BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2019

CONTENTS

Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2019**
Half year ended ('previous corresponding period'):	**30 June 2018**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2019 US$'000	2018 US$'000	$ change	% change
Revenue from ordinary activities	387,884	394,195	(6,311)	-1.6%
Net profit (loss) after tax attributable to members	2,326	(16,323)	18,649	114.2%

Dividends per ordinary share paid or to be paid (US¢):

	30 June 2019	30 June 2018
Interim dividend	0 cents	0 cents
Franked amount	N/A	N/A

No dividend had been determined for either of the half-years ended 30 June 2019 or 2018.

Net Tangible (Liabilities) per share:

Current period:	$	(0.02)
Previous corresponding period:	$	(0.02)

DIRECTORS' REPORT

The Directors present their report together with the financial report of Boart Longyear Limited (the "Parent") and its controlled entities (collectively, the "Company" or "Boart Longyear") for the half-year ended 30 June 2019 and the Independent Auditor's Review Report thereon.

Financial results and information contained herein are presented in United States ("US") dollars unless otherwise noted.

DIRECTORS

The Directors of the Company (the "Directors") in office during the half-year and as at the date of this report are set out below:

Directors	Position
Marcus Randolph [1]	Executive Chairman
Tye Burt [2]	Non-executive Director
Kyle Cruz	Non-executive Director
Jason Ireland	Non-executive Director
James Kern	Non-executive Director
Gretchen McClain [3]	Non-executive Director
Jeffrey Olsen	Executive Director
Robert Smith	Non-executive Director
Richard Wallman	Non-executive Director
Eric Waxman [4]	Non-executive Director

[1] Marcus Randolph will retire from the Board as Executive Chairman on 1 September 2019. Kevin McArthur will be named Non-executive Director and Chairman of the Board on 1 September 2019.

[2] Tye Burt joined the Board of Directors as a Non-Executive Independent Director effective 23 August 2019.

[3] Gretchen McClain retired from the Board effective 23 August 2019.

[4] Eric Waxman retired from the Board on 20 May 2019.

PRINCIPAL ACTIVITIES

Boart Longyear is the world's leading integrated provider of drilling services, drilling equipment and performance tooling for mining and mineral drilling companies globally. The Company offers a comprehensive portfolio of technologically advanced and innovative drilling services and products. The Company operates through two divisions -- "Global Drilling Services" and "Global Products" -- and believes that 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 and the Company's vertically integrated business model. These factors, in combination with the Company's global footprint, have allowed the Company to establish and maintain long-standing relationships with a diverse and blue-chip customer base worldwide that includes many of the world's leading mining companies. With more than 125 years of drilling expertise, the Company believes its insignia and brand represent the gold standard in the global mineral drilling industry.

REVIEW OF OPERATIONS[(1)]

1. Safety Performance, Market Conditions and Strategies

1.1 Overview

Boart Longyear is the world's leading integrated provider of drilling services, drilling equipment and performance tooling for mining and mineral drilling companies globally. We conduct our business activities through two segments, Global Drilling Services and Global Products.

We aim to create value for our customers through a comprehensive portfolio of technologically advanced and innovative drilling services and products. We believe that our market leading positions in the mineral drilling industry are driven by a variety of factors, including the performance, expertise and high safety standards of Global Drilling Services and the innovation, engineering excellence and global manufacturing capabilities of Global Products. We draw your attention to pages 16-18 of our 2018 full year financial report where we explain our 2019 priorities.

Our operating and commercial priorities include solidifying our competitive advantages with sustained investments in safety performance, productivity enhancements and operating improvements in our Global Drilling Services division, while remaining focused on the needs of our customer base. Similarly, technology and product innovation are central to the strength and future growth of our Global Products division, and we continue to pursue incremental product improvements that customers will need at any point in the mining cycle. Our recent successes include the LF160 surface coring drill paired with our Freedom Loader which has set a new benchmark in productivity and hands-free rod handling. Launched in the second half of 2017, our 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. TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey instrument, the second in a future suite of tools, was launched in the first half of 2018 and we are now using our TruScan™ geological sample field screening technology at mine sites with several mining customers. These instruments are part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

Our capital structure exposes us to a variety of market, operational and liquidity risks. As at 30 June 2019 cash flows from operating activities was $20.1 million. This represents an improvement of $32.1 million over half year 2018 cash flows of negative $12.0 million. This significant improvement was achieved through continued discipline on cost control and capital management, focused cost reductions, productivity enhancements and working capital management, which enabled the Company to make its interest payment in July of 2019.

1.2 Safety Performance

Each year Boart Longyear strives to continuously improve safety performance. Health and Safety is a core company value at Boart Longyear along with Integrity, Customer Focus, and Team Work which is not only expected from our employees, but also drives value for our customers and stakeholders. Through our company initiatives and robust safety programs, Boart Longyear builds trust with our employees, customers, and all stakeholders.

For the half-year period ended 30 June 2019, the Company's world class performance on key indicators includes a Total Case Incident Rate (TCIR) of 1.22 and Lost-Time Injury Rate (LTIR) of 0.0, improving upon the corresponding rates of 1.99 and 0.15 for the first half of 2018. Both TCIR and LTIR rates are calculated based on 200,000 hours worked. During this half-year period, our employees experienced 32 injuries that required some medical treatment. None of those injuries resulted in lost work time. The Company's TCIR decrease from the same period in 2018 reflects our focus on leading indicators, field level risks and employee empowerment. Additionally, the severity of incidents, compared to 2018, has decreased substantially.

(1) The Review of Operations contains information sourced from our reviewed financial statements as well as additional supplemental information that has not been subject to audit or review.

1.3 Impact of Market Conditions

Market conditions in 2019 have continued to improve marginally with the mining companies, particularly gold companies, looking for opportunities to invest to replenish their depleted ore reserves. Mining companies continue to project increasing exploration and drilling activity over the coming periods however they also continue to tightly control their exploration, development and capital expenditures. The Company continues to improve on terms and conditions in customer contracts as they mature. During the first half of 2019, drill rig utilisation decreased slightly across the global operations, although margins have improved from the flow-through of price primarily from a larger mix of large rotary rigs in operation. Increasing demand for our goods and services that typically generate higher margins have allowed the Company to make minor improvements on pricing conditions, which will not improve substantially until junior minor activity increases.

We added new exploration drill rigs to the drilling services fleet around the world to meet the demand of expanding exploration budgets and we continue to evaluate opportunities where we can help our customers meet their exploration goals, utilising the latest technology improvements that support both safety and productivity enhancements.

As a result of consistent market conditions, price improvements, continued focus on cost control and productivity enhancements, the Company reported statutory profit for the half-year period ended 30 June 2019 of $2.3 million. This is a significant improvement over the prior half-year (2018: $16.3 million loss) and is the first time the Company reported a net profit in seven years.

Objectives and Strategies

In addition to our prime goal of returning our employees home safely each day, we continue to position the business to operate more efficiently across all phases of the mining cycle. Key elements of this strategy include focusing more closely on cash generation, achieving and maintaining sustainable EBITDA-to-revenue margins, improving returns on capital through disciplined variable and fixed cost management and capital spending programs, and maintaining a rigorous focus on working capital, particularly inventory and accounts receivable.

We are committed to driving long-term shareholder value by executing on several initiatives to improve our commercial practices in both our divisions and safety, productivity and profitability in our Global Drilling Services division, including through:

1. focusing on operational efficiencies and productivity across the organisation, particularly at the drill rig level;
2. optimising the commercial organisation to drive value through contracting and pricing processes;
3. leveraging the supply chain function across the business; and
4. controlling SG&A and other overhead related costs.

We are also pursuing market leadership in providing subsurface resource information to our mining customers in an integrated, real-time and cost-effective manner through our Geological Data Services business.

Ultimately, our goal is operational excellence to help us address the risks and challenges of the mining industry cycle while also preserving the significant upside that we may realise in our operations as market conditions change and our operating leverage improves as a result of our significantly improved cost structure and operating performance. We are also capitalising on longer-term growth opportunities through investment in technologies that will broaden our customer offerings.

2. Financial and Operating Highlights

	For the half-year ended 30 June			
	2019 US$ Millions	2018 US$ Millions	Change	% Change
Key financial data				
Revenue	387.9	394.2	(6.3)	-1.6%
NPAT[1]	2.3	(16.3)	18.6	114.1%
EBITDA[2]	53.7 [4]	28.3	25.4	89.8%
Adjusted EBITDA[2]	57.7 [4]	36.6	21.1	57.7%
Operating profit	34.5	9.9	24.6	248.5%
Profit from Trading Activities [3]	39.8	23.0	16.8	73.0%
Cash provided by / (used) in operations	30.1	(2.0)	32.1	1605.0%
Net cash flows from / (used in) operating activities	20.1	(12.0)	32.1	267.5%
Capital expenditures (accrual)	27.6	20.5	7.1	34.6%
Capital expenditures (cash)	21.6	19.4	2.2	11.3%
Weighted Average number of ordinary shares	26,296.2	26,289.8	6.4	0.0%
Earnings per share (basic and diluted)	0.0 cents	(0.1) cents	0.1 cents	100.0%
Average BLY rig utilisation	42%	47%	-5%	-10.6%
Average Fleet size	692	674	18	2.7%

(1) NPAT is 'Net profit after tax'.

(2) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before significant and other non-recurring items'.
See reconciliation in section 3.3 'Significant Items'.

(3) Profit from Trading Activities is a non-IFRS measure and is used internally by management to assess the underlying performance of the business and has been derived from the Company's financial results by eliminating from Operating Profit charges relating to significant and other expense/income items.

(4) The adoption of AASB 16 improves EBITDA and Adjusted EBITDA in 2019 by $4.6 million relative to 2018.
The real change between 2018 and 2019 is therefore 73.5% and 45.1% for EBITDA and Adjusted EBITDA, respectively.

3. Discussion and Analysis of Operational Results and the Income Statement

3.1 Revenue

Revenue for the half-year period ended 30 June 2019 of $387.9 million decreased by 1.6%, or $6.3 million, compared to revenue for the half-year period ended 30 June 2018 of $394.2 million.

A majority of the revenue for both Global Drilling Services and Global Products is derived from providing drilling services and products to the mining industry and is dependent on mineral exploration, development and production activities. Those activities are driven by several factors, including anticipated future demand for commodities, the outlook for supply and mine productive capacity, the level of mining exploration and development capital and the availability of financing for, and the political and social risks around, mining development.

Revenue during the first half of 2019 was slightly lower as a result of the impact of foreign exchange and the absence of revenue from both discontinued operations and slower moving inventory, which occurred in the first half of 2018.

3.2 Cost of Goods Sold, Sales and Marketing Expense, and General and Administrative Expense

The following pro forma income statement shows the effects of removing significant items from their respective income statement line. The adjusted balances will be used in the following narrative to reflect cost categories after removing the impact of significant items.

	For the half-year ended 30 June					
	2019			2018		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	387.9	-	387.9	394.2	-	394.2
Cost of goods sold	(302.2)	0.3	(301.9)	(329.8)	3.4	(326.4)
Gross margin	85.7	0.3	86.0	64.4	3.4	67.8
Other income	4.7	-	4.7	6.4	-	6.4
General and administrative expenses	(38.8)	3.7	(35.1)	(38.3)	4.7	(33.6)
Sales and marketing expenses	(11.0)	-	(11.0)	(11.3)	0.2	(11.1)
Significant items	-	(4.0)	(4.0)	-	(8.3)	(8.3)
Other expenses	(6.1)	-	(6.1)	(11.3)	-	(11.3)
Operating profit (loss)	34.5	-	34.5	9.9	-	9.9

Gross margin in 2019 improved to 22.2% compared to 17.2% in 2018. The higher margin is related to continued focus on cost savings and key improvement initiatives. Drilling Services experienced volume increases driven by Percussive, Sonic and Rotary drilling in Canada and the United States. Price increases are averaging approximately 3.5% as a percentage of year-over-year revenue, in part to address the impact of inflationary pressures on costs. The Products business benefited from increased sales volume and a price increase of approximately 1.3%.

The total of other income, general and administrative expenses ("G&A"), sales and marketing expenses ("S&M") and other expenses (adjusted for significant items) of $47.4 million in 2019 was lower compared to 2018 of $49.6 million as a result of lower foreign currency exchange losses.

3.3 Significant Items

During the first half periods of 2019 and 2018, the Company incurred the following restructuring expenses:

	For the half-year ended 30 June	
	2019	2018
US$ Millions	US$ Millions	US$ Millions
EBITDA[(1)]	**53.7**	**28.3**
Impairments		
Property, plant and equipment	0.1	0.1
Inventories	0.1	1.5
Employee and related costs	0.3	1.6
Other restructuring expenses	3.5	5.1
Total of significant and non-recurring items	4.0	8.3
Adjusted EBITDA[(1)]	**57.7**	**36.6**

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

Significant items reduced to $4.0 million during the half-year period ended 30 June 2019 (2018: $8.3 million for the comparable period). The reduction is primarily due to the absence of professional fees incurred in the first half of 2018 related to the re-domiciliation effort, which was put on hold as the Company focuses on other key initiatives.

4. Discussion and Analysis of Cash Flow

	For the half-year ended 30 June			
	2019	2018		
	US$ Millions	US$ Millions	$ Change	% Change
Cash provided by (used in) operations	30.1	(2.0)	32.1	1605.0%
Net cash flows provided by (used in) operating activities	20.1	(12.0)	32.1	267.5%
Net cash flows used in investing activities	(18.8)	(13.1)	(5.7)	-43.5%
Net cash flows provided by / (used in) financing activities	(11.4)	14.0	(25.4)	-181.4%

Cash flow from operating activities for the half-year period ended 30 June 2019 was $20.1 million, an improvement of $32.1 million from the prior year comparable period (2018 negative $12.0 million). The improvement in the first half of 2019 was mainly due to better operating results as the mining industry improves and continuous focus on cost and working capital management.

We have invested $21.6 million in capital equipment to support existing operations during 2019, which is higher than the comparable prior period (2018: $19.4 million). Of the 2019 amount, $14.4 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment, and $7.2 million was spent on product development activities, including GDS, engineering and patent maintenance. 2019 capital expenditures have been partially offset by proceeds from the sale of property, plant and equipment of $2.8 million (2018: $6.4 million). We continue to place significant rigour around our capital allocation and approval process in order to meet demand.

The cash outflows by financing activities for the period ended 30 June 2019 is due to payments made on the asset backed loan facility.

5. Discussion of the Balance Sheet

The net liabilities of the Company decreased by $3.9 million to negative $311.0 million as at 30 June 2019, compared to negative $314.9 million as at 31 December 2018. This decrease is primarily from the impact of foreign exchange on reserves as well as profit for the period of $2.3 million.

Total assets increased by $52.7 million to $689.9 million as at 30 June 2019, compared to $637.2 million as at 31 December 2018. The increase is primarily from the adoption of AASB 16, which resulted in a right of use asset of $31.3 million.

Total liabilities increased by $48.9 million to $1,001.0 million. This is primarily driven by increased account payables and the recognition of a lease liability of $31.6 million on adoption of the AASB 16 as well as paid-in-kind interest on long-term debt.

Net debt at 30 June 2019 is $730.9 million which has increased by $48.4 million from 31 December 2018 net debt of $682.5 million. The increase is primarily related to the accreted interested on long-term debt facilities as per the terms of the debt agreements.

Liquidity and Debt Facilities

The Company's debt is comprised of the following instruments:

Description	Principal Outstanding as at 30 June 2019 (millions)	Accreted Interest as at 30 June 2019 (millions)	Interest Rate	Scheduled Maturity	Security
Senior Secured Notes	$217.0	$36.6	10%[2]	December 2022	Second lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the Term Loan B and Senior Secured Notes guarantors that are not ABL or Backstop ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and the other Term Loan B and Senior Secured Notes guarantors that are also ABL or Backstop ABL guarantors, and a first lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the Term Loan B and Senior Secured Notes issuer and other guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Term Loan – Tranche B	$159.9[7]	$6.4	8%[3]	December 2022	Same as Senior Secured Notes
ABL[8]	$25.5[1]	Nil	Variable[4]	23 July 2022	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the Non-Working Capital Assets of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property), and in any case excluding assets of BLY IP, Inc., Boart Longyear Suisse Sarl and Boart Longyear S.A.C.
Term Loan – Tranche A	$132.6[7]	$5.3	8%[3]	December 2022	First lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL or Backstop ABL guarantors, a second lien on the Working Capital Assets of the Term Loan A issuer and the other Term Loan A guarantors that are also ABL and Backstop ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Backstop ABL[8]	$45.0	$9.3	11%[5]	23 October 2022[5]	Same as ABL but including any real property required to be pledged as security for the Senior Secured Notes
Senior Unsecured Notes	$88.9	$2.5	1.5%[6]	December 2022	Unsecured

(1) $5.3 million in letters of credit were issued in addition to the $25.5 million borrowings that were outstanding.
(2) Interest in cash at a reduced interest rate of 10% per annum from 1 January 2019.
(3) Interest is 8% payable-in-kind.
(4) Based on LIBOR + margin (grid-based margin is currently 3.25%).
(5) Interest is payable-in-kind at 11% at Company's election or 10% cash. Maturity Date is 23 October 2022 or 90 days after the ABL due date.
(6) Interest is 1.5% payable-in-kind at Company's election until maturity.
(7) The secured amounts under Term Loan A and Term Loan B are capped at the base principal amounts as agreed in the recapitalization/ 2017 amendments.
(8) In July 2019 the Company amended terms to provide the Company additional liquidity and extend maturities from July 2020 to July 2022 and from October 2020 to October 2022 for the ABL and Backstop facilities, respectively. See note 16 for more information.

6. Review of Segment Operations

The following table shows our third party revenue and revenue from inter-segment sales by our Global Drilling Services and Global Drilling Products divisions. Segment profit represents earnings before interest and taxes.

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	2019		2018		2019	2018
	US$ Millions		US$ Millions		US$ Millions	US$ Millions
Drilling Services		270.9		266.9	43.8	27.1
Global Products revenue						
Products third party revenue	117.0		127.3			
Products inter-segment revenue (1)	30.3		30.0			
Total Global Products		147.3		157.3	13.6	11.9
Less Global Product sales to Global Drilling Services		(30.3)		(30.0)		
Total third party revenue		387.9		394.2		
Total segment profit					57.4	39.0

(1) Transactions between segments are carried out at arm's length and are eliminated on consolidation.

6.1 Review of Segment Operations - Global Drilling Services

	For the half-year ended 30 June			
	2019 US$ Millions	2018 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	270.9	266.9	4.0	1.5%
COGS				
Materials/labor/overhead/other	204.3	215.2	(10.9)	-5.1%
Depreciation and amortisation	12.4	11.5	0.9	7.8%
Total COGS	216.7	226.7	(10.0)	-4.4%
COGS as a % of Revenue	*80.0%*	*84.9%*	*-4.9%*	*-5.8%*
Contribution margin $	50.9	36.8	14.1	38.3%
Contribution margin %	18.8%	13.8%	5.0%	36.2%
Business unit SG&A	3.3	3.4	(0.1)	-2.9%
Allocated SG&A	7.1	8.5	(1.4)	-16.5%
EBITDA	57.0	38.9	18.1	46.5%
Capital spend (accrual)	15.4	16.9	(1.5)	-8.9%
Other Metrics				
Average # of Operating Drill Rigs	288	315	(27)	-8.6%
Average # of Drill rigs	692	674	18	2.7%
# of Employees at period-end	3,596	3,763	(167)	-4.4%

Safety

The Global Drilling Services division's Total Case Incident Rate (TCIR) for the first half of 2019 was 1.40, compared to 2.04 for the comparable period in 2018. The Lost-Time Incident Rate (LTIR) for the first half of 2019 was 0.0, compared to 0.14 for the comparable period in 2018. We continue to push our key safety initiatives, which include better analysis of high-potential near miss incidents and significant injuries; applying corrective actions globally; increasing management safety interactions at operating locations; increasing supervisory competencies through training; reinforcing hazard assessments; and increasing drill rig inspection frequency.

Revenue

Global Drilling Services' revenue in the first half of 2019 was $270.9 million, up 1.5% from $266.9 million in the first half of 2018. The year-over-year revenue increase was driven primarily by price while volume increased slightly. These increases are partly offset by the impact of foreign exchange. Volume increases were driven by Percussive, Sonic and Rotary drilling in Canada and the United States. Price increases are averaging approximately 3.5% as a percentage of year-over-year revenue.

Approximately 83% of Global Drilling Services' revenue for the first half of 2019 was derived from major mining companies, including Barrick, BHP Billiton, Freeport-McMoRan, Goldcorp, Newmont and Rio Tinto. Our top 10 Global Drilling Services customers represented approximately 57% of the division's revenue for the first half of 2019, with no single contract contributing more than 10% of our consolidated revenue.

Margins

Global Drilling Services in the first half of 2019 achieved $57.0 million of EBITDA compared to $38.9 million in the first half of 2018, an increase of 46.5%. Although the average number of operating rigs declined by 8.6%, margins improved from the flow-through of price, cost control and a larger mix of large rotary rigs in operation. The adoption of AASB 16 improved Global Drilling Services' EBITDA by $2.4 million.

6.2 Review of Segment Operations - Global Products

	For the half-year ended 30 June			
	2019 US$ Millions	2018 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	117.0	127.3	(10.3)	-8.1%
COGS				
Materials/labor/overhead/other	82.4	96.7	(14.3)	-14.8%
Inventory obsolescence	0.6	0.3	0.3	100.0%
Depreciation and amortisation	2.2	2.8	(0.6)	-21.4%
Total COGS	85.2	99.8	(14.6)	-14.6%
COGS as a % of Revenue	*72.8%*	*78.4%*	*-5.6%*	-7.1%
Contribution margin $	22.8	19.0	3.8	20.0%
Contribution margin %	19.5%	14.9%	4.6%	30.9%
Business unit SG&A	8.9	8.7	0.2	2.3%
Allocated SG&A	7.5	7.0	0.5	7.1%
EBITDA	17.3	15.3	2.0	13.1%
Capital Spend (accrual basis)	4.1	1.2	2.9	241.7%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	30.6	29.9	0.7	2.3%
Inventories	163.6	179.6	(16.0)	-8.9%
# of Employees	926	946	(20)	-2.1%

Safety

In first half 2019, the Total Case Incident Rate (TCIR) for the Global Products segment was 0.41 recordable incidents per 200,000 hours worked and the Lost-Time Incident Rate (LTIR) was 0.0. We continue to focus on programs to reinforce hazard recognition and consistently apply the Company's EHS management system across all operations. With the release of the Company's updated EHS management system, redefined and expanded EHS standards will continue to drive continuous improvement with a streamlined and comprehensive approach to best practices in safety.

Revenue

Revenue for the half-year 2019 was $117.0 million, down 8.1% from $127.3 million for the half year of 2018. Revenues in the first half of 2018 included sales of obsolete inventory and revenues from entities that were closed. Despite the absence of these revenues in 2019, the Products business benefited from increased sales volume and a price increase of approximately 1.3%. About 71% of the 2019 half-year revenue was comprised of performance tooling components, and the remaining 29% was comprised of capital equipment and spares.

Margins

Global Products EBITDA for the half-year ended 30 June 2019 was $17.3 million, up $2.0 million compared to the first half of 2018, which includes the impact from adopting AASB 16 of $1.2 million in 2019. Without the adoption of AASB 16, Products EBITDA is $16.1 million, a decrease of 3.9% from 2018. The improved EBITDA is the primarily from ongoing cost control and the flow through of pricing improvements.

Backlog

At 30 June 2019, Global Products had a backlog of product orders valued at $30.6 million. This compares to $30.0 million at 31 December 2018 and $27.0 million at 30 June 2018. The increase in our backlog – which we define as product orders we believe to be firm – was driven by stronger demand for capital equipment and consumables. It should be noted that an order shipped within the same month the order is received does not show up in backlog. Also, there is no certainty that orders in our backlog will result in actual sales at the times or in the amounts ordered.

Intellectual Property

We rely 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 our Global Products business. As at 30 June 2019, we had 397 issued patents, 563 registered trademarks, 173 pending patent applications and 24 pending trademark applications. One of the most significant products for which we have obtained patent protection is our XQ™ wireline coring rod. The XQ™ wireline coring rods feature self-aligning double start threads, rod joints that engage smoothly without wedging or jamming, and exclusive heat treatments to provide stronger, longer lasting rods. We do not consider our Global Products business, or our business as a whole, to be materially dependent upon any particular patent, trademark, trade secret or other intellectual property.

Research and Development

Our Global Products division employs engineers and technicians to develop, design and test new and improved products. We work closely with our customers, as well as our Global Drilling Services division, to identify opportunities and develop technical solutions for issues that arise on site. We believe that sharing best practices amongst our divisions accelerates innovation and increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from our 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. Our recent successes include the LF160 surface coring drill paired with our Freedom Loader which has set a new benchmark in productivity and hands-free rod handling. Our 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 our Geological Data Services business, TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey technology, the second in a future suite of tools, was launched in 2018 and is available globally. Our Truscan™ matrix calibrated XRF and photo sample scanning technology is currently being used at several locations around Australia with long term 24/7 utilisation producing results that are being used for real time decision making 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.

Truscan™ was the winner of the South Australia Governments “Excellence in Innovation – Productivity Improvement” in November 2018. New features utilising artificial intelligence and machine learning continue to be integrated in to Truscan™ ensuring it is well differentiated in the market.

Inventories

We continue careful management of demand in our supply chain organisation and continuous efforts to reduce excess inventory. As a result of Supply Chain process improvements, $7.7 million cash was realised from inventory as at 30 June 2019. Foreign currency translation and other non-cash related increases were $5.9 million.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is on page 17 of this report.

SUBSEQUENT EVENTS

In July 2019 the Company amended its ABL and Backstop facilities to provide the company with access to additional liquidity on the ABL which is provided by PNC Bank, and extension of existing facility maturities from 2020 to 2022. See note 16 for additional information.

ROUNDING OF AMOUNTS

Boart Longyear Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and half-year financial report. Amounts in the Directors' Report and the half-year financial report are presented in US dollars and have been rounded off to the nearest thousand dollars in accordance with that Corporations Instrument, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors

Marcus Randolph
Chairman

27 August 2019

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Boart Longyear Limited
26 Butler Boulevard
Adelaide Airport SA 5650

27 August 2019

Dear Directors

Boart Longyear Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Boart Longyear Limited.

As lead audit partner for the review of the financial statements of Boart Longyear Limited for the half-year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

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Independent Auditor's Review Report to the members of Boart Longyear Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Boart Longyear Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 20 to 45.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Boart Longyear Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Boart Longyear Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Boart Longyear Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A Richards

A T Richards
Partner
Chartered Accountants
Perth, 27 August 2019

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached half-year financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards, and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Marcus Randolph
Chairman

27 August 2019

	Note	Half-year ended 30 June 2019 US$'000	Half-year ended 30 June 2018 US$'000
Continuing operations			
Revenue		387,884	394,195
Cost of goods sold		(302,247) [1]	(329,821)
Gross margin		85,637	64,374
Other income	**3**	4,718	6,366
General and administrative expenses		(38,811) [1]	(38,275)
Sales and marketing expenses		(11,040) [1]	(11,332)
Other expenses	**3**	(5,956)	(11,245)
Operating profit		34,548	9,888
Interest income		18	295
Finance costs	**4**	(30,946)	(33,427)
Profit / (Loss) before taxation		3,620	(23,244)
Income tax benefit / (expense)	**6**	(1,294)	6,921
Profit / (Loss) for the period attributable to equity holders of the parent		2,326	(16,323)
Earnings / (Loss) per share			
Basic earnings / (loss) per share		0.0 cents	(0.1) cents
Diluted earnings per share		0.0 cents	na
Other comprehensive income / (loss)			
Profit / (Loss) for the period attributable to equity holders of the parent		2,326	(16,323)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		1,655	(9,615)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains related to defined benefit plans		200	5,700
Income (tax) on income and expense recognised directly through equity		(368)	(164)
Other comprehensive income / (loss) for the period, net of tax		1,487	(4,079)
Total comprehensive income / (loss) for the period attributable to equity holders of the parent		3,813	(20,402)

(1) Significant items have not been separately presented but have been included in the relevant line items. Details of items considered to be significant are included in Note 5.

See accompanying notes to the Consolidated Financial Statements included on pages 26 to 45.

	Note	30 June 2019 US$'000	31 December 2018 US$'000
Current assets			
Cash and cash equivalents	**13**	28,605	38,942
Trade and other receivables	**7**	146,597	119,582
Inventories		163,604	165,410
Current tax receivable		1,290	268
Prepaid expenses and other assets		12,871	12,813
		352,967	337,015
Asset classified as held for sale		377	467
Total current assets		353,344	337,482
Non-current assets			
Property, plant and equipment		146,444	114,098
Goodwill	**8**	104,470	103,859
Other intangible assets	**8**	40,482	37,763
Deferred tax assets		18,411	20,709
Non-current tax receivable		20,579	16,284
Other assets		6,182	6,975
Total non-current assets		336,568	299,688
Total assets		689,912	637,170
Current liabilities			
Trade and other payables	**9**	130,306	111,198
Provisions	**11**	15,863	19,891
Current tax payable		71,234	71,194
Loans and borrowings	**10**	7,735	1,183
Total current liabilities		225,138	203,466
Non-current liabilities			
Loans and borrowings	**10**	751,792	720,268
Deferred tax liabilities		15,045	17,502
Provisions	**11**	8,982	10,792
Total non-current liabilities		775,819	748,562
Total liabilities		1,000,957	952,028
Net liabilities		**(311,045)**	**(314,858)**
Equity			
Issued capital		1,468,776	1,468,776
Reserves		(114,576)	(116,231)
Other equity		(137,182)	(137,182)
Accumulated losses		(1,530,493)	(1,532,651)
Total deficiency in equity		(313,475)	(317,288)
Non-controlling interest		2,430	2,430
Total equity		**(311,045)**	**(314,858)**

See accompanying notes to the Consolidated Financial Statements included on pages 26 to 45.

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Other [1] equity US$'000	Accumulated losses US$'000	Total attributible to owners of the parent US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 January 2018	1,468,758	(112,118)	10,983	(137,182)	(1,489,438)	(258,997)	-	(258,997)
Loss for the period	-	-	-	-	(16,323)	(16,323)	-	(16,323)
Other comprehensive (gain) loss for the period - net of tax	-	(9,615)	-	-	5,536	(4,079)	-	(4,079)
Total other comprehensive loss	-	(9,615)	-	-	(10,787)	(20,402)	-	(20,402)
Share-based compensation	-	-	17	-	-	17	-	17
Balance at 30 June 2018	**1,468,758**	**(121,733)**	**11,000**	**(137,182)**	**(1,500,225)**	**(279,382)**	**-**	**(279,382)**
Balance at 1 January 2019	1,468,776	(127,239)	11,008	(137,182)	(1,532,651)	(317,288)	2,430	(314,858)
Profit for the period	-	-	-	-	2,326	2,326	-	2,326
Other comprehensive gain for the period - net of tax	-	1,655	-	-	(168)	1,487	-	1,487
Total other comprehensive loss	-	1,655	-	-	2,158	3,813	-	3,813
Balance at 30 June 2019	**1,468,776**	**(125,584)**	**11,008**	**(137,182)**	**(1,530,493)**	**(313,475)**	**2,430**	**(311,045)**

(1) Other equity represents the Company's reorganization reserve on creation of the Company in 2007.

See accompanying Notes to the Consolidated Financial Statements included on pages 26 to 45.

	Note	Half-year ended 30 June 2019 US$'000	Half-year ended 30 June 2018 US$'000
Cash flows from operating activities			
Profit / (Loss) for the period		2,326	(16,323)
Adjustments provided by operating activities:			
Income tax expense / (benefit) recognised in profit		1,294	(6,921)
Finance costs recognised in profit	**4**	30,946	33,427
Depreciation and amortisation		19,149	18,449
Interest income recognised in profit		(18)	(295)
Gain on sale or disposal of non-current assets		(1,087)	(4,589)
Other non-cash items		(2,608)	(1,432)
Impairment of current and non-current assets		203	1,670
Non-cash foreign exchange loss		(181)	(1,728)
Equity-settled share-based payments		-	17
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
Decrease / (increase) in assets:			
Trade and other receivables		(27,127)	(18,243)
Inventories		4,814	(12,571)
Other assets		1,528	(3,370)
(Decrease) / increase in liabilities:			
Trade and other payables		6,528	13,050
Provisions		(5,635)	(3,175)
Cash generated / (used in) operations		30,132	(2,034)
Interest paid		(2,686)	(3,886)
Interest received		18	295
Income taxes paid		(7,405)	(6,331)
Net cash flows generated / (used in) operating activities		**20,059**	**(11,956)**

See accompanying Notes to the Consolidated Financial Statements included on pages 26 to 45.

	Note	Half-year ended 30 June 2019 US$'000	Half-year ended 30 June 2018 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(16,797)	(19,020)
Proceeds from sale of property, plant and equipment		2,796	6,391
Intangible costs paid		(4,845)	(394)
Investment in unaffiliated companies		-	(47)
Net cash flows used in investing activities		**(18,846)**	**(13,070)**
Cash flows from financing activities			
Proceeds from borrowings		3,000	14,049
Repayment of borrowings		(14,430)	(3)
Net cash flows (used in) / provided by financing activities		**(11,430)**	**14,046**
Net decrease in cash and cash equivalents		(10,217)	(10,980)
Cash and cash equivalents at the beginning of the period		38,942	43,758
Effects of exchange rate changes on the balance of cash held in foreign currencies		(120)	5,543
Cash and cash equivalents at the end of the period		**28,605**	**38,321**

See accompanying Notes to the Consolidated Financial Statements included on pages 26 to 45.

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting' ("AASB 134"). Compliance with AASB 134 ensures compliance with International Accounting Standard 34 'Interim Financial Reporting.' The half-year financial report does not include notes of the type normally included in an annual financial report, but additional notes have been included where such notes are deemed relevant to the understanding of the half-year financial report. The half-year financial report should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated half-year financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments that are stated at fair value. Cost is based on fair values of the consideration given in exchange for assets. The financial report has also been prepared on the basis that the consolidated entity is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Except where indicated otherwise, all amounts are presented in United States dollars.

Going concern

The half-year financial report has been prepared on the going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business.

At 30 June 2019 the net liabilities of the Company decreased by $3.9 million to negative $311.0 million, compared to negative $314.9 million as at 31 December 2018. This decrease is primarily from the impact of foreign exchange on reserves as well as profit for the period of $2.3 million..

In preparing the financial report, the Directors have made an assessment of the ability of the Company to continue as a going concern. The Company's ability to meet its ongoing operational and financing obligations requires the Company to achieve its forecast cash flows by sustaining previously implemented cost reductions, realise cost savings from ongoing and future cost-reduction and actively managing cash flows. The Directors reaffirm that current and expected operating cash flow, cash on hand and available drawings under the Company's asset-based loan facility provide sufficient liquidity to meet its debts as and when they fall due.

<u>Cash flow Forecasts</u>
The Company has prepared detailed cash flow forecasts which incorporate the financial impact of continued actions to address the market environment. In preparing the cash flow forecasts the Company has used best estimate assumptions. The Directors have assessed the Company's cash flow forecasts and revenue projections based on current market conditions and on results achieved to date attributable to ongoing cash-generating actions as well as continuing to evaluate risks and opportunities to this best estimate. Some of the key assumptions underpinning the cash flow forecasts and revenue projections are inherently uncertain and are subject to variation due to factors which are outside the control of the Company. The key assumptions are discussed below.

<u>Market risk</u>
The Company experienced significant declines in financial performance through mid-2016, as a result of declining demand for, and global oversupply of, the Company's services and products. This decline was driven by the global contraction in exploration and development spending across the commodities sector and by mining customers in particular. We have seen an improvement in the market through 2018 and into 2019; however, despite recent improvements in the market, and increasing revenues, mineral exploration, production and development activities and contract pricing could remain at depressed levels for an extended period of time or decline, resulting in adverse effects on the Company's operating results, liquidity and financial condition.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

Operational risk
In response to potential market risk, the Company continues to focus on significant cost savings and efficiency initiatives. These initiatives are aggressively managing fixed and variable costs and, in particular, improving operational efficiencies and commercial practices.

The cash flow forecasts assume that the Company is able to maintain and improve on current volumes of work, sustain previously implemented reductions and realise additional cost savings from both ongoing and future cost-reduction and efficiency initiatives.

Other key assumptions
The cash flow forecasts also include a number of other key assumptions, in particular:

- assumptions relating to the timing and outcome of the tax audits detailed in Note 6 of the financial statements; and
- that the US dollar remains consistent with current levels, particularly in relation to the Australian and Canadian dollars.

Notwithstanding the uncertainties set out above, the Directors have given careful consideration to the risks and believe at the date of signing of the half-year financial report that there are reasonable grounds to continue to prepare the half-year financial report on a going concern basis.

Accounting polices

The accounting policies and methods of computation followed in the preparation of the half-year financial report are consistent with those followed and disclosed in the Company's 2018 Annual Financial Report for the financial year ended 31 December 2018, except for the impact of the standards, interpretations and amendments described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. These standards and interpretations are set forth throughout the notes to the financial statements. The adoption of each standard individually did not have a significant impact on the Company's financial results or consolidated statement of financial position.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Standards and Interpretations issued, but not yet effective

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued, but are not yet effective.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2018-7 Amendments to Australian Accounting Standards - Defenition of Material	1 January 2020	31 December 2020
AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework	1 January 2020	31 December 2020
AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business	1 January 2020	31 December 2020
AASB 17 'Insurance Contracts'	1 January 2021	31 December 2021
AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	1 January 2022	31 December 2022
AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128	1 January 2022	31 December 2022
AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022 Editorial Corrections apply from 1 January 2018	31 December 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Standards and Interpretations issued and effective

The Company has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current financial year, and which have been applied in the preparation of this half-year report, that are relevant to the Company include:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	31 December 2019
AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation	1 January 2019	31 December 2019
AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures	1 January 2019	31 December 2019
AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle	1 January 2019	31 December 2019
AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement	1 January 2019	31 December 2019
Interpretation 23 'Uncertainty over Income Tax Treatments'	1 January 2019	31 December 2019

AASB 16 - Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 supersedes previous lease guidance including AASB 117 Leases and the related Interpretations. The date of initial application of AASB 16 for the Company is 1 January 2019.

The Company has chosen the modified retrospective application of AASB 16 in accordance with AASB 16:C8(a). Consequently, the Company has not restated the comparative information.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

The Company has adopted AASB 16 in the financial accounts as at 30 June 2019 and more information is included in note 15.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Interpretation 23 – Uncertainty over Income Tax Treatments

Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective 1 January 2019. The Company has applied the interpretation under the modified retrospective application without restatement of comparatives retrospectively or prospectively. The application of the amendments set out in this interpretation did not have an impact on the Company's consolidated financial statements.

Key Judgements and Estimates

In applying Australian Accounting Standards, management is required to make judgments, estimates and form assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported revenue and expenses during the periods presented herein. On an ongoing basis, management evaluates its judgments and estimates in relation to asset, liabilities, contingent liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the respective periods in which they are revised if only those periods are affected, or in the respective periods of the revisions as well as future periods if the revision affects both current and future periods.

The key judgments, estimates and assumptions that have or could have the most significant effect on the amounts recognised in the financial statements are found in the following notes:

Note 1	Going Concern
Note 6	Income Taxes
Note 8	Goodwill and Other Asset Impairment Considerations
Note 14	Commitments and Contingent Liabilities

2. SEGMENT REPORTING

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is aggregated based on the Company's two general operating activities: Global Drilling Services and Global Products. The Global Drilling Services segment provides a broad range of drilling services to companies in mining, energy and other industries. The Global Products segment manufactures and sells drilling equipment and performance tooling to customers in the drilling services and mining industries.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Company's accounting policies. Segment profit shown below is consistent with the income reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	30 June 2019		30 June 2018		30 June 2019	30 June 2018
	US$'000		US$'000		US$'000	US$'000
Drilling Services		270,888		266,930	43,833	27,077
Global Products revenue						
Products third party revenue	116,996		127,265			
Products inter-segment revenue [1]	30,260		29,955			
Total Products		147,256		157,220	13,620	11,945
Less Global Products sales to Global Drilling Services		(30,260)		(29,955)		
Total third party revenue		387,884		394,195		
Total segment profit (loss)					57,453	39,022
Unallocated costs [2]					(18,873)	(20,862)
Restructuring expenses and related impairments					(4,032)	(8,272)
Finance costs					(30,946)	(33,427)
Interest income					18	295
Profit / (Loss) before taxation					3,620	(23,244)

(1) Transactions between segments are carried out at arm's length and are eliminated on consolidation.
(2) Unallocated costs include corporate general and administrative costs, as well as other expense items such as foreign exchange gains and losses.

Geographic information

The Company's two business segments operate in four principal geographic areas – North America, Asia Pacific, Latin America and Europe, Middle East and Africa ("EMEA"). The Company's revenue from external customers and information about its segment assets by geographical locations are detailed below:

	Revenue from external customers		Non-current assets[1]	
	30 June 2019	30 June 2018	30 June 2019	31 December 2018
	US$'000	US$'000	US$'000	US$'000
North America	179,396	171,629	219,112	201,767
Asia Pacific	86,678	85,030	51,430	39,922
Latin America	53,304	59,767	21,833	18,349
EMEA	68,506	77,769	25,782	18,941
	387,884	394,195	318,157	278,979

(1) Non-current assets excluding deferred tax assets

3. OTHER INCOME AND EXPENSES

For the half-year ended 30 June 2019, other income and expenses consist of the following:

	2019 US$'000	2018 US$'000
Other income		
Gain on disposal of property, plant and equipment	1,087	4,589
Other	3,631	1,777
	4,718	6,366
Other expenses		
Loss on foreign currency exchange differences	2,517	5,892
Amortisation of intangible assets	1,272	2,223
Impairment of fixed assets	-	81
Other	2,167	3,049
	5,956	11,245

4. FINANCE COSTS

For the half-year ended 30 June 2019, finance costs consist of the following:

	2019 US$'000	2018 US$'000
Interest on loans and bank overdrafts	28,984	32,167
Amortisation of debt issuance costs	558	1,193
Interest on lease liabilities	1,404	67
Total finance costs	30,946	33,427

5. SIGNIFICANT ITEMS

During the first half of 2019, the Company continued to reduce operating costs through a series of restructuring activities. The Company's restructuring efforts included:

- controlling SG&A and other overhead related costs;
- exiting certain loss-making projects or territories;
- rationalising key locations and leveraging operating sites.
- focusing on operational efficiencies and productivity across the global organisation.

The Company has incurred costs related to cost-reduction plans. These costs include employee separations, exiting leased facilities, professional fees related to resizing the business.

Significant items for the half-year ended 30 June 2019 are, as follows:

	2019 US$'000	2018 US$'000
Impairments:		
Property, plant and equipment	112	106
Inventories	91	1,464
Employee and related costs[1]	338	1,644
Other restructuring costs	3,491	4,511
Onerous leases	-	547
	4,032	8,272

(1) Employee and related costs include separation costs, retention and other employee-related costs.

Classification of significant items on the income statement for the half-year ended 30 June 2019 are, as follows:

	2019 US$'000	2018 US$'000
Cost of goods sold	331	3,313
General and administrative expenses	3,701	4,740
Sales and marketing expenses	-	219
	4,032	8,272

Significant items for the half-year ended 30 June 2019 by business segment are, as follows:

	2019 US$'000	2018 US$'000
Global drilling services	1,598	2,365
Global products	87	4,795
Unallocated	2,347	1,112
	4,032	8,272

6. INCOME TAXES

Reconciliation of the prima facie income tax expense on pre-tax accounting profit to the income tax expense in the financial statements:

	2019 US$'000	2018 US$'000
Profit / (Loss) before taxation	3,620	(23,244)
Income tax expense / (benefit) calculated at Australian rate of 30%	1,086	(6,974)
Impact of different tax rates in foreign jurisdictions	(171)	226
Net nondeductible/non assessable items	3,043	18,492
Net benefit from previously Unrecognised tax losses[1]	(2,193)	(3,433)
Other[2]	(257)	(16,502)
Under provision from prior years	(214)	1,270
Income tax expense / (benefit) expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	1,294	(6,921)

(1) The utilisation of previous unrecognised tax losses arises as a result of forecasted income in the current period in certain jurisdictions.

(2) The majority of the adjustment in the prior year relates to effectively settling a portion of the disputes in the Canada Revenue Agency tax audit from 2007-2012. (See Canada note below.)

Current Tax Payable

The current tax payable as of 30 June 2019 of $71.2 million consists of income tax payable and income and withholding tax provisions for uncertain tax positions in various jurisdictions in which the Company operated.

Canadian Income Tax Audit

As previously disclosed by the Company, the Canada Revenue Agency (“CRA”)’s audit division made a reassessment which would have resulted in tax, penalties and interest payable as of 31 December 2017 of C$109.4 million for the 2007 through 2012 tax years. The Company has filed applications under the mutual agreement procedures (“MAP”) of Canada’s tax treaties with the jurisdictions of residence of various relevant foreign affiliates, for relief from double taxation arising as a result of international reassessments. These procedures have been completed and agreed with the U.S. and Australia. The CRA chose to withdraw its adjustments from all other treaty partner jurisdictions except Switzerland, which is underway. As a result of the settlements achieved on domestic issues and in the MAP process, the remaining unsettled tax, penalties and interest could result in a maximum remaining assessment of C$30 million. After the application of tax credits and payments, the maximum future cash outlay could be C$16 million for the remaining unsettled issues. The Company continues negotiation with the CRA in the appeals process but it is not possible to predict the outcome with any certainty at this time.

The Company has also been reassessed for domestic adjustments for 2013 through 2014 tax years but international issues have not yet been reassessed. The Company appealed these domestic reassessments of C$3.3 million by filing Notices of Objection with the CRA, and certain provincial tax authorities. The Company plans to vigorously dispute these reassessments.

7. TRADE AND OTHER RECEIVABLES

	30 June 2019 US$'000	31 December 2018 US$'000
Trade receivables	138,203	109,195
Loss allowance	(1,261)	(1,391)
Goods and services tax receivable	7,244	7,056
Other receivables	2,411	4,722
	146,597	119,582

The ageing of trade receivables is detailed below:

	30 June 2019 US$'000	31 December 2018 US$'000
Current	117,648	89,315
Past due 0 - 30 days	15,082	13,106
Past due 31 - 60 days	2,944	2,166
Past due 61-90 days	1,417	1,243
Past due 90 days	1,112	3,365
	138,203	109,195

The Company's policy requires customers to pay the Company in accordance with agreed payment terms. The Company's settlement terms are generally 30 to 60 days from date of invoice. All credit and recovery risk associated with trade receivables has been provided for in the statement of financial position. Trade receivables have been aged according to their original due date in the above aging analysis. The Company holds security for a number of trade receivables in the form of letters of credit, deposits, and advanced payments.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

	30 June 2019 US$'000	31 December 2018 US$'000
Goodwill	104,470	103,859
Other intangible assets:		
Software	885	1,008
Customer relationships	4,270	4,736
Development assets	24,726	22,097
Patents	7,513	6,834
Trademarks	3,088	3,088
	40,482	37,763

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in Cash Generating Units (CGUs). The carrying amount of goodwill by geographic segment allocated to CGUs that are significant individually or in aggregate is as follows:

	30 June 2019 US$'000	31 December 2018 US$'000
Asia Pacific	3,937	3,940
North America	100,533	99,919
	104,470	103,859

The carrying amount of goodwill is tested for impairment annually at 31 December and whenever there is an indicator that the asset may be impaired. If goodwill is impaired, it is written down to its recoverable amount.

Goodwill impairment by cash-generating units

Goodwill and intangible assets in the EMEA, Latin America Drilling Services CGUs have been fully impaired. For the period ended 30 June 2019, management performed a risk assessment in accordance with AASB 136.12 for all CGUs within the Company. This risk assessment is to identify potential triggers that could give rise to impairment testing for any CGUs. The results of the risk assessments indicated that none of the CGUs would be required to perform an impairment test as at 30 June 2019. At year-end 31 December 2018 the North American Drilling Services CGU performed a required impairment test due to recorded goodwill and no impairment was required. Goodwill arising from the acquisition of Globaltech in Asia Pacific was also tested as at 31 December 2018 for impairment and the recoverable amount exceeded the Globaltech carrying amount. Consequently, no goodwill impairments were recorded for 31 December 2018.

9. TRADE AND OTHER PAYABLES

	30 June 2019 US$'000	31 December 2018 US$'000
Current		
Trade payables	66,186	52,685
Accrued payroll and benefits	26,441	23,834
Goods and services tax payable	12,057	17,788
Accrued professional fees and environmental costs	22,747	11,752
Other sundry payables and accruals	2,875	5,139
	130,306	111,198

No interest is charged on trade payables for this period. Thereafter, various percentages of interest may be charged on the outstanding balance based on the terms of specific contracts. The Company has financial risk management policies in place to ensure that all payables are paid within the agreed upon terms.

Accrued interest of $12.8 million relates to the $217.0 million of Senior Secured Notes and was paid in cash in July 2019 as per the terms of the agreement.

10. LOANS AND BORROWINGS

	30 June 2019 US$'000	31 December 2018 US$'000
Unsecured - at amortised cost		
Non-current		
Senior notes	88,882	88,882
Accreted interest	2,472	1,791
Secured - at amortised cost		
Current		
Lease liabilities	7,735	1,183
Non-current		
Senior notes	217,035	217,035
Term loans	292,441	292,441
Accreted interest	57,705	43,317
Revolver bank loans	70,554	75,054
Debt issuance cost	(759)	(1,017)
Original issue discount	(700)	(1,000)
Lease liabilities	24,162	3,765
	759,527	721,451
Disclosed in the financial statements as:		
Current borrowings	7,735	1,183
Non-current borrowings	751,792	720,268
	759,527	721,451
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	7,735	1,183
Between 1 and 2 years[1]	86,765	83,020
Between 2 and 3 years	4,958	1,100
Between 3 and 4 years	653,111	637,555
More than 4 years	8,417	610
	760,986	723,468
Original issue discount	(700)	(1,000)
Debt Issuance Cost	(759)	(1,017)
	759,527	721,451

1. Includes outstanding balances for the ABL and Backstop ABL. In July 2019 maturities for these facilities changed from July 2020 to July 2022 and from October 2020 to October 2022, respectively. See note 16 for more information.

Senior notes

Senior unsecured notes
The Company has $88.9 million of senior unsecured notes outstanding as at 30 June 2019 and 31 December 2018. These notes carry an interest rate of 1.5%, per annum, which is payable-in-kind (i.e. non cash) until maturity in December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

Senior secured notes
The Company has $217.0 million of senior secured notes outstanding as at 30 June 2019 and 31 December 2018. These notes carry an interest rate of 12% per annum in cash which is payable-in-kind at the Company's election until December 2018 and thereafter in cash at the reduced interest rate of 10% per annum with a scheduled maturity date of December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

10. LOANS AND BORROWINGS (CONTINUED)

With respect to the senior notes issued by the Company, the indenture governing those senior notes includes covenants that restrict the Company's ability to engage in certain activities, including incurring additional indebtedness and making certain restricted payments as well as a limitation on the amount of secured debt the Company may incur. The senior notes contain certain provisions that provide the note holders with the ability to declare a default, and accelerate the notes, should a default occur under either of the Term Loans that results in acceleration of such Term Loans. The senior notes do not require maintenance or testing of financial covenant ratios.

Revolver Bank Loans[1]

ABL	30 June 2019 US$M	31 December 2018 US$M
Available Facility	50.0	50.0
Drawn (i)	25.5	30.0
Letters of Credit (ii)	5.3	5.9
Undrawn (iii)	19.2	14.1
	50.0	50.0

(i) The Company has an asset based revolving bank facility with capacity of $50.0 million of which $25.5 million (31 December 2018: $30.0 million) was drawn.

(ii) As at 30 June 2019 $5.3 million (31 December 2019: $5.9 million) of outstanding letters of credit were drawn under the facility.

(iii) Of the undrawn amount $7.5 million is subject to springing dominion and is restricted until such time as the company maintains a Fixed Charge Coverage Ratio (as defined above) of at least 1.1 to 1.0 for four consecutive quarters from 1 April 2018. The facility also requires that an additional $5.0 million of cash be held in a restricted cash account until such time as the Company maintains a Fixed Charge Coverage Ratio (as defined above) of at least 1.1 to 1.0 for four consecutive quarters and forms part of the restricted cash disclosed in Note 13.

Interest on drawn amounts and letters of credit are based on a base rate plus margin (30 day USD LIBOR plus 3.5%).

The facility requires $5.0 million availability to be restricted until such time as the Company maintains a Fixed Charge Coverage Ratio (defined as: (a) EBITDA, minus unfunded capital expenditures made during the period, minus distributions (including tax distributions) and dividends made during such period, minus cash taxes paid during such period, to (b) all debt payments made during such period) of at least 1.1 to 1.0 for four consecutive quarters from 1 January 2018.

The facility is secured by a first lien on the accounts receivable, inventories, deposit accounts and cash ("working capital assets") of the ABL borrower and guarantors, and a third lien over substantially all of the other tangible and intangible assets ("non-working capital assets") of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property).

Scheduled maturity date of the facility is July 2020. As at 30 June 2019 the Company was in compliance with all of its debt covenants.

1. In July 2019 Maturity date for the ABL changed from July 2020 to July 2022. See note16 for more information.

10. LOANS AND BORROWINGS (CONTINUED)

Backstop ABL[1]
The Backstop ABL term loan has an interest rate of 11% per annum payable-in kind or 10% per annum payable in cash at the option of the borrower. It is secured by substantially the same collateral as the ABL credit facility and contains a maturity of October 2020. As at 30 June 2019 the amount outstanding under this facility was $54.3 million (31 December 2018: $51.7 million).

As at 30 June 2019 the Company was in compliance with all of its debt covenants.

See note 16 for details on the amended ABL that occurred in July 2019.

Term loans

The Company has a term loan facility which is structured as Tranche A and Tranche B loans. As part of the Recapitalisation in September 2017 the Company restructured its Term Loans. Interest on Term Loans A and B is reduced from 12% to 10% payable –in-kind through to December 2018 and 8% payable-in-kind thereafter. Maturity was extended until December 2022. The term loan tranches are structured to accrete interest, which is payable to the term loan lender, Centerbridge Partners, L.P., a related party.

Tranche A
As at 30 June 2019 and 31 December 2018 the amount outstanding under Tranche A was $132.6 and $132.6 million, respectively. This tranche contains a maturity of December 2022 and is non-callable for the first 4 years. It is secured by a first lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

Tranche B
As at 30 June 2019 and 31 December 2018 the amount outstanding under Tranche B was $159.9 and $159.9 million, respectively. This tranche contains a maturity of December 2022 and is non-callable for the life of the loan. It is secured by a second lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

The Company's term loans do not require maintenance or testing of financial covenant ratios.

1. In July 2019 Maturity date for the Bacstop ABL changed from October 2020 to October 2022. See note16 for more information.

11. PROVISIONS

	30 June 2019 US$'000	31 December 2018 US$'000
Current		
Employee benefits	9,087	11,561
Restructuring and termination costs [1]	5,206	6,054
Warranty [2]	997	1,268
Onerous lease costs	-	868
Other	573	140
	15,863	19,891
Non-current		
Employee benefits	365	1,291
Pension and post-retirement benefits [3]	8,043	8,682
Onerous lease costs	-	224
Other	574	595
	8,982	10,792
	24,845	30,683

(1) The provision for restructuring and termination costs represent the present value of management's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits.

(2) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's warranty program.

(3) Full actuarial valuations of the defined benefit pension and post-retirement benefit plans are performed annually by qualified independent actuaries for the Company's 31 December year-end closing.

12. DIVIDENDS

No dividend has been determined for either of the half-years ended 30 June 2019 and 30 June 2018.

13. CASH AND CASH EQUIVALENTS

Included in the cash balance at 30 June 2019, is $0.9 million of restricted cash. At 31 December 2018, $1.6 million was considered restricted. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to the Company's ABL facility as well as restrictions to secure facility leases.

14. COMMITMENTS AND CONTINGENT LIABILITIES

Legal contingencies

The Company is subject to certain routine legal proceedings that arise in the normal course of its business. Management believes that the ultimate amount of liability, if any, for any pending claims of any type (either alone or combined) will not materially affect the Company's operations, liquidity, or financial position taken as a whole. However, the ultimate outcome of any litigation is uncertain, and unfavourable outcomes could have a material adverse impact.

Tax and certain audits

The Company is subject to certain tax audits that arise in the normal course of its business. Management believes that the ultimate amount of liability, if any, for any pending assessments (either alone or combined) would not materially affect the Company's operations, liquidity, or financial position taken as a whole. However, the ultimate outcome of these audits is uncertain and unfavourable outcomes could have a material adverse impact. See additional disclosure in Note 6.

15. LEASE COMMITMENTS

AASB 16 – Leases

<u>General impact of application of AASB 16 Leases</u>

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 supersedes the lease guidance including AASB 117 *Leases* and the related Interpretations when it became effective for the accounting period beginning on 1 January 2019. The date of initial application of AASB 16 for the Company was 1 January 2019.

The Company has chosen the modified retrospective application of AASB 16 in accordance with AASB 16:C8(a). Consequently, the Company will not restate the comparative information.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

<u>Impact of the new definition of a lease</u>

The Company has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company has applied the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 January 2019. In preparation for the first-time application of AASB 16, the Company has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

15. LEASE COMMITMENTS (CONTINUED)

Impact on Lessee Accounting

Operating leases

AASB 16 has changed how the Company accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Company has:

a) Recognised Right-Of-Use assets (ROU Assets) and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This replaced the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company opted to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 31 December 2018, the Company had non-cancellable lease commitments of $44.7 million. The Company's assessment indicated that $10.7 million of those arrangements relate to leases that are short-term and leases of low-value assets, therefore the Company recognised ROU Assets with a net book value of $31.3 million and corresponding lease liabilities of $33.0 million at 1 January 2019. Rolling these balances forward to 30 June 2019, the Company recorded ROU Assets with a net book value of $31.1 million, and corresponding lease liabilities of $31.6 million.

The impact on profit or loss as at 30 June 2019 is to decrease rent expenses by $4.6 million, to increase depreciation by $4.2 million, and to increase interest expense by $1.3 million.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities. The impact of the changes under AASB 16 resulted in an increase the cashflows from operating activities by $3.2 million and a decrease in cashflows from financing activities by $1.3 million.

The Company has made use of the practical expedient to not separate non-lease and lease components at the adoption date (AASB16.15).

Finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. On initial application, the Company will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Company's finance leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognized in the Company's consolidated financial statements.

15. LEASE COMMITMENTS (CONTINUED)

Impact on Lessor Accounting

Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117).

The Company does not currently act as the lessor for any assets, therefore, the impacts of AASB 16 do not have a material effect on the financial statements in either the current or prior years.

Critical judgements required in the application of AASB 16

Determination of whether it is reasonably certain that an extension or termination option will be exercised

The Company reflected a reasonable expectation of the period over which the underlying asset will be used because that approach provides them most useful information to the readers of the financial statements. Considerations such as the length of drilling projects (for plant and equipment) and in-country forecasted operations period (for properties) were taken into account when determining the period over which management was reasonably certain to use the identified asset.

For lease agreements with 12 months or less remaining from adoption date (1 January 2019), the Company has made an assessment on the terms over which it was reasonably certain to extend the agreements by including lease payments and length of lease.

Determination of whether variable payments are in-substance fixed

For lease agreements subject to lease payments with fixed increases, the Company factored in the fixed increases into its calculation of the lease liability. For lease agreements subject to lease payments based on variable index, the Company used the payment amount known at the adoption date to calculate the lease liability and will remeasure the lease liability associated with these variable lease payments whenever the applicable index changes.

Key sources of estimation uncertainty in the application of AASB 16

Determination of the appropriate rate to discount the lease payments

The Company estimated the incremental borrowing rates applicable to the lease portfolio, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment, by using a country and asset risk adjusted rate depending on the location and nature of the asset.

16. SUBSEQUENT EVENTS

Backstop ABL

Scheduled maturity date of the facility has been extended from October 2020 to October 2022 or 90 days after the ABL due date.

Revolver Bank Loans

ABL	31 July 2019 US \$M	30 June 2019 US \$M (Note 10)
Available Facility	75.0	50.0
Drawn (i)	42.9	25.5
Letters of credit (Note 10)	5.1	5.3
Availability block (ii)	10.0	-
Undrawn (iii)	17.0	19.2
	75.0	50.0

(i) In July 2019, the Company amended its asset based revolving bank facility with capacity of $75.0 million, of which $42.9 million was drawn at 31 July 2019. The increase in the drawn amount results primarily from the repayment of $5.0 million of accreted interest on the Backstop ABL facility as well as money drawn to pay interest on the Senior Secured Notes in July 2019.

(ii) The facility requires two $5.0 million availability blocks to be restricted until such time as the Company's EBITDA to Debt ratio (as defined per the terms of the agreement) is above 5 times and 6 times, respectively.

(iii) Of the undrawn amount, $9.8 million is subject to springing dominion as of a date of determination if undrawn availability shall be less than or equal to $9.8 million as of the last day of any month.

Scheduled maturity date of the facility has been extended from July 2020 to July 2022.

Share Consolidation

The Board of Directors have approved that for the purpose of Section 254H of the Corporations Act, ASX Listing Rule 7.20, ASX Listing Rule 7.22 and for all other purposes, the issued capital of the Company be consolidated on the basis that every three hundred (300) shares be consolidated into one (1) share. This change will occur during the 4th quarter of 2019.