

26 February 2021

Boart Longyear Announces Full Year 2020 Results

Boart Longyear Limited (**ASX: BLY**) – [Boart Longyear](http://www.boartlongyear.com), the world's leading provider of drilling services, an expert in providing valuable orebody knowledge, and a pioneer in innovative drilling equipment and performance tooling, announces results for the full year ended 31 December 2020. All results are referenced in US dollars.

Jeff Olsen, Boart Longyear's CEO, commented on the Company's results, stating, "I am grateful for the efforts of our employees through 2020 who contributed to the overall success of the business while it was dealing with the effects of a global pandemic. The Company's resilience dealing with the unprecedented business interruption caused by the COVID-19 pandemic highlights the work undertaken by the Company to respond and adapt to the market demands of a cyclical industry. We are excited to see continued reinvestment into our sector with major mining houses flagging increased exploration spend and junior and intermediate miners now accessing capital through equity raisings, allowing them to get out and explore for tomorrow's resources. The Company saw an increase in activity levels through the fourth quarter. We anticipate activity levels will continue to increase through 2021 as mining houses look to recover lost ground of 2020 and implement investment spending to return reserve levels back to historic levels. The Company remains committed to improving its capital structure via its strategic review with Rothschild & Co, as advisor and existing lenders, (as announced on 7 January 2021) that will set it up to take advantage of future growth opportunities"

KEY METRICS FOR YEAR THROUGH 31 DECEMBER 2020 (Compared to 31 DECEMBER 2019)

- **REVENUE – \$657M – Down \$88M - After eliminating impacts of FX revenue was lower by \$82M or 11% on 2019**
- **ADJUSTED EBITDA – \$60M - Down \$27M (31%) with largest impact coming from the effects of COVID-19 throughout the year**
- **NET PROFIT AFTER TAX – (\$99M) – Down \$42M, from the impact of decreased operational activity of \$10M, impairments of \$14M and additional financing costs of \$18M**
- **NET DEBT – \$855M – Increase of \$83M from financing costs offset by \$9M of paydown on ABL Overdraft**
- **NET CASH FLOWS FROM OPERATING ACTIVITIES – \$49M – Improvement of \$14M supported by \$23M lower cash interest payments**

COMPARATIVE RESULTS

Consolidated Results						
(US \$M)	Full Year Ended		% Change Fav/(Unfav)	3 Months Ended		% Change Fav/(Unfav)
	31-Dec-20	31-Dec-19		31-Dec-20	31-Dec-19	
Total Company						
Revenue	657	745	(12%)	176	166	6%
Statutory EBITDA	40	67	(39%)	7	(13)	NMF
Adjusted EBITDA	60	87	(31%)	15	2	686%
Statutory Net Profit/(Loss) After Tax ²	(99)	(57)	NMF	(25)	(24)	3%
Net Cash Generated / (Used) in Operating Activities	49	35	40%	11	4	154%
Net Debt ²	855	781	9%			

Divisional Results						
	Full Year Ended		% Change Fav/(Unfav)	3 Months Ended		% Change Fav/(Unfav)
	31-Dec-20	31-Dec-19		31-Dec-20	31-Dec-19	
Global Drilling Services						
Revenue	456	516	(12%)	121	115	5%
Statutory EBITDA	50	90	(44%)	11	9	18%
Average Number of Operating Drill Rigs	252	284	(11%)	268	691	(61%)
Average Number of Drill Rigs	683	691	(1%)	664	276	141%
Average Rig Utilisation	37%	41%	(4%)	248%	40%	208%

Global Products						
Revenue	201	229	(12%)	55	51	7%
Statutory EBITDA ¹	25	31	(20%)	6	4	50%
Average Backlog	33	30	13%	38	32	17%

Footnote¹ - 2019 Statutory EBITDA restated to reflect costs previously reported outside business segment to provide comparison

Footnote² - 2019 NPAT and Net Debt restated to include applicable premium on Senior Secured Notes (announced 24 July 2020)

RESULTS COMMENTARY

Revenues for the year closed lower compared to the prior year. Adjusting for the FX effect, revenue decreased 11%. Resurgence in drilling activity is visible in the Company's operating trends. The fourth quarter ended 31 December experienced a 6% revenue improvement over the prior year, which may signal an improving market. Latin America remained the outlier through the second half, with government-imposed working restrictions still having a significant impact on the business. Eliminating the impact of Latin America, the business experienced a healthy increase in activity against prior year.

Adjusted EBITDA decreased from \$87M in 2019 to \$60M in 2020, driven by impacts related to COVID-19. The fourth quarter adjusted EBITDA of \$15M was a \$13M improvement over prior year, driven by an improvement of \$10M in revenue that the Company believes signals a return to more normal operational levels. Company-wide work to reduce operating costs and improve productivity also contributed to the improvement.

The Company saw an improvement in cash from operations in December of \$14M (\$49M generated in December 2020 compared to \$35M in December 2019). As announced on 19 June 2020, the Company successfully negotiated with 99.75% of the Senior Secured Note holders an amendment to satisfy interest payments due in respect of those notes on 30 June 2020 and 31 December 2020 by way of payment-in-kind. These amendments had a \$26M favourable impact on the Company's liquidity for the year and met the objective to preserve liquidity while combating the short-term impacts of COVID-19 on the business contributing to increased debt.

Liquidity on 31 December 2020 was \$41M, comprised of cash balances totalling \$23M and a further \$18M of availability under the Company's asset-based loan facility.

BASIS OF ACCOUNT PREPARATION

The Company's full-year 2020 financial statements have been prepared on the basis of a going concern, subject to certain risks reported in Note 1 of the financial report that give rise to material uncertainty. The Directors have a reasonable expectation that an agreement will be secured to remove the obligation to pay cash interest on the Senior Secured Notes in June 2021 and December 2021; and will receive the ongoing support of the Company's debt providers, including negotiating a refinancing or recapitalisation of the debt facilities, which currently expire in the second half of 2022.

GLOBAL MINING AND EXPLORATION UPDATE

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

During the fourth quarter several intermediate and junior mining houses entered the capital markets and obtained financing to fund their capital programmes. The fourth quarter witnessed global equity raisings that generated \$3.3B from ~697 raisings. January 2021 also saw an increase in global equity raisings to

\$1.51B (141 raisings) and became the eighth consecutive month of metals and mining raisings greater than \$1B setting a record over previously reported periods.

Miners have under-invested in recent years while focusing on improving their balance sheets. Recent investment in exploration activities has focused on extending existing assets and there will be a material investment required to increase reserves and resources to meet future demand.

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, both of which are currently on the rise. Gold miners have seen a reduction in reserve lives of greater than 30% as a result of focus on costs, and average mine lives have fallen from highs of 14 years to 9 years, risking lower valuations due to the sufficiency of reserve and resource levels. The base metals sector, of which copper is the dominant player, has analysts predicting an increasing supply deficit over the next 5 years, with analyst's anticipating the current project pipeline to be insufficient to meet the projected demand of the electric vehicle boom, which analysts project could constitute 35% or more of the auto market share by 2040.

STATEMENT COVERING COVID-19

Boart Longyear holds the health and safety of our employees and surrounding communities as a top priority. With concerns regarding the COVID-19 pandemic, the Company implemented in early March its business continuity plan. The plan included measures required to protect the health and wellbeing of employees while ensuring ongoing operational sustainability; transitioning of corporate and regional offices staff to work from home; and ceasing all non-essential international and domestic travel. The Company is in constant communication with customers and employees to fine tune these plans to prevent the transmission of the virus. 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.

The negative impacts from COVID-19 on the Boart Longyear operations peaked in April with exploration activities declining, impacted by government-imposed closures along with customers choosing to delay projects. The duration of the impacts of COVID-19 and the speed of recovery of the industry across all regions remains unclear, however the Company continued to experience monthly financial improvements through the fourth quarter.

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 humanity comes to grips with managing through this pandemic.

STATEMENT COVERING STRATEGIC REVIEW

As released on 7 January 2021 the Company has engaged Rothschild & Co. as advisor to support the Company's evaluation of potential options in anticipation of the maturation of the Company's debt facilities through the second half of 2022 including for refinancing or recapitalisation. At this time there are no material developments related to the strategic review however the Company anticipates the process, if successful, is likely to involve existing lenders converting all or part of their debt to equity. This transaction could be highly dilutive to existing shareholders and current lenders could assume significant governance rights and control. The Company is committed to expeditiously pursuing the best possible outcome for

stakeholders and will announce any material updates arising from the strategic review in accordance with applicable laws.

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.



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About Boart Longyear

Established in 1890, Boart Longyear is in its 130th 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 utilizes 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 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](#).

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