net Debt post-restructuring	16.4.2	(103.5)	(103.5)
Add: Cash proceeds from SPP and CSPO	1	5.0	5.0
Add: Assets held for sale	8.3	0.2	0.2
Equity Value of Boart Longyear on a controlling basis		356.7	411.7
less: Minority Discount (20.0%) ²		(71.3)	(82.3)
Equity Value of Boart Longyear on a minority basis		285.3	329.3
Issued shares (million) post-proposal up to	14	6,608.8	6,608.8
Equity value per share (US\$)		0.0432	0.0498
Foreign currency exchange rate as at 15 July 2021 (US\$:AU\$)		0.75	0.75
Equity value per share (AU\$)		0.0577	0.0666

Source: Management, KPMG Corporate Finance Analysis

Note 1: Tables may not cast due to rounding

Note 2: A 25.0% control premium translates into a 20.0% minority discount

A comparison of the value per share on a Pre and Post-Recapitalisation basis is outlined in the table below.

¹⁶ Excluding interest accrued post Announcement Date

¹⁷ Including the maximum number of shares to be issued under the SPP, the CSPO and any Warrant Shares on a comparable Pre-Share Consolidation basis, equaling 330.4 million shares Post-Share Consolidation.

¹⁸ The full cost of the Recapitalisation is estimated to be US\$40.4 million.

Table 3: Comparison of Value Pre and Post-Recapitalisation

US\$ unless otherwise stated	Value per share (US\$)	
	Low	High
Assessed value per BLY share Pre-Recapitalisation	-	-
Assessed value per BLY share Post-Recapitalisation	0.0432	0.0498
Premium/(discount) (US\$ per share)	0.0432	0.0498

Source: KPMG Corporate Finance Analysis

According to RG 111, the Recapitalisation should be considered fair if the value per share post the Recapitalisation is equal to or higher than our assessed value of a BLY share Pre-Recapitalisation.

In this respect the assessed value range per BLY share Pre-Recapitalisation is lower than our assessed value range for a BLY share Post-Recapitalisation and therefore we consider the Recapitalisation to be fair.

We have further calculated the earnings multiple required to be applied to the maintainable earnings that would result in the Recapitalisation to become not fair. The required earnings multiple range would have to be between 10.8x and 14.1x¹⁹. We consider ultimately the transaction evidence as reflected in Appendix 4 to be the best indicator of prices that third parties are prepared to pay for a company in a particular industry. We note that at no point over the observed transaction period has any acquirer been willing to pay a multiple as those required multiples calculated above. In our view, given the disparity between the multiples implied by the market transaction evidence and the required multiples calculated above, this further supports our opinion of the Recapitalisation to be fair for Non-Associated Shareholders.

3.3 Assessment of reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As the Recapitalisation is fair for Non-Associated Shareholders, the Recapitalisation is reasonable for Non-Associated Shareholders. Notwithstanding this requirement, we consider the Recapitalisation to be reasonable. In forming this view we have considered a range of factors that Non-Associated Shareholders may also wish to consider in assessing whether to vote in favour of the Recapitalisation.

3.3.1 Key factors

Outlined below are the key factors, separated in advantages and disadvantages, which support the view that the Recapitalisation is reasonable.

Advantages

In our view the Recapitalisation represents the most superior option currently available to Non-Associated Shareholders

In assessing the merits of the Recapitalisation, we have considered the relative attractiveness of other options available to BLY. During the Capital Structure Review the Company and their advisers have reviewed a range of recapitalisation measures and other options, including:

- on- and/or off-market capital raisings

¹⁹ Calculated as the EV multiple at which the value of a share Pre-Recapitalisation equals the value of a share Post-Recapitalisation.



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- refinancing of the current debt instruments
- extension of the maturities of the current debt instruments, and
- maintaining the status-quo.

Whilst on- and/or off-market capital raisings were considered (of which an on-market capital raising would have included the possibility for current Non-Associated Shareholders to participate and to avoid a dilution of their shareholding), restrictions in relation to the reasonable size of such a capital raising as well as the conditions of the SUNs have resulted in this not being capable of implementation.

Both a refinancing of the current debt instruments or an extension of their maturities, would not have resulted in a material and sustainable reduction in the financial obligations for BLY. As such future interest and principal payments would not have been reduced sufficiently.

It is not possible to maintain the status quo without a restructure. Based on current financial results BLY is not capable of meeting its present interest and principal obligations and has significant debt maturing in 2022.

The Recapitalisation is superior to all other options currently available to the Company as it substantially reduces the quantum of debt within BLY to a more sustainable position. It also gives Non-Associated Shareholders an opportunity to participate in a potential future upside if industry and business performance improve.

If the Recapitalisation is not implemented, BLY is likely to face insolvency, in the absence of an alternative proposal. In such circumstances Non-Associated Shareholders could expect to realise zero value.

The Recapitalisation provides BLY with an immediate improved liquidity position

The Recapitalisation will substantively reduce the current debt obligations in a way that reduces interest cost for the Company by US\$19.9 million in FY21 and US\$60.8 million in FY22. The reduced cash payments will help the Company's ongoing liquidity during the current industry cycle until the mining industry recovers.

The Recapitalisation will significantly reduce BLY's debt position by approximately US\$795 million.

Further, the Annual Report 2020 noted that Going Concern was dependent:

- on securing an agreement to remove the obligation to pay cash interest on the Senior Secured Notes in June 2021 and December 2021, and
- on the ongoing support of BLY's debt providers, including negotiating a refinancing or recapitalisation of the debt facilities which were to expire in the second half of 2022.

The Annual Report 2020 audit opinion also noted material uncertainty related to Going Concern.

Taking into consideration the reduction in cash interest cost that the Recapitalisation will provide to BLY and the ongoing restructuring efforts of the Company, based on a historical cash flow analysis, the Company may be able to improve its financial viability over the coming years.

There remains the possibility however that the recovery of the mining cycle takes longer than expected.

The Recapitalisation concludes the Capital Structure Review providing certainty to Non-Associated Shareholders

Certainty over the outcome of the Capital Structure Review reduces risk for the Company and the Shareholders. Alternative options in the absence of the Recapitalisation, including potential insolvency,



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carry significant uncertainty. In our view, alternative options are unlikely to result in Non-Associated Shareholders realising greater value than if the Recapitalisation is not implemented.

The resolution of the Capital Structure Review and the increased liquidity going forward will allow management to focus on improving business performance and operational results.

Additional financing is facilitated through the Recapitalisation and improved maturity

In conjunction with executing the RSA, BLY has also secured a new money investment from lenders affiliated with Corre, FPA and Nut Tree to fully refinance (1) the Existing Backstop ABL and (2) the Incremental Finance Facility. The maximum amount available to be drawn under the Exit Financing Facility is expected to be US\$115 million.

This will better align BLY's external debt as it will be all US based, where the majority of revenue is earned and where its financial creditors are based.

Until the implementation of the Exit Financing Facility the 2021 Existing PNC ABL Amendment, provides US\$15 million of additional liquidity and an extension of the term to 24 July 2022.

Disadvantages

Non-Associated Shareholders' investments will be significantly diluted

The Non-Associated Shareholders investment will be significantly diluted as under the Recapitalisation approximately \$795 million of BLY's debt (plus further accrued interest post Announcement Date) converts into 98.5%²⁰ of the post-recapitalisation ordinary shares of BLY. Currently the Non-Associated Shareholders hold 23.1% of the ordinary equity, whereas Post-Recapitalisation they will hold approximately 0.3346%²¹ of the reorganised ordinary equity. This may decrease to 0.23% depending on the exercise of the SPP, CSPO and New Warrants. As such Non-Associated Shareholders will have very limited ability to influence the future direction of the Company.

No influence on the structure of the Board

The Board of Directors of BLY (Board) will consist of nine Board members. Supporting Creditors will be able to nominate eight members to the Board, with Centerbridge being able to nominate five members and the Ad Hoc Group²² three members. The CEO of the Company will remain on the Board. Centerbridge appointed Board members will therefore represent the majority of the Board after the Recapitalisation. As a result, the Company will remain not being in compliance with some of the ASX Corporate Governance Council Principles and Recommendations, including the recommendation that a majority of the board of a listed entity should be independent directors.

²⁰ Subject to dilution before (1) the issue of any new shares on the exercise of any New Warrants, (2) the issue of any Shares on the exercise of any Existing Warrants of Existing Options, (3) the issue of any Shares under the SPP and CSPO, (4) any buy back of Shares under the SBB, and (5) the issue of any Shares under any management incentive plan.

²¹ Subject to dilution before (1) the issue of any new shares on the exercise of any New Warrants, (2) the issue of any Shares on the exercise of any Existing Warrants of Existing Options, (3) the issue of any Shares under the SPP and CSPO, (4) any buy back of Shares under the SBB, and (5) the issue of any Shares under any management incentive plan.

3.3.2 Other considerations

In forming our opinion, we have also considered a number of other factors as outlined below. Whilst we do not necessarily consider these to be advantages or disadvantages of the Recapitalisation, we consider it appropriate to address these considerations in arriving at our opinion:

- upon the successful completion of the Recapitalisation, BLY is expected to incur total transaction costs of approximately US\$40.4 million (US\$0.46 per share²³) including advisory costs, legal fees, independent expert fees and other costs associated with the Recapitalisation (including advisory fees incurred by the Supporting Creditors required to be reimbursed by BLY). As at 30 June 2021 approximately US\$12.6 million in professional fees has already been incurred. We note however that any alternative option would also likely impose considerable costs on BLY to implement
- the BLY creditors under the Creditors' Schemes will have a collective ownership of approximately 99.7% (after the Creditors' Schemes) in BLY. It is likely that there will be limited liquidity in the remaining outstanding shares as well as a further reduced coverage from analysts (currently only one analyst is following BLY) and also a lower possibility of any other transaction emerging, without the support of Centerbridge and Ascribe
- under the SPP, Eligible SPP Shareholders will be entitled to subscribe for up to \$30,000 worth of shares subject to an aggregate maximum cap of US\$2.5 million
- without the Recapitalisation and the support of the Company's lenders BLY's current business situation would likely result in some form of insolvency appointment for the Company and subsidiaries in other jurisdictions. Due to this being likely a multi jurisdiction insolvency process it would result in heightened complexity and costs for BLY. As such Non-Associated Shareholders would have very limited chance of recovery of their investments
- any other potential restructuring of BLY or its debt obligations would require the support of the Supporting Creditors, and therefore would likely result in a similar outcome except the uncertainties around timeline and the potential recovery for Non-Associated Shareholders in such a process, and
- BLY has, prima facie, unused tax losses available to offset against future taxable income. However we have not attributed any value to unused tax losses held by BLY in our valuation of BLY given the difficulty typically experienced by potential purchasers in satisfying the tests which allow them to utilise the tax losses held by acquired businesses and the uncertainty as to the specific utilisation profile applicable to potential purchasers. More often than not with distressed entities, potential acquirers do not attribute material value to tax losses even though they may have value for the Shareholders.

Further, the availability of any tax losses will be impacted by the Restructuring as the exchange of debt for BLY Shares is expected to give rise to a commercial debt forgiveness under Australian tax legislation which has the effect of reducing unused tax losses. BLY must also satisfy the continuity of ownership test, and failing this, the same business test or alternatively a similar business test (depending on the applicable loss year) in order to be able to utilise unused tax losses (refer Section 6.3(d) of the Explanatory Memorandum for further detail in relation to the tax risks).

²³ Based on the current number of shares



3.3.3 **Implications if the Recapitalisation is not approved**

The Board will likely need to place the Company into voluntary administration (or alternatively a Chapter 11 process in the US) if the Recapitalisation is not approved, which may lead to the appointment of receivers and managers. If the Company was to go into voluntary administration or receivership, the following options may be available to raise funds:

- sale of company assets
- refinancing the debt
- alternative whole of company sale, and
- recapitalisation of the Company through the issue of new equity.

As pointed out in Section 3.3.1 the Company and its advisers have already considered several of these options in relation to the Recapitalisation none of which was seen as superior to the Recapitalisation. Further, should the Company enter into insolvency we do not expect that Non-Associated Shareholders would receive any value for their shares.

We note also that if the Recapitalisation is not approved some of the professional fees related to the Recapitalisation will already have been incurred even if the Recapitalisation is not approved and will reduce BLY's liquidity further. As at 30 June 2021 approximately US\$12.6 million in professional fees has already been incurred.

4 **Other matters**

In forming our opinion, we have considered the interests of Non-Associated Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Shareholders. It is not practical or possible to assess the implications of the Recapitalisation on individual Shareholders as their financial circumstances are not known. The decision of Non-Associated Shareholders as to whether or not to approve the Recapitalisation is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Shareholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Non-Associated Shareholders in considering the Recapitalisation. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in US\$ unless otherwise stated. References to the financial year to 31 December have been abbreviated to FY.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Statement to be sent to Shareholders in relation to the Recapitalisation, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Explanatory Statement.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2.

We refer readers to the limitations and reliance on information as set out in Section 6.3 of our report. In this respect, Non-Associated Shareholders should recognise that our opinion is based on prevailing



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market, economic and other conditions at the date of this report and corresponds with a period of significant volatility in global financial markets and widespread macro-economic uncertainty associated with the COVID-19 pandemic. To the extent possible, we have reflected these conditions in our opinion. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively.

We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ian Jedlin'.

Ian Jedlin
Authorised Representative

A handwritten signature in black ink, appearing to read 'Adele Thomas'.

Adele Thomas
Authorised Representative



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5 The Recapitalisation

On 13 May 2021 BLY announced that an overwhelming majority of its lenders had entered into a RSA that would convert approximately \$795 million, or approximately 85% of BLY's existing debt and accrued interest cost into 98.5%²⁴ of the post-recapitalisation ordinary shares of BLY (the Recapitalisation). The Recapitalisation is intended to provide a more sustainable capital structure for BLY through substantially reducing debt and interest costs, strengthening the balance sheet as well as enhancing liquidity to support operations and future growth.

As a consequence of the Recapitalisation all Non-Associated Shareholders, being those other than Centerbridge, Ascribe and Corre will be materially diluted. After the Recapitalisation, affiliates of Centerbridge and Ascribe, who currently collectively represent over 66% of its secured lenders and 45% of its unsecured lenders, respectively, will collectively hold over 60% of the ordinary shares of the company²⁵.

The Recapitalisation forms part of a wider restructuring involving the proposed Re-Domicile Transaction and related transactions (the Restructuring).

The RSA was entered into by amongst others Ares Management LLC (Ares), Ascribe, Centerbridge, Corre Partners management LLC (Corre), First Pacific Advisers LP (FPA) and Nut Tree Capital Management (Nut Tree) (together the Supporting Creditors), which hold the majority of BLY's approximately US\$900 million of debt that matures in 2022.

As part of the Recapitalisation:

- Term Loan A and Term Loan B of approximately \$353.5 million will be converted into equity based on 100% of the secured face value and 25% of the unsecured face value and any allocation under the CSPO
- 10% Senior Secured Notes due 2022 of approximately \$348.4 million will be converted into equity based on 100% of the secured portion and 25% of the unsecured portion and any allocation under the CSPO
- 1.5% Senior Unsecured Notes due 2022 of approximately \$93.9 million will be converted into equity based on 22.5% of the face amount and pro rata share of the New Warrants based 100.0% of the face amount and any allocation under the CSPO, and
- Shareholders will maintain their shares, diluted by the Recapitalisation to 1.5% (Subject to dilution before (1) the issue of any new shares on the exercise of any New Warrants, (2) the issue of any Shares on the exercise of any Existing Warrants of Existing Options, (3) the issue of any Shares under the SPP and CSPO, (4) any buy back of Shares under the SBB, and (5) the issue of any Shares under any management incentive plan).

²⁴ Subject to dilution before ((1) the issue of any new shares on the exercise of any New Warrants, (2) the issue of any Shares on the exercise of any Existing Warrants of Existing Options, (3) the issue of any Shares under the SPP and CSPO, (4) any buy back of Shares under the SBB, and (5) the issue of any Shares under any management incentive plan.

²⁵ Subject to dilution before (1) the issue of any new shares on the exercise of any New Warrants, (2) the issue of any Shares on the exercise of any Existing Warrants of Existing Options, (3) the issue of any Shares under the SPP and CSPO, (4) any buy back of Shares under the SBB, and (5) the issue of any Shares under any management incentive plan.

The Recapitalisation will be implemented by two creditor's schemes of arrangement and by Shareholders at an Extraordinary General meeting.

The impact of the Recapitalisation on the statement of financial position is discussed in further detail in Section 14.

In conjunction with the Recapitalisation under the RSA BLY is also committed to redomicile its business to Canada.

5.1 Conditions of the Recapitalisation

The Recapitalisation is subject to a number of conditions which are set out in full in the Explanatory Statement (Section 12.1). The key conditions are:

- the independent expert not concluding that the Recapitalisation is "not fair" and "not reasonable" for Non-Associated Shareholders of the Company
- Shareholders of the Company approving the required resolutions to give effect to the Recapitalisation at the general meeting by the requisite majorities
- creditors of the Company approving the creditors' schemes of arrangement by the requisite majorities
- court approval of the Creditors' schemes of arrangement
- any and all conditions in relation to the Exit Financing shall have been satisfied or waived
- the warranties given by the Company and the Supporting Creditors being true and correct in all material respects
- Supporting Creditors and the New BLY Parent obtaining approval under the Foreign Acquisitions and Takeovers Act 1975 (Cth)
- the issue of shares and warrants notes under the Recapitalisation, where relevant, being exempt from registration under section 3(a)(10) of the United States Securities Act of 1933, and
- the Company obtaining all other relevant regulatory approvals, confirmations, consents or waivers, including confirmation from the ASX that it approves the terms of the warrants.

The RSA can also be terminated prior to the Completion Date²⁶ by either BLY or the Supporting Creditors in the event that there has been a material breach of the agreement or where BLY enters into a Competing Proposal.

5.2 Impact of the COVID-19 pandemic

The timing of the Proposal corresponds with a period of unprecedented social and community disruption, as a result of COVID-19 and the economic stimulus and other measures implemented by governments to counter its spread.

The impact of the COVID-19 pandemic on value depends on the characteristics of the individual investments and their geographical location given different restrictions that may apply between States. In

²⁶ Being the first date on which all Milestones (as defined in Schedule 3 of the RSA) have been completed.

this regard, demand-based assets are most at risk from a downward value adjustment, particularly those investments exposed to the travel sector (e.g. airports) and directly correlated with gross domestic product (GDP) performance (e.g. ports). Availability based or regulated assets or assets related to essential services are expected to be more stable at a revenue level, unless broader economic pressures force changes to contractual mechanisms. However, demand-based assets will have the potential to recover more quickly when economic activity returns and will also be potential beneficiaries of initial government stimulus measures.

The profile of the recovery will likely be a more substantial determinant of value impact than the movement in equity markets or short-term declines in earnings. Contributing to the speed of recovery will be the success of the widespread Australian and global government stimulus measures announced to support industries and individuals in negotiating the downturn. However, whilst these measures may soften the immediate impact, a number of these measures have been withdrawn from 28 March 2021 and furthermore, the cost of funding these measures will potentially create a prolonged longer term drag on economic performance.

6 Scope of the report

6.1 Purpose

This report has been prepared for inclusion in the Notice of Extraordinary General Meeting and Explanatory Statement and has been prepared for the purpose of assisting Non-Associated Shareholders in their consideration of the Recapitalisation. Shareholder approval is required in relation to the issue of new shares in BLY, to the extent necessary to fully implement the Recapitalisation, under ASX Listings Rules 7.1 and 10.11; and (item 7) s611 and Chapter 2E s208 of the Act.

The Recapitalisation involves 15 resolutions (Resolutions) of which Resolution 1 to 6 must be passed in order for the Recapitalisation to be approved and implemented, being:

- approval for the issue of shares to, and acquisition of shares by Centerbridge
- approval for the issue of shares to, and acquisition of shares by the Ad Hoc Group
- approval for the issue of shares and New Warrants under the Creditors Schemes
- approval for the consolidation of the shares
- approval for the issue of shares under the SPP, and
- approval for the issue of shares under the CSPO.

In undertaking this work, we have referred to the guidance by ASIC under RG 74 and RG 111 “Content of expert reports”.

6.2 Basis of assessment

RG 111, issued by ASIC, indicates the principles and matters which it expects a person preparing an independent expert’s report to consider. It includes guidance in relation to control transactions.

Control transactions under Item 7 Section 611

The term ‘fair and reasonable’ has no legal definition. RG 74 provides that any analysis should comply with the requirements of RG 111.

In relation to the concepts of ‘fair and reasonableness’, RG 111 notes:

- ‘fair and reasonable’ is not regarded as a compound phrase
- an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100.0% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the ‘bidder’ or its associates in the target when making this comparison
- an offer is ‘reasonable’ if it is ‘fair’
- an offer might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100.0% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash and without considering the percentage holding of the ‘bidder’ or its associates in the target prior to the bid. That is, RG 111 requires the value of BLY to be assessed as if the bidder was acquiring 100.0% of BLY. Adapting this test to an Item 7 of Section 611 of the Corporations Act transaction involves a comparison of the control value of the share prior to the transaction with the value of the shares that will be “received” by the shareholder post the transaction i.e. comparing the control value of a BLY share before the Recapitalisation with the value of a BLY share post the Recapitalisation.

In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect ‘special value’ that might accrue to the acquirer. Accordingly, when assessing the full underlying value of BLY, we have considered those synergies and benefits that would be available to more than one potential purchaser (or a pool of potential purchasers) of BLY. As such, we have not included the value of special benefits that may be unique to Centerbridge or Ascribe. Accordingly, our valuation of BLY has been determined regardless of the other party and any special benefits have been considered separately.

In considering whether the Recapitalisation is reasonable, we have considered the following factors:

- the rationale and implications of the Recapitalisation including the impact on its financial position and the potential dilution for Non-Associated Shareholders
- the extent of any implied premium over recent trading prices for a BLY share, if any, being paid by Centerbridge and Ascribe
- other alternatives considered and the prospects of a superior alternative offer emerging
- the consequences of not approving the Recapitalisation
- any other benefits or disadvantages of the Recapitalisation that we believe to be relevant.

Related Party Transaction under Chapter 2E Section 208

Chapter 2E of the Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Act prohibits a public company from giving a financial benefit to a related party,



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including the issuance of securities, unless an exception applies. A related party of a public company is defined in Section 228 of the Act to include an entity which controls that public company. Centerbridge may be considered a related party of the Company on the basis it may be said to 'control' the Company given Centrebridge's existing shareholding in BLY. The Directors have therefore determined to seek approval for the issuance of Shares to Centerbridge under the CSPO under Chapter 2E of the Act notwithstanding that such approval is not strictly necessary.

RG 111 notes in relation to related party transactions under RG 111.63 that an expert only needs to conduct one analysis of whether the transaction is 'fair and reasonable', even if the report has been prepared for a reason other than the transaction being a related party transaction, e.g. a control transaction under item 7 of s611.

ASX Listing Rules

ASX Listing Rule 7.1 requires shareholder approval as more than 15% of the existing capital will be issued as part of the Recapitalisation.

ASX Listing Rule 10.11 requires shareholder approval, amongst other things, where securities are to be issued to a related party or to a party who held substantial equity within the prior 6 months (30% plus).

The ASX Listing Rule provide no guidance as to the form and substance of any independent expert report prepared in relation to such circumstances. In this regard it is common practice to adopt the relevant regulatory guidance issued by ASIC.

Centerbridge holds currently 53.3% of BLY shares. Accordingly, the issue of the New Common Equity in relation to Centerbridge falls within Listing Rule 10.11.1 and requires approval of Shareholders under Listing Rule 10.11.

6.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of BLY for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with the management in relation to the nature of the Company's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

BLY has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.



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The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the Management. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, BLY remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report and corresponds with a period of significant volatility in global financial markets and widespread macro-economic uncertainty associated with the COVID-19 pandemic. To the extent possible, we have reflected these conditions in our opinion. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively.

We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. BLY has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to BLY and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising BLY.

7 Company overview

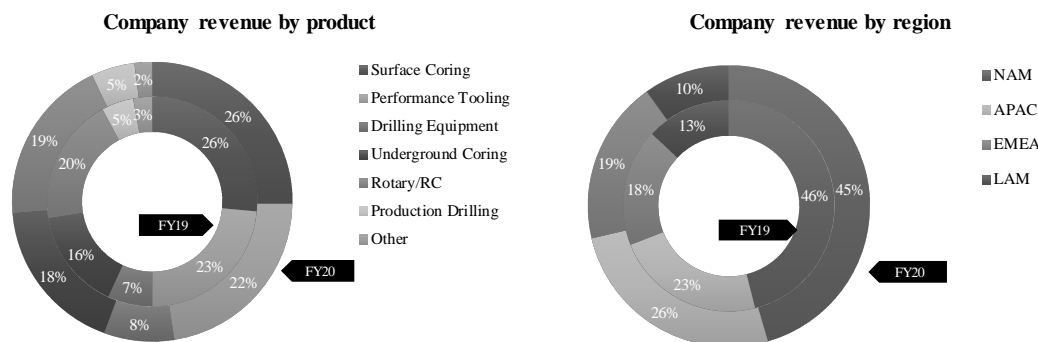
7.1 Overview

BLY is a leading provider of drilling services, drilling equipment and performance tooling for mining and drilling companies, with more than 130 years of expertise in the mineral drilling market. The Company also provides aftermarket parts and services, energy drilling, oil sands exploration and production drilling. BLY comprises of two main operating divisions: global drilling services (Drilling Services) and global products (Products), which are discussed in further detail below. The integrated business model of providing both drilling services and drilling products globally gives BLY the ability to integrate knowledge gained from both divisions into the development of new products and improve its drilling services offering.

BLY operates across four regions: Asia Pacific (APAC), North America (NAM), Europe, the Middle East and Africa (EMEA), and Latin America (LAM). In FY20, operations in the NAM region accounted for 44.3% of the Company's total revenue, followed by APAC with 25.9%, EMEA with 19.5% and LAM with 10.2%.

A split of BLY's revenue by product and geographic region for FY19 and FY20 is shown below.

Figure 1: BLY's revenue by product and region



Source: BLY investor presentation for FY20 and FY19.

7.2 Recent developments

BLY operates a business that can be highly cyclical and typically follows major trends within the mining industry. The mining industry has had five industry cycles since 2000²⁷ and going forward, similar cyclicity and greater volatility within cycles are expected by market participants as they face challenges in relation to financing, volatile share prices and cyclical capital expansion. In addition, the exploration, mining, and construction markets were materially impacted by restrictions imposed as a result of the COVID-19 pandemic.

The revenue and earnings of BLY are linked to commodity prices. Since the onset of the COVID-19 pandemic in early 2020, the decline in customer demand, disrupted global supply chains and market volatility led to a significant decline in commodity prices. In a declining commodity pricing environment mining companies typically cancel or defer capital expenditure and exploration projects to focus on cost

²⁷ Through-cycle investment in mining, McKinsey & Company, 8 July 2020

reductions and capital allocations, resulting in a reduction in global mining exploration activity and mining investments. The trend in decreased mining exploration is expected to reverse going forward, with commodity prices predicted to continue to appreciate, encouraging stronger mining investment and mining services expenditure in FY21 as noted in Appendix 5.

The percentage utilisation of operating drilling rigs in Drilling Services can be seen as an economic indicator for the performance of the division. During FY20, BLY's operating rig utilisation rate was approximately 37%, a decrease from 41% in FY19 and 46% in FY18. Comparatively, at the top of the cycle, the percentage utilisation was approximately 55.0% to 65.0%.

For Products, order backlog can be seen as an economic indicator. Average backlog increased 6.5% from FY18 to FY19, and 13.1% from FY19 to FY20. An increase in backlog reflects increased demand for drilling products. This measure also acts as a good leading indicator for future increases in volume for Drilling Services, as mining businesses increase drilling inventory in expectation of higher workflow.

In response to the continued downturn and challenging capital structure, BLY continued to position the business to operate more efficiently across all phases of the mining cycle. Following a strategic review of the business and in order to achieve cost saving, BLY committed to undertaking the following key initiatives:

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

These initiatives resulted in reduced overall expenditure of approximately US\$60.9 million in FY20.

Going forward, BLY will focus on the following initiatives to improve business performance:

- maintaining and improving safety and compliance to reduce job related injuries and protect against potential safety risks
- focusing on expanding mining and mineral drilling customer bases by aiming to improve efficiency, productivity and commercial practices
- fostering strong customer relationships and carefully managing pricing and contract terms
- balancing investing in new products that respond to customer needs, whilst also managing capital expenditure, and
- improving cash generation through effective liquidity and cost management.

Strategically, BLY intends to focus on increasing data acquisition at drilling rigs for processes such as core orientation, core logging, survey and assay. This subsurface resource data can then be sent back to customers in an instantaneous, low-cost and user-friendly manner through the Geological Data Services business, a segment of the Products business.

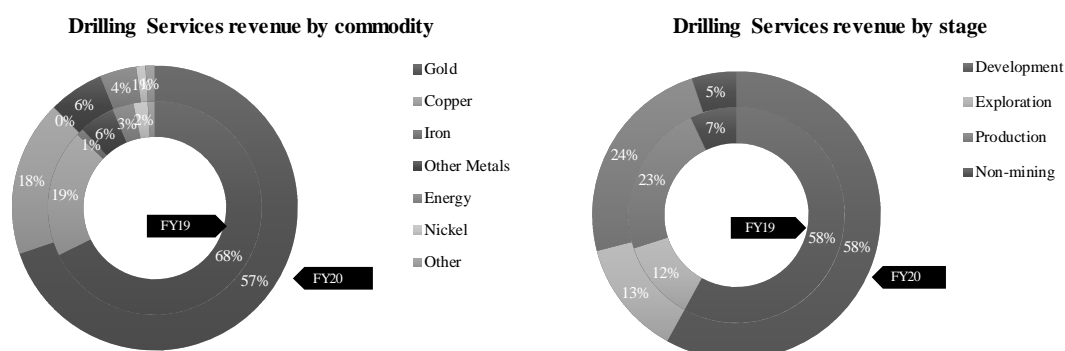
7.3 Drilling Services

Drilling Services provides a broad range of drilling services to mining and energy companies, water utilities, geotechnical engineering firms, government agencies and other mining services companies in approximately 22 countries. The division primarily offers drilling services for commodities such as gold, copper, and nickel, as well as for the exploration and development of non-conventional energy sources such as oil shale, oil sands, coal, coal seam gas and geothermal energy. BLY specialises in a range of

drilling services technology, including surface and underground diamond core drilling, underground percussive drilling, sonic drilling, surface rotary drilling, surface geotechnical drilling, and surface and underground reverse circulation drilling.

An analysis of Drilling Services revenue by commodity and stage for FY19 and FY20 is shown below.

Figure 2: Drilling Services revenue by commodity and stage



Source: BLY investor presentation for FY20 and FY19.

Drilling Services provides services to major and intermediate mining companies which represented 89% of revenues during FY20, with no single contract contributing more than 10% of the consolidated revenue. Major customers during FY20 included, but were not limited to, AngloGold Ashanti Limited, Barrick Gold Corporation, Newmont and Rio Tinto Ltd.

Drilling Services operates in the greenfield, development and production stages of the mining cycle, with the development and production stages generating the majority of revenue. In FY20, Drilling Services revenue, which accounted for approximately 69% of the Company’s revenue, decreased by 11.6% to US\$456.3 million. This decrease was primarily driven by volume reduction due to the COVID-19 pandemic impacts through the second and third quarters as governments and customers restricted activities while developing safe work practices to protect employees.

The recovery from the COVID-19 pandemic restrictions in Canada, Australia, Asia and Africa was faster than in the United States, Chile, and Argentina. The majority of revenue lost was attributable to these three countries, which was partially offset by cost reductions implemented as part of the COVID-19 pandemic management plan. Prices observed were broadly in line with prior year with changes in foreign exchange rates resulting in a US\$0.5 million decrease in revenue in FY20 compared to FY19.

With recent increases in commodity prices along with stronger product sales, which act as a leading indicator for increased volume in Drilling Services, there is an opportunity for revenue to grow in the near future. However, low rig utilisation rates have caused an oversupply of rigs in the market, creating a highly competitive environment resulting in price and margin pressures. As such, the Company has continually sold excess rigs and ancillary equipment over the last five to six years. During FY20, the Company had an average of 683 drilling rigs deployed globally and an average rig utilisation of 37%, this compares to 921 drilling rigs in FY15 and an average rig utilisation of 36%.

7.4 Products

Products, designs, manufactures and sells a range of drilling equipment and performance tooling, including wireline core extraction systems, drilling rigs, diamond drill bits and drill rods for mine development, mine production and environmental and infrastructure drilling. The Company offers these



products to environmental, mining, resources, infrastructure, and energy industries. Its coring tools include conventional diamond drill and advanced wireline coring systems used in minerals drilling.

Products predominantly sells exploration tooling and production tooling to drilling services contractors and mining companies.

Overall, Products accounted for 30.0% of the Company's total revenue during FY20. The division carries significant inventory levels, which have decreased year on year as management continues to improve inventory metrics and reevaluate key assumptions in the calculation of allowance for excess or obsolete inventory. As at 31 December 2020, inventory levels remained high as a percentage of revenue at 24.1%, with a decrease of only 2.9% from FY19 to FY20. Notwithstanding the 13.1% increase in average backlog from FY19 to FY20, there was sufficient inventory on hand to fill most customer demand at 31 December 2020.

During FY20, revenue from Products decreased by 9.9% to US\$257.4 million. This decrease was mainly due to the COVID-19 pandemic impacted volume losses and unfavourable currency translations. Specifically, revenue generated from capital equipment, spares, and production tooling were key contributors to the lower revenue in FY20 relative to prior period.

Upon elimination of the impacts mentioned, the Products business posted modest growth with a backlog of product orders valued at US\$44.6 million at 31 December 2020, representing a year-on-year (YoY) increase of 24.2% compared to \$35.9 million at 31 December 2019. Furthermore, the segment profit increased by 12.3% to US\$16.4 million compared to FY19. Management believe the growth is underpinned by an increase in demand for consumables during the year and it is expected to continue growing over FY21.

BLY's research and development (R&D) activities focus on the development, design and testing of new and improved products. The Company works in co-operation with customers to identify issues and develop technical solutions. During FY20, the Company launched one new product and as at 31 December 2020, the Company had 408 issued patents, 428 registered trademarks, 131 pending patent applications and 13 pending trademark applications. The quality of BLY's drilling equipment continues to act as a barrier to competitors from low cost countries entering the market (such as China and India), as the product quality, performance and safety standards of the Company's products are superior, particularly in the high-end hard rock deep drilling market.

8 Financial overview

8.1 Going concern basis

BLY's financial reports for FY20 were prepared by management on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. In this regard, the Directors highlight the following risks which give rise to material uncertainty:

- the Company incurred a net loss after tax of US\$98.8 million (FY19: US\$56.6 million)
- the Company had net liabilities of US\$469.4 million (FY19: US\$382.2 million), and
- based on internal projections difficulties may arise in complying with the financial covenants and terms under the amended credit facility agreement in the absence of improved mining market conditions and financial performance of the Company.

In the Directors' opinion, the ability of the Company to continue as a going concern is dependent on:



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- securing an agreement to remove the obligation to pay cash interest on the Senior Secured Notes in June 2021 and December 2021, and
- the ongoing support of the Company's debt providers, including negotiating a refinancing or recapitalisation of the debt facilities, which currently expire in the second half of 2022.

Notwithstanding the above, the Directors believe that the Company will be successful in reaching an agreement with the debt providers with respect to the removal of the obligation to pay cash interest on the Senior Secured Notes through either:

- a separate agreement specifically in relation to the interest payable on the Senior Secured Notes, and/or
- a refinancing or recapitalisation and accordingly have prepared the financial report on the going concern basis.

8.2 Financial performance

The historical consolidated financial performance of BLY for FY18, FY19 and FY20 are summarised below.

Table 4: Financial performance

Period	FY18	FY19	FY20
US\$ million unless otherwise stated	Audited	Audited	Audited
Revenue	770.2	745.0	657.3
Cost of goods sold	(639.1)	(606.3)	(559.8)
Gross margin	131.1	138.7	97.5
Other income	10.4	6.8	5.8
General and administrative expenses	(44.0)	(43.6)	(28.9)
Sales and marketing expenses	(22.1)	(20.3)	(17.0)
Other expenses	(21.1)	(15.0)	(17.1)
EBITDA	54.2	66.5	40.3
Depreciation and amortisation	(36.6)	(39.3)	(41.0)
EBIT	17.6	27.2	(0.7)
Interest income	0.9	0.1	0.0
Finance costs	(69.5)	(75.4)	(92.9)
Profit / (loss) before taxation	(51.0)	(48.2)	(93.5)
Income tax expense	7.5	(8.5)	(5.3)
Profit / (loss) after tax attributable to equity holders of the parent	(43.5)	(56.6)	(98.8)
Basic (loss) earnings per share (cents)	(52.9)	(64.6)	(112.3)
Diluted (loss) earnings per share (cents)	(52.9)	(64.6)	(112.3)
Financial metrics:			
Revenue growth	-	(3.3)%	(11.8)%
Gross margin	17.0%	18.6%	14.8%
EBITDA margin	7.0%	8.9%	6.1%
EBIT margin	2.3%	3.6%	(0.1)%
COGS as a % of revenue	(83.0)%	(81.4)%	(85.2)%
Operating expenses as a % of revenue	(11.3)%	(10.6)%	(9.6)%
Profit / (loss) after tax margin	(5.7)%	(7.6)%	(15.0)%

Source: BLY financial report for FY20 and FY19, and KPMG Corporate Finance Analysis.

Note 1: FY18 results do not reflect the impact of AASB 16 – Leases, which was adopted as of 1 January 2019.

With regard to the historical financial performance summarised above, we note the following:

- as the mining and resources markets have contracted, FY20 revenue of US\$657.3 million decreased by 11.8%, compared to FY19 revenue of US\$745.0 million. In relation to the revenue impact of the business divisions, we note the following:
 - FY20 revenue from Drilling Services decreased by 11.6% to US\$456.3 million compared to FY19 primarily due to the pause in activities imposed by governments and customers due to the outbreak of the COVID-19 pandemic, and weak sentiment in the global mining industry

- FY20 revenue from Products decreased by 9.9% to US\$257.4 million compared to FY19, primarily due to the COVID-19 pandemic impacted volume losses and unfavourable currency translations
- BLY implemented its business continuity plan in light of the COVID-19 pandemic, including measures required to protect health and well-being of employees while ensuring ongoing operational sustainability, ceasing all non-essential international and domestic travel, as well as conserving cash by enforcing temporary salary reductions and amending the terms of the Company’s Senior Secured Notes to satisfy interest payments due
- as a result of the saving initiatives implemented during the early stages of the COVID-19 pandemic to combat the decline in revenues, expenses comprising Cost of Goods Sold (COGS) and SG&A totalled US\$646.6 million in FY20, representing a 9.6% decrease compared to FY19. Refer to Section 7.2 for further details on the cost saving initiatives
- the adjusted EBITDA is not shown in the table above as it is not a comprehensive representation of all the significant transactions the Company recognised throughout the year. For instance, the adjustments include government aid received throughout the business for the COVID-19 pandemic relief and gains from sales of assets, but exclude costs incurred to quarantine crews unable to work as a result of the COVID-19 pandemic, contract termination costs, legal fees and indirect tax write-offs. Further, the adoption of AASB 16 improves EBITDA in FY19 by US\$9.2 million relative to FY18 (as lease payments are no longer deducted above the EBITDA line but are substituted with deductions for right of use (ROU) asset depreciation and interest below the EBITDA line). During the period FY18 to FY20, the Company incurred the following extraordinary expenses:

Table 5: Adjusted EBITDA

Period	FY18	FY19	FY20
US\$ million unless otherwise stated	Reviewed	Reviewed	Reviewed
EBITDA	54.1	66.5	40.3
Impairments			
Property, plant and equipment	0.1	0.2	8.3
Intangible assets	-	9.0	0.5
Inventories	10.9	0.8	5.0
Employee and related costs	2.6	1.7	1.3
Legal provisions	-	2.6	-
Other restructuring expenses	12.9	6.2	4.7
Onerous lease	-	0.3	-
Total of significant and non-recurring items	26.5	20.8	19.8
Adjusted EBITDA	80.6	87.3	60.1

Source: BLY financial report for FY20 and FY19, and KPMG Corporate Finance Analysis.

Note 1: EBITDA is defined as earnings before interest, tax, depreciation and amortization.

Note 2: Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization and before major restructuring initiatives, impairments of assets, and other significant and non-recurring transactions outside the ordinary course of the business.

- over the period FY18 to FY20, COGS were impacted by the ongoing cost reduction actions implemented by management and its decline was broadly in line with that of revenue. COGS



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decreased as a percentage of revenue from 83.0% in FY18 to 81.4% in FY19. However, due to the impact of the COVID-19 pandemic on the Company's revenue performance, revenue generated in FY20 decreased to a greater extent relative to COGS, resulting in COGS as a percentage of revenue of 85.2% in FY20. In absolute terms, COGS decreased by 5.1% to US\$606.3 million in FY19, and 7.7% to US\$559.8 million in FY20

- cost reduction measures implemented by management include reducing the SG&A run rate of both business divisions. SG&A expenses are classified in the statement of financial performance as 'general and administrative expenses' and 'sales and marketing expenses'. During FY20, BLY realised additional cost savings of approximately US\$16.4 million or 15.9%, reducing FY20 SG&A expenses to US\$86.9 million compared to FY19 (FY19: US\$0.6 million or 0.5% in additional cost savings, reducing SG&A expenses to US\$103.3 million from FY18)
- other expenses increased from US\$15.0 million to US\$17.1 million during FY20. These expenses primarily related to foreign exchange changes and impairment charges
- finance costs during FY20 increased by 23.2% to US\$92.9 million from US\$75.4 million in FY19, primarily due to an increase in interest on loans and bank overdrafts, partially as a result of the amendment for interest payments to be made in payment in kind (PIK) instead of cash, and
- income tax expenses of US\$5.3 million for FY20 decreased by 37.9% from FY19. Refer to Section 11 for further details on BLY's tax position as at 31 December 2020.

On 29 April 2021, BLY announced its results for the first quarter ended 31 March 2021, noting the improvement in the level of exploration and mining activity, which was last experienced prior to 2014. Revenue generated in the quarter increased by US\$38 million (or 22%) compared to the quarter ended 31 March 2020 and adjusted EBITDA increased by US\$17 million (or 189%), driven by the increased demand for products and services, along with ongoing cost management and productivity improvements. The net loss after tax has also decreased by US\$15 million compared to the quarter ended 31 March 2020.

8.3 Financial position

The historical consolidated financial position of BLY as at 31 December 2018, 31 December 2019, and 31 December 2020 are summarised below.

Table 6: Financial position

As at	31 Dec 2018	31 Dec 2019	31 Dec 2020
US\$ million unless otherwise stated	Audited	Audited	Audited
Current assets			
Cash and cash equivalents	38.9	20.2	23.5
Trade and other receivables	119.6	113.7	109.6
Inventories	165.4	163.1	158.3
Current tax receivable	0.3	2.5	0.5
Prepaid expenses and other assets	12.8	13.6	10.1
Assets classified as held for sale	0.5	-	0.4
Total current assets	337.5	313.1	302.4
Non-current assets			
Property, plant and equipment	114.1	165.0	152.0
Goodwill	103.9	104.5	105.1
Other intangible assets	37.8	27.6	31.6
Deferred tax assets	20.7	16.9	13.3
Non-current tax receivable	16.3	10.8	1.6
Other assets	7.0	4.0	3.8
Total non-current assets	299.7	328.8	307.2
Total assets	637.2	642.0	609.6
Current liabilities			
Trade and other payables	105.0	111.1	98.0
Provisions	19.9	14.4	13.9
Current tax payable	8.7	5.4	8.3
Loans and borrowings	1.2	8.3	10.2
Total current liabilities	134.8	139.3	130.4
Non-current liabilities			
Loans and borrowings	720.3	793.4	868.3
Deferred tax liabilities	17.5	16.9	18.7
Provisions	79.5	74.5	61.6
Total non-current liabilities	817.2	884.8	948.6
Total liabilities	952.0	1,024.1	1,079.0
Net assets	(314.9)	(382.2)	(469.4)
Equity			
Share capital	1,468.8	1,468.8	1,469.4
Reserves	(116.2)	(117.8)	(117.6)
Other equity	(137.2)	(137.2)	(128.8)
Retained earnings/(Accumulated losses)	(1,532.7)	(1,595.6)	(1,692.9)
Non-controlling interest	2.4	(0.4)	0.5
Total equity	(314.9)	(382.2)	(469.4)
Calculation of debtor and creditor days			
Debtor days ¹	56.7	55.7	60.8
Creditor days ¹	60.0	66.9	63.9
<i>Statistics</i>			
Number of securities on issue (million) ²	26,296.2	87.7	88.5
NA per securities (US\$) ³	(0.01)	(4.4)	(5.3)
NTA per securities (US\$) ⁴	(0.01)	(2.9)	(3.8)
Gearing ⁵	-216.8%	-204.5%	-182.2%



Source: BLY financial report for FY20 and FY19, and KPMG Corporate Finance Analysis.

Note 1: Based on 365 days in a year.

Note 2: On 30 October 2019, BLY completed a consolidation of the Company's issued capital on a basis that every 300 shares be consolidated into 1 share.

Note 3: NA per security calculated as net assets divided by the number of securities on issue at period end.

Note 4: NTA per security calculated as net tangible assets divided by the number of securities on issue at period end.

Note 5: Gearing is calculated based on net debt divided by total equity.

Note 6: FY18 results do not reflect the impact of AASB 16 – Leases, which was adopted as of 1 January 2019.

With regard to the historical financial position summarised above, we note the following:

- as a result of an increased use of cash in operating activities in FY20 offset by a reduction in cash interest paid during the year, cash and cash equivalents increased by US\$3.3 million, or 16.2%, to US\$23.5 million as at 31 December 2020. Included in this balance is US\$7.6 million relating to cash interest paid, as well as US\$0.2 million of restricted cash that cannot be accessed until certain conditions, pertaining to both the asset-based revolver bank loan (ABL) and secure facility leases, are met
- inventories decreased by US\$4.8 million, or 2.9% to US\$158.3 million as at 31 December 2020. The reduction primarily related to inventory saving initiatives implemented by management, and the impacts of a change in key assumptions used to estimate the allowance for excess or obsolete inventory. The change in estimate was a result of the decline in the demand for products and consumables used in the Drilling Services business, the high inventory balances across the Company, and the reduced speed at which inventory was turning in the current market. This resulted in an increase in obsolescence expense of US\$5.0 million recognised in FY20
- as at 31 December 2020, the income tax receivable (US\$2.1 million) was classified as US\$0.5 million of current tax receivables and US\$1.6 million as non-current tax receivable. In addition, the Company has accounted for the potential tax payable arising from audits by the Canadian Revenue Authority (CRA) in its provisions, which is discussed further in Section 11
- in response to challenging market conditions, the Company classified certain excess rigs and ancillary equipment that were underutilised, totalling US\$0.4 million, as assets held for sale as at 31 December 2020. We note that as of 30 June 2021 the company had sold some of the assets held for sale, which resulted in a reduced balance of US\$0.2 million as at the date of this report.
- as at 31 December 2020, the net value of property, plant and equipment (PP&E) decreased by US\$13.1 million, or 7.9% to US\$152.0 million from 31 December 2019. The decrease related to depreciation expenses of US\$37.6 million, disposals of US\$3.6 million, and impairment charges of US\$8.3 million. These decreases were partially offset by US\$4.4 million in foreign currency movements and current year additions of US\$32.1 million
- as of 1 January 2019, the Company adopted AASB 16 and reflected leased assets under PP&E, whilst PP&E balances as at 31 December 2018 include lease accounting under guidance in IAS 17, classifying agreements as finance leases or operating leases. As at 31 December 2020, the Company had ROU assets with a net book value of US\$31.9 million and corresponding lease liabilities of US\$36.6 million, compared to US\$35.6 million and US\$36.6 million as at 31 December 2019
- the Company identified the global economic impact of the COVID-19 pandemic as a potential indicator of impairment, and accordingly impairment charges of US\$6.8 million against PP&E in the



Latin America Drilling Services cash generating unit (CGU) were recorded and recognised in other expenses. Utilisation rates lower than current levels could lead to further future asset impairments

- the carrying balance of other intangible assets increased by US\$3.9 million to US\$31.6 million as at 31 December 2020, due to additions of US\$7.0 million and foreign currency exchange differences of US\$0.9 million, which were partially offset by amortisation of US\$3.4 million, impairment charges of US\$0.5 million and disposals of US\$0.1 million
- deferred tax assets (DTAs) as at 31 December 2020 decreased by 21.5% to US\$13.3 million from 31 December 2019
- total assets as at 31 December 2020 decreased by US\$32.3 million, or 5.0% to US\$609.6 million. The reduction is primarily a result of impairment of PP&E, reductions in tax receivables and a decrease in working capital balances offset by increases in intangible assets and cash
- trade and other payables as at 31 December 2020 decreased by US\$13.1 million, or 11.8% to US\$98.0 million. Despite the creditor days figure increasing to approximately 61 days at 31 December 2020 (31 December 2019: approximately 56 days), a lower level of manufacturing activity and continued focus on cost control led to the resultant decrease in trade and other payables. Further, accrued legal and environmental costs of US\$5.3 million as at 31 December 2020 were reclassified from trade and other payables to provisions
- provisions as at 31 December 2020 decreased by US\$13.5 million, or 21.3%, to US\$75.5 million as compared to 31 December 2019. This decrease is primarily the result of decreases in provision for tax contingencies, pension and post-retirement benefits, restructuring and termination costs. This was partially offset by an increase in the provision for employee benefits and legal contingencies. Provisions of US\$89.0 million as at 31 December 2019 decreased by 10.4% from US\$99.4 million as at 31 December 2018. These balances were primarily made up of provisions for tax contingencies and employee provisions, including pension and post-retirement benefits, annual leave, long service leave and bonuses
- as at 31 December 2020, the current tax payable of US\$10.2 million related primarily to income tax payable, as well as other tax related expenses, attributable to BLY and entities in the consolidated group, and
- loans and borrowings as at 31 December 2020 totalled US\$878.6 million and increased by US\$76.9 million during FY20, primarily driven by accredited interest for the period. See Section 10.1 for further detail.

8.4 Statement of cash flows

The historical consolidated statement of cash flows of BLY for FY18, FY19 and FY20 are summarised below.

Table 7: Statement of cash flows

For	FY18	FY19	FY20
US\$ million unless otherwise stated	Audited	Audited	Audited
Cash flow from operating activities			
Profit / (loss) for the year	(43.5)	(56.6)	(98.8)
<i>Adjustments provided by operating activities:</i>			
Income tax expense recognised in profit	(7.5)	8.5	5.3
Finance costs recognised in profit	69.5	75.4	92.9
Depreciation and amortisation	36.6	39.3	41.0
Interest income recognised in profit	(0.9)	(0.1)	(0.0)
Other non-cash items	(17.1)	(6.6)	12.5
Impairment of current and non-current assets	11.5	10.0	8.8
Loss (gain) on sale or disposal of non-current assets	(7.8)	(3.2)	(2.0)
Non-cash foreign exchange loss (gain)	2.1	(0.2)	1.6
Shares issued	-	-	0.3
Shares issued to directors	0.02	-	0.3
<i>Changes in net assets and liabilities, net of effects from acquisition and disposal of</i>			
Trade and other receivables	3.0	2.2	5.3
Inventories	4.0	6.4	(3.8)
Other assets	(1.0)	1.2	0.1
Trade and other payables	(18.9)	7.8	(9.0)
Provisions	(5.8)	(7.1)	3.1
Cash generated from operations	24.1	77.0	57.6
Interest paid	(6.1)	(30.8)	(7.6)
Interest received	0.9	0.1	0.0
Income taxes (paid) / received	(15.2)	(10.9)	(0.6)
Net cash flows from operating activities	3.7	35.3	49.4
Cash flows from investing activities			
Purchase of property, plant and equipment	(37.1)	(47.1)	(25.1)
Proceeds from sale of property, plant and equipment	13.7	5.8	5.2
Intangible costs paid	(2.0)	(3.6)	(7.0)
Net cash flows used in investing activities	(25.4)	(44.9)	(26.9)
Cash flows from financing activities			
Payments for debt issuance costs	-	(1.4)	(0.2)
Proceeds from borrowings	16.7	31.4	62.5
Repayment of borrowings	(5.3)	(40.9)	(81.3)
Net cash flows provided by / (used in) financing activities	11.3	(11.0)	(18.9)
Net increase/(decrease) in cash held	(10.0)	(20.5)	3.5
Cash and cash equivalents at the beginning of the year	43.8	38.9	20.2
Effects of exchange rate changes on opening cash brought forward	5.2	1.8	(0.2)
Cash and cash equivalents at the end of the year	38.9	20.2	23.5

Source: BLY financial report for FY20 and FY19, and KPMG Corporate Finance Analysis.

Note 1: FY18 results do not reflect the impact of AASB 16 – Leases, which was adopted as of 1 January 2019.

With regard to the historical statement of cash flows summarised above, we note the following:

- as at 31 December 2020, net operating cash flows was US\$49.4 million (FY19: US\$ 35.3 million), representing an improvement of US\$14.1 million over FY19. This improvement primarily reflects the successful conversion of the 2020 interest instalments for debt from payment in cash to PIK, as well as a number of long-term initiatives implemented to decrease working capital needs, and improve

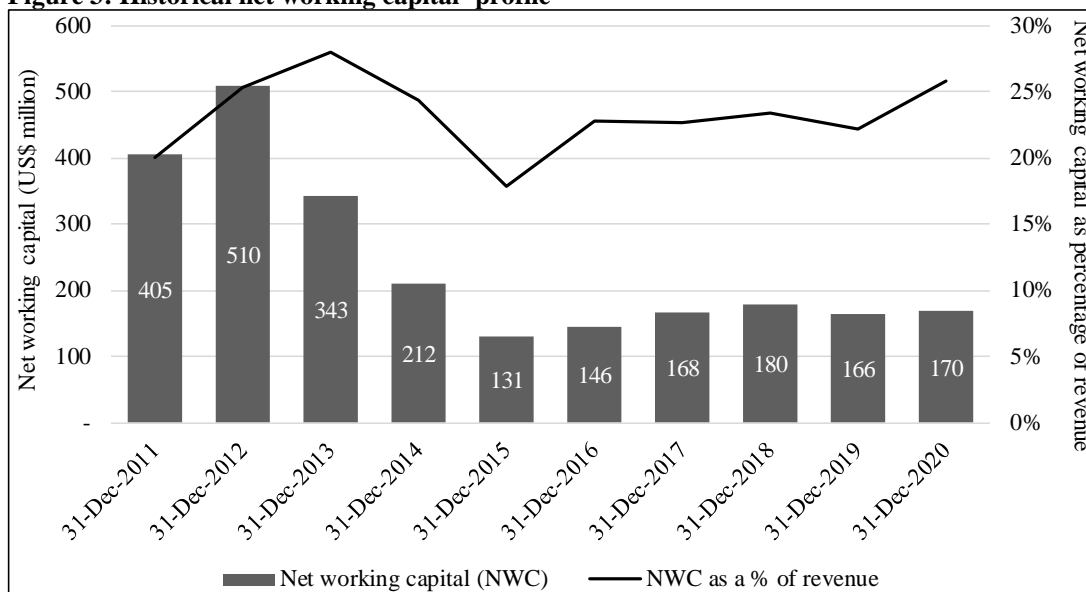
productivity and capital management. The Company also received US\$6.2 million in funds under the Canada Employee Wage Subsidy program for the COVID-19 pandemic relief

- capital expenditures reduced from the outlay of US\$47.1 million in FY19 to US\$25.1 million in FY20, primarily due to a lower amount of investment of US\$32.1 million (FY19: US\$50.7 million) in capital equipment and R&D as the Company continued to conserve cash during the COVID-19 pandemic. The investments were made to support existing operations during FY20 and prepare the Company for the expected increase in demand in FY21. The capital expenditures incurred in FY20 were partially offset by proceeds from the sale of PP&E of US\$5.2 million in FY20, which was broadly in line with the amount of US\$5.8 million in FY19, and
- during FY20, the Company recorded US\$18.9 million in net cash flows from financing activities compared to US\$11.0 million in FY19. The difference is primarily due to higher repayment of borrowings and lease facilities, partially offset by higher proceeds from borrowings. In comparison, proceeds from borrowings in FY19 were US\$31.4 million.

9 Working capital

The historical NWC balances of BLY are illustrated in the graph below.

Figure 3: Historical net working capital¹ profile



Source: BLY financial reports for FY12, FY13, FY14, FY15, FY16, FY17, FY18, FY19 and FY20.

Note 1: Calculation for net working capital = Trade and other receivables + Inventories – Trade and other payables.

With regard to the historical NWC above, we note the following:

- NWC increased by US\$105 million from 31 December 2011 to 31 December 2012 due to significant build-up of inventories and equipment over the period
- NWC has been steadily declining since FY12 as the Company focused on carefully managing working capital levels to ensure that inventory is sufficient to meet demand but is not obsolete

- consolidation and integration of inventory management and supply chain functions combined with lower revenues has reduced the working capital requirements. The slight increase in net working capital from US\$131.0 million at 31 December 2015 to US\$146.0 million at 31 December 2016 was due to a decrease in trade and other payables as opposed to an increase in inventories or receivables. NWC increased in the beginning of 2017 with improving market conditions
- as a percentage of revenue NWC peaked in FY13 at 28.0% as revenue dropped significantly by 39.2% from FY12 to FY13. As NWC management initiatives were put in place NWC as a percentage of revenue has followed a downward trend, before increasing slightly in FY16 due to a decrease in revenue and a corresponding decrease in trade payables, then remained broadly consistent throughout FY17 to FY19. As at 31 December 2020, NWC as a percentage of revenue had increased from 22.2% at 31 December 2019 to 25.8%, primarily due to a decrease in revenue only partially offset by corresponding lower trade receivables and inventories and lower trade payables, and
- the majority of the Company's working capital is cyclical, with the balance decreasing towards the first and fourth quarters of the calendar year. The cyclicality is primarily influenced by the seasonality in the mining and resources industry where shutdowns by mining companies at year end reduce mining activity and hence the demand for drilling services. A portion of the Company's working capital is counter cyclical as exploration drilling services provided to the oil & gas sector are traditionally provided during the second and third quarters of the year.

10 Liquidity and debt facilities

10.1 Debt facilities

BLY's debt facilities as at 31 December 2020 are summarised below.

Table 8: Debt facilities as at 31 December 2020

US\$ million unless otherwise stated	Total facilities	Amount drawn	Available facility ¹	Interest Rate	Maturity
Senior Secured notes	217.0	217.0	-	Variable ²	Dec-22
Senior Unsecured notes	88.9	88.9	-	1.5% ³	Dec-22
Term Loan - Tranche A	132.5	132.5	-	8.0% ⁴	Dec-22
Term Loan - Tranche B	159.9	159.9	-	8.0% ⁴	Dec-22
ABL ¹	75.0	23.0	17.9	Variable ⁵	Jul-22
Backstop ABL	45.0	45.0	-	11% ⁶	Oct-22

Source: BLY financial report for FY20 and FY19.

Note 1: Outstanding letters of credit and other facility specific restrictions as at 31 December 2020 reduce the amount of funds available to be drawn from the ABL. This is explained in further detail below.

Note 2: Interest is PIK from 1 January 2020 to 30 June 2020 at an interest rate of 12.0%. Interest is PIK 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% p.a. from 1 January 2021. The effective interest rate on a go-forward basis is 14.4%. US\$0.6 million of senior secured notes is subject to interest in cash at an interest rate of 10% p.a.

Note 3: Interest is 1.5% PIK at the Company's election until maturity.

Note 4: Interest is 8% PIK.

Note 5: Applicable interest rates for the ABL are based on a base rate plus a margin, where:

- base rate = US dollar LIBOR or prime rate determined by the Bank of America.
- margin = based on leverage according to a pricing grid.



Note 6: Interest is PIK at 11% at the Company's election or 10% cash. Maturity date is October 2022 or 90 days after the ABL due date.

With regard to the debt facilities above, we note the following:

- the Company had US\$217.0 million of senior secured notes outstanding as at 31 December 2020. These notes carried an interest rate of 10.0% p.a. and a maturity date of December 2022. On 19 June 2020, the Company reached an agreement with the relevant noteholders and the ASX to satisfy the interest payments due in respect of the notes on 30 June 2020 and 31 December 2020 by way of PIK instead of cash. The senior secured notes include a premium which is expressed as a percentage of the principal redeemed or repaid and includes PIK interest. The premium is payable at the maturity of the notes due in December 2022, as well as in circumstances whereby the notes are redeemed prior to maturity, and the premium percentage increases over time from 0.9% to 24.4% of the principal balance, subject to the timing of repayment. The debt modification, stated terms and applicable premium result in an effective interest rate on the notes is 14.4% p.a.
- the Company had US\$88.9 million of senior unsecured notes outstanding as at 31 December 2020. These notes have an applicable interest rate of 1.5% p.a. in PIK and mature in December 2022
- the Term Loan facility has an interest rate of 8.0% payable-in-kind and is structured into Term Loan A and Term Loan B. As at 30 December 2020 Term Loan A had principal outstanding of US\$132.5 million maturing in December 2022, and Term Loan B had principal outstanding of US\$159.9 million maturing in December 2022
- the Company had an ABL with an available facility of US\$75.0 million as at 31 December 2020. Letters of credit of US\$5.8 million were drawn under the facility in addition to an outstanding amount of US\$23.0 million, reducing remaining funds available through this facility
 - the facility has an ‘availability block’ of US\$10.0 million, which releases when the Company achieves certain net debt to EBITDA leverage ratios
 - the borrowing on this facility is limited to the lower of the lender’s commitment or the ‘borrowing base’ that supports the ABL. As at 31 December 2020, the borrowing base was US\$55.0 million, which reduced collateral availability by US\$10.0 million
 - the facility is subject to a minimum liquidity requirement of 15% of the lesser of ‘borrowing base’ or ‘facility capacity’ less the ‘availability block’ on the last day of any month. As at 31 December 2020, the minimum liquidity requirement was US\$8.3 million
 - the amount of funds available to be drawn from the ABL as at 31 December 2020 was US\$17.9 million, as summarised in the following table

Table 9: Funds available at 31 December 2020

US\$ million unless otherwise stated	31-Dec-20
ABL available facility	75.0
Drawn	23.0
Letters of credit	5.8
Availability block	10.0
Borrowing base adjustment	10.0
Minimum liquidity	8.3
Undrawn amount	17.9

Source: BLY financial report for FY20.

- the ABL interest rate is based on 30-day US\$ LIBOR with the margin based on a pricing grid linked to the Company’s leverage. As at 31 December 2020, the applicable margin was 3.5% for LIBOR based loans
- the scheduled maturity date of the facility is July 2022. As at 31 December 2020, the Company was in compliance with all of its debt covenants
- the Backstop ABL term loan facility has an interest rate of 11.0% p.a. payable-in-kind or 10.0% p.a. in cash. The facility is due to mature in October 2022 and is secured by substantially the same collateral as the ABL facility. As at 31 December 2020, the amount outstanding under this facility was US\$45.0 million
- as at 31 December 2020, accrued interest for the debt facilities was as follows:
 - Senior Secured Notes – US\$62.3 million
 - Senior Unsecured Notes – US\$4.5 million
 - Term Loan A – US\$23.1 million
 - Term Loan B – US\$27.9 million
 - Backstop ABL – US\$13.0 million.
- BLY announced its engagement with Rothschild & Co. on 7 January 2021 to support the Company’s evaluation of potential options in anticipation of the maturation of the debt facilities through the second half of 2022 including for refinancing or recapitalisation.

BLY had a total amount of debt facility drawn of US\$883.2 million as at 31 March 2021. With regard to the debt facilities, we note the following:

- the Company had an ABL with an available facility of US\$75.0 million as at 31 March 2021. Letters of credit of US\$6.0 million were drawn under the facility in addition to an outstanding amount of US\$31.4 million, reducing remaining funds available through this facility. Other adjustments reducing the amount of funds available to be drawn include the ABL facility block and borrowing base availability adjustment of US\$20.8 million. As at 31 March 2021, the amount of funds available to be drawn from the ABL was US\$16.8 million



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- as at 31 March 2021, accrued interest for the debt facilities was as follows:
 - Senior Secured Notes – US\$62.3 million
 - Senior Unsecured Notes – US\$4.9 million
 - Term Loan A – US\$26.3 million
 - Term Loan B – US\$31.7 million
 - Backstop ABL – US\$13.6 million.

On 8 June 2021, BLY announced the completion of its US\$65 million short-term financing implementation to ensure adequate liquidity for operations through the restructuring process, as well as the consent approval to amend its Senior Secured Notes. The additional financing is comprised of:

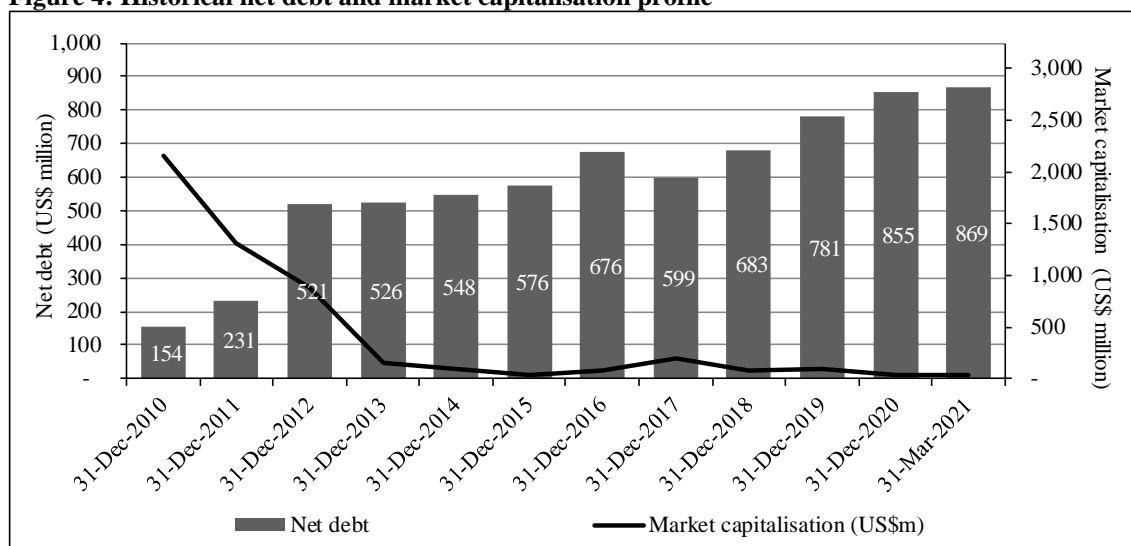
- an incremental, short-term US\$50 million credit facility with Corre, FPA and Nut Tree to provide additional working capital until the Recapitalisation and related transactions are completed, and
- an additional US\$15 million of accessible liquidity and four-year extension of the term of the ABL facility.

Further, BLY received consents from the holders of 99.75% of the Senior Secured Notes due in December 2022 to permit the Company to incur additional financial indebtedness and to satisfy the interest payments due on 30 June 2021 in respect of notes held by consenting note holders by way of PIK at the rate of 14.5%.

10.2 Historical net debt and market capitalisation profile

BLY's historical net debt²⁸ and market capitalisation profile is illustrated below.

Figure 4: Historical net debt and market capitalisation profile



Source: BLY financial reports for FY12 to FY20, First Quarter 2021 Appendix 4C, S&P Capital IQ, and KPMG Corporate Finance Analysis.

In FY12, BLY geared up to increase their production capacity in line with the peak of the mining exploration cycle. However, the contraction in the exploration market post 2012 has led to customers reducing capital expenditure, resulting in lower demand for exploration drilling and expenditure, whilst underground production drilling remained relatively stable. This has produced an oversupply of drill rigs in the market, causing BLY to be impacted by low rig utilisation rates, a reduction in order backlogs and an increase in financial leverage. This has resulted in a fall in market capitalisation in line with the mining down-cycle over time. Even the demand for exploration activities at the highest point in the most recent cycle in 2018 was not enough to reduce the Company's debt significantly.

In response to the prolonged contraction in the mining market, the Company negotiated a number of amendments to its credit facilities to maintain liquidity as well as recapitalisations in FY14 and FY17 to reduce the debt amounts outstanding.

10.3 Credit rating

During the last twelve months (LTM), BLY was subject to a series of credit rating downgrades, as summarised below:

- 24 June 2020 – S&P revised the BLY's credit ratings as follows, reflecting the completion of the amendment to Senior Secured Notes due December 2022 which saw the conversion of the June 2020 and December 2020 interest payments from cash to PIK:
 - corporate credit rating downgraded from 'CCC' to 'SD' (selective default)

²⁸ Net debt is calculated as gross debt less cash and cash equivalents

- rating outlook downgraded to ‘Negative’
- senior secured notes downgraded to ‘D’ with recovery rating ‘3’
- senior unsecured notes downgraded to ‘C’ with recovery rating ‘6’.
- 2 July 2020 – S&P revised the Company’s credit ratings as follows:
 - corporate credit rating reinstated from ‘SD’ to ‘CCC+’
 - rating outlook affirmed to be ‘Negative’
 - senior secured notes reinstated from ‘D’ to ‘CCC+’ with recovery rating ‘3’
 - senior unsecured notes reinstated from ‘C’ to ‘CCC-’ with recovery rating ‘6’.
- 2 July 2020 – Moody’s Investors Service (Moody’s) affirmed the Company’s credit rating as follows:
 - corporate family rating and probability of default to be ‘Caa2’
 - rating outlook to be ‘Stable’
 - senior secured notes to be ‘Caa1’
 - senior unsecured notes to be ‘Caa3’
 - speculative grade liquidity rating to be ‘SGL-3’.
- 8 March 2021 – S&P revised the Company’s credit ratings as follows:
 - corporate credit rating downgraded from ‘CCC+’ to ‘CC’
 - rating outlook moved to ‘CreditWatch Negative’
 - senior secured notes downgraded from ‘CCC+’ to ‘CC’ with recovery rating ‘4’
 - senior unsecured notes remained unchanged at ‘C’ with recovery rating ‘6’.
- 20 May 2021 – S&P revised the Company’s credit ratings as follows:
 - corporate credit rating downgraded from ‘CC’ to ‘D’
 - rating outlook removed from ‘CreditWatch Negative’
 - senior secured notes downgraded from ‘CC’ to ‘D’ with recovery rating ‘4’
 - senior unsecured notes remained unchanged at ‘D’ with recovery rating ‘6’.
- 4 June 2021 – Moody’s revised the Company’s credit ratings as follows:
 - corporate family rating and probability of default lowered to be ‘Ca’
 - rating outlook to be ‘Negative’
 - senior secured notes to be ‘Ca’
 - senior unsecured notes to be ‘C’, and



- speculative grade liquidity rating to be ‘SGL-4’.

Further reductions in liquidity may cause additional downgrades to the Company’s corporate and debt credit ratings. However, the Company confirmed its capital restructure plans on 26 February 2021 as part of the FY20 earnings announcement and its expectation for the Company’s debt rating and outlook to improve upon successful completion of the restructuring process.

11 Tax position

In relation to BLY’s tax position, we note the following:

- BLY is the head entity in the Australian tax consolidated group comprising the Australian wholly-owned entities. Under the Australian tax consolidation regime, these entities are treated as a single entity for income tax purposes
- BLY’s unsettled assessments with the CRA for the years 2010 to 2014 will, if upheld, result in federal and provincial tax liabilities (including interest) approximating a maximum of CAD\$35 million in future cash outlay after the application of tax credits and payments. The outcome and timing of any resolution of the Canadian reassessments are unknown. Interest will continue to accrue on all disputed and unpaid amounts until they are paid, or, alternatively, until the disputes are resolved in the Company’s favour
- BLY has also recorded a tax provision related to the CRA’s audits of the 2010 through 2017 tax years. The provision reflects the uncertainties regarding the outcome of those audits and assessments have not yet been received for the tax years 2015 through 2017. While the Company believes it is appropriately reserved in respect of the CRA tax disputes, the resolution of those disputes on terms substantially as assessed by the CRA could be material to the Company’s financial position or results of operations. Interest will continue to accrue on all disputed and unpaid amounts until they are paid, or otherwise settled, and
- BLY is also under audit by the ATO. The resolution of potential assessments by the ATO may adversely affect BLY’s liquidity.

12 Capital structure and ownership

As at 31 December 2020, BLY had the following securities on issue:

- 88,511,800 ordinary shares, held by approximately 3,607 individual Shareholders, and
- 43,158 unquoted share options, held by 13 individual option holders that are not publicly traded on the ASX under the code “BLYAA”. The unquoted share options do not carry rights to vote.



12.1 Ordinary Shareholders

Issued capital in BLY is listed and traded on the ASX. The table below summarises the top 20 ordinary Shareholders as at 30 June 2021.

Table 10: Top 20 Shareholders as at 30 June 2021

Shareholder	Number of ordinary shares	Percentage of issued capital
Centerbridge Credit Partners	47,189,770	53.31%
Ascribe Capital	18,308,703	20.69%
Paradise Investment Management	2,777,992	3.14%
Corre Partners	2,588,537	2.92%
Cranport	1,398,333	1.58%
Mr Zhong Wei Miao	1,249,800	1.41%
Mr Alfred Otte	1,081,735	1.22%
BLY Aus Plans Control	920,048	1.04%
Mr Allan K Clarke	605,682	0.68%
Ms Katina Riadis	450,000	0.51%
Mr Kevin McArthur	428,796	0.48%
Mr Christopher S King	405,025	0.46%
Mr Jeffrey Olsen	271,872	0.31%
Mr Jimmy Yip	270,454	0.31%
Mrs Guixing Jian	268,688	0.30%
Mr Mark A Lee	263,036	0.30%
Mr Tye Burt	260,851	0.29%
Mr James D Kern	202,602	0.23%
Russell Investments	202,444	0.23%
Dr Sow Keong Lim	200,000	0.23%
Total shares held by top 20 shareholders	79,344,368	89.64%
Other shareholders	9,167,432	10.36%
Total shares on issue	88,511,800	100%

Source: Share register analysis provided by BLY and KPMG Corporate Finance Analysis.

The top 20 registered Shareholders account for approximately 89.64% of the ordinary shares on issue.

12.2 Director's interest

As at 30 June 2021, the Directors held the following shares:

Table 11: Director's interest

Name	Position	Total interest in ordinary shares held
Kevin McArthur	Non-executive Chairman	428,796
Tye Burt	Non-executive Director	260,851
Jason Ireland	Non-executive Director	23,731
James Kern	Non-executive Director	202,602
Rubin McDougal	Non-executive Director (appointed effective 1 March 2020)	165,835
Robert Smith	Non-executive Director	23,731
Jeffrey Olsen	Executive Director	271,872
Denis Despres	Chief Operating Officer	65,778
Miguel Desdin	Chief Financial Officer	65,282
Kari Plaster	Chief Human Resources Officer	10,425
Total		1,518,903

Source: Share register analysis provided by BLY, ASX announcements

As at 30 June 2021, the Executive Director, Jeffrey Olsen, held also 1,081 outstanding share options which were vested and exercisable as of 1 April 2017 and expire on 1 April 2024.

13 Share price performance and liquidity analysis

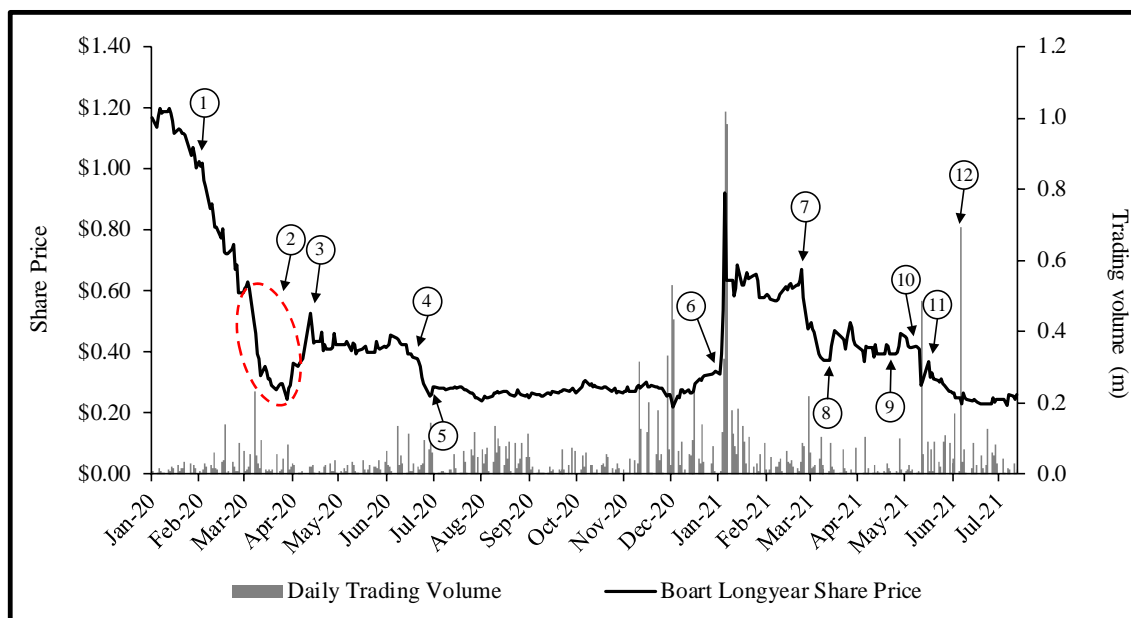
13.1 Share price performance

In assessing BLY's share price performance we have:

- analysed the price and volume performance of BLY over the period from 1 January 2020 to 14 July 2021
- compared the share price movement to the Australian All Ordinaries and Metals and Mining indices over the same period ended 14 July 2021, and
- assessed the VWAP and trading liquidity of BLY's shares for the period ending 14 July 2021.

Figure 5 depicts BLY's daily closing price on the ASX in \$ over the period from 1 January 2020 to 14 July 2021, along with the daily volume of shares traded on the ASX as a percentage of total issued capital over the period.

Figure 5: Share price performance and volume of shares traded



Source: S&P Capital IQ, KPMG Corporate Finance Analysis and ASX announcements.

As illustrated in Figure 8, BLY's closing share price and volume has remained relatively stable across the period with key movements primarily related to the release of financial reporting figures and the outbreak of the COVID-19 pandemic.

Significant announcements by BLY over the period from 1 January 2020 to 14 July 2021 that may have had an impact on its recent share price include:

1. on 6 February 2020, BLY released its full year FY19 results update, highlighting that several significant mergers and acquisitions within the mining industry took place in the second half of 2019, resulting in delayed mineral exploration projects and a lower level of market activity. Further, the Company did not achieve the anticipated reduction to its debt-to-EBITDA ratio for FY19 as previously communicated. This announcement was followed by a decrease of 38.5% in the share price from \$0.961 to \$0.591 on 28 February 2020 when the investor presentation for FY19 results was released
2. throughout March 2020, BLY's share price declined in line with the overall share market (reflecting the early impacts of the COVID-19 pandemic) from \$0.630 on 5 March 2020 to close at a low of \$0.246 on 30 March 2020
3. on 15 April 2020, BLY released its full FY19 annual financial report, reporting a 3.2% decrease in overall revenue compared to FY18 and the Company's share price closed at \$0.481 on the same day. This announcement was followed five days later by the announcement of results for the first quarter of FY20 and its expectation that the COVID-19 pandemic would have a greater impact during the quarter ending 30 June 2020 than the first quarter. The share price closed at \$0.434 on 20 April 2020



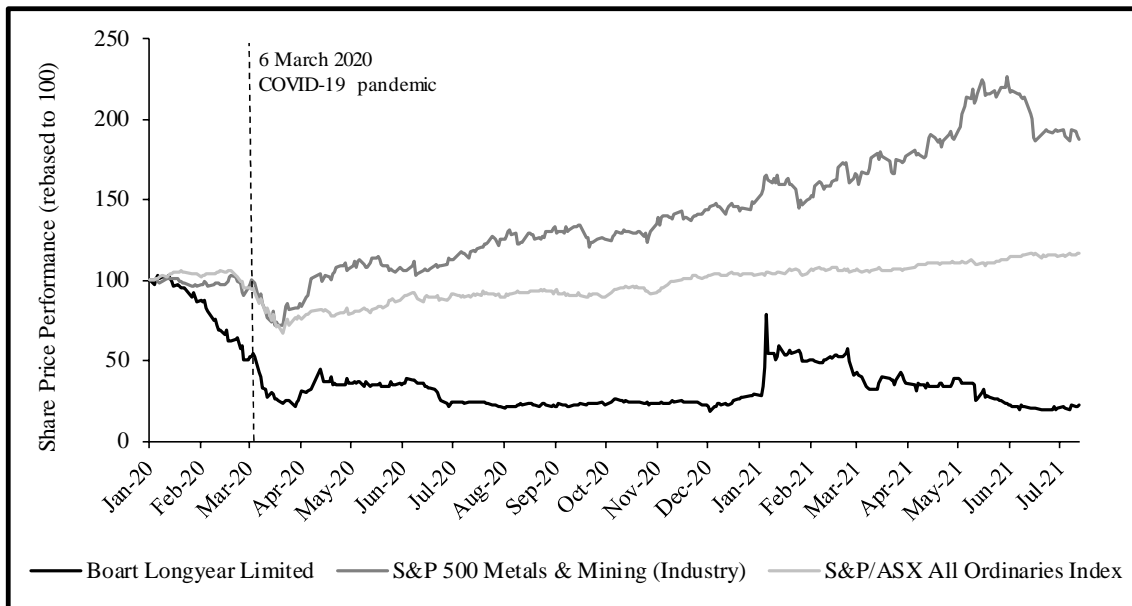
4. on 24 June 2020, S&P revised the Company's credit ratings to reflect the completion of the amendment to the Senior Secured Notes due December 2022 which saw the conversion of the June 2020 and December 2020 interest payments from cash to PIK. The Company's share price closed at \$0.354 and further information is detailed in Section 10.3
5. on 24 July 2020, S&P reinstated the Company's credit ratings and Moody's affirmed the Company's credit ratings. The Company's share price closed at \$0.277 and further information is detailed in Section 10.3
6. on 7 January 2021, the Company announced the engagement of Rothschild & Co. as advisor to support the Company's evaluation of potential options, including refinancing and recapitalisation, in anticipation of the maturation of its debt facilities through the second half of 2022. The Company's share price closed at \$0.923 following the announcement, representing a 72.0% increase on the last sale price of \$0.537 on the previous day
7. on 26 February 2021, BLY released its full FY20 annual financial report, reporting a 11.8% decrease in overall revenue compared to FY19 and the share price closed at \$0.579 on the same day. Following the announcement, the share price decreased by 35.6% over a two-week period to close at \$0.373 on 11 March 2021
8. on 8 March 2021, S&P downgraded the Company's credit ratings and the share price closed at \$0.395. Further information is detailed in Section 10.3
9. on 29 April 2021, BLY announced its financial performance for the quarter ended 31 March 2021, noting the improvement of the level of exploration and mining activity. Following the announcement, the share price increased by 5.8% to close at \$0.42 on the same day, and subsequently 9.3% the following day to close at \$0.46 on 30 April 2021
10. on 13 May 2021, BLY announced that it had reached an agreement regarding the Recapitalisation. The share price decreased by 28.5% to close at \$0.29 on the same day
11. on 20 May 2021, S&P downgraded the Company's credit ratings and the share price closed at \$0.33 on the same day and decreased by 12.4% over the following week. Further information is detailed in Section 10.3, and
12. on 8 June 2021, BLY announced completion of US\$65 million in additional short term financing to provide adequate liquidity for operations through the restructuring process, as well as the consent approval to amend Senior Secured Notes. The share price decreased by 8.1% to close at \$0.23 on the same day.

Further details in relation to all announcements made by BLY to the ASX can be obtained from either the Company's website or ASX's website at www.asx.com.au.

The figure below illustrates a comparison of the trading performance of BLY's shares relative to the All Ordinaries Index and the Metals and Mining Index over the period 1 January 2020 to 14 July 2021. BLY significantly underperformed the index from the beginning of 2020, especially when the COVID-19 pandemic broke out, as mining activities were disrupted. Over the period to 14 July 2021, the BLY share price depreciated by 76.9%. Over the same period, the All Ordinaries Index and Mining and Metals Index grew by 16.5% and 87.2%, respectively. The BLY share price displayed significantly greater volatility

relative to both indices, which is not uncommon given the enhanced diversification of an index when compared to a single company, along with the higher leverage, the small market capitalisation and liquidity of BLY.

Figure 6: Relative share price performance



Source: S&P Capital IQ and KPMG Corporate Finance Analysis

13.2 VWAP and liquidity analysis

An analysis of the volume of trading in the ordinary shares of BLY, including the VWAP for the period up to 14 July 2021 is set out in the following table.

Table 12: Volume of trading in ordinary shares

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
1 day	0.25	0.26	0.26	0.0	0.0	0.0
1 week	0.23	0.26	0.25	0.0	0.1	0.1
1 month	0.23	0.27	0.24	0.2	0.7	0.8
3 months	0.23	0.48	0.29	0.9	3.2	3.6
6 months	0.23	0.69	0.40	2.2	5.6	6.3
12 months	0.22	1.65	0.67	17.1	25.4	13.9

Source: S&P Capital IQ and KPMG Corporate Finance Analysis

During the 12-month period to 14 July 2021, 13.9% of issued shares were traded. This level of trading indicates that BLY's shares are illiquid, albeit being traded every day over the 12-month period.

13.3 Dividends

No dividends have been issued for the half years ended 31 December 2019 through 31 December 2020.

14 Financial implications of the Recapitalisation

In order to understand the financial implications, we have used the reviewed financial position of BLY as at 30 June 2021 as a base position and then created a pro-forma balance sheet based on the Creditors' Schemes to demonstrate the impact of each step below.

Table 13: Pro-forma balance sheet following the Creditors' Schemes

As at	30-Jun-21	Exit financing	Backstop ABL/Interim financing pay down	Debt Cancellation	Share repurchase/ issuance	Pro-forma post- transaction	Pro-forma post- share consolidation ¹
US\$ million unless otherwise stated	Pre-transaction						
Current assets							
Cash and cash equivalents	32.6	111.6	(92.6)	-	4.5	56.1	56.1
Trade and other receivables	141.4	-	-	-	-	141.4	141.4
Inventories	178.8	-	-	-	-	178.8	178.8
Current tax receivable	1.0	-	-	-	-	1.0	1.0
Prepaid expenses and other assets	14.7	3.5	-	-	-	18.2	18.2
Assets classified as held for sale	0.2	-	-	-	-	0.2	0.2
Total current assets	368.8	115.0	(92.6)	-	4.5	395.7	395.7
Non-current assets							
Property, plant and equipment	157.8	-	-	-	-	157.8	157.8
Goodwill	105.7	-	-	-	-	105.7	105.7
Other intangible assets	34.3	-	-	-	-	34.3	34.3
Deferred tax assets	11.7	-	-	-	-	11.7	11.7
Non-current tax receivable	1.6	-	-	-	-	1.6	1.6
Other assets	2.4	-	-	-	-	2.4	2.4
Total non-current assets	313.6	-	-	-	-	313.6	313.6
Total assets	682.3	115.0	(92.6)	-	4.5	709.2	709.2
Current liabilities							
Trade and other payables	137.7	-	-	-	-	137.7	137.7
Provisions	14.3	-	-	-	-	14.3	14.3
Current tax payable	5.8	-	-	-	-	5.8	5.8
Loans and borrowings	40.9	-	(30.3)	-	-	10.6	10.6
Total current liabilities	198.8	-	(30.3)	-	-	168.6	168.6
Non-current liabilities							
Loans and borrowings	902.4	115.0	(62.3)	(806.1)	-	149.0	149.0
Deferred tax liabilities	20.1	-	-	-	-	20.1	20.1
Provisions	60.8	-	-	-	-	60.8	60.8
Total non-current liabilities	983.4	115.0	(62.3)	(806.1)	-	230.1	230.1
Total liabilities	1,182.3	115.0	(92.6)	(806.1)	-	398.6	398.6
Net assets	(500.0)	-	-	806.1	4.5	310.5	310.5
<i>Net assets per share (US\$)</i>	<i>-5.65</i>					<i>0.05</i>	<i>1.05</i>
Equity	(500.0)	-	-	806.1	4.5	310.5	310.5
Issued ordinary shares	88.5	-	-	5,812.3	-	5,900.8	295.0
<i>Non-associated</i>	19.8	-	-	-	-	19.8	1.0
<i>Non-associated % - ordinary shares</i>	22.4%	22.4%	22.4%	0.3%	0.3%	0.3%	0.3%
<i>Supporting creditors - ordinary shares</i>	68.7	-	-	5,812.3	-	5,881.0	294.0
<i>Supporting creditors % - ordinary shares</i>	77.6%	77.6%	77.6%	99.7%	99.7%	99.7%	99.7%

Source: Management and KPMG Corporate Finance Analysis

Note: A share consolidation at a reverse split ratio of 20 to 1 is applied to the pro forma number of shares of 5.9 billion.

Step 1: Exit financing

- a new money investment in the form of new senior secured debt in the amount of US\$115.0 million
- the amount raised via the new money investment will be used to fully refinance the existing Backstop ABL of US\$62.3 million and the interim facility with Corre, Nut Tree and FPA of US\$30.3 million
- the amount raised will also be used for the prepayment of expenses and other assets of US\$3.5 million

Step 2: Debt Cancellation

- the cancellation of debt of US\$806.1 million based on:
 - the Company exchanging US\$161.9 million in principal and accrued interest of Term Loan Tranche A for 18.0% of the New Common Equity of BLY (subject to warrant dilution). This will result in a corresponding decrease in total debt of US\$161.9 million of the company
 - the Company exchanging US\$195.4 million in principal and accrued interest of Term Loan Tranche B for 22.1% of the New Common Equity of BLY (subject to warrant dilution). This will result in a corresponding decrease in total debt of US\$195.4 million of the company
 - the Company exchanging US\$354.7 million in principal and accrued interest of senior secured notes for 55.5% of the New Common Equity of BLY (subject to warrant dilution). This will result in a corresponding decrease in total debt of US\$354.7 million of the company
 - the Company exchanging US\$94.1 million in principal and accrued interest of senior unsecured notes for 3.7% of the New Common Equity of BLY (subject to warrant dilution). This will result in a corresponding decrease in total debt of US\$94.1 million of the company.
- the detailed debt structures pre-transaction and post transaction are as follows:

Table 14: Pro-forma debt structure following the Recapitalisation as at 30 June 2021

As at US\$ thousand unless otherwise stated	30-Jun-21 Pre-transaction	Exit financing	Backstop ABL/Interim financing pay down	Debt Cancellation ¹	Share repurchase/ issuance	Pro-forma post transaction
ABL Revolver	5.4	-	-	-	-	5.4
Interim facility	30.3	-	(30.3)	-	-	-
Back stop ABL	62.3	-	(62.3)	-	-	-
Term Loan A	161.9	-	-	(161.9)	-	-
Term Loan B	195.4	-	-	(195.4)	-	-
Capital leases	39.3	-	-	-	-	39.3
Senior secured notes	354.7	-	-	(354.7)	-	-
Senior unsecured notes	94.1	-	-	(94.1)	-	-
Exit facility	-	115.0	-	-	-	115.0
Other	-	-	-	-	-	-
Total debt	943.3	115.0	(92.6)	(806.1)	-	159.6

Source: BLY Management and KPMG Corporate Finance Analysis

Note 1: Debt cancellation amount includes interest accrued since Announcement Date.

Note 2: Table above reflects the impact of the share repurchase but not SPP and CSPO.

Step 3: Share repurchase/issuance

- as a result of the share repurchase or issuance arising from the Recapitalisation, US\$4.5 million²⁹ of cash will be added to the books of BLY
- new warrants to purchase shares of up to 10% of the post-recapitalisation equity (with the total number of Shares on issue for the purposes of this calculation determined (1) including the new Shares that would be issued on exercise of the New Warrants, (2) before the issue of any Shares on

²⁹ Assuming that the Selective Buy-Back Programme is fully exhausted.



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the exercise of any Existing Warrants and Existing Options, (3) before the issue of any Shares under the SPP and the CSPO, (4) before any buy-back of Shares under the SBB and (5) before the issue of any Shares under any management incentive plan) (New Warrants).

Further, we note the following:

- the transaction assumes that all debt in excess of the ABL, Backstop ABL and capitalised leases is fully equitised
- pro-forma capitalisation and equity splits shown include impact of illustrative new money but exclude impact of warrants, and
- the analysis does not include any increases in debt beyond 30 June 2021 or projected equity value.

15 **Outlook**

BLY did not provide a forecast for FY21 revenue or beyond in the presentation of the financial results for FY20 on 26 February 2021. Management noted that whilst the COVID-19 pandemic materially impacted normal operations for several months in FY20, the strength in key commodity prices drove continued capital raisings in the mining sector, with \$3.5 billion raised in the third quarter of FY20, marking the strongest quarter in eight years. Exploration activity in the coming quarters is expected as a result, particularly as COVID-19 restrictions ease.

Further, KPMG Corporate Finance is not aware of any brokers who currently follow and/or issue reports on the Company.

16 Assessment of value Pre and Post-Recapitalisation

16.1 General

We have assessed whether the Recapitalisation is fair by comparing the value prior to the Recapitalisation, on a controlling basis, to that post the Recapitalisation on a non-controlling basis.

This section sets out our assessment of the underlying value of BLY shares prior to the Recapitalisation (inclusive of a premium for control), and after the Recapitalisation (exclusive of a premium for control). When assessing the value of 100.0% of BLY, we have considered those synergies and benefits which would generally be available to a broad pool of hypothetical purchasers. We have not included the 'special value', or the value of synergies specific to a particular acquirer, in this case the Supporting Creditors. Accordingly, our valuation of a share in BLY has been determined regardless of the acquirer.

We have recognised the current difficulty in determining an appropriate value as a result of the previous decline and the current position reached in the mining cycle as well as the impacts of the COVID-19 pandemic on the mining industry. In this regard we have valued BLY as a going concern, which implicitly assumes that existing debt arrangements would continue or be refinanced. While we have not considered the financial distress of the Company in assessing enterprise value, we note that current debt is higher than enterprise value and therefore the ability of the Company to repay this outstanding debt is not possible under the current structure, with all of the outstanding debt being due by December 2022.

16.2 Methodology

16.2.1 Valuation approach

For the purpose of this report, market value can be defined as the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

RG 111 indicates that it is appropriate for an independent expert to consider the following valuation methods:

- the discounted cash flow method (DCF)
- the capitalisation of future maintainable earnings or cash flows (capitalisation of earnings)
- the amount that would be distributed to security holders in an orderly realisation of assets
- the amount which an alternative acquirer might be prepared to pay, and/or
- the most recent quoted price of listed securities.

Each of the above methodologies is applicable in different circumstances. In selecting the appropriate methodology by which to value BLY, we have considered the Company's prospects and other available information presented to us. A summary of each of the approaches considered in preparing this report is set out in Appendix 3.

Due to the various uncertainties inherent in the valuation process, we have determined a range of values within which we consider the market value of BLY to lie.

We have used the capitalisation of earnings method, based on adjusted EBITDA, as the primary method. We have adopted this method based on the following considerations:

- a capitalised earnings method is appropriate for a business that has a stable future maintainable level of earnings. We note that despite the recent volatility in earnings for BLY as a result of the outbreak of the COVID-19 pandemic, Management have reduced costs in an attempt to counteract the impacts of the pandemic on the business, and managed costs in order to reduce earnings volatility going forward. We believe a capitalised earnings method is appropriate as there are a number of comparable companies that perform similar services, operate within the resources markets and have similar geographic presence to BLY. Additionally, a number of transactions have occurred since 2012 involving drilling companies within Australia and internationally. We have focused on the more recent transactions within that group of comparables
- a DCF approach is also widely used in the valuation of established industrial businesses. However, the inherent uncertainty associated with the cyclicity of BLY's business operations, its constrained liquidity position inhibiting its ability to bid on all projects, and the volatility of changes in working capital, means that preparing reliable cash flow projections beyond the current order backlog is particularly challenging. This may reduce the robustness of any results derived from a DCF analysis. Whilst we have not utilised a DCF approach as our primary valuation approach, we have considered the Company's business scenarios provided by Management in forming our valuation assessment
- a net realisable assets approach, e.g. assuming an orderly realisation of assets is not considered appropriate as this method would not capture the growth potential and goodwill associated with the business, and
- trading prices for BLY shares have been quite volatile since January 2020, and more broadly in the period since listing. Accordingly, considerable judgement is required in deriving conclusions on the fundamental value of a BLY share. Nevertheless, we have also had regard to trading prices in our analysis of the assessed value per BLY share.

Ultimately, the value of the business operations of BLY has been determined through an iterative process, ensuring the value derived from our primary capitalised earnings methodology is consistent with the outcomes of our high-level DCF cross-check and our analysis of BLY's share price performance.

16.2.2 Selection of earnings metric

A capitalised earnings methodology can be applied to a number of different earnings or cash flow measures, including EBITDA, Earnings Before Interest and Tax (EBIT) and Net Profit after Tax (NPAT).

Given the services provided by the comparable companies, we consider EBITDA to be a superior metric as it provides a better view of the operating performance of the companies. As most of the companies have similar relative capital expenditure intensity, we are of the view that distortions as a result of different asset management strategies (e.g. purchasing versus leasing of plant and equipment) are immaterial.

EBIT multiples observed in the market may be distorted by the inclusion of earnings from equity-accounted investments for some of the comparable companies, additionally the availability of comparable

data is limited due to the current underperformance of the industry where EBIT for recent and current years is often zero or negative.

P/E multiples are commonly used in the context of the share market and have the advantage of eliminating the distortion caused by equity-accounted investments. However, the key weakness of P/E multiples is that they do not take into consideration the financial risks associated with different capital structures. This is particularly important given the variability of the capital structures adopted by BLY's peers.

Having reflected on the above, we consider EBITDA to be the most appropriate metric for the capitalised earnings valuation of BLY's business operations. In adopting EBITDA, we have recognised the cyclical nature of the industry by applying 'through-the-cycle' earnings figures as well as 'through-the-cycle' capitalisation multiples. However, we note that a valuation of the Company in the current stage of the cycle is complex, as this requires estimates about the length and the impact of the current industry cycle and therefore includes some optionality regarding the recovery of the industry.

16.2.3 **Control premium considerations**

The multiples applied in a capitalised earnings approach are generally based on data from quoted companies and recent transactions in a comparable sector, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for comparable quoted companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en-bloc (i.e. 100.0%) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

RG 111.8 states that a control premium should be applied in transactions where a person acquired, or increase a controlling stake in a company. Further, RG 111.9 notes that experts focus on the substance of control, rather than the legal mechanism used to effect it. We note that Centerbridge, along with Ascribe currently maintain clear control of BLY, having nomination rights for five Board positions and a combined shareholding of 74% of the ordinary shares of the Company. Following the transaction, the Supporting Creditors will increase their ownership of outstanding shares to approximately 99.7% of the total shares, and will increase their Board representation to eight out of a total nine Board positions.

Consistent with these considerations, and in accordance with the requirements of RG 111, in valuing BLY we have assumed 100.0% ownership, and therefore included a premium for control when assessing the multiples implied by the comparable companies.

Observations from transaction evidence indicate that takeover premiums concentrate around a range between 25.0% and 40.0%³⁰ for completed takeovers. In transactions where it was estimated that the

³⁰ KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be in excess of this range. Takeover premiums vary significantly and include:

- synergies, such as the removal of costs associated with the target being a listed entity and/or costs related to duplicated head office functions
- pure control premium in respect of the acquirer's ability to utilise full control over the cash flows of the target entity
- desire (or anxiety) for the acquirer to complete the transaction, and
- significant cost reductions having already been achieved.

In considering an appropriate control premium to apply to BLY we have recognised the inherent uncertainty associated with future earnings due to the cyclicity of its business operations and the significant cost take-outs already implemented within BLY, which indicate a control premium for BLY at the lower end of the range.

16.3 Capitalised earnings methodology

16.3.1 Summary

As noted in Section 3, we have based our valuation on an analysis of 'through-the-cycle' maintainable earnings of the Company as well as capitalisation multiples for a similar period. Under this approach, KPMG Corporate Finance estimates the enterprise value of BLY's business operations prior to the transaction to be in the range of US\$455.0 million to US\$510.0 million on a control basis.

Table 15: Pre-Recapitalisation analysis

	Report Section	Value range (US\$ million) Pre-Recapitalisation	
		Low	High
Maintainable earnings (EBITDA)	16.3.2	65.0	85.0
EBITDA multiple (on a controlling basis) (times)	16.3.3	7.0x	6.0x
Enterprise Value of Boart Longyear		455.0	510.0
Less: Net debt as at 30 June 2021	16.4.2	(910.7)	(910.7)
Add: Assets held for sale	8.3	0.2	0.2
Equity Value of Boart Longyear		(455.5)	(400.5)
Issued shares (million) up to	14	88.5	88.5
Equity value per share on a marketable, controlling basis (US\$)		(5.147)	(4.525)
Foreign currency exchange rate as at 15 July 2021 (US\$:AU\$)		0.75	0.75
Equity value per share on a marketable, controlling basis (AU\$)		(6.882)	(6.051)

Source: FY20 Annual Report, Management, KPMG Corporate Finance analysis

Note 1: Differences in calculations due to rounding

We have estimated the EV of BLY using a capitalisation of earnings methodology. To calculate the equity value of BLY shares on a controlling basis we have:

- deducted net debt



- added the proceeds from the SPP and the CSPO, and
- added the assets held for sale as surplus assets.

The assessed valuation range reflects the current stage of the industry coming out of a cyclical low as well as the impact of the COVID-19 pandemic and therefore adopts ‘through-the-cycle’ earnings which is higher than actual and forecasted earnings figures for FY21. The range also reflects some optionality as to when and by what magnitude the industry and BLY’s earnings will recover.

In contrast to the Pre-Recapitalisation valuation, we have set out below the value per share on a Post-Recapitalisation basis, which is based on an equity value for a minority shareholder and the number of shares Post-Recapitalisation. This value per share Post-Recapitalisation also takes into account the reduction of net debt and only considers the cost incurred in respect of the Recapitalisation as at 30 June 2021 of approximately US\$12.6 million³¹. This calculation results in a value range for a BLY share Post-Recapitalisation of US\$0.0432 to US\$0.0498. We note that the number of ordinary shares increases significantly from up to 88.5 million to up to 6,608.8 million as a result of the Recapitalisation³². This results in a significant dilution of Non-Associated Shareholders ownership of BLY. The calculation is shown in the table below.

Table 16: Post-Recapitalisation value analysis

	Report Section	Value range (US\$ million) Post-Recapitalisation	
		Low	High
Maintainable earnings (EBITDA)	16.3.2	65.0	85.0
EBITDA multiple (on a controlling basis) (times)	16.3.3	7.0x	6.0x
Enterprise Value of Boart Longyear		455.0	510.0
Less: Net Debt post-restructuring	16.4.2	(103.5)	(103.5)
Add: Cash proceeds from SPP and CSPO	1	5.0	5.0
Add: Assets held for sale	8.3	0.2	0.2
Equity Value of Boart Longyear on a controlling basis		356.7	411.7
less: Minority Discount (20.0%) ²		(71.3)	(82.3)
Equity Value of Boart Longyear on a minority basis		285.3	329.3
Issued shares (million) post-proposal up to	14	6,608.8	6,608.8
Equity value per share (US\$)		0.0432	0.0498
Foreign currency exchange rate as at 15 July 2021 (US\$:AU\$)		0.75	0.75
Equity value per share (AU\$)		0.0577	0.0666

Source: Management, KPMG Corporate Finance Analysis

Note 1: Tables may not cast due to rounding

Note 2: A 25.0% control premium translates into a 20.0% minority discount

Assessing the underlying value of BLY is not straight-forward, due to the volatility of earnings which are dependent on mining exploration spending, weather patterns, foreign exchange rates, global commodity markets and the further impacts of the COVID-19 pandemic. While KPMG Corporate Finance

³¹ The full cost of the Recapitalisation is estimated to be US\$40.4 million.

³² Including the maximum number of shares to be issued under the SPP, the CSPO and any Warrant Shares on a comparable Pre-Share Consolidation basis, equaling 330.4 million shares Post-Share Consolidation.

acknowledges that a recovery in the mining market and commodity prices, and foreign exchange movements could significantly increase BLY's earnings, there is continued risk from exposure to such factors as well as the requirement for appropriate working capital and trained drilling teams. We have sought to balance these issues when valuing BLY.

16.3.2 **Maintainable earnings**

Mining services industry participants are exposed to a degree of earnings volatility throughout the mining cycle. While BLY has exhibited earnings volatility in recent years, cost cutting initiatives, along with expectations of an industry upswing support the view that the company will show greater earnings stability going forward. These industry expectations along with Management's efforts to increase earnings stability going forward, makes the application of future maintainable earnings appropriate for BLY. In addition to company specific factors, the level of maintainable earnings in the mining services industry is influenced by a number of factors. These include the trend and consistency of historical performance, the stage of development of the business and the extent to which one-off or non-recurring transactions are reflected in the financial statements.

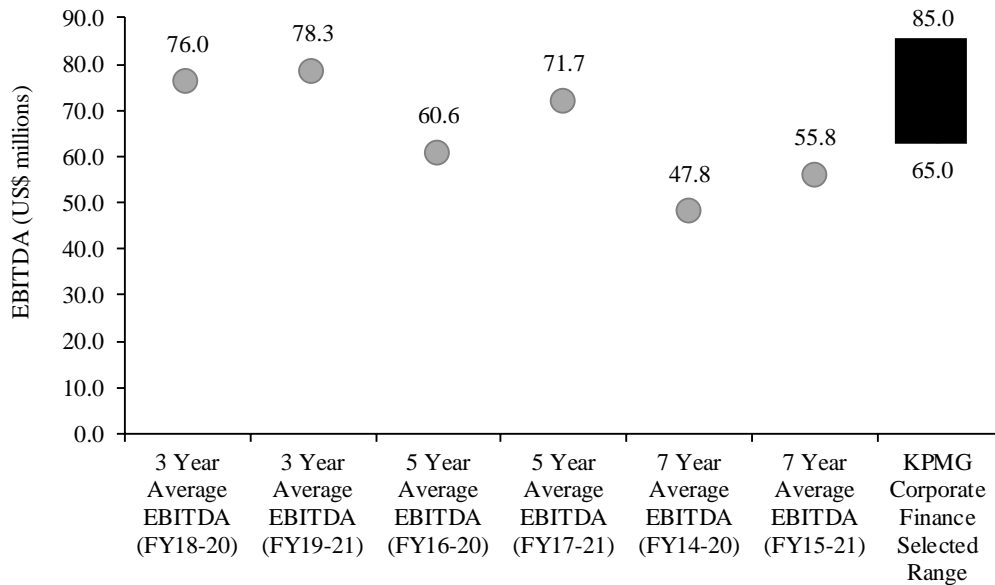
In order to select a level of maintainable earnings for BLY we have considered the historical financial results and operations and strategic plans of BLY. Earnings for each of these periods are summarised in Appendix 6, along with any adjustments for non-recurring items.

In relation to the selection of a maintainable EBITDA, we note the following:

- the historical financial performance of BLY has been discussed previously in Section 8.2. The recent decline in EBITDA during FY20 was primarily a result of the impacts of the COVID-19 pandemic with the long-term profitability following the demand for drilling services driven by the exploration activity of mining companies, and
- BLY's business scenario assumes a cyclical increase in adjusted EBITDA from US\$60.1 million in FY20 to between US\$60.0 million to US\$115.0 million in FY21 (see Appendix 6).

BLY's business is impacted by industry cycles which have reached cyclical lows. In determining a maintainable EBITDA we have sought to reflect the nature of the cycle by looking at the average EBITDA of various three, five and seven year cycles having considered adjusted EBITDA and statutory EBITDA. Based on the considerations above, we have selected a maintainable EBITDA range of US\$65.0 million to US\$85.0 million, which in our view balances a 'through-the-cycle' view with the current position as well as not choosing too wide a range so as not to be meaningful. Our selected range as well as the various average historical EBITDA are illustrated in the figure below. We have also considered the company's business scenarios and do not consider our range inconsistent with respect to these scenarios.

Figure 10: Selection of maintainable EBITDA



Source: KPMG Corporate Finance Analysis

16.3.3 Capitalisation multiple

In selecting an appropriate range of maintainable EBITDA multiples to apply, we have considered the following:

- the trading multiples of broadly comparable companies over a similar historic time period to that for our historic earnings analysis of three, five and seven year periods
- the transaction multiples of broadly comparable companies within the drilling industry over a similar historic time period to that for our historic earnings analysis
- the current low stage of the mining industry cycle, as well as the recent commodity price appreciations and forecast industry improvements going forward
- the market capitalisation and nature of the environment in which the comparable companies and target companies operate
- the expected growth profile of BLY and the relative market positioning of BLY in the drilling industry as set out in its base case, and
- the risks associated with BLY's ability to grow during an upcycle including required working capital investment and costs associated with training and deploying staff.

Considering the above we have selected an average EBITDA multiple of 6.0x to 7.0x (inclusive of a control premium) for the purpose of our valuation. This sits within the median for trading multiples for the three, five and seven year periods but below the average for the five and seven year periods. It is also

at the high end of the transaction evidence reflecting our view as to the strengths of BLY for any potential acquirer.

16.3.3.1 Comparable company trading multiples

EBITDA multiple

The multiple applied in a capitalised earnings methodology should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business' operational risks, growth profile, profitability, size and external environment, and the selected multiple should reflect these factors amongst others.

In selecting the multiple range to be applied, consideration is generally given to market evidence derived from listed comparable companies and recent transactions involving comparable businesses/assets, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

To determine an appropriate comparable company peer group for BLY, we have had regard to the following:

- BLY's market position in providing drilling services and products to the global mining and energy industry. The companies in the peer group identified for comparison purposes are predominantly participants in the construction and engineering and diversified metals and mining industries. The companies selected provide diversified drilling services to mining clients, which operate in all areas of the globe and in all phases of the mining lifecycle, and
- BLY's business relationships with large diversified multinational miners including Newmont Corporation and Rio Tinto Ltd, allowing the business to develop a geographically diversified presence. Having considered the global presence of BLY's operations, we have considered the financial data and trading multiples of companies that operate globally. In this regard, we have considered companies in the APAC, EMEA, the US and Canada marketplaces.

In determining an EBITDA multiple that reflects earnings 'through-the-cycle', we have considered the earnings over three, five and seven year periods. We have considered these figures in reflection of the recent industry cycle, the impacts of the COVID-19 pandemic and the resulting historically low multiples that comparable companies have exhibited recently.

The table below sets out the implied EBITDA multiples for selected listed companies that are considered to be comparable to BLY.

Table 17: Share market evidence

Company Name	Ticker	Operational Focus ¹	Market Focus ²	Geographic Focus ³	Market Cap (\$m) ⁴	EBITDA Multiple				
						LTM ⁵	NTM ⁶	Average 3 year ⁸	Average 5 year ⁸	Average 7 year ⁸
ASPAC										
AJ Lucas Group Limited	ASX:AJL	D	E/P	AU	45	5.4	nmf ⁷	9.9	17.6	22.1
MACA Limited	ASX:MLD	D/CM	E/D/P	AU	326	6.7	2.2	6.4	5.7	3.9
Mitchell Services Limited	ASX:MSV	D	E/P	AU	101	4.5	4.0	6.9	9.8	12.4
Perenti Global Ltd	ASX:PRN	D/CM	E/D/P	AU/AF	618	3.6	3.0	6.4	7.0	6.3
Swick Mining Services Limited	ASX:SWK	D	E/P	AU/AM	72	5.6	nmf ⁷	4.6	5.4	4.8
Americas										
Major Drilling Group International	TSX:MDI	D	E	G	911	16.9	9.5	14.7	20.7	18.9
Orbit Garant Drilling	TSX:OGD	D	E/D/P	AM	52	6.1	4.6	7.1	10.1	11.4
EMEA										
Capital Drilling Ltd	LSE:CAPD	D/CM	E/D	AF	323	7.3	4.6	4.7	4.9	4.7
Foraco International SA	TSX:FAR	D/CM	E/D/P	G	235	10.0	nmf ⁷	6.8	8.5	8.2
Geodrill Limited	TSX:GEO	D	E/D	AF	159	4.8	4.4	3.0	3.9	3.9
Master Drilling Group Limited	JSEMEDI	D	E/D/P	G	157	7.3	nmf ⁷	5.7	6.4	6.1
Low						3.6	2.2	3.0	3.9	3.9
High						16.9	9.5	14.7	20.7	22.1
Median						6.1	4.4	6.4	7.0	6.3
Average						7.1	4.6	6.9	9.1	9.3

Source: S&P Capital IQ (data as at 5 July 2021) and KPMG Corporate Finance analysis

Note 1: D=Drilling, CM=Contract Mining

Note 2: Stage of Mining Lifecycle: E=Exploration, D=Development, P=Production

Note 3: AU = Australia, AM = Americas, AF = Africa, G = globally diversified

Note 4: Market Cap calculated at close of trade on 5 July 2021, reflecting a 25% premium for control

Note 5: Last twelve months (LTM) multiples calculated after normalisation adjustments applied to reported EBITDA and NPAT, and reflect adoption of AASB16

Note 6: Next twelve months (NTM) multiples sourced from S&P Capital IQ

Note 7: nmf = not meaningful

Note 8: Average multiples calculated based on average enterprise values and reported EBITDA for the prior 3, 5 and 7 years respectively from 5 July 2021

A detailed analysis of these companies is set out in Appendix 4. In assessing the comparability of the companies detailed above, we have had regard to the following key factors.

Service mix

The companies within our peer group focus on the provision of drilling services to the mining industry globally. Similar to BLY, the core business operations of the companies selected relate to the provision of contract mining drilling for mining companies, along with smaller exposures to drilling manufacturing and other drilling services. As a result of this, we consider the set of comparable companies to be exposed to similar industry and economic risks. Although, companies such as MacMahon Holdings Limited also provide drill and blast services to companies operating in the production phase of the mining lifecycle, these companies provide a broad array of services along the Engineering, Procurement, Construction and Management service line, and are thus more diversified, and less comparable, than pure play drilling companies.

We have only considered comparable companies that operate in the mining drilling sector, and have not considered the drilling operations of companies that operate in the oil and gas industry. While this industry has grown rapidly as a result of the growth in the US shale oil industry, it is exposed to a different commodity, and consequently, different market factors.

Additionally, we have not considered companies that provide civil or infrastructure drilling services, such as Granite Construction Inc. These companies do not have exposure to the mining cycle and as such are more stable industrial construction and engineering companies.

Market focus

The comparable set of companies are exposed to different segments of the mining industry, with clients that perform activities at different stages of the mining lifecycle. The core stages of the cycle are illustrated in Table 17, including Exploration, Development and Production. The current stage of the mining cycle and the recent impacts of the COVID-19 pandemic have led to mining companies reducing their exploration budget and capital expenditure, in attempts to conserve capital. This has led to a disproportionate reduction in drilling by exploration and development companies when compared to producing miners, which have lower fixed costs, and higher proven mineral reserves. This leads drilling companies with exposure to exploration and development to have a greater degree of mining cyclicality.

Geographical diversification

Mining services companies are exposed to different risk profiles in each geography they operate in, as a result of both the commodity mix that is present in a region, and the weather and other economic conditions that may be present in any particular location. The Australian mining industry has been significantly affected by the price declines in thermal and coking coal on the Eastern Coast driven by the impacts of the COVID-19 pandemic and environmental concerns, as well as the ongoing issues in the Australian-Chinese relationship. Commodity price appreciations for iron ore, however have led to higher forecast growth for this commodity, although this is yet to support sustained improvement in drilling industry conditions in Australia. Similar to Australia, the mining industry in North America has been supported by the expected significant infrastructure investment following the 2020 US presidential elections.

In addition to these factors, operations in developing markets are exposed to additional risks, warranting the inclusion of geographic market risk premiums. This is a contributing factor to the lower multiples observed in both Capital Limited and Geodrill Limited, with significant operations in developing markets in Africa.

Whilst many of the companies operate exclusively in Australia or North America, Foraco International SA and Energold Drilling Corporation benefit from geographic diversity. For example, Foraco International SA currently operates approximately 302 drill rigs internationally, focusing on services to regions such as South America (16.0% CY20 revenue), North America (33.0%), APAC (18.0%) and EMEA (33.0%).

Whether this geographic diversity translates into a premium or a discount depends on the specific circumstances in the relevant markets, as well as the nature and performance of the businesses located in these countries.

Growth prospects

The global mining services sector is characterised by relatively flat earnings growth forecasts for a number of the comparable companies, particularly those operating in the APAC region in the near term. Further, due to the strong correlation exhibited between drilling services companies and the mining sector in general, the broad improvement in the mining industry is expected to support growth prospects going

forward. Despite this, there are risks relating to how this industry growth will translate to mining services companies, and this is reflected in the lower multiples observed for APAC mining services companies at present.

Size

In the diversified metals and mining sectors size is typically a substantial advantage. Larger companies have a greater pool of resources and capabilities to draw on and are likely to have a stronger market presence. Both of these factors assist in competing for the largest drilling contracts. The larger companies are also able to benefit from potentially substantial efficiencies that can be gained by achieving economies of scale and advantageous financing terms, particularly given the high fixed cost nature of the industry. Another advantage relates to the ability of larger market participants to absorb losses on specific projects and during market contractions. This is a common characteristic of the construction and engineering sector as a small number of loss-making drilling projects can have a substantial impact on short term profitability. Finally, the larger companies typically have the ability to achieve greater diversity in either their service mix or market and geographic focus, which may reduce volatility resulting from changes in underlying market conditions. Reflecting the advantages considered, particularly the lower risk profile and stronger financial position, larger companies in this sector typically trade at a premium.

In respect of the specific comparable companies, we note the following.

APAC

As illustrated in Table 17, five publicly listed companies were identified as having similar core business operations to that of BLY in the APAC region.

Based on LTM EBITDA trading multiples for the set of comparables operating in the APAC region, a range of 3.6x to 6.7x can be observed. NTM EBITDA multiples for the set of comparables operating in the APAC region are in a range of 2.2x to 4.0x.

Companies operating in the APAC region are subject to similar market conditions to BLY. These companies have broadly similar commodity concentrations with exposure to iron ore, coal, and to a lesser extent, coal seam gas (CSG). As a result, we have considered the industry factors for the APAC companies as a whole, specifically noting that the majority of these companies are solely focused on operations in Australia. As a consequence, the businesses are highly susceptible to market conditions dominating the Australian mining and minerals market. Mining services companies are particularly sensitive to price and volume fluctuations of iron ore and coal, Australia's two largest exports. The volume of Australian exports of iron ore and coal have declined as a result of price declines in Australian Dollar terms and due to lower foreign demand in response to the COVID-19 pandemic as noted in Appendix 5. This has led to a reduction in exploration and mine activity expenditure, and consequentially, drilling. Further, political uncertainty and environmental concern has led to lower CSG investment, as state governments have reduced the number of exploration licenses, particularly in New South Wales. Lower capital expenditure in both of Australia's largest mining commodities, and weaker capital expenditure in CSG has had a negative influence on AJ Lucas Group Limited, a key provider of drilling services to the Australian mining and CSG industries, together with a high level of gearing. Ultimately, the uncertain market outlook for the drilling services industry is reflected in the low forecast multiples of these companies.

Europe, Middle East and Africa

As illustrated in Table 13, four companies in the EMEA region were identified to be largely comparable to BLY.

Capital Limited

Capital Limited's operations are predominantly located in Africa, a region that has experienced high growth in the past but more recently has faced challenging market conditions as exploration investment has declined. Despite this, recent improvements in overall market conditions are reflected in the NTM multiples for the company that are lower than the LTM multiples, indicating expectations that earnings will increase from their current levels in the near future. The company's implementation of cost cutting measures and maintenance of an almost debt free balance sheet, has allowed them to remove additional financing risks in the company and will allow them to respond quickly to upturns in the market.

Foraco International SA

Foraco International SA is a multinational drilling company, with industry focuses in both the mining and water industries. The wider geographic footprint, along with the industry diversification provides the company with a degree of earnings stability, and justifies a higher EBITDA multiple than less diversified peers. This, combined with a wider range of service offerings, with the ability to service mining companies across the mining lifecycle, supports lower risks to the company and consequently a higher through-the-cycle EBITDA multiple.

Geodrill Limited

Geodrill Limited, like Capital Limited, primarily bases its operations in Africa. As such it is exposed to the same market conditions as Capital Limited, resulting in NTM multiples that are lower than the LTM multiples, indicating expectations that the company's growth and performance will improve in the coming year. This is highlighted by broker consensus forecasts for Geodrill Limited for period ended 31 December 2021, suggesting an approximate 20.0% increase in EBITDA in the next 12 months.

Master Drilling Group Limited

Master Drilling Group Limited is a global drilling service provider, operating in the mining, civil engineering, construction and hydro-electric power sectors. Mining operations in South America, Central and North America have been severely impacted by COVID-19 related restrictions during FY20. However, the company's diversification across regions, commodities, currencies and industries has mitigated the majority of the COVID-19 related impact on the business.

US and Canada

As illustrated in Table 13, two publicly listed companies were identified as having similar core business operations to that of BLY in the US and Canada region. The following analysis provides a brief explanation of the factors impacting on the multiples and the reason for their high nature.

Major Drilling Group

The EBITDA multiples observed for Major Drilling Group (Major Drilling) are higher than for the other companies in the peer group due to a number of reasons, primarily:

- during the year ending 30 April 2021, Major Drilling's revenue grew by 5.6% despite the economic impacts of COVID-19, from CA\$409.1 million in FY20 to CA\$432.1 million in FY21. The company also saw 5.2% growth in EBITDA, from CA\$49.7 million in FY20 to CA\$52.4 million in FY21 due to the company's focus on cost controls and disciplined pricing
- Major Drilling is the largest company, in terms of market capitalisation, in the set of comparable companies. Consequently, Major Drilling Group's size and robust balance sheet enhances the company's ability to weather the COVID-19 pandemic related uncertainties in demand for drilling services more efficiently than its smaller competitors, and
- historically, over the previous three years, Major Drilling has traded at an average three year EBITDA multiple of 14.7x. The value and share price of the company has been relatively stable, reflecting the company's strong balance sheet, which also positions the company to be able to capture future growth opportunities when the market recovers.

Orbit Garant Drilling, Inc.

The EBITDA trading multiples of Orbit Garant Drilling, Inc. are potentially impacted by the following:

- as at 5 July 2021, Orbit Garant Drilling, Inc. traded at 6.1x LTM EBITDA. The company has implemented strict cost-cutting measures at the onset of the COVID-19 pandemic. As a result, the company's EBITDA for the last 12 months of CA\$14.2 million, increased from previous period's EBITDA of CA\$10.8 million. According to broker consensus forecasts, the company's EBITDA estimate is CA\$15.0 million for the 12 months to 31 December 2021, suggesting a stabilisation of demand and as a result the NTM EBITDA multiple is 4.6x, and
- Orbit Garant Drilling, Inc. had historically higher net debt levels compared to Major Drilling and therefore bears more risk regarding imminent changes in the market environment as seen during the onset of the COVID-19 pandemic.

Consideration of market evidence

Multiples based on share prices of listed comparable companies reflect the value of portfolio interests in the underlying company and are commonly assumed to exclude a premium for control. In order to compare market multiples observed with the acquisition of a controlling interest, we have applied a control premium of 25.0% in performing our analysis of the comparable companies which is at the low end of the observed premium range.

From the 11 publicly listed companies identified for comparison purposes, we consider the most comparable companies to BLY to be:

- *Major Drilling* – There are strong parallels between BLY and Major Drilling in terms of their leading market position and global footprint in the international drilling services industry. Despite the companies' similar geographic footprint, and diversification of product offerings, Major Drilling is a larger company in terms of market capitalisation, and has increased its market share during FY20. Major Drilling's relatively strong balance sheet position in comparison to BLY places the company in a superior competitive position as the mining industry recovers after the COVID-19 pandemic and the mining services industry begins to expand back to higher levels. As a consequence of Major Drilling's net cash position and relative size compared to BLY and its competitors, we expect that

Major Drilling would trade at premium. Major Drilling's NTM multiple of 9.5x is reflective of a more mature industrial company with stronger growth prospects and a stable balance sheet going forward. Thus, despite the similar geographic footprint and product and service offering, the multiples would not be reflective of the multiples applied to BLY

- *Perenti Global Ltd* – Perenti Global Ltd is arguably the most comparable company to BLY given the similarities in service mix between the two companies and to an extent, the proportion of revenue derived from the provision of drilling services and the manufacture and sale of drilling products. In the financial year ended 30 June 2020, Perenti Global Ltd generated 93.4% of its revenue from underground and surface mining drilling services. Similarly, in FY20 BLY generated approximately 69.4% of its revenue from drilling services. As BLY's operations and customer base are more geographically diversified than Perenti Global Ltd's we would expect it to trade at a small discount to BLY, and
- the remaining companies in the peer group are considered to be less comparable, but are still broadly relevant to demonstrate the impact of size, service mix, market focus and growth prospects on earnings multiples. These multiples, while not perfectly reflecting BLY, provide a good perspective of the industry multiples observed. When considering the relative size of BLY, we have considered the multiples of highly comparable companies, such as Major Drilling, with those with a smaller market capitalisation, and a more comparable financial position.

16.3.3.2 Comparable company transaction multiples

Transaction Evidence

The price paid in transactions is widely considered to represent the market value of a controlling interest in the company. The difference between the value of a controlling interest and a minority interest (as implied by the share price) is referred to as a premium for control. This premium can differ from transaction to transaction and is dependent on a range of factors, including the equity share acquired, the negotiating position of the parties, competitive tension in the sales process, the availability of synergies and the extent to which a buyer would pay away these synergies to gain control of the target.

We note the number of sizeable recent transactions involving APAC listed drilling services businesses is limited with six transactions having occurred since 2014. Further to this, as a result of financial distress, and the prolonged depressed mining industry conditions, there have been some transactions that have related primarily to insolvent asset purchases or turnaround acquisitions from receivers. These transactions have not been included due to their limited financial information and distressed nature. The acquisition of Hughes Drilling by Allegro Funds Pty Ltd on 31 December 2016 is an example of such a transaction.

As a consequence of these factors, we have considered those recent transactions involving sizable international drilling services businesses dating back to April 2012, although these multiples will be influenced by the market outlook in the countries they operate, as well as other company specific factors.

The table below sets out the EBITDA multiples implied by these transactions that involved companies operating in the drilling services industry within APAC and internationally.

Table 18: Transaction evidence

Close Date	Acquirer	Target	Transaction		EBITDA Multiple		Revenue Multiple	
			value (\$ million) ¹	% acquired	LTM ²	NTM ³	LTM ²	NTM ³
ASPAC								
n/a	Dynamic Drill and Blast Holdings Limited	Orlando Drilling Pty Ltd	25.2	100%	n/a	3.9	n/a	0.8
Jun-21	Major Drilling Group International Inc.	McKay Drilling PTY Limited	79.7	100%	4.7	n/a ⁴	1.3	n/a ⁴
Feb-21	MACA Limited	Mining West Business of Downer EDI Limited	205.0	100%	2.9	n/a ⁴	0.5	n/a ⁴
Nov-19	Mitchell Services Limited	Deepcore Drilling Pty Ltd	32.0	100%	5.1	3.5	0.7	0.5
Oct-18	Perenti Global Limited	Barmenco Holdings Pty Limited	673.0	100%	5.8	n/a ⁴	1.1	n/a ⁴
Nov-12	Foraco International SA	John Nitschke Drilling Pty. Ltd.	60.0	100%	4.7	n/a ⁴	1.3	n/a ⁴
Nov-12	General Electric Company	Industrea Limited	679.3	100%	6.0	4.7	1.8	1.6
International								
Nov-19	Major Drilling Group International Inc.	Norex Drilling Limited	21.5	100%	3.9	n/a ⁴	0.9	n/a ⁴
Aug-14	Major Drilling Group International Inc.	Taurus Drilling Services ULC	39.7	100%	5.0	n/a ⁴	1.1	n/a ⁴
Apr-12	Foraco International SA	WFS Sondagem Ltda.	83.9	51%	5.2	n/a ⁴	1.2	n/a ⁴
Low					2.9	3.5	0.5	0.5
High					6.0	4.7	1.8	1.6
Median					5.0	3.9	1.1	0.8
Average					4.8	4.0	1.1	1.0

Source: Company financial statements and announcements, S&P Capital IQ, KPMG Corporate Finance analysis

Note 1: Transaction value refers to enterprise value of the company as of the date of completion

Note 2: LTM multiples calculated based on EBITDA and revenue from most recently available results as at the transaction announcement date, after normalisation adjustments

Note 3: NTM multiples calculated based on broker consensus forecasts as at the transaction date

Note 4: n/a = not available

Further details on these transactions are set out in Appendix 4. Although the target companies are considered broadly comparable to BLY, it is necessary to consider the specific attributes of the target companies as well as the prevailing economic conditions at the time of the transaction.

The multiples implied by these transactions reflect a range of business specific factors, including:

- the size of the target business implied by the transaction value. The transactions relating to Industrea Limited and Barmenco Holdings Pty Limited were significantly larger in size. These transactions were executed at historical multiples of 6.0x and 5.8x EBITDA and a forecast multiple of 4.7x EBITDA for the Industrea Limited acquisition. Therefore, larger transactions typically generate higher multiples
- the stake acquired in the transaction. All observed transactions involved the transfer of control between shareholders and therefore, invariably all transaction LTM EBITDA multiples reflect a control premium. The WFS Sondagem Limited transaction was a proportional takeover offer for 51.0% of the shares in the company. Although Foraco International SA did not achieve 100.0% control, there is a strong likelihood a premium for control would have been paid as the “effective” control threshold of 50.0% was still reached
- the amount of synergies available to the acquirer. In transactions where it was estimated that the combined entity would be able to achieve significant synergies, takeover premiums and therefore implied multiples, in particular historical multiples, are likely to be higher. In this context, significant synergies were expected e.g. from the acquisition of Barmenco Holdings Pty Ltd by Perenti Global Limited. Barmenco Holdings was a specialist underground hard-rock mining contractor with

operations predominantly in Australia as well as in Africa, Egypt and India. The acquisition allowed Perenti Global to expand the scale of their operations in terms of product offering, customers and geography. Therefore, the transaction multiple may reflect a strategic premium, and

- the stage of the market cycle and the prevailing economic conditions when the transaction was undertaken. For example, in the APAC region, the acquisitions of Deepcore Drilling Pty Ltd by Mitchell Services Limited and Barmenco Holdings Pty Ltd by Perenti Global Limited occurred prior to the onset of the COVID-19 pandemic and during an intermediate cyclical uplift of the mining industry. Consequently, these transactions executed at historical EBITDA multiples higher than the most recent transaction, highlighting the challenging industry conditions following the onset of the COVID-19 pandemic. The more recent transactions for the Mining West Business of Downer EDI Limited, McKay Drilling Pty Ltd and Orland Drilling Pty Ltd have attracted lower EBITDA multiples in comparison.

Consideration of transaction evidence

Market evidence derived from APAC transactions provides limited guidance as to an appropriate multiple for BLY. The most comparable transaction is considered to be:

- Perenti Global Limited acquisition of Barmenco Holdings Pty Ltd at 5.8x historical EBITDA. Barmenco Holdings Pty Ltd was a specialist underground hard-rock mining contractor with operations predominantly in Australia as well as in Africa, Egypt and India. Similarities in core operations and geographic diversification between Barmenco Holdings Pty Ltd and BLY provide a rough basis for comparability, however discrepancies in size and market focus between the two companies do exist. Further, the Barmenco Holdings Pty Ltd transaction was executed at a time during a positive market environment for drilling services companies, influencing the observed multiple. As a result we would expect the differences in the prevailing market conditions at the time of the transaction to have a significant impact on the multiples.

Company specific considerations

In determining an appropriate EBITDA multiple for BLY in the context of the available market evidence, it is necessary to consider the specific attributes of the business being valued. In this regard, we note there are a number of reasons that would justify higher multiples for BLY:

- BLY benefits from a strong, global orientated position providing drilling services and has a unique drilling product mix and product offering. The Company has a strong brand and reputation with a history of more than 120 years of expertise
- in terms of product and service offering and market focus, BLY is more diversified than many of the comparable companies and target companies. While the COVID-19 pandemic has had a negative influence on nearly all mining commodities around the globe, a broader commodity base is often likely to justify a more stable earnings profile. This, combined with the ability to service a wider range of mining companies at different stages of the mining lifecycle, would support a higher EBITDA multiple. The current cyclicality in exploration drilling has caused a shift towards more stable, less cyclical production-drilling operations, enhancing the predictability of earnings and margins, which BLY has the capability of achieving, and

- BLY benefits from a geographically diversified operations base. The company targets the key natural resources markets in regions including APAC, the US, EMEA, Canada and Latin America. Although, many of these markets are mature and established, BLY's geographic presence enables the company to position itself to capture opportunities in high-growth, emerging markets across regions such as Asia and the Middle East.

On the other hand, there are a number of factors that would constrain the appropriate multiples for BLY:

- The company's liquidity positioned has been weak for many years. Solvency has continued to be an issue and BLY's credit rating from credit agencies has fallen consistently. Ultimately, the leveraged nature of the business has increased the riskiness of the Company in many aspects and hindered the Company's ability to capitalise on potential growth opportunities currently and going forward.

16.4 Other valuation considerations

16.4.1 Synergies

Typically, the level of synergies able to be derived from a business combination is dependent on the nature of the respective businesses and their geographical and operational overlap. With the Supporting Creditors being mostly private equity firms Management anticipates that there are no considerable opportunities to capture significant recurring benefits (or synergies) post the proposed transaction. Additionally, BLY has already executed a number of cost saving initiatives since the downturn in the mining cycle and the outbreak of the COVID-19 pandemic. As a result of this, any further recurring benefits would likely be limited and only attributable to an industry buyer.

16.4.2 Net debt

Net debt is calculated as total borrowings (including revolving credit and senior notes) less cash and cash equivalents. We have determined the net debt balance pre-recapitalisation to be US\$910.7 million as at 30 June 2021, as confirmed by Management and presented below for the purpose of our valuation.

Table 19: BLY's net debt as at 30 June 2021

As at US\$ million	31-Dec-20	31-Mar-21	Pre Recap	Post Recap
ABL	22.9	31.4	5.4	5.4
Interim facility	-	-	30.3	-
Exit facility	-	-	-	115.0
Backstop ABL	59.1	60.7	62.3	-
Capitalised leases	40.0	40.3	39.3	39.3
Term Loan A	155.7	158.9	161.9	-
Term Loan B	187.7	191.5	195.4	-
Senior Secured Notes	288.3	288.3	354.7	-
Senior Unsecured Notes	93.4	93.8	94.1	-
Total debt	847.2	864.9	943.3	159.6
Less: Cash and cash equivalents	(23.5)	(26.8)	(32.6)	(56.1)
Net debt	823.7	838.1	910.7	103.5

Source: BLY's financial report for FY20 and Management

Note 1: Differences to the net debt as per the financial statements at 31 December 2020 and 31 March 2021 relate to accounting differences in relation to capitalised leases, the ABL facility, the Backstop ABL and the treatment of the applicable premium for the SSNs and debt modifications.



16.4.3 **Surplus assets and liabilities**

Surplus assets represent those assets or investments that are not required in order for BLY to continue to realise its principal source of earnings. To determine the equity value, surplus assets must be added back to the enterprise value, whilst surplus liabilities, if any, are deducted.

Management has stated that due to current market conditions, equipment and rigs are frequently reviewed to determine if there are any rigs that are unlikely to be put back into service. These assets are classified as held for sale, currently the company has assets of US\$0.2 million in this category as at 30 June 2021.

16.5 **Valuation cross checks**

16.5.1 **High level DCF cross check**

We have compared the range of values determined using our primary capitalisation of earnings methodology to that derived by a high level DCF methodology. Using high level forecast revenue and earnings projections, we have determined the discount range at an enterprise level that would be required to result in a valuation range comparable to the results of the capitalisation of earnings method.

The indicative valuation has been prepared based on the following assumptions:

- BLY's business scenarios for the period from FY21 to FY23 (see Appendix 6)
- our understanding of BLY's future prospects following discussions with Management for the period beyond FY21
- EBITDA projections were based on the business scenarios reflecting management expectations of industry performance in the period FY21 to FY23. In the terminal value calculation, we have adopted a rolling average adjusted EBITDA
- working capital movements have been calculated with reference to target ratios of payables and receivables, along with more detailed analysis of current and future inventory liquidation. In the terminal value calculation, we have estimated movement in working capital based on a percentage of sales
- tax has been calculated based on management forecasts of cash tax paid in each tax jurisdiction that the business operates. We have used a tax rate of 28% in the terminal value calculation
- projections for depreciation and capital expenditure requirements were provided by BLY. In the terminal value, we have assumed capital expenditures to be equal to depreciation at a sustainable level of US\$60 million, and
- the terminal value relies on the assumption that the business is in a steady state and that gross profit will grow at a constant rate into perpetuity. We have adopted a terminal growth rate of 2.5%, as we believe this is reflective of long-term growth rates.

Based on the assumptions above the required post-tax Weighted Average Cost of Capital (WACC) to result in a valuation range comparable to the results of the capitalised earnings method would be in a range of 17.0% to 18.5%.



This range is high when compared to the mining services industry, resulting in our view from the company specific risks inherent in an investment in BLY. In this respect there is no assurance at this point in time that the company's plan will be achieved, given the inherent uncertainty as to whether the industry will make a recovery, despite improving commodity prices. As such we do not consider that the discount rate implied by our analysis of our primary valuation to be unreasonable. As such we consider this analysis supports our overall valuation conclusions.

16.5.2 Market price

We have performed a cross check of our assessed value per share against the VWAP of BLY shares. Set out in the table below is an analysis of the periodic VWAPs and liquidity of BLY's shares for the 12-month period prior to and including 13 May 2021 (period before the announcement of the Recapitalisation). For example, '1 week' means five days prior to and including 13 May 2021.

Table 20 below summarises an analysis of the volume of trade in BLY's shares on the ASX.

Table 20: VWAP and liquidity analysis

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
1 day	0.41	0.41	0.41	0.0	0.0	0.0
1 week	0.41	0.43	0.42	0.0	0.0	0.0
1 month	0.38	0.48	0.43	0.1	0.3	0.3
3 months	0.35	0.68	0.48	0.8	1.7	1.9
6 months	0.22	0.93	0.49	4.2	8.7	9.9
12 months	0.22	1.83	0.76	18.1	23.8	12.2

Source: S&P Capital IQ and KPMG Corporate Finance Analysis

With regard to the table above, we note the following:

- BLY's shares have, prima facie, exhibited low liquidity over the 12-month period to 13 May 2021, with 12.2% of total shares on issue traded in the last 12-months and 9.9% traded in the last six months
- over the 12-month period to 13 May 2021, BLY's shares traded at an average weekly volume of 0.46 million shares and value of approximately \$348,000, and
- the VWAP has declined from \$0.76 over the full 12-month period to \$0.41 in the week prior to the announcement.

We note that there is relatively low free floating stock in BLY as a result of the 53.3% holdings of Centerbridge as well as the 20.7% holdings of Ascribe. In addition to this, the percentage of issued capital that traded over the past 12 months is considered low in comparison to BLY's peers, and other publicly listed companies. During the period set out above the VWAP of BLY exceeds our assessed value of the Company. We do not consider this to be unusual in such circumstances, given the low levels of liquidity and low price per share. The trading price may also reflect some optionality in terms of the timing and size of a recovery of the mining industry. As such we do not consider the trading price to indicate that our valuation is not appropriate.



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Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin and Adele Thomas. Ian is member of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australasia and holds a Master of Commerce from the University of New South Wales. Adele is a member of Chartered Accountants Australia and New Zealand and holds Bachelor degrees in Commerce and Accounting. Each have a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. Thomas Kriegel assisted in the preparation of this report

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Recapitalisation is fair and reasonable. KPMG Corporate Finance expressly disclaims any liability to any BLY shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Explanatory Statement prepared in respect of the Recapitalisation. Accordingly, we take no responsibility for the content of the Explanatory Statement as a whole or other documents prepared in respect of the Recapitalisation.

It is not the role of the Independent Expert to undertake the commercial and legal due diligence that a company, and its advisers may undertake. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the diligence process, which is outside our control, and beyond the scope of this report. We have assumed that the due diligence process was conducted in an adequate and appropriate manner.

We note that the forward-looking financial information prepared by the Company does not include estimates as to the potential impact of any future changes in taxation legislation in Australia or any other jurisdictions. Future taxation changes are unable to be reliably determined at this time.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

In addition to the disclosures in our Financial Services Guide which indicate that KPMG has also provided tax services in relation to the impact of the Restructuring, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of BLY for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Explanatory Statement to be issued to the Shareholders. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.



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Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- the Company Announcement regarding the Restructuring including the RSA
- annual reports for the three years ended 31 December 2018, 31 December 2019 and 31 December 2020
- company presentations and ASX announcements
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd
- data providers including S&P, S&P Capital IQ and Connect 4

Non-public information

- Board papers and other internal briefing papers prepared by BLY and their advisers in relation to the Restructuring
- Draft Explanatory Memorandum, dated 26 July 2021
- other confidential documents, presentations and work papers.

In addition, we have held discussions with, and obtained information from directors and senior management of BLY and their advisers.

Appendix 3 – Valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business ('maintainable earnings') and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of shares. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100.0%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted ('the Discount Rate') should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.



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In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values. A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 4 – Market evidence

Share market evidence

The following table sets out the implied EBITDA multiples for selected listed companies operating in the drilling services and contract mining industries.

Table 21: Share market evidence

Company Name	Ticker	Operational Focus ¹	Market Focus ²	Geographic Focus ³	Market Cap (\$m) ⁴	EBITDA Multiple				
						LTM ⁵	NTM ⁶	Average 3 year ⁸	Average 5 year ⁸	Average 7 year ⁸
ASPAC										
AJ Lucas Group Limited	ASX:AJL	D	E/P	AU	45	5.4	nmf ⁷	9.9	17.6	22.1
MACA Limited	ASX:MLD	D/CM	E/D/P	AU	326	6.7	2.2	6.4	5.7	3.9
Mitchell Services Limited	ASX:MSV	D	E/P	AU	101	4.5	4.0	6.9	9.8	12.4
Perenti Global Ltd	ASX:PRN	D/CM	E/D/P	AU/AF	618	3.6	3.0	6.4	7.0	6.3
Swick Mining Services Limited	ASX:SWK	D	E/P	AU/AM	72	5.6	nmf ⁷	4.6	5.4	4.8
Americas										
Major Drilling Group International	TSX:MDI	D	E	G	911	16.9	9.5	14.7	20.7	18.9
Orbit Garant Drilling	TSX:OGD	D	E/D/P	AM	52	6.1	4.6	7.1	10.1	11.4
EMEA										
Capital Drilling Ltd	LSE:CAPD	D/CM	E/D	AF	323	7.3	4.6	4.7	4.9	4.7
Foraco International SA	TSX:FAR	D/CM	E/D/P	G	235	10.0	nmf ⁷	6.8	8.5	8.2
Geodrill Limited	TSX:GEO	D	E/D	AF	159	4.8	4.4	3.0	3.9	3.9
Master Drilling Group Limited	JSE:MDI	D	E/D/P	G	157	7.3	nmf ⁷	5.7	6.4	6.1
Low						3.6	2.2	3.0	3.9	3.9
High						16.9	9.5	14.7	20.7	22.1
Median						6.1	4.4	6.4	7.0	6.3
Average						7.1	4.6	6.9	9.1	9.3

Source: S&P Capital IQ (data as at 5 July 2021) and KPMG Corporate Finance analysis

Note 1: D=Drilling, CM=Contract Mining

Note 2: Stage of Mining Lifecycle: E=Exploration, D=Development, P=Production

Note 3: AU = Australia, AM = Americas, AF = Africa, G = globally diversified

Note 4: Market Cap calculated at close of trade on 5 July 2021, reflecting a 25% premium for control

Note 5: LTM multiples calculated after normalisation adjustments applied to reported EBITDA and NPAT, and reflect adoption of AASB16

Note 6: NTM multiples sourced from S&P Capital IQ

Note 7: nmf = not meaningful

Note 8: Average multiples calculated based on average enterprise values and reported EBITDA for the prior 3, 5 and 7 years respectively from 5 July 2021

The multiples are based on share market prices as at 5 July 2021 and include a 25% premium for control applied to each company's market capitalisation. A brief description of each company is outlined below.

APAC

AJ Lucas Group Limited

AJ Lucas Group Limited (AJ Lucas) is a specialist mining and infrastructure service provider for the energy, mining, infrastructure and water sectors. The company operates in two divisions: Drilling, which offers exploration, production and directional drilling primarily for the coal and coal seam gas industries in Australia. AJ Lucas also operates an Oil & Gas division, which engages in the exploration and commercialisation of conventional and unconventional hydrocarbon resources. The company's recent focus in this division is the Bowland license located in the UK, where AJ Lucas is undertaking a program of drilling, fracking and flow testing of shale rock. As at 31 December 2020, the company had net debt of \$93.5 million and a net gearing ratio of 211.5%. For 2020, the company generated revenue of \$130.5



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million, of which 100% came from the Drilling division located in Australia. In 2020, the company reported EBITDA of \$28.5 million at an EBITDA margin of 21.9%, and a net profit of \$11.3 million. AJ Lucas did not issue a dividend in 2020 and has not issued any dividends since 2009.

MACA Limited

MACA Limited is a mining, construction and road infrastructure company that offers contract mining, civil earthworks, road asset maintenance, crushing and screening, and material haulage solutions in Australia. The company's key commodity segments include iron ore and gold, with some projects for nickel and lithium miners. As at 31 December 2020, MACA Limited had net debt of \$90.8 million and a net gearing ratio of 24.1%. For 2020, MACA Limited generated \$909.7 million in revenue, of which 71.7% came from the mining segment, 24.0% from civil contracting and the remaining amount from MACA's other operations. The company reported EBITDA of \$87.6 million at an EBITDA margin of 9.6%, and a net loss of \$18.2 million for 2020. On 22 February 2021 MACA issued an interim dividend of \$0.025 per share.

Mitchell Services Limited

Mitchell Services Limited provides exploration and mine site contract drilling services to the mining industry. The company operates a fleet of more than 100 drill rigs and carries out services such as auger drilling, rotary air blast drilling, rotary mud drilling, reverse circulation drilling, and diamond drilling, with all operations located in Australia. Comparatively, Boart Longyear operates in services such as surface and underground diamond core drilling, underground percussive drilling, sonic drilling, surface rotary drilling, surface geotechnical drilling, and surface and underground reverse circulation drilling. As at 31 December 2020, Mitchell Services Limited had net debt of \$27.4 million and a net gearing ratio of 30.9%. For 2020, the company reported revenue of \$202.6 million, EBITDA of \$29.4 million (EBITDA margin 14.5%), and a net loss of \$0.2 million. The company has not issued any dividends since 2012.

Perenti Global Ltd

Perenti Global Ltd is a mining services group which provides surface mining and underground mining services, and has a range of diversified mining services offerings through its Investments division. Through its Surface Mining division, Perenti provides exploration and production drilling, blasting and geotechnical services, and logistics services. Perenti's Underground Mining division provides contract underground mining services. The majority of the company's projects are for gold, coal and non-precious metal producers, with 53% of its revenue for the year ended 30 June 2020 coming from Africa and 45% coming from Australia. As at 31 December 2020, Perenti had net debt of \$540.1 million and a net gearing ratio of 68.8%. For 2020, the company delivered revenue of \$2,095.4 million, of which 63.5% was generated from its Underground Mining division, 29.9% from its Surface Mining division and 7.7% from its Investments division. The company delivered EBITDA of \$366.4 million at an EBITDA margin of 17.5%, and a net loss of \$77.6 million. On 8 March 2021 the company issued an interim dividend of \$0.035 per share.

Swick Mining Services Limited

Swick Mining Services Limited provides underground and surface drilling services to companies working with precious and base metals, and bulk commodities. The company operates 79 surface and underground drilling rigs and offers a drill core scanner instrument and associated software through its subsidiary



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Orexplore. As at 31 December 2020, the company had net debt of \$18.9 million and a net gearing of 33.9%. In 2020, the company reported revenue of \$141.1 million, of which 72.5% is derived from drilling operations in Australia, and 29.7% from drilling operations in North America. The company generated EBITDA of \$17.8 million at an EBITDA margin of 12.6%, and a net loss of \$2.3 million. On 26 February 2021 the company announced that it would pay an interim dividend of \$0.0045 per share.

Americas

Major Drilling Group International Inc.

Major Drilling Group International Inc. (Major Drilling Group) provides contract drilling services for companies primarily involved in mining and mineral exploration. The company offers a wide array of drilling services that include surface and underground coring, directional, reverse circulation, geotechnical, environmental and shallow gas drilling services. As at 31 July 2020, the company owned 613 drill rigs across Canada, the United States, Mexico, South America, Asia, Africa and Europe. As at 30 April 2021, Major Drilling Group had net cash of CA\$3m. For the year ended 30 April 2021, the company reported revenue of CA\$432.1 million, EBITDA of CA\$52.4 million (EBITDA margin 12.1%) and a net profit of CA\$10.0 million. Gold accounted for 54% of its revenue followed by copper (22%), nickel (6%), zinc (3%) and other (15%). Major Drilling has not issued a dividend since 2016.

Orbit Garant Drilling, Inc.

Orbit Garant Drilling, Inc. provides surface and underground diamond drilling services to mining companies for each stage of mineral exploration, mine development and production. The company also manufactures and sells surface and underground drills to other drilling companies. As of 28 September 2020, the company operated 231 drill rigs, predominantly in Canada with 79.1% of revenue generated in this region, whilst the other 20.9% was generated in the United States, South America and West Africa. As at 31 March 2021, Orbit Garant Drilling Inc. had net debt of CA\$32.8 million and a net gearing ratio of 65.7%. For the year ended 31 March 2021, the company reported revenue of CA\$132.4 million, EBITDA of CA\$14.2 million (EBITDA margin 10.7%) and net profit of CA\$1.7 million. Orbit Garant Drilling did not issue a dividend in 2020.

EMEA

Capital Limited

Capital Limited provides various drilling solutions to customers in the minerals industry including exploration drilling services, mineral geochemical analysis laboratory services and grade control drilling services. The company also offers equipment rental and IT support services. As at 31 December 2020, the company had net cash of US\$4.3 million. The company operates a fleet of 99 drilling rigs, including 34 diamond core rigs, 32 blast hole rigs and 20 reverse circulation/ grade control rigs. In 2020 Capital Limited reported revenue of US\$135.0 million, EBITDA of US\$35.3 million (EBITDA margin 26.2%), and a net profit of US\$24.6 million. The company generates the majority of its revenue in Africa (88.1% of total revenue), with the company's key commodity being gold. The company issued total dividends of US\$0.022 per share in 2020.



Foraco International SA

Foraco International SA provides drilling services primarily for the mining and water sectors worldwide. Its drilling services include diamond core, rotary, down-the-hole hammer, direct circulation, reverse circulation, air core, and rotary air blast drilling services. As at 31 March 2021, Foraco International SA had net debt of US\$146.5 million and a net gearing ratio of 114.8%. The company generated revenue through operations in ASPAC (18%), North America (33%) and Europe, Middle East and Africa (33%). For the year ending 31 March 2021, Foraco International SA reported revenue of US\$207.1 million, EBITDA of US\$34.5 million (EBITDA margin 16.3%), and net profit of US\$5.3 million. As of 31 December 2020, the company had 302 drilling rigs, and was ranked as the third largest global driller. The company has not issued a dividend since 2013.

Geodrill Limited

Geodrill Limited provides mineral exploration drilling services to mining companies with exploration, development and production operations. Its services include reverse circulation, diamond core, deep directional drilling, air-core, grade control, geo-tech and water borehole drilling. As at 31 December 2020, the company operated a fleet of 68 drill rigs, all based in Africa. As at 31 March 2021, Geodrill Limited had US\$1.4 million in net debt and a net gearing ratio of 1.4%. For the year ended 31 March 2021, the company reported revenue of US\$95.1 million, EBITDA of US\$26.0 million (EBITDA margin 27.3%) and net profit of US\$13.1 million. On 5 March 2021, the company announced that it would pay a semi-annual dividend of CAD\$0.01 per share.

Master Drilling Group Limited

Master Drilling Group Limited (Master Drilling) provides specialised drilling services to the mining, civil engineering, construction and hydro-electric power sectors. The company offers rock boring services, slim drilling services, and support services. As at 31 December 2020, Master Drilling held net debt of US\$22.3 million and a net gearing ratio of 22.9%. Master Drilling generates revenue through operations primarily in Africa (39.0%) and South America (20.9%). For the year ended 31 December 2020, Master Drilling reported revenue of US\$123.1 million, EBITDA of US\$20.3 million (EBITDA margin 16.5%) and a net profit of \$3.3 million. The company has not issued a dividend since 2019.

Transaction Evidence

The table below sets out the EBITDA multiples implied by transactions since 2012 that involved companies operating in the drilling services and contract mining industry within ASPAC and internationally. We note that there have been very limited transactions in the segment.

Table 22: Transaction evidence

Close Date	Acquirer	Target	Transaction value (\$ million) ¹	% acquired	EBITDA Multiple		Revenue Multiple		
					LTM ²	NTM ³	LTM ²	NTM ³	
ASPAC									
n/a	Dynamic Drill and Blast Holdings Limited	Orlando Drilling Pty Ltd	25.2	100%	n/a	3.9	n/a	0.8	
Jun-21	Major Drilling Group International Inc.	McKay Drilling PTY Limited	79.7	100%	4.7	n/a ⁴	1.3	n/a ⁴	
Feb-21	MACA Limited	Mining West Business of Downer EDI Limited	205.0	100%	2.9	n/a ⁴	0.5	n/a ⁴	
Nov-19	Mitchell Services Limited	Deepcore Drilling Pty Ltd	32.0	100%	5.1	3.5	0.7	0.5	
Oct-18	Perenti Global Limited	Barmingo Holdings Pty Limited	673.0	100%	5.8	n/a ⁴	1.1	n/a ⁴	
Nov-12	Foraco International SA	John Nitschke Drilling Pty. Ltd.	60.0	100%	4.7	n/a ⁴	1.3	n/a ⁴	
Nov-12	General Electric Company	Industrea Limited	679.3	100%	6.0	4.7	1.8	1.6	
International									
Nov-19	Major Drilling Group International Inc.	Norex Drilling Limited	21.5	100%	3.9	n/a ⁴	0.9	n/a ⁴	
Aug-14	Major Drilling Group International Inc.	Taurus Drilling Services ULC	39.7	100%	5.0	n/a ⁴	1.1	n/a ⁴	
Apr-12	Foraco International SA	WFS Sondagem Ltda.	83.9	51%	5.2	n/a ⁴	1.2	n/a ⁴	
Low						2.9	3.5	0.5	0.5
High						6.0	4.7	1.8	1.6
Median						5.0	3.9	1.1	0.8
Average						4.8	4.0	1.1	1.0

Source: Company financial statements and announcements, S&P Capital IQ, KPMG Corporate Finance analysis

Note 1: Transaction value refers to enterprise value of the company as of the date of completion

Note 2: LTM multiples calculated based on EBITDA and revenue from most recently available results as at the transaction announcement date, after normalisation adjustments

Note 3: NTM multiples calculated based on broker consensus forecasts as at the transaction date

Note 4: n/a = not available

A brief description of each transaction is outlined below.

ASPAC transactions

Acquisition of Orlando Drilling Pty Ltd by Dynamic Drill and Blast Holdings Limited

Dynamic Drill and Blast Holdings (Dynamic) announced its acquisition of a 100% stake in Orlando Drilling Pty Ltd (Orlando) on 20 May 2021. The consideration of \$21.4 million comprises \$4.5 million in cash and 37.5 million fully paid ordinary Dynamic shares. Dynamic will take on Orlando's expected net debt of approximately \$3.8 million on the completion of the acquisition and will conduct a capital raising to fund part of the acquisition. A \$3.5 million earn-out payment is payable if Orlando achieves an actual FY22 EBITDA of \$7 million. An additional \$4 million earn-out payment is subject to Orlando achieving an FY22 EBITDA of \$9.8 million, with a pro-rata amount payable from a baseline FY22 EBITDA of \$7 million. Orlando is a drilling services provider with 17 air-core, reverse circulation and diamond drilling rigs, which services iron ore and gold miners in Australia. The acquisition allows Dynamic to expand its customer base and increase its drill fleet to 33 rigs post-acquisition.

Acquisition of McKay Drilling Pty Ltd by Major Drilling Group

Major Drilling Group acquired a 100% stake in McKay Drilling Pty Ltd (McKay) on 1 June 2021. The consideration of \$79.7 million consists of \$15 million in common shares of Major Drilling, an earn-out amount of up to \$25 million, payable in cash over the next three years based on the achievement of certain milestones which have not been publicly disclosed, and \$39.7 million in cash, subject to post-



closing debt, working capital adjustments and holdbacks using Major Drilling's current cash balance. McKay is a drilling services provider which operates 20 reverse circulation and deep-hole diamond rigs, which primarily services iron ore and gold miners in Australia. For the year ended 31 March 2021, McKay generated revenue of approximately \$60 million and EBITDA of approximately \$17 million. The acquisition allows Major Drilling to expand its presence in the Australian market.

Acquisition of the Mining West Business of Downer EDI Limited by MACA Limited

MACA Limited acquired a 100% stake in the Mining West Business of Downer EDI Limited (Downer) for \$205 million on 1 February 2021. The consideration comprised an initial \$109 million cash payment which has been received by Downer, 12 equal monthly instalments of \$5.5 million which commenced in February 2021 and \$30 million which will be received from the unwinding of working capital balances. The acquisition is being funded by an \$130 million acquisition debt facility with Commonwealth Bank of Australia and a \$75 million equity capital raising, comprising an institutional placement and a pro-rata accelerated non-renounceable entitlement offer, which was successfully completed on 16 December 2020. Mining West is a surface contract mining business, which delivered \$400 million in revenue and EBITDA of \$70 million for the financial year ended 30 June 2020. The acquisition will provide MACA with complimentary earnings to its current operations and four large contracts for long-life gold and iron ore mining assets in Western Australia.

Acquisition of Deepcore Drilling Pty Ltd by Mitchell Services Limited

On 29 November 2019, Mitchell Services Limited acquired a 100% stake in Deepcore Drilling Pty Ltd for \$32 million. Mitchell Services Limited paid \$15 million in cash along with the issuance of 250 million shares in Mitchell Services Limited. Mitchell Services Limited received credit approval from its current senior lender, National Australia Bank Limited to fund the cash portion of the acquisition. Deepcore Drilling offers underground mobile, acoustic drilling and deep directional drilling in Australia. Deepcore Drilling delivered revenue of \$46.5 million and an EBITDA of \$6.3 million for the year ending 30 June 2019. The acquisition allows Mitchell Services Limited to offer a wider range of drilling services, given Deepcore Drilling's specialist product offerings and its strong exposure to gold mining in Victoria. Therefore, the transaction multiple may reflect a strategic premium.

Acquisition of Barmenco Holdings Pty Ltd by Perenti Global Limited

On 31 October 2018, Perenti Global Limited (Ausdrill Limited at the time of acquisition) acquired a 100.0% stake in Barmenco Holdings Pty Ltd for \$673 million. Perenti's consideration comprised 150.7 million fully paid ordinary ex-dividend Perenti shares and \$25.4 million in cash. Perenti Global Limited assumed net debt of \$423 million as a result of the transaction. For the year ending 30 June 2018, Barmenco delivered revenue of \$586.1 million and EBITDA of \$116.2 million. Barmenco Holdings was a specialist underground hard-rock mining contractor with operations predominantly in Australia as well as in Africa, Egypt and India. The acquisition allowed Perenti Global to expand the scale of their operations in terms of product offering, customers and geography. Therefore, the transaction multiple may reflect a strategic premium.

Acquisition of John Nitschke Drilling Pty Ltd by Foraco International SA

On 19 November 2012, Foraco International SA acquired a 100.0% stake in John Nitschke Drilling Pty Ltd, for a consideration of \$60.0 million in cash and warrants. The consideration included \$30.0 million

in cash, an undisclosed earn-out amount, and the issuance of 7 million warrants to acquire Foraco International shares. The warrants were automatically convertible on the happening of certain events on or after 9 months from the closing date. John Nitschke Drilling Pty Ltd was a privately owned Australian based drilling service, which had a fleet of 15 rigs as of 24 September 2012, including 4 diamond/rotary rigs, 4 reverse circulation rigs, and 7 multi-purpose rigs, as well as ancillary equipment. For the year ending 30 June 2012, the company earned revenues of \$47.9 million and EBITDA of \$12.8 million. This acquisition allowed Foraco International SA to strengthen its Australian operations with access to additional commodities and customers.

Acquisition of Industrea Limited by General Electric Company

On 30 November 2012, General Electric Company acquired 100% of Industrea Limited for \$679.3 million, comprising cash consideration of \$470.2 million plus \$209.1 million in net debt. Industrea Limited provided mining products and services through its four divisions, Mining Equipment, Mining Technology, Mining Services and Gas Management. For the year ended 30 June 2011, Mining Services generated the majority of the company's revenue at 47.0%, followed by Mining Technology and Mining Equipment, contributing 33.0% and 20.0% respectively. Of this revenue, 70% was generated in the ASPAC region. For the year ended 31 March 2012, Industrea Limited generated \$365.3 million in revenue and \$117.0 million in EBITDA. This acquisition allowed General Electric to expand their product and service offerings for mining customers. Therefore, the transaction multiple may reflect a strategic premium.

International transactions

Acquisition of Norex Drilling Limited by Major Drilling

On 1 November 2019, Major Drilling Group acquired a 100.0% stake in Norex Drilling for CA\$19.6 million or \$21.5 million. The consideration included a cash payment of CA\$14.0 million, CA\$1.9 million in Major Drilling shares, a holdback of CA\$1.2 million and an additional payout of CA\$2.5 tied to performance. For 2018, Norex delivered revenue of approximately CA\$22 million and EBITDA of approximately CA\$5 million. Pursuant to the transaction, Major Drilling retained Norex' management team, taking over its existing contracts, gained access to skilled and experienced personnel, and acquired 17 compatible specialised surface drill rigs and five underground drills. The acquisition allowed Major Drilling to expand its operations in both surface and underground exploration drilling services in the North-eastern Ontario region in particular.

Acquisition of Taurus Drilling Services ULC by Major Drilling

On 1 August 2014, Major Drilling acquired a 100.0% stake in Taurus Drilling Services ULC for CA\$39.2 million or \$39.7 million. Of this CA\$39.2 million, CA\$15.9 million was paid in cash, CA\$7.5 million in Major Drilling Group International Inc. stock and CA\$4.3 million in assumption of debt on closing. An additional amount of CA\$11.5 million was also paid as a result of Taurus achieving EBITDA run rates above levels from at the time of the acquisition. As a part of the acquisition Major Drilling retained Taurus Drilling's management teams and employees, as well as acquiring 39 drilling rigs, related inventory and contracts. In the LTM leading up to the transaction date the company generated a revenue of CA\$39.0 million and EBITDA of CA\$8.0 million. The acquisition allowed Taurus Drilling Services



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ULC to expand out of their production drilling services and enter the underground percussive/longhole drilling sector. Therefore, the transaction multiple may reflect a strategic premium.

Acquisition of WFS Sondagem Ltd by Foraco International SA

On 20 April 2012, Foraco International SA acquired a 51.0% stake in WFS Sondagem Ltda, a Brazilian drilling service provider for US\$44.4 million, implying a total enterprise value of US\$87.1 million or \$83.9 million. As part of the agreement, Foraco International had a call option to acquire the remaining 49.0% three years after the initial acquisition, however Foraco International waived this right on 31 March 2014 and did not acquire the remaining 49%. For the year ending 31 December 2011, WFS Sondagem earned revenues of US\$70 million and EBITDA of US\$16.8 million. WFS Sondagem was a private company that provided mineral drilling services including diamond and reverse circulation drilling services and had a drill rig fleet consisting of 72 diamond rigs, 14 reverse circulation drill rigs and ancillary equipment. The acquisition allowed Foraco International to increase its total drill rig fleet to 278 rigs and expand and strengthen its operations in Brazil.

Appendix 5 – Industry overview

To provide a context for assessing the future prospects of BLY, we have detailed below an overview of recent trends in commodity markets and the mining services markets both in Australia and globally. We have placed particular focus on the provision of drilling services and products.

Mining support services sector in Australia

Contract mining services companies are primarily hired by the mining, resources and energy industry on a contractual basis to perform various operational functions on mining projects. The scope of work can range from preparation of mine sites for mining to undertaking the entire mining process for an agreed period of time. Contract miners have access to a large pool of machinery and a skilled workforce, which can assist in reducing costs for resource companies.

BLY operates in a niche division of the mining services market, providing drilling services and drilling products for all stages of the mining lifecycle.

Key industry trends

The demand for contract mining services, particularly drilling services, is closely related to the underlying performance of the overall resources industry and has historically been cyclical in nature. The sustainability of BLY is directly related to the demand for drilling services and products primarily from the mining, resources, mining services and energy sectors, and to a lesser extent the non-mining markets.

There are currently two core identified industry trends which significantly impact the level of demand for mining services, particularly drilling services, in Australia and globally:

- *rising commodity prices* – despite the COVID-19 pandemic impacting global markets, many key commodities experienced rising prices over the course of 2020, including gold, iron ore, silver and copper, while oil and coal experienced weaker prices. Economic commentators have noted that many of the commodities which performed well through 2020 are likely to maintain their high prices in the short-term³³, supporting production and exploration activity for these commodities in future periods.
- *reduced mining-related capital expenditure* – the economic impact from the COVID-19 pandemic resulted in many exploration projects being cancelled or postponed. As a result, global spending on mining exploration activities decreased by 10.3% from 2019 to 2020, as shown in figure 7 on the following page. Mining-related capital expenditure is expected to remain low in the short-term, before improving in the medium-term as high commodity prices should support mining exploration activity³⁴.

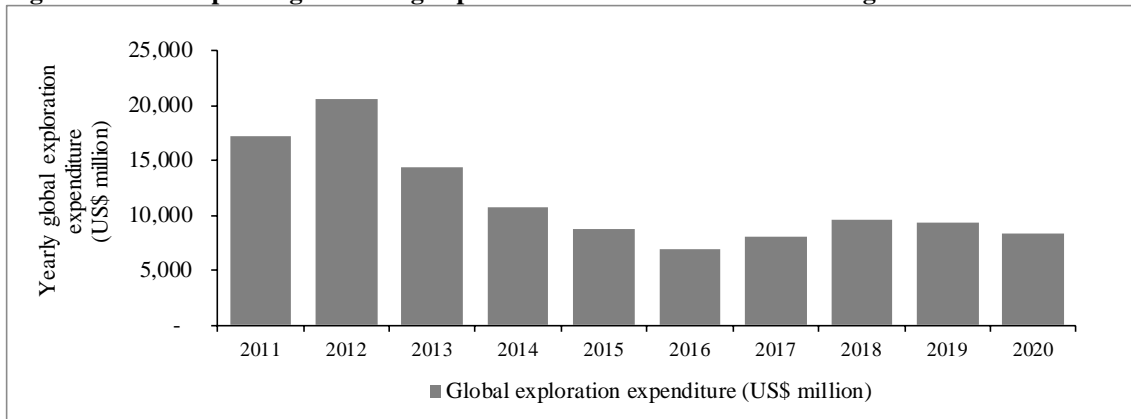
A graph illustrating global exploration expenditure from 2011 through to 2020 is included below. Global exploration expenditure has been consistently lower from 2014 to 2020 compared to the high levels of

³³ Reuters, *Volatile markets end 2020 strong with vaccines, stimulus in sight*, December 2020.

³⁴ IBISWorld, *Industry Report - Mineral Exploration in Australia*, February 2021

expenditure from 2011-2013 during the commodities ‘super-cycle,’ where there was strong demand for commodities due to the rapid industrialisation of emerging economies such as China.³⁵

Figure 7: Global spending on mining exploration activities from 2011 through to 2020



Source: SNL Metals & Mining³⁶

Demand expectations for commodities

We have set out demand expectations below for gold and copper, as we note that gold and copper miners comprise the majority of BLY’s customer base.

Demand expectations for gold

According to IBISWorld³⁷, gold is a counter-cyclical commodity, which means that global demand for gold is inversely related to global economic performance due to gold being viewed as a store of value. Hence, gold demand and gold prices were high during 2020 due to the economic headwinds and uncertainty caused by the onset of the COVID-19 pandemic. Gold prices reached an all-time high of US\$2,053/oz³⁸ in August 2020. This represents a strong appreciation in the gold price compared to prices noted during 2017 to 2019 as seen in figure 8, where there were more stable global economic conditions.

³⁵ IHS Markit, *Lessons from the fading commodity super-cycle*, August 2015

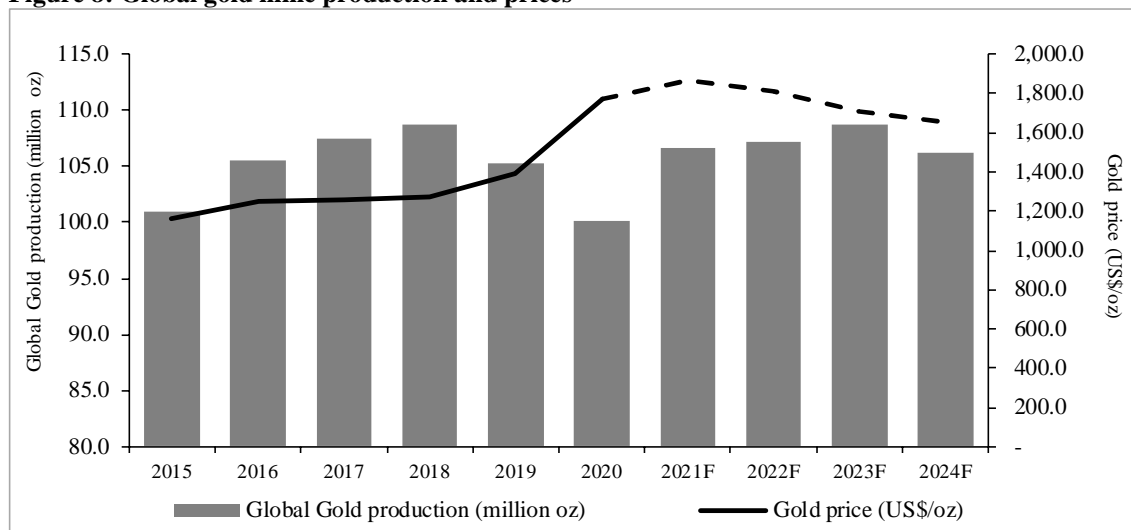
³⁶ SNL Metals & Mining, *Global Exploration Expenditure*, March 2021

³⁷ IBISWorld, *Industry Report - Gold Ore Mining in Australia*, December 2020

³⁸ SNL Metals & Mining, *Historical Gold prices*, March 2021

The graph below illustrates the historical and forecast global gold production volumes and gold prices.

Figure 8: Global gold mine production and prices



Source: SNL Metals & Mining³⁹, Consensus Economics⁴⁰

As seen in figure 8, global gold production decreased compared to the previous year in both 2019 and 2020. Economic commentators are forecasting the gold price to remain high, albeit to decrease slightly from 2021 to 2024 as the global economy is expected to recover from the impact of COVID-19, and many central banks are expected to maintain low interest rates. As a result, gold production is forecast to increase strongly in 2021, and remain high from 2022 to 2024 as gold producers take advantage of the estimated high gold price. Additionally, there is likely to be greater exploration activity over this period, as exploration for gold typically increases in line with the gold price⁴¹.

Demand expectation for copper

Copper is extensively used in the building and construction, electrical energy applications and telecommunications sectors⁴². The global demand for copper is directly related to economic growth and investment levels in the infrastructure sector, along with technological manufacturing. The copper price has increased steadily from decade-low prices in 2016, due to demand from manufacturing-intensive and technologically advanced countries such as China, South Korea, Japan and Germany.

As seen in the graph on the following page, the copper price was resilient during 2020, and is forecast to remain high from 2021 to 2024, particularly given copper’s application in growth industries such as renewable energy and electric vehicle manufacturing. Additionally, according to S&P Global⁴³, there is a forecast supply deficit of copper in the short-term, due to an insufficient pipeline of copper exploration

³⁹ SNL Metals & Mining, Gold Production March 2021

⁴⁰ Consensus Economics, Gold Price Forecasts February 2021

⁴¹ IBISWorld, Industry Report – Mineral Exploration in Australia, November 2020

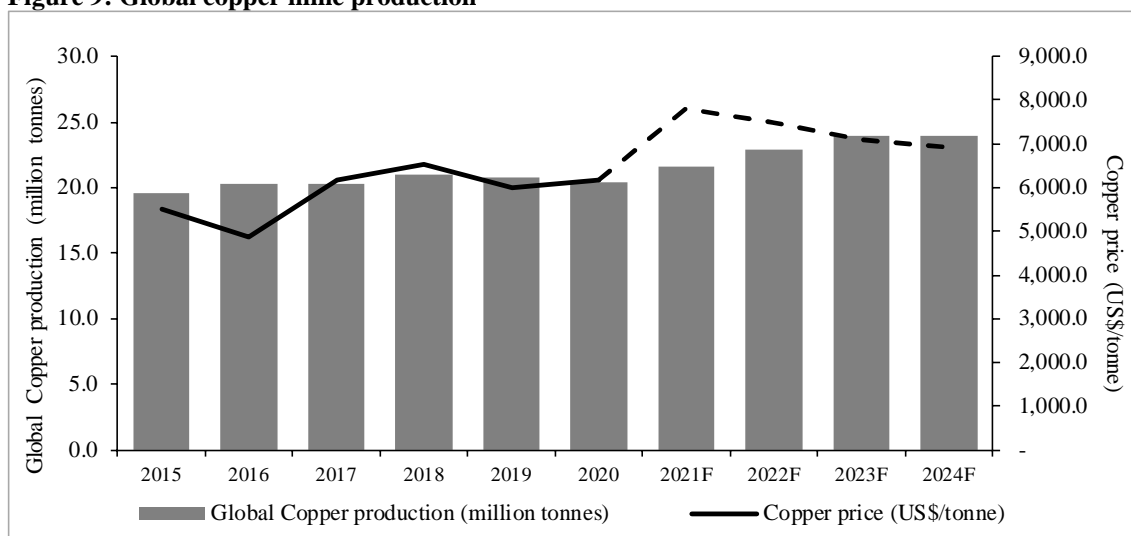
⁴² IBISWorld, Industry Report – Copper Ore Mining in Australia, June 2020

⁴³ S&P Global, *Copper supply faces struggle to keep up with growing demand*, October 2020

projects and limited greenfield exploration success in recent years. A supply deficit of copper is likely to keep the copper price high in future years.

The figure below illustrates the historical and forecast global copper production volumes and copper prices.

Figure 9: Global copper mine production



Source: SNL Metals & Mining⁴⁴, Consensus Economics⁴⁵

Industry participants

The global mining services market is geographically dispersed with businesses skewed towards regions with high levels of minerals and commodities mining, as these form the key markets for contract mining services. From 2016 onwards, BLY has suffered a decline in its market share in the period corresponding to the decline in mining investment as shown above.

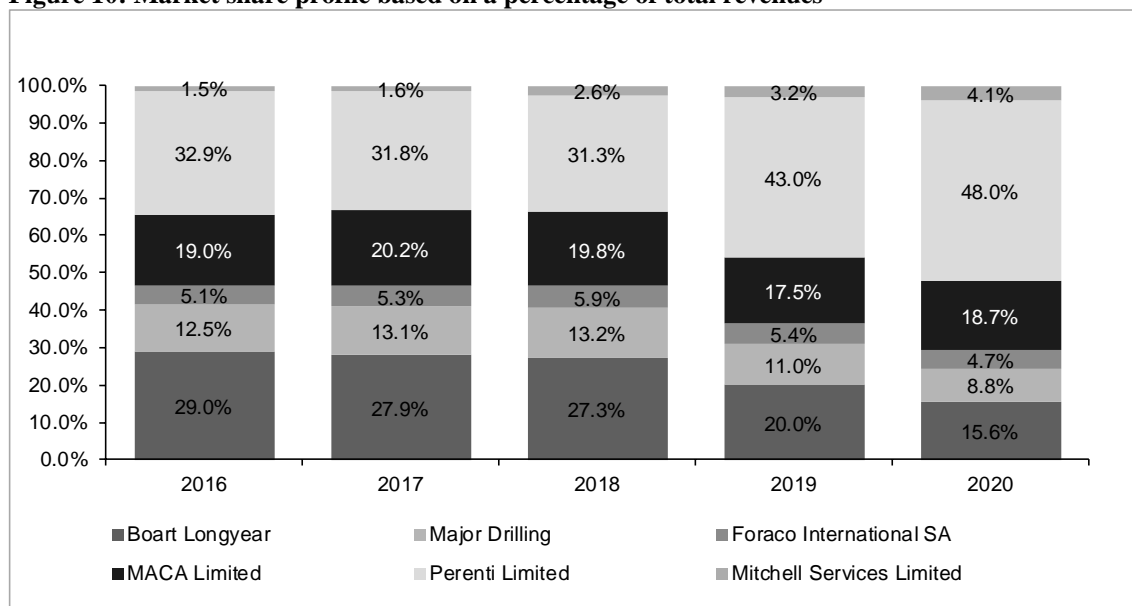
The graph below illustrates BLY’s market share profile (based on revenues) compared to the worldwide top 5 revenue earners from our comparable company peer group. For further detail on the comparable companies, see Appendix 4⁴⁶.

⁴⁴ SNL Metals & Mining, Copper Production March 2021

⁴⁵ Consensus Economics, Copper Price Forecasts February 2021

⁴⁶ Source: S&P Capital IQ downloaded as at 16 March 2021

Figure 10: Market share profile based on a percentage of total revenues



Source: S&P Capital IQ and KPMG Corporate Finance Analysis

These companies operate in a variety of jurisdictions and markets in addition to core business activities in mining and resources, which may have had a significant impact on market share overtime compared to BLY. When considering the industry specific nature of these businesses they may not be comparable on a like for like basis. In addition, fluctuations in foreign currency exchange rates as well as acquisitions during the time period analysed have impacted the market share profile shown above, as they are reported in US dollars.

According to IBISWorld⁴⁷, the mining support services market in Australia is fragmented. Leading players include large contract miners and exploration companies which provide mining services in addition to their primary activities. These companies place competitive pressures on pure play mining support services companies and those that operate in a niche division, such as BLY and major competitors Perenti Ltd and MACA Ltd.

Conclusion

The major factors influencing the demand for drilling services in Australia and globally include the amount of capital expenditure on mining projects and exploration projects, and the demand for commodities.

While there is expected to be reduced mining-related capital expenditure in the short-term as a result of the economic impact of the COVID-19 pandemic, the mining and resources industries in Australia and globally are predicted to recover strongly. As a result, demand for drilling and contract mining services

⁴⁷IBISWorld, Industry Report – Mining Support Services in Australia, December 2020



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may improve, supported by high commodity prices and an increase in exploration activity in the medium term.

Appendix 6 – Maintainable Earnings Analysis

The below table summarises the maintainable earnings analysis for BLY based on historical revenue and EBITDA for FY14 to FY20 and the mid-point of a business scenario for FY21. The FY22 and FY23 EBITDA have not been reflected in our maintainable earnings analysis to be consistent with ‘through-the-cycles’ earnings multiples derived.

The below FY21 to FY23 revenue and earnings ranges are based on business scenarios produced by BLY which are based on a certain set of assumptions regarding the market environment and other business conditions. These ranges reflect the company’s base case as well as its revised budgets. Should any of the underlying assumptions change, the FY21 to FY23 business scenario figures will also change. Therefore, these scenarios are inherently unreliable and do not in any way constitute guidance by BLY. The business scenario information was prepared for the particular purpose of undertaking discussions with certain lenders.⁴⁸

Table 23: Maintainable earnings analysis

For the period	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21			FY22			FY23				
								Business scenario ²			Business scenario ²			Business scenario ²				
								Low	Mid	High	Low	Mid	High	Low	Mid	High		
US\$ million																		
Boart Longyear Revenue	866.6	735.2	642.4	739.1	770.2	745.0	657.3	650.0	765.0	880.0	750.0	875.0	1,000.0	825.0	962.5	1,100.0		
Boart Longyear EBITDA	(82.6)	(115.3)	1.6	(36.6)	54.2	66.5	40.3	60.0	87.5	115.0	100.0	150.0	200.0	125.0	187.5	250.0		
Recapitalisation costs	45.5	0.6	7.5	50.5	-	-	-	-	-	-	-	-	-	-	-	-		
Add: Impairment charges (Intangibles)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Add: Impairment charges (PP&E)	46.1	36.8	0.9	0.1	0.1	0.2	8.3	-	-	-	-	-	-	-	-	-		
Add: Impairment charges (Inventory)	0.7	34.5	-	-	10.9	0.8	5.0	-	-	-	-	-	-	-	-	-		
Add: Employee separation and related costs	12.5	16.0	8.0	15.1	2.6	1.7	1.3	-	-	-	-	-	-	-	-	-		
Add: Impairment charges (Development asset)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Add: Impairment charges (Intangibles)	1.6	0.6	1.0	-	-	9.0	0.5	-	-	-	-	-	-	-	-	-		
Add: Other restructuring and impairment charges	7.6	9.5	10.1	14.0	12.9	6.2	4.7	-	-	-	-	-	-	-	-	-		
Less: Gain on termination of post-retirement medical pl.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other non-recurring items	-	17.2	2.9	-	-	2.9	-	-	-	-	-	-	-	-	-	-		
Other income/expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Normalised EBITDA of business operations	31.4	(0.1)	32.0	43.1	80.7	87.3	60.1	60.0	87.5	115.0	100.0	150.0	200.0	125.0	187.5	250.0		
Averages																		
3 Year Average EBITDA (FY18-20)	76.0																	
3 Year Average EBITDA (FY19-21)	78.3																	
5 Year Average EBITDA (FY16-20)	60.6																	
5 Year Average EBITDA (FY17-21)	71.7																	
7 Year Average EBITDA (FY14-20)	47.8																	
7 Year Average EBITDA (FY15-21)	55.8																	

Source: Management and KPMG Corporate Finance Analysis

Note 1: nmf= not meaningful figure

Note 2: FY21 is based on business scenario

⁴⁸ ASX announcement, BLY proposed amendments to Senior Secured Notes, 17 May 2021



Appendix 7 – Glossary

Abbreviation	Description
US\$	United States dollars
2021 Existing PNC ABL Amendment	Seventh Amendment to the Amended and Restated Revolving Credit and Security Agreement to amend the Existing PNC ABL
AASB	Australian Accounting Standard Board
ABL	Asset backed loan
Ad Hoc Group	Ascribe, Ares, Corre, FPA and Nut Tree
Announcement Date	13 May 2021
APESB	Accounting Professional & Ethical Standards Board
Ares	Ares Management, LLC, on behalf of its affiliated funds and accounts
Ascribe	Ascribe II Investments LLC on behalf of itself and its managed funds
ASIC	Australian Securities and Investments Commission
APAC	Asia Pacific
ASX	Australian Securities Exchange
\$	Australian Dollar
Authorised Representative	Authorised representative of KPMG Corporate Finance
Board	Board of Directors of BLY
BLY or the Company	Boart Longyear Limited
CAS	Canadian dollars
Centerbridge	Centerbridge Partners, L.P.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGS	Cost of Goods Sold
Corporations Act / the Act	Corporations Act 2001 (Cth)
Corre	Corre Partners Management LLC
CRA	Canadian Revenue Authority
CSG	Coal seam gas
CSPO	Creditor share purchase option for creditors to purchase shares in the Company capped at a maximum total amount of \$2.5 million (as increased by the extent of any SPP undersubscription)
DCF	Discounted cash flow
Director	A director of BLY
Drilling Services	BLY's global drilling services business division
DTA	Deferred Tax Asset
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax depreciation and amortisation
EMEA	Middle East and Africa
FOS	Financial Ombudsman Service



Abbreviation	Description
FPA	First Pacific Advisers LP
FSG	Financial Services Guide
FYxx	Financial Year ended 31 December 20xx
GFC	Global Financial Crisis
IER	Independent Expert Report
Implementation Date	Date of the implementation of the Recapitalisation
Incremental Finance Facility	The provision of debt financing in an aggregate maximum amount of US\$50 million by Corre, FPA and Nut Tree
Independent Directors	Independent Directors of BLY
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
LAM	Latin America
LTI	Long term incentive
LTM	Last twelve months of available financial information
Major Drilling Management	Major Drilling Group International Inc.
Moody's	Moody's Investors Service
n/a	Not available
NAM	North America
New Warrants	New warrants to purchase shares of up to 10% of BLY's post-recapitalisation equity (with the total number of Shares on issue for the purposes of this calculation determined (1) including the new Shares that would be issued on exercise of the New Warrants, (2) before the issue of any Shares on the exercise of any Existing Warrants and Existing Options, (3) before the issue of any Shares under the SPP and the CSPO, (4) before any buy-back of Shares under the SBB and (5) before the issue of any Shares under any management incentive plan)
nmf	Not meaningful figure
Non-Associated Shareholders	Non-Associated Shareholders means a Shareholder who is not a Secured or Unsecured Scheme creditor or an associate of a Secured or Unsecured Scheme Creditor
NPAT	Net profit after tax
NTM	Next twelve months (based upon broker forecasts)
Nut Tree	Nut Tree Capital Management
PDS	Product Disclosure Statement
PIK	Payable in kind
Products	BLY's global drilling products business division
R&D	Research and development
RG 111	ASIC Regulatory Guide 111 "Content of expert reports"
RG 74	ASIC Regulatory Guide 74 "Acquisitions approved by members"
RSA	Recapitalisation support agreement



Abbreviation	Description
S&P	Standard & Poor's
SBB	Selective buy-back programme under which, subject to the Re-Domiciliation being approved, BLY will allow Shareholders who hold parcels of shares valued at less than \$3,000 the opportunity, under certain conditions, to offer to sell their BLY shares to BLY
SG&A	General, administrative, sales and marketing expenses
Share consolidation	20 to 1 share consolidation of BLY shares as part of the Recapitalisation
Shareholder	Shareholders of BLY
SNL MEG	SNL Metals Economics Group
SPP	Share purchase plan to purchase shares in the Company capped at a maximum total amount of \$2.5 million
SSNs	Senior Secured Notes
SUNs	Senior Unsecured Notes
Supporting Creditors	Ares Management LLC (Ares), Ascribe II Investments LLC (Ascribe), Centerbridge Partners, L.P. (Centerbridge), Corre Partners Management LLC (Corre), First Pacific Advisers LP (FPA) and Nut Tree Capital Management (Nut Tree)
the Recapitalisation	The conversion of approximately \$795 million of BLY's debt (plus further accrued interest post Announcement Date) into 98.5% of the post-recapitalisation ordinary shares of BLY
the Restructuring	The implementation of a restructuring support agreement between the Company and the Supporting Creditors
US	United States
VP	Vice President
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
YTD	Year to date



PART TWO – FINANCIAL SERVICES GUIDE

Dated 29 July 2021

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) ('**KPMG Corporate Finance**'), Ian Jedlin as an authorised representative of KPMG Corporate Finance, authorised representative number 404177 and Adele Thomas as an authorised representative of KPMG Corporate Finance, authorised representative number 404180 (**Authorised Representative**).

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- The services KPMG Corporate Finance and its Authorised Representative are authorised to provide;
- How KPMG Corporate Finance and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Corporate Finance have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance. This FSG forms part of an Investigating Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by BLY Limited (Client) to provide general financial product advice in the form of a Report to be included in Explanatory Memorandum (Document) prepared by BLY in relation to the Re-domicile Transaction (Transaction).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.



You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$250,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided a range of services to BLY for which professional fees are received. Over the past two years professional fees of approximately US\$2.2 million have been received from BLY. Tax services have been provided in relation to the impact of the Restructuring. No other services have related to the Restructuring or alternatives to the Restructuring.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint. Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover in accordance with section 912B of the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Ian Jedlin
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Annexure B – Share Registry Virtual Meeting Online Guide

Virtual Meeting Online Guide

Before you begin

Ensure your browser is compatible. Check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

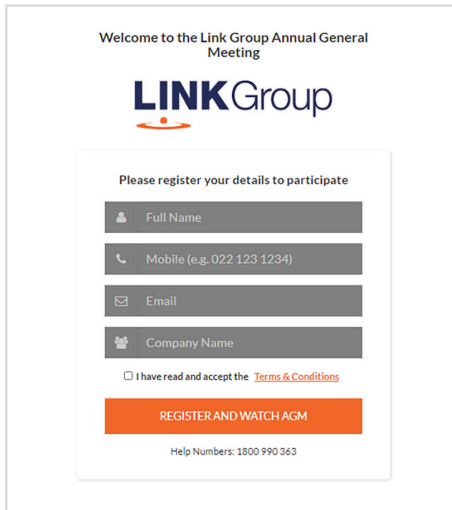
- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up

To attend and vote you must have your securityholder number and postcode.

Appointed Proxy: Your proxy number will be provided by Link before the meeting.

Please make sure you have this information before proceeding.

Virtual Meeting Online Guide



Step 1

Open your web browser and go to

Extraordinary General Meeting

<https://agmlive.link/BLYEGM21>

Scheme Meeting

<https://agmlive.link/BLYSM21>

Step 2

Log in to the portal using your full name, mobile number, email address, and company name (if applicable).

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

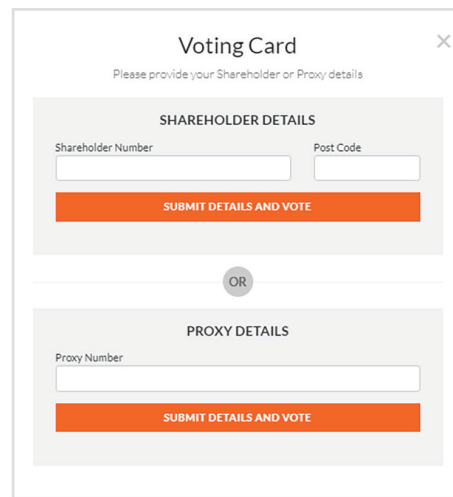
- On the left – a live audio webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.



If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.



+
Get a Voting Card

?
Ask a Question

Downloads

- Notice of meeting
- Annual report

ABC COMPANY PTY LTD X123456789 X

Voting Card

Please complete your vote by selecting the required voting instruction (For, Against or Abstain) for each resolution. If you would like complete a partial vote, please specify the number of votes for each resolution in the Partial Vote section. Proxy holder votes will only be applied to discretionary (undirected) votes. Directed votes will be applied as per the the Unitholder's voting instructions.

Full Vote Partial Vote

Resolution 2B <input checked="" type="radio"/> For <input checked="" type="radio"/> Against <input checked="" type="radio"/> Abstain <small>RE-ELECTION OF MR. ABC AS A DIRECTOR</small>
Resolution 2C <input checked="" type="radio"/> For <input checked="" type="radio"/> Against <input checked="" type="radio"/> Abstain <small>RE-ELECTION OF MS XYZ AS A DIRECTOR</small>
Resolution 3 <input checked="" type="radio"/> For <input checked="" type="radio"/> Against <input checked="" type="radio"/> Abstain <small>INCREASE TO DIRECTORS' MAXIMUM FEE POOL LIMIT</small>
Resolution 4 <input checked="" type="radio"/> For <input checked="" type="radio"/> Against <input checked="" type="radio"/> Abstain <small>ADOPTION OF REMUNERATION REPORT</small>

SUBMIT VOTE

Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

Once voting has been closed all submitted voting cards cannot be changed.

2. How to ask a question

Note: Only securityholders are eligible to ask questions.

If you have yet to obtain a voting card, you will be prompted to enter your security holder number or proxy details before you can ask a question. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The '**Ask a Question**' box will then pop up with two sections for completion.

Ask a Question

We welcome any questions that you may have and will endeavour to answer all questions during the AGM. To submit a question, please select what the question pertains to and type your question in the provided area. If you have multiple questions please submit each individually.

Regarding

Question

Type your question here...

In the '**Regarding**' section click on the drop down arrow and select the category/resolution for your question.

Click in the '**Question**' section and type your question and click on 'Submit'.

A '**View Questions**' box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address any questions.

View Questions

Your submitted questions can be viewed below. We will endeavour to answer all questions during the AGM.

When will the next AGM be held?

Asked regarding General Business

Asked at: 7:18AM Updated:7:18AM

3. Downloads

View relevant documentation in the Downloads section.

4. Voting closing

Voting will end at the close of the Meeting.

Contact us

Australia

T 1300 554 474

E info@linkmarketservices.com.au

New Zealand

T +64 9 375 5998

E enquiries@linkmarketservices.co.nz