BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2014

CONTENTS

Half-Year Financial Report
30 June 2014

Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2014**
Half year ended ('previous corresponding period'):	**30 June 2013**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2014 US$'000	2013 US$'000	$ change	% change
Revenue from ordinary activities	421,495	718,863	(297,368)	-41.4%
Net loss after tax attributable to members	(142,826)	(329,394)	186,568	56.6%
Adjusted net loss after tax attributable to members	(67,963)	(24,163)	(43,800)	-181.3%

Brief explanation of any figures reported above:

Refer to Directors' Report for explanations.

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

	30 June 2014	30 June 2013
Interim dividend	0 cents	0 cents
Franked amount	N/A	N/A

No interim dividend was determined for the half-year period ended 30 June 2014.

Net Tangible Assets per share:

Current period:	$0.20
Previous corresponding period:	$1.10

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 2014.

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 until the date of this report are:

Bruce Brook
Roger Brown
Peter Day (appointed effective 25 February 2014)
Roy Franklin
Tanya Fratto
Barbara Jeremiah
David McLemore
Rex McLennan
Richard O'Brien

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 provides drilling services, drilling equipment and performance tooling, offering 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 120 years of drilling expertise, the Company believes its insignia and brand represent the gold standard in the global mineral drilling industry.

Significant Changes in the State of Affairs

The Company has implemented a series of ongoing restructuring actions and cost reductions beginning in the second-half of 2012, and continuing throughout 2013 and the first-half of 2014 to address declining revenues in many of its core markets. The restructuring charges and related impairments associated with those actions totaled approximately $461.2 million during the 2013 financial year. The most significant portion of these restructuring charges were associated with impairments to goodwill, equipment and inventory. In addition, there were costs associated with the reduction of approximately 3,300 overhead and direct positions and the closure of several facilities. For the half-year period ended 30 June 2014 an additional charge of $51.7 million was incurred (2013: $315.5 million for the comparable period ended 30 June). The most significant portion of these charges were associated with impairments of equipment.

As a result of these restructuring actions, cost of goods sold, overhead and capital-costs were significantly lower in 2013 compared to 2012 and will be even lower in 2014. Nearly $190 million in overhead related cost savings, in aggregate, will be achieved through three cost reduction programmes initiated in December 2012, August 2013 and January 2014. The January 2014 cost reductions relate to wage freezes implemented in all jurisdictions (except those where local laws prohibit wage freezes or those where local inflation required the company to increase wages to remain competitive), modification to corporate and certain other bonus programs that reduce or eliminate bonuses unless certain cash flow metrics are met and ongoing consolidation of corporate and regional functions and facilities. In addition, for the full year 2013, the combined total of cost of goods sold and capital expenditures was in excess of $700 million lower than the $1,778.0 million of combined cost of goods sold and capex spending for 2012. Further reductions in cost of goods sold and captital expenditures will be realised during the 2014 fiscal year.

Events Subsequent to Reporting Date

On 21 July 2014, the Company's debt ratings were downgraded by Standard and Poor's Rating Services. The Company's Corporate Credit Rating was lowered to CCC and the rating for its senior secured notes and senior unsecured notes was revised to B- and CCC, respectively.

Effective 16 August 2014, the Company amended the terms of its revolving bank credit facility to provide additional flexibility around the facility's financial covenants. The primary changes to the terms of the credit agreement, as a result of the amendment, are the reduction of the minimum last-twelve-months EBITDA covenant to US$35.0 million through the March 2015 covenant compliance testing date and the increase in maximum permitted gross debt covenant to US$715.0 million at the 30 September 2014 testing date. The credit agreement's financial covenants otherwise remain as reported in the Company's annual report dated 24 February 2014 concerning the prior amendment to the credit agreement.

REVIEW OF OPERATIONS[1]

1. Overview of Half-Year 2014 Operations, Safety Performance and Financial Results

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 operating divisions, Global Drilling Services and Global Products.

Our strategy is to be the "One Source" of drilling solutions in our core markets by creating value for our customers by delivering 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, reliability and high safety standards of Global Drilling Services, the technological innovation, engineering excellence and global manufacturing capabilities of Global Products and our Company's vertically integrated business model.

We remain focused on our customer base with detailed marketing and investment plans to identify and secure additional customer opportunities at lower-cost mines. Further, while maintaining a disciplined approach to capital expenditures, we will continue to invest in safety improvements and productivity enhancements in our Global Drilling Services division that should contribute to project margins. New product development efforts in our Global Products division will remain focused, for the time being, on incremental product improvements that customers will need at any point in the mining cycle. Several new product launches occurred in the first-half of 2014 and will continue over the short and long term.

Central to our strategy is a clear focus on continuing to drive safety improvements, increase efficiencies and reduce debt. We regard safety as fundamental to our relationships with, and commitments to, our employees and customers. In addition, we consider our safety performance both to be one of our most significant opportunities as well as a major operational risk in 2014, as our current and targeted customers increasingly look to safety as a basis to differentiate their suppliers.

During the half-year period ended 30 June 2014 the Company reported significantly improved safety performance, with a Total Case Incident Rate (TCIR) of 1.10 and Lost-Time Injury Rate (LTIR) of 0.06 compared to corresponding rates of 1.75 and 0.24 for the comparable period of 2013. We are committed to providing our employees and customers with an injury-free workplace and industry-leading safety performance. Steps we have taken over the past year to employ more forward-looking safety metrics and more on-the-ground interactions between our experienced supervisors and our safety-conscious employees on our rigs around the world are contributing to this improved performance.

We also continue to prioritise debt reduction and cash generation to deleverage the business over time and position it with a more efficient operating platform in all phases of the mining industry's cycles. Key elements of this strategy include achieving and maintaining industry-leading EBITDA-to-revenue margins over time and improving returns on capital through disciplined variable and fixed cost management and capital spending programmes.

The first-half of 2014 continued to be a difficult period for the industry and the Company, as declining or stagnant prices for metals and mined commodities together with political and economic risks related to the development of new mines and a continued focus on maximising near term cash flows have driven most of the world's mining companies to significantly reduce their exploration, development and capital expenditures from 2011 and 2012 levels. Mining industry observers SNL Metals Economics Group (SNL MEG) estimate that overall global exploration spending in 2013 decreased by 30-35% from the $21.5 billion spent in 2012. As the mining industry reduced exploration spending and capital investments, drill rig utilisation rates declined significantly during 2013 for both our Global Drilling Services business and our Global Products customers. During the half-year ended 30 June 2014, drill rig utilisation continued to decline relative to 2012 and 2013, but at a much reduced rate compared to the first-half 2013 declines.

After experiencing significant declines in drilling rig utilisation rates and related price reductions beginning in the second half of 2012 and continuing throughout 2013, we are now expecting fairly flat utilisation rates and continued pricing headwinds for the Company's services for the remainder of 2014. We remain focused on identifying significant cost reduction opportunities and increases in efficiency across the Company. We have taken steps in 2014 to reduce operating costs as well as sales, general and administrative (SG&A) costs. In addition, we remain focused on generating cash through reducing inventory and controlling capital costs.

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

While the Company forecasts continued compliance with existing covenants, a new amendment was negotiated with the bank syndicate to provide prudent headroom in the event of further deterioration in market conditions. The continued deterioration in revenues and profitability during the half-year ended 30 June 2014, combined with forecasts of further industry reductions in demand and the compression of valuations in the drilling services sector, resulted in an impairment of the carrying value of some of our assets and charges associated with business restructuring. Primarily as a result of the impairment, a detrimental tax rate and ongoing overhead and finance costs, the Company has reported a loss for the half-year period ended 30 June 2014 of $142.8 million, which is an improvement of $186.6 million from the same period of the prior year (2013: $329.4 million loss for the comparable period). Adjusted operating loss after tax for the half-year period ended 30 June 2014 (adding back the significant items) was $68.0 million, compared to adjusted operating loss after tax for the same period of 2013 of $24.2 million, an increase in loss of $43.8 million, reflecting much lower average drill rig utilisation and demand for our services and products and lower pricing in Drilling Services in 2014. See reconciliation in Section 7 'Non-IFRS Financial Information'.

Revenue for the half-year period ended 30 June 2014 of $421.5 million was $297.4 million, or 41.4%, lower than revenue in the same period in 2013 (2013: $718.9 million for the comparable period). Global Drilling Services' average operating utilisation rates (defined as a rig that has generated revenue through normal operations during the course of a week divided by the total rig count) for the first-half of 2014 was 36% (2013: 41% for the comparable period). Global Products' sales of drilling equipment for the first-half of 2014 totalled $21.0 million (2013: $41.3 million for the comparable period) and sales of performance tooling fell to $92.2 million for the same period in 2014 (2013: $139.9 million for the comparable period).

Total cost of goods sold (COGS) for the half-year ended 30 June 2014 was $365.6 million (first-half 2013: $584.5 million). COGS as a percentage of revenue increased due to the combined impact of the timing lag between declining revenues and the Company's ability to realise cost reductions and fixed costs that cannot be decreased commensurately with revenue losses. In addition, results continue to be adversely impacted by fixed manufacturing costs not covered through revenues in the Global Products business, and depreciation and amortisation costs – which are generally expensed over depreciable lives and are not tied to utilisation – did not decrease in line with the reduction in revenue in both businesses.

Total Selling and Marketing expenses for the Company for the half-year period ended 30 June 2014 of $20.3 million decreased 17.5%, or $4.3 million, from the same period of the prior year (2013: $24.6 million for the comparable period). Compensation and benefits as a percentage of revenue increased slightly from the prior year, as we retained personnel in the supply chain group to prioritise inventory reductions and warehouse consolidations. In addition, occupancy cost reductions lagged revenue reductions, as many facilities have non-cancellable leases.

Total General and Administrative expenses for the Company for the half-year period ended 30 June 2014 of $63.0 million decreased 26.3%, or $22.5 million, from the same period of the prior year (first-half 2013: $85.5 million). General and Administrative expenses decreased due to aggressive cost reduction actions taken in the last half of 2012, throughout 2013 and in the first-half of 2014. The increase as a percentage of revenue is mainly due to revenues decreasing more quickly than cost reductions could be implemented combined with the higher fixed cost nature of our remaining general and administrative expenses, particularly as a result of the significant cost reductions that have already occurred in 2012 and 2013.

Operating cash flow, before interest and taxes, for the half-year period ended 30 June 2014 was $16.1 million, which is consistent with the same period of the prior year (first-half 2013: $16.2 million).

On an accrual basis, capital expenditures (CAPEX) for the half-year ended 30 June 2014 totaled $8.7 million compared to $32.7 million for the same period of the prior year. Of that amount, $1.5 million was spent on development activities to complete investment in several water rig packages and $1.0 million was spent related to product development activities. In addition, $5.3 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment including rods and casings. The remaining amount related to miscellaneous expenditures.

As at 30 June 2014, Company gross and net debt totaled $638.0 million and $555.7 million, respectively, and total debt-to-adjusted EBITDA was 33.4 times (31 December 2013: $600.0 million, $526.4 million and 5.5 times). We remain committed to reducing our absolute level of debt, over time, by aggressively managing fixed, variable and capital costs and improving efficiencies through several ongoing initiatives, including: 1) the consolidation of our Global Products division's aftermarket service function with our Global Drilling Services division's maintenance function and similar integration initiatives across the Company; 2) the consolidation of separate supply chain groups for Global Products and Global Drilling Services and improved inventory management to reduce inventory levels and release working capital; and 3) capitalising on our significant investment in modernising our rig fleet from 2010 to 2012, which we believe positions us well for any market recovery and reduces our expected capital expenditure requirements over the next several years. Our goal is to drive down our overall debt leverage profile to provide for greater balance sheet flexibility through the cycle.

2. Financial and Operating Highlights

	For the half-year ended 30 June			
	2014	2013		
	US$ Millions	US$ Millions	$ Change	% Change
Key financial data				
Revenue	421.5	718.9	(297.4)	-41.4%
NPAT(1)	(142.8)	(329.4)	186.6	56.6%
Adjusted NPAT(1)	(68.0)	(24.2)	(43.8)	-181.0%
EBITDA(2)	(33.0)	(235.1)	202.1	86.0%
Adjusted EBITDA(2)	18.7	80.4	(61.7)	-76.7%
Cash from Operations (before interest and tax)	16.1	16.2	(0.1)	-0.6%
Cash from Operating Activities	(14.6)	(28.7)	14.1	49.1%
Capital expenditures (accrual)	8.7	32.7	(24.0)	-73.4%
Capital expenditures (cash)	9.9	21.9	(12.0)	-54.8%
Earnings per share (basic)	(31.3) cents	(72.5) cents	41.2 cents	56.8%
Earnings per share (diluted)	(31.3) cents	(72.5) cents	41.2 cents	56.8%
Average BLY rig utilisation	36%	41%	-5%	-12.2%
Average Fleet size	948	1,143	(195)	-17.1%

(1) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and before significant items'. See reconciliation in section 7 'Non-IFRS Financial Information'.

(2) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before significant items'. See reconciliation in section 7 'Non-IFRS Financial Information'.

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

3.1 Revenue

Total revenue for the Company for the half-year period ended 30 June 2014 of $421.5 million decreased by 41.4%, or $297.4 million, compared to revenue for the half-year period ended 30 June 2013 of $718.9 million.

	For the half-year ended 30 June			
	2014	2013	$ Change	% Change
Global Drilling Services Revenue (US$ millions)	308.3	537.6	(229.3)	-42.7%
Average rig utilisation rates	36%	41%	-5%	-12.2%
Global Products Revenue (US$ millions)	113.2	181.2	(68.0)	-37.5%
Sales of Drilling Equipment (US$ millions)	21.0	41.3	(20.3)	-49.2%
Sales of Performance Tooling (US$ millions)	92.2	139.9	(47.7)	-34.1%

A majority of the revenue for both Global Drilling Services and Global Products is derived from providing drilling services to the mining industry and is dependent on mineral exploration, development and production activity. Such activity in turn is driven by several factors, including anticipated future demand for commodities, the outlook for current and projected supply and available mine productive capacity, the level of mining exploration capital and development related expenditures and availability of financing for, and the political and social risks around, mining development.

As the global economy improved in the wake of the financial crisis of 2009, the demand for drilling services and products re-emerged and the Company experienced significant top line recovery during 2010 and 2011, as revenue increased from 2009 levels of $978.2 million to $1,475.9 million in 2010 and to a record of $2,020.3 million in 2011. During the half-year ended 30 June 2012, the Company achieved revenue of nearly $1,098.8 million and was on pace to nearly match the revenue recorded in the year ended 31 December 2011. However, in mid-2012, many mining companies began to significantly reduce their exploration programmes and capital expenditure budgets, which ultimately led to a slowdown in demand for our products and services in the second half of 2012. This had an adverse effect on performance, and the Company reported revenue of $912.7 million for the second half period ended 31 December 2012. The contraction of the mining industry continued throughout 2013, with volatility in the commodities market also affecting performance. These lower levels of mineral exploration, development and production continued through the first-half of 2014, though the rate of reduction seems to be declining.

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

Total Cost of Goods Sold (COGS), Selling and Marketing expenses (S&M) and General and Administrative expenses (G&A) for the Company for the half-year ended 30 June 2014 were $448.9 million, compared to $694.6 million for the same period in 2013, a decrease of $245.7 million, or 35.4%.

	For the half-year ended 30 June			
	2014	2013		
	US$ Millions	US$ Millions	$ Change	% Change
COGS				
Drilling Services				
Materials/labor/overhead/other	244.4	401.2	(156.8)	-39.1%
Depreciation and amortisation	36.6	52.3	(15.7)	-30.0%
Drilling Services COGS	281.0	453.5	(172.5)	-38.0%
COGS as a % of Revenue	*91.1%*	*84.4%*	*6.7%*	*7.9%*
Products				
Materials/labor/overhead/other	79.4	115.0	(35.6)	-31.0%
Inventory obsolescence	0.1	10.1	(10.0)	-99.0%
Depreciation and amortisation	5.1	5.9	(0.8)	-13.6%
Products COGS	84.6	131.0	(46.4)	-35.4%
COGS as a % of Revenue	*74.7%*	*72.3%*	*2.4%*	*3.3%*
Total COGS	**365.6**	**584.5**	**(218.9)**	**-37.5%**
COGS as a % of Revenue	*86.7%*	*81.3%*	*5.4%*	*6.6%*

Total COGS for the Company for the half-year period ended 30 June 2014 was $365.6 million, representing a decrease of 37.5% compared to COGS of $584.5 million for the same period of 2013. COGS as a percentage of revenue increased due to the combined impact of the timing lag between declining revenues and the Company's ability to realise cost reductions and fixed costs that cannot be decreased commensurately with revenue losses. In addition, results continue to be adversely impacted by fixed manufacturing costs not covered through revenues in the Global Products business, and depreciation and amortisation costs – which are generally expensed over depreciable lives and are not tied to utilisation – did not decrease in line with the reduction in revenue in both businesses.

	For the half-year ended 30 June			
	2014	2013		
	US$ Millions	US$ Millions	$ Change	% Change
Sales and Marketing Expenses				
Compensation and benefits expense	12.3	14.6	(2.3)	-15.8%
Occupancy costs	3.6	3.9	(0.3)	-7.7%
Travel and transportation	1.8	2.2	(0.4)	-18.2%
Professional fees	0.5	2.0	(1.5)	-75.0%
Other	2.1	1.9	0.2	10.5%
Total Sales and Marketing Expenses	**20.3**	**24.6**	**(4.3)**	**-17.5%**
S&M as a % of revenue	*4.8%*	*3.4%*	*1.4%*	*41.2%*

Total Selling and Marketing expenses for the Company for the half-year period ended 30 June 2014 of $20.3 million decreased 17.5%, or $4.3 million, from the same period of the prior year (2013: $24.6 million for the comparable period). Compensation and benefits as a percentage of revenue increased slightly from the prior year, as we retained personnel in the supply chain group to prioritise inventory reductions and warehouse consolidations. In addition, occupancy cost reductions lagged revenue reductions, as many facilities have non-cancellable leases.

	For the half-year ended 30 June			
	2014	2013		
	US$ Millions	US$ Millions	$ Change	% Change
General and Administrative Expenses				
Compensation and benefits expense	35.7	45.8	(10.1)	-22.1%
Occupancy costs	10.5	14.8	(4.3)	-29.1%
Professional fees	9.3	12.2	(2.9)	-23.8%
Travel and transportation	2.7	4.2	(1.5)	-35.7%
Other	4.8	8.5	(3.7)	-43.5%
Total General and Administrative Expenses	**63.0**	**85.5**	**(22.5)**	**-26.3%**
G&A as a % of revenue	*14.9%*	*11.9%*	*3.0%*	*25.2%*

Total General and Administrative expenses for the Company for the half-year period ended 30 June 2014 were $63.0 million, representing a decrease of 26.3%, or $22.5 million, compared to $85.5 million for the same period of 2013. General and Administrative expenses decreased significantly due to aggressive cost reduction actions taken beginning in the last half of 2012 and continuing throughout 2013 and 2014. The increase as a percentage of revenue is mainly due to revenues decreasing more quickly than cost reductions could be implemented combined with the higher fixed cost nature of our remaining general and administrative expenses, particularly as a result of the significant cost reductions that have already occurred in 2012 and 2013.

In response to weakening industry conditions, we took a series of actions to reset the Company's cost base, to establish a more nimble organisational and overhead structure, and to respond more effectively to volatile market conditions. In the second half of 2012, the industry slow-down was rapid. We aggressively implemented cost-saving initiatives that included reduction of headcount by over 2,200 people in 2012 and consolidation or migration of manufacturing into lower cost geographic areas. During 2012 and carrying into 2013, these initiatives reduced Company expenses by approximately $70 million, equivalent to 20% of global overhead, with approximately $15.0 million and $55.0 million realised in 2012 and 2013, respectively.

In the first-half of 2013, an operational review was concluded that resulted in recommendations for several additional restructuring initiatives to reduce overhead and operating costs across the Company, including additional rationalisation of manufacturing, inventory and administrative facilities. In August of 2013, the Company announced a $90 million cost reduction programme - in addition to the $70 million of cost reductions announced in December 2012 – which resulted in an over 30% reduction in stocking locations globally, the consolidation of the Global Products division's aftermarket services group with the Global Drilling Services maintenance group and the consolidation of the supply chain groups for both divisions. As a result of these actions and significant reductions in our SG&A costs, we reduced our headcount by over 3,300 during 2013, including approximately 45% of general and administrative positions across the business. We estimate that such actions reduced fixed costs by a total of approximately $60 million during 2013 and an additional $30 million in 2014.

In 2014, the Company took further cost reduction actions through the initiation of a salary freeze for certain employees and elimination of certain retirement benefits, which will result in annualised cash savings of approximately $28 million.

Despite the significant cost actions occurring over the last 18 months, the Company and its employees remain committed to driving more efficiencies across our business platform, while still delivering safe, reliable and productive drilling services and innovative products to customers.

3.3 Restructuring Expenses and Related Impairments

During the first-half periods of 2014 and 2013, the Company incurred the following restructuring expenses and impairment charges related to current market conditions and cost reductions:

	For the half-year ended 30 June		
	2014 US$ Millions	2013 US$ Millions	$ Change
Restructuring expenses and related impairments			
Goodwill impairment	-	166.3	(166.3)
Property, plant and equipment impairment	41.4	55.7	(14.3)
Inventory impairment	1.1	57.0	(55.9)
Employee separation and related costs	3.5	13.7	(10.2)
Development asset impairment	-	8.1	(8.1)
Intangible assets impairment	-	9.1	(9.1)
Other restructuring expenses	5.7	5.6	0.1
Total restructuring expenses and related impairments	51.7	315.5	(263.8)

Restructuring expenses and impairments decreased to $51.7 million during the half-year period ended 30 June 2014 (2013: $315.5 million for the comparable period). $10.3 million of the restructuring expenses were associated with employee separations, exiting onerous leases, and impairments of inventory related to resizing the business. $41.4 million of the charge was associated with impairment charges in the carrying value of certain plant and equipment following a half-year review of asset carrying values.

3.4 Other Income/Expenses

Other income increased to $4.3 million during the half-year period ended 30 June 2014 (2013: $0.3 million for the comparable period). The increase was mainly due to the gain of $3.1 million related to a litigation settlement.

Other expenses, principally amortisation of intangible assets and net losses on foreign currency exchange, decreased $4.4 million to $11.2 million during the half-year period ended 30 June 2014 (2013: $15.6 million for the comparable period). Amortisation of intangible assets decreased due to a lower carrying value of intangible assets resulting from prior year impairments. The loss on foreign currency exchange differences decreased, as the Company continues to actively manage its exposure to foreign currency exchange risk.

3.5 Finance Costs and Interest Income

	For the half-year ended 30 June		
	2014 US$ Millions	2013 US$ Millions	% Change
Finance costs	30.9	16.7	85.0%
Average gross senior notes outstanding	600.0	300.0	100.0%
Average related interest rate	8.5%	7.0%	21.4%
Average gross revolver outstanding	20.6	348.9	-94.1%
Average related interest rate	5.0%	2.2%	127.3%

Finance costs increased to $30.9 million during the half-year period ended 30 June 2014 (2013: $16.7 million for the comparable period) as a result of higher average debt levels combined with increased interest rates, including the September 2013 refinancing of approximately $300.0 million of the borrowings under our bank credit agreement into higher cost, fixed rate senior notes.

3.6 Income Tax Expense

	For the half-year ended 30 June					
	2014 Statutory US$ Millions	Adjustments for Significant Items	2014 Underlying US$ Millions	2013 Statutory US$ Millions	Adjustments for Significant Items	2013 Underlying US$ Millions
Loss before Taxation	**(114.1)**	**32.2**	**(81.9)**	**(322.3)**	**198.6**	**(123.7)**
Tax at Australian rate of 30%	34.2	(9.7)	24.5	96.7	(59.6)	37.1
Derecognition of deferred tax assets	(14.8)	14.8	-	(11.9)	11.9	-
Unrecognised tax losses	(17.2)	17.2	-	(7.1)	7.1	-
Non deductible items related to impairments	-	-	-	(31.8)	31.8	-
Income tax in countries lower than parent tax rate	(19.7)	0.8	(18.9)	(26.5)	(1.5)	(28.0)
Income tax in countries higher than parent tax rate	(2.8)	-	(2.8)	1.6	-	1.6
Unutilised foreign tax credit	(4.2)	-	(4.2)	(10.8)	-	(10.8)
Other non-assessable/deductible items	(0.6)	-	(0.6)	(5.6)	-	(5.6)
Over/under provisions	(1.9)	-	(1.9)	(7.7)	-	(7.7)
Income subject to double taxation	2.9	-	2.9	6.6	-	6.6
Other	(4.7)	-	(4.7)	(10.6)	-	(10.6)
Tax per the Statement of profit and loss	**(28.8)**	**23.1**	**(5.7)**	**(7.1)**	**(10.3)**	**(17.4)**

Income tax expense on the pre-tax loss of $114.1 million for 2014 half-year was $28.8 million. This tax expense is illustrated in the table above and can largely be attributed to several factors including:

- profits in higher tax rate countries;
- significant losses in lower tax rate countries;
- withholding taxes on intercompany transactions;
- the non-recognition of current period losses; and
- the write-down of deferred tax assets.

3.7 Earnings (Losses)

Net operating loss after tax for the Company was $142.8 million for the half-year period ended 30 June 2014 (2013: net operating loss after tax of $329.4 million for the comparable period). EBITDA for the half-year ended 30 June 2014 was a loss of $33.0 million (2013: $235.1 million EBITDA loss for the comparable period), with both results driven by the performance of Global Products and Global Drilling Services, significant restructuring expenses and impairment charges and a number of related tax expenses reflected in the prior year comparable results.

Adjusted net operating loss after tax for the Company increased to an adjusted loss of $68.0 million for the half-year period ended 30 June 2014 (2013: adjusted loss $24.2 million for the comparable period) and adjusted EBITDA decreased by 76.7% to $18.7 million for the half-year period ended 30 June 2014 (2013: $80.4 million for the comparable period). See reconciliation in Section 7 'Non-IFRS Financial Information'.

3.8 Seasonality

The global business experiences a seasonal reduction, usually during the months of November, December and January, when mining activity is reduced and workers travel to and from their homes for holidays. A seasonal increase generally follows in the months of February and March. Working capital is generally at its highest during the second and third quarters of the year and generally decreases to a seasonal low at year-end, driven by reduced business activity during this typically slow period.

4. Discussion and Analysis of Cash Flow

	For the half-year ended 30 June			
	2014 US$ Millions	2013 US$ Millions	$ Change	% Change
Cash flow from operations (before interest and tax)	16.1	16.2	(0.1)	-0.6%
Cash flow used in operating activities	(14.6)	(28.7)	14.1	49.1%
Cash flow used in investing	(7.1)	(9.7)	2.6	26.8%
Cash flow from (used in) financing activities	37.1	(9.1)	46.2	507.7%
Net change in cash	15.3	(47.6)	62.9	132.1%
Cash at beginning of period	59.1	89.6	(30.5)	-34.0%
Effects of exchange rate changes on cash	(5.7)	(7.9)	2.2	27.8%
Cash at end of period	68.7	34.2	34.5	100.9%

4.1 Cash Flow from Operating Activities

Cash flow used in operating activities for the half-year period ended 30 June 2014 was negative $14.6 million, a decrease of 49.1% from the prior year comparable period (2013: negative $28.7 million for the comparable period). The decrease in the first-half of 2014 was mainly due to:

- a decrease of $43.8 million in the adjusted loss for the half-year period;
- cash generated from the sale of inventory of $22.5 million for the half-year period;
- a decrease in accounts payable during the half-year period of $13.1 million, compared to a decrease of $90.4 million in the prior half-year comparable period;
- on-cash tax expense of $23.9 million, along with a decrease in cash taxes paid of $24.9 million from the prior half-year period as many of the entities in the consolidated group experienced losses for the year; and
- an increase in cash received from interest income of $2.8 million for the half-year period.

4.2 Cash Flow from Investing

	For the half-year ended 30 June			
	2014	2013		
	US$ Millions	US$ Millions	$ Change	% Change
Purchase of property, plant and equipment	(6.5)	(17.5)	11.0	62.9%
Proceeds from sale of property, plant and equipment	2.7	12.2	(9.5)	-77.9%
Intangible costs paid	(3.4)	(4.4)	1.0	22.7%
Total net cash flows from investing activities	(7.1)	(9.7)	2.6	26.8%

The Company continued to invest in capital equipment to support existing operations, which resulted in capital of $6.5 million being invested, down 62.9% on the prior half-year period (2013: $17.5 million for the comparable period). In 2014, the Company continued to pursue initiatives to conserve cash, including through prudent and judicious control over capital expenditures.

Intangible costs paid relate to payments for patents, both to apply for new patents and to maintain existing patents, trademarks, software and costs incurred for development activities.

4.3 Cash flows from Financing Activities

Sixth Amendment to the Company's Revolving Bank Credit Facility

The Company completed a sixth amendment to its revolving credit facility terms on 22 February 2014 to provide the Company with additional capacity and head room under the credit agreement's financial covenants to withstand continued market volatility and remain compliant with the credit agreement's terms. The sixth amendment eliminated the Minimum Asset Coverage financial covenant and suspended the following financial covenants through to the 31 March 2015 covenant compliance testing date:

- Minimum Liquidity of US$30 million (tested monthly)
- Minimum Interest Coverage Ratio of 1.55x (tested quarterly)

Additional new financial covenants were included in the sixth amendment, which required:

- a minimum cumulative last twelve months EBITDA of $45 million through 31 March 2015 (tested quarterly); and
- Maximum Total Indebtedness at the levels set out below, to be tested quarterly through to the 29 July 2016 maturity date for the revolving credit facility:
  (i) US$700 million at 30 June 2014
  (ii) US$700 million at 30 September 2014
  (iii) US$670 million at 31 December 2014
  (iv) US$720 million at 31 March 2015
  (v) US$725 million at 30 June 2015 and for each quarterly testing date thereafter.

The sixth amendment also adjusted fees and pricing, introduced new financial reporting requirements and times, established a monthly Borrowing Base of specified assets to allowed borrowings, limited annual capital expenditures and required the Company, by 30 September 2014, to present an informational plan to the banks for the full repayment of the facility by the maturity date.

Seventh Amendment to the Company's Revolving Bank Credit Facility

On 16 August 2014, the Company and its bank group executed a seventh amendment to the terms of the revolving bank credit facility to provide further flexibility around the facility's financial covenants. The primary changes to the terms of the credit agreement as a result of the amendment are the reduction of the minimum last-twelve-months EBITDA covenant to US$35 million through the March 2015 covenant compliance testing date and the increase in the Maximum Total Indebtedness limit to US$715 million at the 30 September 2014 testing date. The credit agreement's financial covenants otherwise remain unchanged from the sixth amendment. Similarly, pricing for drawn and undrawn amounts and the July 2016 maturity date remain unchanged from prior terms and available lending commitments also are unchanged at US$140 million, although the banks' commitment may reduce to US$120 million in the event the Company's Canadian tax assessments for the 2007-09 tax years were to be overturned. (Please refer to Note 9 to the financial statements for more information concerning the Canadian tax assessments.)

5. Discussion of the Balance Sheet

	30 June 2014 US$ Millions	31 December 2013 US$ Millions	$ Change	% Change
Cash and cash equivalents	68.7	59.1	9.6	16.2%
Trade and other receivables	189.7	196.9	(7.2)	-3.7%
Inventories	277.5	298.9	(21.4)	-7.2%
Prepaid expenses and other assets	21.5	25.1	(3.6)	-14.3%
Property, plant and equipment	337.1	408.3	(71.2)	-17.4%
Goodwill	104.0	104.0	-	0.0%
Other intangible assets	84.8	92.0	(7.2)	-7.8%
Tax assets	114.8	128.5	(13.7)	-10.7%
Other assets	31.7	17.7	14.0	79.1%
Total Assets	**1,229.8**	**1,330.5**	**(100.7)**	**-7.6%**
Trade and other payables	144.5	153.2	(8.7)	-5.7%
Provisions	71.1	70.4	0.7	1.0%
Tax liabilities	110.5	92.8	17.7	19.1%
Loans and borrowings	624.4	585.5	38.9	6.6%
Total Liabilities	**950.5**	**901.9**	**48.6**	**5.4%**
Issued capital	1,131.5	1,129.0	2.5	0.2%
Reserves	(41.9)	(37.3)	(4.6)	-12.3%
Other equity	(137.2)	(137.2)	-	0.0%
Accumulated losses	(673.1)	(525.9)	(147.2)	-28.0%
Total Equity	**279.3**	**428.6**	**(149.3)**	**-34.8%**

The net assets of the Company decreased by $149.3 million to $279.3 million as at 30 June 2014 compared to $428.6 million as at 31 December 2013. This decrease was a result of continued reductions of inventory, impairments of property, plant and equipment and the write-off of deferred tax assets. The Company continues to actively manage net working capital in relation to the current business cycle. In sustained periods of reduced global drill rig utilisation, inventory levels do not shrink as quickly and the Company must evaluate inventory monthly to determine the appropriate accounting reserves for slow-moving and obsolete inventory. When the markets the Company serves begin to improve, it is likely that net working capital levels will increase as the Company increases inventory and generates additional receivables.

Cash and cash equivalents increased by $9.6 million, or 16.2%, to $68.7 million as at 30 June 2014 (2013: $59.1 million as at 31 December). Correspondingly, trade and other receivables decreased by $7.2 million, or 3.7%, to $189.7 million as at 30 June 2014 (2013: $196.9 million as at 31 December) reflecting decreased revenues, increased focus on cash collections by all divisions and the resolution of certain customer disputes in both divisions. The portion of these balances related to other receivables have decreased due to long term reclassifications of selected VAT tax balances.

DSO at 30 June 2014 increased by 6 days from the prior year comparable period, however the 2013 June DSO reflected a reclassification of certain VAT items in Africa to long-term, favourably impacting the DSO calculation. During June 2014 we experienced some billing delays in our Drilling Services business, which drove up closing accounts receivable – and therefore DSO – at 30 June 2014 to levels that were higher than anticipated, although overall DSO performance is trending broadly in line with historical numbers.

The net debt of the Company (gross debt less cash and cash equivalents) increased by $29.4 million to $555.8 million as at 30 June 2014 (2013: $526.4 million as at 31 December).

Inventories decreased by $21.4 million, or 7.2%, to $277.5 million as at 30 June 2014 (2013: $298.9 million as at 31 December). Of the decrease, $1.2 million related to an increase in the provision for impairment and obsolescence and $22.5 million related to third party sales and Drilling Services consumption. These decreases were partially offset by $2.3 million related to foreign currency exchange differences and other non-cash changes.

Other assets mainly consist of current prepayments and deposits.

The net value of property, plant and equipment decreased by $71.2 million to $337.1 million as at 30 June 2014 (2013 $408.3 million as at 31 December) mainly due to decreased capital spend, an asset impairment charge of $41.4 million and depreciation expense of $44.0 million.

Goodwill remained constant at $104.0 million as at 30 June 2014 compared to 31 December 2013.

Other intangible assets decreased by $7.2 million, or 7.8%, to $84.8 million as at 30 June 2014 (2013: $92.0 million as at 31 December) mainly due to amortisation for the year of $8.9 million, which was partially offset by trademark, patent, software and development asset additions of $1.8 million and foreign currency exchange differences.

Tax assets decreased by $13.7 million, or 10.7%, to $114.8 million as at 30 June 2014 (2013: $128.5 million as at 31 December) mainly due to the write down of deferred tax assets that are of uncertain benefit to the Company.

Trade and other payables decreased by $8.7 million, or 5.7%, to $144.5 million as at 30 June 2014 (2013: $153.2 million as at 31 December) with the average credit period on purchases of certain goods increasing by 1 day to 32 days. Trade payables represent 7.0% of the Company's total liabilities.

Provisions of $71.1 million as at 30 June 2014 increased by 1.0%, or $0.7 million, compared to the prior year (2013: $70.4 million), and represent 7.5% of total Company liabilities. Employee provisions (annual leave, long service leave and bonus) made up 73.6% of this balance, with the remainder covering restructuring provisions, onerous leases and warranty obligations.

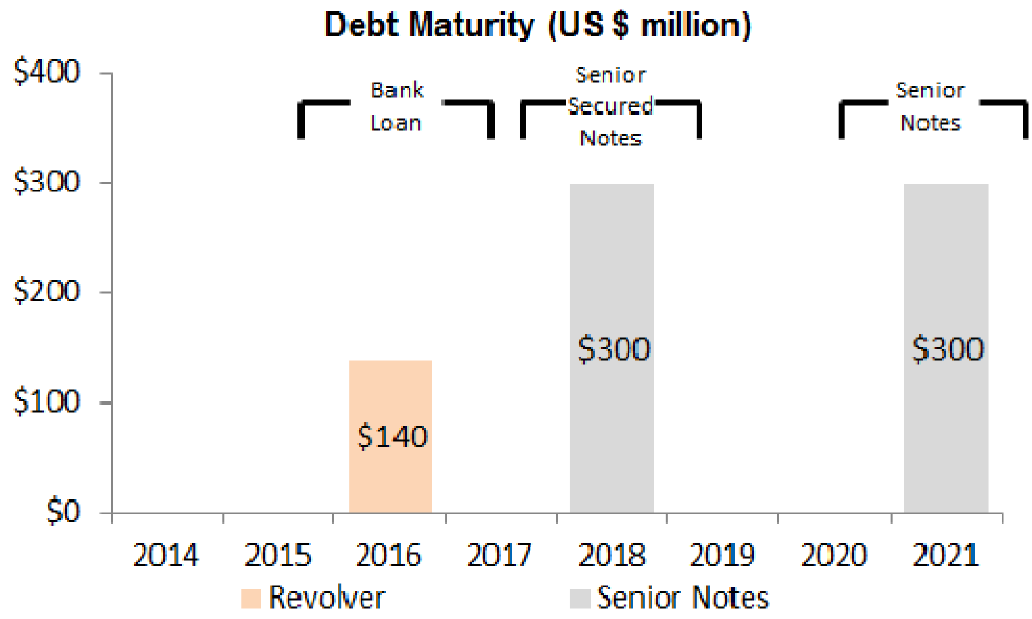
Total net drawn borrowings of $624.4 million representing 65.7% of the Company's liabilities, increased by $38.9 million during the half-year period ended 30 June 2014 (2013: $585.5 million as at 31 December 2013) in line with expected seasonality needs.

Liquidity and Debt Facilities

The Company's outstanding debt is comprised of two tranches of Senior Notes, a $300.0 million tranche of senior unsecured notes with an interest rate of 7.0% and a scheduled maturity date of 1 April 2021 and a $300.0 million tranche of senior notes with an interest rate of 10.0% and a scheduled maturity date of 1 October 2018 that are secured by a first-priority lien on the issuer's and guarantors' tangible and intangible assets and by a second-priority lien on the issuer's and guarantors' accounts receivable, inventory and cash.

The Company's bank credit facility provides a $140.0 million revolving bank loan. The revolving commitments contain sublimits for revolving loans (up to $120.0 million) and letters of credit (up to $100.0 million) with the total combined borrowings and letters of credit not to exceed $140.0 million in total commitments. The credit facility has certain covenants, including a minimum cumulative last-twelve-months EBITDA and a maximum total debt covenant, both of which are tested quarterly. The credit facility is secured by a first-priority lien on the issuer's and guarantors' accounts receivable, inventory and cash and by a second-priority lien on the issuer's and guarantors' tangible and intangible assets. The credit facility has a scheduled maturity date of 29 July 2016.

The following shows the debt facilities along with their corresponding maturities.



Liquidity appears sufficient for the next twelve months but, as discussed in Note 1 to the financial statements, this depends upon the Company having continued access to draw funds under its bank revolver. As at 30 June 2014, there were $38.0 million of drawn borrowings under the bank revolver and outstanding letters of credit totaling $11.1 million.

Risks to liquidity include potential demand for security to challenge tax assessments in Canada and other jurisdictions as well as other operating conditions which may require liquidity. Accounts receivable balances have decreased due to long term reclassifications of selected VAT tax balances. Our inventory balances continue to decrease. Lower accounts payable balances continue to be driven by the reduction in manufacturing activities and additional focus on cost controls. We do not expect payables to negatively affect working capital significantly in the near future.

While the Company forecasts continued compliance with prior covenants, a seventh amendment to the revolving credit facility was negotiated with the bank syndicate to provide prudent headroom in the event of further deterioration in market conditions. The amendment to the credit agreement is intended to provide continued access to the revolving credit facility as well as additional head room under the credit agreement's financial covenants. The amendment became effective on 16 August 2014 and its specific terms are disclosed in Note 13 to the financial statements. As discussed further in Note 1 to the financial statements, the amendment does not guarantee the Company's ability to comply with the financial covenants and terms of the credit agreement. Difficulties with covenant compliance could arise depending on actual market conditions.

During the half-year, the Company's debt ratings have been downgraded by both Standard and Poors Rating Services and Moody's Investor Services. The corporate credit rating with Standard and Poor's Rating Services was revised from a B rating to a CCC rating while the corporate credit rating with Moody's was revised from a B2 rating to a Caa1 corporate family rating. Both rating agencies' downgrades reflect expectations that the operating conditions for the Company will remain difficult for the next 12 months due to reduced exploration drilling budgets of major mining companies which will lead to further downward pressure on rig utilisations and will likely result in continued pressure on performance.

Shareholders' equity decreased mainly due to the operating loss of $142.8 million. In addition, the devaluation of the foreign currencies against the US dollar reduced the cumulative foreign currency translation reserve by $3.6 million during the first half-year period of 2014.

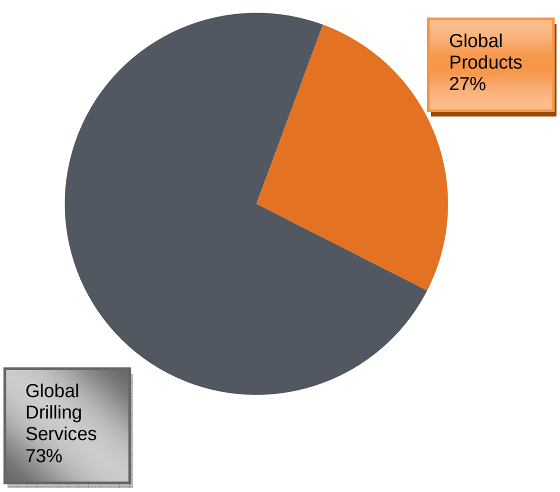
6. Review of Segment Operations

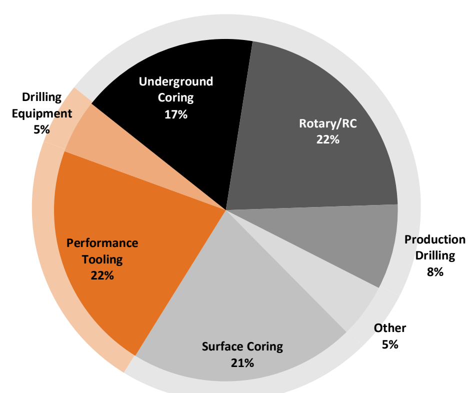
The following table shows our third party revenue as well as revenue inclusive of inter-segment sales from our Global Products division to our Global Drilling Services division.

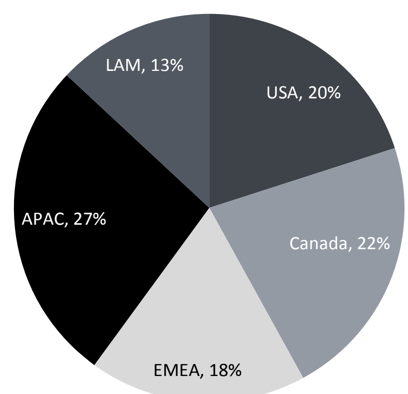
	Segment Revenue			
	Half-year ended			
	30 June 2014		30 June 2013	
	US$'000		US$'000	
Drilling Services		308,268		537,630
Global Products revenue				
Products third party revenue	113,227		181,233	
Products inter-segment revenue [1]	37,571		38,243	
Total Products		150,798		219,476
Less Global Product sales to Global Drilling Services		(37,571)		(38,243)
Total third party revenue		421,495		718,863

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

Operating Division[1] **Revenue by Type[1]** **Geography[1]**







(1) Based on percentages of total Company revenue for the half-year period ended 30 June 2014.

Review of Segment Operations - Global Drilling Services

Safety

The Global Drilling Services business remains focused on safety knowing that safety is more than just an industry requirement, it is our moral obligation. The Global Drilling Services division's Total Case Incident Rate (TCIR) for the first-half of 2014 was 1.21 compared to 1.89 for the comparable period in 2013. Its Lost-Time Incident Rate (LTIR) for the first- half of 2014 was 0.07 compared to 0.28 for the comparable period of 2013. These improvements have been realised through increased focus on actions related to leading safety indicators associated with the drilling process and include actions such as encouraging our employees to report "near miss" incidents; learning from and taking developing mitigating actions as a result of the root cause analysis of significant injuries and high potential near miss incidents; increasing management's safety interactions at the drill sites; increasing drill rig inspection frequency; and creating an environment where each of our employees is empowered in driving towards zero injuries through utlisation of stop work authority and taking other actions to assure their own safety as well as that of their fellow workers.

Key Safety Metrics

	2012		2013		2014
	First Half	Full Year	First Half	Full Year	First Half
TCIR	1.67	1.66	1.89	1.79	1.21
LTIR	0.12	0.11	0.28	0.21	0.07

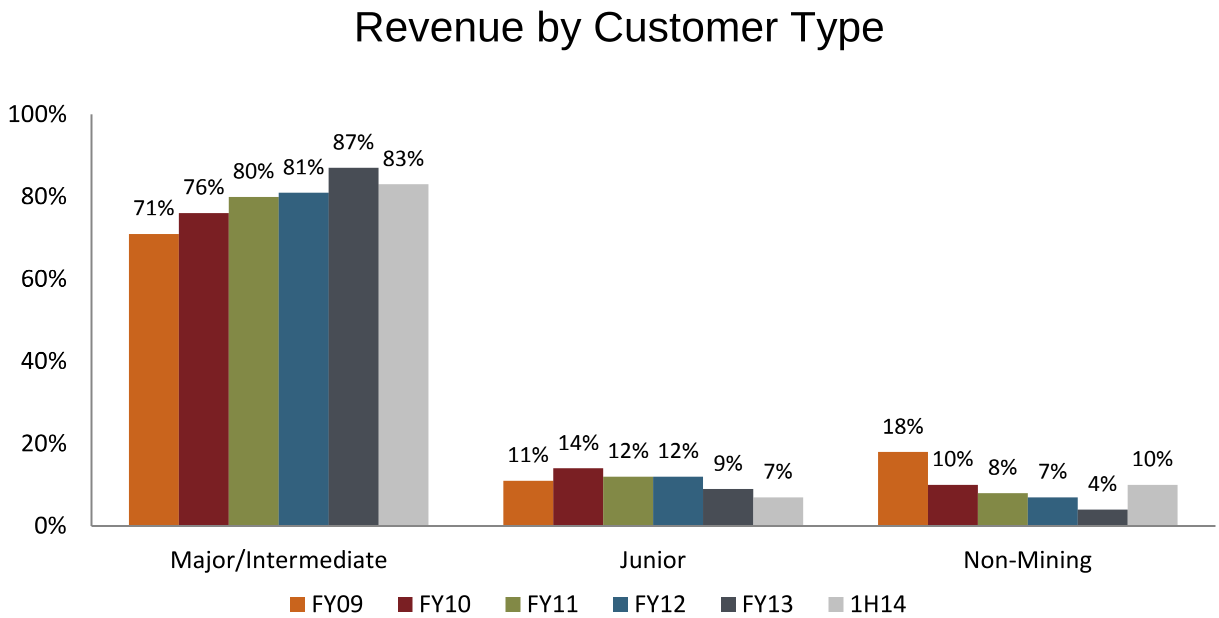
Rig fleet

Our drill rig fleet, consisting of 948 rigs as at 30 June 2014, is the largest fleet operated by a mineral drilling services company in the world. Our drill rig packages range from small underground drill rig packages costing approximately $250,000 to large diameter rotary rig packages that cost in excess of $4 million. The operational life of a drill rig varies greatly. Underground rigs depreciate over a five year period, while surface core rigs are depreciated over 10 years and rotary rigs over 12 years, or their estimated useful life.

Revenue

As we experienced in the second-half of 2012 and the full year 2013, mining industry spending on exploration and development continued to decline in the first-half of 2014 and, as a result, our revenue in the first-half 2014 was $308.3 million, down 42.7% from $537.6 million for the first-half of 2013. The primary drivers of the revenue decrease were lower utilisation rates, the changing mix among our various types of drilling services and the impact of overall pricing reductions in the first-half of 2014 in the low teens as a percentage of revenue compared to first- half of 2013. First-half 2013 revenue also included $28.9 million of revenue related to the E&I business that was sold in the second-half of 2013. Revenue for the second quarter of 2014 was $168.6 million versus $139.6 million in the first quarter of 2014, an increase of 20.8%. The quarter over quarter increase in revenue can be attributed to the seasonal nature of our business along with a stabilisation in the number of operating rigs. We expect operating rig utilisation to remain at approximately 40.0% through October of this year when drilling programs begin to wind down due to our customers' normal year- end seasonal reductions in exploration and development drilling related activities.

Approximately 83% of Global Drilling Services' revenue for the half-year ended 30 June 2014 was derived from major mining companies, including Barrick Gold Corporation, BHP Billiton Limited, Freeport-McMoRan Copper & Gold, Inc., GoldCorp, Inc., Newmont Mining Corporation and Rio Tinto Ltd. Our top 10 Global Drilling Services customers represented approximately 60% of Global Drilling Services' revenue for the half-year ended 30 June 2014, with no customer contributing more than 14% of our consolidated revenue and no contract contributing more than 6% of our consolidated revenue. We believe this diversified income base provides greater revenue stability.



Revenue by Drill Type

Although each drilling type has experienced revenue declines of the past years, much of the Global Drilling Services' revenue reduction can be attributed to reduced levels of surface coring and rotary drilling. Surface coring revenues for the first-half of 2014 were $92.3 million versus first-half of 2013 revenues of $208.5 million, a decrease of 55.7%. For the same period rotary drilling experienced a drop in revenues of 31.2% and underground coring experienced a drop in revenues of 25.0%.

Revenue by Drill Type[1]

	First-half 2012		Second-half 2012		First-half 2013		Second-half 2013		First-half 2014	
	US$ Millions	% of Total	US$ Millions	% of Total	US$ Millions	% of Total	US$ Millions	% of Total	US$ Millions	% of Total
Surface Coring	434.1	53.2%	333.0	47.6%	208.5	38.8%	133.0	35.0%	92.3	29.9%
UG Coring	102.8	12.6%	101.8	14.6%	102.4	19.0%	85.6	22.5%	76.8	24.9%
Rotary	127.8	15.6%	97.0	13.9%	78.9	14.7%	50.3	13.2%	54.3	17.6%
Water Well	75.3	9.2%	87.2	12.5%	68.6	12.8%	64.6	17.0%	45.5	14.8%
Percussive	32.0	3.9%	32.9	4.7%	32.8	6.1%	30.7	8.1%	26.5	8.6%
Sonic	44.7	5.5%	47.6	6.7%	46.4	8.6%	15.5	4.2%	12.9	4.2%
Grand Total	**816.7**		**699.5**		**537.6**		**379.7**		**308.3**	

(1) Total Drilling Services revenue as reported in first half-year 2013 includes revenues from the E&I environmental business which was sold during second half-year 2013.

Revenue by commodity

Much of the spending reduction has been attributed to reduction in commodity demand and pricing. In particular, Drilling Services revenue associated with gold has decreased to $132.0 million for the first half-year 2014 versus $236.3 million for the first half-year 2013, a decrease of 44.1%. For the same time periods, revenue associated with copper has decreased by 38.9%. Revenue associated with Nickel has decreased by 70.4%.

Revenue by Commodity[1]

	First-half 2012		Second-half 2012		First-half 2013		Second-half 2013		First-half 2014	
	US$ Millions	**% of Total**	**US$ Millions**	**% of Total**	**US$ Millions**	**% of Total**	**US$ Millions**	**% of Total**	**US$ Millions**	**% of Total**
Gold	354.4	43.4%	312.8	44.7%	236.3	44.0%	118.6	31.2%	131.9	42.8%
Copper	204.2	25.0%	144.5	20.7%	101.7	18.9%	95.9	25.3%	62.1	20.1%
Energy	40.8	5.0%	35.0	5.0%	46.5	8.6%	14.0	3.7%	31.1	10.1%
Iron	68.6	8.4%	67.8	9.7%	22.5	4.2%	83.4	22.0%	28.8	9.3%
Water Services	24.5	3.0%	36.1	5.2%	18.1	3.4%	24.1	6.3%	21.8	7.1%
Nickel	50.6	6.2%	25.2	3.6%	36.8	6.8%	23.3	6.1%	10.9	3.5%
Environmental	32.7	4.0%	43.1	6.2%	23.0	4.3%	3.9	1.0%	0.4	0.1%
Other Metals	40.9	5.0%	35.0	4.9%	52.7	9.8%	16.5	4.4%	21.3	7.0%
Grand Total	**816.7**		**699.5**		**537.6**		**379.7**		**308.3**	

(1) Total Global Drilling Services revenue as reported in first-half of 2013 includes revenues from the E&I environmental business, which was sold during second-half of 2013.

Margins

Global Drilling Services continues to experience margin degradation with first-half of 2014 revenue 42.7%, or $229.3 million lower than for the comparable period in 2013, as a result of lower utilisation rates and a negative overall pricing impact in the low-to-mid teens, both of which were partially offset by improvements in productivity. While revenues in the business were down 42.7% from the first half-year of 2013, COGS was down only 38.0%, as a result of not removing labour and other variable costs as quickly as revenue declined. The speed and ability with which we can remove variable labour costs depends, among other things, on the various local labour laws for the jurisdictions where the Global Drilling Services business operates and our ability to accurately estimate near-term future customer needs. First-half of 2014 margins were also negatively affected by higher depreciation as a percent of revenue. Depreciation for the first-half of 2014 equated to $36.6 million or 11.9% of revenue compared to $52.3 million or 9.7% for the first-half of 2013. Contribution Margin in the first-half of 2014 was $13.4 million, down 76.1% from $56.0 million in the first-half of 2013 despite a 50.7%, or $14.3 million, reduction in business SG&A.

EBITDA in the first-half of 2014 was $36.6 million, down 56.3% from $83.7 million in the first-half of 2013, despite improvements in both allocated SG&A of $8.0 million and in direct business SG&A of $14.3 million. The primary drivers for the decrease in EBITDA was the decrease in sales volume and pricing reductions. When comparing second quarter 2014 to first quarter 2014, however, we are seeing improvement primarily due to quarter-over-quarter seasonality, the flow-through of the cost-out actions taken in 2013 and greater scrutiny on variable cost components. EBITDA in the second quarter of 2014 was $25.4 million compared to $11.2 million in the first quarter of 2014, an increase of 126.8%.

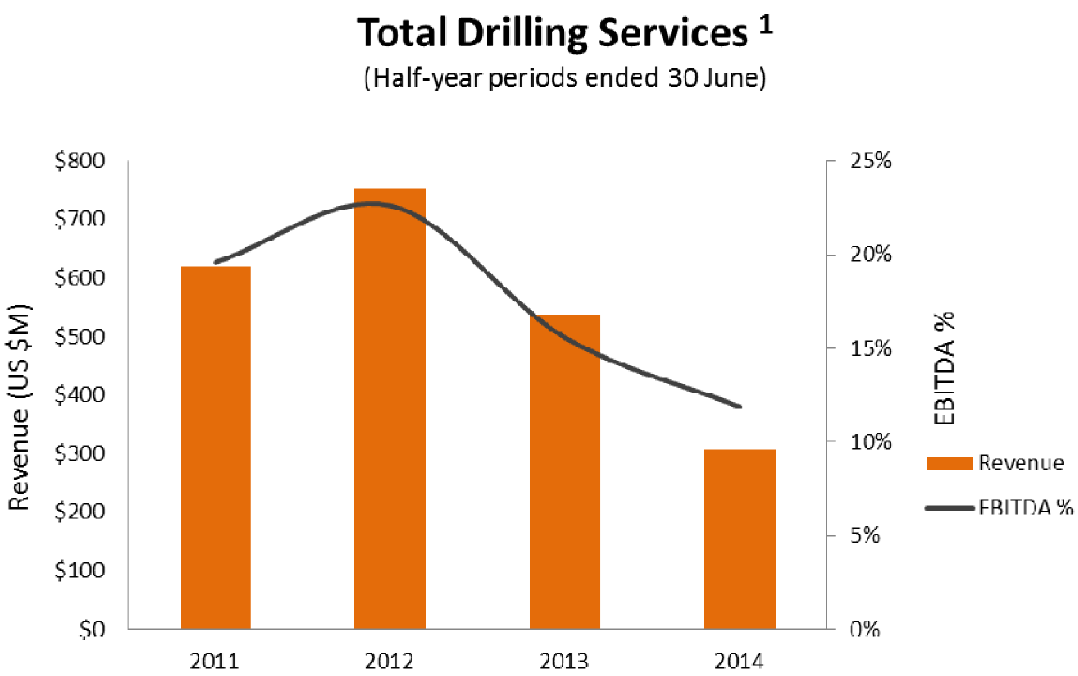
Margins by Drill Type

The Global Drilling Services business has experienced decreased margins for the first-half of 2014 compared to the first-half of 2013 due to the significant drop in rig utilisation over the same period. Despite lower margins across most drilling types, we have been able to slightly improve margins and margin percentages in percussive and underground coring drilling as a result of more stable demand and through efficiency and cost improvements. Margins in the rotary, surface coring and water well areas have all experienced significant declines in terms of both margin and margin percentage (approximately 14%, 28% and 8% respectively) due to reductions in price, the inability to quickly remove labour and other variable costs upon cancellation or scope reductions of projects, and the fixed nature of the depreciation related to these drilling types with significantly lower rig utilisations. Rotary, surface coring and water well drilling applications have experienced the most dramatic reductions in rig utilisations over the period.

Global Drilling Services

	For the half-year ended 30 June			
	2014 US$ Millions	2013 [1] US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	308.3	537.6	(229.3)	-42.7%
COGS				
Materials/labor/overhead/other	244.4	401.2	(156.8)	-39.1%
Depreciation and amortisation	36.6	52.3	(15.7)	-30.0%
Total COGS	281.0	453.5	(172.5)	-38.0%
COGS as a % of Revenue	*91.1%*	*84.4%*	*6.7%*	*7.9%*
Contribution margin $	13.4	56.0	(42.6)	-76.1%
Contribution margin %	4.3%	10.4%	-6.1%	-58.7%
Business unit SG&A	13.9	28.2	(14.3)	-50.7%
Allocated SG&A	14.3	22.3	(8.0)	-35.9%
EBITDA	36.6	83.7	(47.1)	-56.3%
Capital spend (accrual)	6.3	23.1	(16.8)	-72.7%
Other Metrics				
Average # of Operating Drill Rigs	333	439	(106.0)	-24.1%
Average # of Drill rigs	948	1,143	(195)	-17.1%
# of Employees at half-year	4,130	5,859	(1,729)	-29.5%

(1) Includes the operations of the US-based environmental and infrastructure drilling services business (E&I) that was sold on 15 July 2013.



(1) Includes the operations of the US-based environmental and infrastructure drilling services business (E&I) that was sold on 15 July 2013.

The table below shows the pro-forma results for the Global Drilling Services business taking out the first-half 2013 results of the E&I business.

Global Drilling Services (Excluding E&I business)

	For the half-year ended 30 June			
	2014 Pro Forma US$ Millions	2013 Pro Forma US$ Millions	$ Change	% Change
Pro Forma Financial Information				
Third party revenue	308.3	508.6	(200.3)	-39.4%
COGS				
Materials/labor/overhead/other	244.4	376.3	(131.9)	-35.1%
Depreciation and amortisation	36.6	48.2	(11.6)	-24.1%
Total COGS	281.0	424.5	(143.5)	-33.8%
COGS as a % of Revenue	*91.1%*	*83.5%*	*7.6%*	*9.1%*
Contribution margin $	13.4	44.6	(31.2)	-70.0%
Contribution margin %	4.3%	8.8%	-4.5%	-51.1%
EBITDA	36.6	69.1	(32.5)	-47.0%

Review of Segment Operations - Global Products

Safety

We regard safety as fundamental to the success of our Global Products business. We are committed to providing our employees with a safe workplace, and our employees are committed to operating safely wherever they are. In the first-half of 2014, we achieved a Total Case Incident Rate (TCIR) of 0.69 recordable incidents per 200,000 hours worked and a Lost-Time Incident Rate (LTIR) of 0.00 lost-time injuries per 200,000 hours worked. We have seen a steady trend of improvement in these closely monitored metrics since 2010.

Revenue

The market for the Global Products business remains soft relative to the first-half of 2013. Revenue in the first-half period of 2014 came in at $113.2 million, down 37.5% from $181.2 million for the comparable period of 2013. The primary driver of the decrease was lower sales volume due to the overall slowdown in the mineral exploration market. Although revenue was markedly down, we are starting to see a flattening in demand, which is apparent when comparing second quarter of 2014 results to the first quarter of 2014. Revenue in second quarter of 2014 came in at $55.4 million compared to $57.8 million in first-quarter of 2014. Anecdotal commentary from customers also indicates that the products market may be flattening. We expect to see a relatively flat environment in the near-term.

Of Global Products' revenue for the half-year ended 30 June 2014, approximately 80% was comprised of performance tooling components. Through a worldwide network of approximately 140 sales and customer service representatives, we primarily sell our products to drilling services contractors. No external Global Products customer represented more than 2% of our consolidated revenue for the half-year ended 30 June 2014. Global Products also provides the products necessary for our Global Drilling Services division.

Margins

We continue to experience margin pressure due primarily to the decrease in sales volume. Contribution Margin in first-half of 2014 came in at $15.7 million, down 54.4% from $34.4 million in the comparable period of 2013, despite a $2.9 million reduction in business SG&A. When comparing second quarter of 2014 to first quarter 2014, however, we are starting to see margin improvement. Contribution Margin in the second quarter of 2014 came in at $9.9 million compared to $5.8 million in first quarter of 2014. This margin improvement is primarily due to greater fixed cost leverage as production levels at the plants increase marginally. Due to the large reduction in inventories over the past two years, we have started building key SKUs, and this is benefitting Global Products' margins as manufacturing recoveries improve.

EBITDA in first-half of 2014 came in at $5.8 million, down 73.3% from $21.7 million in first-half of 2013, despite a $4.3 million reduction in allocated SG&A (along with the $2.9 million reduction in business SG&A mentioned above). The primary driver to the decrease in EBITDA was the decrease in sales volume. When comparing the second quarter of 2014 to the first quarter of 2014, however, we are seeing improvement. This is primarily due to the flow-through of the improved manufacturing recoveries referred to above. EBITDA in the second quarter of 2014 came in at $5.0 million compared to $0.8M in the first quarter of 2014.

Backlog

At 30 June 2014, we had a backlog of orders of products valued at $19.1 million. This compares to $14.3 million at 31 March 2014 and $27.7 million at 30 June 2013. Average backlog for the second quarter of 2014 was $16.9 million compared to $15.2 million in the first quarter of 2014. The steadiness in backlog supports the flattening trend we are seeing in our revenue environment. Backlog represents orders for products that we believe to be firm. However, it should be noted that there is no certainty that the backlog orders will, in fact, result in actual sales at the times or in the amounts ordered because our customers can cancel their orders without penalty.

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 2014, we had approximately 355 issued patents, 629 registered trademarks, 300 pending patent applications and 76 pending trademark applications. One of the most significant patents is our RQ™ coring rod. The RQ™ patented thread design withstands greater stress than all previously available coring rod designs, enabling drilling of substantially deeper holes. 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

We employ 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 issues and opportunities in the application of drilling technologies and to develop technical, marketable- solutions. We believe that this sharing of field data, challenges and opportunities, safety requirements and best practices, accelerates innovation across our business that also leads to increased safety performance 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 confidence. Prior to broader market introduction, new products are subject to extensive testing in various environments, again with assistance from our Global Drilling Services operator network around the world. In the half-year period ended 30 June 2014, we launched four new products and we continue to invest in our new product pipeline. New product development efforts remain focused on incremental product changes that directly benefit our customers productivity which allows customers to pay for our development efforts in almost any drilling services market environment.

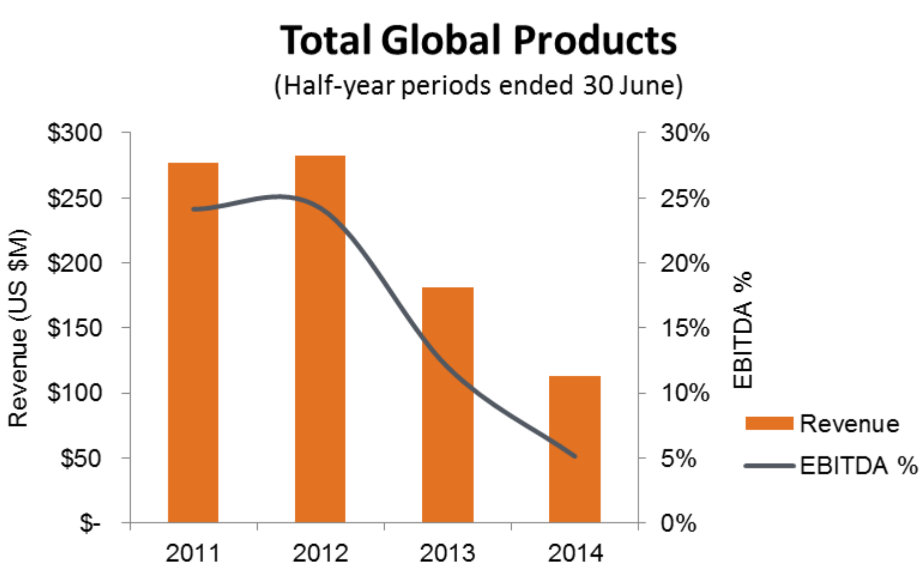
Inventory

As a result of improving our demand signal alignment with supply, inventory levels continue to reduce. We reduced inventory by $21.4 million during the first-half of 2014. The integration of the Global Products and Global Drilling Services supply chain groups is complete and inventory is now managed by a single supply chain team. Global Drilling Services continues to consume their products at a slow pace due to low rig utilisations in their fleet.

Global Products

	For the half-year ended 30 June			
	2014 US$ Millions	2013 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	113.2	181.2	(68.0)	-37.5%
COGS				
Materials/labor/overhead/other	79.4	115.0	(35.6)	-31.0%
Inventory obsolescence	0.1	10.1	(10.0)	-99.0%
Depreciation and amortisation	5.1	5.9	(0.8)	-13.6%
Total COGS	84.6	131.0	(46.4)	-35.4%
COGS as a % of Revenue	*74.7%*	*72.3%*	*2.4%*	*3.3%*
Contribution margin $	15.7	34.4	(18.7)	-54.4%
Contribution margin %	13.9%	19.0%	-5.1%	-26.8%
Business unit SG&A	12.9	15.8	(2.9)	-18.4%
Allocated SG&A	15.7	20.0	(4.3)	-21.5%
EBITDA	5.8	21.7	(15.9)	-73.3%
Capital Spend (accrual)	0.6	0.4	0.2	50.0%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	16.1	37.4	(21.3)	-57.0%
Inventory	169.0	192.1	(23.1)	-12.0%
# of Employees	1,382	990	392 [1]	39.6%

[1] Increase in Global Products employees is due to the consolidation of maintenance and supply chain operations into the Global Products division.



7. Non-IFRS Financial Information

	For the half-year ended 30 June			
	2014	2014	2013	2013
US$ Millions	US$ Millions	US$ Millions	US$ Millions	US$ Millions
EBITDA(1)	**(33.0)**		**(235.1)**	
NPAT(2)		**(142.8)**		**(329.4)**
Goodwill impairment	-	-	166.3	166.3
Property, plant and equipment impairment	41.4	41.4	55.7	55.7
Inventory impairment	1.1	1.1	57.0	57.0
Employee separation and related costs	3.5	3.5	13.7	13.7
Development asset impairment	-	-	8.1	8.1
Intangible assets impairment	-	-	9.1	9.1
Other restructuring and impairment costs	5.7	5.7	5.6	5.6
Tax effect of significant items and other tax write offs(3)		23.1		(10.3)
Total of significant items	51.7	74.8	315.5	305.2
Adjusted EBITDA(1)	**18.7**		**80.4**	
Adjusted NPAT(2)		**(68.0)**		**(24.2)**

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

(2) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and significant items'.

(3) Includes tax expense on derecognition of deferred tax assets and unrecognised tax losses of $32.0 million.

8. Outlook

8.1 Our 2014 Priorities

Our key priorities for 2014 are to:

- eliminate job related injuries by maintaining and enhancing our culture around safety and compliance;
- expand our mining and minerals drilling customer base by focusing on low cost mines;
- effectively manage pricing and contract terms;
- improve the quality of our customer service;
- create new products and respond to new Global Drilling Service's customers within a constrained capital budget;
- efficiently manage variable and fixed costs, including capital; and
- strengthen our financial position by reducing debt.

Eliminate job related injuries by maintaining and enhancing our strong safety and compliance record. Safety is of critical importance to the Company, our employees, and our customers, both in determining the success of our business and in ensuring the ongoing safety of our employees and others with whom we come into contact. We are dedicated to eliminating job related injuries by providing a safe work environment for each one of our employees by implementing and adhering to high safety standards, continually seeking ways to maintain and enhance the safety of our drilling services and products businesses and ensuring that when injuries occur we investigate those injuries and determine.

Expand our mining and minerals drilling customer base by focusing on low cost mines. The company remains focused on providing our customers with a full range of drilling services offerings backed by 120 years of experience and innovation, improving the efficiency with which we deliver information to our customers, and operating under clear contract and pricing terms. In particular, we seek to be the driller of choice at our clients' 'flagship' projects—typically among the highest producing, lowest cost projects in their portfolios. Drilling activity at these sites tends to be less volatile, higher volume, and involve longer-term contracts, allowing Boart Longyear the opportunity to leverage its costs and to develop site-specific expertise that brings value both to the customer and to Boart Longyear.

Creating new products and respond to new Global Drilling Service's customers within a constrained capital budget. Disciplined investments in our business to drive returns. We will continue to actively manage our rig fleet and capitalise on investments made in all areas of the business during the past few years. Because we have spent in excess of $600 million in capital expenditures in 2010 through 2012 (including approximately $430 million for drilling rigs and support equipment), we believe future capital expenditures are likely to be more moderate at an expected $25 - $50 million per year over the next several years, unless rig utilisation rates increase significantly. This level of capital expenditure will allow us to focus on high-value opportunities in which we can leverage distinctive competencies, such as for mine water services, or on market segments that are more resilient in industry contractions, such as underground drilling services and products. We also will continue to explore entry into geographies with favorable risk/return metrics and on technologies and high value added and more profitable activities.

Efficiently manage our variable and fixed costs, including capital. We believe that our variable cost structure is a key advantage that allows us to operate our business with significant flexibility in response to the market environment. We are committed to continuously reviewing our cost structure in order to maintain a relatively high percentage of our costs that are variable. In addition, we are committed to delivering on the $28 million cost out program initiated in January 2014. We will continue to pursue manufacturing and administrative optimisation programs in order to improve our operating efficiency beyond those initiatives that have already been announced. We continue to focus on process improvements and structural changes to improve customer support and responsiveness and drive long-term efficiencies. For example, we are improving working capital management and product delivery through the consolidation of the supply chain organisations in our Global Products and Global Drilling Services divisions. Similarly, we are leveraging the extensive global maintenance organisation in our Global Drilling Services division to expand the reach, capabilities and offerings of the aftermarket services business of our Global Products division. Our objective is to continue to seek growth opportunities in our core markets while positioning our business at the top end of our peer group for profitability and cash generation. We also intend to continue our disciplined focus on customer relationships and to seek mutually favorable contract terms. And, further, we are moving towards shared-service organisations to increase process efficiencies and to leverage our knowledge base across the global financial organisation.

Strengthen our financial position by reducing debt - provide continued access to liquidity under the terms and conditions of our borrowing arrangements. The Company currently has a higher than desired gearing level which impacts the costs and terms upon which we can access the debt and equity markets. Access to borrowings under our bank debt facility are conditional upon meeting certain financial covenants and those covenants are set at levels that, under certain of our projections, may not be met. As such, we have entered into a series of amendments to our credit agreement in June and September 2013 and in February and August 2014. See details in Note 13 to the financial statements.

In addition to pursuing continued access to liquidity through capital markets and banking arrangements, the Company will continue to focus on organic cash generating activities, such as filling customer orders with existing stock on-hand and increasing overall inventory turnover.

8.2 Our 2014 Outlook

Given current and anticipated market conditions, the Company expects full-year 2014 financial performance to be consistent with current analyst consensus for revenue and EBITDA, as reflected by Bloomberg as at 15 August 2014. With a mean revenue estimate of $842 million (range of $766 million to $878 million) and a mean normalised EBITDA[1] estimate of $47 million (range of $26 million to $58 million), analyst estimates reasonably conform to the Company's current range of expectations for 2014. Similarly, consensus analyst forecasts of $531 million (range of $514 million to $561 million) for net debt at year-end also approximate Company expectations, absent the potential for additional cash charges for further restructuring activities prior to year-end.

We expect that the primary factors driving our revenue, such as rig utilisation rates and product sales volumes, will remain broadly consistent with levels experienced in the first-half of 2014. Profitability will be influenced by those and other factors, such as price, productivity, our ability to further control costs, potentially lower levels of exploration and development spending by mining companies and the fact that contracts for our drilling services and products can be cancelled by our customers with little notice.

Our full-year 2014 outlook for several key business metrics is set forth below:

	2014 Outlook US$ Millions
Selling, general and administrative expenses	165 to 170
Net interest expense	50 to 55
Capital spending	25 to 30

8.3 Future Developments

We believe that, subject to a favourable outcome of our strategic review, described further in Section 9, we are well-positioned to take advantage of positive long-term mining industry fundamentals. The mining industry is cyclical. Notwithstanding the current sector challenges, the longer-term outlook for the mining industry is expected to remain attractive underpinned by:

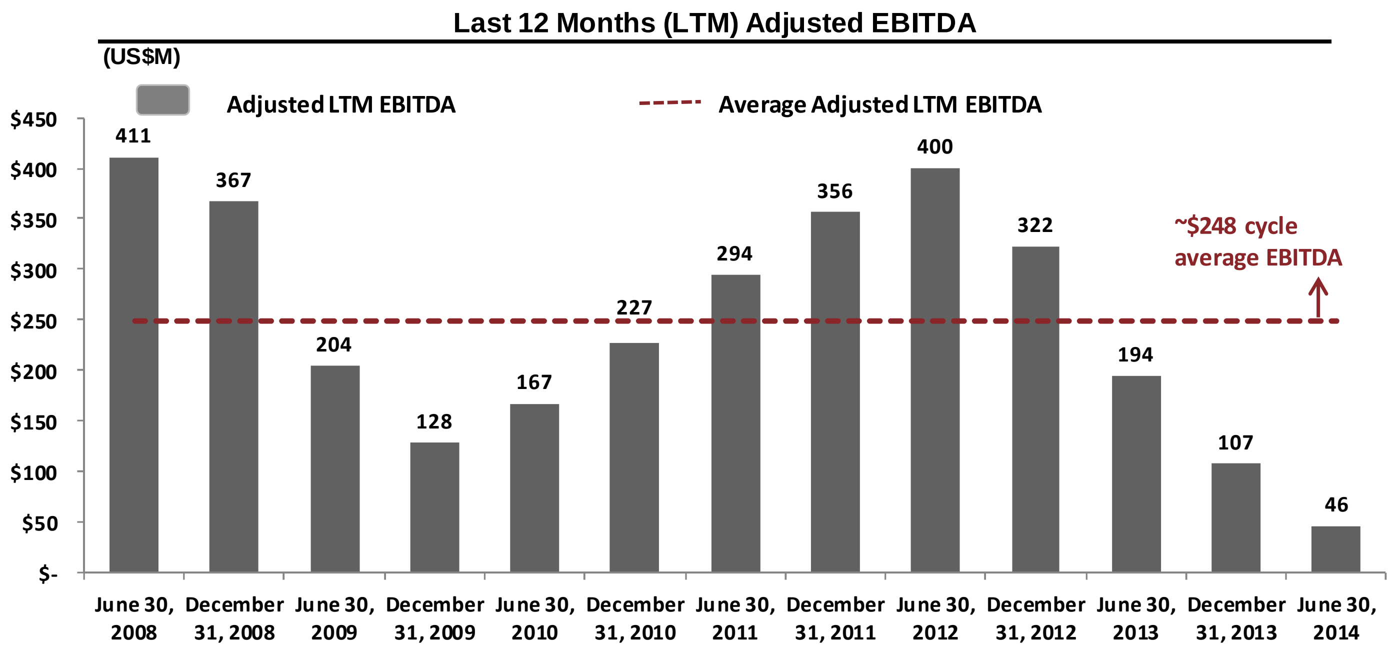
- continued industrialisation and urbanisation of developing economies, which are expected to support structural increases in demand for minerals and metals; and
- although volatile, continued high commodity prices relative to price levels over the past decade.

As a result, we believe natural resources companies will be compelled to produce throughout the cycle and supplement and replace their reserves, over time, driving exploration, development and capital spending. As the leading drilling services provider globally with the world's largest drilling fleet, Boart Longyear is well positioned to capture expansionary opportunities in Global Drilling Services as well as increasing demand from our Global Products customers. And, as we continue to drive technological innovation and engineering excellence in both Global Drilling Services and Global Products business, we should see increased opportunities resulting from enhanced services and products offerings to our customers. For almost 125 years, we have pioneered and developed many of the mineral drilling techniques and products that have represented the cutting edge of the drilling industry. Going forward, we are committed to continuing as a leader in the drilling industry in the areas of technological innovation and engineering excellence to improve productivity, efficiency, accuracy, reliability and safety. Our integrated business model uniquely positions us to do so. We aim to be the "One Source" for drilling services, drilling equipment and performance tooling for mining and drilling companies globally by offering our customers a comprehensive portfolio of technologically advanced and innovative drilling services and products.

(1) Analyst normalised EBITDA is consistent with the Company's adjusted EBITDA

The Company remains focused on its core mining markets and intends to continue to invest in high-potential organic growth opportunities in those markets in a selective and disciplined manner. Examples of such opportunities include ongoing expansion of the Company's mine water drilling services business, as well as developing the next generation of consumable products, rod-handling solutions for the entire range of drilling rigs the Company offers and other products that enhance safety and productivity. In addition, the Company continues to evaluate operational enhancements to improve operating margins, cash generation and debt reduction, such as an ongoing evaluation of its overhead cost structure and initiatives to reduce inventory and working capital. The Company may also elect to expand through strategic acquisitions.

As our markets improve, we expect, over time, that the Company's EBITDA generation could return to the historical levels of "mid-cycle" EBITDA as depicted below.



As our markets improve, we also believe we can earn better margins than the Company has realised historically as a result of the significant reductions in SG&A and overhead costs realised in 2013 and into 2014, most of which will not need to be replaced. In addition, the efficiencies we are generating through the consolidation of the Global Products division's aftermarket services group with the Global Drilling Services division's maintenance group and the supply chain groups for both divisions are significant. We also expect that as our EBITDA generation improves, along with improved management of inventory levels and working capital and reduced capital spending, we will be able to pay down debt.

Further information about likely developments in the operations of the Company in future years, expected results of those operations, and strategies of the Company and its prospects for future financial years have been omitted from this report because disclosure of the information would be speculative or could be prejudicial to the Company.

9 Quarterly Income Statement and Related Information

	Quarters ended 2014		Quarters ended 2013				Quarters ended 2012			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Company										
Revenue (US$ millions)	224.1	197.4	224.5	279.5	348.7	370.2	399.1	513.6	578.3	520.5
EBITDA (US$ millions)	(31.1)	(1.9)	(100.8)	(1.2)	(269.7)	34.6	(42.2)	88.8	121.9	85.8
Adjusted EBITDA (US$ millions)	14.9	3.8	8.0	18.8	40.1	40.3	24.0	89.2	122.9	85.8
Bank Compliance EBITDA (LTM)	63.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net cash flows (used by) provided by operating activities	(8.3)	(6.3)	4.1	36.1	17.8	(46.5)	60.3	(20.0)	65.7	(41.8)
Net Debt (US$ millions)	555.8	544.4	526.4	523.0	563.8	571.3	512.3	469.4	373.2	328.1
Bank Compliance Debt	654.0	640.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SG&A (US$ millions)	42.1	41.2	43.6	48.4	51.1	59.0	66.9	76.1	77.6	77.1
# of employees	5,871	5,593	5,681	6,020	7,270	8,283	9,162	10,970	11,426	11,087
Global Drilling Services										
Revenue (US$ millions)	168.7	139.6	163.4	216.3	265.3	272.3	296.4	403.1	425.0	391.7
EBITDA (US$ millions)	25.4	11.2	15.5	42.7	42.6	41.1	31.9	80.9	100.1	76.7
Average rig utilisation	39%	32%	31%	37%	43%	39%	44%	57%	61%	61%
Average # of drill rigs (with E&I)	945	950	1,031	1,037	1,139	1,146	1,182	1,176	1,180	1,175
Average # of drill rigs (without E&I)	945	950	1,031	1,037	1,037	1,044	1,011	996	990	981
# of employees	4,130	3,874	4,338	4,737	5,859	6,749	7,338	8,841	9,193	8,909
Global Products										
Revenue (US$ millions)	55.4	57.8	61.1	63.2	83.3	97.9	102.7	110.5	153.4	128.7
EBITDA (US$ millions)	5.0	0.8	2.6	(8.2)	8.7	13.0	12.0	27.0	41.7	26.5
Average backlog (US$ millions)	16.9	15.2	19.4	19.8	31.5	43.3	41.2	48.5	71.8	82.4
# of employees	1,382	1,363	910	899	990	1,103	1,173	1,467	1,559	1,541

Going concern

The financial statements have been prepared on the basis of a going concern, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors consider that liquidity from operating cash flow and available drawings under the revolving credit facility will be adequate to enable the Company to meet its debts as and when they fall due, subject to the risks and uncertainties described below, which give rise to material uncertainty.

For the half-year ended 30 June 2014, the Company incurred a net loss after tax of $142.8 million (2013: net loss of $329.4 million for the comparable period), generated net cash from operations before interest and taxes of $16.1 million (2013: $16.2 million for the comparable period) and used net cash flows from operating activities of $14.6 million (2013: $28.7 million for the comparable period).

As at 30 June 2014, the Company had cash and cash equivalents of $68.7 million (31 December 2013: $59.1 million) and total debt, gross of amortisation of $638.0 million (31 December 2013: $600.0 million). As at 30 June 2014, the Company had borrowed $38.0 million and had an additional $11.1 million in outstanding letters of credit under its $140.0 million revolving bank credit facility. Letters of credit are considered borrowings against the facility.

Under the terms of the revolving credit facility (Credit Agreement), $120.0 million of the $140.0 million in facility commitments is available for cash drawings. To the extent the maximum cash drawings of $120.0 million occur, the remaining $20 million in facility commitments is restricted to support non-cash obligations, such as security for the Company's appeal of Canadian tax assessments. The facility is also subject to a $100.0 million sublimit for the issuance of letters of credit. This sublimit provides that, to the extent not otherwise used for cash borrowings and subject to the aggregate maximum of $140.0 million in facility commitments, the Company may issue up to $100.0 million in letters of credit. Company borrowings from the revolving credit facility may also be limited by other terms of the Credit Agreement, most notably the Maximum Total Indebtedness covenant. Based on current liquidity forecasts and historical information concerning the Company's liquidity requirements, the Company considers the amounts available for future borrowings under the revolving credit facility combined with cash on hand to be adequate to meet operational and other liquidity requirements.

The Company was in compliance with all covenants of the Credit Agreement as at 30 June 2014. Based on internal projections for revenue and EBITDA, the Company expects to be covenant compliant through the 31 March 2015 compliance testing date. On 16 August 2014, the Company also completed a seventh amendment to the Credit Agreement, which provides additional head room under certain covenants and, therefore, additional comfort that the Company will continue to have access to its revolving bank credit facility during the pendency of its strategic review of recapitalisation options. The specific terms of the seventh amendment and the Credit Agreement are disclosed in Note 13 to the financial statements.

The Company notes, however, that, based on internal projections, it does not expect to be compliant with the covenants of the Credit Agreement as at the 30 June 2015 covenant compliance testing date absent a significant and rapid improvement in market conditions and the financial performance of the Company or a future amendment of the terms of the Credit Agreement, none of which can be assumed at present. The seventh amendment also does not guarantee the Company's ability to comply with the financial covenants at testing dates prior to 30 June 2015, as the Company's core mining markets are volatile and prone to significant, rapid and unpredictable changes in demand. Further, pricing pressure for the Company's goods and services continues to be significant and future price impacts could materially affect financial performance. Under the terms of the Credit Agreement, a breach of a financial covenant, other default or occurrence of an event or circumstance that is likely to have a material adverse effect on the Company could prevent the Company from accessing the revolving bank facility. In such an event, the Company currently does not have any readily available alternate sources of liquidity to fund day-to-day requirements.

In preparing the financial statements on a going concern basis, however, the Directors have had regard to information, including, but not limited to, the following:

- the Company's current financial condition, including available liquidity, liquidity projections and the absence of defaults under the Credit Agreement;
- projections and forecasts for the Company in the context of the expected mining industry environment;
- an independent advisor's review of the Company's position;
- the initiatives taken by management, including initiatives to reduce operating, SG&A and capital costs and to maximise current cash flows by reducing inventory levels and minimising working capital; and
- the ongoing support of the Company's bank group, including its agreement to the recently completed amendment of the Credit Agreement (as discussed above).

Going concern (continued)

In particular, the Directors have carefully evaluated the options currently under consideration in the ongoing strategic review of recapitalisation options. The Directors, with the concurrence of management and the Company's advisors, reasonably believe the strategic review of recapitalisation options will yield a transaction prior to the 30 June 2015 compliance testing date.

As a result of the matters outlined above, there is material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern in the future and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and in the amounts stated in the financial statements. The ability of the Company to continue as a going concern is likely to depend on the Company's ability to successfully conclude on its strategic review of recapitalisation options and complete any recapitalisation transaction prior to 30 June 2015.

Dividends

No dividend has been determined for either of the half-years ended 30 June 2013 or 30 June 2014.

Disposals

There were no disposals of businesses during the half-year period ended 30 June 2014, but a disposal of the Company's environmental and infrastructure drilling services operations in the United States was completed after the half-year period ended 30 June 2013.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is on page 37 of this report.

ROUNDING OF AMOUNTS

Boart Longyear Limited is a company of the kind referred to in Class Order 98/100, dated 10 July 1998, 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 Class Order, 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

Barbara Jeremiah
Chairman

26 August 2014

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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26 August 2014

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

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 2014, 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

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the Members of Boart Longyear Limited

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 2014, 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 40 to 64.

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 2014 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.

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 2014 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*.

Emphasis of Matter

Without modifying our conclusion we draw attention to Note 1 in the financial report which outlines the directors' assessment that:

(a) Based on current forecasts, Boart Longyear Limited does not expect to be compliant with the covenants of the Credit Agreement as at the 30 June 2015 covenant compliance testing date; and
(b) The ability of the consolidated entity to continue as a going concern is likely to depend on the consolidated entity's ability to successfully conclude on its strategic review of recapitalisation options and complete any recapitalisation transaction prior to 30 June 2015.

These factors, along with other matters set out in Note 1, indicate the existence of material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 26 August 2014

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.

The Directors draw the reader's attention to Note 1 to the financial statements on page 46 concerning the going concern basis of preparation of the half-year financial statements and potential impact of material uncertainties related to the Company's market outlook on its strategic review of recapitalisation options.

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

Barbara Jeremiah

Barbara Jeremiah
Chairman

26 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2014

	Note	Half-year ended 30 June 2014 US$'000	Half-year ended 30 June 2013 US$'000
Continuing operations			
Revenue		421,495	718,863
Cost of goods sold		(365,564)	(584,463)
Gross margin		55,931	134,400
Other income	5	4,310	327
General and administrative expenses		(63,047)	(85,538)
Selling and marketing expenses		(20,271)	(24,611)
Restructuring expenses and related impairments	7	(51,719)	(315,489)
Other expenses	5	(11,157)	(15,646)
Operating loss		(85,953)	(306,557)
Interest income		2,809	924
Finance costs	6	(30,911)	(16,671)
Loss before taxation		(114,055)	(322,304)
Income tax expense	9	(28,771)	(7,090)
Loss for the period attributable to equity holders of the parent		(142,826)	(329,394)
Loss per share			
Basic loss per share		(31.3) cents	(72.5) cents
Diluted loss per share		(31.3) cents	(72.5) cents
Other comprehensive loss			
Loss for the period attributable to equity holders of the parent		(142,826)	(329,394)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(3,642)	(83,070)
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses related to defined benefit plans		(5,439)	-
Income tax on income and expense recognised directly through equity		1,121	-
Other comprehensive loss for the period, net of tax		(7,960)	(83,070)
Total comprehensive loss for the period attributable to equity holders of the parent		(150,786)	(412,464)

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 46-64

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Note	30 June 2014 US$'000	31 December 2013 US$'000
Current assets			
Cash and cash equivalents		68,675	59,053
Trade and other receivables	10	189,653	196,912
Inventories		277,533	298,947
Current tax receivable		15,041	18,253
Prepaid expenses and other assets		21,454	25,054
Total current assets		572,356	598,219
Non-current assets			
Property, plant and equipment		337,053	408,311
Goodwill	11	104,047	103,974
Other intangible assets	11	84,796	92,028
Deferred tax assets		99,880	110,243
Other assets		31,713	17,706
Total non-current assets		657,489	732,262
Total assets		1,229,845	1,330,481
Current liabilities			
Trade and other payables	12	144,485	153,152
Provisions	14	31,747	33,263
Current tax payable		92,794	91,649
Loans and borrowings	13	5	84
Total current liabilities		269,031	278,148
Non-current liabilities			
Loans and borrowings	13	624,436	585,375
Deferred tax liabilities		17,671	1,179
Provisions	14	39,398	37,184
Total non-current liabilities		681,505	623,738
Total liabilities		950,536	901,886
Net assets		**279,309**	**428,595**
Equity			
Issued capital		1,131,465	1,129,014
Reserves		(41,905)	(37,312)
Other equity		(137,182)	(137,182)
Accumulated loss		(673,069)	(525,925)
Total equity		**279,309**	**428,595**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 46-64

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2014

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Other equity US$'000	Accumulated (losses)/ retained earnings US$'000	Total attributible to owners of the parent US$'000
Balance at 1 January 2013	1,122,189	56,658	14,256	(137,182)	79,496	1,135,417
Loss for the period	-	-	-	-	(329,394)	(329,394)
Other comprehensive loss for the period	-	(83,070)	-	-	-	(83,070)
Total other comprehensive income	-	(83,070)	-	-	(329,394)	(412,464)
Payment of dividends	-	-	-	-	(4,612)	(4,612)
Vesting of LTIP rights, restricted shares	5,854	-	(5,854)	-	-	-
Share-based compensation	-	-	(999)	-	-	(999)
Balance at 30 June 2013	**1,128,043**	**(26,412)**	**7,403**	**(137,182)**	**(254,510)**	**717,342**
Balance at 1 January 2014	1,129,014	(45,973)	8,661	(137,182)	(525,925)	428,595
Loss for the period	-	-	-	-	(142,826)	(142,826)
Other comprehensive loss for the period	-	(3,642)	-	-	(4,318)	(7,960)
Total other comprehensive income	-	(3,642)	-	-	(147,144)	(150,786)
Vesting of LTIP rights, restricted shares	2,451	-	(2,451)	-	-	-
Share-based compensation	-	-	1,500	-	-	1,500
Balance at 30 June 2014	**1,131,465**	**(49,615)**	**7,710**	**(137,182)**	**(673,069)**	**279,309**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 46-64

Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2014

	Note	Half-year ended 30 June 2014 US$'000	Half-year ended 30 June 2013 US$'000
Cash flows from operating activities			
Loss for the year		(142,826)	(329,394)
Adjustments provided by operating activities:			
Income tax expense recognised in profit		28,771	7,090
Finance costs recognised in profit	**6**	30,911	16,671
Depreciation and amortisation		52,904	71,467
Interest income recognised in profit		(2,809)	(924)
Gain on disposal of non-current assets		(206)	(327)
Impairment of current and non-current assets		42,488	299,400
Non-cash foreign exchange loss		760	3,593
Share-based compensation		1,500	(999)
Long-term compensation - cash rights		2,342	(16)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
Decrease (increase) in assets:			
Trade and other receivables		7,187	(4,760)
Inventories		22,474	39,568
Other assets		(5,580)	14,370
(Decrease) increase in liabilities:			
Trade and other payables		(13,127)	(90,430)
Provisions		(8,725)	(9,108)
Cash generated from operations		16,064	16,201
Interest paid		(28,555)	(16,089)
Interest received		2,809	924
Income taxes paid		(4,914)	(29,780)
Net cash flows used in operating activities		**(14,596)**	**(28,744)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 46-64

Condensed Consolidated Statement of Cash Flows (continued)

For the half-year ended 30 June 2014

	Note	Half-year ended 30 June 2014 US$'000	Half-year ended 30 June 2013 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,451)	(17,498)
Proceeds from sale of property, plant and equipment		2,739	12,200
Intangible costs paid		(3,423)	(4,403)
Net cash flows used in investing activities		**(7,135)**	**(9,701)**
Cash flows from financing activities			
Payments for debt issuance costs		(838)	(1,473)
Proceeds from borrowings		51,000	103,006
Repayment of borrowings		(13,085)	(106,056)
Dividends paid	**15**	-	(4,612)
Net cash flows provided by (used in) financing activities		**37,077**	**(9,135)**
Net increase (decrease) in cash and cash equivalents		**15,346**	**(47,580)**
Cash and cash equivalents at the beginning of the period		**59,053**	**89,628**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(5,724)**	**(7,867)**
Cash and cash equivalents at the end of the period		**68,675**	**34,181**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 46-64

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.

General information and 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 Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order 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 financial statements have been prepared on the basis of a going concern, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors consider that liquidity from operating cash flow and available drawings under the revolving credit facility will be adequate to enable the Company to meet its debts as and when they fall due, subject to the risks and uncertainties described below, which give rise to material uncertainty.

For the half-year ended 30 June 2014, the Company incurred a net loss after tax of $142,826,000 (2013: net loss of $329,394,000 for the comparable period), generated net cash from operations before interest and taxes of $16,064,000 (2013: $16,201,000 for the comparable period) and used net cash flows from operating activities of $14,596,000 (2013: $28,744,000 for the comparable period).

As at 30 June 2014, the Company had cash and cash equivalents of $68,675,000 (31 December 2013: $59,053,000) and total debt, gross of amortisation of $638,000,000 (31 December 2013: $600,000,000). As at 30 June 2014, the Company had borrowed $38,000,000 and had an additional $11,088,000 in outstanding letters of credit under its $140,000,000 revolving bank credit facility. Letters of credit are considered borrowings against the facility.

Under the terms of the revolving credit facility (Credit Agreement), $120,000,000 of the $140,000,000 in facility commitments is available for cash drawings. To the extent the maximum cash drawings of $120,000,000 occur, the remaining $20,000,000 in facility commitments is restricted to support non-cash obligations, such as security for the Company's appeal of Canadian tax assessments. The facility is also subject to a $100,000,000 sublimit for the issuance of letters of credit. This sublimit provides that, to the extent not otherwise used for cash borrowings and subject to the aggregate maximum of $140,000,000 in facility commitments, the Company may issue up to $100,000,000 in letters of credit. Company borrowings from the revolving credit facility may also be limited by other terms of the Credit Agreement, most notably the Maximum Total Indebtedness covenant. Based on current liquidity forecasts and historical information concerning the Company's liquidity requirements, the Company considers the amounts available for future borrowings under the revolving credit facility combined with cash on hand to be adequate to meet operational and other liquidity requirements.

The Company was in compliance with all covenants of the Credit Agreement as at 30 June 2014. Based on internal projections for revenue and EBITDA, the Company expects to be covenant compliant through the 31 March 2015 compliance testing date. On 16 August 2014, the Company also completed a seventh amendment to the Credit Agreement, which provides additional head room under certain covenants and, therefore, additional comfort that the Company will continue to have access to its revolving bank credit facility during the pendency of its strategic review of recapitalisation options. The specific terms of the seventh amendment and the Credit Agreement are disclosed in Note 13.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Going concern (Continued)

The Company notes, however, that, based on internal projections, it does not expect to be compliant with the covenants of the Credit Agreement as at the 30 June 2015 covenant compliance testing date absent a significant and rapid improvement in market conditions and the financial performance of the Company or a future amendment of the terms of the Credit Agreement, none of which can be assumed at present. The seventh amendment also does not guarantee the Company's ability to comply with the financial covenants at testing dates prior to 30 June 2015, as the Company's core mining markets are volatile and prone to significant, rapid and unpredictable changes in demand. Further, pricing pressure for the Company's goods and services continues to be significant and future price impacts could materially affect financial performance. Under the terms of the Credit Agreement, a breach of a financial covenant, other default or occurrence of an event or circumstance that is likely to have a material adverse effect on the Company could prevent the Company from accessing the revolving bank facility. In such an event, the Company currently does not have any readily available alternate sources of liquidity to fund day-to-day requirements.

In preparing the financial statements on a going concern basis, however, the Directors have had regard to information, including, but not limited to, the following:

- the Company's current financial condition, including available liquidity, liquidity projections and the absence of defaults under the Credit Agreement;
- projections and forecasts for the Company in the context of the expected mining industry environment;
- an independent advisor's review of the Company's position;
- the initiatives taken by management, including initiatives to reduce operating, SG&A and capital costs and to maximise current cash flows by reducing inventory levels and minimising working capital; and
- the ongoing support of the Company's bank group, including its agreement to the recently completed amendment of the Credit Agreement (as discussed above).

In particular, the Directors have carefully evaluated the options currently under consideration in the ongoing strategic review of recapitalisation options. The Directors, with the concurrence of management and the Company's advisors, reasonably believe the strategic review of recapitalisation options will yield a transaction prior to the 30 June 2015 compliance testing date.

As a result of the matters outlined above, there is material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern in the future and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and in the amounts stated in the financial statements. The ability of the Company to continue as a going concern is likely to depend on the Company's ability to successfully conclude on its strategic review of recapitalisation options and complete any recapitalisation transaction prior to 30 June 2015.

2. SUMMARY OF ACCOUNTING POLICIES AND ADOPTION OF NEW STANDARDS

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 2013 Annual Financial Report for the financial year ended 31 December 2013, 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.

Adoption of new and revised Accounting Standards

There are no new or revised Standards and Interpretations adopted in these half-year financial statements affecting the reporting results or financial position.

3. CRITICAL ACCOUNTING POLICIES

In applying A-IFRS, 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 relate to the following areas:

(a) Goodwill, intangible assets and property, plant and equipment

The Company determines whether goodwill is impaired on an annual basis and assesses impairment of all other assets at each reporting date by evaluating whether indicators of impairment exist. This evaluation includes consideration of the market conditions specific to the industry in which the group operates, the decline in demand for drilling services and low rig utilisation rates, the political environment in countries in which the group operates, technological changes, expectations in relation to future cash flows and the Company's market capitalisation. Where an indication of impairment exists the recoverable amount of the asset is determined. Recoverable amount is the greater of fair value less costs to sell and value in use. Impairment is considered for individual assets, or cash generating units (CGU). Judgments are made in determining appropriate cash generating units. When considering whether impairments exist at a CGU, the Company uses the value in use methodology.

The value in use calculation requires the Company to estimate the future cash flows expected to arise from a cash-generating unit and a suitable discount rate in order to calculate present value. These estimates are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets.

See Note 7 for details relating to expenses arising as a result of the impairment process and a description of the key assumptions made.

(b) Recoverability of Inventories

The Company measures inventory at the lower of cost or net realisable value. Due to the decline in the demand for products, and consumables used in our Global Drilling Services business, and the high inventory balances across the group and the speed at which inventory is turning in the current market, significant judgment is required in determining net realisable value of inventory.

(c) Property, Plant and Equipment

The Company's assets are held in various differing geographical, political and physical environments across the world, therefore, the estimation of useful lives of assets is an area of significant judgment. Our current estimate has been based on historical experience. In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

(d) Income Taxes

The Company is subject to income taxes in Australia and other jurisdictions around the world in which the Company operates. Significant judgment is required in determining the Company's current tax assets and liabilities. Judgments are required about the application of income tax legislation and its interaction with income tax accounting principles. Tax positions taken by the Company are subject to challenge and audit by various income tax authorities in jurisdictions in which the group operates.

Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses, foreign tax credits and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows.

These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and tax liabilities recognised on the balance sheet. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and tax liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

(e) Defined Benefit Pension Plans

The Company's accounting policy for defined benefit pension plans requires management to make annual estimates and assumptions about future returns on classes of assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in equity.

4. 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 operation decision maker for the purposes of resource allocation and assessment of segment performance.

4. SEGMENT REPORTING (CONTINUED)

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	30 June 2014		30 June 2013		30 June 2014	30 June 2013
	US$'000		US$'000		US$'000	US$'000
Drilling Services		308,268		537,630	(2,633)	29,802
Global Products revenue						
Products third party revenue	113,227		181,233			
Products inter-segment revenue [1]	37,571		38,243			
Total Products		150,798		219,476	(550)	14,580
Less Global Product sales to Global Drilling Services		(37,571)		(38,243)		
Total third party revenue		421,495		718,863	(3,183)	44,382
Unallocated costs [2]					(31,051)	(35,450)
Restructuring expenses and related impairments					(51,719)	(315,489)
Finance costs					(30,911)	(16,671)
Interest income					2,809	924
Loss before taxation					(114,055)	(322,304)

(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.

5. OTHER INCOME AND EXPENSES

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

	2014	2013
	US$'000	US$'000
Other income		
Litigation Settlement	3,050	-
Gain on foreign currency exchange differences	505	-
Gain on disposal of property, plant and equipment	206	327
Other	549	-
	4,310	327
Other expenses		
Amortisation of intangible assets	8,360	9,718
Impairment of property, plant and equipment	-	3,159
Loss on foreign currency exchange differences	-	2,701
Other	2,797	68
	11,157	15,646

6. FINANCE COSTS

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

	2014 US$'000	2013 US$'000
Interest on loans and bank overdrafts	29,002	16,038
Amortisation of debt issuance costs	1,904	582
Interest on obligations under finance leases	5	51
Total finance costs	30,911	16,671

7. RESTRUCTURING EXPENSES AND RELATED IMPAIRMENTS

During 2014, the Company continued to reduce operating costs through a series of restructuring activities. The Company's continuing restructuring efforts include:

- Consolidation of drilling services zones into larger territories;
- Rationalisation of manufacturing, inventory and administrative facilities; and
- Consolidation of the Products division's aftermarket services group with the Drilling Services maintenance group as well as the supply chain groups for both divisions.

The Company has incurred costs related to executing its restructuring and cost-reduction plans, including costs associated with employee separations, leased facilities, and impairments of inventory and capital equipment related to resizing the business.

In addition, due to the continued deterioration in revenues and profitability as well as a forecast global slowdown in the demand for drilling services and products, the Company has reassessed the carrying value of certain assets, including goodwill, intangibles, plant and equipment and inventory, resulting in additional impairment charges and provisions. A description of the impairment process is provided below.

Restructuring expenses and related impairments for the half-year ended 30 June are, as follows:

	2014 US$'000	2013 US$'000
Goodwill impairment	-	166,313
Equipment impairment	41,358	50,803
Inventory impairment	1,060	56,983
Intangible asset impairment	-	9,120
Employee separation and related costs	3,460	13,670
Development asset impairment	-	8,143
Land and buildings impairment	-	4,878
Other restructuring costs	5,237	4,847
Onerous leases	604	732
	51,719	315,489
Net of tax	42,863	269,013

7. RESTRUCTURING EXPENSES AND RELATED IMPAIRMENTS (CONTINUED)

Restructuring expenses and related impairments for the half-year ended 30 June relate to the following expense categories:

	2014 US$'000	2013 US$'000
Cost of goods sold	48,140	107,745
General and administrative expenses	2,520	27,696
Selling and marketing expenses	1,056	1,729
Research and development	3	12,006
Other expense	-	166,313
	51,719	315,489

Restructuring expenses and related impairments for the half-year ended 30 June by business segment are, as follows:

	2014 US$'000	2013 US$'000
Global drilling services	49,607	264,781
Global products	683	28,072
Unallocated	1,429	22,636
	51,719	315,489

Impairment Process

In its impairment assessment, the Company assumes the recoverable amount based on a value-in-use calculation. Cash flow projections are based on the Company's expected performance over a nine-year period, which approximates the length of a typical mining business cycle based on historical industry experience, with a terminal value. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. The post-tax discount rate is applied to post tax cash flows that include an allowance for tax based on the respective jurisdictions' tax rate, no allowance is made for existing timing differences or carry-forward losses. This method is used to approximate the requirement of the accounting standards to apply a pre-tax discount rate to pre-tax cash flows as the company determined it was not feasible to calculate a stand-alone pre-tax discount rate.

In performing its impairment analysis the Company takes the following approach:

- Assets are first considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or salability within a reasonable timeframe.

7. RESTRUCTURING EXPENSES AND RELATED IMPAIRMENTS (CONTINUED)

Impairment Process (Continued)

- The Company also assesses the recoverability of its assets collectively across cash generating units ("CGUs"), where assets are not fully covered by the individual analysis above. In assessing the appropriate CGUs to test the Company takes the following approach:

  - Whilst not operating its full asset pool on an individual country basis, where goodwill exists the Company assesses the recoverability of goodwill within the country in which the original acquisition generating the goodwill was incurred;

  - For the Drilling Services segment, as the Company operates the business on a regional basis and the primary assets, being rigs and associated equipment and inventory, are considered to be mobile between countries within a region, the Company assesses for impairment at a regional CGU level.

  As a result of this process, the Company has recorded impairment charges of $41,358,000 against property, plant and equipment. These impairments were mainly as a result of the impairment assessment of the Europe and Africa Drilling services CGU. This CGU contains no goodwill and therefore the impairment was allocated to property, plant and equipment.

Key Assumptions

Certain key assumptions are used for CGU impairment testing and are described below.

As noted above cash flow projections are based on the Company's expected performance over a nine-year period, which approximates the length of a typical mining business cycle based on historical industry experience, with a terminal value. Central to the approach adopted is the assumption that the mining industry will continue to follow its historical trend of cycles and that we are currently at or near the bottom of the current cycle.

In considering the appropriateness of the assumptions used in the value in use analysis, the Company has considered the fact that the implied enterprise value implicit in its market capitalisation continues to be considerably below its net asset value and the internal models. This factor is one of many indicators of impairment that the Company has considered.

Revenue
The growth rates applied to revenue through the mining-cycle are based on the compound average growth rate for the various cash-generating units being tested for impairment over the mining cycle from the mid-point of the cycle (which is set based on historical experience), and do not exceed the historical rates of inflation in the regions where the Company does business.

Expenses
In determining gross margin and SG&A expenses management have used historical performance trends, overlaying the impacts of recent cost out programs and other initiatives taken within the business to reduce costs.

Working capital and capital expenditure
Working capital and capital expenditure assumptions are assumed to be in line with historic trends given the level of utilisation and operating activity.

Discount rate
A global discount rate of 11.5% is used and adjusted on a case-by-case basis for regional variations in the required equity rate of return. Based on information published by Morningstar, the adjusted post tax discount rates ranged from 9.2% to 21.7%, as shown in the table below.

Other economic factors
The assumed growth rates are based on the compound average growth rate for the various cash-generating units being tested for impairment over the mining cycle from the mid-point of the cycle. The growth rates do not exceed the historical rates of inflation in the countries where the Company does business and have been sourced from Bloomberg forecasts.

7. RESTRUCTURING EXPENSES AND RELATED IMPAIRMENTS (CONTINUED)

	Post tax Discount Rate	Growth Rate
Global	11.5%	3.0%
North America	9.2%	2.1%
Asia Pacific	12.2%	3.3%
Latin America	14.3%	5.2%
Europe and Africa	21.7%	5.7%

Sensitivity analyses were performed to determine whether carrying values are supported by different assumptions. Key variables of the sensitivity analysis include:

- near term and terminal growth rates; and
- inflation assumptions.

Each of these variables in the analysis has been examined at levels above and below expected values. The expected values are based on forecast inflation rates for each respective region with a global rate assumed at 3% based on historic inflation trends. The growth rates were increased by 1% and decreased by 3%, with a floor of 0% actual growth, in the upside and downside sensitivity scenarios respectively. In the downside sensitivity scenario, with assumed growth rates 3% lower than forecast inflation, there would be additional impairments as follows:

	US$'000
Global	-
North America	-
Asia Pacific	7,000
Latin America	12,000
Europe and Africa	14,000

8. ISSUANCE OF SHARE RIGHTS AND PURCHASE OF SHARES

During the half-year ended 30 June 2014, the Company granted 13,366,311 share options to certain members of management. The options were granted at strike prices ranging between US$0.18 (A$0.19) and US$0.30 (A$0.32) with the market price of the Company's shares ranging between US$0.21 (A$0.22) and US$0.27 (A$0.29) at time of grant and a combined fair value of approximately $2,717,000. The options vest three years from grant date and are excisable for seven years after the vesting date. There were no options granted during the half-year ended 30 June 2013.

During the half-year ended 30 June 2014, the Company granted 19,453,175 share rights under its long-term incentive plan (LTIP) with a combined fair value of approximately $4,883,000 and a vesting period over the next three years. During the half-year ended 30 June 2013, the Company granted 8,227,651 share rights under its long-term incentive plan with a combined fair value of approximately $10,741,000 and a vesting period over the next three years. 3,779,000 of the total share rights granted during the half-year ended 30 June 2013 were cancelled and replaced with share options and cash rights of equivalent value in 2014. The Company purchased no shares of the Company's stock in the half-years ended 30 June 2014 and 2013.

9. INCOME TAXES

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

	2014 US$'000	2013 US$'000
Loss before taxation	(114,055)	(322,304)
Income tax benefit calculated at Australian rate of 30%	(34,216)	(96,691)
Impact of higher rate tax countries	2,775	(1,580)
Impact of lower rate tax countries	19,699	26,496
Net non-deductible/non-assessable items other [1]	617	37,406
Unrecognised tax losses	17,223	7,146
Profit/Losses subject to double taxation in the US	(2,943)	(6,648)
Unutilised foreign tax credits	4,209	10,831
Derecognition of deferred tax assets [2]	14,791	11,895
Other	4,670	10,542
	26,825	(603)
Under provision from prior years	1,946	7,693
Income tax expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	28,771	7,090

(1) Certain of the impairment and restructuring items will not be assessable for tax, primarily relating to goodwill in certain jurisdictions.

(2) Due to the group being in a tax loss position in many jurisdictions during the current period, the Company has not recognised current period losses and has derecognised a number of losses and deferred tax assets recognised in prior periods.

Canadian Income Tax Assessments

As previously reported, the Company's Canadian tax returns since 2005 have been subject to review by the Canada Revenue Agency (CRA). Assessments have been issued or determined for the tax years between 2005 and 2009, with the most significant contested areas of the CRA's reviews relating to three issues: (1) the transfer pricing structure and methodology used by Longyear Canada ULC and Boart Longyear Canada Partnership for sales of products to international affiliates; (2) management fees paid to a United States affiliate; and (3) intellectual property royalties paid to a United States affiliate. The CRA also has commenced field work for the tax years from 2010 through 2012. The field work is ongoing and no assessments have been issued for the period.

2005 – 2006 Audit Periods
On 24 December 2013, the Company received written notice that the CRA's Competent Authority division had decided to withdraw substantially all of the assessments the Company had disputed for the 2005 and 2006 tax years. The Company has received the final reduced assessments for the period from the CRA's Audit division and the audit has largely been concluded. As a result of the reversal, the security of approximately C$24,500,000 provided to the CRA to support the Company's appeals of the assessments has been released.

The CRA's decision concerning the 2005 through 2006 audit period will result in the reversal of provincial tax assessments totaling approximately C$11,000,000 for the same period. As the provincial assessments were based on the same adjustments made by the CRA, the Company anticipates the provincial reversals will be completed soon and the security of approximately C$11,000,000 provided to provincial tax authorities also will be released.

9. INCOME TAXES (CONTINUED)

2007 – 2009 Audit Periods

The Company received income adjustments by the CRA's Audit Division for the 2007 through 2009 tax years on 23 December 2013 and projects that those proposed adjustments would result in federal and provincial tax liabilities, including interest and penalties, of approximately C$77,300,000.

The Company notes that the adjustments for the 2007 through 2009 audit period were determined on substantially the same basis as the assessments for the 2005 to 2006 period that were subsequently reversed by the CRA. The Company therefore has disputed the assessments through the competent authority resolution process as well as all other available methods of appeal. The Company also believes that the reversal of the assessments for 2005 and 2006 provides a favourable background for a positive and, possibly, expeditious resolution of such appeals, but the outcome and timing of any resolution of the 2007 through 2009 assessments are unknown. Interest will continue to accrue on all disputed and unpaid amounts until they are paid, or, alternatively, unless the disputes are resolved in the Company's favor.

The Company could be required to provide security of approximately C$42,000,000 while the 2007 through 2009 reassessments are under dispute. The security would be required until the resolution of the relevant dispute. The Company currently is seeking relief from the CRA and provincial authorities from the security requirements but the outcome of such discussions is uncertain.

2010 – 2012 Audit Periods

The CRA has commenced its field work for the audit 2010 through 2012 taxation years. The Company has no information about the timing to conclude the audit or its likely outcome.

Risks in Respect of Reassessments

The Company has recorded a tax provision related to the CRA's audits of the 2007 through 2012 tax years. The provision reflects the uncertainties of the ongoing disputes with the CRA and has been established primarily for any related taxes, penalties and interest. If the Company's appeal of the CRA assessments were to proceed to a multijurisdictional competent authority resolution process and Canada were to prevail in such a process, the Company would be entitled to recover taxes owed (but not penalties and interest) to the CRA from the jurisdictions in which those taxes were erroneously paid. While the Company believes it is appropriately reserved in respect of the CRA tax controversies, their resolution on terms substantially as proposed by the CRA could be material to the Company's financial position or results of operations.

The Company's liquidity also could be impacted negatively by the CRA reassessments. To the extent disputes are resolved in the CRA's favor, the time required to recover overpayments to other jurisdictions likely would exceed the period in which underpayments would need to be made to Canada. In addition, the amounts provided as security to the CRA are considered outstanding debt of the Company for the purpose of calculating the Company's compliance with the Maximum Total Indebtedness covenant of its revolving bank credit facility.

10. TRADE AND OTHER RECEIVABLES

	30 June 2014 US$'000	31 December 2013 US$'000
Trade receivables	161,536	151,076
Allowance for doubtful accounts	(1,988)	(1,374)
Goods and services tax receivable	26,278	41,110
Other receivables	3,827	6,100
	189,653	196,912

The ageing of trade receivables is detailed below:

	30 June 2014 US$'000	31 December 2013 US$'000
Current	134,562	105,591
Past due 0 - 30 days	11,006	23,620
Past due 31 - 60 days	3,272	6,362
Past due 61-90 days	7,758	7,196
Past due 90 days	4,938	8,307
	161,536	151,076

The ageing of impaired trade receivables is detailed below:

	30 June 2014 US$'000	31 December 2013 US$'000
Current	-	-
Past due 0 - 30 days	-	-
Past due 31 - 60 days	-	-
Past due 61-90 days	-	-
Past due 90 days	(1,988)	(1,374)
	(1,988)	(1,374)

The movement in the allowance for doubtful accounts is detailed below:

	30 June 2014 US$'000	31 December 2013 US$'000
Opening Balance	1,374	1,841
Additional provisions	927	1,256
Amounts used	(240)	(680)
Amounts reversed	(94)	(990)
Foreign currency exchange differences	21	(53)
Closing balance	1,988	1,374

10. TRADE AND OTHER RECEIVABLES (Continued)

The average credit period on sales of goods and services is 65 days as at 30 June 2014, compared to 59 days as at 30 June 2013. No interest is charged on trade receivables.

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.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

	30 June 2014 US$'000	31 December 2013 US$'000
Goodwill	104,047	103,974
Other Intangible Assets:		
Software	42,207	49,447
Customer relationships	12,156	12,931
Development assets	21,596	21,252
Patents	5,908	5,521
Trademarks	2,929	2,877
	84,796	92,028

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in cash-generating units that are significant individually or in the aggregate. The carrying amount of goodwill included in cash-generating units by geographic area is, as follows:

	30 June 2014 US$'000	31 December 2013 US$'000
North America Drilling Services	104,047	103,974

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

The Company performed a goodwill impairment test at 30 June 2014 and the recoverable amount for the North American Drilling Services cash-generating unit exceeded the goodwill carrying amount. Consequently, no goodwill impairments were recorded for the half-year period ended 30 June 2014.

11. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Goodwill Impairment by cash-generating units

	30 June 2014 US$'000	30 June 2013 US$'000
Argentina	-	12,226
Australia	-	139,751
Chile	-	12,776
New Zealand	-	1,560
	-	166,313

Goodwill and intangible assets in Argentina, Australia, Chile and New Zealand have been fully impaired. For the cash-generating units with remaining goodwill and intangible assets, being USA and Canada, management has not identified a reasonably possible change in key assumptions that would result in the carrying amount of the assets in these cash-generating units exceeding their recoverable amount.

12. TRADE AND OTHER PAYABLES

	30 June 2014 US$'000	31 December 2013 US$'000
Current		
Trade payables	66,612	68,962
Accrued payroll and benefits	23,580	22,685
Goods and services tax payable	13,486	17,017
Accrued drilling costs	2,507	3,518
Accrued legal and environmental	8,279	9,596
Accrued interest	13,542	13,091
Professional fees	5,349	5,822
Other sundry payables and accruals	11,130	12,461
	144,485	153,152

The average credit period on purchases of certain goods is 32 days as at 30 June 2014 compared to 30 days as at 30 June 2013. 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.

13. LOANS AND BORROWINGS

	30 June 2014 US$'000	31 December 2013 US$'000
Unsecured - at amortised cost		
Non-current		
Senior notes	300,000	300,000
Debt issuance costs	(3,928)	(4,219)
Secured - at amortised cost		
Current		
Finance lease liabilities	5	84
Non-current		
Senior notes	300,000	300,000
Revolver bank loans	38,000	-
Debt issuance cost	(9,636)	(10,410)
Finance lease liabilities	-	4
	624,441	585,459
Disclosed in the financial statements as:		
Current borrowings	5	84
Non-current borrowings	624,436	585,375
	624,441	585,459
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	5	84
Between 1 and 2 years	-	4
Between 2 and 3 years	38,000	-
Between 3 and 4 years	-	-
More than 4 years	600,000	600,000
	638,005	600,088
Debt Issuance Cost	(13,564)	(14,629)
	624,441	585,459

Senior Notes

The Company has $300,000,000 of senior unsecured notes at an interest rate of 7% with a scheduled maturity date of 1 April 2021. 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. Obligors for the senior notes are the Company's Australian, Canadian, United States, Chilean, Peruvian and Swiss subsidiaries.

The Company has $300,000,000 of senior secured notes at an interest rate of 10% with a scheduled maturity date of 1 October 2018. 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. Obligors for the senior notes are the Company's Australian, Canadian, United States, Chilean, Peruvian and Swiss subsidiaries. The secured notes are secured by a first priority lien on substantially all of the issuer's and the guarantors' tangible and intangible assets, including the outstanding capital stock held by the Company, the issuer and the guarantors, and by certain owned real property and will also be secured by a second priority lien on the issuer's and the guarantors' accounts receivable, inventories and cash.

13. LOANS AND BORROWINGS (Continued)

Bank Credit Facility

The Company's bank credit facility provides a $140,000,000 secured revolving bank loan. The revolving commitments contain sublimits for revolving loans (up to $120,000,000) with the remaining $20,000,000 in facility commitments restricted to support non-cash obligations, such as security for the Company's appeal of Canadian tax assessments. The facility is also subject to a $100,000,000 sublimit for the issuance of letters of credit. This sublimit provides that, to the extent not otherwise used for revolving loans and subject to the aggregate maximum of $140,000,000 in facility commitments, the Company may issue up to $100,000,000 in letters of credit. Company borrowings from the revolving credit facility may also be limited by other terms of the Credit Agreement, most notably the Maximum Total Indebtedness covenant. $120,000,000 of the bank credit facility is secured by a first priority lien on the issuer's and the guarantors' accounts receivable, inventories and cash and by a second priority lien on substantially all of the issuer's and the guarantors' tangible and intangible assets, including the outstanding capital stock held by the Company, the issuer and the guarantors, and by certain owned real property.

On 16 August 2014, the Company amended its Credit facility to include financial covenants related to the maintenance of minimum cumulative last-twelve-months EBITDA of $35,000,000 through 31 March 2015, tested quarterly, and maintenance of Maximum Total Indebtedness at levels set out below tested quarterly.

(i) $715,000,000 at 30 September 2014
(ii) $670,000,000 at 31 December 2014
(iii) $720,000,000 at 31 March 2015
(iv) $725,000,000 at 30 June 2015 and for each quarterly testing date thereafter

Maximum Total Indebtedness permitted for each fiscal quarter shall be reduced by the amount by which instruments issued to support potential payments to the Canada Revenue Agency have been reduced below $37.5 million. As of 30 June 2014,approximately $10 million of instruments were outstanding resulting in a reduction of the maximum indebtedness covenant for that period from $700 million to approximately $672 million.

As a result of the recent amendment, the maturity date and aggregate commitments remain unchanged, but a provision was added requiring a reduction in aggregate commitments from $140,000,000 to $120,000,000 if the Company's tax assessments from the CRA for tax years 2007 to 2009 are overturned.

As at 30 June 2014, $38,000,000 was drawn under the bank credit facility commitment sublimit of $120,000,000 available in the form of revolving loan borrowings. Interest rates on borrowings are based on a base rate plus an applicable margin. The base rate is generally based on either 30-day USD LIBOR or the prime rate as determined by Bank of America, while the margin is 3.75% to 4.75% depending on which rate option is selected/chosen. All of the borrowings as at 30 June 2014 were based on 30-day LIBOR at the time of draws (between 0.151% to 0.153%) plus a margin of 4.75%, for a weighted average interest rate of 4.90%. The scheduled maturity date is 29 July 2016.

Outstanding letters of credit of $11,088,000 as at 30 June 2014 and $10,392,000 as at 31 December 2013 reduce the amount available to draw under the bank credit facility commitments.

13. LOANS AND BORROWINGS (Continued)

Covenants and other material terms – bank credit facility and senior notes

The Company's bank credit facility contains covenants and restrictions requiring the Company to meet certain financial ratios and reporting requirements, as well as minimum levels of subsidiaries that are guarantors of the borrowings. Based on the amendments executed in 2014 including the most recent amendment effective 16 August 2014, these covenants include maintaining minimum cumulative last-twelve-months EBITDA of $35,000,000 through 31 March 2015, tested quarterly, and maintenance of Maximum Total Indebtedness at levels set out below.

(i) $715,000,000 at 30 September 2014
(ii) $670,000,000 at 31 December 2014
(iii) $720,000,000 at 31 March 2015
(iv) $725,000,000 at 30 June 2015 and for each quarterly testing date thereafter.

Maximum Total Indebtedness permitted for each fiscal quarter shall be reduced by the amount by which instruments issued to support potential payments to the Canada Revenue Agency have been reduced below $37.5 million. As of 30 June 2014,approximately $10 million of instruments were outstanding resulting in a reduction of the maximum indebtedness covenant for that period from $700 million to approximately $672 million.

The agreement also requires that borrowers and guarantors represent at least 60% of Company EBITDA and total tangible assets of the Company. The agreement also contains covenants that have been suspended through 31 March 2015 and include a minimum interest coverage covenant ratio of 1.55 to 1.0, tested quarterly and maintenance of at least $30,000,000 in liquidity tested monthly.

The secured revolving bank loan is subject to the lessor of $140,000,000 or a borrowing base which includes 75% of eligible accounts receivable and 35% of eligible inventory. As of 30 June 2014 the borrowing base was greater than the $140,000,000 revolving bank loan commitment.

Prior to the Company engaging in certain activities, including incurring additional indebtedness, the Company is subject to specific covenants, which contain specified exceptions and qualifications.

Non-compliance with one or more of the covenants and restrictions included in the bank credit agreement could result in the full or partial principal balance of the associated debt becoming immediately due and payable. The Company was in compliance with the debt covenants as at 30 June 2014.

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 similar to the bank revolver and provide the note holders with the ability to declare a cross default should a default occur under the bank credit agreement but do not require maintenance or testing of financial ratios, such as for leverage and minimum EBITDA. As a result, the senior notes do not contain provisions that could impact the Company's access to the bank revolver or lead to the acceleration of the maturities for the senior notes absent a default under the bank credit agreement or failure to pay interest or principal when due under the bond terms.

Refer to the Going Concern reference in Note 1 regarding the Company's ability to meet future banking covenants.

Finance leases

The Company's finance lease liabilities are secured by the assets leased. The borrowings have an interest rate of 9.0%, with a repayment period not exceeding one year.

14. PROVISIONS

	30 June 2014 US$'000	31 December 2013 US$'000
Current		
Employee benefits	14,851	13,802
Restructuring and termination costs (1)	11,985	14,235
Warranty	77	293
Onerous lease costs	4,834	4,933
	31,747	33,263
Non-current		
Employee benefits	3,104	2,171
Pension and post-retirement benefits (2)	34,378	32,284
Onerous Lease	1,916	2,729
	39,398	37,184
	71,145	70,447

(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) 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. Management believes that movements in the defined benefit obligations and fair values of plan assets during the half-year ended 30 June 2014 have not been significant and, as a result, has not performed full actuarial valuations at 30 June 2014.

15. DIVIDENDS

No dividend has been determined for the half-year ended 30 June 2014.

A dividend of 1.0 US cent per share (total of $4,612,412) was paid during the half-year ended 30 June 2013. The dividend, which was for the second half of 2012, was paid on 12 April 2013 and was 35% franked at the Australian corporate taxation rate of 30%. All of the unfranked portion of the dividend will be conduit foreign income.

16. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

The Company entered into a purchase commitment effective10 July 2014 with an outsourced capital equipment manufacturer to purchase, over time, $23,500,000 of inventory. The Company expects to purchase and consume this inventory in the normal course of business. The purchase commitment could be accelerated by the supplier in the event of a Company change of control.

Legal claims

The Company is subject to certain 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.

16. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Tax and customs audits

The Company is subject to certain tax and customs 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 are uncertain, and unfavourable outcomes could have a material adverse impact. See additional disclosure in Note 9.

The Zambian Revenue Authority (ZRA) completed a customs clearance audit in January 2013 and issued a proposed assessment (assessment) of approximately $9,900,000 against Boart Longyear International Zambia Limited, a fully owned subsidiary of the Company. The Company has already paid approximately $225,000 to resolve some aspects of the assessment. The balance of the assessment primarily relates to the ZRA's contentions that: (1) the declared value of imported goods was not accurate and was less than actual value; and (2) goods destined for other countries stored in a Zambian bonded warehouse did not exit the country within the legally stipulated period of time.

The ZRA's assessment was based on an extrapolation of findings from a sample of transactions. The Company performed its own detailed analysis of transactions, with the results showing there is some substance to the ZRA's claims, but that the potential amount of any liability would be considerably less than the assessment. The Company has shared those findings with the ZRA in a series of discussions resulting in the ZRA reducing its proposed assessment substantially. The Company still disagrees with the ZRA's revised assessment and will continue to work with the ZRA to share the appropriate data supporting its detailed analysis. The Company expects additional discussions with the ZRA to attempt to resolve the open areas and believes it is appropriately reserved in respect to this matter.

17. SUBSEQUENT EVENT

On 21 July 2014, the Company's debt ratings were downgraded by Standard and Poor's Rating Services. The Company's Corporate Credit Rating was lowered to CCC and the rating for its senior secured notes and senior unsecured notes was revised to B- and CCC, respectively.

Effective 16 August 2014, the Company amended the terms of its revolving bank credit facility to provide additional flexibility around the facility's financial covenants. The primary changes to the terms of the credit agreement resulting from the amendment are the reduction of the minimum last-twelve-months EBITDA covenant to US$35,000,000 through the March 2015 covenant compliance testing date and the increase in maximum permitted gross debt to US$715,000,000 at the 30 September 2014 testing date. An additional provision was added requiring a reduction in aggregate commitments from US$140,000,000 to US$120,000,000 if the Company's tax assessments from the CRA for tax years 2007 to 2009 are overturned. The credit agreement's financial covenants otherwise remain as reported in the Company's 2013 annual report dated 24 February 2014 concerning the prior amendment to the credit agreement.