BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2016

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Half-Year Financial Report
30 June 2016

Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2016**
Half year ended ('previous corresponding period'):	**30 June 2015**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2016 US$'000	2015 US$'000	$ change	% change
Revenue from ordinary activities	310,498	387,470	(76,972)	-19.9%
Net loss after tax attributable to members	(73,198)	(152,349)	79,151	52.0%
Adjusted net loss after tax attributable to members	(52,057)	(68,831)	16,774	24.4%

Brief explanation of any figures reported above:

Adjusted net loss after tax attributable to members is a non-IFRS measure and is used internally by management to assess the performance of the business and has been derived from the Company's financial statements by adding back significant items. Refer to Directors' Report for explanations.

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

	30 June 2016	30 June 2015
Interim dividend	0 cents	0 cents
Franked amount	N/A	N/A

No dividend had been determined for either of the half-years ended 30 June 2016 or 2015.

Net Tangible Assets per share:

Current period:	$0.00
Previous corresponding period:	$0.00

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 2016 and the Independent Auditor's Review Report thereon.

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

DIRECTORS

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

- Bret Clayton
- Peter Day
- Jonathan Lewinsohn
- Jeffrey Long
- Gretchen McClain
- Rex McLennan
- Jeffrey Olsen (appointed 1 March 2016)
- Deborah O'Toole
- Marcus Randolph

PRINCIPAL ACTIVITIES

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

Significant Changes in the State of Affairs

On 29 February 2016, Jeffrey Olsen, the Company's Chief Financial Officer ("CFO"), was announced as the Company's new President and Chief Executive Officer ("CEO") effective 1 March 2016. With Mr Olsen's appointment, Marcus Randolph relinquished his duties as Boart Longyear's Interim CEO and the associated day-to-day operating responsibilities. Mr Randolph remains the Company's Executive Chairman at the request of the Board of Directors to assist with Mr Olsen's assumption of his new duties. Since 1 March 2016, Mark Hauber, the Company's Vice President, Corporate Financial Planning and Analysis and Drilling Services Finance, has served as Interim CFO.

Events Subsequent to Reporting Date

The Company's debt ratings were subject to annual review by Standard & Poor's Ratings Services ("S&P") and Moody's Investors Service ("Moody's"), which both issued ratings updates on 14 July 2016. S&P affirmed the Company's ratings, including its corporate credit rating at "CCC+", and raised its rating outlook to "stable." Moody's lowered the Company's ratings by one tier, including its Corporate Family Rating to "Caa2", and maintained a "negative" rating outlook.

On 12 August 2016, the Company announced several executive appointments to strengthen its senior management team. Mr Brendan Ryan was announced as the Company's Chief Financial Officer, and Mr Denis Despres was appointed to the newly created role of Chief Operating Officer. Messrs Ryan and Despres are expected to commence employment with the Company on 6 September 2016 and 1 September 2016, respectively. In addition, the Company announced the departure of Mr Kent Hoots, Senior VP, Global Products, effective immediately.

REVIEW OF OPERATIONS(1)

1. Safety Performance, Market Conditions and Strategies

1.1 Overview

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

We aim to create value for our customers through a comprehensive portfolio of technologically advanced and innovative drilling services and products. We believe that our market leading positions in the mineral drilling industry are driven by a variety of factors, including the performance, expertise and high safety standards of Global Drilling Services and the innovation, engineering excellence and global manufacturing capabilities of Global Products.

Our operating and commercial priorities include solidifying our competitive advantages with sustained investments in safety performance, productivity enhancements and operating improvements in our Global Drilling Services division, while remaining focused on the needs of our customer base. Similarly, technology and product innovation are central to the strength and future growth of our Global Products division, and we continue to pursue incremental product improvements that customers will need at any point in the mining cycle. In the half-year period ended 30 June 2016, the global Products division launched five new products – the LF160 coring drill rig, the MDR700 mobile underground coring rig, a new RC rod, and a new diamond bit. We also introduced TruCore™, the first in a range of instrumentation tools that provides accurate core orientation measurements, which represents the first step in implementing our strategy to be the global leader in providing subsurface resource information to our mining customers through our Geological Data Services business.

Our capital structure exposes us to a variety of market, operational and liquidity risks. To address these risks, we are focused on addressing our capital structure, including debt maturities in October 2018 and our high levels of debt relative to current market conditions. We also have established being cash positive in 2017 as a primary goal for the business, which we intend to achieve through continued disciplined expense and capital management, opportunistic cost reductions and productivity enhancements.

1.2 Safety Performance

Central to our success is a clear focus on driving safety improvements. We regard safety as fundamental to our relationships with our employees, customers and all stakeholders. We also consider our safety performance both to be a significant opportunity and a risk, as our customers often look to safety as a basis to differentiate their suppliers.

During the half-year period ended 30 June 2016, the Company reported good safety performance, with a Total Case Incident Rate ("TCIR") of 1.39 and Lost-Time Injury Rate ("LTIR") of 0.12, compared to corresponding rates of 1.11 and 0.16 for the first half of 2015. (Both TCIR and LTIR are rates calculated based on 200,000 hours worked.) While Company performance continues to be solid, we are committed to providing our employees and customers with an injury-free workplace and industry-leading safety performance. During this half-year period, our employees experienced 33 injuries that required some medical treatment and three injuries that resulted in lost work time. We believe that significant improvements in our safety record are a moral imperative, and we are pursuing improvements through initiatives focused upon critical risk management, risk-focused field leadership and employee-centric safety messaging initiatives.

1.3 Impact of Market Conditions

Market conditions in 2016 have continued to be defined by weak demand and oversupply in our core mineral drilling industry, as most of the world's mining companies continued to tightly control their exploration, development and capital expenditures and to seek savings from their suppliers.

During the first half of 2016, drill rig utilisation remained at historical lows and pricing conditions for our goods and services continued to be weak and adversely impact the Company's financial performance.

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

As a result of challenging market conditions as well as significant ongoing finance costs, the Company reported a statutory loss for the half-year period ended 30 June 2016 of $73.2 million, which was an improvement of $79.1 million compared to the prior half-year (2015: $152.3 million loss). Adjusted net loss after tax for the half-year period ended 30 June 2016 (adding back significant items) was $52.1 million, compared to an adjusted net loss after tax for 2015 of $68.8 million, a decrease in loss of $16.7 million. See reconciliation in Section 7 ‘Non-IFRS Financial Information’.

Objectives and Strategies

We continue to prioritise cash generation and positioning the business with a more efficient operating platform in all phases of the mining industry’s cycles. Key elements of this strategy include achieving and maintaining sustainable EBITDA-to-revenue margins, improving returns on capital through disciplined variable and fixed cost management and capital spending programs, and rigorous focus in working capital particularly inventory and accounts receivable.

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

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

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

In our Global Products division, we are focused on product innovation and technology and manufacturing leadership, delivering cost-effective products offering improved productivity and safety that our customers will be willing to purchase in all phases of the mining cycle.

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

2. Financial and Operating Highlights

	For the half-year ended 30 June			
	2016 US$ Millions	2015 US$ Millions	$ Change	% Change
Key financial data				
Revenue	310.5	387.5	(77.0)	-19.9%
NPAT[(1)]	(73.2)	(152.3)	79.1	51.9%
Adjusted NPAT [(1)]	(52.1)	(68.8)	16.7	24.3%
EBITDA [(2)]	3.1	(39.4)	42.5	107.9%
Adjusted EBITDA[(2)]	13.5	1.7	11.8	694.1%
Operating Loss	(29.8)	(84.0)	54.2	64.5%
Loss from Trading Activities [(3)]	(15.4)	(27.8)	12.4	44.6%
Cash used in operations	(48.9)	(47.2)	(1.7)	-3.6%
Net cash flows used in operating activities	(72.5)	(85.1)	12.6	14.8%
Capital expenditures (accrual)	8.3	10.9	(2.6)	-23.9%
Capital expenditures (cash)	10.5	10.5	-	0.0%
Weighted Average number of ordinary shares	933.2	883.3	49.9	5.6%
Loss per share (basic)	(7.8) cents	(17.2) cents	9.4 cents	54.7%
Average BLY rig utilisation	31%	37%	-6%	-16.2%
Average Fleet size	900	927	(27)	-2.9%

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

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

3.1 Revenue

Revenue for the half-year period ended 30 June 2016 of $310.5 million decreased by 19.9%, or $77.0 million, compared to revenue for the half-year period ended 30 June 2015 of $387.5 million.

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

Revenue in the first half of 2016, was lower as a result of lower volumes due to weak mining industry spending on exploration and development, and unfavourable foreign currency impacts when compared to the same period in 2015. We are still challenged by the negative impact of price on revenue but it is less in 2016 than in 2015.

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

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

	For the half-year ended 30 June					
	2016			2015		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	310.5	-	310.5	387.5	-	387.5
Cost of goods sold	(271.5)	1.5	(270.0)	(385.9)	34.1	(351.8)
Gross margin	39.0	1.5	40.5	1.6	34.1	35.7
Other income	3.7	-	3.7	1.9	-	1.9
General and administrative expenses	(50.2)	7.3	(42.9)	(57.5)	6.7	(50.8)
Sales and marketing expenses	(14.6)	1.6	(13.0)	(13.0)	0.3	(12.7)
Significant items	-	(10.4)	(10.4)	-	(41.1)	(41.1)
Other expenses	(7.7)	-	(7.7)	(17.0)	-	(17.0)
Operating loss	(29.8)	-	(29.8)	(84.0)	-	(84.0)

Total adjusted Cost of Goods Sold (“COGS”), adjusted Sales and Marketing expenses (“S&M”) and adjusted General and Administrative expenses (“G&A”) for the Company for the half-year ended 30 June 2016 were $325.9 million, compared to $415.3 million for the same period in 2015, a decrease of $89.4 million, or 21.5%.

Total adjusted COGS for the half-year period ended 30 June 2016 was $270.0 million, representing a decrease of 23.2% compared to COGS of $351.8 million for 2015. Adjusted COGS as a percentage of revenue decreased at a greater percentage than the decrease in revenue when compared to the same period of the prior year. This decrease is due to the cost reduction actions that have been implemented over the past several years.

Total adjusted S&M expenses for the half-year period ended 30 June 2016 of $13.0 million increased slightly by 2.4%, or $0.3 million, from the same period of the prior half-year (2015: $12.7 million for the comparable period). Adjusted S&M expenses increased slightly as a percentage of revenue during the first half of 2016 compared to the same period of the prior year.

Total adjusted G&A expenses for the Company for the half-year period ended 30 June 2016 were $42.9 million, representing a decrease of 15.6%, or $7.9 million (2015: $50.8 million for the comparable period). Although adjusted G&A expenses decreased due to significant cost reduction actions taken in 2015 and the first half of 2016, as a percentage of revenue they have increased slightly due to lower revenues and the fixed nature of certain expenses.

3.3 Significant Items

During the first half periods of 2016 and 2015, the Company incurred the following restructuring expense, recapitalisation costs and impairment charges related to current market conditions and cost reductions:

	For the half-year ended 30 June		
	2016 US$ Millions	**2015 US$ Millions**	**$ Change**
Significant items			
Recapitalisation costs	-	2.1	(2.1)
Impairments			
Property, plant and equipment	-	31.0	(31.0)
Intangible assets	0.5	0.2	0.3
Employee and related costs (1)	4.6	5.2	(0.6)
Other restructuring expenses	5.3	2.6	2.7
Total significant items	10.4	41.1	(30.7)

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

Significant items decreased to $10.4 million during the half-year period ended 30 June 2016 (2015: $41.1 million for the comparable period), mainly related to the absence of impairment charges being recorded in respect of property, plant and equipment in the current half-year period compared to the same period in 2015, in which $31.0 million of impairments were recorded.

3.4 Other Income/Expenses

Other income increased to $3.7 million during the half-year period ended 30 June 2016 (2015: $1.9 million for the comparable period) primarily due to gains on disposals of surplus property and drilling equipment. Based on current market conditions and future outlook, the Company has classified certain excess rigs and ancillary equipment that are underutilised as held for sale as at 30 June 2016. The opportunity for a gain by the disposition of these targeted assets allows the Company to rationalise its assets, raise capital and reduce ongoing maintenance costs. Asset rationalisation initiatives are expected to continue through 2016.

Other expenses, principally amortisation of intangible and VAT-related items, decreased $9.3 million to $7.7 million during the half-year period ended 30 June 2016 (2015: $17.0 million for the comparable period). The main difference between periods was a $6.3 million loss on foreign currency exchange in the 2015 half-year period related to the strengthening of the US dollar against other currencies. During the half-year period ended 30 June 2016 the US dollar weakened against other currencies and the Company experienced a gain on foreign currency. We actively review our exposure to foreign currency exchange risk. Options to mitigate this risk may include the use of forward exchange contracts or currency options, but we did not employ these methods to manage currency exposures during the half-year periods ended 30 June 2016 and 2015 since most of the Company’s currency risk relates to intercompany transactions.

3.5 Income Tax Expense

Income tax expense on the pre-tax loss of $64.3 million for the half-year period ended 30 June 2016 was $8.9 million (2015: $33.6 million for the comparable period) reflecting a negative tax rate of 13.9%. This tax rate can largely be attributed to several factors including:

- the impact of different tax rates and results in the jurisdictions in which the Company operates;
- the non-recognition of the tax benefits associated with certain current period losses; and
- non-deductible finance costs

3.6 Earnings (Losses)

NPAT for the Company was negative $73.2 million for the half-year period ended 30 June 2016 (2015: NPAT of negative $152.3 million for the comparable period). EBITDA for the half-year ended 30 June 2016 was $3.1 million (2015: $39.4 million EBITDA loss for the comparable period). The increase in EBITDA is mainly due to a decrease in restructuring expenses in 2016 as well as no additional recapitalisation costs and reduced impairment charges being recorded in the current half-year period.

Adjusted NPAT for the period ended 30 June 2016 was a loss of $52.1 million (2015: $68.8 million for the comparable period) and adjusted EBITDA increased by $11.8 million to $13.5 million for the half-year ended 30 June 2016 (2015: $1.7 million for the comparable period). See reconciliation in Section 7 'Non-IFRS Financial Information'.

4. Discussion and Analysis of Cash Flow

	For the half-year ended 30 June			
	2016 US$ Millions	2015 US$ Millions	$ Change	% Change
Cash used in operations	(48.9)	(47.2)	(1.7)	-3.6%
Net cash flows used in operating activities	(72.5)	(85.1)	12.6	14.8%
Net cash flows used in investing activities	(6.3)	(10.5)	4.2	40.0%
Net cash flows provided by financing activities	7.9	47.4	(39.5)	-83.3%

Cash flow from operating activities for the half-year period ended 30 June 2016 was negative $72.5 million, an improvement of $12.6 million from the prior year comparable period (2015: negative $85.1 million for the comparable period). The improvement in the first half of 2016 was mainly due to a decrease in cash taxes paid during the half-year period of $13.3 million.

We have invested $10.5 million in capital equipment to support existing operations during 2016, which is consistent with the comparable prior period (2015: $10.5 million). Of the 2016 amount, $7.0 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment, $1.2 million was spent on product development activities, including engineering and patent maintenance and the remaining amount related to miscellaneous expenditures. 2016 capital expenditures have been partially offset by proceeds from the sale of property, plant and equipment of $5.5 million (2015: $1.6 million). Our initiatives to conserve cash during the year have included prudent and judicious control over capital expenditures.

The decrease in cash flows provided by financing activities is a direct result of the initiatives to preserve liquidity and efficiently manage costs.

5. Discussion of the Balance Sheet

The net assets of the Company decreased by $77.5 million, to negative $257.7 million as at 30 June 2016, compared to negative $180.2 million as at 31 December 2015. This decrease results from the use of cash to sustain business operations, decreases in property, plant and equipment due to depreciation and disposals and decreases in trade payables and accrued payroll and benefits due to decreased business, which were partly offset by an increase in trade and other receivables.

We continue 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 as demand and the Company must evaluate inventory monthly to determine appropriate accounting reserves for slow-moving and obsolete inventory. When the Company's markets begin to improve, it is likely that net working capital levels will increase as we increase inventory and the Company generates additional receivables.

Cash and cash equivalents decreased by $72.3 million, or 63.8%, to $41.1 million as at 30 June 2016 (2015: $113.4 million as at 31 December). The decrease was due to cash used in operating activities of the Company.

Trade and other receivables increased by $19.0 million, or 17.3%, to $129.1 million as at 30 June 2016 (2015: $110.1 million as at 31 December). This reflects typical seasonality for the business as rigs shut down at year end, driving lower receivable balances. At the end of the half-year period, the Company typically is in its peak revenue season, and therefore, receivable balances are higher. Days Sales Outstanding ("DSO") at 30 June 2016 remained consistent with the same period in 2015 at 61 days. This result was achieved through intense focus on collections and continued emphasis on prompt customer billing by our Global Drilling Services division.

Inventories remained relatively consistent at $166.5 million as at 30 June 2016 (2015: $166.3 million as at 31 December). The net increase was due to $10.1 million related to third party sales and Global Drilling Services consumption, offset by an increase of $2.4 million related to foreign currency exchange differences and $7.9 million related to a net increase in other non-cash items.

The net value of property, plant and equipment decreased by $27.3 million or 15.5% to $149.2 million as at 30 June 2016 (2015: $176.5 million as at 31 December), which was mainly due to depreciation expenses of $25.7 million and a transfer of $7.5 million of assets to assets held for sale, offset by current year additions ($8.3 million).

Tax assets remained fairly consistent at $41.5 million as at 30 June 2016 (2015: $41.9 million as at 31 December) as we continue to hold valuation allowances against our deferred tax assets as a result of adverse business conditions reflected in the Company's medium term earnings forecast.

Trade and other payables decreased by $35.6 million, or 24.6%, to $109.4 million as at 30 June 2016 (2015: $145.0 million as at 31 December). The average credit period on purchases of certain goods decreased by 4 days to 27 days. Trade payables represent 11.3% of the Company's total liabilities. The reduction in trade and other payables was driven by the lower level of manufacturing activity and continued focus on cost control.

Provisions of $47.1 million as at 30 June 2016 increased by 5.9%, or $2.6 million (2015: $44.5 million as at 31 December), and represent 4.9% of total Company liabilities. The increase is mainly due to an increase in defined benefit plan liabilities. Although we have experienced increases in pension plan assets due to market appreciation, the decrease in discount rates resulted in a larger offsetting increase in projected liabilities.

Borrowings of $711.2 million, representing 73.8% of the Company's liabilities, increased by $21.4 million during the half- year ended 30 June 2016 (2015: $689.8 million as at 31 December). The Company's net debt (gross debt less cash and cash equivalents) increased by $93.7 million, to $670.1 million, as at 30 June 2016 (2015: $576.4 million as at 31 December). The increase was a result of funding the deficit from the operations of the business ($48.9 million), making cash interest payments ($22.4 million) as well as an increase in gross debt for the interest that accretes on the term loans ($12.4 million) and capital expenditure ($10.5 million).

Liquidity and Debt Facilities

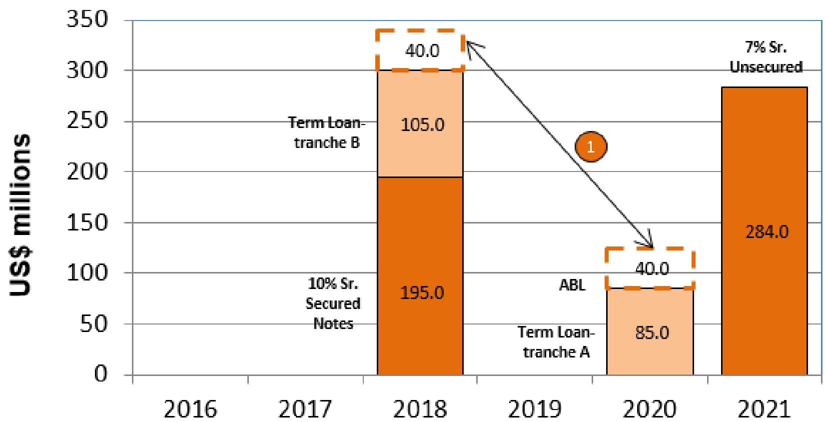
The Company's debt is comprised of the following instruments:

Description	Principal Outstanding as at 30 June 2016 (millions)	Accreted Interest as at 30 June 2016 (millions)	Interest Rate	Scheduled Maturity	Security
Senior Secured Notes	$195.0		10%	1 October 2018	Second lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the Term Loan B and 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.
Term Loan – Tranche B	$105.0	$21.3	12%[2]	1 October 2018	Same as Senior Secured Notes
ABL	$8.0[1]		Variable[3]	29 May 2020[4]	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property).
Term Loan – Tranche A	$85.0	$19.4	12%[2]	22 October 2020	First lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital Assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.
Senior Unsecured Notes	$284.0		7%	1 April 2021	Unsecured

(1) $11.3 million in letters of credit were issued.
(2) Interest rate may be reduced to 11% if the Company's trailing 12 month adjusted EBITDA is greater than $200 million.
(3) Based on LIBOR + margin (grid-based margin is currently 3.5%).
(4) If Term Loan-tranche B and Senior Secured Notes have not been refinanced prior to July 2018, maturity accelerates to 1 July 2018.

The Company's ABL facility provides for a commitment of up to $40.0 million in revolving borrowings and other extensions of credit such as for letters of credit. This facility is a secured loan with a first-priority lien on the issuer's and guarantors' accounts receivable, inventories, and cash. Scheduled maturity is the earliest of (i) 90 days prior to the maturity of Existing Senior Secured Notes (or any Indebtedness refinancing the security) (ii) 90 days prior to the maturity of Term Loan A (or any Indebtedness refinancing the security) (iii) 90 days prior to the maturity of Term Loan B (or any Indebtedness refinancing the maturity of the security) or (iv) 29 May 2020. Pricing for the facility is based on LIBOR plus a grid- based spread, which spread currently is 3.5%. The facility does not include ongoing financial maintenance covenants. Certain restrictions under the facility currently limit maximum borrowings to $35.0 million and require $5.0 million in cash to be held in a restricted account with the lender. These restrictions will be lifted if the Company satisfies a 1.0x fixed charge coverage test for four consecutive quarters related to the restricted borrowings and two consecutive quarters as it relates to the restricted cash.

The following table shows the outstanding debt with maturities.



1 *If* Term Loan-trache B and 10% Senior Secured Notes have not been refinanced prior to July 2018, ABL maturity accelerates to 2018 (in advance of Term Loan-tranche B and 10% Notes) instead of 2020

The Company's debt ratings were subject to annual review by Standard & Poor's Ratings Services ("S&P") and Moody's Investors Service ("Moody's"), which both issued ratings updates on 14 July 2016.

S&P took the following actions:

- affirmed corporate credit rating at "CCC+";
- affirmed issue-level ratings of "B" on the Company's Senior Secured Notes and "CCC+" on the Senior Unsecured Notes;
- affirmed recovery ratings of "1" and "4" for the Senior Secured Notes and Senior Unsecured Notes, respectively; and
- raised rating outlook to "stable."

Moody's issued the following ratings:

- lowered Corporate Family Rating and Probability of Default rating to "Caa2" and "Caa2-PD"
- lowered Speculative Grade Liquidity Rating to "SGL-3";
- lowered ratings on the Senior Secured Notes and Senior Unsecured Notes to "Caa1" and "Caa3", respectively; and
- maintained rating outlook of "negative."

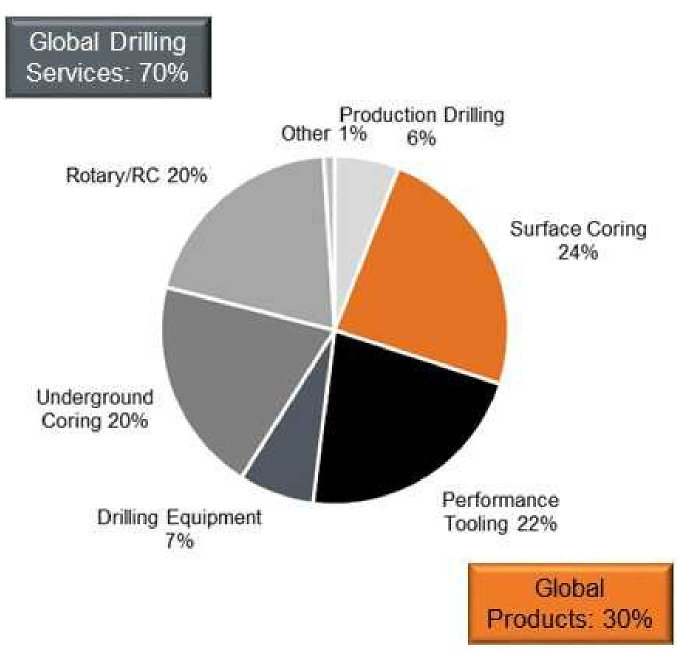
6. Review of Segment Operations

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

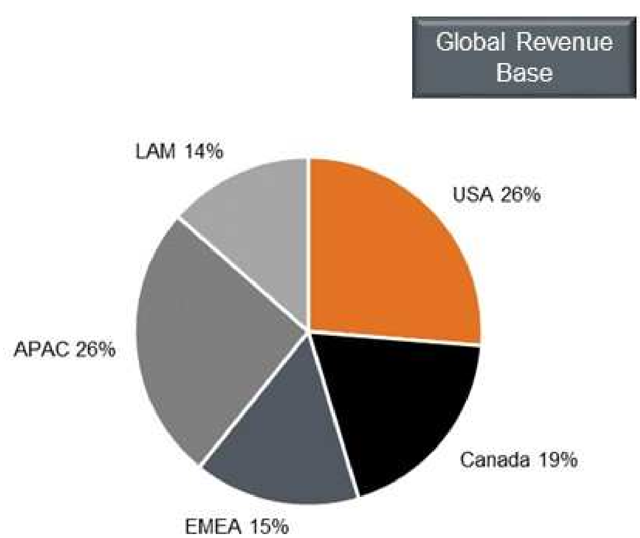
	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	30 June 2016 US$ Millions		30 June 2015 US$ Millions		30 June 2016 US$ Millions	30 June 2015 US$ Millions
Global Drilling Services		219.5		281.2	2.6	(9.7)
Global Products revenue						
Products third party revenue	91.0		106.3			
Products inter-segment revenue (1)	22.7		27.0			
Total Global Products		113.7		133.3	2.1	1.8
Less Global Products sales to Global Drilling Services		(22.7)		(27.0)		
Total third party revenue		310.5		387.5		
Total segment profit					4.7	(7.9)

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

Revenue by Type (1)



Revenue by Geography (1)



(1) Based on percentages of total Company revenue for the half-year period ended 30 June 2016.

6.1 Review of Segment Operations - Global Drilling Services

	For the half-year ended 30 June			
	2016 US$ Millions	2015 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	219.5	281.2	(61.7)	-21.9%
COGS				
Materials/labor/overhead/other	179.2	236.3	(57.1)	-24.2%
Depreciation and amortisation	20.4	29.5	(9.1)	-30.8%
Total COGS	199.6	265.8	(66.2)	-24.9%
COGS as a % of Revenue	*90.9%*	*94.5%*	-3.6%	-3.8%
Contribution margin $	14.5	7.4	7.1	95.9%
Contribution margin %	6.6%	2.6%	4.0%	153.8%
Business unit SG&A	5.4	8.0	(2.6)	-32.5%
Allocated SG&A	11.0	14.1	(3.1)	-22.0%
EBITDA	23.4	22.1	1.3	5.9%
Capital spend (accrual)	6.6	8.6	(2.0)	-23.6%
Other Metrics				
Average # of Operating Drill Rigs	279	340	(61)	-17.9%
Average # of Drill rigs	900	927	(27)	-2.9%
# of Employees at period-end	3,349	3,478	(129)	-3.7%

<u>Safety</u>

The Global Drilling Services division's Total Case Incident Rate (TCIR) for the first half of 2016 was 1.41, compared to 1.17 for the comparable period in 2015. Its Lost-Time Incident Rate (LTIR) for the first half of 2016 was 0.15, compared to 0.16 for comparable period of 2015. Although the beginning of 2016 was challenging for Global Drilling Services in terms of TCIR performance, strong safety performance in recent months have continued the trend over several years of improving safety performance. We believe this trend supports the effectiveness of the divisions safety initiatives, which include better analysis of high-potential near miss incidents and significant injuries; applying corrective actions more globally; increasing management safety interactions at operating locations; increasing supervisory competencies through training; reinforcing hazard assessments; and increasing drill rig inspection frequency.

Key Safety Metrics

	2016	2015	
	First half	**First half**	**Full Year**
TCIR	1.41	1.17	1.32
LTIR	0.15	0.16	0.21

<u>Rig fleet</u>

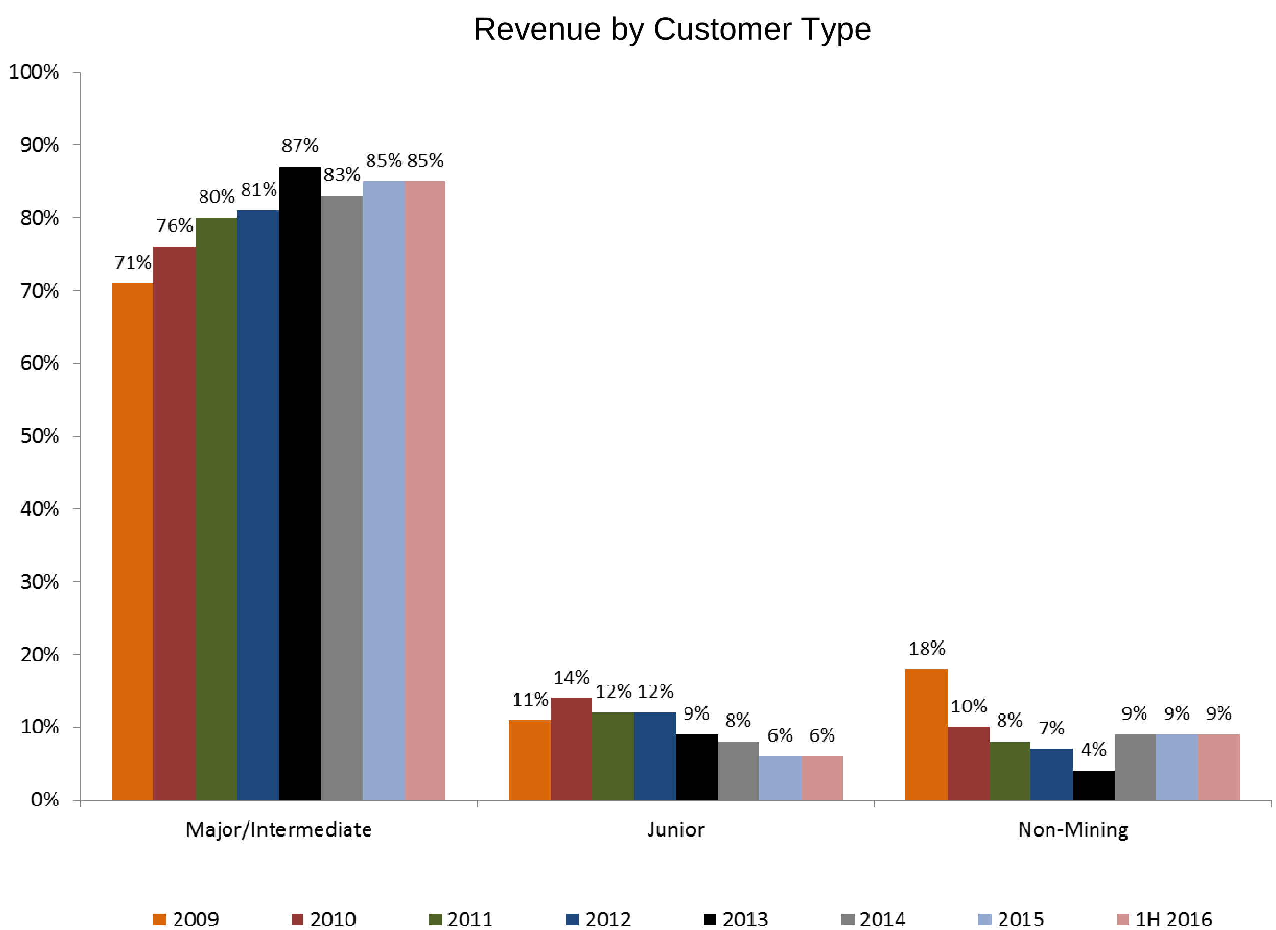
Our Global Drilling Services division's rig fleet, consisting of 877 rigs as at 30 June 2016, is the largest fleet operated by a mineral drilling services company in the world. Our drill rig packages range from small underground packages costing approximately $500 thousand to large diameter rotary packages that cost in excess of $4.0 million. The operational life of a drill rig varies greatly. Underground rigs are depreciated over a five-year period, whereas surface core rigs are depreciated over 10 years and rotary rigs over 12 years, or their estimated useful life.

Revenue

Consistent with recent trends, mining industry spending on exploration and development and non-mining services declined in the first half of 2016 and, as a result, Global Drilling Services' revenue in the first half of 2016 was $219.5 million, down 21.9% from $281.2 million in the first half of 2015. The year-over-year revenue decrease was driven by a combination of volume, price and changes in foreign exchange rates. Volume decreases resulted in $47.1 million of the year-over-year decrease. The stronger US Dollar, our reporting currency, against key trading currencies when compared to the prior period, primarily the Canadian and Australian dollar, resulted in an $8.9 million reduction in year-over-year revenues. Price decreases averaging 2.0% as a percentage of revenue reduced year-over-year revenue by a further $5.6 million.

Revenue for the second half of 2015 was $246.7 million, compared to $219.5 million in the first half of 2016, a decrease of 11.0%. The year-over-year decrease in revenue can be attributed to the reduction of agricultural drilling in North America, volume reductions in Latin America and the stronger US Dollar against foreign currencies as compared to the prior period resulting in reduced revenues due to translation.

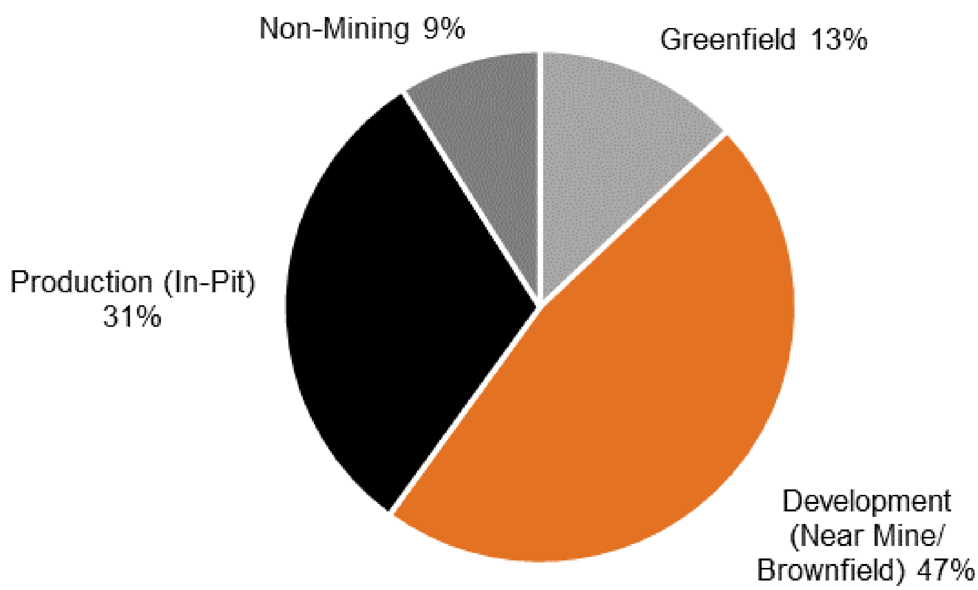
Approximately 85% of Global Drilling Services' revenue for the first half of 2016 was derived from major mining companies, including Barrick, BHP Billiton, Freeport-McMoRan, Goldcorp, Newmont and Rio Tinto. Our top 10 Global Drilling Services customers represented approximately 38% of the division's revenue for the first half of 2016, with no contract contributing more than 3% of our consolidated revenue. The Company has one customer that contributed 11.2% of the Company's revenue in 2016. There was no single customer that contributed more than 10% of the Company's revenue in 2015. We believe this diversified revenue base provides greater revenue stability.



Revenue by Drill Type

Revenues closely tied to mine production proved more stable in the first half of 2016 than those linked to green field exploration. In particular, our underground coring and percussive drilling operations, while not immune to reductions, collectively experienced only an 8.3% reduction in overall revenue. Drilling disciplines more closely tied to greenfield exploration and water drilling experienced more significant declines in 2016 and drove the majority of the volume reductions experienced in the business. Water Drilling revenues for the first half of 2016 were $31.3 million as compared to the same period in 2015 with revenues of $44.1 million, a decrease of 29.0%. Surface coring revenues for the first half of 2016 were $75.5 million as compared to the same period in 2015 with revenues of $94.5 million, a decrease of 20.1%. The reduction in Water Well drilling in 2016 was due to the slowing demand of water services in agricultural and municipal markets in the United States.

Revenue by Stage (1)



(1) Based on percentages of total Company revenue for the first half of 2016

Revenue by Drill Type (1)

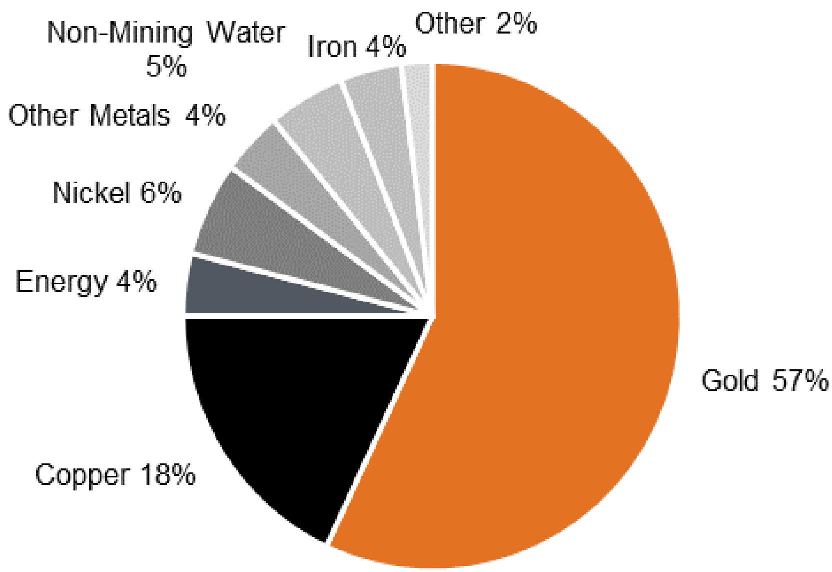
	First Half 2016		First Half 2015		First Half 2014	
	US$ Millions	% of Total	US$ Millions	% of Total	US$ Millions	% of Total
Surface Coring	75.5	34.4%	94.5	33.6%	92.3	29.9%
UG Coring	60.7	27.7%	76.3	27.1%	76.8	24.9%
Water Well	31.3	14.3%	44.1	15.7%	45.5	14.8%
Rotary	29.6	13.5%	34.5	12.3%	54.3	17.6%
Percussive	17.7	8.1%	20.3	7.2%	26.5	8.6%
Sonic	4.7	2.1%	11.5	4.1%	12.9	4.2%
Grand Total	**219.5**		**281.2**		**308.3**	

(1) Based on percentages of total Company revenue for the first half of 2016

Revenue by commodity

Gold and copper continue to be the primary commodities on which our customers were spending their exploration budgets in the first half of 2016 representing 56.6% and 17.9% of revenue, respectively. Reductions in commodity prices have negatively impacted our revenues, as mining customers have elected to reduce exploration budgets in response to low prices for many commodities at the start of 2016. In particular, Global Drilling Services' revenue associated with gold decreased to $124.3 million for the first half of 2016, compared to $130.3 million for the same period 2015, a decrease of 4.6%. For the same time periods, revenue associated with copper decreased by 27.2%.

Revenue by Commodity (1)



(1) Based on percentages of total Global Drilling Services revenue for the half-year ended 30 June 2016

Revenue by Commodity

	First Half 2016		First Half 2015		First Half 2014	
	US$ Millions	% of Total	US$ Millions	% of Total	US$ Millions	% of Total
Gold	124.3	56.6%	130.3	46.3%	131.9	42.8%
Copper	39.3	17.9%	54.0	19.2%	62.1	20.1%
Energy	9.7	4.4%	25.3	9.0%	31.1	10.1%
Iron	9.2	4.2%	7.6	2.7%	28.8	9.3%
Water Services	12.0	5.5%	19.9	7.1%	21.8	7.1%
Nickel	13.2	6.0%	13.5	4.8%	10.9	3.5%
Other	4.1	1.9%	0.6	0.2%	0.4	0.1%
Other Metals	7.7	3.5%	30.0	10.7%	21.3	6.9%
Grand Total	**219.5**		**281.2**		**308.3**	

Margins

Despite challenges resulting from weak demand and a 21.9% reduction in revenue comparing first half 2016 to the same period 2015, Global Drilling Services in the first half of 2016 achieved $14.5 million of Contribution Margin compared to $7.4 million in the first half of 2015, an increase of 95.9%. The primary drivers for the increase in Contribution Margin were the cost control initiatives undertaken by the business and the productivity and commercial improvements commenced in the second half of 2015. In the first half of 2016, the business improved in meters per shift, non-billable hours and revenue per shift while reducing variable and fixed cost to maintain a flat cost structure from a percent of revenue perspective.

EBITDA in the first half of 2016 was $23.4 million, up 5.9% from $22.1 million in the first half of 2015. The largest improvement was seen in our Asia Pacific operations. EBITDA in Asia Pacific drilling services increased to $6.6 million in the first half of 2016 compared to a loss of $0.1 million for the same period in 2015. The turning point for the region was a cost restructure that started in 2015. Other regions of the Global Drilling Services business have had varied EBITDA results, but we continue to focus on the cost structure of all our operations and on driving continued improvement in productivity and commercial practices.

6.2 Review of Segment Operations - Global Products

	For the half-year ended 30 June			
	2016	2015		
	US$ Millions	US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	91.0	106.3	(15.3)	-14.4%
COGS				
Materials/labor/overhead/other	68.9	80.4	(11.5)	-14.3%
Inventory obsolescence	(1.9)	0.3	(2.2)	-733.3%
Depreciation and amortisation	3.4	4.1	(0.7)	-17.1%
Total COGS	70.4	84.8	(14.4)	-17.0%
COGS as a % of Revenue	*77.4%*	*79.8%*	-2.4%	-3.0%
Contribution margin $	10.7	11.0	(0.3)	-2.7%
Contribution margin %	11.8%	10.3%	1.5%	14.6%
Business unit SG&A	9.9	10.5	(0.6)	-5.7%
Allocated SG&A	8.5	8.2	0.3	3.7%
EBITDA	6.1	7.1	(1.0)	-14.1%
Capital Spend (accrual basis)	1.0	2.8	(1.8)	-64.3%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	13.1	18.6	(5.5)	-29.7%
Inventories (1)	166.5	220.3	(53.8)	-24.4%
# of Employees	960	1,321	(361)	-27.3%

(1) Represents total Company inventories including Global Drilling Services and Global Products.

Safety

In first half 2016, the Total Case Incident Rate (TCIR) for the Global Products segment was 1.45 recordable incidents per 200,000 hours worked and the Lost-Time Incident Rate (LTIR) was 0.00. As with the Global Drilling Services division, these results reflect the Company's continued focus on programs to reinforce hazard recognition and consistently apply the Company's EHS management system across all operations. With the release of the Company's updated EHS management system, redefined and expanded EHS standards will continue to drive continuous improvement with a streamlined and comprehensive approach to best practices in safety.

Revenue

The half-year ended 30 June 2016 was a challenging period for the Global Products division. Revenue for the half-year was $91.0 million, down 14.4% from $106.3 million in the first half period of 2015. The primary drivers of the decrease were unfavourable currency translations and volume. Although the US dollar has weakened against most other major currencies during the first half of 2016, it is still stronger than it was in the 2015 comparable period. Price was relatively flat.

Of Global Products' revenue for the half-year ended 30 June 2016, approximately 77% was comprised of performance tooling components, and the remaining 23% was comprised of drilling equipment and spares. We have a global network of over 100 sales and customer service representatives marketing our products to drilling contractors, mining companies, and distributors. Our customer base is diversified with no external Global Products customer representing more than 2% of consolidated revenue for the half-year. Global Products continues to provide many of the products necessary for our Global Drilling Services division.

Margins

Although revenue was down 14.4% in Global Products, EBITDA for the half-year ended 30 June 2016 was down 14.1% compared to first half 2015. This result was achieved through disciplined cost control, as evidenced by a 5.7% decrease in Business SG&A costs. We continue to operate our manufacturing facilities at lean levels, only producing what is needed to support a lower level of sales.

Backlog

At 30 June 2016, Global Products had a backlog of product orders valued at $10.6 million. This compares to $12.9 million at 31 December 2015 and $18.2 million at 30 June 2015. Average backlog during the first half of 2016 was $13.1 million compared to $15.0 million during the second half of 2015. A key driver of the decrease in our backlog – which we define as product orders we believe to be firm – was unfavourable currency translation. It should be noted that an order shipped within the same month the order is received does not show up in backlog. Also, there is no certainty that orders in our backlog will result in actual sales at the times or in the amounts ordered because our customers generally can cancel their orders without penalty (with some exceptions on capital equipment orders).

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 2016, we had 418 issued patents, 636 registered trademarks, 294 pending patent applications and 24 pending trademark applications. One of the most significant patents is for 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

Our Global Products division employs engineers and technicians to develop, design and test new and improved products. We work closely with our customers, as well as our Global Drilling Services division, to identify opportunities and develop technical solutions for issues that arise on site. We believe that sharing field data, challenges, safety requirements and best practices accelerates innovation and increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from our Global Drilling Services network around the world. In the first half of 2016, we launched five new products and we continue to invest in our new product pipeline. New product development efforts remain focused on incremental product changes that increase productivity so customers are willing to pay for them regardless of the business environment. We have also launched TruCore™, the first in a range of instrumentation tools that provides accurate core orientation measurements. This is part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

Inventories

Cash continued to be generated from inventory in first half 2016 due to careful management of demand in our supply chain organisation and continuous efforts to reduce excess inventory. While we generated $10.1 million related to third-party sales and consumption in our Global Drilling Services division, this was offset by an increase of $2.4 million related to foreign currency translation and $7.9 million related to a net increase in other non-cash items.

7. Non-IFRS Financial Information

	For the half-year ended 30 June			
	2016	2016	2015	2015
US$ Millions	**US$ Millions**	**US$ Millions**	**US$ Millions**	**US$ Millions**
EBITDA[1]	**3.1**		**(39.4)**	
NPAT[2]		**(73.2)**		**(152.3)**
Recapitalisation costs	-	-	2.1	2.1
Impairments				
Property, plant and equipment	-	-	31.0	31.0
Intangible assets	0.5	0.5	0.2	0.2
Employee and related costs	4.6	4.6	5.2	5.2
Other restructuring expenses	5.3	5.3	2.6	2.6
Tax effect of significant items and other tax write offs[3]	-	10.7	-	42.4
Total of significant items	10.4	21.1	41.1	83.5
Adjusted EBITDA[1]	**13.5**		**1.7**	
Adjusted NPAT[2]		**(52.1)**		**(68.8)**

(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 before significant items'.

(3) Includes tax expense on derecognition of deferred tax assets and unrecognised tax losses for the period ended 30 June 2016.

8. Outlook

8.1 Our 2016 Priorities

Our key priorities for 2016 are to:

- continue 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 efficiency and productivity and enhancing our business development capabilities and processes;
- effectively manage customer relationships, pricing and contract terms;
- create new products and respond to new Global Drilling Services customers while judiciously managing capital;
- becoming cash positive through careful management of liquidity and costs; and
- evaluate options to improve our capital structure.

Continue to eliminate job related injuries by maintaining and enhancing our strong safety and compliance record. Safety is critical to the Company, our employees and our customers, both in determining the success of our business and in ensuring the ongoing well-being of our employees and others with whom we come into contact. We are dedicated to eliminating job-related injuries and providing a safe work environment for every employee. We are particularly focused on significant risks, continually seeking ways to mitigate those risks and ensuring that, when significant injuries or high-potential near-misses occur, we thoroughly investigate the root causes of those incidents and apply the lessons learned from them broadly. We also promote a culture where employees and managers at all levels are actively engaged in promoting safe work practices.

Expand our mining and minerals drilling customer base by focusing on efficiency and productivity. Backed by more than 125 years of experience in innovation, we remain focused on providing our customers with a full range of drilling services offerings. Our commitment is underpinned by initiatives to improve the efficiency and productivity with which we deliver services and information to our customers and enhancements of our commercial practices and capabilities to ensure alignment with our customers' most important needs. Ultimately, our goal is to be the driller of choice for our clients, particularly at their 'flagship' projects, which tend to be less volatile, higher volume, and involve longer-term contracts, and thereby allow us to leverage costs and develop site-specific expertise that brings value both to the customer and to Boart Longyear.

Effectively manage customer relationships, pricing and contract terms. Our Global Drilling Services business has implemented a rigorous internal process for evaluating the performance of all projects on an ongoing basis and developing corrective actions on a case-by-case basis at underperforming sites. Such corrective actions may include operational improvements, amendment of contract terms with our clients or, in some cases, termination of unprofitable work. We also have implemented a standardised process for reviewing and establishing contacts. As each project must succeed on its own merits, we consider the active management of pricing and contract terms to be key tools in achieving this objective and ensure our contracts reflect the full value delivered by Global Drilling Services and create lasting customer relationships.

Create new products and respond to new opportunities within a constrained capital budget. We will continue to pursue disciplined investments in our business to drive returns and capitalise on high-value opportunities in which we can leverage distinctive competencies, such as for 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 pursue strategic technologies and high value-added and more profitable activities, such as expanding our product and services offerings to provide subsurface resource information to our mining customers through our Geological Data Services business.

Become cash positive by 2017 through careful management of liquidity and costs. We have established being cash positive in 2017 as a primary goal for the business, which we intend to achieve through continued disciplined expense and capital management, opportunistic cost reductions and productivity enhancements. In 2015, we commenced business initiatives focused on improving our fixed and variable cost structures in five keys areas of the business to improve liquidity in 2016 and beyond. We continue to focus on process improvements and structural changes to improve customer support and responsiveness and drive long-term efficiencies. We anticipate implementing further cash generating initiatives in the second half of 2016 with the intent to benefit from these initiatives in 2017.

Evaluate options to improve our capital structure. Our capital structure exposes us to a variety of market, operational and liquidity risks. Accordingly, our top priorities support cash generation and preservation to reduce net debt as much as possible. In addition, as our markets show initial signs of improvement, we intend to assess options to improve our capital structure to address our 2018 debt maturities and liquidity needs for the medium and long term and have engaged financial advisors to identify options that fairly represent the interests of all stakeholders.

8.2 Outlook and Future Developments

We are not providing an outlook for 2016 revenue or EBITDA. Our productivity and commercial improvement initiatives are making a positive impact as significant improvements in results have been achieved in the first half of 2016. We expect to continue to see gains in both of these areas going forward.

The mining industry is cyclical. Notwithstanding current sector challenges, the longer-term outlook for the mining industry is expected to remain attractive and to be 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, improving commodity prices relative to price levels over the past few years.

As a result, we believe natural resources companies will be compelled and motivated 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, we continue to drive operational improvements, technological innovation and engineering excellence in both Global Drilling Services and Global Products and we believe we will benefit from increased market opportunities.

We remain focused on our core mining markets and intend to continue to invest in high-potential organic growth opportunities in those markets in a selective and disciplined manner. Examples of such opportunities include developing the next generation of consumable products, rod-handling solutions for the entire range of drilling rigs the Company offers, providing subsurface resource information to our mining customers through our Geological Data Services business and other products and services that enhance safety and productivity. In addition, we continue to pursue operational enhancements to improve operating margins, cash generation and debt reduction.

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.

8.3 Key Risks

The Company maintains an Enterprise Risk Management ("ERM") system by which we systematically assess the consequences of risk in areas such as health and safety, environmental, finance, compliance, and reputation. We also identify and track appropriate mitigation. A range of material risks have been identified, as follows, that could adversely affect the Company. These risks are not listed in order of significance. Nor are they all-encompassing. Rather, they reflect the most significant risks identified at a whole-of-entity or consolidated level.

Market Risk. The Company's operating results, financial condition and ability to achieve shareholder returns are directly linked to underlying market demand for drilling services and drilling products. Demand for our drilling services and products depends in significant part upon the level of mineral exploration, production and development activities conducted by mining companies, particularly with respect to gold, copper and other base metals. We have experienced significant declines in our financial performance as a result of declining demand for, and global oversupply of, the Company's services and products due to the global contraction in exploration and development spending in the commodities sector and by our mining customers. Mineral exploration, production and development activities are uncertain and could remain at depressed levels for an extended period of time or decline even further, resulting in adverse effects on our operating results, liquidity and financial condition.

We seek to mitigate the risk associated with volatility and weak demand conditions in our core mining markets by pursuing business development opportunities in other markets, such as infrastructure and geotechnical applications for our Global Products business. In addition, as previously outlined, our business priorities for 2016 include ongoing initiatives to gain market share in our core markets and expand our mining industry customer base by improving the efficiency and productivity with which we deliver services and information to our customers and making additional investments in our commercial organisation to augment our business development efforts and improve commercial practices for better alignment with our customers' most important needs.

Operational Risks. The majority of our drilling contracts are either short-term or may be cancelled upon short notice by our customers, and our products backlog is subject to cancellation. We seek through our contracting practices to minimise the financial cost associated with the termination or suspension of customer contracts or orders but often are limited by industry practice as to the degree to which we can allocate termination risks and obligations to our customers.

We have implemented significant cost savings, productivity improvements and efficiencies during the course of the ongoing industry downturn but our future operating results, financial condition and competiveness, particularly in our Global Drilling Services division, depend on our ability to sustain previously implemented reductions and realise additional savings and improvements ongoing and future productivity and efficiency initiatives. We may not be able to achieve expected cost savings and operational improvements in anticipated amounts or within expected time periods, and, if achieved, we may not be able to sustain them. Accordingly, we have implemented a project management organisation and rigorous monitoring processes around our key operational improvement programmes to track progress against project objectives, quantify results that are being achieved and ensure process improvements are sustainable.

Risks Related to Liquidity and Indebtedness. At 30 June 2016, our net debt was $670.1 million, with $711.2 million in gross debt and $41.1 million of cash on hand and availability through our Asset-Based Loan ("ABL") facility. The instruments comprising the Company's debt and their terms are set out in detail in note 12 of the financial statements.

Based on the Company's capital structure and the terms of our debt facilities, our ability to secure additional capital in the future, to the extent it becomes necessary to do so, is uncertain at present. Accordingly, our ability to fund operations and make further investments in the business may depend on the adequacy of current sources of liquidity to meet such needs until market conditions improve or additional operating improvements can be achieved to improve cash generated by our operations. In addition, certain of the Company's debt instruments bear maturities beginning in October 2018. Our ability to refinance or renew our debt when it becomes due depends on our ability to generate cash flow and, potentially, other circumstances, such as existing market conditions at the time of refinancing. Given the lack of clarity around the short-term outlook for the Company's markets, our top corporate priorities largely are directed at cash preservation and addressing our 2018 debt maturities.

The half-year financial report has been prepared on a going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business. As a result of the risks and uncertainties described in Note 1 of the financial statements, the Directors believe at the date of signing the financial statements, there is material uncertainty about 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. Subject to these uncertainties, the Directors reaffirm that current and expected operating cash flow, cash on hand and available drawings under the Company's asset-based loan facility provide sufficient liquidity to meet debts as and when they fall due.

Tax Risk. As previously disclosed and further detailed in note 8 of the financial statements, the Company is contesting a series of tax audits performed by the Canada Revenue Agency ("CRA"). We also are responding to audits that are underway or anticipated to be performed by the CRA. The resolution of existing and potential assessments by Canadian tax authorities may adversely affect our liquidity. While the timing and resolution of the Company's appeals of the CRA's assessments are uncertain, we are pursuing strategies to mitigate the risks of an adverse outcome with the assistance of our external legal and tax experts.

The recent closure of our centralised operating structure based in Switzerland and the establishment of a master distributor entity based in the United States could result in audits or assessments in many of the jurisdictions in which we operate and could lead to a higher effective tax rate and tax payments. Assessments related to these issues may adversely affect our liquidity in the event we are required to pay assessments, or post security to maintain challenges to such assessments. In making the decision to move to the master distributor entity, management and our external advisors carefully evaluated the operational requirements of the business, future tax risk and potential forecast scenarios and considered that the US-based master distributor structure effectively balances business objectives and tax risks inherent in any reorganisation.

Government and Regulatory Risk. Changes in, or failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business could have a material adverse effect on our financial condition, liquidity, results of operations and cash flows. Our operations are subject to numerous laws, regulations and guidelines (including anti-bribery, tax, health and safety, and environmental regulations) that could result in material liabilities or increases in our operating costs, or lead to the decline in the demand for our services or products. We therefore carefully monitor, and educate our employees and business partners about, legal requirements and developments to make sure our operations remain aware of applicable laws and regulations at all times. Further, we have implemented various internal and external resources and controls to promptly detect and address any potential non-compliance.

8.4 Forward Looking Statements

This report contains forward looking statements, including statements of current intention, opinion and expectation regarding the Company's present and future operations, possible future events and future financial prospects. While these statements reflect expectations at the date of this report, they are, by their nature, not certain and are susceptible to change. The Company makes no representation, assurance or guarantee as to the accuracy of or likelihood of fulfilling any such forward looking statements (whether express or implied), and, except as required by applicable law or the Australian Securities Exchange Listing Rules, disclaims any obligation or undertaking to publicly update such forward looking statements.

9. Quarterly Income Statement and Related Information

	Quarters ended 2016		Quarters ended 2015				Quarters ended 2014			
US$ Millions (1)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Company										
Revenue	168.7	141.8	160.9	186.8	200.3	187.2	205.8	239.3	224.1	197.4
EBITDA	15.5	(12.4)	(75.2)	(0.7)	(25.2)	(14.2)	(61.9)	12.3	(31.1)	(1.9)
Adjusted EBITDA (2)	19.8	(6.3)	(4.9)	3.1	11.2	(9.5)	(3.2)	15.9	14.9	3.8
Operating Gain (Loss)	3.4	(33.2)	(90.4)	(24.8)	(44.6)	(39.4)	(83.3)	(15.7)	(56.6)	(29.4)
Proft (Loss) from Trading Activities (3)	7.8	(23.2)	(10.3)	(7.7)	(3.6)	(24.2)	(14.3)	(6.2)	(4.1)	(23.3)
Net cash flows (used in) provided by operating activities	(22.5)	(50.0)	28.2	2.0	(10.2)	(74.9)	(6.8)	10.1	(8.3)	(6.3)
Net Debt	670.1	639.6	576.4	554.6	556.1	538.1	547.6	550.9	555.8	544.4
Adjusted SG&A (2)	28.9	27.0	28.3	31.0	32.5	30.6	31.6	32.7	34.6	32.7
# of employees	4,629	4,611	4,725	5,089	5,151	5,537	5,933	5,972	5,871	5,593
Global Drilling Services										
Revenue	122.2	97.3	111.3	135.4	145.1	136.1	151.8	176.0	168.7	139.6
EBITDA	21.5	1.9	3.0	15.8	18.1	4.0	9.1	22.9	25.4	11.2
Average # of drill rigs	889	911	914	917	921	933	944	953	945	950
Average rig utilisation	34%	28%	33%	37%	38%	35%	38%	40%	39%	32%
# of employees	3,349	3,300	3,127	3,420	3,478	3,833	4,172	4,208	4,130	3,874
Global Products										
Revenue	46.5	44.5	49.6	51.4	55.2	51.1	53.9	63.3	55.4	57.8
EBITDA	4.3	1.8	4.0	3.4	4.5	2.6	1.2	7.0	5.0	0.8
Average backlog	11.3	14.9	13.3	16.7	18.4	18.9	19.3	20.3	16.9	15.2
# of employees (4)	960	974	1,258	1,314	1,321	1,338	1,393	1,407	1,382	1,363

(1) Except for the number of employees, utilisation and rigs. Figures are period end, except where averages are indicated.

(2) Adjusted EBITDA and Adjusted SG&A are non-IFRS measures and are used internally by management to assess the underlying performance of the business and has been derived from the Company's financial results by adding back significant items, (i.e., charges relating to impairments, recapitalisation, restructuring, and employee and related costs).

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

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is on page 27 of this report.

ROUNDING OF AMOUNTS

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

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

On behalf of the Directors

Marcus Randolph
Chairman

22 August 2016

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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22 August 2016

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 2016, 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.

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 2016, 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 30 to 54.

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 2016 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 2016 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 indicates that the consolidated entity has net liabilities of $257.7 million as at 30 June 2016 and a loss after tax of $73.2 million for the half-year then ended. These factors, together with the other matters outlined in Note 1 indicate the existence of a 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, 22 August 2016

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 on page 36 concerning the going concern basis of preparation of the financial report and potential impact of material uncertainties related to the Company's ability to achieve forecast cash flows or realise cash from alternative 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

Marcus Randolph
Chairman

22 August 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2016

	Note	Half-year ended 30 June 2016 US$'000	Half-year ended 30 June 2015 US$'000
Continuing operations			
Revenue		310,498	387,470
Cost of goods sold		(271,488) [1]	(385,872)
Gross margin		39,010	1,598
Other income	**4**	3,746	1,885
General and administrative expenses		(50,187) [1]	(57,485)
Sales and marketing expenses		(14,640) [1]	(13,045)
Other expenses	**4**	(7,734)	(16,983)
Operating loss		(29,805)	(84,030)
Interest income		1,169	2,106
Finance costs	**5**	(35,637)	(36,842)
Loss before taxation		(64,273)	(118,766)
Income tax expense	**8**	(8,925)	(33,583)
Loss for the period attributable to equity holders of the parent		(73,198)	(152,349)
Loss per share			
Basic loss per share		(7.8) cents	(17.2) cents
Diluted loss per share		(7.8) cents	(17.2) cents
Other comprehensive loss			
Loss for the period attributable to equity holders of the parent		(73,198)	(152,349)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		3,625	(22,990)
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses) gains related to defined benefit plans		(10,880)	7,054
Income benefit (tax) on income and expense recognised directly through equity		756	(1,013)
Other comprehensive loss for the period, net of tax		(6,499)	(16,949)
Total comprehensive loss for the period attributable to equity holders of the parent		(79,697)	(169,298)

(1) Significant items have not been separately presented but have been included in the relevant line items. Details of items considered to be significant are included in Note 6. In addition, certain expenses have been reclassified as discussed in Note 2. The comparable prior period has been amended to be consistent with the current period presentation.

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 36-54

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Note	30 June 2016 US$'000	31 December 2015 US$'000
Current assets			
Cash and cash equivalents	**15**	41,088	113,357
Trade and other receivables	**9**	129,076	110,055
Inventories		166,492	166,258
Current tax receivable		5,405	6,617
Prepaid expenses and other assets		15,561	16,368
		357,622	412,655
Asset classified as held for sale	**16**	7,492	-
Total current assets		365,114	412,655
Non-current assets			
Property, plant and equipment		149,176	176,475
Goodwill	**10**	100,597	99,658
Other intangible assets	**10**	48,082	54,404
Deferred tax assets		23,626	21,033
Non-current tax receivable		12,502	14,208
Other assets		11,022	13,464
Total non-current assets		345,005	379,242
Total assets		710,119	791,897
Current liabilities			
Trade and other payables	**11**	109,408	145,041
Provisions	**13**	13,933	19,518
Current tax payable		84,912	77,964
Loans and borrowings	**12**	85	51
Total current liabilities		208,338	242,574
Non-current liabilities			
Loans and borrowings	**12**	711,115	689,732
Deferred tax liabilities		15,152	14,818
Provisions	**13**	33,200	24,972
Total non-current liabilities		759,467	729,522
Total liabilities		967,805	972,096
Net liabilities		**(257,686)**	**(180,199)**
Equity			
Issued capital		1,263,355	1,262,431
Reserves		(115,902)	(120,813)
Other equity		(137,182)	(137,182)
Accumulated losses		(1,267,957)	(1,184,635)
Total deficiency in equity		**(257,686)**	**(180,199)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 36-54

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2016

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Other equity US$'000	Accumulated losses US$'000	Total attributible to owners of the parent US$'000
Balance at 1 January 2015	1,159,069	(92,799)	10,014	(137,182)	(868,885)	70,217
Loss for the period	-	-	-	-	(152,349)	(152,349)
Other comprehensive (gain) loss for the period - net of tax	-	(22,990)	-	-	6,041	(16,949)
Total other comprehensive loss	-	(22,990)	-	-	(146,308)	(169,298)
Issued under recapitalisation program	99,732	-	-	-	-	99,732
Vesting of LTIP rights, restricted shares	2,632	-	(2,632)	-	-	-
Share-based compensation	-	-	1,336	-	-	1,336
Balance at 30 June 2015	**1,261,433**	**(115,789)**	**8,718**	**(137,182)**	**(1,015,193)**	**1,987**
Balance at 1 January 2016	1,262,431	(131,025)	10,212	(137,182)	(1,184,635)	(180,199)
Loss for the period	-	-	-	-	(73,198)	(73,198)
Other comprehensive gain (loss) for the period - net of tax	-	3,625	-	-	(10,124)	(6,499)
Total other comprehensive loss	-	3,625	-	-	(83,322)	(79,697)
Issued under recapitalisation program	423	-	-	-	-	423
Vesting of LTIP rights, restricted shares	501	-	(501)	-	-	-
Share-based compensation	-	-	1,787	-	-	1,787
Balance at 30 June 2016	**1,263,355**	**(127,400)**	**11,498**	**(137,182)**	**(1,267,957)**	**(257,686)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 36-54

Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2016

	Note	Half-year ended 30 June 2016 US$'000	Half-year ended 30 June 2015 US$'000
Cash flows from operating activities			
Loss for the period		(73,198)	(152,349)
Adjustments provided by operating activities:			
Income tax expense recognised in profit		8,925	33,583
Finance costs recognised in profit	**5**	35,637	36,842
Depreciation and amortisation		32,938	44,657
Interest income recognised in profit		(1,169)	(2,106)
(Gain) Loss on sale or disposal of non-current assets		(1,890)	59
Impairment of current and non-current assets		490	31,222
Other non-cash items		(7,860)	(12)
Non-cash foreign exchange loss		857	7,023
Equity-settled share-based payments		1,787	1,336
Long-term compensation - cash rights		1,194	1,725
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
Decrease (increase) in assets:			
Trade and other receivables		(17,578)	(25,376)
Inventories		10,064	12,826
Other assets		4,624	2,000
Decrease in liabilities:			
Trade and other payables		(34,239)	(35,399)
Provisions		(9,479)	(3,221)
Cash used in operations		(48,897)	(47,190)
Interest paid		(22,363)	(24,330)
Interest received		1,169	2,106
Income taxes paid		(2,420)	(15,697)
Net cash flows used in operating activities		**(72,511)**	**(85,111)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 36-54

Condensed Consolidated Statement of Cash Flows (continued)

For the half-year ended 30 June 2016

	Note	Half-year ended 30 June 2016 US$'000	Half-year ended 30 June 2015 US$'000
Cash flows from investing activities			
Investment in unaffiliated companies		(1,286)	(1,706)
Purchase of property, plant and equipment		(9,490)	(9,535)
Proceeds from sale of property, plant and equipment		5,507	1,649
Intangible costs paid		(996)	(952)
Net cash flows used in investing activities		**(6,265)**	**(10,544)**
Cash flows from financing activities			
Proceeds from the issuance of shares		-	83,732
Payments for debt issuance costs		(54)	(1,289)
Proceeds from borrowings		14,102	-
Repayment of borrowings		(6,105)	(35,000)
Net cash flows provided by financing activities		**7,943**	**47,443**
Net decrease in cash and cash equivalents		(70,833)	(48,212)
Cash and cash equivalents at the beginning of the period		113,357	168,784
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,436)	166
Cash and cash equivalents at the end of the period		**41,088**	**120,738**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 36-54

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Statement of compliance

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

Basis of preparation

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

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

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

Going concern

The half-year financial report has been prepared on a going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors consider that current and expected liquidity from operating cash flow, cash on hand and available drawings under the Company's asset-based loan facility will be adequate to enable the Company to meet its debts and obligations as and when they fall due, subject to the risks described below, which give rise to material uncertainty.

At 30 June 2016, the Company has net liabilities of $257.7 million (2015: net liabilities of $180.2 million as at 31 December). The increase in net liabilities is mainly a result of a loss after income tax of $73.2 million. At 30 June 2016, the Company has net current assets of $156.8 million (2015: $170.1 million as at 31 December).

In preparing the half-year financial report, the Directors have made an assessment of the ability of the Company to continue as a going concern. The Company's ability to meet its ongoing operational and financing obligations requires the Company to achieve forecast cash flows, including the ability to sustain previously implemented cost reductions and realise additional cost savings and productivity improvements from ongoing and future cost-reduction and efficiency initiatives.

The Company has prepared detailed cash flow forecasts modeling the financial impact of ongoing actions to improve operating performance, financial results and liquidity. In preparing those forecasts the Company has used best estimate assumptions. The Directors have assessed the Company's cash flow forecasts and revenue projections based on current market conditions and on results achieved to date attributable to ongoing cash-generating actions. Some of the key assumptions underpinning the cash flow forecasts and revenue projections are inherently uncertain and are subject to variation due to factors which are outside the control of the Company. The key assumptions are discussed below.

<u>Market risk</u>
Since 2012, the Company has experienced a significant decline in demand for its services and products due to the global contraction in exploration and development spending in the commodities sector and by mining customers. Mineral exploration, production and development activity and contract pricing could remain at depressed levels for a longer period of time, or decline even further, than assumed in the cash flow forecasts, resulting in adverse effects on the Company's operating results, liquidity and financial condition.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Operational risk
The Company has implemented significant cost savings and efficiency initiatives. These initiatives are aggressively managing fixed, variable and capital costs and, in particular, improving operational efficiencies and commercial practices.

The cash flow forecasts assume that the Company is able to sustain previously implemented cost reductions and realise additional cost savings from both ongoing and future cost-reduction and efficiency initiatives.

Other key assumptions
The cash flow forecasts also include a number of other key assumptions, in particular; assumptions relating to the timing and outcome of the tax audits detailed in Note 8 of this report, and that the US dollar remains consistent with current levels, particularly in relation to the Australian and Canadian dollars.

Given the above, the Directors have considered a number of scenarios in forming their view that, in the event that assumptions vary significantly from those forecast, the Company has options available to meet its financial obligations. These options include various recapitalisation possibilities such as raising new equity, debt equitisation, asset sales and additional cost reduction actions that have been identified but not yet pursued.

There is a risk that the Company will not achieve its forecast cash flows or realise sufficient cash from alternative options available to the Company. Certain of the Company's debt facilities, as set out in Note 12 of this half-year financial report, mature in late 2018. The Company's ability to refinance or renew this debt when it becomes due will depend on a number of circumstances, including the Company's ability to generate cash flows, its success in managing the risks identified above and prevailing market conditions at the time of debt maturities. Management and the Directors will continue to monitor these risks and develop mitigation plans.

As a result of the risks and uncertainties discussed above, the Directors believe at the date of signing of the half-year financial report that there is material uncertainty about 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. Subject to these uncertainties, the Directors reaffirm that at the time of this report there is sufficient available liquidity to meet debts as and when they fall due and, therefore, it is appropriate that this report has been prepared on a going concern basis.

Accounting polices

The accounting policies and methods of computation followed in the preparation of the half-year financial report are consistent with those followed and disclosed in the Company's 2015 Annual Financial Report for the financial year ended 31 December 2015, except for the impact of the standards, interpretations and amendments described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Standards and Interpretations issued not yet effective

The accounting standards and AASB Interpretations that will be applicable to the Company and may have an effect in future reporting periods are detailed below. Apart from these standards and interpretations, management has considered other accounting standards that will be applicable in future periods, however they have been considered insignificant to the Company.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
- AASB 9 'Financial instruments', and the relevant amending standards	1 January 2018	31 December 2018
- AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 "Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	31 December 2018
- AASB 16 'Leases'	1 January 2019	31 December 2019

The potential impact of the initial application of the Standards above is yet to be determined.

The following standards are not expected to have a significant impact on the consolidated financial statements:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
- AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	31 December 2017
- AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	31 December 2017
- AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-Based Payment Transactions'	1 January 2018	31 December 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Key Judgements and Estimates

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

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

The key judgments, estimates and assumptions that have or could have the most significant effect on the amounts recognised in the financial statements 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 assets, including goodwill, 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 CGUs. 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 10 for details 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.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (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 earnings.

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.

2. RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations or the Statement of Financial Position.

The table below shows the impact of this reclassification on the Consolidated Statement of Profit or Loss and Other Comprehensive Income, consistent with the position taken and disclosed in Note 3 of the annual financial report for the year ended 31 December 2015.

	For the half-year ended 30 June 2015		
	As Previously Reported	**Reclass Amounts**	**Adjusted Balance**
Continuing operations			
Revenue	387,470	-	387,470
Cost of goods sold	(370,013)	(15,859)	(385,872)
Gross margin	17,457	(15,859)	1,598
Other income	1,885	-	1,885
General and administrative expenses	(67,101)	9,616	(57,485)
Sales and marketing expenses	(19,288)	6,243	(13,045)
Other expenses	(16,983)	-	(16,983)
Operating loss	(84,030)	-	(84,030)

3. SEGMENT REPORTING

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

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

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	30 June 2016		30 June 2015		30 June 2016	30 June 2015
	US$'000		US$'000		US$'000	US$'000
Drilling Services		219,528		281,199	2,629	(9,694)
Global Products revenue						
Products third party revenue	90,970		106,271			
Products inter-segment revenue [1]	22,721		26,966			
Total Products		113,691		133,237	2,114	1,829
Less Global Products sales to Global Drilling Services		(22,721)		(26,966)		
Total third party revenue		310,498		387,470		
Total segment profit (loss)					4,743	(7,865)
Unallocated costs [2]					(24,136)	(35,059)
Restructuring expenses and related impairments					(10,412)	(41,106)
Finance costs					(35,637)	(36,842)
Interest income					1,169	2,106
Loss before taxation					(64,273)	(118,766)

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

Geographic information

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

	Revenue from external customers		Non-current assets[1]	
	30 June 2016	30 June 2015	30 June 2016	31 December 2015
	US$'000	US$'000	US$'000	US$'000
North America	141,056	180,053	223,742	237,512
Asia Pacific	79,626	82,168	60,392	69,522
Latin America	42,051	61,107	32,837	39,267
EMEA	47,765	64,142	4,408	11,908
	310,498	387,470	321,379	358,209

(1) Non-current assets excluding deferred tax assets

4. OTHER INCOME AND EXPENSES

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

	2016 US$'000	2015 US$'000
Other income		
Gain on disposal of property, plant and equipment	1,890	-
Gain on foreign currency exchange differences	607	-
Other	1,249	1,885
	3,746	1,885
Other expenses		
Amortisation of intangible assets	6,641	8,571
Loss on foreign currency exchange differences	-	6,322
VAT-related items	354	1,395
Other	739	695
	7,734	16,983

5. FINANCE COSTS

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

	2016 US$'000	2015 US$'000
Interest on loans and bank overdrafts	34,608	35,917
Amortisation of debt issuance costs	1,029	925
Total finance costs	35,637	36,842

6. SIGNIFICANT ITEMS

During the first half of 2016, the Company continued to reduce operating costs through a series of restructuring activities. The Company's restructuring efforts included:

- controlling SG&A and other overhead related costs;
- exiting certain loss-making drilling services project or territories;
- leveraging the supply chain function across the business, and
- focusing on operational efficiencies and productivity at the drill rig level and across the global organisation.

The Company has incurred costs related to executing its restructuring and cost-reduction plans. These costs include employee separations, exiting leased facilities and impairments of inventories and capital equipment related to relocating certain manufacturing activities and resizing the business.

In addition, due to the deterioration in the Company's revenues and profitability as well as a forecast global slowdown in the demand for drilling services and products, the Company reassessed the carrying value of certain assets, including goodwill, intangible assets, plant and equipment and inventories, resulting in additional impairment charges and provisions in the prior period. A description of the impairment process is provided in Note 10.

6. SIGNIFICANT ITEMS (CONTINUED)

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

	2016 US$'000	2015 US$'000
Recapitalisation costs	-	2,077
Impairments:		
Property, plant and equipment	-	31,001
Other intangible assets	490	221
Employee and related costs[1]	4,561	5,209
Other restructuring costs	5,030	1,651
Onerous leases	331	947
	10,412	41,106
Net of tax[2]	10,328	34,952

(1) Employee and related costs include separation costs, retention and other employee-related costs.
(2) The tax effect was calculated using applicable local country tax rates before application of excess of net operating losses.

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

	2016 US$'000	2015 US$'000
Cost of goods sold	1,436	34,174
General and administrative expenses	7,334	6,680
Sales and marketing expenses	129	27
Research and development	1,513	225
	10,412	41,106

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

	2016 US$'000	2015 US$'000
Global drilling services	6,628	37,504
Global products	620	1,285
Unallocated	3,164	2,317
	10,412	41,106

7. ISSUANCE OF SHARE RIGHTS AND PURCHASE OF SHARES

During the half-year ended 30 June 2016, the Company granted 1,000,000 share options to a member of management. The options were granted at a strike price of $0.16 (A$0.20) with the market price of the Company's shares at $0.04 (A$0.06) at time of grant. The options vest three to five years from grant date and are exercisable for five to seven years after the vesting date.

During the half-year ended 30 June 2015, the Company granted 75,909,098 share options to certain members of management. The options were granted at a strike price of $0.16 (A$0.20) with the market price of the Company's shares at $0.09 (A$0.12) at time of grant. The options vest three to five years from grant date and are excisable for five to seven years after the vesting date.

During the half-year ended 30 June 2016, the Company granted 47,140,000 share rights under its long-term incentive plan (LTIP) with a combined fair value of approximately $2.4 million and a vesting period over the next three years. During the half-year ended 30 June 2015, the Company granted 18,290,000 share rights under its long-term incentive plan with a combined fair value of approximately $4.5 million and a vesting period over the next three years.

The Company purchased 1,347,420 shares of the Company's stock with accumulated dividends held within the trust in the half-year ended 30 June 2016. There were no shares purchased in the half-year ended 30 June 2015.

8. INCOME TAXES

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

	2016 US$'000	2015 US$'000
Loss before taxation	(64,273)	(118,766)
Income tax benefit calculated at Australian rate of 30%	(19,282)	(35,630)
Impact of different tax rates in foreign jurisdictions	2,279	13,667
Net nondeductible/non assessable items	8,725	(1,811)
Unrecognised tax losses [1]	10,811	31,661
Derecognition of deferred tax assets [2]	1,575	16,885
Other	2,098	5,571
Under provision from prior years	2,719	3,240
Income tax expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	8,925	33,583

(1) 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.

(2) As a result of adverse business conditions, the Company has reduced its earnings forecast and/or restructured or withdrawn its operations in certain jurisdictions. As a result, the Company has derecognised deferred tax assets recognised in prior periods.

8. INCOME TAXES (CONTINUED)

Canadian income tax audits

The Company's Canadian income tax returns for the tax years 2007-2012 have been reassessed by the Canada Revenue Agency ("CRA"). These reassessments are being appealed through a multi-national dispute resolution process, known as "competent authority" to prevent the double-taxation of income assessed by multiple jurisdictions. The assessment for the 2007 through 2012 tax years, if upheld, would result in federal and provincial tax liabilities (including interest) of approximately C$106.0 million.

The outcome and timing of any resolution of the Canadian reassessments are unknown. Interest will continue to accrue on all disputed and unpaid amounts until they are paid, or, alternatively, until the disputes are resolved in the Company's favour.

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 regarding the outcome of those audits. While the Company believes it is appropriately reserved in respect of the CRA tax disputes, the resolution of those disputes on terms substantially as assessed by the CRA for the 2007 through 2012 tax years could be material to the Company's financial position or results of operations. The Company's liquidity could also be impacted negatively by the CRA reassessments.

Other tax matters

The recent closure of our centralised operating structure based in Switzerland and the establishment of a master distributor entity based in the United States could result in audits or assessments in many of the jurisdictions in which we operate and could lead to a higher effective tax rate and tax payments. Assessments related to these issues may adversely affect our liquidity in the event we are required to pay assessments, or post security to maintain challenges to such assessments. In making the decision to move to the master distributor entity, management and our external advisors carefully evaluated the operational requirements of the business, future tax risk and potential forecast scenarios and considered that the US-based master distributor structure effectively balances business objectives and tax risks inherent in any reorganisation.

9. TRADE AND OTHER RECEIVABLES

	30 June 2016 US$'000	31 December 2015 US$'000
Trade receivables	116,966	96,771
Allowance for doubtful accounts	(1,864)	(2,482)
Goods and services tax receivable	12,564	13,997
Other receivables	1,410	1,769
	129,076	110,055

The ageing of trade receivables is detailed below:

	30 June 2016 US$'000	31 December 2015 US$'000
Current	91,946	69,364
Past due 0 - 30 days	11,889	15,577
Past due 31 - 60 days	4,281	4,134
Past due 61-90 days	3,281	3,952
Past due 90 days	5,569	3,744
	116,966	96,771

The average credit period on sales of goods and services is 61 days as at 30 June 2016 and 30 June 2015. 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.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

	30 June 2016 US$'000	31 December 2015 US$'000
Goodwill	100,597	99,658
Other intangible assets:		
Software	15,701	21,287
Customer relationships	8,345	8,970
Development assets	15,738	15,939
Patents	5,305	5,225
Trademarks	2,993	2,983
	48,082	54,404

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in cash-generating units that are significant individually or in aggregate. The carrying amount of goodwill of $100.6 million as at 30 June 2016 and $99.7 million as at 31 December 2015 was in the North America Drilling Services CGU.

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.

10. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Goodwill impairment by cash-generating units

Goodwill and intangible assets in the EMEA, Latin America and Asia Pacific Drilling Services CGUs have been fully impaired. For the cash-generating units with remaining goodwill and intangible assets, being the North America Drilling Services CGU, the Company performed a goodwill impairment test at 30 June 2016 and the recoverable amount for the North America Drilling Services CGU exceeded the goodwill carrying amount. Consequently, no goodwill impairments were recorded for the half-year period ended 30 June 2016.

Impairment process

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 saleability within a reasonable timeframe.
- The Company also assesses the recoverability of its assets collectively across 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 region in which the original acquisition generating the goodwill was incurred;
    - For the Global 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 the impairment process set out above, the Company recorded an impairment charge of $490 thousand as at 30 June 2016.

Key assumptions

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

In its impairment assessment, the Company calculates the recoverable amounts based on value-in-use calculations. 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.

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 is below its internal models. This factor is one of many indicators of impairment that the Company has considered.

10. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Revenue – Global Drilling Services
In determining the growth rates applied to revenue through the mining cycle, we have had regard to the following:

- Average revenue growth over previous mining cycles, with revenue in the forecast period and terminal year based on the average actual revenue in the last five years.
- Rates of inflation in the countries where the Company does business (sourced from Bloomberg and Damodaran).
- Price and volume expectations over the forecast period.

Revenue – Global Products
Revenue for the Global Products CGU (manufacturing facilities) has been determined based on current production levels with revenue assumed to grow at 5% each year in the forecast period.

Expenses
In determining gross margin and SG&A expenses management has used historical performance trends, overlaying the impacts of recent programs and other initiatives already 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 and terminal growth 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 Bloomberg, the adjusted post-tax discount rates ranged from 10.0% to 23.8%, as shown in the table below. The terminal growth rate does not exceed the long-term average growth rate for the industry.

	Post tax Discount Rate	Terminal Growth Rate
Global	11.5%	4.0%
North America	11.1%	3.2%
Asia Pacific	12.0%	1.0%
Latin America	14.8%	1.0%
Europe and Africa	23.8%	1.0%
Manufacturing facilities	10.0% - 13.9%	2.5% - 3.5%

As part of our impairment analysis we have considered a number of different scenarios that consider the impact on the value-in-use calculations if key assumptions were to vary from those used in the calculations. Whilst a number of our scenarios did not show any impairment, if revenue and gross margins for each region and manufacturing facility deteriorate further than included in our impairment analysis due to lower than expected price and volume changes [(1)] and the Company is unable to adjust its cost structure, there would be impairments as follows:

	US$'000
North America	47,559
Latin America	2,730
Manufacturing facilities	5,667

(1) For the purposes of our sensitivity analysis, we have assumed that revenue is on average 3.0% lower than forecast and gross margin is on average 5.0% lower than forecast.

11. TRADE AND OTHER PAYABLES

	30 June 2016 US$'000	31 December 2015 US$'000
Current		
Trade payables	40,354	59,475
Accrued payroll and benefits	23,489	30,383
Goods and services tax payable	14,525	15,452
Accrued drilling costs	3,069	3,211
Accrued legal and environmental	5,279	5,988
Accrued interest	10,058	10,106
Professional fees	4,614	5,507
Other sundry payables and accruals	8,020	14,919
	109,408	145,041

The average credit period on purchases of certain goods is 27 days as at 30 June 2016 compared to 29 days as at 30 June 2015. 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.

12. LOANS AND BORROWINGS

	30 June 2016 US$'000	31 December 2015 US$'000
Unsecured - at amortised cost		
Non-current		
Senior notes	284,000	284,000
Debt issuance costs	(2,764)	(3,055)
Secured - at amortised cost		
Current		
Finance lease liabilities	85	51
Non-current		
Senior notes	195,000	195,000
Term loans	190,000	190,000
Accreted interest	40,654	28,361
Revolver bank loans	7,997	-
Debt issuance cost	(4,096)	(4,780)
Finance lease liabilities	324	206
	711,200	689,783
Disclosed in the financial statements as:		
Current borrowings	85	51
Non-current borrowings	711,115	689,732
	711,200	689,783
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	85	51
Between 1 and 2 years	89	51
Between 2 and 3 years	321,352	314,494
Between 3 and 4 years	97	51
More than 4 years	396,437	382,971
	718,060	697,618
Debt Issuance Cost	(6,860)	(7,835)
	711,200	689,783

Senior notes

Senior unsecured notes
The Company has $284.0 million of senior unsecured notes outstanding as at 30 June 2016 and 31 December 2015. These notes carry 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.

Senior secured notes
The Company has $195.0 million of senior secured notes outstanding as at 30 June 2016 and 31 December 2015. These notes carry 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.

12. LOANS AND BORROWINGS (CONTINUED)

Bank credit facility

The Company has an asset-based, revolving bank credit facility (the "ABL") that provides up to $40.0 million of capacity for loans or other purposes such as letters of credit. As at 30 June 2016 there was $8.0 million outstanding under this facility. In addition, there were outstanding letters of credit totalling $11.3 million that reduced the amount available to draw under the ABL commitments. Interest rates on usage/drawings (we pay this on letters of credit which are not "borrowings") are based on a base rate plus an applicable margin. The base rate is generally based on 30-day USD LIBOR, while the margin is determined based on the Company's leverage according to a pricing grid. As at 30 June 2016 the applicable margin was 3.5% for LIBOR-based loans.

The ABL facility is secured by a first lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the ABL borrower and guarantors and a third lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property). Provisions in the facility currently restrict availability by $5.0 million until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for four consecutive quarters. Provisions also require that $5.0 million of cash be held in a restricted bank account with the lender until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for two consecutive quarters, at which time the restricted cash shall be released. Following release of the restricted cash, but only to the extent that less than $7.5 million of excess availability exists under the facility, the facility triggers a requirement to maintain an unadjusted fixed charge coverage ratio of not less than 1.1:1.0. Scheduled maturity is the earliest of (i) 90 days prior to maturity of senior secured notes (or any Indebtedness refinancing the security) (ii) 90 days prior to maturity of Tranche A of the Term Loan (or any Indebtedness refinancing the security) (iii) 90 days prior to maturity of Tranche B of the Term Loan (or any Indebtedness refinancing the maturity of the security) and (iv) 29 May 2020. Guarantors for the term loans are Boart Longyear Limited, Boart Longyear Canada, Boart Longyear Australia Pty Ltd, and Boart Longyear Company with the Issuer being Boart Longyear Management Pty Ltd.

Term loans

The Company has a term loan facility which is structured as Tranche A and Tranche B loans. The term loan has an interest rate of 12% per annum, which would be reduced to 11% per annum if the Company's trailing 12 month adjusted EBITDA is greater than $200.0 million. The term loan tranches are structured to accrete interest, which is payable to the term loan lender, Centerbridge Partners, L.P., a related party, and which is guaranteed by an unrestricted subsidiary funded with intangible assets not to exceed $44.0 million.

Tranche A
Upon closing of the ABL revolving credit facility on 1 June 2015, $35.0 million of Tranche A was repaid resulting in an outstanding principal balance of $85.0 million as at 30 June 2016. This tranche contains a maturity of 22 October 2020 and is non-callable for the first 4 years. It is secured by a first lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

Tranche B
As at 30 June 2016 the amount outstanding under Tranche B was $105.0 million. This tranche contains a maturity of 1 October, 2018 and is non-callable for the life of the loan. It is secured by a second lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

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

The Company's ABL term loans and senior notes does not require maintenance or testing of financial covenant ratios.

12. LOANS AND BORROWINGS (CONTINUED)

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

The Company's ABL includes a covenant that is triggered following release of the restricted cash, but only to the extent that less than $7.5 million of excess availability exists under the facility. If triggered, the Company is required to maintain an unadjusted fixed charge coverage ratio of not less than 1.1:1.0.

As at 30 June 2016 the Company was in compliance will all of its debt covenants.

Further details around the Issuer/Borrower and Guarantors of the Company's debt instruments are included below:

Description	Issuer/Borrower	Guarantors
Senior Secured Notes	Boart Longyear Management Pty Limited	*Australia:* Boart Longyear Australia Pty Limited, Boart Longyear Limited and Votraint No. 1609 Pty Limited *Canada:* Boart Longyear Canada, Boart Longyear Manufacturing Canada Ltd. And Longyear Canada ULC *Chile:* Boart Longyear Chile Limitada and Boart Longyear Commercializadora Limitada *Peru:* Boart Longyear S.A.C. *Switzerland:* Boart Longyear Suisse Sarl *United States:* Boart Longyear Company, Boart Longyear Manufacturing and Distribution Inc., Longyear Holdings, Inc. and Longyear TM, Inc.
Term Loan – tranche B	Same as Senior Secured Notes	Same as Term Loan tranche A
ABL	Same as Senior Secured Notes	*Australia:* Boart Longyear Australia Pty Limited, Boart Longyear Limited *Canada:* Boart Longyear Canada *United States:* Boart Longyear Company
Term Loan – tranche A	Same as Senior Secured Notes	*Australia:* Boart Longyear Australia Pty Limited, Boart Longyear Limited and Votraint No. 1609 Pty Limited *Canada:* Boart Longyear Canada, Boart Longyear Manufacturing Canada Ltd. And Longyear Canada ULC *Chile:* Boart Longyear Chile Limitada and Boart Longyear Commercializadora Limitada *Peru:* Boart Longyear S.A.C. *Switzerland:* Boart Longyear Suisse Sarl *United States:* Boart Longyear Company, Boart Longyear Manufacturing USA, Inc.,Longyear Holdings, Inc., BLY IP Inc. and Longyear TM, Inc.
Senior Unsecured Notes	Same as Senior Secured Notes	Same as Senior Secured Notes

13. PROVISIONS

	30 June 2016 US$'000	31 December 2015 US$'000
Current		
Employee benefits	10,499	13,868
Restructuring and termination costs [1]	1,251	3,403
Warranty [2]	617	319
Onerous lease costs	1,566	1,928
	13,933	19,518
Non-current		
Employee benefits	1,208	2,040
Pension and post-retirement benefits [3]	30,508	21,315
Onerous lease	1,484	1,617
	33,200	24,972
	47,133	44,490

(1) The provision for restructuring and termination costs represent the present value of management's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits.
(2) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's warranty program.
(3) Full actuarial valuations of the defined benefit pension and post-retirement benefit plans are performed annually by qualified independent actuaries for the Company's 31 December year-end closing. Management believes that movements in the defined benefit obligations and fair values of plan assets during the half-year ended 30 June 2016 have not been significant and, as a result, has not performed full actuarial valuations at 30 June 2016.

14. DIVIDENDS

No dividend has been determined for either of the half-years ended 30 June 2016 and 30 June 2015.

15. CASH AND CASH EQUIVALENTS

Included in the cash balance at 30 June 2016, is $7.0 million of restricted cash. At 31 December 2015, $7.0 million was considered restricted cash. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to the Company's ABL facility as well as restrictions to secure facility leases.

16. ASSETS CLASSIFIED AS HELD FOR SALE

Based on current market conditions and future outlook, the Company has classified certain property, plant and equipment assets in the amount of $7.5 million as held for sale as at 30 June 2016. These assets consist primarily of excess rigs and ancillary equipment. The opportunity for a gain by the disposition of these targeted assets allows the Company to rationalise its assets, raise capital and eliminate ongoing costs associated with maintaining these assets. These initiatives are expected to continue through 2016. In addition, there is an amount related to a building that is actively being marketed.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Legal contingencies

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

Tax and 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 is uncertain and unfavourable outcomes could have a material adverse impact. See additional disclosure in Note 8.

18. SUBSEQUENT EVENT

The Company has not become aware of any matter or circumstance that has arisen since 30 June 2016 that has affected or may affect the operations of the consolidated entity or the results of those operations, or the state of the consolidated entity in subsequent years.