



**ONE SOURCE**

DRILLING SERVICES | DRILLING EQUIPMENT | PERFORMANCE TOOLING  
for Mining and Drilling Companies Globally



Western Australia

# Annual General Meeting

21 May 2013 - Melbourne



**BOART  
LONGYEAR™**

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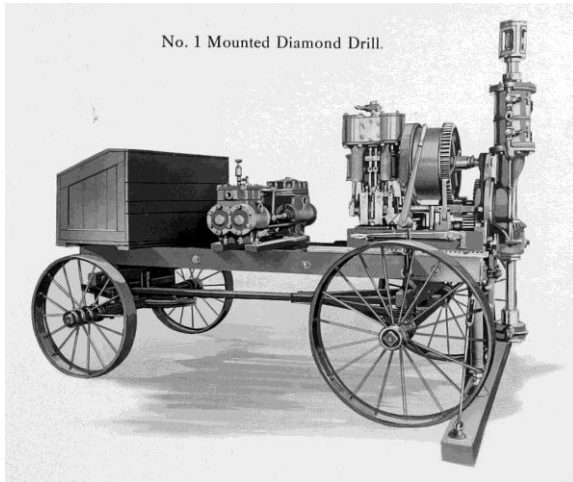
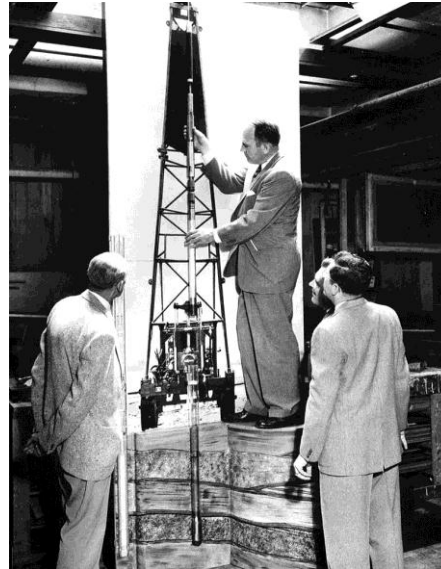
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# Our 120+ year legacy provides a solid foundation ...



 **BOART INTERNATIONAL**



**Longyear®**

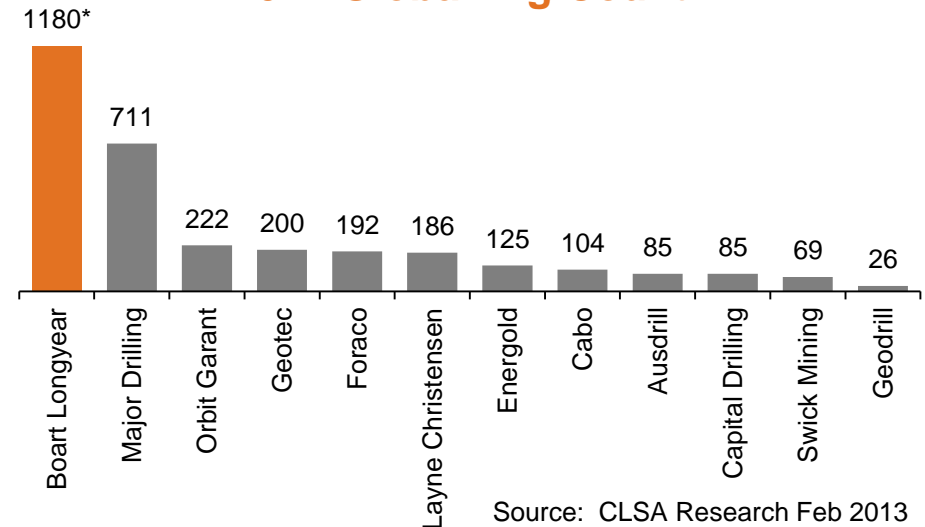


# With world class Global Drilling Services ...



- Largest fleet
- Modern fleet
- Strong safety culture
- Support all phases of exploration & development
- Proven and productive drilling practices
- Integrated global product engineering and manufacturing

## 2012 Global Rig Count



Source: CLSA Research Feb 2013

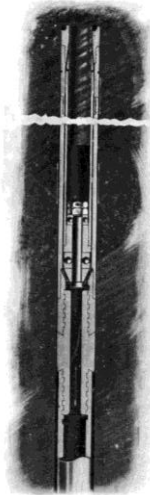
\* Includes rigs related to environmental and infrastructure end markets



# ...and a history of setting the industry benchmark in product innovation



**1890**  
First "Core Rig"

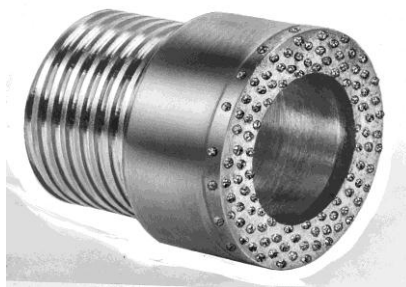


**1950's**  
Wireline Coring



**1999**  
Link Latch

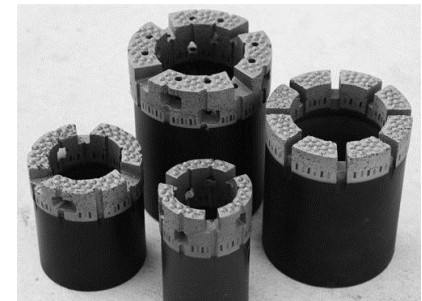
**1930's**  
Diamond Drill Bits



**1996**  
RQ Thread



**2012**  
Ultramatrix™ Series



**Longyear**

# Strong, consistent values enable our global reach



Safety	<ul style="list-style-type: none"><li>• Core Value</li><li>• ASX100*: Top 10% Lost Time Injury Frequency Rate</li></ul>
Compliance	<ul style="list-style-type: none"><li>• Members of World Economic Forum: Partnering Against Corruption Initiative (PACI)</li><li>• Resources dedicated to ensure we are doing things the right way</li></ul>
Customer	<ul style="list-style-type: none"><li>• Dedicated to our customers' success</li><li>• Strong relationships</li><li>• Renewed focus</li></ul>
People	<ul style="list-style-type: none"><li>• Value diversity</li><li>• Empowering the front lines and retaining our legacy of entrepreneurial spirit</li></ul>

\*Citi Research: Safety spotlight – ASX 100 Companies  
15 May 2013 Injuries & Fatalities Data FY05 – FY12 Presented & Interpreted



# Declining commodity prices and major mining companies' share price declines ...

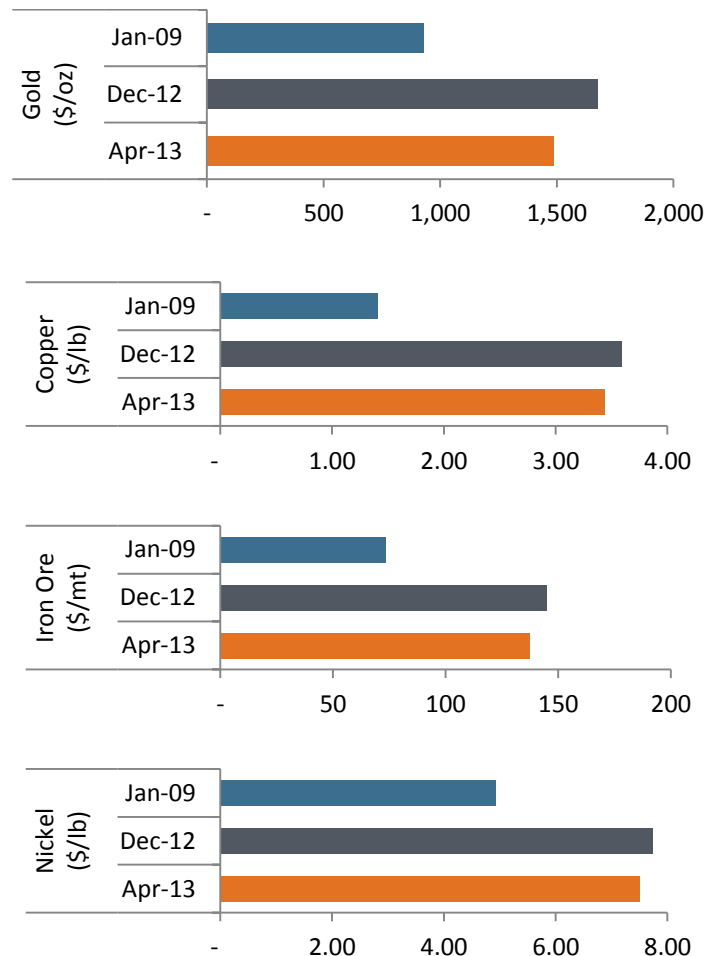


## Mining Performance



Source: Thomson Reuters

## Key Commodity Trends



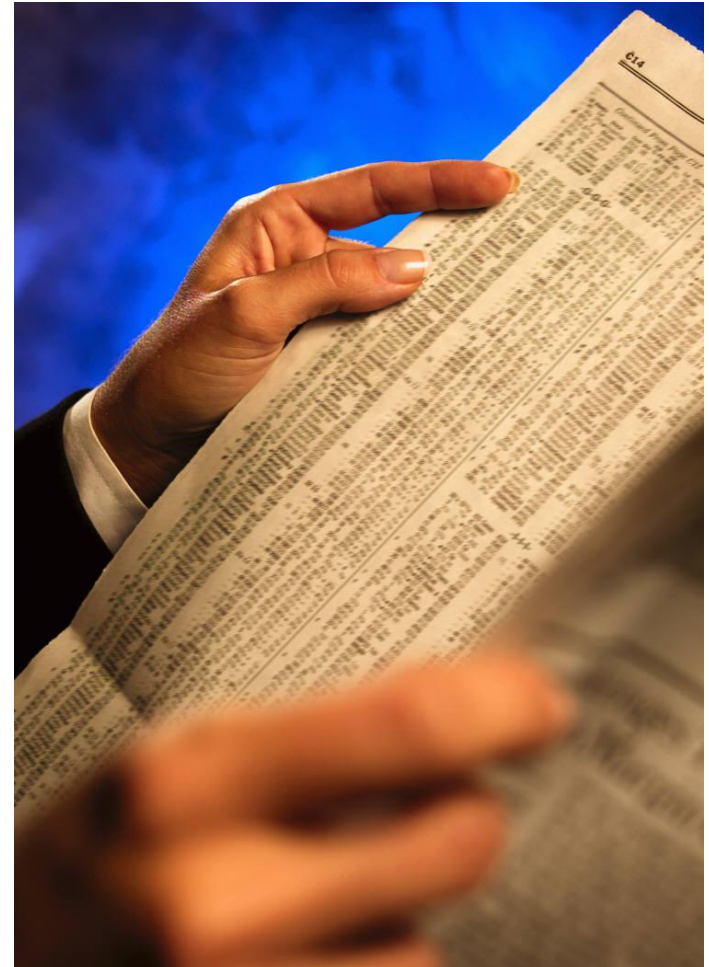
Source: Thomson Reuters & BLY Analysis

# ...combined with announced reductions in major miners' capital spending ...



## Recent news headline from the global metals and mining conference in Barcelona:

“BHP Billiton said on Tuesday that its capital and exploration expenditure next year would fall to around \$18 billion, down about a fifth from \$22 billion estimated in the 2013 financial year, with further drops expected.”



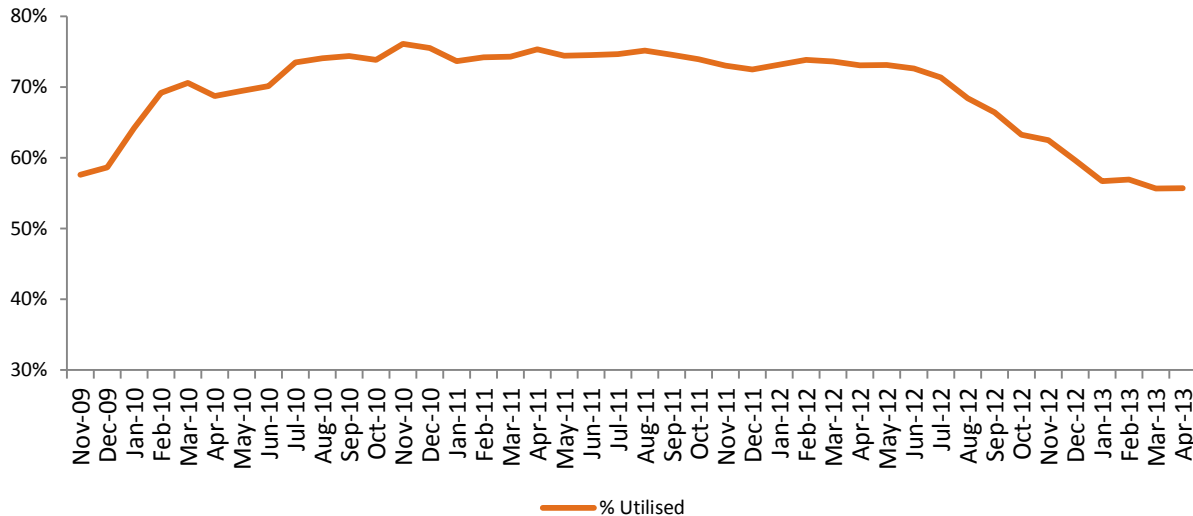
Source: Reuters News 14/05/2013



# ...has led to reduced demand for our products and services

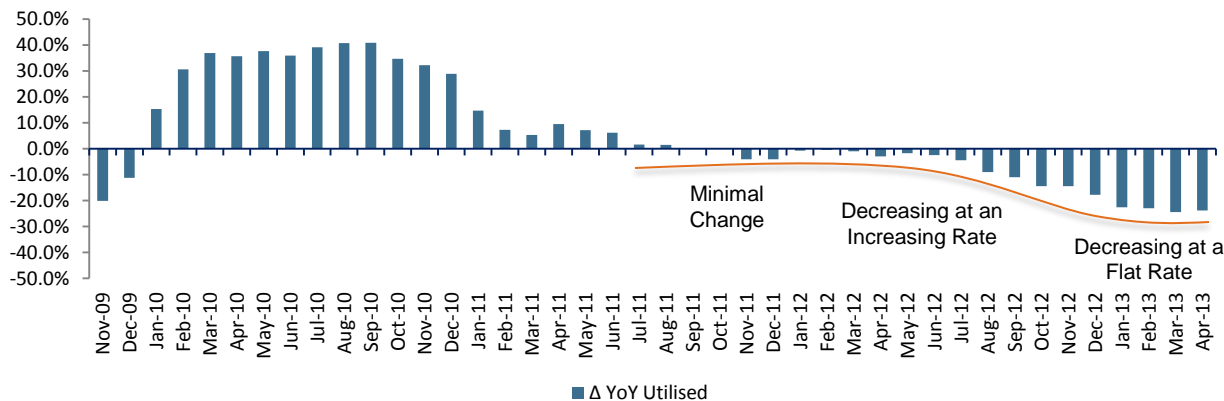


## DS Historical Utilisation



- Anticipate average utilisation rates down ~15-20% on a full year basis
- Decreasing utilisation rates and excess capacity, creating pricing headwinds

## % Change of DS Utilisation YOY



- Limited future visibility: rate of decline appears to be flattening and rig schedule is improving, however it is too early to tell

# Key Performance Indicators\*



	2013 Mid-Feb	2013 Mid-May	Change		2012 Mid-May
Rig Count**	1,065	~1,040	↓ ~3%		~1,060
Rig Utilisation	58%	~60%	~Flat		~70%
Product Backlog	\$51M	~\$35M	↓ ~30%		~\$70M
Headcount	8,680	~8,000	↓ ~8%		~11,400
Net Debt	\$554M	~\$585M	↑ ~5%		~\$400M

## Price

- Products pricing stable
- Expect YOY pricing to be down mid to high single digits

## Utilisation

- Anticipate average rig utilisation rates to be down ~15-20% YOY
- Expecting utilised rigs to drill fewer meters year over year (total volume down)

## Balance Sheet

- Assuming market remains the same and revenue is flat for the remainder of the year, net debt (reported debt less cash) should be ~\$400-450M at year end
- Anticipating \$50-75M in working capital release, primarily inventory

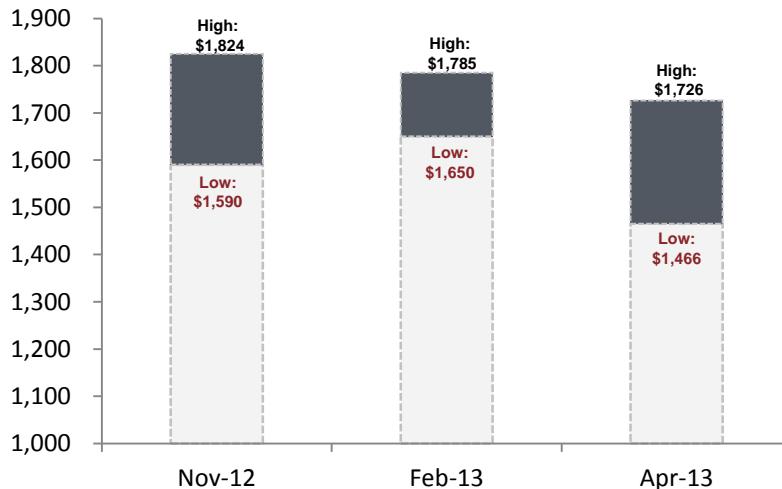
\* Unaudited

\*\* Excludes rigs held for sale related to environmental and infrastructure end markets

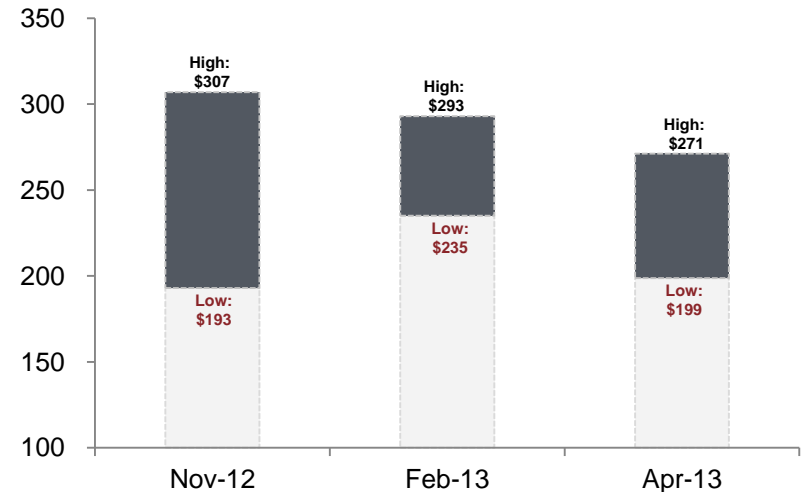
# Analysts' forecasts has also come down...



## 2013 Analysts' Revenue Forecast



## 2013 Analysts' EBITDA Forecast



- Analysts' forecasts for FY13 performance has decreased with the changing market conditions.

**Based on current industry conditions, the Company expects 2013 revenue and EBITDA will be at the lower range of current analysts' forecasts**

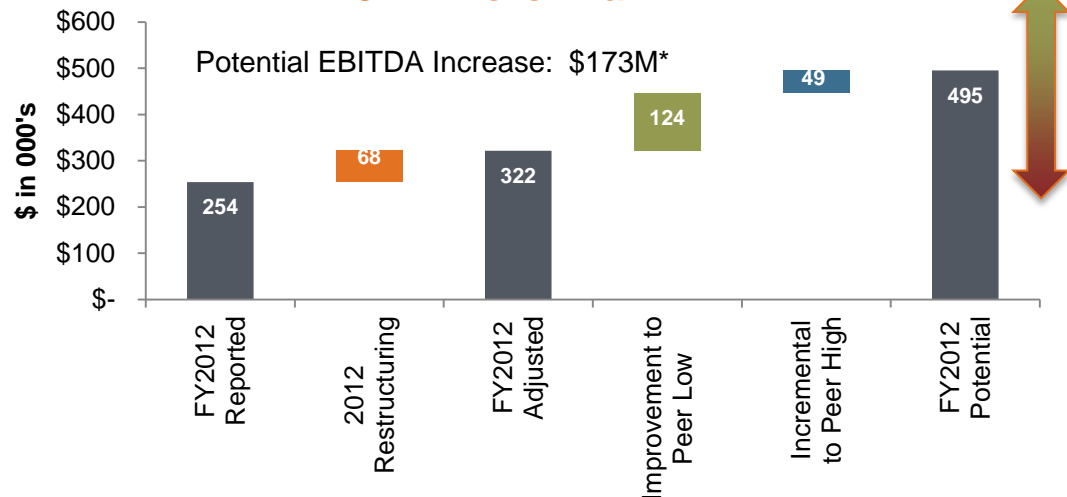
While we can't control macro-economic trends...  
.....we will control costs



# Increasing our Operating Margin to that of our Peers Creates Substantial Value



## 2012 Proforma EBITDA



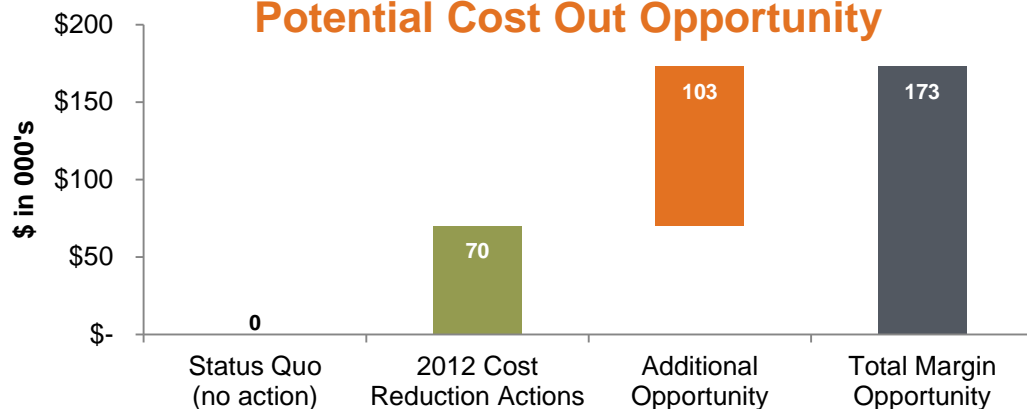
### +/- relating to Macro Economics

- Commodity prices
- Production levels
- Mining capex & exploration spend
- Global GDP (China)
- Capital markets

Source: Thomson Reuters

\*Includes impact of \$70M "annualized" cost out actions announced in Nov 2012

## Potential Cost Out Opportunity



### Focus Areas

- Define consistent global processes
- Streamline organizational structure
- Improve Products and Drilling Services synergies

**We are taking tangible steps to close this gap**

# Committed to Delivering Synergies from Drilling Services and Products



## Drilling Services



## Products



## Current Spend

Maintenance

~\$150M

Supply Chain Management

~\$45M

Collaboration of Resources (Rooftops)

~145 rooftops

Product Technology and Innovation

Processes



Leveraging experience and support of our Drilling Services business to respond to our key customers' needs



## Key Example: LX™ 11 Multipurpose Drill

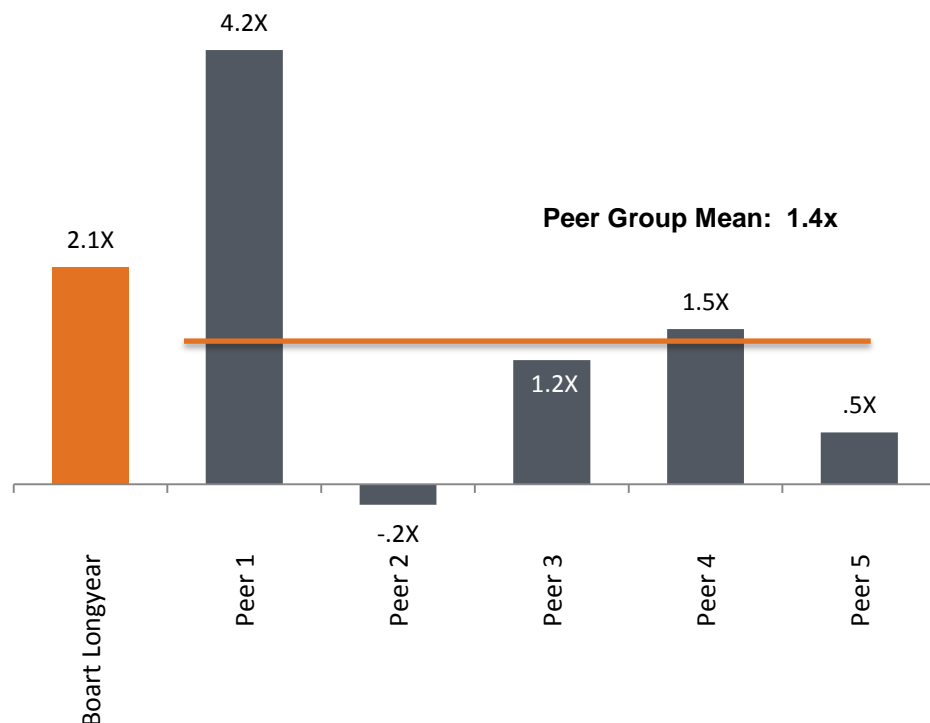
- **Conceptualized** by our Drilling Services crew working in Thailand
  - Recognized gap in market - Lower cost exploration multipurpose machine with increased safety and flexibility
- **Developed** by our rig engineering team in Germany & Poland
- **Manufactured** at our facility in Poland
- **Tested** for nine months by our Drilling Services teams
  - Europe: initial product validation testing
  - Africa and Asia: reliability and depth testing
  - Feedback: invaluable in developing final product specification
- **Began** project development February 2011
- **Introduced** final product to the market January 2013



# Reducing Debt Remains a Key Focus



## Net Debt/EBITDA



- ❑ BLY is covenant compliant
- ❑ Focus on balance sheet improvement is prudent in light of market conditions
  - No plans to tap equity markets
- ❑ Large investment in modern rig fleet made over last few years reduces future capital requirements
  - Now, focus on optimal level to maintain competitive advantage
- ❑ Holding to \$50M capex plan previously communicated
  - Will re-assess at mid-year
- ❑ Anticipating \$50-75M in working capital release, primarily inventory focus

# Improving Performance: Profitability & Cash Flow



Shareholder Value

- Underperformed expectations
- Initiated actions to remove \$70M of run rate cost

- New leadership
- Launched operational business review
- Reduced overhead & infrastructure
- Consolidated manufacturing & maintenance
- Reduced capex

- Position business to perform better “Through-the-Cycle”
- Improve cash flow and reduce debt levels
- Increase operational and functional efficiencies and reduce costs
- Greater focus on returns

Evaluate Strategic Options

Improve the Balance Sheet

FIX the Core – Improve Margins & Returns

2H12

1H13

2H13

2014+

# Even in a challenging market BLY adds compelling customer value...



## One Source

- Global Distribution
- Global Aftermarket & Fleet Services
- Comprehensive Drilling Solutions
- Innovative Products

## Quality

- Globally consistent Drilling Services
- Products offering
- Customer service
- Top notch safety performance

**Global capabilities delivered locally**

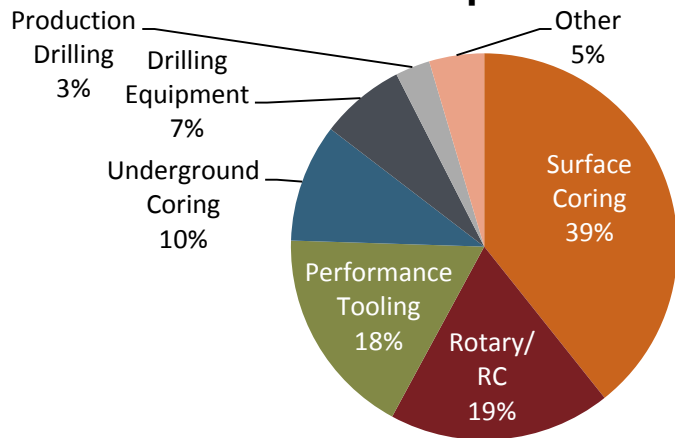




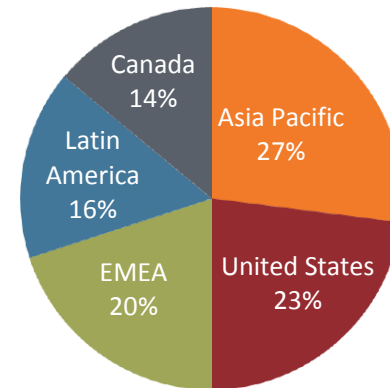
# ...and benefits from a diversified revenue stream through...



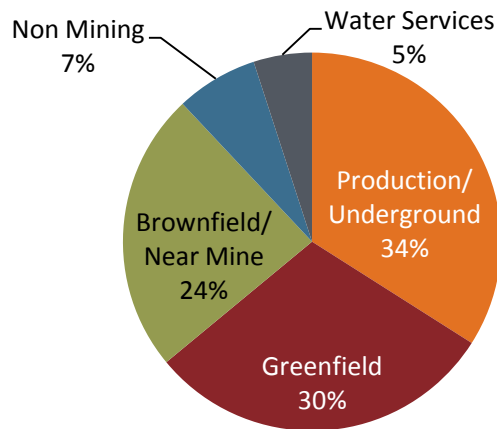
## ...breadth of product offering



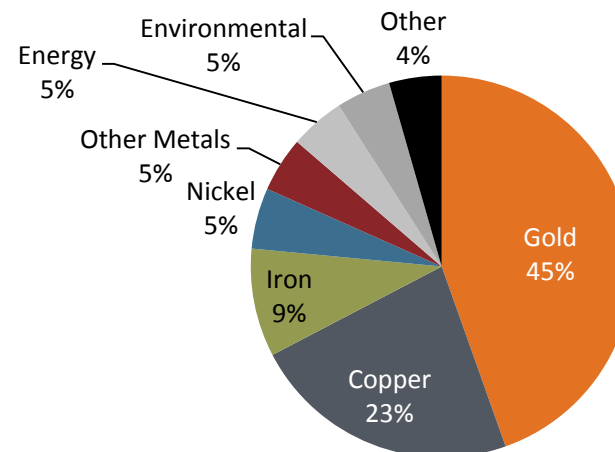
## ...a global footprint



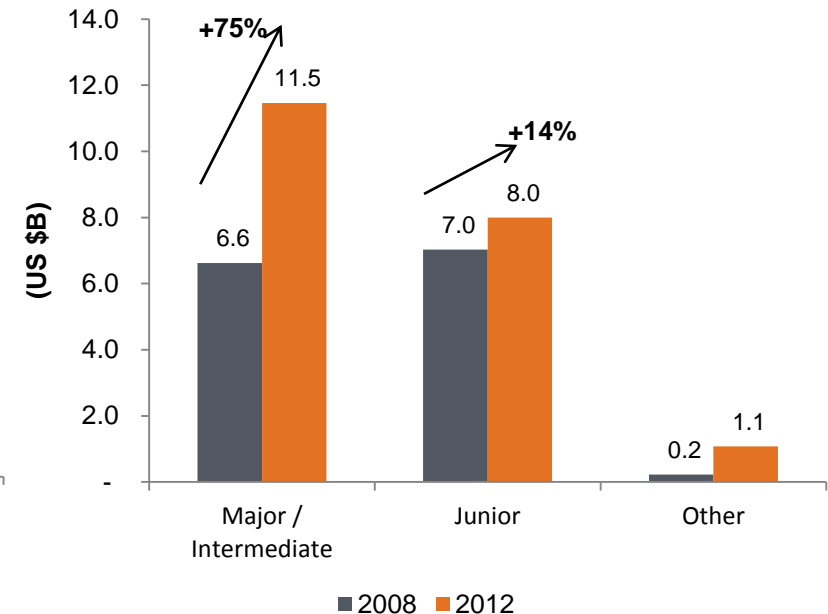
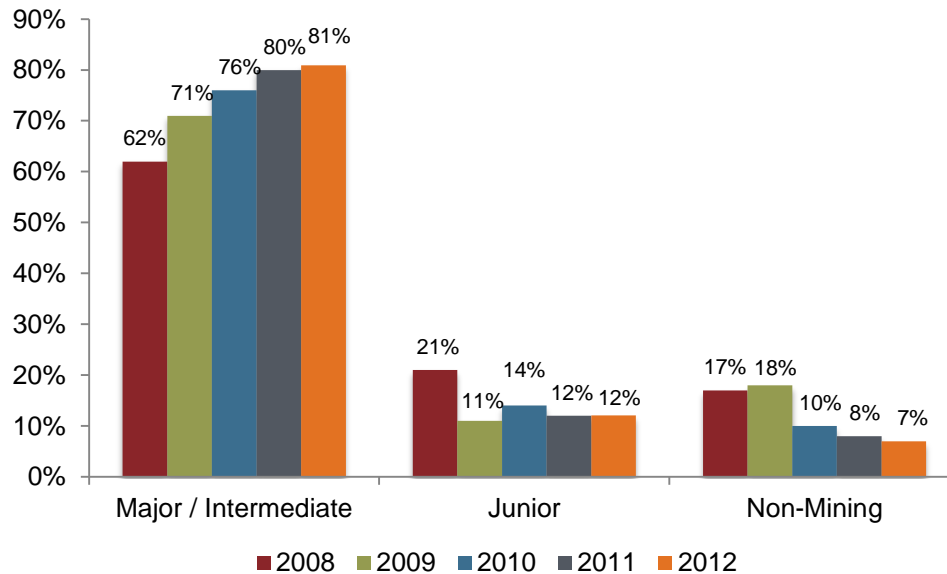
## ...service offerings at all mine stages



## ...exposure to key commodities



# ...and a stable customer base.



\* Source: SNL Metals Economics Group – Nova Scotia, Canada

Continue to focus on Majors  
(Key Accounts)



Majors account for increasing % of  
SNL Metals Economics Group  
(nonferrous) exploration spend

# Our actions will move BLY from “The World’s Largest Provider” to the “World’s Most Valued Provider”



## Drilling Services

## Drilling Equipment & Performance Tooling

Surface Coring  
Water Services  
Sonic  
Reverse Circulation  
Grade Control  
Environmental  
Underground Coring  
Production Drilling



Drilling Equipment  
Rock Drills  
Diamond Bits  
Drill Rods  
Wireline Tooling  
Production Tooling  
Aftermarket Services

**From Discovery to Production**