

# CHAIRMAN'S LETTER

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26 October 2018

Dear Boart Longyear Shareholder,

I am pleased to invite you to attend the Scheme Meeting to consider and vote on the proposal to transfer Boart Longyear's domicile from Australia to Canada (the **Re-domiciliation**).

As announced on 23 August 2018, the decision to re-domicile to Canada reflects the Company's commitment under the Restructuring Support Agreement to take all requisite steps to re-domicile its business to the United States (State of Delaware), the United Kingdom or Canada as soon as possible after the implementation of the 2017 Recapitalisation, unless Boart Longyear determined jointly with the Major Shareholders that the Re-domiciliation would not be in the best interests of Boart Longyear

Canada was chosen after a review of the benefits and disadvantages of remaining incorporated in Australia as compared to a re-domicile to each of Canada, the United Kingdom, and the United States.

## Overview of the Re-domiciliation

Under the Re-domiciliation eligible Boart Longyear Shareholders will acquire the same proportionate interests they presently hold in Boart Longyear in a new holding company incorporated in British Columbia, Canada, Boart Longyear Incorporated (**Boart Longyear 'Canada'**). Boart Longyear 'Canada' will become listed on ASX and Boart Longyear will become a wholly owned subsidiary of Boart Longyear 'Canada'.

To effect this Re-domiciliation, a requisite majority of Boart Longyear Shareholders must vote to approve the Scheme at a scheme meeting to be held on 6 December 2018 (**Scheme Meeting**). The Scheme must then also be approved by the Court.

The details of the Re-domiciliation, including its implications are explained in this Explanatory Memorandum. I recommend that you read it in detail and encourage you to attend the Scheme Meeting (in person or by proxy).

## Directors Recommendation

The Boart Longyear Board unanimously recommends that you approve the Re-domiciliation and vote in favour of the Scheme Resolution at the Scheme Meeting.

## Independent Expert opinion

The Boart Longyear Board commissioned Grant Thornton to prepare the Independent Expert's Report. The Independent Expert's opinion is that the Re-domiciliation is in the best interests of Boart Longyear Shareholders.

A copy of the Independent Expert's Report is contained in Appendix A.

## Overview of advantages, disadvantages and risks associated with the Re-domiciliation

In making its recommendation, the Boart Longyear Board has taken into account what it considers to be the advantages, disadvantages and key risks associated with the Re-domiciliation. Section 5 sets out these matters in some detail, but we assess the key advantages, disadvantages and risks associated with the Re-domiciliation to be as set out below.

Advantages	Disadvantages	Associated Risks
<ul style="list-style-type: none"> <li>✓ Potential for improved access to capital</li> <li>✓ Improved liquidity</li> <li>✓ Reduced cost of insurance</li> <li>✓ Streamlined company structure</li> <li>✓ Retention of ASX listing and familiarity with local exchange</li> <li>✓ Comparable shareholder protection</li> <li>✓ Familiar jurisdiction</li> </ul>	<ul style="list-style-type: none"> <li>✗ Additional cost and administrative burden to implement the Scheme</li> <li>✗ For Australian based shareholders a change in jurisdiction</li> <li>✗ Ineligible Foreign Shareholders will not be able to receive Boart Longyear 'Canada' CDIs</li> </ul>	<ul style="list-style-type: none"> <li>○ The Re-domiciliation may fail to realise the full anticipated benefits</li> <li>○ The exact value of Boart Longyear 'Canada' CDIs is not certain</li> </ul>

You are also encouraged to consider:

- the taxation report summarising the **Australian tax implications** for certain eligible Scheme Shareholders who dispose of their Boart Longyear Shares and acquire Boart Longyear 'Canada' CDIs under the Scheme (see Section 9); and
- the **comparison of Australian and Canadian company rules** (Section 8.4), particularly in the context of the explanation of CDI arrangements in Appendix E.

### Governance and management

It is proposed that, conditional on the implementation of the Re-domiciliation, the current Boart Longyear Directors will be appointed as directors of Boart Longyear 'Canada'.

There are no proposed changes to Boart Longyear's senior management as a result of the Re-domiciliation.

### Centerbridge, Ascribe and Ares' statement of support

Boart Longyear's Major Shareholders, being Centerbridge, Ascribe and Ares which have a corresponding 50.85%, 21.4% and 9.74% relevant interest in Boart Longyear Shares<sup>1</sup>, have informed Boart Longyear of their intentions to vote their Boart Longyear Shares in favour of the Re-domiciliation.

### Your vote is important

On behalf of the Boart Longyear Board, I recommend the Re-domiciliation to you and urge you to support this proposal by voting in favour of the Scheme Resolution at the Scheme Meeting to be held at the Adelaide Convention Centre, Riverbank Room 1, North Terrace, Adelaide South Australia 5000 Australia at 11.00 (Adelaide time) on 6 December 2018.

Section 2.3 provides further information on how you can vote by proxy, by attorney, or if you are a body corporate, a corporate representative, or by attending the Scheme Meeting.

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<sup>1</sup> Based on substantial holding notices lodged with ASX as at the date of this Explanatory Memorandum.

### **What happens if the Scheme Resolution is passed?**

If the Scheme Resolution is passed by the requisite majorities of Boart Longyear Shareholders, the Court approves the Scheme, all other Conditions Precedent to the Scheme are satisfied or waived and the Scheme becomes Effective:

- Scheme Shareholders (other than Ineligible Foreign Shareholders) will receive one (1) Boart Longyear 'Canada' Share (to be held in the form of one (1) Boart Longyear 'Canada' CDI) for each Boart Longyear Share which they hold;
- Ineligible Foreign Shareholders will receive the net proceeds of the sale of the Boart Longyear 'Canada' CDIs they would otherwise have been entitled to pursuant to the Sale Facility. See Sections 3.13(c) and 3.14 for more information regarding the entitlement of Ineligible Foreign Shareholders; and
- Boart Longyear 'Canada' will apply to be listed as an ASX-listed company and Boart Longyear will be de-listed from ASX.

### **Further information**

If you have any questions about the Explanatory Memorandum or the Re-domiciliation, please call the Shareholder Information Line on 1800 781 633 (within Australia) or +61 1800 781 633 (from outside Australia) from 8.30am to 5.30pm (Sydney time) Monday to Friday or consult an independent and appropriately licensed and authorised professional adviser.

I look forward to your continuing involvement with the New Boart Group.

Yours sincerely,



Marcus Randolph  
Chairman  
Boart Longyear Limited