



Boart Longyear Limited
ABN 49 123 052 728

26 Butler Boulevard, Burbridge Business Park
Adelaide Airport
South Australia 5950, Australia
Tel: +61 8 8375 8375 • Fax: +61 8 8375 8498
www.boartlongyear.com

ASX ANNOUNCEMENT (ASX:BLY)

26 August 2021

ASX Markets Announcement Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

2021 Half Year Financial Report and Appendix 4D

Please find attached for release to the market, Boart Longyear Limited's 2021 Half Year Financial Report and Appendix 4D.

Authorised for lodgement by:

Nora Pincus,
Company Secretary

Disclaimer

This announcement contains certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

About Boart Longyear

Established in 1890, Boart Longyear is in its 131st year as the world's leading provider of drilling services, orebody-data-collection technology, and innovative, safe and productivity-driven drilling equipment. With its main focus in mining and exploration activities spanning a wide range of commodities, including copper, gold, nickel, zinc, uranium, and other metals and minerals, the company also holds a substantial presence in the energy, oil sands exploration, and environmental sectors.

The Global Drilling Services division operates for a diverse mining customer base with drilling methods including diamond coring exploration, reverse circulation, large diameter rotary, mine dewatering, water supply drilling, pump services, production, and sonic drilling services.

The Geological Data Services division utilises innovative scanning technology and down-hole instrumentation tools to capture detailed geological data from drilled core and chip samples. This valuable orebody knowledge gives mining companies the ability to make timely decisions for more efficient exploration activities.

The Global Products division offers sophisticated research and development and holds hundreds of patented designs to manufacture, market, and service reliable drill rigs, innovative drill string products, rugged performance tooling, durable drilling consumables, and quality parts for customers worldwide.



Boart Longyear Limited
ABN 49 123 052 728

26 Butler Boulevard, Burbridge Business Park
Adelaide Airport
South Australia 5950, Australia
Tel: +61 8 8375 8375 • Fax: +61 8 8375 8498
www.boartlongyear.com

ASX ANNOUNCEMENT (ASX:BLY)

Boart Longyear is headquartered in Salt Lake City, Utah, USA, and listed on the Australian Securities Exchange in Sydney, Australia (ASX: BLY). More information about Boart Longyear can be found at www.boartlongyear.com. To get Boart Longyear news direct, follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

Investor Relations:

Matthew Broomfield

Director, Investor Relations

Australia +61 8 8375 8300

USA +1 801 952 8343

ir@boartlongyear.com

Media:

Michael Weir

Citadel-MAGNUS

Australia: +61 8 6160 4903

Mobile: +61 402 347 032

mweir@citadelmagnus.com

BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2021

CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET 3

DIRECTORS' REPORT 4

AUDITOR'S INDEPENDENCE DECLARATION 17

INDEPENDENT AUDITOR'S REVIEW REPORT 18

DIRECTORS' DECLARATION 20

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME 21

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION 22

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 23

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS 24

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 26

Boart Longyear Limited Half-Year Financial Report
30 June 2021

Name of entity:	BOART LONGYEAR LIMITED
ABN or equivalent company reference:	49 123 052 728
Half year ended ('current period'):	30 June 2021
Half year ended ('previous corresponding period'):	30 June 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2021 US\$'000	2020 US\$'000	\$ change	% change
Revenue from ordinary activities	447,063	309,224	137,839	44.6%
Net loss after tax attributable to members	(37,785)	(61,099)	23,314	38.2%

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

	30 June 2021	30 June 2020
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 2021 or 2020.

Net Tangible Liabilities per share:

Current period:	\$ (7.23)
Previous corresponding period:	\$ (6.70)

DIRECTORS' REPORT

The Directors of the Company (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 2021 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 in office during the half year and as at the date of this report are set out below:

Directors	Position
Kevin McArthur	Non-executive Chairman
Tye Burt	Non-executive Director
Jason Ireland	Non-executive Director
James Kern	Non-executive Director
Rubin McDougal	Non-executive Director
Jeffrey Olsen	Executive Director
Robert Smith	Non-executive Director
Conor Tochilin	Non-executive Director

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 130 years of drilling expertise, the Company believes its  insignia and brand represent the gold standard in the global mineral drilling industry.

REVIEW OF OPERATIONS¹

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, which includes our Geological Data Services.

We aim to create value for our customers through a comprehensive portfolio of technologically advanced and innovative drilling services and products. We believe that our market leading positions in the mineral drilling industry are driven by a variety of factors, including the performance, expertise and high safety standards of Global Drilling Services and the innovation, engineering excellence and global manufacturing capabilities of Global Products. We draw your attention to pages 17-19 of our 2020 full year financial report where we explain our 2021 outlook and priorities.

Our operating and commercial priorities include solidifying our competitive advantages with sustained investments in safety performance, productivity enhancements, and operating improvements in our Global Drilling Services division, while remaining focused on the needs of our customer base. In the Global Products division, we draw current customers and future growth from technical innovation, expertise, strong field support and value-added products. Our engineering and product management teams pursue new products as well as continuous improvements to benefit both the mining and construction markets in applications including exploration, blast hole, and sonic drilling. Some recently introduced products continue to gain momentum globally. This includes the LF160 surface coring drill rig which, when paired with our hands-free Freedom Loader, sets a new benchmark in productivity and safety. Our patented Longyear™ diamond coring bits demonstrate increased productivity by drilling faster, lasting longer, or both. Also patented, the innovative XQ™ coring rod is quickly becoming the preferred thread design thanks to ease of use, unsurpassed depth capacity, and superior wear life. In percussive tooling for blast hole drilling applications, our line of DriftMaster™ drill rods is growing both in product offering and customer adoption for underground mining applications. In Geological Data Services, TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey instrument is the second offering in a future suite of tools and is expanding globally. We are using our TruScan™ geological sample field screening technology at several mine sites with several mining customers and the demand for this technology continues to grow as demand for digital technologies associated with logging and geochemistry grows from our mining customers. We have also recently launched our TruSub™ drill rig performance monitoring technology. TruSub™ is a digital drill sub technology that fits between the drill head and drill rods. TruSub™ allows for direct digital measurement of key drilling parameters that can be viewed in real time at the drill site and in the cloud to drive drilling productivity for both the drilling contractor and the mining client. We are currently operating our TruSub™ technology at mine sites and will be further rolling out this technology with our Drilling Services division and third-party customers later this year. These instruments are part of our strategy to be the global technology leader in providing unified orebody knowledge™ to mining companies through our Geological Data Services business.

Our capital structure exposes us to a variety of market, operational and liquidity risks. As at 30 June 2021, cash flows from operating activities was \$25.1 million. This represents a decrease of \$4.4 million compared to half year 2020 cash flows of \$29.5 million. This decrease is due to restructuring fees related to the Company's proposed Recapitalisation (see below), payment of deferred payroll taxes, and additional investment in inventory.

As announced to the Australian Securities Exchange Limited ("ASX") on 13 May 2021, a majority of Boart Longyear's lenders agreed to a proposed Recapitalisation of the Company ("Recapitalisation"). If completed, the Recapitalisation will substantially reduce debt, strengthen the balance sheet, lower interest expense, and enhance liquidity to support the Company's operations and future growth. For additional information on the Recapitalisation, refer to the Explanatory Memorandum for the Extraordinary General Meeting ("EGM") Notice of Meeting scheduled to be held on Wednesday, 8 September 2021 as announced to the ASX on 29 July 2021.

1.2 Safety Performance

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

(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.

For the half-year period ended 30 June 2021, the Company's world class performance on key indicators includes a Total Case Incident Rate ("TCIR") of 1.22 and Lost-Time Injury Rate ("LTIR") of 0.07. Both TCIR and LTIR rates are calculated based on 200,000 hours worked. During this half-year period, our employees experienced 37 injuries that required some medical treatment; two of those injuries resulted in lost work time. The Company's TCIR at half-year is the lowest rate in 6 years. The 2021 focus has been on leading indicators, critical control verifications and empowering employees to utilise our Environmental, Health, Safety and Training fundamentals.

1.3 Impact of Market Conditions

The outlook for the mining and exploration industries reflects current commodity pricing trends and increased investment into the sector that has been depressed for nearly 10 years. Recent market commentary suggests that the industry has now entered a significantly improved commodity cycle driven by a recovery from the COVID-19 pandemic, government stimulus initiatives, and the anticipated impacts of environmental policies on demand and supply for metals.

During the last year, numerous intermediate and junior mining houses entered the capital markets and obtained financing to fund their capital programs. The first half witnessed global equity raisings that generated \$12.8 billion from over 1,100 raisings.

Miners have under-invested in finding and developing new resources in recent years to improve their balance sheets. Recent investment in exploration activities has focused on extending existing assets and improving reserves and resources to meet future demand.

S&P Global Market Intelligence recently upgraded their forecast on exploration investment in 2021 to 25-35% year over year growth, with investment potentially reaching \$11.2 billion. Capital financings through the second half of 2020, a recent surge in commodity prices and miners paying more attention to exploration after years of focus on cost controls are the main drivers behind increasing investment into exploration.

Over the long term, gold has accounted for approximately 40-50% of the global exploration activities with copper making up approximately 20-30% of the remaining base metal commodities. Historically, both copper and gold prices have held a strong correlation to exploration spend levels, and both commodities have seen a run up in price. Gold miners have seen a reduction in average mine life from highs of 20 years in 2011 to closer to current reports of approximately 10 years indicating a serious reserve crisis is in front of the sector. The base metals sector, of which copper is the dominant player, has analysts predicting insufficient supply over the next 5 years, even when factoring in the current project pipelines. Electric vehicles and green technologies will increasingly consume more copper thereby contributing to supply shortages.

Boart Longyear holds the health and safety of our employees and surrounding communities as a top priority. The Company has implemented measures required to protect the health and wellbeing of employees while ensuring ongoing operational sustainability. The Company is in constant communication with customers and employees to fine tune these plans to prevent the transmission of COVID-19. We continue to monitor information released by the World Health Organisation and governments where we operate and adjust our operating procedures to ensure we comply with government guidelines.

While the Company believes the worst of the impacts of COVID-19 on the business have been felt, there remains a level of uncertainty while the global community continues to understand and respond to the ongoing pandemic.

Objectives and Strategies

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

We are committed to driving long-term shareholder value by executing on several key initiatives to improve our commercial practices. In our Global Drilling Services division, we are committed to improving safety, productivity, and profitability through:

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

In the Global Products division, we continue to maintain our market leadership with the recent commercialisation of new products such as our LF160 surface coring drill with the Freedom loader, our patented Longyear™ diamond bits, DriftMaster™ drill rods for blast-hole applications, and our XQ coring rods. These newer products complement the well-respected lines of existing products that customers have come to rely on from Boart Longyear.

Boart Longyear Limited Half-Year Financial Report 30 June 2021

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

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

2. Financial and Operating Highlights

	For the half-year ended 30 June			
	2021	2020		
	US\$ Millions	US\$ Millions	\$ Change	% Change
Key financial data				
Revenue	447.1	309.2	137.9	44.6%
NPAT ¹	(37.8)	(61.1)	23.3	38.1%
EBITDA ²	50.4	13.4	37.0	276.1%
Adjusted EBITDA ²	62.3	24.1	38.2	158.5%
Operating profit (loss)	27.9	(6.5)	34.4	529.2%
Cash provided by operations	36.6	35.5	1.1	3.1%
Net cash flows provided by operating activities	25.1	29.5	(4.4)	-14.9%
Capital expenditures (accrual)	31.7	17.6	14.1	80.1%
Capital expenditures (cash)	26.4	15.0	11.4	76.0%
Weighted Average number of ordinary shares	88.5	87.8	0.7	0.8%
Loss per share (basic and diluted)	(42.7) cents	(69.6) cents	26.9 cents	38.6%
Average BLY rig utilisation	48%	35%	13%	37.1%
Average Fleet size	642	691	(49)	-7.1%

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

(2) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before major restructuring initiatives, impairments of assets, and other significant and non-recurring transactions outside the ordinary course of business'. These items are identified by management as not representing the underlying performance of the business. Adjusted EBITDA is not a comprehensive representation of all the significant transactions the Company recognised throughout the year. For example, it includes government aid received throughout the business for COVID-19 relief for the half-year ended 30 June 2020 as well as gains from sales of assets. On the other hand, it excludes costs incurred to quarantine crews unable to work as a result of COVID-19, contract termination costs, legal fees, and indirect tax write-offs.

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

3.1 Revenue

Revenue for the half-year period ended 30 June 2021 of \$447.1 million increased by 44.6%, or \$137.9 million, compared to revenue for the half-year period ended 30 June 2020 of \$309.2 million.

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

As exploration spend in the industry has continued to rise, the Company has witnessed very strong revenues in the first half of 2021. Some of those volume increases also stem from post-COVID returns to normalcy across the globe. The Company has seen a steady resumption of exploration activity as well as an increase in bidding activity. While constraints on cash and capex to support demand continue to be concerns, we remain confident in and vigilant of projections as we plan and bid for new contracts.

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					
	2021			2020		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	447.1	-	447.1	309.2	-	309.2
Cost of goods sold	(356.9)	-	(356.9)	(264.3)	1.1	(263.2)
Gross margin	90.2	-	90.2	44.9	1.1	46.0
Other income	2.5	-	2.5	2.0	-	2.0
General and administrative expenses	(49.1)	11.9	(37.2)	(31.9)	9.6	(22.3)
Sales and marketing expenses	(10.0)	-	(10.0)	(8.4)	-	(8.4)
Significant items	-	(11.9)	(11.9)	-	(10.7)	(10.7)
Other expenses	(5.7)	-	(5.7)	(13.1)	-	(13.1)
Operating profit (loss)	27.9	-	27.9	(6.5)	-	(6.5)

Gross margin (adjusted for significant items) in 2021 increased to 20.2% compared to 14.9% in 2020. The improvements in Gross Margin were a result of increased demand as a result of industry exploration rising. The Company has also implemented strategic initiatives around pricing, capex, and hiring in order to sustain higher volumes, while also remaining vigilant of costs in raw materials and labor. The steps taken through the second quarter by the Executive Team have been measured to ensure that Boart Longyear will continue fulfilling customer needs and demands.

The total of other income, general and administrative expenses ("G&A"), sales and marketing expenses ("S&M") and other expenses (adjusted for significant items) of \$50.4 million in 2021 was higher compared to 2020 of \$41.8 million as a result of increased selling, general and administrative ("SG&A") cost to meet higher activity levels as well as normalization after the 2020 COVID response plan reduction.

3.3 Significant Items

During the first half-year periods of 2021 and 2020, the Company recognised the following significant items:

US\$ Millions	For the half-year ended 30 June	
	2021 US\$ Millions	2020 US\$ Millions
EBITDA¹	50.4	13.4
Recapitalisation costs	11.2	-
Impairments		
Property, plant and equipment	-	7.8
Intangible assets	0.4	0.4
Employee and related costs	-	0.4
Other restructuring expenses	0.3	2.1
Total of significant and non-recurring items	11.9	10.7
Adjusted EBITDA¹	62.3	24.1

- (1) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before major restructuring initiatives, impairments of assets, and other significant and non-recurring transactions outside the ordinary course of business'. These items are identified by management as not representing the underlying performance of the business. Adjusted EBITDA is not a comprehensive representation of all the significant transactions the Company recognised throughout the year. For example, it includes government aid received throughout the business for COVID-19 relief for the half-year ended 30 June 2020 as well as gains from sales of assets. On the other hand, it excludes costs incurred to quarantine crews unable to work as a result of COVID-19, contract termination costs, legal fees, and indirect tax write-offs.

Significant items increased to \$11.9 million during the half-year period ended 30 June 2021 (2020: \$10.7 million for the comparable period). Although no significant impairments charges were required through 30 June 2021 the increase is predominately due to Recapitalisation charges of \$11.2 million. The Company is expected to incur total transaction costs of approximately \$40.0 million to \$45.0 million in advisory fees, legal fees, independent expert fees and other administrative fees associated with the Recapitalisation.

4. Discussion and Analysis of Cash Flow

	For the half-year ended 30 June			
	2021	2020	\$ Change	% Change
	US\$ Millions	US\$ Millions		
Cash provided by operations	36.6	35.5	1.1	3.1%
Net cash flows provided by operating activities	25.1	29.5	(4.4)	-14.9%
Net cash flows used in investing activities	(23.7)	(12.4)	(11.3)	-91.1%
Net cash flows provided by (used in) financing activities	6.1	(4.4)	10.5	238.6%

Cash flow from operating activities for the half-year period ended 30 June 2021 was \$25.1 million, a decrease of \$4.4 million from the prior year comparable period (2020: \$29.5 million). The decrease in the first half of 2021 was largely a result of restructuring fees related to the Recapitalisation, payments of deferred payroll taxes, and additional investment in inventory offset by increased cash generated from higher EBITDA.

We have invested \$26.4 million in capital equipment to support existing operations during 2021, which is more than the comparable prior period (2020: \$15.0 million). Of the 2021 amount, \$9.6 million was spent on new rig purchases, \$10.0 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment, and \$6.8 million was spent on product development activities, including Geological Data Services, engineering and patent maintenance. Capital expenditure in 2021 have been partially offset by proceeds from the sale of property, plant and equipment of \$2.7 million (2020: \$2.6 million). We continue to place significant rigour around our capital allocation and approval process in order to meet demand.

The increase in cash flows provided by financing activities is the result of incremental, short-term financing obtained to support the Company through the Recapitalisation offset by payments on the ABL.

5. Discussion of the Balance Sheet

The net liabilities of the Company increased by \$30.4 million to negative \$499.8 million as at 30 June 2021, compared to negative \$469.4 million as at 31 December 2020. This increase results primarily from the total comprehensive loss for the half year of \$30.4 million.

Total assets increased by \$72.7 million to \$682.3 million as at 30 June 2021, compared to \$609.6 million as at 31 December 2020. The increase is primarily due to increased cash from incremental, short-term financing to support the Company through the Recapitalisation, an increase in receivables related to improved market conditions, and increased inventory.

Total liabilities increased by \$103.0 million to \$1.2 billion. This is primarily driven by an increase of \$64.8 million in loans and borrowings resulting from incremental, short-term financing obtained to provide additional working capital until the Recapitalisation and related transactions are completed and paid-in-kind interest on long-term debt.

Net debt at 30 June 2021 is \$910.7 million which has increased by \$55.6 million from 31 December 2020 net debt of \$855.1 million. The increase is primarily related to the incremental, short-term financing obtained to provide additional working capital during the Recapitalisation and the accreted interest on long-term debt facilities as per the terms of the debt agreements. For additional information on the Recapitalisation, refer to the Explanatory Memorandum for the EGM Notice of Meeting scheduled to be held on Wednesday, 8 September 2021 as announced to the ASX on 29 July 2021.

Liquidity and Debt Facilities

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

Description	Principal Outstanding as at 30 June 2021 (millions)	Accreted Interest as at 30 June 2021 (millions)	Debt Modification / Applicable Premium ¹⁰	Interest Rate	Scheduled Maturity	Security
Senior Secured Notes (CUSIP: 09664PAJ1bod)	\$216.2	\$76.9	\$60.4	Variable ²	December 2022	Second lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the Term Loan B and Senior Secured Notes guarantors that are not ABL or Backstop ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and the other Term Loan B and Senior Secured Notes guarantors that are also ABL or Backstop ABL guarantors, and a first lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the Term Loan B and Senior Secured Notes issuer and other guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.) ¹²
Senior Secured Notes (CUSIP: 09664PAJ1) ¹⁴	\$0.3	\$0.1	\$0.1	10% ⁹	December 2022	Same as Senior Secured Notes
Senior Secured Notes (CUSIP: 09664PAE2) ¹³	\$0.5	\$0.1	\$0.1	10% ⁹	December 2022	Same as Senior Secured Notes
Term Loan – Tranche B ⁷	\$159.8	\$35.5	Nil	8% ³	December 2022	Same as Senior Secured Notes
ABL ^{1,8}	\$5.9	Nil	Nil	Variable ⁴	July 2022	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the Non-Working Capital Assets of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property), and in any case excluding assets of BLY IP, Inc., Boart Longyear Suisse Sarl and Boart Longyear S.A.C.
Term Loan – Tranche A ⁷	\$132.6	\$29.5	Nil	8% ³	December 2022	First lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL or Backstop ABL guarantors, a second lien on the Working Capital Assets of the Term Loan A issuer and the other Term Loan A guarantors that are also ABL and Backstop ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Bridge Loan ¹¹	\$30.0	\$0.3	Nil	11% ¹¹	December 2021	Same as ABL but including any real property required to be pledged as security for the Senior Secured Notes
Backstop ABL ⁸	\$45.0	\$17.3	Nil	11% ⁵	October 2022 ⁵	Same as ABL but including any real property required to be pledged as security for the Senior Secured Notes
Senior Unsecured Notes	\$88.9	\$5.2	Nil	1.5% ⁶	December 2022	Unsecured

- (1) Letters of credit of \$5.9 million were issued in addition to the \$5.9 million borrowings that were outstanding.
- (2) Interest is payment-in kind from 1 January 2021 to 30 June 2021 at an interest rate of 14.5%. Interest in cash at a reduced interest rate of 10% from 1 July 2021 to 31 December 2022.
- (3) Interest is 8.0% payment-in-kind.
- (4) Based on LIBOR + margin (grid-based margin is currently 3.25%). Benchmark Replacement rate for LIBOR will bear interest at a floating rate equal to the LIBOR index (subject to customary ARRC benchmark replacement language, which, in any event, shall be subject to the reasonable discretion of the lender).
- (5) Interest is payment-in-kind at 11% at the Company's election or 10% cash. Maturity Date is October 2022 or 90 days after the ABL due date.
- (6) Interest is 1.5% payment-in-kind at the Company's election until maturity.
- (7) The secured amounts under Term Loan A and Term Loan B are capped at the base principal amounts as agreed in the 2017 Recapitalisation amendments.
- (8) In July 2019 the Company amended terms to provide the Company additional liquidity and extend maturities from July 2020 to July 2022 and from October 2020 to October 2022 for the ABL and Backstop facilities, respectively. See Note 21 of the Annual Financial Report for the year ended 31 December 2020 for additional information.
- (9) Interest in cash at an interest rate of 10.0% per annum.
- (10) Balance includes a modification loss of \$9.5 million for the half-year ended 30 June 2021 due to a June 2021 amendment to the Senior Secured Notes to satisfy interest payments due on 30 June 2021 by way of payment-in-kind at a rate of 14.5% rather than by payment of cash at a rate of 10.0%. For the half-year ended 30 June 2020 a modification loss of \$11.8 million was recorded due to a June 2020 amendment to the Senior Secured Notes to satisfy interest payments due on 30 June 2020 and 31 December 2020. Refer to Note 21 of the Annual Financial Report for the year ended 31 December 2020 for additional information on the debt modification and applicable premium.
- (11) Interest is at 11.0% payment-in-kind until maturity. There is also a 1.5% interest payment-in-kind due on the undrawn balance. The total facility is \$50.0 million and \$30.0 million of this was drawn at 30 June 2021.
- (12) The applicable premium as payable under the Senior Secured notes is unsecured.
- (13) Senior Secured Notes have not consented to the changes in interest at 30 June 2020, 31 December 2020, and 30 June 2021.
- (14) Senior Secured Notes have not consented to the changes in interest at 30 June 2021.

6. Review of Segment Operations

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

	Segment Revenue		Segment Profit	
	Half-year ended 30 June		Half-year ended 30 June	
	2021	2020	2021	2020
	US\$ Millions	US\$ Millions	US\$ Millions	US\$ Millions
Global Drilling Services	301.2	213.9	33.6	12.1
Global Products revenue				
Global Products third party revenue	145.9	95.4		
Global Products inter-segment revenue ¹	31.4	26.5		
Total Global Products	177.3	121.9	28.6	8.9
Less Global Product sales to Global Drilling Services	(31.4)	(26.6)		
Total third party revenue	447.1	309.2		
Total segment profit			62.2	21.0

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

6.1 Review of Segment Operations - Global Drilling Services

	For the half-year ended 30 June			
	2021 US\$ Millions	2020 US\$ Millions	\$ Change	% Change
Financial Information				
Third party revenue	301.2	213.9	87.3	40.8%
COGS				
Materials/labor/overhead/other	240.9	178.5	62.4	35.0%
Depreciation and amortisation	16.2	12.8	3.4	26.6%
Total COGS	257.1	191.3	65.8	34.4%
COGS as a % of Revenue	85.4%	89.4%	-4.0%	-4.5%
Contribution margin \$	39.7	19.2	20.5	106.8%
Contribution margin %	13.2%	9.0%	4.2%	46.7%
Business unit SG&A	4.5	3.4	1.1	32.4%
Allocated SG&A	6.3	5.2	1.1	21.2%
EBITDA	50.4	25.6	24.8	96.9%
Other Metrics				
Average # of Operating Drill Rigs	306	239	67	28.0%
Average # of Drill rigs	642	691	(49)	-7.1%

Safety

The Global Drilling Services Total Case Incident Rate ("TCIR") for the first half of 2021 was 1.39, compared to 1.55 for the comparable period in 2020. The Lost-Time Incident Rate ("LTIR") for the first half of 2021 was 0.08 compared to 0.06 for the comparable period in 2020. We continue to push our key safety initiatives, which include critical control verifications, applying corrective actions globally, increasing employee competencies through training, reinforcing hazard assessments, and quality drill rig inspections.

Revenue

Global Drilling Services' revenue in the first half of 2021 was \$301.2 million, up 40.8% from \$213.9 million in the first half of 2020. The year-over-year revenue increase was driven primarily by COVID-19 impacts in Q2 2020 as customers and governments restricted activities. Secondly, an increase in overall market demand and commodity prices has significantly increased year-over-year volume. Prices increased modestly through Q1 2021 but have increased more significantly in Q2 2021. Overall price increases for the six months ended 30 June 2021 are up \$4.3 million compared to the six months ended 30 June 2020. Foreign exchange rates contributed to an additional \$14.8 million increase in revenue in the six months ended 30 June 2021 due to movements in the Canadian and Australian dollars.

Approximately 86% of Global Drilling Services' revenue for the first half of 2021 was derived from major mining companies, including AngloGold Ashanti, Barrick, Freeport, Newmont, Nevada Gold Mines, and Oz Minerals. Our top 10 Global Drilling Services customers represent approximately 55% of the division's revenue for the first half of 2021.

Margins

Global Drilling Services in the first half of 2021 achieved \$39.7 million of Contribution Margin compared to \$19.2 million in the first half of 2020, an increase of 106.8%. The increase in margins is primarily attributable to the COVID-19 impacts that were incurred throughout Q2 2020 as the business was unable to reduce costs as quickly as customers and governments shut down projects. The year over year increase in both volume and price has significantly increased margins as fixed costs and support staff costs have been leveraged.

6.2 Review of Segment Operations - Global Products

	For the half-year ended 30 June			
	2021	2020		
	US\$ Millions	US\$ Millions	\$ Change	% Change
Financial Information				
Third party revenue	145.9	95.4	50.5	52.9%
COGS				
Materials/labor/overhead/other	97.9	71.4	26.5	37.1%
Inventory obsolescence	(0.7)	(0.3)	(0.4)	-133.3%
Depreciation and amortisation	2.6	2.1	0.5	23.8%
Total COGS	99.8	73.2	26.6	36.3%
COGS as a % of Revenue	68.4%	76.7%	-8.3%	-10.8%
Contribution margin \$	35.9	15.8	20.1	127.2%
Contribution margin %	24.6%	16.6%	8.0%	48.2%
Business unit SG&A	10.2	7.7	2.5	32.5%
Allocated SG&A	7.4	6.2	1.2	19.4%
EBITDA	32.0	12.3	19.7	160.2%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	61.1	33.2	27.9	84.0%
Inventories ¹	178.8	151.6	27.2	17.9%

(1) Represents total company inventories including Global Drilling Service, Global Products, and Geological Data Services.

Safety

In first half 2021, the Total Case Incident Rate ("TCIR") for the Global Products division was 0.52 recordable incidents per 200,000 hours worked and the Lost-Time Incident Rate ("LTIR") was 0.00. We continue to focus on programs to reinforce the Company's Environmental, Health, and Safety management system across all operations. Tracking and educating our employees on our proactive safety systems will drive continuous improvement.

Revenue

Revenue for the half-year 2021 was \$145.9 million, up 52.9% from \$95.4 million for the half year of 2020. About 77% of the 2021 half-year revenue was comprised of performance tooling components, and the remaining 23% was comprised of capital equipment and spares.

Margins

Global Products Contribution Margin for the half-year ended 30 June 2021 was \$35.9 million, up \$20.1 million compared to the first half of 2020. The increase in Contribution Margin is primarily driven by continued cost control measures and benefits recognised from manufacturing improvements along with a return to pre-COVID-19 activity.

Backlog

At 30 June 2021, Global Products had a backlog of product orders valued at \$79.9 million. This compares to \$44.6 million at 31 December 2020 and \$28.1 million at 30 June 2020. The increase in our backlog – which we define as product orders we believe to be firm – was driven primarily by increased demand for Mining and Exploration tubing and capital equipment. It should be noted that an order shipped within the same month the order is received does not show up in our backlog. Also, there is no certainty that orders in our backlog will result in actual sales at the times or in the amounts ordered.

Intellectual Property

We rely on a combination of patents, trademarks, trade secrets and similar intellectual property rights to protect the proprietary technology and other intellectual property that are instrumental to our Global Products business. As at 30 June 2021, we had 430 issued patents, 412 registered trademarks, 108 pending patent applications and 30 pending trademark applications. We do not consider our Global Products business, or our business as a whole, to be materially dependent upon any particular patent, trademark, trade secret or other intellectual property.

Research and Development

Our Global Products division employs engineers and technicians to develop, design and test new and improved products. We work closely with our customers, as well as our Global Drilling Services division, to identify opportunities and develop technical solutions for issues that arise on site. We believe that sharing best practices amongst our divisions accelerates innovation and increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from our Global Drilling Services network. New product development efforts remain focused on product changes that continue to drive increased safety and productivity, so customers see real added value regardless of the business environment. Our recent successes include the LF160 surface coring drill paired with our Freedom Loader which has set a new benchmark in productivity and hands-free rod handling. Our patented Longyear™ coloured diamond bits continue to show improved productivity by lasting longer and cutting faster. Commercial launch of the new XQ™ coring rod continues globally, featuring a greater depth capacity than the RQ™ rod, and faster, easier joint make/breaks for higher productivity.

Under our Geological Data Services business, TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey technology is the second offering in a future suite of tools and is available globally and growing. We have recently launched our TruSub™ technology. TruSub™ is a digital drill sub technology that fits between the drill head and drill rods. TruSub™ allows for key drilling parameters to be digitally recorded directly and viewed in real time to drive drilling productivity. We are operating at mine sites with this technology and will be rolling this technology out further this year. We see value in this technology and will continue to develop in this space.

Our Truscan™ matrix calibrated XRF and photo sample scanning technology is currently being used at several locations globally with long term 24/7 utilisation producing results that are being used for real time decision making by the mining client. TruScan™ continues to spread its footprint globally with additional units being deployed within Australia as well as North and South America. New features utilising artificial intelligence and machine learning continue to be integrated into Truscan™ ensuring it is well differentiated in the market.

Inventories

We continue to carefully manage demand in our Supply Chain organisation with ongoing efforts to maintain high service levels. Due to strong market and internal demand for our products, we have strategically invested \$11.5 million cash in inventory during the six months ended 30 June 2021.

AUDITOR'S INDEPENDENCE DECLARATION

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

SUBSEQUENT EVENTS

Proposed Recapitalisation and Re-domiciliation Initiatives

The Company has provided regular updates to the ASX in relation to the proposed Recapitalisation and re-domiciliation:

On 29 July 2021, the Company released the Explanatory Memorandum for the EGM Notice of Meeting and its Re-domiciliation scheme meeting scheduled to be held on Wednesday, 8 September 2021.

On 5 August 2021, the Company released shareholder materials related to the Recapitalisation and re-domiciliation scheme meetings, including the Recapitalisation and re-domiciliation resolutions and proxy voting forms.

Exit Term Loan Facility Commitment

On 19 July 2021, the Company entered into a binding commitment letter with Blue Torch Capital ("Blue Torch") and HPS Investment Partners, LLC ("HPS") whereby Blue Torch and certain funds and accounts managed by HPS will provide a long-term, new money loan of \$115.0 million ("Exit Term Loan"). If secured, the proceeds from the exit term loan will be used to repay the \$50.0 million incremental short-term credit facility and its accrued interest with Corre Partners Management, First Pacific Advisers and Nut Tree Capital Management and to fully refinance the Company's existing Backstop ABL.

As currently stated in the commitment letter, the Exit Term Loan will mature 5 years from the date the funds are advanced and will bear interest at a floating rate equal to the LIBOR index (subject to customary Alternative Reference Rate Committee benchmark replacement language) plus an applicable margin ranging from 7.25% to 7.75%. The applicable margin on the closing date of the Exit Term Loan will be 7.50% and thereafter adjusted quarterly based on the total leverage ratio as defined in the agreement. The Exit Term Loan will be secured by substantially all non-working capital assets, subject to exclusions to be agreed, and will have a second lien on substantially all working capital assets in the form of inventory, accounts receivable, and cash and will include minimum liquidity and fixed charge coverage ratio financial covenants. The Exit Term Loan is subject to a number of conditions precedent which at the date of this report have not been achieved.

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



Kevin McArthur
Chairman

26 August 2021

26 August 2021

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

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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 2021, 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



A T Richards
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Asia Pacific Limited and the Deloitte organisation

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

Conclusion

We have reviewed the half-year financial report of Boart Longyear Limited (the "Entity") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2021, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 20 to 41.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Asia Pacific Limited and the Deloitte organisation



Material Uncertainty related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a loss after tax for the period ended 30 June 2021 of \$37.8 million (30 June 2020: \$61.1 million) and, as of that date, the Group had net liabilities of \$499.8 million (31 December 2020: \$469.4 million).

As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 30 June 2021 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*.

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 TOUCHE TOHMATSU



A T Richards
Partner
Chartered Accountants
Perth, 26 August 2021

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached half-year financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards, and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



Kevin McArthur
Chairman

26 August 2021

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the half-year ended 30 June 2021

BOART LONGYEAR LIMITED

	Note	Half-year ended 30 June 2021 US\$'000	Half-year ended 30 June 2020 US\$'000
Continuing operations			
Revenue	3	447,063	309,224
Cost of goods sold		<u>(356,853)</u>	<u>(264,275)</u>
Gross margin		90,210	44,949
Other income	4	2,534	2,018
General and administrative expenses		(49,061)	(31,873)
Sales and marketing expenses		(10,021)	(8,387)
Other expenses	4	<u>(5,754)</u>	<u>(13,213)</u>
Operating profit / (loss)		27,908	(6,506)
Interest income		7	16
Finance costs	5	<u>(57,455)</u>	<u>(50,883)</u>
Loss before taxation		(29,540)	(57,373)
Income tax expense	6	<u>(8,245)</u>	<u>(3,726)</u>
Loss for the period attributable to equity holders of the parent		<u>(37,785)</u>	<u>(61,099)</u>
Loss per share			
Basic loss per share		(42.7) cents	(69.6) cents
Other comprehensive loss			
Loss for the period attributable to equity holders of the parent		<u>(37,785)</u>	<u>(61,099)</u>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		2,058	(6,651)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gains / (loss) related to defined benefit plans		6,000	(6,356)
Income tax on income and expense recognised directly through equity		<u>(636)</u>	<u>(43)</u>
Other comprehensive income / (loss) for the period, net of tax		7,422	(13,050)
Total comprehensive loss for the period attributable to equity holders of the parent		<u>(30,363)</u>	<u>(74,149)</u>

See accompanying notes to the Condensed Consolidated Financial Statements included on pages 26 to 41.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

BOART LONGYEAR LIMITED

	Note	30 June 2021 US\$'000	31 December 2020 US\$'000
Current assets			
Cash and cash equivalents	13	32,596	23,513
Trade and other receivables	7	141,443	109,566
Inventories		178,847	158,327
Current tax receivable		1,025	499
Prepaid expenses and other assets		14,676	10,129
		<u>368,587</u>	<u>302,034</u>
Assets classified as held for sale		168	365
Total current assets		<u>368,755</u>	<u>302,399</u>
Non-current assets			
Property, plant and equipment		157,837	151,973
Goodwill	8	105,735	105,115
Other intangible assets	8	34,339	31,566
Deferred tax assets		11,689	13,252
Non-current tax receivable		861	1,567
Other assets		2,844	3,761
Defined benefit plan asset		253	-
Total non-current assets		<u>313,558</u>	<u>307,234</u>
Total assets		<u>682,313</u>	<u>609,633</u>
Current liabilities			
Trade and other payables	9	137,640	98,015
Provisions	11	14,332	13,866
Current tax payable		5,839	8,265
Loans and borrowings	10	40,912	10,235
Total current liabilities		<u>198,723</u>	<u>130,381</u>
Non-current liabilities			
Loans and borrowings	10	902,420	868,331
Deferred tax liabilities		20,108	18,692
Provisions	11	60,821	61,625
Total non-current liabilities		<u>983,349</u>	<u>948,648</u>
Total liabilities		<u>1,182,072</u>	<u>1,079,029</u>
Net liabilities		<u>(499,759)</u>	<u>(469,396)</u>
Equity			
Issued capital		1,469,393	1,469,393
Reserves		(115,502)	(117,560)
Other equity		(128,790)	(128,790)
Accumulated losses		(1,726,002)	(1,692,944)
Total deficiency in equity		<u>(500,901)</u>	<u>(469,901)</u>
Non-controlling interest		1,142	505
Total equity		<u>(499,759)</u>	<u>(469,396)</u>

See accompanying notes to the Condensed Consolidated Financial Statements included on pages 26 to 41.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 June 2021

BOART LONGYEAR LIMITED

	Issued capital US\$'000	Foreign currency translation reserve US\$'000	Equity-settled compensation reserve US\$'000	Other ¹ equity US\$'000	Accumulated losses US\$'000	Total attributable to owners of the parent US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
Balance at 1 January 2020	1,468,776	(128,805)	11,008	(137,182)	(1,595,565)	(381,768)	(387)	(382,155)
Loss for the period	-	-	-	-	(61,099)	(61,099)	-	(61,099)
Other comprehensive loss for the period - net of tax	-	(6,651)	-	-	(6,399)	(13,050)	-	(13,050)
Total other comprehensive loss	-	(6,651)	-	-	(67,498)	(74,149)	-	(74,149)
Shares issued to directors	120	-	-	-	-	120	-	120
Non-controlling interest	-	-	-	-	(629)	(629)	629	-
Balance at 30 June 2020	1,468,896	(135,456)	11,008	(137,182)	(1,663,692)	(456,426)	242	(456,184)
Balance at 1 January 2021	1,469,393	(120,176)	2,616	(128,790)	(1,692,944)	(469,901)	505	(469,396)
Loss for the period	-	-	-	-	(37,785)	(37,785)	-	(37,785)
Other comprehensive gain for the period - net of tax	-	2,058	-	-	5,364	7,422	-	7,422
Total other comprehensive gain / (loss)	-	2,058	-	-	(32,421)	(30,363)	-	(30,363)
Non-controlling interest	-	-	-	-	(637)	(637)	637	-
Balance at 30 June 2021	1,469,393	(118,118)	2,616	(128,790)	(1,726,002)	(500,901)	1,142	(499,759)

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

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26 to 41.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 30 June 2021

BOART LONGYEAR LIMITED

	Note	Half-year ended 30 June 2021 US\$'000	Half-year ended 30 June 2020 US\$'000
Cash flows from operating activities			
Loss for the period		(37,785)	(61,099)
<i>Adjustments provided by operating activities:</i>			
Income tax expense recognised in profit		8,245	3,726
Finance costs recognised in profit	5	57,455	50,883
Depreciation and amortisation		22,491	19,903
Interest income recognised in profit		(7)	(16)
Gain on sale or disposal of non-current assets		(1,850)	(1,423)
Other non-cash items		(8,162)	(67)
Shares issued to directors		-	120
Impairment of current and non-current assets		364	8,195
Non-cash foreign exchange loss		368	1,969
<i>Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:</i>			
(Increase) / decrease in assets:			
Trade and other receivables		(31,952)	16,124
Inventories		(11,509)	7,320
Other assets		(3,774)	(1,624)
Increase / (decrease) in liabilities:			
Trade and other payables		41,873	(9,305)
Provisions		821	745
Cash generated by operations		<u>36,578</u>	<u>35,451</u>
Interest paid		(4,966)	(4,328)
Interest received		7	16
Income taxes paid		<u>(6,514)</u>	<u>(1,600)</u>
Net cash flows provided by operating activities		<u>25,105</u>	<u>29,539</u>

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26 to 41.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the half-year ended 30 June 2021

BOART LONGYEAR LIMITED

	Note	Half-year ended 30 June 2021 US\$'000	Half-year ended 30 June 2020 US\$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(21,500)	(11,302)
Proceeds from sale of property, plant and equipment		2,742	2,603
Intangible costs paid		(4,903)	(3,739)
Net cash flows used in investing activities		(23,661)	(12,438)
Cash flows from financing activities			
Payments for debt issuance costs		(100)	(106)
Proceeds from borrowings		88,891	38,514
Repayment of borrowings		(82,659)	(42,828)
Net cash flows provided by (used in) financing activities		6,132	(4,420)
Net increase in cash and cash equivalents		7,576	12,681
Cash and cash equivalents at the beginning of the period		23,513	20,240
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,507	(711)
Cash and cash equivalents at the end of the period		32,596	32,210

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 26 to 41.

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Boart Longyear Limited (the “Parent”) is a public company listed on the ASX and is incorporated in Australia. Boart Longyear Limited and its subsidiaries (collectively referred to as the “Company”) operate in four principal geographic areas – North America, Asia Pacific, Latin America and Europe, Middle East and Africa (“EMEA”).

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 and ASX announcements.

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 interim financial report has been prepared on the going concern basis which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 30 June 2021, the Company had net liabilities of \$499.8 million (31 December 2020: \$469.4 million) and incurred a loss after tax for the half-year then ended of \$37.8 million (30 June 2020: \$61.1 million). In addition, the Company generated statutory EBITDA for the half-year ended 30 June 2021 of \$50.4 million (30 June 2020: \$13.4 million) and net cash inflows from operations of \$25.1 million (30 June 2020: \$29.5 million).

The Company had total loans and borrowings at 30 June 2021 of \$943.3 million (31 December 2020: \$878.6 million). The maturity date of the loans and borrowings are set out in Note 10.

As announced to the ASX on 13 May 2021, the majority of the Company’s lenders agreed to a Recapitalisation which if completed will significantly reduce the Company’s debt, strengthen the balance sheet, lower interest expense and enhance liquidity to support the Company’s operations and future growth.

On 8 June 2021, the Company obtained approval from 99.75% of the Senior Secured Notes (“SSN”) holders to satisfy the interest payment that was due on the SSN in June 2021 by way of payment in kind at an interest rate of 14.5% rather than payment of cash at 10%. The Company also secured additional short-term financing of approximately \$65.0 million through a new short-term \$50.0 million credit facility with certain lenders (“Incremental Facility”) and an additional \$15.0 million of accessible liquidity under the existing ABL facility with PNC (further details are provided in Note 10). The incremental facility is due and payable in December 2021.

Further details of the Recapitalisation are set out in the Explanatory Memorandum for the EGM Notice of Meeting scheduled to be held on Wednesday, 8 September 2021 as announced to the ASX on 29 July 2021.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

As part of the Recapitalisation, the Company expects to secure an Exit Term Loan of \$115 million to fully refinance the existing Backstop ABL and the Incremental Facility. The Company has entered a binding commitment letter executed on 19 July 2021 in relation to the Exit Term Loan with Blue Torch and HPS. The commitment is subject to a number of conditions precedent which at the date of this report have not been achieved.

The Company has prepared detailed cash flow forecasts for the period to 1 September 2022 modelling the financial impact assuming the successful completion of the Recapitalisation including securing the Exit Term Loan as well as ongoing actions to continue to improve operational performance and cash flows, financial results, and liquidity.

The cash flow forecasts contain certain assumptions and are subject to variation due to factors which are outside the control of the Company, the key assumptions being the achievement of the forecast EBITDA performance, no significant future impact on exploration activity as a result of government imposed closures or customers choosing to reduce their exposure across their operations by delaying projects as a result of COVID-19 and that the timing and outcome of the tax audits detailed in Note 6 are in line with the Directors' best estimates.

In the event that the Recapitalisation is not successful, including securing the Exit Term Loan, the Company's forecasts indicate it is highly unlikely that sufficient liquidity will be available to meet the interest payment of \$15.5 million on the Senior Secured Notes in December 2021 (as this would remain a liability if the Senior Secured Notes are not converted to equity through the debt Recapitalisation) and the repayment of the Incremental Facility due to mature in December 2021 which at that time is forecast to have a drawn balance of \$50.0 million and accrued interest of \$2.7 million. As outlined in the expert reports prepared as part of the Recapitalisation process, in the event the Recapitalisation is not successful, the Board will likely need to place the Company into voluntary administration.

In the Directors' opinion, the ability of the Company to continue as a going concern is dependent on:

- (a) successfully completing the Recapitalisation through securing the necessary creditor, court and shareholder approvals; and
- (b) securing the Exit Term Loan.

The Directors believe that at the date of signing this interim financial report the Recapitalisation and securing the Exit Term Loan will be completed successfully.

However, given at the date of signing this report, the Recapitalisation has not been approved as the approvals required by various parties including shareholders will not occur until September 2021 and the Exit Term Loan has not been secured, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore whether the Company will realise its assets and extinguish its liabilities and commitments in the normal course of business and in the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Accounting policies

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 2020 Annual Financial Report for the financial year ended 31 December 2020, 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 ("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 condensed consolidated financial statements. The adoption of each standard individually did not have a significant impact on the Company's condensed financial results or consolidated statement of financial position.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Impact of COVID-19

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. During the second quarter of 2020, the Company's business was significantly impacted by the COVID-19 pandemic due to government-imposed measures to prevent or reduce its spread. As a result, beginning in March 2020, the Company implemented its business continuity plan to protect the health and well-being of employees while ensuring ongoing operations sustainability; transitioning of corporate and regional office staff to work from home; and ceasing all non-essential international and domestic travel.

For the six months ended 30 June 2021 the Company has seen improvements to the business and a return to pre-COVID-19 activity. While the Company believes the worst of the impacts of COVID-19 on the business have been felt, there remains a level of uncertainty.

Standards and Interpretations issued, but not yet effective

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

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 17 'Insurance Contracts'	1 January 2023	31 December 2023
AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an investor and its Associate or Joint Venture [AASB 10 & AASB 128]	1 January 2022	31 December 2022
AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 & AASB 128	1 January 2022	31 December 2022
AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 & AASB 128 and Editorial Corrections	1 January 2022 Editorial Corrections apply from 1 January 2018	31 December 2022
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current	1 January 2023	31 December 2023
AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020	1 January 2022	31 December 2022
AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	31 December 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Standards and Interpretations issued and effective

The Company has adopted all the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2021.

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

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform ¹	1 January 2021	31 December 2021

(1) The Company has an asset-based revolver loan that bears interest on drawn amounts at LIBOR plus margin. The Company is currently in discussions with its lender to identify a LIBOR replacement benchmark prior to 31 December 2021.

Key Judgements and Estimates

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

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

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

Note 1	Going Concern
Note 6	Income Taxes
Note 8	Goodwill and Other Intangible Assets
Note 11	Provisions
Note 14	Commitments and Contingent Liabilities

2. SEGMENT REPORTING

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

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

	Segment Revenue		Segment Profit	
	Half-year ended		Half-year ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Global Drilling Services	301,213	213,860	33,612	12,125
Global Products revenue				
Global Products third-party revenue	145,850	95,364		
Global Products inter-segment revenue ¹	31,407	26,509		
Total Global Products	177,257	121,873	28,623	8,892
Less Global Products sales to Global Drilling Services	(31,407)	(26,509)		
Total third-party revenue	447,063	309,224		
Total segment profit			62,235	21,017
Unallocated costs ²			(33,874)	(19,327)
Global Drilling Services impairment costs			(29)	(7,828)
Global Products impairment costs			(424)	(368)
Finance costs			(57,455)	(50,883)
Interest income			7	16
Loss before taxation			(29,540)	(57,373)

(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 EMEA. The Company's revenue from external customers and information about its segment assets by geographical locations are detailed below:

	Revenue from		Non-current assets ¹	
	external customers			
	30 June	30 June	30 June	31 December
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
North America	192,063	130,463	204,014	198,323
Asia Pacific	108,886	79,601	53,685	50,775
Latin America	50,831	33,000	11,699	13,268
EMEA	95,283	66,160	32,218	31,616
	447,063	309,224	301,616	293,982

(1) Non-current assets excluding deferred tax assets and post-employment assets.

3. REVENUE

Boart Longyear operates two different business units throughout various geographical locations – Global Drilling Services and Global Products.

Global Drilling Services

The Company performs various types of drilling services within the mining and minerals industry. Contracts can cover services which involve different processes and continuous drilling services activities in a sequential set of mobilisation, drilling, and demobilisation activities which are invoiced to the customer as those activities progress. These processes and activities are highly inter-related, and the Company provides a significant service of integration of such activities. Where this is the case, these activities and processes are accounted for as one performance obligation.

Revenue from services rendered is recognised in the statement of profit and loss and other comprehensive income over time. Boart Longyear has a contractual right to consideration from a customer for an amount that corresponds directly with the value to the customer of the performance completed to date (for example, number of meters drilled). As a result, Boart Longyear applies the practical expedient under AASB 15.B16 to recognise revenue at the amount which it has the right to invoice.

Customers are invoiced on a fortnightly basis and revenue is recognised in the accounting period in which the right to invoice is obtained. Payment is received following invoice according to standard payment terms, which are generally between 30 to 60 days. There are no significant financing components. Most drilling services contracts do not include variable payment terms. Where variable payment terms exist, these are usually in the form of penalties for late completion. Variable consideration is only recognised to the extent that it is considered highly probable that such amounts will not reverse in the future and is estimated using the expected value approach.

Global Products

The Company manufactures, distributes and sells equipment that is necessary for the mining and mineral industry. Sales orders are completed across multiple geographies for products, such as large drill rigs, and drilling components, such as bits and coring rods. Each product promised to the customer is distinct under the contract according to AASB 15.27 and gives rise to a separate performance obligation. Revenue is recognised when control of the products has transferred to the customer. Transfer of control generally happens at the point the products are delivered to the carrier for drilling rigs and components. The transaction price is allocated to each product on a stand-alone basis.

Payment is received following invoice according to standard payment terms, which are generally between 30 to 60 days. There are no significant financing components and there is no significant reversal of variable consideration expected at the point of revenue recognition.

For the half-year ended 30 June 2021, the components of revenue are as follows:

	2021	2020
	US\$'000	US\$'000
Revenue from the rendering of services	301,213	213,860
Revenue from the sale of goods	145,850	95,364
	<u>447,063</u>	<u>309,224</u>

For the six months ended 30 June 2021, one customer accounted for 11.4% of the Company's total revenue (12.6% at 30 June 2020).

4. OTHER INCOME AND EXPENSES

For the half-year ended 30 June 2021, other income and expenses consist of the following:

	2021 US\$'000	2020 US\$'000
Other income		
Gain on disposal of property, plant and equipment	1,850	1,423
Other	684	595
	2,534	2,018
Other expenses		
Impairment of Latin America property, plant and equipment	-	6,807
Impairment of property, plant and equipment	-	1,019
Loss on foreign currency exchange	4,575	3,413
Amortisation of intangible assets	794	907
Other	385	1,067
	5,754	13,213

5. FINANCE COSTS

For the half-year ended 30 June 2021, finance costs consist of the following:

	2021 US\$'000	2020 US\$'000
Interest on loans and bank overdrafts	36,572	30,562
Debt modification ¹	9,528	11,786
Applicable premium	8,115	6,101
Interest on taxes	1,181	-
Amortisation of debt issuance costs	268	773
Interest on lease liabilities	1,791	1,661
Total finance costs	57,455	50,883

(1) See Note 10.

6. INCOME TAXES

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

	2021 US\$'000	2020 US\$'000
Loss before taxation	(29,540)	(57,373)
Income tax benefit calculated at		
Australian rate of 30%	(8,862)	(17,212)
Impact of non-Australia tax rates	(428)	167
Net nondeductible/non assessable items	9,687	12,830
Net unrecognised tax losses and tax credits for the current year ¹	6,463	10,758
Recognition of deferred tax assets arising in prior years	(376)	(810)
Other	1,736	(1,020)
Under (over) provision from prior years	25	(987)
Income tax expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	8,245	3,726

- (1) Due to the group being in a tax loss position in many jurisdictions during the current period, the Company has not benefited from current period losses.

Canadian income tax audits

As previously disclosed by the Company, the Canada Revenue Agency ("CRA") has reassessed the Company's Canadian affiliates for tax years 2010 through 2016. These tax years remain in various stages of audit or appeal with the CRA. Tax years 2010-2012 are also proceeding under a mutual agreement procedure, which is a negotiation between Canada and Switzerland on the allocation of taxable profits between the countries. The unsettled tax, penalties and interest for 2010-2014 could result in a maximum remaining reassessment of C\$50.1 million, with a net cash payment after prior payments and credits of C\$36.4 million. The unsettled tax, penalties and interest for 2015-2016 could result in a maximum remaining reassessment of C\$11.4 million. The Company is vigorously disputing these reassessments. Due to the uncertainty surrounding these audits, a provision for the estimated outcome has been recognised as a non-current provision. Refer to Note 11.

7. TRADE AND OTHER RECEIVABLES

	30 June 2021 US\$'000	31 December 2020 US\$'000
Trade receivables	130,622	98,589
Loss allowance	(1,125)	(1,519)
Goods and services tax receivable	11,583	10,924
Other receivables	363	1,572
	<u>141,443</u>	<u>109,566</u>

The ageing of trade receivables is detailed below:

	30 June 2021 US\$'000	31 December 2020 US\$'000
Current	127,254	93,676
Past due 0 - 30 days	1,732	1,787
Past due 31 - 60 days	1,012	819
Past due 61-90 days	-	602
Past due 90 days	624	1,705
	<u>130,622</u>	<u>98,589</u>

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 some trade receivables in the form of letters of credit, deposits, and advanced payments.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

	30 June 2021 US\$'000	31 December 2020 US\$'000
Goodwill	<u>105,735</u>	<u>105,115</u>
Other intangible assets:		
Software	493	531
Customer relationships	2,232	2,702
Development assets	25,690	22,512
Patents	3,976	3,874
Trademarks	1,948	1,947
	<u>34,339</u>	<u>31,566</u>

8. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Goodwill by cash-generating units

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

	30 June 2021 US\$'000	31 December 2020 US\$'000
Geological Data Services (GDS) ¹	4,237	4,253
North America Drilling Services	101,498	100,862
	<u>105,735</u>	<u>105,115</u>

(1) Geological Data Services is included in Global Products.

The Company performed the impairment trigger assessment as at 30 June 2021 with no indicators of impairment noted. The results of the impairment assessments indicate that further goodwill testing as at 30 June 2021 is unnecessary.

9. TRADE AND OTHER PAYABLES

	30 June 2021 US\$'000	31 December 2020 US\$'000
Current		
Trade payables	85,353	59,412
Accrued payroll and benefits	30,334	21,387
Goods and services tax payable	14,104	7,446
Accrued interest	89	245
Accrued legal and environmental costs	509	637
Accrued professional fees	3,067	3,100
Accrued drilling costs	4,037	2,502
Other sundry payables and accruals	147	3,286
	<u>137,640</u>	<u>98,015</u>

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.

10. LOANS AND BORROWINGS

	30 June 2021 US\$'000	31 December 2020 US\$'000
Unsecured - at amortised cost		
<i>Non-current</i>		
Senior notes	88,882	88,882
Accreted interest	5,249	4,547
Secured - at amortised cost		
<i>Current</i>		
Term loans	30,000	-
Accreted interest	290	-
Lease liabilities	9,718	9,372
Equipment finance	904	863
<i>Non-current</i>		
Senior notes	217,035	217,035
Term loans	292,441	292,441
Accreted interest	159,357	125,600
Debt modification ¹	21,314	11,786
Applicable premium	39,248	31,148
Revolver bank loans	50,929	67,929
Debt issuance cost	(667)	(835)
Lease liabilities	26,545	27,249
Equipment finance	2,087	2,549
	<u>943,332</u>	<u>878,566</u>
Disclosed in the financial statements as:		
Current borrowings	40,912	10,235
Non-current borrowings	902,420	868,331
	<u>943,332</u>	<u>878,566</u>
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	40,910	10,236
Between 1 and 2 years	883,919	848,111
Between 2 and 3 years	7,455	7,142
Between 3 and 4 years	4,523	5,213
More than 4 years	7,192	8,699
	<u>943,999</u>	<u>879,401</u>
Debt Issuance Cost	(667)	(835)
	<u>943,332</u>	<u>878,566</u>

(1) Debt modification relates to the amendment to the Senior Secured Notes during the period.

10. LOANS AND BORROWINGS (CONTINUED)

Senior Notes

Senior Unsecured Notes

The Company has \$88.9 million of senior unsecured notes outstanding as at 30 June 2021 and 31 December 2020. These notes carry an interest rate of 1.5%, per annum, which is payment-in-kind (i.e. non-cash) until maturity in December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

Senior Secured Notes

The Company has \$217.0 million of senior secured notes outstanding (CUSIP Tranches of \$216.2 million, \$0.3 million, and \$0.5 million) as at 30 June 2021 and 31 December 2020. These notes carried an interest rate of 12% per annum which was paid-in-kind until 31 December 2018 and thereafter in cash at the reduced interest rate of 10% per annum. Consent was received in June 2020 to pay 30 June 2020 interest as payment-in-kind at 12% per annum and 31 December 2020 payment-in-kind at 14.5% per annum. Consent was received in June 2021 to pay 30 June 2021 interest as payment-in-kind at 14.5% per annum. The scheduled maturity date of these senior secured notes is December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

On 8 June 2021 and 19 June 2020, the Company received consent from the holders of the Senior Secured Notes and also received the ASX relief necessary to implement amendments to satisfy the interest payments due in respect of the notes on 30 June 2021 and due in respect of the notes on 30 June 2020 and 31 December 2020, respectively, by way of payment-in-kind rather than by payment of cash (PIK Notes). As a result of these amendments, the Company recorded a modification loss of \$9.5 million and \$11.8 million within finance costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2021 and 30 June 2020, respectively, with an offsetting increase to loans and borrowings in the Condensed Consolidated Statement of Financial Position as of 30 June 2021 and 31 June 2020, respectively. These amendments were treated as a modification as the difference between the net present value of the cash flows under the amended Senior Secured Notes compared to the net present value of the cash flows under the original terms of the Senior Secured Notes was not considered "substantial" as defined by AASB 9 *Financial Instruments*. The debt modification loss, recorded to comply with AASB 9, is an adjustment to the amortised cost of the Senior Secured Notes. The adjustment equals the difference between the present value of the cash flows under the original terms and the most recent modified terms, discounted at the original effective interest rate.

The current rate of interest applicable in respect of the notes is 10%. The interest entitlement for those noteholders who agree to take interest by way of PIK Notes was 14.5% for 30 June 2021. Non-consenting Senior Secured Note holders will continue to receive interest in cash at the stated rate of 10% per annum.

The Senior Secured Notes include a premium, payable at the maturity of the notes due December 2022 (as well as in certain circumstances if the Senior Secured Notes are redeemed prior to maturity). The premium is expressed as a percentage of the principal redeemed or repaid and includes PIK Interest. The premium percentage increases over time from 0.9% to 24.4% of the principal balance, depending on the timing of repayment. Together, the debt modification, stated terms, and the applicable premium result in an effective interest rate on the Senior Secured Notes of 14.4% per annum.

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.

10. LOANS AND BORROWINGS (CONTINUED)

Revolver Bank Loans

ABL

The Company has an asset-based revolver bank loan with an available facility of \$75.0 million of which \$5.9 million was drawn as at 30 June 2021.

	30 June 2021 US\$M	31 December 2020 US\$M
ABL		
Available Facility	75.0	75.0
Drawn	5.9	23.0
Letters of Credit	5.9	5.8
Availability Block	-	10.0
Borrowing base adjustment	-	10.0
Minimum liquidity	5.6	8.3
Undrawn	57.6	17.9
	75.0	75.0

As at 30 June 2021, \$5.9 million (31 December 2020: \$5.8 million) of outstanding letters of credit were drawn under the facility. Interest on drawn amounts and letters of credit are based on a base rate plus margin (USD LIBOR plus 3.25%). Benchmark Replacement rate for Libor will bear interest at a floating rate equal to the LIBOR index (subject to customary ARRC benchmark replacement language, which, in any event, shall be subject to the reasonable discretion of the lender).

In May 2021 the facility was amended to release an "availability block" of \$10.0 million allowing the Company to access this additional liquidity. The amendment also temporarily reduced the "Springing Dominion" from 15% of the "borrowing base" to 7.5% through September 30, 2021. Borrowing on this facility is also limited to the lower of the Lender's commitment or the borrowing base that supports the Asset Based Loan. This "borrowing base" is made up of eligible receivables and inventory. As of 30 June 2021, the borrowing base was \$77.4 million which exceeded the \$75.0 million facility.

The "Springing Dominion"/Minimum liquidity covenant requires the Company to maintain on the last day of any month 7.5% of the lesser of "borrowing base" or "facility capacity" (\$5.6 million at 30 June 2021). If a trigger event occurs the agent can provide an activation notice that will allow them to access all funds deposited into "Blocked Bank Accounts." These funds will become the property of the agent and will be applied to outstanding advances.

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

The scheduled maturity date of the facility is July 2022. As at 30 June 2021 the Company was in compliance with all of its debt covenants.

Backstop ABL

The term loan facility has an interest rate of 11% per annum payment-in kind or 10% per annum payable in cash at the option of the borrower. It is secured by substantially the same collateral as the ABL credit facility and contains a maturity of October 2022. As at 30 June 2021 and 31 December 2020, the amount outstanding under this facility was \$45.0 million.

As at 30 June 2021, the Company was in compliance with all of its debt covenants.

10. LOANS AND BORROWINGS (CONTINUED)

Term Loans

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

Since inception and until 31 December 2018, interest of \$47.6 million and \$34.8 million had accreted for Tranche A and Tranche B loans, respectively. On 31 December 2018, the issuer of these loans was changed from Boart Longyear Management Pty. Ltd. to BL Capital Management LLC and the accreted interest to 31 December 2018 was capitalised to the principal balance. No changes to interest rates or maturity dates were made.

Tranche A

As at 30 June 2021 and 31 December 2020, the amount outstanding was \$132.6 million. This tranche contains a maturity of December 2022 and is non-callable for the first 4 years. It is secured by a first lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

Tranche B

As at 30 June 2021 and 31 December 2020, the amount outstanding under Tranche B was \$159.8 million. This tranche contains a maturity of December 2022 and is non-callable for the life of the loan. It is secured by a second lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and the Term Loan B and Senior 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 Senior Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

The Company's Term Loans, ABL, and Backstop ABL require that obligors under the term loans account for at least 60% of consolidated Group EBITDA and total Tangible Assets. This covenant is tested at each publicly released financial report.

The Group's position in relation to these metrics was as follows:

Metric	Target Range	30 June 2021	31 December 2020
% of consolidated EBITDA	Equal or more than 60%	108%	112%
% of consolidated tangible assets	Equal or more than 60%	67%	67%

Further details around the Issuer / Borrower and Guarantors of the Company's debt instruments are included in the 31 December 2020 financial statements.

Short-Term Loan

The Company has an incremental, short-term loan facility which is structured as part of the Recapitalisation in June 2021. The facility is a \$50.0 million credit facility with Corre Partners Management, First Pacific Advisers and Nut Tree Capital Management to provide additional working capital to support the Company until the Recapitalisation and related transactions are complete. As of 30 June 2021, borrowings under this facility were \$30.0 million. Interest on this facility is payment-in-kind at 11% per annum. There is also a 1.5% per annum interest payment-in-kind due on the undrawn balance of this facility. This facility matures on 31 December 2021.

11. PROVISIONS

	30 June 2021 US\$'000	31 December 2020 US\$'000
Current		
Employee benefits	12,537	10,158
Restructuring and termination costs ¹	1,428	3,116
Warranty ²	367	592
	<u>14,332</u>	<u>13,866</u>
Non-current		
Employee benefits	597	534
Provision for legal contingencies	5,829	5,333
Pension and post-retirement benefits ³	-	6,331
Provision for tax contingencies	54,395	49,427
	<u>60,821</u>	<u>61,625</u>
	<u>75,153</u>	<u>75,491</u>

- (1) The provision for restructuring and termination costs represents the present value of management's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits.
- (2) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's warranty program.
- (3) Full actuarial valuations of the defined benefit pension and post-retirement benefit plans are performed annually by qualified independent actuaries for the Company's 31 December year-end closing.

12. DIVIDENDS

No dividend has been determined for either of the half-years ended 30 June 2021 and 30 June 2020.

13. CASH AND CASH EQUIVALENTS

Included in the cash balance at 30 June 2021 is \$0.2 million of restricted cash. At 31 December 2020, \$0.2 million was considered restricted. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to the Company's ABL facility as well as restrictions to secure facility leases.

14. COMMITMENTS AND CONTINGENT LIABILITIES

Legal contingencies

The Company is subject to certain routine legal proceedings that arise in the normal course of its business. Certain of the Company's subsidiaries are defendants to ongoing litigation in connection with alleged patent infringement and have made the appropriate provisions. 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 audits

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

15. SUBSEQUENT EVENTS

Proposed Recapitalisation and Re-domiciliation Initiatives

The Company has provided regular updates to the ASX in relation to the proposed Recapitalisation and re-domiciliation:

On 29 July 2021, the Company released the Explanatory Memorandum for the EGM Notice of Meeting and its Re-domiciliation scheme meeting scheduled to be held on Wednesday, 8 September 2021.

On 5 August 2021, the Company released shareholder materials related to the Recapitalisation and re-domiciliation scheme meetings, including the Recapitalisation and re-domiciliation resolutions and proxy voting forms.

Exit Term Loan Facility Commitment

On 19 July 2021, the Company entered into an Exit Term Loan with Blue Torch and HPS whereby Blue Torch and certain funds and accounts managed by HPS will provide a long-term, new money loan of \$115.0 million. If secured, the proceeds from the exit term loan will be used to repay the \$50.0 million incremental short-term credit facility and its accrued interest with Corre Partners Management, First Pacific Advisers and Nut Tree Capital Management and to fully refinance the Company's existing Backstop ABL.

As currently stated in the commitment letter, the Exit Term Loan will mature 5 years from the date the funds are advanced and will bear interest at a floating rate equal to the LIBOR index (subject to customary Alternative Reference Rate Committee benchmark replacement language) plus an applicable margin ranging from 7.25% to 7.75%. The applicable margin on the closing date of the Exit Term Loan will be 7.50% and thereafter adjusted quarterly based on the total leverage ratio as defined in the agreement. The Exit Term Loan will be secured by substantially all non-working capital assets, subject to exclusions to be agreed, and will have a second lien on substantially all working capital assets in the form of inventory, accounts receivable, and cash and will include minimum liquidity and fixed charge coverage ratio financial covenants. The Exit Term Loan is subject to a number of conditions precedent which at the date of this report have not been achieved.