

2 November 2020

Boart Longyear Announces Third Quarter 2020 Results

Boart Longyear Limited (ASX: BLY) – Boart Longyear, the world's leading provider of drilling services, an expert in providing valuable orebody knowledge, and a pioneer in innovative drilling equipment and performance tooling, announces results for the third quarter ended 30 September 2020. All results are referenced in US dollars.

Jeff Olsen, Boart Longyear's CEO, commented on the Company's results, stating, "We continue to see a return to normal operational levels across our global business. Necessary process changes have been implemented to maintain safe working conditions for our employees to return to work and I am extremely grateful for the efforts of our people through these challenging times. Many parts of the world classified mining activities as essential services which has allowed the business to continue to support our customer base; however, there are some parts of our business still dealing with the direct impacts of the pandemic and this has seen lower company revenue to date. We are excited to see recent reinvestment into our sector with major mining houses flagging increased exploration spend and junior miners now accessing capital through equity raisings allowing them to get out and explore for tomorrow's resources. We anticipate activity levels will continue longer into the year and will start earlier in 2021 as mining houses look to recover lost ground in 2020."

KEY METRICS FOR YEAR THROUGH 30 SEPTEMBER 2020 (Compared to restated 30 SEPTEMBER 2019)

- **REVENUE – \$481M – Down \$97M - After eliminating impacts of FX revenue was lower by \$89M or 15% on 2019**
- **ADJUSTED EBITDA – \$45M - Down \$40M (48%) with largest impact coming from the effects of COVID-19 during the second quarter**
- **NET PROFIT AFTER TAX – (\$74M) – Down \$68M, from the impact of decreased operational activity of \$43M, impairments of \$8M and additional financing costs of \$17M**
- **NET DEBT – \$823M – Increase of \$67M from financing costs**
- **NET CASH FLOWS FROM OPERATING ACTIVITIES – \$39M – Improvement of \$8M due to Net Working Capital initiatives**

COMPARATIVE RESULTS

(US \$M)	Consolidated Results					
	3 Months Ended		% Change Fav/(Unfav)	9 Months Ended		% Change Fav/(Unfav)
	30-Sep-20	30-Sep-19		30-Sep-20	30-Sep-19	
Total Company						
Revenue	172	191	(10%)	481	578	(17%)
Statutory EBITDA	19	26	(26%)	33	80	(59%)
Adjusted EBITDA	21	28	(25%)	45	85	(48%)
Statutory Net Profit/(Loss) After Tax ²	(13)	(3)	NMF	(74)	(6)	NMF
Net Cash Generated / (Used) in Operating Activities	9	11	(18%)	39	31	25%
Net Debt ²				823	756	8%

	Divisional Results					
	3 Months Ended		% Change Fav/(Unfav)	9 Months Ended		% Change Fav/(Unfav)
	30-Sep-20	30-Sep-19		30-Sep-20	30-Sep-19	
Global Drilling Services						
Revenue	121	130	(7%)	335	401	(17%)
Statutory EBITDA	14	24	(43%)	40	81	(51%)
Average Number of Operating Drill Rigs	262	285	(8%)	247	288	(14%)
Average Number of Drill Rigs	687	689	(0%)	690	691	(0%)
Average Rig Utilisation	38%	41%	(3%)	36%	42%	(6%)
Global Products						
Revenue	51	61	(16%)	147	178	(17%)
Statutory EBITDA ¹	7	11	(37%)	19	27	(29%)
Average Backlog	29	25	19%	32	29	12%

Footnote¹ - 2019 Statutory EBITDA restated to reflect costs previously reported outside business segment to provide comparison

Footnote² - 2019 NPAT and Net Debt restated to include applicable premium on Senior Secured Notes (announced 24 July 2020)

RESULTS COMMENTARY

Revenues for the nine months closed lower compared to the prior year and were impacted by FX currency movements. Adjusting for the FX effect, revenue decreased 15% from the prior year period. Resurgence in drilling activity is visible in our operating trends. While the 3 months ended 30 September experienced a 10% revenue decline this is favourable to the 30% decline experienced in the 3 months ended June 30, the period in which Covid-19 closures were at their peak. The business continued to recover operating activities matching prior year levels through the third quarter and the month of September closed in line with prior year. Latin America remained the outlier through the third quarter with government-imposed restrictions to working activities still having a significant impact to the business. Eliminating the impact of Latin America, the business has witnessed a healthy increase against prior year activity.

Adjusted EBITDA decreased from \$85M to \$45M, driven by impacts directly related to COVID-19 and additional upfront expenditures on recently awarded contracts in the Drilling Services business.

The Company saw an improvement in cash from operations through September of \$8M (\$39M generated through September 2020 compared to \$31M through September 2019). Net working capital reductions from 31 December 2019 levels were supported by initiatives implemented to preserve liquidity as the Company navigated the impacts of the COVID-19 pandemic.

Liquidity on 30 September 2020 was \$53M, comprised of cash balances totalling \$30M and a further \$23M of availability under the Company's asset-based loan facility.

GLOBAL MINING AND EXPLORATION UPDATE

The outlook for mining and exploration industry strengthened through the third quarter with current commodity pricing encouraging investment back into the sector that has been depressed for nearly 10 years.

During the third quarter several intermediate and junior mining houses entered the capital markets and obtained financing to fund their capital programmes. Equity of approximately \$4.3B was generated from ~630 raisings to support capital and exploration targets representing a 45% increase over the same quarter in 2019.

Miners have under invested in recent years while focusing on improving their balance sheets. Recent investment in exploration activities has focused on extending existing assets and there will be a material investment required to increase reserves and resources to meet future demand.

Over the long term, gold has accounted for approximately 40-50% of the global exploration activities with copper making up approximately 20-30% of the remaining base metal commodities. Both copper and gold prices hold a strong correlation to exploration spend levels and are on the rise. Gold miners have seen a reduction in reserve lives of greater than 30% as a result of focus on costs, and average mine lives have fallen from highs of 14 years to 9 years, risking lower valuations from the insufficient reserve and resource levels. The base metals sector of which copper is the dominant player has analysts predicting an increasing supply deficit over the next 5 years with the current project pipeline being insufficient to meet demand.



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STATEMENT COVERING COVID-19

Boart Longyear holds the health and safety of our employees and surrounding communities as a top priority. With concerns regarding the COVID-19 pandemic, the Company implemented in early March its business continuity plan. The plan included measures required to protect the health and wellbeing of employees while ensuring ongoing operational sustainability; transitioning of corporate and regional offices staff to work from home; and ceasing all non-essential international and domestic travel.

The negative impacts from COVID-19 on the Boart Longyear operations peaked in April with exploration activities declining, impacted by government-imposed closures along with customers choosing to delay projects.

The duration of the impacts of COVID-19 and the speed of recovery of the industry across all regions remains unclear, however we have experienced monthly financial improvements each month from the low point of April.

Authorised for lodgement by:

Nora Pincus,
Company Secretary



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Disclaimer

This announcement contains certain “forward-looking statements.” The words “anticipate, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company’s control and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

About Boart Longyear

Established in 1890, Boart Longyear is in its 130th year as the world’s leading provider of drilling services, orebody-data-collection technology, and innovative, safe and productivity-driven drilling equipment. 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.

The Global Drilling Services division 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.

The Geological Data Services division utilizes 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.

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

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