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23 October 2014

Boart Longyear Enters into a Recapitalisation Transaction with Centerbridge Partners, Successfully Completing Strategic Review

Boart Longyear Limited (**ASX: BLY**) (**Boart Longyear** or the **Company**), the world's leading supplier of drilling services, drilling equipment and performance tooling for mining and drilling companies, announces that it has entered into binding agreements with certain entities affiliated with Centerbridge Partners, L.P. (**Centerbridge**) in relation to a comprehensive recapitalisation transaction (**Recapitalisation**). The Recapitalisation provides the Company with a strategic partner committed to creating value for all shareholders and completes the strategic review process initiated by the Company in February 2014, which considered an extensive assessment of potential options to maximise shareholder value and provide the Company with a more sustainable capital structure.

Transaction Highlights

Comprehensive recapitalisation provides a more sustainable capital structure

- The Recapitalisation is expected to stabilise the Company's capital structure
- New US$120 million "covenant-lite" term loan, which will accrete interest, has replaced cash-pay, covenant-laden bank debt, decreasing risk of a potential default
- Up to US$105 million "covenant-lite" term loan, which will accrete interest, will be available to fund a Senior Secured Notes tender offer, providing incremental liquidity
- US$119 to US$127 million committed equity injection, including a US$76 to US$84 million fully underwritten renounceable Rights Offer in which shareholders can participate

Secures additional liquidity to weather the current cycle

- Will increase total liquidity to approximately US$240 million, with net debt reduced by approximately US$120 million (before transaction costs)
- Better positions the Company to sustain operations until the market recovers

Preserves shareholder upside and provides opportunity to invest alongside Centerbridge

- Represents the Company's best available option to maximise shareholder value over time
- Provides existing shareholders with the opportunity to participate in the future of the Company through their existing holding or further invest alongside Centerbridge under the Rights Offer

Independent Directors unanimously recommend approving the transaction

- The Independent Directors unanimously recommend that shareholders vote in favour of the resolutions required to give effect to the remaining Recapitalisation transactions, in the absence of a superior proposal and subject to the Independent Expert, KPMG, concluding that the Recapitalisation is reasonable to shareholders not associated with Centerbridge

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Richard O'Brien, President and Chief Executive Officer of Boart Longyear, commented, "Since late February, we have worked closely with our advisors, including Goldman Sachs and the Board's independent advisor at Greenhill, to develop implementable recapitalisation options. After discussions with many well-recognised and capable investors about numerous recapitalisation and restructuring options, we are delighted to announce this agreement with Centerbridge.

"The Recapitalisation is an important step forward for Boart Longyear and its shareholders. We are preserving our existing shareholders' opportunity to participate in the future prospects of the Company and the improving future margin potential to be realised when our markets do improve and we reap the benefit of the significant cost and efficiency actions the Company has taken over the past 18 months. Additionally, we anticipate the Recapitalisation will provide the Company with significant liquidity to better weather the challenges of the current depressed markets for our drilling services and products and the financial strength to allow more time for those markets to recover. The financial flexibility and resources provided by the Recapitalization will allow us to further build on our existing strengths in customer service and tactical investments in incremental, customer-focused product development.

"In summary, we believe this transaction with Centerbridge, an experienced investment firm and the Company's largest shareholder, will ensure that the Boart Longyear franchise, which will have been operating 125 years next year, remains fundamentally strong and valuable."

Jonathan Lewinsohn, a Senior Managing Director of Centerbridge, added, "We are excited to partner with Richard, his management team and our fellow shareholders to provide a comprehensive capital solution for Boart Longyear. We believe this transaction will provide a solid base for the Company to work towards its goal of sustaining profitability through the mineral exploration cycle."

Completion of the strategic review
In February 2014, Boart Longyear announced a comprehensive strategic review, reflecting management's and the Board's belief that the Company required enhanced financial flexibility to withstand difficult operating conditions until the drilling market recovers, the timing of which remains uncertain. The strategic review has explored an extensive range of potential recapitalisation and restructuring options, including a potential sale of all or parts of the Company, raising new debt or equity capital and debt-to-equity conversions, among others. The Company believes that the announced Recapitalisation is the best available course of action for Boart Longyear because it creates a more sustainable capital structure, provides substantial liquidity to the Company and allows for participation by existing shareholders.

The Recapitalisation involves the following elements:

Concurrently launched and/or completed today
- Initial Equity Placement of US$5.6 million to Centerbridge
- US$120 million Tranche A funded term loan
- Tender offer of up to US$105 million for Senior Secured Notes
- Up to US$105 million Tranche B term loan (subject to outcome of above tender offer)

Subject to shareholder approval
- Conditional premium of US$0.6 million on Initial Equity Placement
- Follow-On Conditional Equity Placement of US$21 million to Centerbridge
- Renounceable Rights Offer of US$76 to US$84 million fully underwritten by Centerbridge
- Equitisation of US$16 million of Senior Unsecured Notes currently held by Centerbridge
- Share Buy-Back of up to US$20 million

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The Recapitalisation includes the following benefits to the Company and its shareholders:

- **Offers existing shareholders several ways to participate**: Shareholders have flexibility to participate in the Recapitalisation by retaining their existing investment and/or investing alongside Centerbridge through the US$76 to US$84 million Rights Offer. All shareholders will have the opportunity to benefit from Boart Longyear's future prospects, with shareholders not associated with Centerbridge owning up to approximately 58% of the Company's ordinary shares if the remaining Recapitalisation transactions are approved (assuming 100% exercise of rights by non-Centerbridge shareholders and excluding the Share Buy-Back). Alternatively, shareholders may choose to exit their investment in the Company via an equal access off-market Share Buy-Back of up to US$20 million in which case the holdings of non-Centerbridge holders would decrease.

- **Improves the Company's debt structure, flexibility and maturity profile**: A New Term Loan (Tranche A), maturing in 2020, replaced the Company's former revolving credit facility, which matured in 2016. Tranche B of the New Term Loan will be used to fund a Senior Secured Notes tender offer of up to US$105 million. Except for the tender offer, the terms of the Company's Senior Secured and Senior Unsecured Notes will remain unchanged.

- **Removes risk of financial maintenance covenant default**: The maintenance covenant-free New Term Loan (Tranche A) has replaced the former revolving credit facility, which had been subject to several recent covenant amendments, eliminating the risk of default on the revolver maintenance covenants and the potential for cross-defaults under the 7% and 10% senior notes. Management believes that the Recapitalisation will likely remove the current uncertainty disclosures in the Company's financial statements.

- **Reduces net debt and overall leverage**: Net financial debt will be reduced by approximately US$120 million, before transaction costs, through a committed equity injection of US$119 to US$127 million.

- **Substantially improves liquidity**: Total liquidity will increase to approximately US$240 million before transaction costs, and the Company's future liquidity profile will benefit from annual cash interest being reduced by up to US$13 million per year.

- **Brings a capital partner committed to creating value for all shareholders**: Centerbridge, a leading global private equity firm, is contributing significant capital to the transaction and is providing on-going operational resources and expertise for the benefit of all the Company's shareholders. The Recapitalisation reflects a partnership between the Company and Centerbridge and is not a change of control transaction.

Recapitalisation Overview

The Recapitalisation will be implemented in accordance with the Implementation Agreement that the Company and Centerbridge have executed today. The anticipated key Recapitalisation dates are set out in Appendix A, and the key terms of the Debt Refinancing and the Equity Raisings are set out below and in Appendix B. Additionally, the material terms of the Implementation Agreement, including certain exclusivity and break-fee arrangements typical for a transaction of this nature, are set out in Appendix C.

Debt Refinancing

The Recapitalisation provides up to US$225 million of "covenant-lite" new term loans that will accrete interest. Structured as Tranche A and Tranche B loans, the new loans will have an interest rate of 12% per annum, which would be reduced to 11% per annum if the Company's trailing 12 month adjusted EBITDA is greater than US$200 million.

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- **Tranche A (Completed):** The draw-down of the US$120 million Tranche A term loan has refinanced the Company's former credit facility and eliminates the burden of the facility's financial maintenance covenants.
  - Matures in October 2020 and is non-callable for 4 years
  - Secured by a first lien on working capital assets and a second lien on other assets
  - May be replaced dollar-for-dollar up to US$50 million, with no penalties, by a new asset backed loan (**ABL**) for each dollar that Tranche B is drawn above US$55 million

- **Senior Secured Notes Tender Offer (Concurrently Launched)**: A tender offer of up to US$105 million will be launched in the US market on Wednesday, October 22, 2014, New York time. The size of the tender offer is subject to a pro-rata reduction if the tender offer is oversubscribed. Under the terms of the tender:
  - Holders of Senior Secured Notes who tender their Notes prior to 5:00 p.m., New York City time, on November 4, 2014 (Early Tender Time) will receive US$1,080.00 per US$1,000.00 in principal amount of the Senior Secured Notes validly tendered and accepted
  - Holders of Senior Secured Notes who tender after the Early Tender Time but prior to 11:59 p.m. New York City time, on November 19, 2014 (Expiration Date) will receive US$1,050.00 per US$1,000.00 in principal amount of the Senior Secured Notes validly tendered and accepted

- **Tranche B (Pending Tender):** The Tranche B facility will provide up to US$105 million to fund the tender offer for Senior Secured Notes and will be funded in the amount such notes are repurchased. The substitution of Tranche B debt for Senior Secured Notes on a dollar-for-dollar basis is debt neutral.
  - Matures in October 2018 (coincidental with the existing Senior Secured Notes) and is non-callable for the life of the loan
  - Terms and conditions, except maturity, ability to call and collateral, are largely consistent with those of Tranche A
  - Security will rank pari passu with existing Senior Secured Notes

The New Term Loans provide immediate incremental liquidity, which potentially would have been unavailable to the Company under the former bank credit facility due to expected covenant limitations and default concerns. Both tranches will also enhance liquidity on an ongoing basis as up to US$13 million of cash interest will be deferred and accreted each year until maturity of the loans.

Equity Raisings

Boart Longyear expects to raise between US$119 million and US$127 million in new equity through a series of equity transactions priced relative the US Dollar equivalent of the 30-day volume weighted average price of ordinary shares in the Company at the closing of the market on 17 October 2014 of US$0.1350 per share (**VWAP Price**). Ordinary shares will be offered for issue pursuant to the Rights Offer at the Australian Dollar equivalent of the VWAP Price based on the prevailing Australian Dollar to US Dollar exchange rate on the business day prior to the launch of the Rights Offer (**Australian Dollar Rights Price**). The equity injection from the Recapitalisation will be received as a result of several transactions as follows:

- **Initial Equity Placement (Completed):** Effective today, the Company has completed a US$5.6 million placement to Centerbridge at the VWAP Price. A further 10% premium (or equal to US$0.6 million) will be paid to the Company if shareholders approve the remaining Recapitalisation transactions. As a result of today's Initial Equity Placement, Centerbridge's ownership has increased from 12.7% to 19.9%.

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- **Follow-On Conditional Placement (Conditional on shareholder approval)**: A further US$21 million conditional placement to Centerbridge will occur in late-December at a price of US$0.1554 to US$0.1557, representing a premium to the VWAP Price of approximately 15%. Centerbridge's ownership will increase from 19.9% to approximately 37.0% as a result of the Follow-On Conditional Placement.

- **Renounceable Rights Offer (Conditional on shareholder approval)**: A US$76 to US$84 million renounceable rights offer will be made available to all shareholders at the Australian Dollar Rights Price. Shareholders, including Centerbridge, will be entitled to subscribe for 0.88 to 0.98 new shares for each existing share owned at the record date (which will be a date following the Follow-On Conditional Placement). The rights will be tradable on the Australian Securities Exchange and any unsubscribed rights will be taken up by Centerbridge under the Underwriting Agreement.

  Note, the range in the price of the Follow-On Conditional Placement and the size of the Rights Offer is to account for the unknown take up of the tender for the Senior Secured Notes. In the event no Senior Secured Notes are tendered, the price of the Follow-On Conditional Placement and the size of the Rights Offer will be at the bottom end of the proposed range (i.e. US$0.1554 and US$76 million respectively). As the take up of the tender increases, the price of the Follow-On Conditional Placement will increase up to a maximum of US$0.1557 and the size of the Rights Offer will increase up to a maximum of US$84 million, in the event that the full US$105 million of Senior Secured Notes are tendered.

- **Unsecured Notes Equitisation (Conditional on shareholder approval)**: Centerbridge will exchange its current US$16 million holding of the Company's Senior Unsecured Notes for US$16 million of equity at an approximate 15% premium to the VWAP Price. Upon completion of the Follow-On Conditional Placement, Rights Offer and Unsecured Note Equitisation, Centerbridge's minimum ownership will be 41.6%, assuming 100% take up of rights under the Rights Offer and excluding the Share Buy-Back. In the event that there is 0% take up of the Rights Offer by non-Centerbridge shareholders, Centerbridge will have a 49.9% voting interest and a US$67 to US$76 million interest in Preference Shares (explained below).

- **Share Buy-Back (Conditional on shareholder approval)**: Concurrent with the Rights Offer, the Company will offer an equal access off-market buy-back of its ordinary shares priced at the Australian Dollar equivalent of the VWAP Price on the business day prior to the launch of the buy back. The Share Buy Back will be capped at the Australian dollar equivalent of US$20 million (calculated on the business day prior to the launch of the buy back). The Share Buy-Back, which is subject to reduction in certain circumstances and will be scaled back if the number of acceptances under the buy-back were to result in Centerbridge beneficially owning more than 49.9% of the voting power of the Company's voting stock, is intended to be a liquidity option for shareholders who do not wish to retain some or all of their shares in the Company. The Company notes that the Share Buy-Back may occur at a different price than the then-prevailing market price for shares. Centerbridge will provide the Company with cash for each share bought back and, in exchange, will be issued one new share or one new convertible preference share.

- **Preference Shares (Conditional on shareholder approval)**: To the extent that Centerbridge's ownership were to exceed 49.9% of the voting power of the Company's voting stock as a result of its acquisition of shares under the Recapitalisation transactions (including the Share Buy-Back), Centerbridge will receive in lieu of any ordinary shares it would have otherwise received, non-voting preference shares that are convertible into ordinary shares at the ratio of one-to-one (subject to customary adjustments). Centerbridge may not convert the preference shares to the extent the conversion would result in Centerbridge beneficially acquiring in excess of 49.9% of the voting power of the Company's voting stock

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The Follow-On Conditional Placement, Rights Offer, Unsecured Notes Equitisation and Share Buy-Back are subject to shareholder approval at an Extraordinary General Meeting of shareholders (**EGM**) that is expected to take place in mid-December of this year. ***A notice of meeting, which will contain an explanatory memorandum and Independent Expert Report, will be sent to shareholders in due course. Shareholders are strongly encouraged to read these documents carefully. They contain important information about the Recapitalisation and the resolutions required to give effect to the conditional Recapitalisation transactions***.

New Partnership and Governance Framework

To adequately reflect Centerbridge's significant investment in the Company and prominent position in its capital structure, the Board of Directors has appointed Jonathan Lewinsohn, Senior Managing Director of Centerbridge, as a director. With Mr. Lewinsohn's appointment, the Board expands to ten directors. Following shareholder approval of the conditional transactions and completion of the Recapitalisation, Centerbridge also will have the contractual right to nominate additional directors to the Board proportionate to its ownership of the Company's ordinary shares but this contractual appointment right may not equal or exceed half the Board. Centerbridge also will have the right to nominate candidates to be Chair of the Board subject to the approval of a majority directors. Additionally, following the Recapitalisation and subject to shareholder approval, Centerbridge will be granted certain limited negative control rights preventing the Company from undertaking certain actions without Centerbridge's approval. A summary of the negative control rights is set out in Appendix C.

Barbara Jeremiah, Boart Longyear's Chair, commented, "The Company is pleased to announce the appointment of Jonathan Lewinsohn as Centerbridge's initial representative to the Board."

Recommendation of the Independent Directors

The Independent Directors have determined the Recapitalisation to be in the best interests of the Company, its shareholders and all stakeholders. Subject to no superior proposal emerging and the Independent Expert concluding that the Recapitalisation is reasonable to shareholders not associated with Centerbridge, the Independent Directors unanimously recommend that shareholders vote in favour of the resolutions required to give effect to the remaining Recapitalisation transactions.

In arriving at its decision to pursue the Recapitalisation, the Independent Directors considered, among other factors, that:

- The Independent Directors believe the Recapitalisation is the best available option to maximise long term shareholder value;
- The status quo likely is not sustainable and the Company requires financial flexibility to withstand current and expected future operating conditions, including the uncertain timing for recovery of the Company's core markets;
- A comprehensive strategic review was undertaken to evaluate and consider all options available to the Company;
- Other available options considered by the Company either do not provide a comprehensive solution or leave existing shareholders with significantly less upside and participation going forward; and
- The Recapitalisation will likely stabilise the Company's capital structure and provide improved financial flexibility.

Next steps for shareholders

Shareholders are not required to take any action at the present time. A shareholder meeting is expected to be convened in late-December to consider the resolutions required to give effect to the remaining Recapitalisation transactions.

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Shareholders are strongly encouraged to review the Notice of Meeting and Explanatory Statement and the Independent Expert's Report once those documents have been despatched by the Company. The Independent Directors encourage shareholders to attend the meeting or vote via the proxy form that will be included in the Notice of Meeting.

If the resolutions required to give effect to the remaining Recapitalisation transactions are approved at the EGM, the Rights Offer and Share Buy-Back will launch in late-December. Relevant documents containing more details on the Rights Offer and Share Buy-Back will be sent to shareholders after the EGM.

Disclaimer

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of the information.

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to, or for the account or benefit of, any “U.S. person” (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”)) (“U.S. Person”). Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons unless the securities have been registered under the U.S. Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration. The securities to be offered and sold in the Rights Offer have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons unless the securities are registered under the U.S. Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration.

This announcement includes forward-looking statements within the meaning of securities laws. Forward-looking statements can generally be identified by the use of words such as ‘project’, ‘foresee’, ‘plan’, ‘expect’, ‘aim’, ‘intend’, ‘anticipate’, ‘believe’, ‘estimate’, ‘may’, ‘should’, ‘will’ or similar expressions. Any forward-looking statements involve known and unknown risks and uncertainties, many of which are outside the control of the Company and its representatives. Forward-looking statements may also be based on estimates and assumptions with respect to future business decisions, which are subject to change. Any statements, assumptions, opinions or conclusions as to future matters may prove to be incorrect, and actual results, performance or achievement may vary materially from any projections and forward-looking statements.

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About Centerbridge
Centerbridge Partners, L.P. is a private equity firm with offices in New York and London and has approximately $20 billion in capital under management as of October 2014. The firm focuses on private equity and credit investments. The firm is dedicated to partnering with world-class management teams across targeted industry sectors to help companies achieve their operating and financial objectives.

About Boart Longyear
Approaching its 125th year anniversary in 2015, Boart Longyear is the world's leading provider of drilling services, drilling equipment, and performance tooling for mining and drilling companies globally. It also has a substantial presence in aftermarket parts and service, energy, mine de-watering, oil sands exploration, and production drilling.

The Global Drilling Services division operates in over 40 countries for a diverse mining customer base spanning a wide range of commodities, including copper, gold, nickel, zinc, uranium, and other metals and minerals. The Global Products division designs, manufactures and sells drilling equipment, performance tooling, and aftermarket parts and services to customers in over 100 countries.

Boart Longyear is headquartered in Salt Lake City, Utah, USA, and listed on the Australian Securities Exchange in Sydney, Australia. More information about Boart Longyear can be found at www.boartlongyear.com.

To get Boart Longyear news direct, visit http://www.boartlongyear.com/rssfeed.

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Appendix A: Anticipated Key Recapitalisation Transaction Dates

Date	Event
23 October 2014	Announcement of the Recapitalisation
23 October 2014 (New York City: 22 October 2014)	Initial Unconditional Placement to Centerbridge and funding of New Term Loan (Tranche A)
23 October 2014 (New York City: 22 October 2014)	Launch tender offer for Senior Secured Notes
Mid-November 2014	Close tender offer for Senior Secured Notes (and fund New Term Loan (Tranche B) as necessary)
Late-December 2014	Shareholder meeting, Launch Rights Offer and Share Buy-Back
Mid to late January 2015	Close of Rights Offer and Share Buy-Back

The above timetables are only indicative. Unless otherwise noted, references to dates are references to dates in Sydney, Australia. Boart Longyear reserves the right to amend any or all of these events, dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Boart Longyear reserves the right to extend the closing dates for the offers, to accept late application either generally or in particular cases or to withdraw the offers without prior notice. The commencement of quotation of the new shares is subject to confirmation from ASX.

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Appendix B: Key Terms of Financing Facilities

New Term Loans (all numbers are in US$ unless otherwise stated)

Commitment size	■ Up to US$225m — Tranche A: US$120 million — Tranche B: up to US$105 million (depending on the amount of the existing Senior Secured Notes tendered in the tender offer)
Applicable interest rate	■ 12.0% p.a. accretion rate, stepping down to 11.0% for calculation periods where LTM EBITDA is greater than US$200 million
Maturity date	■ Tranche A: 6 years after closing date (October 2020) ■ Tranche B: 1 October 2018
Callability	■ Tranche A: non-callable for 4 years ■ Tranche B: non-callable for life
Change of control	■ 101 change of control put
Make whole payments	■ Typical US high yield make whole applies generally for early voluntary repayment of the loan ■ The make whole will not apply in certain limited circumstances involving specified terminations of the Implementation Agreement, including as a result of Centerbridge's breach and certain specified material and adverse changes to the business of the Company.
Collateral	■ Tranche A is secured by the Company's working capital assets, which were previously pledged to the Company's former bank credit facility ■ Tranche B is secured pari passu with the Company's existing Senior Secured Notes ■ Tranche A ranks pari passu up to the US$420m secured debt limit in the notes indentures, after which the accreted interest would be unsecured and rank pari passu with the existing Senior Unsecured Notes ■ Accreted interest is guaranteed by an unrestricted subsidiary funded with assets not to exceed US$44 million

Initial Equity Placement

Issue size	■ Unconditional placement to Centerbridge of US$5.6 million, increasing Centerbridge's ownership to 19.9%
Issue price	■ US$0.1350/share plus a US$0.0135/share per share premium payable on settlement of the Follow-On Conditional Placement
Shares issued	■ 41,325,378 shares

Follow-On Conditional Placement

Issue size	■ Conditional placement to Centerbridge of US$21 million at a share price of US$0.1554 to US$0.1557 (representing an approximate 15% premium to the VWAP Price) ■ Centerbridge ownership will rise from 19.9% to 37.0% as a result of the Follow-On Conditional Placement
Issue price	■ US$0.1554 to US$0.1557/share
Shares to be issued	■ 134,854,299 to 135,001,936 shares

Rights Offer

Terms	■ Fully underwritten, US$76 to US$84 million pro-rata traditional renounceable rights offer open to all ordinary shareholders at the record date ■ Centerbridge will be entitled to participate in the Rights Offer pro rata based on its holding in the Company at the record date, which will be set following the Follow-On Conditional Placement (37.0%) ■ Rights tradable on ASX

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	■ Any unsubscribed rights will be taken up by Centerbridge under the Underwriting Agreement
Issue price	■ The Australian dollar equivalent of US$0.1350/share calculated on the business day prior to the launch of the Rights Offer
Shares issued to be issued	■ 0.88 to 0.98 new shares for each existing share ■ 562,365,868 to 624,619,101 shares

Unsecured Note Equitisation

Issue size	■ Exchange of US$16 million of the Company's Senior Unsecured Notes held by Centerbridge for US$16 million of equity priced at a 15% premium to the VWAP Price
Issue price	■ US$0.1554 to US$0.1557/share
Shares to be issued	■ 102,757,289 to 102,935,936 shares

Convertible Preference Shares

Terms	■ Convertible Preference Share convertible into ordinary shares at any time by the holder, subject to conversion restrictions noted below
Issue size	■ Number issued will depend on the extent to which implementation of the Recapitalisation transactions would result in Centerbridge becoming the beneficial owner, directly or indirectly, of in excess of 49.9% of the voting power in the Company's voting stock
Distributions	■ Entitled to a non-cumulative preferential dividend of 5.0% of the issue price payable semi-annually, subject to determination by the Board
Conversion Price	■ Convertible into ordinary shares at a conversion ratio of one-to-one, subject to standard anti-dilution adjustments for reconstructions, consolidations and sub-divisions and similar events ■ Restriction on conversion to ordinary shares to the extent Centerbridge would become the beneficial owner, directly or indirectly, of in excess of 49.9% of the voting power of the Company's voting stock

Share Buy-Back

Terms	■ US$20 million equal access off-market buy-back, subject to shareholder approval at the EGM ■ The Share Buy-Back will be reduced by way of a pro-rata scale-back if it results in Centerbridge becoming the beneficial owner directly or indirectly of in excess of 49.9% of the voting power of the voting stock ■ The Share Buy-Back will be fully funded by Centerbridge
Issue price	■ The Australian dollar equivalent of US$0.1350/share calculated on the business day prior to the launch of the Share Buy Back

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Appendix C: Key Terms of Implementation Agreement

Term	Summary
Conditions precedent	Under the Implementation Agreement, the remaining Recapitalisation transactions are subject to certain conditions precedent, including shareholder approval of certain resolutions at the EGM and no event or change in circumstance which would have, or is reasonably expected to have, a material adverse effect on the Company, or would otherwise prevent or delay the implementation of the Recapitalisation. The Implementation Agreement may be terminated by either party if shareholder approval is not obtained by 28 January 2014 or the Recapitalisation transactions are not implemented by 30 April 2015.
Pre-completion conduct of business	The Implementation Agreement contains customary covenants aimed at preserving the value of the Company between the date of signing and completion of the Recapitalisation, including provisions to restrict the Company from taking certain actions outside the ordinary course of business or materially inconsistent with past practice.
Exclusivity	The Company is required to comply with certain exclusivity obligations under the Implementation Agreement, including: • No solicitation – The Company must not solicit, encourage, invite any Competing Proposal or initiate discussions with a third party with a view to obtaining any expression of interest, offer or proposal in relation to a competing proposal; • No talk, no due diligence – Subject to a fiduciary carve-out (summarised below), the Company must not participate in any discussions or negotiations in relation to a competing proposal or which may reasonably be expected to lead to a competing proposal, enter into any agreement to consummate a competing proposals or provide information to a third party to enable that party to make a competing proposal; • Notification – Subject to a fiduciary carve-out (summarised below), the Company must promptly notify Centerbridge if it receives a competing proposal or any written proposal or communication which may reasonably be expected to lead to a competing proposal (including providing material terms of the competing proposal). The fiduciary carve-outs allow the Board to consider certain competing proposals received after entering into the Implementation Agreement and before shareholders approve the remaining Recapitalisation transactions at the EGM, if: • the Board considers in good faith that the competing proposal is a superior proposal or would reasonably be expected to lead to a competing proposal that is a superior proposal; and • the Board has received specific written legal advice from the Company's external legal advisor that failing to take, or failing to omit to take, such action would reasonably be expected to constitute a breach of the directors' fiduciary or statutory duties. A competing proposal under the Implementation Agreement is defined as

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	any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement) (i) that would reasonably be likely to foreclose or materially impede the consummation of the Recapitalization transactions or (ii) under which, if ultimately completed substantially in accordance with its terms, a Person or two or more Persons who are Associates would directly or indirectly: • acquire a relevant interest in or become the holder of more than 10% of the shares or share equivalents of the Company or any of its subsidiaries or repay, repurchase, redeem, refinance, defease or cancel any material amount of Indebtedness of the Company or any of its subsidiaries; • acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 10% or more by value of the business or property of the Company or any of its subsidiaries; • acquire control of the Company, within the meaning of section 50AA of the Corporations Act; • otherwise acquire or merge with the Company or amalgamate with, or acquire a significant shareholding or economic interest in the Company or any of its subsidiaries or 10% or more by value of the total assets or business of Company or any of its subsidiaries, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for the Company or other synthetic merger or any other transaction or arrangement; or • cause the Company to cease to be admitted to the official list of ASX or the Shares to cease to be officially quoted on the market operated by ASX. A superior proposal under the Implementation Agreement means a bona fide written competing proposal (other than a competing proposal resulting from a breach of the Company's no-shop and no-talk obligations) which, after receiving advice from its financial advisor, the Board determines in good faith acting reasonably that: (i) such competing proposal is capable of being valued and consummated, taking into account all aspects of the competing proposal known to the Company at the time of the Board's determination (including its valuation, terms, conditionality, necessary consents and approvals, and likelihood of and time period for consummation) and the financial standing (and sources of, and certainty of, financing) of the party proposing the competing proposal and such competing proposal is reasonably likely to be consummated; and (ii) the competing proposal would reasonably be considered to be more favourable to the Company and the Boart Shareholders than the Recapitalization transactions (as adjusted by any Investor counterproposal made under its matching rights as described below).
Matching right	The Implementation Agreement requires the Company to give a "matching right" to Centerbridge such that, upon determining that a competing proposal from a third party is a superior proposal and that the Company

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	wishes to proceed with such superior proposal, the Company is required to give a written notice to Centerbridge (i) offering to provide, upon request, the identity of the party involved in the competing proposal and (ii) setting out the material terms of such proposal (see notification obligations summarised above). Within 4 Business Days of receiving the matching right notice, Centerbridge will be given the right (but not an obligation) to present one or more offers to the Board for its consideration (**"Investor Counterproposal"**). The Board is required to review the Investor Counterproposal in good faith. If the Board considers the Investor Counterproposal is on terms more favourable to the Company and the shareholders, then the Company must give effect to the Investor Counterproposal. The receipt of any further competing proposal will require a new notice to Centerbridge
Negative controls	The Company has agreed, following implementation of the Recapitalization Transactions and for so long as Centerbridge holds relevant interest in at least 20% of the Company's ordinary shares (including such shares they would hold if all Preference shares were converted), not to implement any "reserved matters" set out in the Implementation Agreement unless the matter is approved by Centerbridge in writing. The list of "reserved matters" includes: • disposal of any assets (other than in the ordinary course of business) or businesses having a value in an individual amount of more than US$5,000,000 or in aggregate of more than US$10,000,000 in any year; • acquisition of any assets (other than in the ordinary course of business) or businesses having a value in an individual amount of more than US$5,000,000 or in aggregate of more than US$10,000,000 in any year; • for so long as Centerbridge has a majority interest of the principal outstanding of the term loans outstanding under the New Term Loan Agreements, adopting or amending the annual operating plan; • issuing any shares or other equivalent securities, other than pursuant to employee incentive plans or on exercise of employee options; or • or any associate or affiliate of such shareholder adopting or varying any annual operating plan.
Break Fee	A break fee of US$6,000,000 is payable by the Company to Centerbridge if the Implementation Agreement is terminated for any of the following reasons: • the Board changes its recommendation to shareholders to vote in favour of the resolutions to effect the remaining Recapitalisation transactions (unless the Independent Expert concludes that the Recapitalisation is not fair and not reasonable), the Company breaches the exclusivity provisions, or the Company announces an

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	intention to do any of these things • prior to the Meeting, the Board authorises the Company to enter into a binding agreement to give effect to a superior proposal; or • on any breach by the Company which would give rise to a material adverse effect.
Reimbursement of advisory fees	The Company has reimbursed Centerbridge for certain advisory fees incurred by Centerbridge in connection with the Recapitalisation. The Company will, on completion of the Recapitalisation, further reimburse Centerbridge for all reasonable and documented fees, costs, expenses, disbursements and charges of Centerbridge and its affiliates paid or payable to third parties incurred in connection with, or relating to the diligence, negotiation, preparation or implementation of the Implementation Agreement or the Recapitalisation. The Company's reimbursement obligation is capped at US$11 million, although it may be required to reimburse Centerbridge for certain additional advisory fees incurred after the date of the Implementation Agreement. To the extent permitted by law or regulation, the amounts paid to Centerbridge as reimbursement of its advisory fees will be in addition to any break fee payable by the Company (see above). If shareholders do not approve the resolutions required to give effect to the remaining Recapitalisation transactions, the Company will be required to reimburse Centerbridge for up to US$5.5 million in fees (and no break fee is payable).
Termination	Centerbridge may terminate the Implementation Agreement if (amongst other reasons) the Independent Directors recommend a superior proposal, the Company is in material breach of its obligations under the Implementation Agreement or the Company or its subsidiaries enter bankruptcy or become insolvent. The Company may terminate the Implementation Agreement (amongst other reasons) if it has entered into a binding agreement to give effect to a superior proposal prior to shareholder approval at the EGM of the resolutions required to give effect to the remaining Recapitalisation transactions, , or if Centerbridge is in material breach of its obligations under the Implementation Agreement. Either party may terminate the Implementation Agreement (amongst other reasons) if the resolutions required to implement the remaining Recapitalisation transaction are not approved by the requisite majority of shareholders on or prior to 28 January 2014 or the remaining Recapitalisation transactions are not implemented in full by 30 April 2015.