BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2015

CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET 3
DIRECTORS' REPORT 4
AUDITOR'S INDEPENDENCE DECLARATION 30
INDEPENDENT AUDITOR'S REVIEW REPORT 31
DIRECTORS' DECLARATION 33
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 34
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION 35
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 36
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS 37
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 39

Half-Year Financial Report
30 June 2015

Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2015**
Half year ended ('previous corresponding period'):	**30 June 2014**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2015 US$'000	2014 US$'000	$ change	% change
Revenue from ordinary activities	387,470	421,495	(34,025)	-8.1%
Net loss after tax attributable to members	(152,349)	(142,826)	(9,523)	6.7%
Adjusted net loss after tax attributable to members	(68,831)	(67,963)	(868)	1.3%

Brief explanation of any figures reported above:

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

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

	30 June 2015	30 June 2014
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 2015 or 2014.

Net Tangible Assets per share:

Current period:	($0.18)
Previous corresponding period:	$0.20

DIRECTORS' REPORT

The directors present their report together with the financial report of Boart Longyear Limited (the "Parent") and its controlled entities (collectively, the "Company" or "Boart Longyear") for the half-year ended 30 June 2015 and the Independent Auditor's Review Report thereon.

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

DIRECTORS

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

- Bret Clayton (appointed effective 25 February 2015)
- Peter Day
- Jonathan Lewinsohn
- Rex McLennan
- Richard O'Brien
- Marcus Randolph (appointed effective 25 February 2015)
- Conor Tochilin

Others who held office as Directors during the half-year were:

- Bruce Brook (retired 30 June 2015)
- Roy Franklin (retired 25 February 2015)
- Tanya Fratto (retired 26 May 2015)
- Barbara Jeremiah (retired 25 February 2015)
- David McLemore (retired 26 May 2015)

PRINCIPAL ACTIVITIES

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

Significant Changes in the State of Affairs

On 27 January 2015, the Company finalised the series of recapitalisation transactions with Centerbridge Partners, L.P. announced in October 2014. The recapitalisation transactions involved the entry into new term loans between the Company and Centerbridge Partners, L.P., equity placements to Centerbridge Partners, L.P., an equal-access rights offering made available to shareholders, an off-market share buy-back available to shareholders on a pro-rata basis, and a bond equitisation of Centerbridge Partners, L.P.'s holding in Boart Longyear's Senior Unsecured notes. The recapitalisation transactions represented a comprehensive solution to the Company's liquidity risk, as they eliminated the potential risk of default associated with covenant breaches related to the Company's former revolving credit facility and are also expected to stabilise the Company's balance sheet during the present cyclical downturn. The following recapitalisation transactions were executed and recorded in the Company's financial statements:

- ***Term Loans:*** In October and November 2014, the Company received $225.0 million of "covenant-lite" term loans that will accrete interest at a rate of 12% per annum. The proceeds of the term loans were used to refinance the Company's prior revolving credit facility, of which $30.0 million was drawn at the time of repayment, and to repurchase $105.0 million of the Company's existing 10.00% Senior Secured Notes.
- ***Equity Placements:*** The Company issued two equity placements directly to Centerbridge Partners, L.P,. totaling approximately $27.0 million, the first in October 2014 and the second in December 2014.
- ***Rights Offering:*** In January 2015, the Company received additional proceeds of A$106.2 million.
- ***Share Buyback –*** In January 2015, the Company acquired approximately 7.5 million fully paid ordinary shares at A$0.165 per share pursuant to the off-market buyback, canceled the shares and subsequently sold an equivalent number of new shares to Centerbridge Partners, L.P. for the same price per share.
- ***Equitisation of Debt –*** The Company completed a $16.0 million equitisation of its 7.00% Senior Unsecured Notes, held by Centerbridge Partners, L.P., its affiliates and related funds through the issuance of approximately 102.8 million shares.

Following the completion of the recapitalisation transactions, Centerbridge Partners, L.P.'s holding in ordinary shares increased to 49.9%, or 464.5 million shares, and an additional 434.0 million convertible preference shares.

As a result of the recapitalisation transactions, the Company incurred approximately $45.5 million of transaction related costs during 2014 and an additional $2.1 million during 2015, these costs have been recorded in sales, general and administrative ("SG&A") costs.

The Company announced changes in the composition of its Board on 23 February 2015. The changes, which took effect on 25 February 2015, include the retirement of Barbara Jeremiah and Roy Franklin from the Board and the appointment of Bret Clayton and Marcus Randolph as new directors. Mr. Randolph assumed the role of Chairman from Ms. Jeremiah. The changes to the Company's Board arose from the recapitalisation agreements, in which the Board agreed that Centerbridge Partners, L.P. may appoint up to four directors, including the right to nominate the Board Chairman, all subject to the approval of a majority of the independent directors. Messrs. Clayton and Randolph join the Board as independent, non-executive directors and, with Messrs. Lewinsohn and Tochilin, who were appointed in 2014, comprise Centerbridge Partners, L.P. nominated Board appointees.

Events Subsequent to Reporting Date

In the opinion of the Directors, there has been no matter or circumstance that has arisen since the end of the half-year that has significantly affected or may affect the operations of the consolidated entity or the results of those operations, or the state of the consolidated entity in subsequent years.

REVIEW OF OPERATIONS[1]

1. Overview of Half-Year 2015 Operations, Safety Performance and Financial Results

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

We aim to be the "One Source" of drilling solutions in our core markets by creating value for our customers by delivering a comprehensive portfolio of technologically advanced and innovative drilling services and products. We believe that our market leading positions in the mineral drilling industry are driven by a variety of factors, including the performance, expertise, reliability and high safety standards of Global Drilling Services, the technological innovation, engineering excellence and global manufacturing capabilities of Global Products and our Company's vertically integrated business model.

We remain focused on our customer base with detailed marketing and investment plans to identify and secure additional customer opportunities. Further, while maintaining a primary focus on safety and a disciplined approach to capital expenditures, we continue to invest in productivity enhancements in our Global Drilling Services division while also pursuing improved project margins through reducing administrative costs. New product development efforts in our Global Products division remain focused, for the time being, on incremental product improvements that customers will need at any point in the mining cycle and responding to the increasing demand for information by our customers. During the first-half of 2015 we have successfully launched two new products – the LS250™ Mini Sonic drill rig and the reverse circulation hammer - and several other new products are under development for release later in the year.

Central to our strategy is a clear focus on continuing to drive safety improvements, increase efficiencies, generate positive cash flow and reduce net debt. We regard safety as fundamental to our relationships with our employees, customers and all stakeholders. We also consider our safety performance both to be a significant opportunity, as our current and targeted customers look to safety as a basis to differentiate their suppliers.

During the half-year period ended 30 June 2015, the Company reported strong safety performance with a Total Case Incident Rate ("TCIR") of 1.11 and Lost-Time Injury Rate ("LTIR") of 0.16 (both TCIR and LTIR are rates calculated based on 200,000 hours worked). While our performance is good, we are committed to providing our employees and customers with an injury-free workplace and industry-leading safety practices. We believe significant improvements in our safety record are possible and are pursuing such changes through initiatives to enhance risk identification and promote better and more frequent management interactions with field employees on safety matters, among other actions.

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

The first-half of 2015 continued to be a difficult period for the mineral drilling industry and the Company, as declining or stagnant prices for metals and mined commodities, political and economic risks related to the development of new mines and a continued focus by mining companies on maximising near term cash flows drove most of the world's mining companies to tightly control their exploration, development and capital expenditures during the period.

During the half-year period ended 30 June 2015, drill rig utilisation was relatively flat compared to the same period in 2014. However, weak pricing as a result of low global rig utilisation, increased competition among providers and fewer projects continued to adversely impact the Company's financial performance. Although pricing on new contracts in the first half of 2015 have been fairly stable, the read-through of pricing actions taken in 2014 has negatively impacted 2015 pricing.

In order to offset the negative financial and cash flow impacts associated with declining utilisation rates and ongoing pricing headwinds, we remain focused on identifying cost reduction opportunities and increases in efficiency across the Company. We have continued to prioritise efforts to reduce operating costs, including SG&A costs, despite the significant improvement we have achieved in our cost structure since late 2012. In addition, we remain focused on generating cash through reducing inventory and controlling capital costs.

During the half-year period ended 30 June 2015, a number of significant items impacted the Company's financial performance. The continued deterioration in revenues and profitability, combined with forecasts of a prolonged recovery in the industry and

(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.

the compression of enterprise valuations for companies in the drilling services sector, resulted in a $31.2 million impairment of the carrying value of some of our assets in certain regions.

As a result of the operating losses, asset impairments, a detrimental tax rate, ongoing finance costs, and unfavourable currency movements, the Company has reported a statutory loss for the half-year period ended 30 June 2015 of $152.3 million, which is $9.5 million higher than the prior year (2014: $142.8 million loss for the comparable period). Adjusted operating loss after tax for the half-year period ended 30 June 2015 (adding back the significant items) was $68.8 million, compared to an adjusted operating loss after tax for the same period of 2014 of $68.0 million, an increase in loss of $0.8 million. See reconciliation in Section 7 'Non-IFRS Financial Information'.

As at 30 June 2015, loans and borrowings and net debt totaled $676.9 million and $556.1 million, respectively. We remain committed to reducing our absolute level of debt, over time, by aggressively managing fixed, variable and capital costs and improving efficiencies through several ongoing initiatives, including:

1. reexamining our global operating model and underlying support costs;
2. completing the consolidation of certain financial service functions and further utilisation of our two shared services operations to consolidate other SG&A functions;
3. focusing on operational efficiencies at the drill rig level; and
4. controlling SG&A and other overhead related costs.

Ultimately, our goal is to preserve liquidity and reduce our overall net debt profile to provide for greater balance sheet flexibility through the mining industry's cycle while also providing our equity holders with the significant upside that we may realise in our operations when markets improve and our operating leverage improves as a result of our significantly reduced cost structure. Net debt increased by $8.5 million from 31 December 2014. Cash balances totaled $120.7 million and the Company had a further $23.6 million available under its new ABL facility at 30 June 2015. Standard & Poor's, recognising the successful recapitalisation, recently upgraded the Company's corporate family rating and issue level rating on the 7% unsecured senior notes to CCC+ and upgraded the issue level rating on the 10% secured senior notes to B.

2. Financial and Operating Highlights

	For the half-year ended 30 June			
	2015 US$ Millions	2014 US$ Millions	$ Change	% Change
Key financial data				
Revenue	387.5	421.5	(34.0)	-8.1%
NPAT(1)	(152.3)	(142.8)	(9.5)	6.7%
Adjusted NPAT(1)	(68.8)	(68.0)	(0.8)	1.2%
EBITDA(2)	(39.4)	(33.0)	(6.4)	19.4%
Adjusted EBITDA(2)	1.7	18.7	(17.0)	-90.9%
Operating Loss	(84.0)	(86.0)	2.0	2.3%
Loss from Trading Activities (3)	(27.8)	(27.4)	(0.4)	1.5%
Cash (used in) generated from operations	(47.2)	16.1	(63.3)	-
Net cash flow s used in operating activities	(85.1)	(14.6)	(70.5)	482.9%
Capital expenditures (accrual)	10.9	8.7	2.2	25.3%
Capital expenditures (cash)	10.5	9.9	0.6	6.1%
Weighted Average number of ordinary shares	883.3	456.8	426.5	93.4%
Earnings per share (basic and diluted)	(17.2) cents	(31.3) cents	14.1 cents	45.0%
Average BLY rig utilisation	37%	36%	1%	2.8%
Average Fleet size	927	948	(21)	-2.2%

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

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

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

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

3.1 Revenue

Total revenue for the Company for the half-year period ended 30 June 2015 of $387.5 million decreased by 8.1%, or $34.0 million, compared to revenue for the half-year period ended 30 June 2014 of $421.5 million.

A majority of the revenue for both Global Drilling Services and Global Products is derived from providing drilling services and products to the mining industry and is dependent on mineral exploration, development and production activities. Such activities in turn are driven by several factors, including anticipated future demand for commodities, the outlook for current and projected supply and available mine productive capacity, the level of mining exploration capital and development related expenditures and availability of financing for, and the political and social risks around, mining development. Price within our Global Drilling Services division continues to be unfavourable when compared to the same period in 2014, largely resulting from pricing actions taken in 2014. Pricing has begun to stabilise during 2015 for Global Drilling Services and remains relatively flat for our Global Products division.

In addition to pricing pressure, revenues in the first-half of 2015, were lower as a result of mining industry spending on exploration and development, which continued to decline, and unfavorable foreign currency impacts.

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-years ended 30 June					
	2015			2014		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	387.5	-	387.5	421.5	-	421.5
Cost of goods sold	(370.0)	34.1	(335.9)	(413.8)	48.3	(365.5)
Gross margin	17.5	34.1	51.6	7.7	48.3	56.0
Other income	1.9	-	1.9	4.3	-	4.3
General and administrative expenses	(67.1)	6.7	(60.4)	(65.4)	2.4	(63.0)
Selling and marketing expenses	(19.3)	0.3	(19.0)	(21.3)	1.0	(20.3)
Significant items	-	(41.1)	(41.1)	-	(51.7)	(51.7)
Other expenses	(17.0)	-	(17.0)	(11.2)	-	(11.2)
Operating loss	(84.0)	-	(84.0)	(85.9)	-	(85.9)

Total adjusted Cost of Goods Sold (“COGS”), adjusted Sales and Marketing expenses (“S&M”) and adjusted General and Administrative expenses (“G&A”) for the Company for the half-year ended 30 June 2015 were $415.3 million, compared to $448.8 million for the same period in 2014, a decrease of $33.5 million, or 7.5%.

Total adjusted COGS for the Company for the half-year period ended 30 June 2015 was $335.9 million, representing a decrease of 8.1% compared to COGS of $365.6 million for 2014. Adjusted COGS decreased at the same percentage as the decrease in revenue (8.1%) and as a percentage of revenue remained flat at 86.7% when compared to the same period of the prior year.

Total adjusted S&M expenses for the Company for the half-year period ended 30 June 2015 of $19.0 million decreased 6.4%, or $1.3 million, from the same period of the prior year (2014: $20.3 million for the comparable period). Compensation and benefits as a percentage of revenue increased slightly from the prior year. As many of the costs associated with the Company’s facilities are fixed in nature and have non-cancellable leases, occupancy costs remained relatively flat compared to the prior year. Professional fees also remained flat as compared to the prior year.

Total adjusted G&A expenses for the Company for the half-year period ended 30 June 2015 were $60.4 million, representing a decrease of 4.1%, or $2.6 million (2014: $63.0 million for the comparable period). Although adjusted G&A expenses decreased due to significant cost reduction actions taken beginning in 2012 and continuing through various programs in 2013, 2014 and the first half of 2015, as a percentage of revenue they have increased slightly due to lower revenues and the fixed nature of certain expenses.

In response to weakening industry conditions, the Company has taken a series of initiatives to reset its cost base and to reduce its overall expenditure profile. The initiatives have included the removal of certain operating expenses, SG&A expense, other overhead-related expense and capital expenditures. From 2013 to 2014, the Company estimates that it has reduced its overall expenditure profile by approximately $1.1 billion. Additionally, in June 2015, the Company took a series of actions to further reduce its SG&A and operating expenses by an estimated run-rate of $25.0 million.

Despite the significant cost actions occurring over the last 24 months, the Company's management and employees remain committed to driving more efficiencies across our business platform.

3.3 Significant Items

During the first-half periods of 2015 and 2014, the Company incurred the following restructuring expense, recapitalisation costs and impairment charges related to current market conditions and cost reductions:

	For the half-year ended 30 June		
	2015 US$ Millions	2014 US$ Millions	$ Change
Significant items			
Recapitalisation costs	2.1	-	2.1
Impairments			
Property, plant and equipment	31.0	41.4	(10.4)
Other intangible assets	0.2	-	0.2
Inventories	-	1.1	(1.1)
Employee and related costs (1)	5.2	3.5	1.7
Other restructuring expenses	2.6	5.7	(3.1)
Total significant items	41.1	51.7	(10.6)

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

Significant items decreased to $41.1 million during the half-year period ended 30 June 2015 (2014: $51.7 million for the comparable period), including $31.0 million related to an impairment of the carrying value of certain plant and equipment following a half-year review of asset carrying values (2014: $41.4 million for the comparable period).

3.4 Other Income/Expenses

Other income decreased to $1.9 million during the half-year period ended 30 June 2015 (2014: $4.3 million for the comparable period) mainly due to a gain on a litigation settlement of $3.1 million recorded in the half-year period ended 30 June 2014, which did not recur in 2015.

Other expenses, principally amortisation of intangible assets and net losses on foreign currency exchange, increased $5.8 million to $17.0 million during the half-year period ended 30 June 2015 (2014: $11.2 million for the comparable period). The loss on foreign currency exchange increased to $6.3 million during the half-year period ended 30 June 2015 due to strengthening of the US dollar and increased volatility of certain currencies. The Company continues to actively review its exposure to foreign currency exchange risk which may include the use of forward exchange contracts or currency options. However, for the half-year periods ended 30 June 2015 and 2014, the Company did not employ the use of these methods in managing its currency exposures since most of the Company's currency risk relates to intercompany transactions.

3.5 Finance Costs and Interest Expense

Finance costs increased to $36.8 million during the half-year period ended 30 June 2015 (2014: $30.9 million for the comparable period) as a result of higher average debt levels and higher average interest rates, primarily as a result of the higher interest rates on the Company's Term Loans. The Term Loans, totaling $225.0 million and funded in the fourth quarter of 2014, were used to retire $105.0 million principal amount of the Company's 10% Senior Secured Notes and replace the former revolving credit facility. They bear a higher effective interest rate and an accreting interest structure. Effective 1 June 2015, the Company closed an asset-based loan ("ABL") facility and simultaneously retired $35.0 million principal amount of its Term Loan, tranche A due 2020. The ABL, which carries lower interest rates than the Term Loans, reduces the Company's interest expense. Details of the ABL facility are described in further detail in section 5.

3.6 Income Tax Expense

Income tax expense on the pre-tax loss of $118.8 million for the half-year period ended 30 June 2015 was $33.6 million (2014: $28.8 million for the comparable period) reflecting a negative tax rate of 28.3%. This tax rate can largely be attributed to several factors including:

- impact of different tax rates and results in the jurisdictions in which the Company operates;
- the non-recognition of certain current period losses; and
- the de-recognition of deferred tax assets recognised in prior periods as a result of the Company reducing its medium term earnings forecast and restructuring or withdrawing from operations in certain jurisdictions due to continuing adverse business conditions.

3.7 Earnings (Losses)

NPAT for the Company was negative $152.3 million for the half-year period ended 30 June 2015 (2014: NPAT of negative $142.8 million for the comparable period). EBITDA for the half-year ended 30 June 2015 was a loss of $39.4 million (2014: $33.0 million EBITDA loss for the comparable period), with both results driven by operating losses in Global Drilling Services SG&A and overhead expenses, as well as significant restructuring expenses, recapitalisation costs and impairment charges.

NPAT for the Company increased to an adjusted loss of $68.8 million for the half-year period ended 30 June 2015 (2014: adjusted loss $68.0 million for the comparable period) and adjusted EBITDA decreased by 90.9% to $1.7 million for the half-year period ended 30 June 2015 (2014: $18.7 million for the comparable period). See reconciliation in Section 7 'Non-IFRS Financial Information'.

3.8 Seasonality

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

4. Discussion and Analysis of Cash Flow

	For the half-year ended 30 June			
	2015 US$ Millions	2014 US$ Millions	$ Change	% Change
Cash (used in) generated from operations	(47.2)	16.1	(63.3)	-393.2%
Net cash flows used in operating activities	(85.1)	(14.6)	(70.5)	-482.9%
Net cash flows used in investing activities	(10.5)	(7.1)	(3.4)	-47.9%
Net cash flows provided by financing activities	47.4	37.1	10.3	27.8%

Cash flow used in operating activities for the half-year period ended 30 June 2015 was negative $85.1 million, a decrease of $70.5 million from the prior year comparable period (2014: negative $14.6 million for the comparable period). The decrease in the first-half of 2015 was mainly due to:

- an increase of $9.5 million in the adjusted loss for the half-year period;
- cash used from decreasing trade and other payables balances of $35.4 million, of which $19.0 million was due to payment of recapitalisation costs accrued at 31 December 2014, as compared to prior year of $13.1 million which represents a $22.3 million change;
- cash used from increasing trade and other receivables balances of $25.4 million as compared to a generation of cash on decreasing balances in the prior year of $7.2 million which represents a $32.6 million change;
- a decrease in cash generated from the sale of inventories from the prior year half-year period of $9.7 million; and
- an increase in cash taxes paid during the half-year period of $10.8 million.

5. Discussion of the Balance Sheet

The net assets of the Company decreased by $68.2 million to $2.0 million as at 30 June 2015, compared to $70.2 million as at 31 December 2014. This decrease was a result of continued reductions of inventories, impairments of property, plant and equipment and the write-off of certain deferred tax assets. The Company continues to actively manage net working capital in relation to the current business cycle. In sustained periods of reduced global drill rig utilisation, inventory levels do not shrink as quickly and the Company must evaluate inventory monthly to determine appropriate accounting reserves for slow-moving and obsolete inventory. When the markets the Company serves begin to improve, it is likely that net working capital levels will increase as the Company increases inventory and generates additional receivables.

Cash and cash equivalents decreased by $48.1 million, or 28.5%, to $120.7 million as at 30 June 2015 (2014: $168.8 million as at 31 December). $35.0 million of the change was due to partial repayment of Senior Secured Notes.

Trade and other receivables increased by $15.6 million, or 11.4%, to $153.0 million as at 30 June 2015 (2014: $137.4 million as at 31 December). DSO at 30 June 2015 decreased by 4 days (to 61 days) from the prior year comparable period despite the continuation of a challenging market environment. The improvement was driven by both a strong focus on timely billing by our Global Drilling Services business and a global push for timely payments from our customers

Inventories decreased by $20.9 million, or 8.7%, to $220.3 million as at 30 June 2015 (2014: $241.2 million as at 31 December). Of the decrease, $12.3 million related to third party sales and Global Drilling Services consumption and $0.5 million related to an increase in the provision for impairment, obsolescence and other non-cash items. In addition, $8.1 million was related to foreign currency exchange differences.

The net value of property, plant and equipment decreased by $68.6 million or 24.6% to $210.7 million as at 30 June 2015 (2014: $279.3 million as at 31 December) mainly due to decreased capital spend, an asset impairment charge of $31.0 million and depreciation expense of $35.6 million.

Tax assets decreased by $15.4 million, or 15.8%, to $82.2 million as at 30 June 2015 (2014: $97.6 million as at 31 December) mainly due to the write down of deferred tax assets as a result of adverse business conditions resulting in the Company reducing its medium term earnings forecast at 30 June 2015 and restructuring or withdrawing from operations in certain jurisdictions.

Trade and other payables decreased by $36.1 million, or 21.6%, to $130.9 million as at 30 June 2015 (2014: $167.0 million as at 31 December) with the average credit period on purchases of certain goods decreased by 3 days to 29 days as compared to the prior year comparable period. The reduction in trade payables was driven by the lower level of manufacturing activities and continued focus on cost control.

The net debt of the Company (gross debt less cash and cash equivalents) increased by $8.5 million or 1.6% to $556.1 million as at 30 June 2015 (2014: $547.6 million as at 31 December). Borrowings of $676.9 million representing 68.5% of the Company's liabilities decreased by $39.4 million during the half-year period ended 30 June 2015 (2014: $716.3 million as at 31 December 2014). $35.0 million of the change was due to partial repayment of Senior Secured Notes.

Shareholders' equity decreased mainly due to the operating loss of $152.3 million offset by shares issued under the recapitalisation program of $99.7 million. In addition, the devaluation of the foreign currencies against the US dollar reduced the cumulative foreign currency translation reserve by $23.0 million during the first half-year period of 2015.

Liquidity and Debt Facilities

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

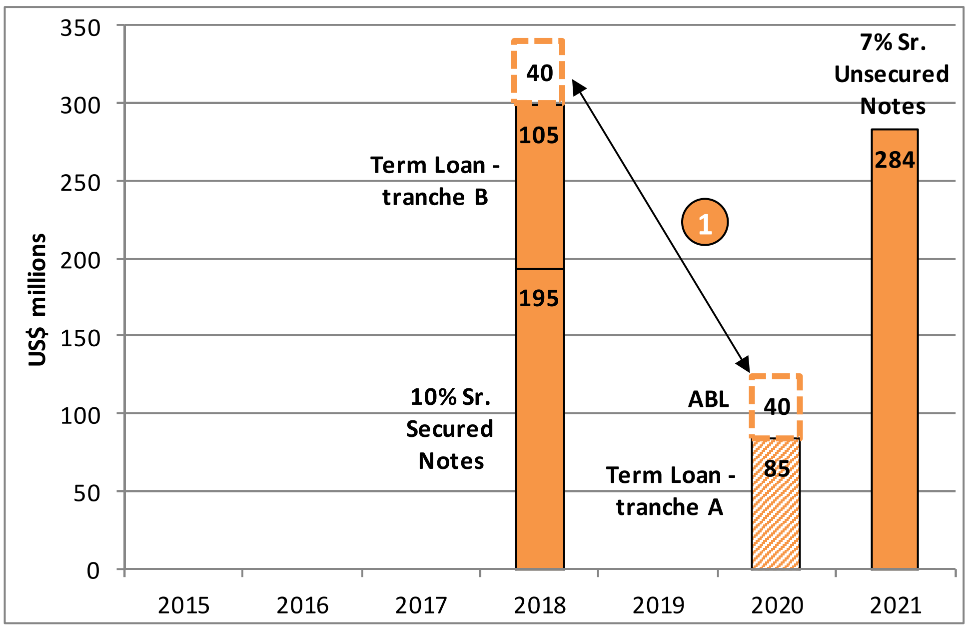
Description	Principal Outstanding as of 30 June 2015 (millions)	Accreted Interest as of 30 June 2015 (millions)	Interest Rate	Scheduled Maturity	Security
Senior Secured Notes	$195.0		10%	1 October 2018	Second lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the Term Loan B and 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.
Term Loan – tranche B	$105.0	$8.4	12%[2]	1 October 2018	Same as Senior Secured Notes
ABL	$0.0[1]		Variable[3]	29 May 2020[4]	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property).
Term Loan – tranche A	$85.0	$9.3	12%[2]	22 October 2020	First lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital Assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.
Senior unsecured Notes	$284.0		7%	1 April 2021	Unsecured

(1) No drawn borrowings were outstanding; however, $11.4 million in letters of credit were issued
(2) Interest rate may be reduced to 11% if the Company's trailing 12 month adjusted EBITDA is greater than $200 million
(3) Based on LIBOR + margin (grid-based margin is currently 3.5%)
(4) If Term Loan-tranche B and Senior Secured Notes have not been refinanced prior to July 2018, maturity accelerates to 1 July 2018

Effective 27 January 2015, $16.0 million principal amount of the Company's Senior Unsecured Notes held by Centerbridge Partners, L.P., and its affiliates and related funds were equitised as part of the recapitalisation.

Effective 1 June 2015, the Company entered into a $40.0 million asset-based loan facility (ABL). Simultaneous with this transaction, the Company retired $35.0 million principal amount of its Term Loan-tranche A. The ABL facility provides for a commitment of up to $40.0 million in revolving borrowings and other extensions of credit such as for letters of credit. This facility is a secured loan with a first-priority lien on the issuer's and guarantors' accounts receivable, inventories, and cash. Scheduled maturity is the earliest of (i) 90 days prior to maturity of Existing Senior Secured Notes (or any Indebtedness refinancing the security) (ii) 90 days prior to maturity of Term Loan A (or any Indebtedness refinancing the security) (iii) 90 days prior to maturity of Term Loan B (or any Indebtedness refinancing the maturity of the security) and (iv) 29 May 2020. Pricing under the facility is based on LIBOR, plus a grid- based spread, currently 3.5%. The facility is covenant-lite and does not include ongoing financial maintenance covenants. Restrictions under the facility currently exist that limit maximum borrowings to $35.0 million and require $5.0 million in cash to be held in a restricted account with the lender. These restrictions are lifted once the Company satisfies a 1.0x fixed charge coverage test for four consecutive quarters related to the restricted borrowings and two consecutive quarters as it relates to the restricted cash.

A summary of the Company's debt maturities is illustrated below:



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

During the period, the Company debt ratings were upgraded by Standard and Poor's Rating Services. The corporate credit rating with Standard and Poor's has been revised to CCC+ from CCC with issue level ratings revised to B from B- and to CCC+ from CCC for the Company's senior secured notes and senior unsecured notes, respectively. The corporate family rating with Moody's Investor Services remained unchanged at Caa1, with issue level ratings also unchanged at B3 and Caa2 for the Company's senior secured notes and senior unsecured notes, respectively.

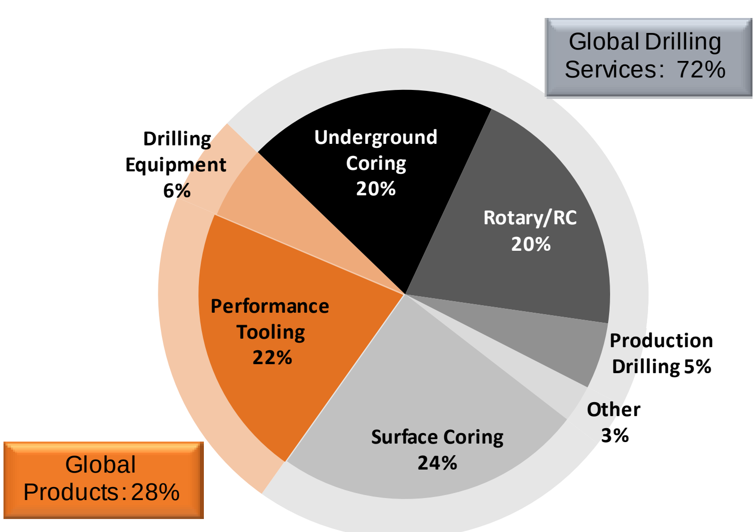
6. Review of Segment Operations

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

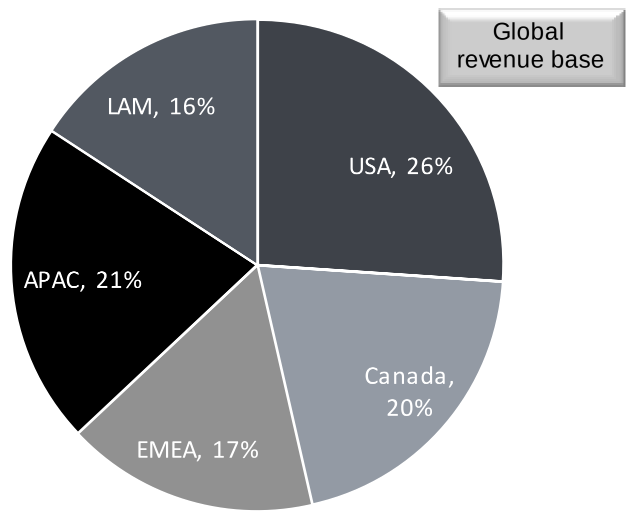
	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	30 June 2015 US$ Millions		30 June 2014 US$ Millions		30 June 2015 US$ Millions	30 June 2014 US$ Millions
Global Drilling Services		281.2		308.3	(9.7)	(2.6)
Global Products revenue						
Products third party revenue	106.3		113.2			
Products inter-segment revenue [1]	27.0		37.6			
Total Global Products		133.3		150.8	1.8	(0.6)
Less Global Product sales to Global Drilling Services		(27.0)		(37.6)		
Total third party revenue		387.5		421.5		
Total segment profit					(7.9)	(3.2)

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

Revenue by Type[1]

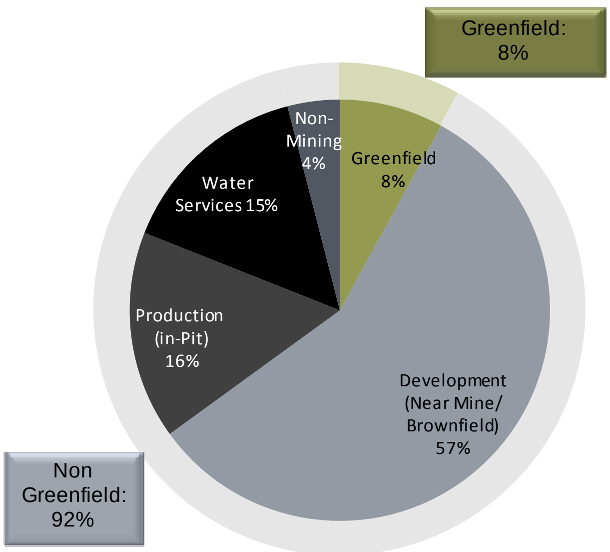


Revenue by Geography[1]

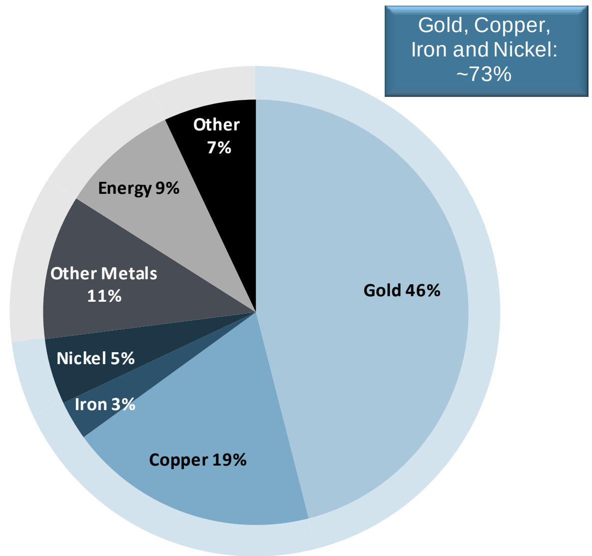


(1) Based on percentages of total Company revenue for the half-year period ended 30 June 2015.

Revenue by Stage [1]



Revenue by Commodity [1]



(1) Based on percentages of total Company revenue for the half-year period ended 30 June 2015.

Review of Segment Operations - Global Drilling Services

	For the half-year ended 30 June			
	2015 US$ Millions	2014 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	281.2	308.3	(27.1)	-8.8%
COGS				
Materials/labor/overhead/other	228.9	244.4	(15.5)	-6.3%
Depreciation and amortisation	29.5	36.6	(7.1)	-19.4%
Total COGS	258.4	281.0	(22.6)	-8.0%
COGS as a % of Revenue	*91.9%*	*91.1%*	*0.8%*	*0.9%*
Contribution margin $	7.4	13.4	(6.0)	-44.8%
Contribution margin %	2.6%	4.3%	-1.7%	-39.5%
Business unit SG&A	15.5	13.9	1.6	11.5%
Allocated SG&A	14.1	14.3	(0.2)	-1.4%
EBITDA	22.1	36.6	(14.5)	-39.6%
Capital spend (accrual)	8.6	6.3	2.3	36.5%
Other Metrics				
Average # of Operating Drill Rigs	340	333	7	2.1%
Average # of Drill rigs	927	948	(21)	-2.2%
# of Employees at year-end	3,478	4,130	(652)	-15.8%

Safety

The Global Drilling Services division's Total Case Incident Rate (TCIR) for the first-half of 2015 was 1.17 compared to 1.21 for the comparable period in 2014. Its Lost-Time Incident Rate (LTIR) for the first- half of 2015 was 0.16 compared to 0.07 for the comparable period of 2014. Although the beginning of 2015 was challenging for Drilling Services in terms of LTIR performance, strong safety performance in recent months continued the trend of improving safety performance in the latter half of 2014 and supports the effectiveness of the divisions safety initiatives, including enhanced analysis of "near miss" incidents and injuries increasing management's safety interactions at drill sites; increasing drill rig inspection frequency; and creating an environment where each of our employees is empowered in driving towards zero injuries through utilisation of stop work authority and taking other actions to assure their own safety as well as that of their fellow workers.

Key Safety Metrics

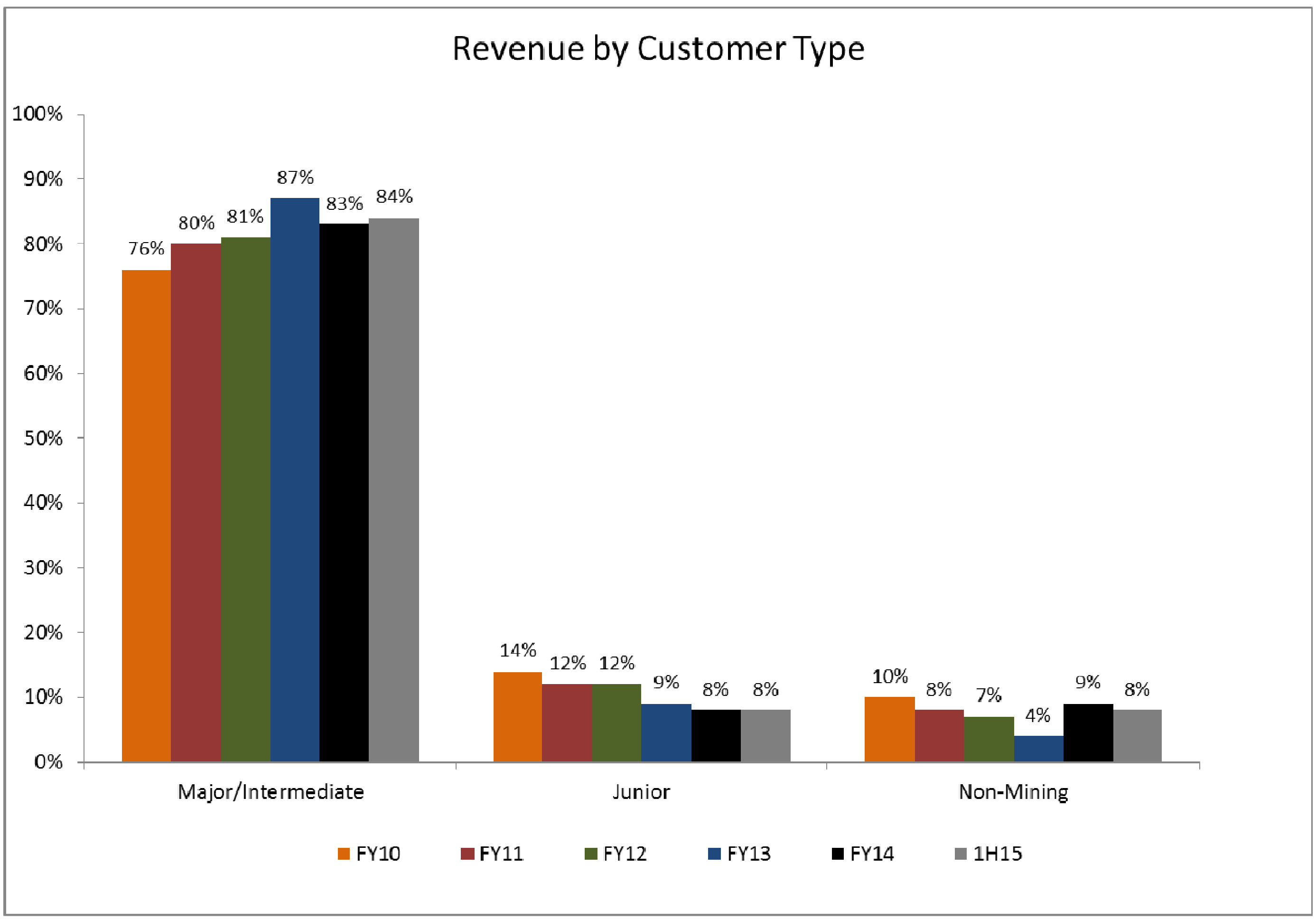
	2015	2014	
	First Half	**First Half**	**Full Year**
TCIR	1.17	1.21	1.51
LTIR	0.16	0.07	0.14

Revenue

Global Drilling Services' revenue in the first-half 2015 was $281.2 million, down 8.8% from $308.3 million for the first-half of 2014. The primary drivers of the revenue decrease was unfavourable currency movements and price reductions, which were partially offset by higher volumes of drilling activity. The market overall remains relatively flat compared to 2014, with some regional variation being experienced. We continue to evaluate and pursue opportunities to leverage our expertise in both traditional and adjacent drilling markets.

Revenue for the second quarter of 2015 was $145.1 million versus $136.1 million in the first quarter of 2015, an increase of 6.6%. The quarter over quarter increase in revenue can be attributed to the seasonal nature of our business along with a stabilisation in the number of operating rigs. We expect operating rig utilisation to remain at approximately 35% through October 2015 when drilling programs begin to wind down due to our customers' normal year- end seasonal reductions in exploration and development drilling related activities.

Approximately 84% of Global Drilling Services' revenue for the half-year ended 30 June 2015 was derived from major mining companies, including Barrick Gold Corporation, BHP Billiton Limited, Freeport-McMoRan Copper & Gold, Inc., GoldCorp, Inc., Newmont Mining Corporation and Rio Tinto Ltd. Our top 10 Global Drilling Services customers represented approximately 59% of Global Drilling Services' revenue for the half-year ended 30 June 2015, with no customer contributing more than 15% of our consolidated revenue and no contract contributing more than 5% of our consolidated revenue. We believe this diversified income base provides greater revenue stability.



Revenue by Drill Type

Although each drilling type has experienced revenue declines over the past year, much of the Global Drilling Services' revenue reduction can be attributed to reduced levels of rotary and percussive drilling. Rotary revenues for the first-half of 2015 were $34.5 million versus $54.3 million in the first-half of 2014, a decrease of 36.5%. For the same period percussive drilling experienced a drop in revenues of 23.4%. Underground coring remains relatively flat with revenues in the first-half of 2015 at $76.3 million.

Revenue by Drill Type

	First-half 2015		Second-half 2014		First-half 2014	
	US$ Millions	% of Total	US$ Millions	% of Total	US$ Millions	% of Total
Surface Coring	94.5	33.6%	110.1	33.6%	92.3	29.9%
UG Coring	76.3	27.1%	78.0	23.8%	76.8	24.9%
Rotary	34.5	12.3%	55.1	16.8%	54.3	17.6%
Water Well	44.1	15.7%	53.0	16.2%	45.5	14.8%
Percussive	20.3	7.2%	18.9	5.8%	26.5	8.6%
Sonic	11.5	4.1%	12.7	3.9%	12.9	4.2%
Total	**281.2**		**327.8**		**308.3**	

Revenue by commodity

Much of the spending reduction has been attributed to reduction in commodity demand and pricing. In particular, Global Drilling Services revenue associated with gold has decreased slightly to $130.3 million for the first half-year 2015 versus $131.9 million for the first half-year 2014, a decrease of 1.2%. For the same time periods, revenue associated with copper has decreased by 13.2%. Revenue associated with Nickel has increased by 24.0%.

Revenue by Commodity

	First Half 2015		Second Half 2014		First Half 2014	
	US$ Millions	% of Total	US$ Millions	% of Total	US$ Millions	% of Total
Gold	130.3	46.4%	153.8	47.0%	131.9	42.8%
Copper	53.9	19.2%	58.7	20.9%	62.1	20.1%
Energy	25.4	9.0%	25.2	9.0%	31.1	10.1%
Iron	7.6	2.7%	11.1	3.9%	28.8	9.3%
Water Services	19.9	7.1%	21.1	7.5%	21.8	7.1%
Nickel	13.5	4.8%	15.9	5.6%	10.9	3.5%
Environmental	0.6	0.2%	7.9	2.8%	0.4	0.1%
Other Metals	30.0	10.7%	34.3	12.2%	21.3	6.9%
Total	**281.2**		**327.84**		**308.3**	

Margins

Global Drilling Services continues to experience margin degradation with first-half of 2015 revenue 8.8%, or $27.1 million lower than for the comparable period in 2014, as a result of unfavourable currency movements and the impact in 2015 of price reductions taken in 2014 partially offset by higher volumes of drilling activity. The market overall remains relatively flat compared to 2014 with some regional variation being experienced. While revenues in the business were down 8.8% from the first half-year of 2014, COGS was down 8.0%, as a result of not removing labour and other variable costs as quickly as revenue declined. The speed and ability with which we can remove variable labour costs depends, among other things, on the various local labour laws for the jurisdictions where the Global Drilling Services business operates and our ability to accurately estimate near-term future customer needs. Contribution Margin in the first-half of 2015 was $7.4 million, down 44.8% from $13.4 million in the first-half of 2014.

EBITDA in the first-half of 2015 was $22.1 million, down 39.6% from $36.6 million in the first-half of 2014. The primary driver for the decrease in EBITDA was pricing reductions. When comparing second quarter 2015 to first quarter 2015, however, we are seeing improvement primarily due to quarter-over-quarter seasonality, the flow-through of the cost-out actions taken in 2015 and greater scrutiny on variable cost components. EBITDA in the second quarter of 2015 was $18.1 million compared to $4.0 million in the first quarter of 2015.

Margins by Drill Type

The Global Drilling Services business has experienced decreased margins for the first-half of 2015 compared to the first-half of 2014. Despite lower margins across most drilling types, we have been able to slightly improve margins and margin percentages in rotary drilling as a result of more stable demand in North America. Surface coring has experienced significant declines in terms of both margin and margin percentage due to reductions in price, the inability to quickly remove labour and other variable costs upon cancellation or scope reductions of projects, and the fixed nature of the depreciation related to these drilling types. Underground coring margins have remained flat in the first-half of 2015 compared to the first-half of 2014.

Review of Segment Operations - Global Products

	For the half-year ended 30 June			
	2015 US$ Millions	2014 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	106.3	113.2	(6.9)	-6.1%
COGS				
Materials/labor/overhead/other	73.1	79.4	(6.3)	-7.9%
Inventory obsolescence	0.3	0.1	0.2	200.0%
Depreciation and amortisation	4.1	5.1	(1.0)	-19.6%
Total COGS	77.5	84.6	(7.1)	-8.4%
COGS as a % of Revenue	*72.9%*	*74.7%*	*-1.8%*	*-2.4%*
Contribution margin $	17.8	15.7	2.1	13.4%
Contribution margin %	16.7%	13.9%	2.8%	20.1%
Business unit SG&A	11.0	12.9	(1.9)	-14.7%
Allocated SG&A	15.0	15.7	(0.7)	-4.5%
EBITDA	7.1	5.8	1.3	22.4%
Capital Spend (accrual)	2.8	1.9	0.9	47.4%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	18.6	16.1	2.5	15.5%
Inventories (1)	220.3	277.5	(57.2)	-20.6%
# of Employees	1,321	1,382	(61)	-4.4%

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

Safety

We regard safety as fundamental to the success of our Global Products business. We are committed to providing our employees with a safe workplace, and our employees are committed to operating safely wherever they are. In the first-half of 2015, we achieved a Total Case Incident Rate (TCIR) of 1.19 and a Lost-Time Incident Rate (LTIR) of 0.17. This compares to a TCIR of 0.69 and an LTIR of 0.00 in the first-half of 2014. Similar to the Global Drilling Services division, we have renewed our focus on actions related to leading indicators such as “near miss” reporting, learning from root cause analyses, and increasing the number and quality of management interactions.

Key Safety Metrics

	2015	2014	
	First Half	First Half	Full Year
TCIR	1.19	0.69	0.75
LTIR	0.17	0.00	0.00

Revenue

The market for the Global Products business remains soft. Revenue in the first-half of 2015 was $106.3 million, down 6.1% from $113.2 million for the comparable period of 2014. The primary driver of the decrease was the impact of foreign currency exchange, as the US dollar strengthened significantly against other currencies. We continue to see relatively flat demand, which is apparent when comparing second quarter 2015 results to the first quarter of 2015. Revenue in the second quarter of 2015 was $55.2 million compared to $51.1 million in the first-quarter of 2015. The slight improvement in the second quarter is in line with the seasonal trend typical to our business and is probably not an indicator of an improving market environment. We expect to see a continuation of this flat environment in the near-term.

Of Global Products' revenue for the half-year ended 30 June 2015, approximately 79% was comprised of performance tooling components and 21% was comprised of drilling equipment. No external Global Products customer represented more than 2% of our consolidated revenue for the half-year ended 30 June 2015. Global Products also provides many of the products necessary for our Global Drilling Services division.

Margins

EBITDA in the first-half of 2015 was $7.1 million, up 22.4% from $5.8 million for the comparable period of 2014. The primary drivers of the increase in EBITDA were improved fixed cost absorption at our manufacturing facilities and lower SG&A.

Backlog

At 30 June 2015, we had a backlog of orders of products valued at $18.2 million, matching the backlog at 31 March 2015 and $0.9 million lower than the $19.1 million at 30 June 2014. Average backlog for the second quarter of 2015 was $18.4 million compared to $18.9 million in the first quarter of 2015. The steadiness in our order backlog supports the flat trend we are seeing in our revenue profile. Backlog represents orders for products that we believe to be firm. However, there is no certainty that the orders will, in fact, result in actual sales at the times or in the amounts ordered because our customers can cancel their orders, generally, without penalty.

Research and development

In the half-year period ended 30 June 2015, we launched two new products and we continue to invest in new product development. Efforts remain focused on incremental product changes that directly benefit our customers' productivity and on expanding products in categories with a diversified customer base. In April, we launched the LS™250 MiniSonic™, a compact rig suitable for a wide variety of environmental, geotechnical, water and mining projects. It is ideal for soft ground, shallow drilling projects, including environmental, tunneling, water management, grade control and leach pads. The LS250 MiniSonic rig provides a relatively undisturbed core sample of unparalleled quality and accuracy through any type of formation, with minimal deviation. In March, we successfully launched a reverse circulation hammer that offers performance, reliability, simplicity, and low operating costs. The advanced design of the hammer balances the piston and bit weight, resulting in more energy being transferred into the rock and less into the drill string and rig.

Inventories

As a result of aligning our supply with customer demand signals, inventory levels continue to decrease. We reduced inventories by $20.9 million during the first-half of 2015. Of the decrease, $8.1 million is related to foreign currency exchange differences. Global Drilling Services and third party customers continue to consume products at a slow pace due to low rig utilisations in the industry.

7. Non-IFRS Financial Information

	For the half-year ended 30 June			
	2015	2015	2014	2014
US$ Millions	**US$ Millions**	**US$ Millions**	**US$ Millions**	**US$ Millions**
EBITDA(1)	**(39.4)**		**(33.0)**	
NPAT(2)		**(152.3)**		**(142.8)**
Recapitalisation costs	2.1	2.1	-	-
Impairments				
Property, plant and equipment	31.0	31.0	41.4	41.4
Intangible assets	0.2	0.2	-	-
Inventories	-	-	1.1	1.1
Employee and related costs	5.2	5.2	3.5	3.5
Other restructuring expenses	2.6	2.6	5.7	5.7
Tax effect of significant items and other tax w rite offs(3)		42.4		23.1
Total of significant items	41.1	83.5	51.7	74.8
Adjusted EBITDA(1)	**1.7**		**18.7**	
Adjusted NPAT(2)		**(68.8)**		**(68.0)**

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

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

(3) Includes tax expense on derecognition of deferred tax assets and unrecognised tax losses of $31.7 million for the period ended 30 June 2015.

8. Outlook

8.1 Our 2015 Priorities

Our key priorities for 2015 are to:

- continue to eliminate job related injuries by maintaining and enhancing our culture around safety and compliance;
- expand our mining and minerals drilling customer base by focusing on efficiency and productivity;
- effectively manage pricing and contract terms;
- create new products and respond to new Global Drilling Service's customers within a constrained capital budget;
- efficiently manage costs, including capital; and
- strengthen our financial position by reducing net debt over time

Continue to eliminate job related injuries by maintaining and enhancing our strong safety and compliance record. Safety is of critical importance to the Company, our employees, and our customers, both in determining the success of our business and in ensuring the ongoing safety of our employees and others with whom we come into contact. We are dedicated to eliminating job related injuries by providing a safe work environment for each one of our employees and contractors by implementing and adhering to high safety standards, continually seeking ways to maintain and enhance the safety of our Global Drilling Services and Products businesses and ensuring that when injuries occur we investigate those injuries and address corrective actions at their root causes.

Expand our mining and minerals drilling customer base. Backed by 125 years of experience and innovation, the Company remains focused on providing its customers with a full range of drilling services offerings and improving the efficiency and productivity with which we deliver information to our customers. In particular, we seek to be the driller of choice at our clients' 'flagship' projects—typically among the highest producing, lowest cost projects in their portfolios. Drilling activity at these sites tends to be less volatile, higher volume, and involve longer-term contracts, allowing us to leverage our costs and develop site-specific expertise that brings value to the customer.

Effectively manage pricing and contract terms. The Company continues to follow a rigorous internal process of evaluating potential bid opportunities, ensuring that pricing and eventual contract terms provide for safe, profitable and successful projects. As each project must succeed on its own merits, we consider the active management of pricing and contract terms to be a key tool in achieving this objective. Pricing is designed to reflect the full value delivered by Global Drilling Services, within the context of the unique competitive environment for each project. Similarly, contract terms are designed to allow the Company to safely and profitably deliver value to the customer and to create lasting customer relationships.

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

Efficiently manage our variable and fixed costs, including capital. We believe that our variable cost structure is a key advantage that allows us to operate our business with significant flexibility in response to the market environment. We are committed to continuously reviewing our cost structure in order to maintain a relatively high percentage of our costs that are variable. We will continue to pursue manufacturing and administrative optimisation programs in order to improve our operating efficiency beyond those initiatives that we have already completed. We continue to focus on process improvements and structural changes to improve customer support and responsiveness and drive long-term efficiencies. For example, we are improving working capital management and product delivery through the consolidation of the supply chain organisations in our Global Products and Global Drilling Services divisions. Similarly, we are leveraging the extensive global maintenance organisation in our Global Drilling Services division to expand the reach, capabilities and offerings of the aftermarket services business of our Global Products division. Our objective is to continue to seek growth opportunities in our core markets while positioning our business at the top end of our peer group for profitability and cash generation. And, further, we are moving towards shared service organisations to increase process efficiencies and to leverage our knowledge base across the global financial organisation. The Company will further examine our cost structure and global footprint, in particular as it relates to loss making projects and or territories with our Global Drilling Services Division. The examination will include a full review of each layer of costs – beginning at the drill string through the territory and region and all the way to corporate support and overhead costs. The Company initiated this project in July 2015, however, the analysis is still in a premature status and the extent of the associated structural changes to the organisation and the ranges of potential cost savings are unknown and will be identified as the project progresses.

Strengthen our financial position by reducing net debt over time – as a result of our announced recapitalisation with Centerbridge Partners, L.P., the Company has adequate liquidity to support the business's near-term needs. Nonetheless, the Company entered the most recent cyclical downturn with too much debt and, as our revenue and EBITDA profiles have decreased over the last two and a half years, the Company's overall net debt position remains too high. Over the next few years, we expect to focus on cash to reduce net debt as much as possible.

8.2 Our 2015 Outlook

The Company is not providing an outlook for 2015 revenue or EBITDA. While we have seen some signs of a levelling in industry demand, the Company's financial results, especially margins, will continue to be challenged by extremely competitive industry pricing for drilling services and by other factors, such as the strengthening of the US dollar relative to many of the currencies in which we transact. We expect, however, that the primary factors driving revenue, such as rig utilisation rates and product sales volumes, will remain broadly consistent with levels experienced in the first half of 2015. We also expect that revenue and EBITDA will be negatively impacted by the read-through of price reductions incurred in 2014, especially in its Global Drilling Services division, and weakening currencies against the US dollar, the Company's reporting currency. Profitability will also be influenced positively by other factors, such as productivity and management's ability to further control costs.

Considerations in evaluating 2015 outlook include:

	2015
Revenue	Volumes consistent with first half 2015 runrate, but adjusting for any further: > Read-through of price reductions from 2014 > Currency movements
SG&A	Similar to first half 2015 runrate, with full year expectations between US$165 million to US$170 million
Capex	Similar to first half 2015 runrate, with full year target of US$25 million, but subject to changing market conditions
Working Capital	Release expected in second half 2015, with full year release estimated at US$25 million to US$35 million, primarily as a result of inventory reductions (excluding impact of recapitalisation fees)

Note: working capital refers to trade receivables and inventory, less trade payables

8.3 Future Developments

We believe that we are well-positioned to take advantage of positive long-term mining industry fundamentals. The mining industry is cyclical. Notwithstanding current sector challenges, the longer-term outlook for the mining industry is expected to remain attractive and to be underpinned by:

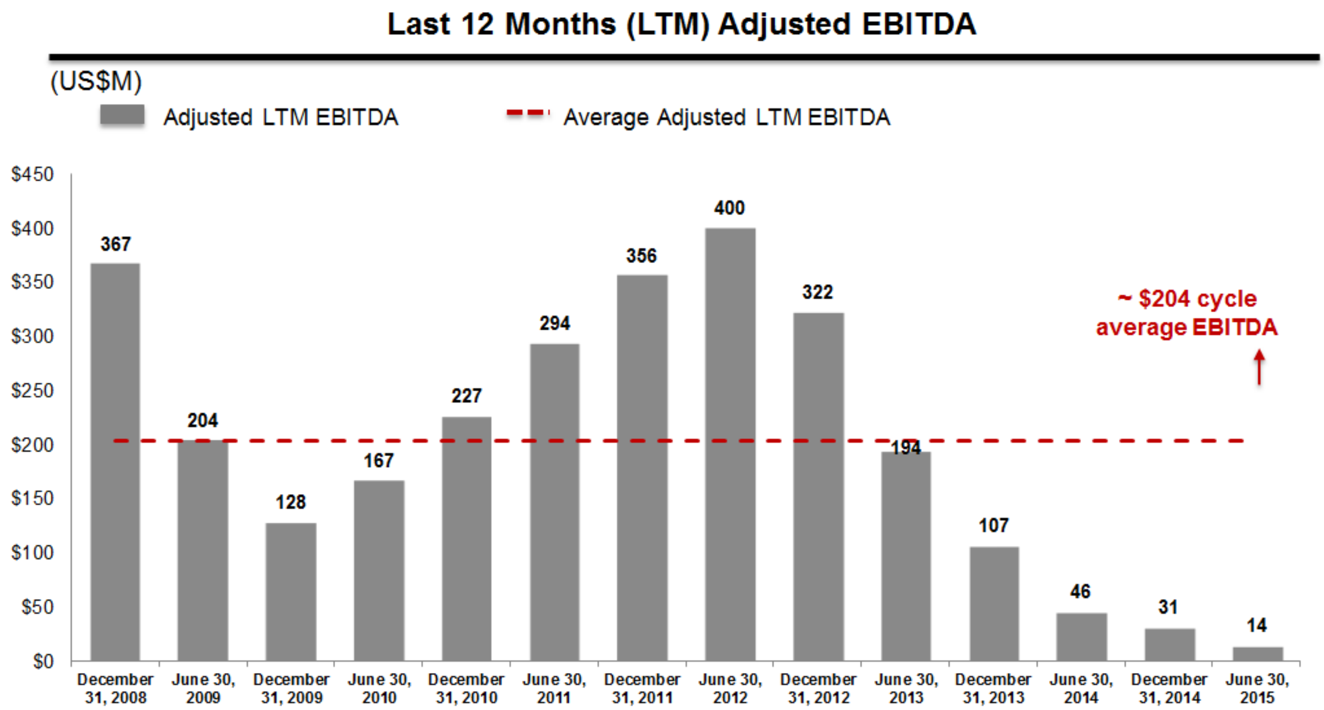
- continued industrialisation and urbanisation of developing economies, which are expected to support structural increases in demand for minerals and metals; and
- although volatile, continued high commodity prices relative to price levels over the past decade.

As a result, we believe natural resources companies will be compelled to produce throughout the cycle and supplement and replace their reserves over time, driving exploration, development and capital spending. As the leading drilling services provider globally with the world's largest drilling fleet, we believe Boart Longyear is well positioned to capture expansionary opportunities in Global Drilling Services as well as increasing demand from our Global Products customers. And, as we continue to drive technological innovation and engineering excellence in both Global Drilling Services and Global Products business, we should see increased opportunities resulting from enhanced services and products offerings to our customers.

For 125 years, we have pioneered and developed many of the mineral drilling techniques and products that have represented the cutting edge of the drilling industry. Going forward, we are committed to continuing as a leader in the drilling industry in the areas of technological innovation and engineering excellence to improve productivity, efficiency, accuracy, reliability and safety. Our integrated business model uniquely positions us to do so. We aim to be the "One Source" for drilling services, drilling equipment and performance tooling for mining and drilling companies globally by offering our customers a comprehensive portfolio of technologically advanced and innovative drilling services and products.

The Company remains focused on its core mining markets and intends to continue to invest in high-potential organic growth opportunities in those markets in a selective and disciplined manner. In addition, the Company continues to evaluate operational enhancements to improve operating margins, cash generation and debt reduction, such as an ongoing evaluation of its overhead cost structure and initiatives to reduce inventory and overall working capital. The Company may also elect to expand through strategic acquisitions.

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



As our markets improve, we also believe we can earn better margins than the Company has realised historically as a result of the significant reductions in SG&A and overhead costs realised beginning in 2012 through to 2015, most of which will not need to be replaced. We also expect that as our EBITDA generation improves, along with improved management of inventory levels and overall working capital and reduced capital spending, we will be able to pay down debt.

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

8.4 Forward Looking Statements

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

9 Quarterly Income Statement and Related Information

	Quarters ended 2015		Quarters ended 2014				Quarters ended 2013			
US$ Millions [1]	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Company										
Revenue	200.3	187.2	205.8	239.3	224.1	197.4	224.5	279.5	348.7	370.2
EBITDA	(25.2)	(14.2)	(61.9)	12.3	(31.1)	(1.9)	(100.8)	(1.2)	(269.7)	34.6
Adjusted EBITDA [2]	11.2	(9.5)	(3.2)	15.9	14.9	3.8	8.0	18.8	40.1	40.3
Operating Loss	(44.6)	(39.4)	(83.3)	(15.7)	(56.6)	(29.4)	(130.8)	(30.4)	(304.3)	(2.2)
Proft (Loss) from Trading Activities [3]	(3.6)	(24.2)	(14.3)	(6.2)	(4.1)	(23.3)	(19.3)	(4.9)	16.4	7.9
Net cash flows (used in) provided by operating activities	(10.2)	(74.9)	(6.8)	10.1	(8.3)	(6.3)	4.1	36.1	17.8	(46.5)
Net Debt	556.1	538.1	547.6	550.9	555.8	544.4	526.4	523.0	563.8	571.3
Adjusted SG&A [2]	40.0	39.5	40.7	40.4	42.1	41.2	43.6	48.4	51.1	59.0
# of employees	5,151	5,537	5,933	5,972	5,871	5,593	5,681	6,020	7,270	8,283
Global Drilling Services										
Revenue	145.1	136.1	151.8	176.0	168.7	139.6	163.4	216.3	265.3	272.3
EBITDA	18.1	4.0	9.1	22.9	25.4	11.2	15.5	42.7	42.6	41.1
Average # of Operating Drill Rigs	352	327	362	382	366	300	324	391	453	425
Average # of drill rigs (without E&I)	921	933	944	953	945	950	1,031	1,037	1,037	1,044
Average rig utilisation	38%	35%	38%	40%	39%	32%	31%	37%	43%	39%
# of employees	3,478	3,833	4,172	4,208	4,130	3,874	4,338	4,737	5,859	6,749
Global Products										
Revenue	55.2	51.1	53.9	63.3	55.4	57.8	61.1	63.2	83.3	97.9
EBITDA	4.5	2.6	1.2	7.0	5.0	0.8	2.6	(8.2)	8.7	13.0
Average backlog	18.4	18.9	19.3	20.3	16.9	15.2	19.4	19.8	31.5	43.3
# of employees [4]	1,321	1,338	1,393	1,407	1,382	1,363	910	899	990	1,103

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

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

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

(4) Increase in Global Products employees is due to the consolidation of maintenance and supply chain operations into the Global Products division at the end of 2013.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is on page 30 of this report.

ROUNDING OF AMOUNTS

Boart Longyear Limited is a company of the kind referred to in Class Order 98/100, dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and half-year financial report. Amounts in the Directors' Report and the half-year financial report are presented in US dollars and have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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

On behalf of the Directors

Marcus Randolph
Chairman

24 August 2015

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 9322 7001
www.deloitte.com.au

24 August 2015

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

Dear Directors

Boart Longyear Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Boart Longyear Limited.

As lead audit partner for the review of the financial statements of Boart Longyear Limited for the half-year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 9322 7001
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report of Boart Longyear Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 33 to 56.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Boart Longyear Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Boart Longyear Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Boart Longyear Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 24 August 2015

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

Marcus Randolph
Chairman

24 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2015

	Note	Half-year ended 30 June 2015 US$'000	Half-year ended 30 June 2014 US$'000
Continuing operations			
Revenue		387,470	421,495
Cost of goods sold		(370,013) [1]	(413,841) [1]
Gross margin		17,457	7,654
Other income	**5**	1,885	4,310
General and administrative expenses		(67,101) [1]	(65,430) [1]
Selling and marketing expenses		(19,288) [1]	(21,330) [1]
Other expenses	**5**	(16,983)	(11,157)
Operating loss		(84,030)	(85,953)
Interest income		2,106	2,809
Finance costs	**6**	(36,842)	(30,911)
Loss before taxation		(118,766)	(114,055)
Income tax expense	**9**	(33,583)	(28,771)
Loss for the period attributable to equity holders of the parent		(152,349)	(142,826)
Loss per share			
Basic loss per share		(17.2) cents	(31.3) cents
Diluted loss per share		(17.2) cents	(31.3) cents
Other comprehensive loss			
Loss for the period attributable to equity holders of the parent		(152,349)	(142,826)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(22,990)	(3,642)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains (losses) related to defined benefit plans		7,054	(5,439)
Income (tax) benefit on income and expense recognised directly through equity		(1,013)	1,121
Other comprehensive loss for the period, net of tax		(16,949)	(7,960)
Total comprehensive loss for the period attributable to equity holders of the parent		(169,298)	(150,786)

(1) In the current period significant items have not been separately presented but have been included in the relevant line items. Details of items considered to be significant are included in note 7. The prior year comparative has been amended to be consistent w ith the current year presentation.

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 39-56

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Note	30 June 2015 US$'000	31 December 2014 US$'000
Current assets			
Cash and cash equivalents	**16**	120,738	168,784
Trade and other receivables	**10**	152,996	137,442
Inventories		220,332	241,260
Current tax receivable		9,548	15,446
Prepaid expenses and other assets		18,996	18,723
Total current assets		522,610	581,655
Non-current assets			
Property, plant and equipment		210,697	279,306
Goodwill	**11**	101,506	102,471
Other intangible assets	**11**	67,789	77,268
Deferred tax assets		57,926	68,427
Non-current tax receivable		14,699	13,710
Other assets		14,451	17,530
Total non-current assets		467,068	558,712
Total assets		989,678	1,140,367
Current liabilities			
Trade and other payables	**12**	130,938	167,024
Provisions	**14**	25,825	23,941
Current tax payable		101,380	100,223
Total current liabilities		258,143	291,188
Non-current liabilities			
Loans and borrowings	**13**	676,864	716,344
Deferred tax liabilities		20,252	17,715
Provisions	**14**	32,432	44,903
Total non-current liabilities		729,548	778,962
Total liabilities		987,691	1,070,150
Net assets		**1,987**	**70,217**
Equity			
Issued capital		1,261,433	1,159,069
Reserves		(107,071)	(82,785)
Other equity		(137,182)	(137,182)
Accumulated loss		(1,015,193)	(868,885)
Total equity		**1,987**	**70,217**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 39-56

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2015

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Other equity US$'000	Accumulated loss US$'000	Total attributible to owners of the parent US$'000
Balance at 1 January 2014	1,129,014	(45,973)	8,661	(137,182)	(525,925)	428,595
Loss for the period	-	-	-	-	(142,826)	(142,826)
Other comprehensive loss for the period - net of tax	-	(3,642)	-	-	(4,318)	(7,960)
Total other comprehensive income	-	(3,642)	-	-	(147,144)	(150,786)
Vesting of LTIP rights, restricted shares	2,451	-	(2,451)	-	-	-
Share-based compensation	-	-	1,500	-	-	1,500
Balance at 30 June 2014	**1,131,465**	**(49,615)**	**7,710**	**(137,182)**	**(673,069)**	**279,309**
Balance at 1 January 2015	1,159,069	(92,799)	10,014	(137,182)	(868,885)	70,217
Loss for the period	-	-	-	-	(152,349)	(152,349)
Other comprehensive (loss) gain for the period - net of tax	-	(22,990)	-	-	6,041	(16,949)
Total other comprehensive loss	-	(22,990)	-	-	(146,308)	(169,298)
Issued under recapitalisation program	99,732	-	-	-	-	99,732
Vesting of LTIP rights, restricted shares	2,632	-	(2,632)	-	-	-
Share-based compensation	-	-	1,336	-	-	1,336
Balance at 30 June 2015	**1,261,433**	**(115,789)**	**8,718**	**(137,182)**	**(1,015,193)**	**1,987**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 39-56

Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2015

	Note	Half-year ended 30 June 2015 US$'000	Half-year ended 30 June 2014 US$'000
Cash flows from operating activities			
Loss for the period		(152,349)	(142,826)
Adjustments provided by operating activities:			
Income tax expense recognised in profit		33,583	28,771
Finance costs recognised in profit	**6**	36,842	30,911
Depreciation		35,568	44,034
Amortisation		9,089	8,870
Interest income recognised in profit		(2,106)	(2,809)
Loss (gain) on sale or disposal of non-current assets		59	(206)
Impairment of current and non-current assets		31,222	42,488
Non-cash foreign exchange loss		7,023	760
Share-based compensation		1,336	1,500
Long-term compensation - cash rights		1,725	2,342
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
Decrease (increase) in assets:			
Trade and other receivables		(25,376)	7,187
Inventories		12,814	22,474
Other assets		2,000	(5,580)
(Decrease) increase in liabilities:			
Trade and other payables		(35,399)	(13,127)
Provisions		(3,221)	(8,725)
Cash (used in) provided by operations		(47,190)	16,064
Interest paid		(24,330)	(28,555)
Interest received		2,106	2,809
Income taxes paid		(15,697)	(4,914)
Net cash flows used in operating activities		**(85,111)**	**(14,596)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 39-56

Condensed Consolidated Statement of Cash Flows (continued)

For the half-year ended 30 June 2015

	Note	Half-year ended 30 June 2015 US$'000	Half-year ended 30 June 2014 US$'000
Cash flows from investing activities			
Investment in unconsolidated subsidiary		(1,706)	-
Purchase of property, plant and equipment		(9,535)	(6,451)
Proceeds from sale of property, plant and equipment		1,649	2,739
Intangible costs paid		(952)	(3,423)
Net cash flows used in investing activities		**(10,544)**	**(7,135)**
Cash flows from financing activities			
Proceeds from the issuance of shares		83,732	-
Payments for debt issuance costs		(1,289)	(838)
Proceeds from borrowings		-	51,000
Repayment of borrowings		(35,000)	(13,085)
Net cash flows provided by financing activities		**47,443**	**37,077**
Net (decrease) increase in cash and cash equivalents		(48,212)	15,346
Cash and cash equivalents at the beginning of the period		168,784	59,053
Effects of exchange rate changes on the balance of cash held in foreign currencies		166	(5,724)
Cash and cash equivalents at the end of the period		**120,738**	**68,675**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 39-56

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 30 June 2015

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Statement of compliance

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

General information and basis of preparation

The condensed consolidated half-year financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments that are stated at fair value. Cost is based on fair values of the consideration given in exchange for assets. The 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 Directors have reviewed the consolidated entity's cash flow forecasts and revenue projections based on current market conditions. Under the prevailing business environment and assumptions made, the consolidated entity forecasts indicate sufficient working capital to operate the business and meet obligations. The current trading environment continues to be a difficult period for the industry and the Company, as declining or stagnant prices for metals and mined commodities, political and economic risks related to the development of new mines and continued focus by mining companies on maximising near term cash flows has driven most of the world's mining companies to significantly reduce their exploration, development and capital expenditures each year since 2011.

These economic and industry conditions may adversely impact future trading results and cash flows which in turn may adversely impact the consolidated entity's forecasts. The forecasts also include a number of assumptions, in particular those relating to the timing and outcome of the tax audits detailed in Note 9 of the financial statements. As a result of these risks and uncertainties, management is also currently implementing a number of initiatives by aggressively managing fixed, variable and capital costs and improving efficiencies.

Given the above, the Directors have considered a number of potential different scenarios in forming their view that is reasonable to conclude that the consolidated entity should continue to operate with its current cash balances and available borrowings.

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

2. SUMMARY OF ACCOUNTING POLICIES AND ADOPTION OF NEW STANDARDS

The accounting policies and methods of computation followed in the preparation of the half-year financial report are consistent with those followed and disclosed in the Company's 2014 Annual Financial Report for the financial year ended 31 December 2014, except for the impact of the standards, interpretations and amendments described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Accounting Standards

There have not been any new or revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the consolidated entity's operations that would be effective for the current reporting period.

2. SUMMARY OF ACCOUNTING POLICIES AND ADOPTION OF NEW STANDARDS (CONTINUED)

Standards and Interpretations issued not yet effective

At the date of the financial statements, the Standards and Interpretations listed below were on issue but not yet effective

Standard /Interpretation	Effective for periods beginning on or after:	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the Accounting Standards	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB's	1 January 2017 [1]	31 December 2017 [1]

(1) The International Accounting Standards Board has deferred the implementation to periods commencing on or after 1 January 2018. This deferral is expected to be adopted by the AASB in due course.

3. CRITICAL ACCOUNTING POLICIES

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

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

The key judgments, estimates and assumptions that have or could have the most significant effect on the amounts recognised in the financial statements relate to the following areas:

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

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

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

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

3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

(b) Recoverability of Inventories

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

(c) Property, Plant and Equipment

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

(d) Income Taxes

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

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

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

(e) Defined Benefit Pension Plans

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

4. SEGMENT REPORTING

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

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

	Segment Revenue				Segment Profit	
	Half-year ended				Half-year ended	
	30 June 2015		30 June 2014		30 June 2015	30 June 2014
	US$'000		US$'000		US$'000	US$'000
Drilling Services		281,199		308,268	(9,694)	(2,633)
Global Products revenue						
Products third party revenue	106,271		113,227			
Products inter-segment revenue [1]	26,966		37,571			
Total Products		133,237		150,798	1,829	(550)
Less Global Product sales to Global Drilling Services		(26,966)		(37,571)		
Total third party revenue		387,470		421,495	(7,865)	(3,183)
Unallocated costs [2]					(35,059)	(31,051)
Restructuring expenses and related impairments					(41,106)	(51,719)
Finance costs					(36,842)	(30,911)
Interest income					2,106	2,809
Loss before taxation					(118,766)	(114,055)

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

Geographic information

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

	Revenue from external customers		Non-current assets[1]	
	2015	2014	30 June 2015	31 December 2014
	US$'000	US$'000	US$'000	US$'000
North America	180,053	176,735	258,244	279,939
Asia Pacific	82,168	115,799	92,750	119,749
Latin America	61,107	54,877	47,937	48,251
EMEA	64,142	74,084	10,211	42,346
	387,470	421,495	409,142	490,285

(1) Non-current assets excluding deferred tax assets

5. OTHER INCOME AND EXPENSES

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

	2015 US$'000	2014 US$'000
Other income		
Litigation Settlement	-	3,050
Gain on foreign currency exchange differences	-	505
Gain on disposal of property, plant and equipment	-	206
Other	1,885	549
	1,885	4,310
Other expenses		
Amortisation of intangible assets	8,571	8,360
Loss on foreign currency exchange differences	6,322	-
Other	2,090	2,797
	16,983	11,157

6. FINANCE COSTS

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

	2015 US$'000	2014 US$'000
Interest on loans and bank overdrafts	35,917	29,002
Amortisation of debt issuance costs	925	1,904
Interest on obligations under finance leases	-	5
Total finance costs	36,842	30,911

7. SIGNIFICANT ITEMS

During 2015, the Company has maintained its focus on reducing its overall cost profile through the removal of variable expenses, sales and marketing, general and administrative and overhead costs. These restructuring efforts include:

- Reexamining our global operating model and underlying support costs;
- Completing the consolidation of certain financial services functions and further utilsation of our two shared services operations to consolidate other sales, general and administrative functions; and
- Exiting certain loss-making drilling services projects or territories.

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

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

7. SIGNIFICANT ITEMS (CONTINUED)

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

	2015 US$'000	2014 US$'000
Recapitalisation costs	2,077	-
Impairments:		
Property, plant and equipment	31,001	41,358
Other intangible assets	221	-
Inventories	-	1,060
Employee and related costs	5,209	3,460
Other restructuring costs	1,651	5,237
Onerous leases	947	604
	41,106	51,719
Net of tax	34,952	42,863

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

	2015 US$'000	2014 US$'000
Cost of goods sold	34,174	48,277
General and administrative expenses	6,680	2,383
Selling and marketing expenses	27	1,056
Research and development	225	3
	41,106	51,719

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

	2015 US$'000	2014 US$'000
Global drilling services	37,504	49,225
Global products	1,285	1,065
Unallocated	2,317	1,429
	41,106	51,719

Impairment Process

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

7. SIGNIFICANT ITEMS (CONTINUED)

Impairment Process (Continued)

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

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

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

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

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

As a result of this process, the Company has recorded impairment charges of $31,001,000 against property, plant and equipment. These impairments were mainly as a result of the impairment assessment of the Asia Pacific, Europe and Africa Drilling services CGUs. These CGUs contain no goodwill and therefore the impairment was allocated to property, plant and equipment.

Key Assumptions

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

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

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

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

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

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

Discount rate
A global discount rate of 11.5% is used and adjusted on a case-by-case basis for regional variations in the required equity rate of return. Based on information published by Bloomberg, the adjusted post tax discount rates ranged from 10.1% to 23.8%, as shown in the table below.

7. SIGNIFICANT ITEMS (CONTINUED)

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

	Post tax Discount Rate	Growth Rate
Global	11.5%	3.0%
North America	10.1%	2.2%
Asia Pacific	12.9%	3.6%
Latin America	14.0%	9.0%
Europe and Africa	23.8%	7.8%

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

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

Each of these variables in the analysis has been examined at levels above and below expected values. The expected values are based on forecast inflation rates for each respective region with a global rate assumed at 3% based on historic inflation trends. In the downside sensitivity analysis, we assumed a longer recovery than in the base case by keeping the growth rate at 0% for the next two years and then following the expected growth cycle after those two years. This decreased the mid-point of the cycle. In addition, the growth rate in the terminal value was assumed to be equal to the rate of inflation. Under this downside sensitivity scenario, there would be additional impairments as follows:

	US$'000
North America	2,267
Asia Pacific	5,191
Latin America	15,025
Europe and Africa	3,534

8. ISSUANCE OF SHARE RIGHTS AND PURCHASE OF SHARES

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

During the half-year ended 30 June 2014, the Company granted 13,366,311 share options to certain members of management. The options were granted at strike prices ranging between $0.18 (A$0.19) and $0.30 (A$0.32) with the market price of the Company's shares ranging between $0.21 (A$0.22) and $0.27 (A$0.29) at time of grant and a combined fair value of approximately $2,717,000. The options vest three years from grant date and are exercisable for seven years after the vesting date.

8. ISSUANCE OF SHARE RIGHTS AND PURCHASE OF SHARES (CONTINUED)

During the half-year ended 30 June 2015, the Company granted 18,290,000 share rights under its long-term incentive plan (LTIP) with a vesting period over the next three to four years. During the half-year ended 30 June 2014, the Company granted 19,453,175 share rights under its long-term incentive plan with a combined fair value of approximately $4,883,000 and a vesting period over the next three years. 3,779,000 of the total share rights granted during the half-year ended 30 June 2013 were cancelled and replaced with share options and cash rights of equivalent value in 2014. The Company purchased no shares of the Company's stock in the half-years ended 30 June 2015 and 2014.

9. INCOME TAXES

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

	2015 US$'000	2014 US$'000
Loss before taxation	(118,766)	(114,055)
Income tax benefit calculated at		
Australian rate of 30%	(35,630)	(34,216)
Impact of different tax rates in foreign jurisdictions	13,667	22,474
Unrecognised tax losses 1	31,661	17,223
Derecognition of deferred tax assets 2	16,885	14,791
Other	3,760	6,553
Under provision from prior years	3,240	1,946
Income tax expense per the Consolidated		
Statement of Profit or Loss and Other Comprehensive Income	33,583	28,771

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

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

Canadian Income Tax Audits

As disclosed in prior financial reports, the Company's Canadian tax returns since 2005 have been subject to review by the Canada Revenue Agency ("CRA"). Assessments have been issued or determined for the tax years between 2005 and 2009, with the most significant contested areas of the CRA's reviews relating to three issues: (1) the transfer pricing structure and methodology used by Longyear Canada ULC and Boart Longyear Canada Partnership for sales of products to international affiliates; (2) management fees paid to a United States affiliate; and (3) intellectual property royalties paid to a United States affiliate (the "CRA Contested Matters").

2005 – 2006 Audit Periods
The assessments that were issued by the CRA for the 2005 and 2006 tax years (and related provincial assessments) and disclosed in earlier financial reports in respect of the CRA Contested Matters have been withdrawn in their entirety and no further liability exists for those years.

9. INCOME TAXES (CONTINUED)

Canadian Income Tax Audits (Continued)

2007 – 2009 Audit Periods
The Company received income adjustments by the CRA's Audit Division for the 2007 through 2009 tax years on 23 December 2013 and projects that those proposed adjustments, if upheld, would result in federal and provincial tax liabilities, including interest, of approximately C$62,000,000. The CRA has notified the company that it does not intend to pursue transfer pricing penalties related to the proposed adjustment.

The Company notes that the proposed adjustments for the 2007 through 2009 audit period were determined on substantially the same basis as the assessments for the 2005 to 2006 period that were subsequently reversed by the CRA. The Company has formally contested those assessments through a multi-national dispute resolution process, known as "competent authority" to prevent the double-taxation of income assessed by multiple jurisdictions. The Company also believes that the reversal of the assessments for 2005 and 2006 provides a favourable background for a positive resolution of such appeals, but the outcome and timing of any resolution of the 2007 through 2009 assessments are unknown. Interest will continue to accrue on all disputed and unpaid amounts until they are paid, or, alternatively, unless the disputes are resolved in the Company's favour.

2010 – 2012 Audit Periods
The CRA's field work for the audit of the 2010 through 2012 taxation years is ongoing, although it appears to be coming to a conclusion. The Company has been notified that the CRA intends to contest deductions related to: (1) commercial support payments paid to a Swiss affiliate, (2) management fees paid to United States and Swiss affiliates, (3) intellectual property royalties paid to a United States affiliate and (4) research and development costs. The Company expects the audit will be concluded, and assessments will be issued, prior to the end of the 2015 calendar year although the amount of any assessments is unclear at the present time.

2013 Audit Period
The CRA has commenced its field work for the audit of the 2013 taxation year. The Company does not know when the audit will be concluded or its likely outcome.

Risks in Respect of Reassessments
The Company has recorded a tax provision related to the CRA's audits of the 2007 through 2012 tax years. The provision reflects the uncertainties regarding the outcome of those audits. While the Company believes it is appropriately reserved in respect of the CRA tax controversies, the resolution of those controversies on terms substantially as assessed by the CRA for the 2007 through 2009 tax years could be material to the Company's financial position or results of operations. The Company's liquidity could also be impacted negatively by the CRA reassessments or by security requirements, which could be approximately 50% of assessed amounts, that may be required by the CRA to contest those assessments.

United States Income Tax Audit
The Company's United States income taxes for the 2010 and 2011 tax years have been subject to review by US Internal Revenue Service (IRS). The field work for the audit is complete, and the Company has been notified that the IRS intends to propose transfer pricing adjustments relating to: (1) increasing intellectual property royalties paid by foreign subsidiaries to the U.S., (2) disallowing deductions for payments made from the U.S. to affiliated foreign distributors of the Products business and (3) disallowing deductions for payments made to a Swiss affiliate for the Global Drilling Services business under a Commercial Support Agreement. The Company expects the audit will be concluded, and assessments will be issued, prior to the end of the 2015 calendar year, although the amounts of any assessments is unclear at the present time.

10. TRADE AND OTHER RECEIVABLES

	30 June 2015 US$'000	31 December 2014 US$'000
Trade receivables	138,406	122,391
Allowance for doubtful accounts	(3,243)	(2,313)
Goods and services tax receivable	15,497	13,831
Other receivables	2,336	3,533
	152,996	137,442

The ageing of trade receivables is detailed below:

	30 June 2015 US$'000	31 December 2014 US$'000
Current	110,932	90,637
Past due 0 - 30 days	14,291	16,415
Past due 31 - 60 days	3,171	5,912
Past due 61-90 days	5,756	5,545
Past due 90 days	4,256	3,882
	138,406	122,391

The ageing of impaired trade receivables is detailed below:

	30 June 2015 US$'000	31 December 2014 US$'000
Current	-	-
Past due 0 - 30 days	-	-
Past due 31 - 60 days	-	-
Past due 61-90 days	-	-
Past due 90 days	(3,243)	(2,313)
	(3,243)	(2,313)

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

	30 June 2015 US$'000	31 December 2014 US$'000
Opening Balance	2,313	1,374
Additional provisions	1,343	1,781
Amounts used	(269)	(394)
Amounts reversed	(53)	(284)
Foreign currency exchange differences	(91)	(164)
Closing balance	3,243	2,313

The average credit period on sales of goods and services is 61 days as at 30 June 2015, compared to 65 days as at 30 June 2014. No interest is charged on trade receivables.

The Company's policy requires customers to pay the Company in accordance with agreed payment terms. The Company's settlement terms are generally 30 to 60 days from date of invoice. All credit and recovery risk associated with trade receivables has been provided for in the statement of financial position. Trade receivables have been aged according to their original due date in the above aging analysis. The Company holds security for a number of trade receivables in the form of letters of credit, deposits, and advanced payments.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

	30 June 2015 US$'000	31 December 2014 US$'000
Goodwill	101,506	102,471
Other Intangible Assets:		
Software	28,086	35,763
Customer relationships	10,061	10,902
Development assets	21,341	22,662
Patents	5,334	4,987
Trademarks	2,967	2,954
	67,789	77,268

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in cash-generating units that are significant individually or in aggregate. The carrying amount of goodwill of $101,506,000 as at 30 June 2015 and $102,471,000 as at 31 December 2014 was in the North America Drilling Services CGU.

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

Goodwill Impairment by cash-generating units

Goodwill and intangible assets in Argentina, Australia, Chile and New Zealand have been fully impaired. For the cash-generating units with remaining goodwill and intangible assets, being USA and Canada, the Company performed a goodwill impairment test at 30 June 2015 and the recoverable amount for the North American Drilling Services cash-generating unit exceeded the goodwill carrying amount. Consequently, no goodwill impairments were recorded for the half-year period ended 30 June 2015.

12. TRADE AND OTHER PAYABLES

	30 June 2015 US$'000	31 December 2014 US$'000
Current		
Trade payables	52,849	68,648
Accrued payroll and benefits	28,611	31,188
Accrued recapitalisation costs	-	18,144
Goods and services tax payable	11,495	13,342
Accrued drilling costs	2,902	3,443
Accrued legal and environmental	3,746	6,023
Accrued interest	10,069	10,371
Professional fees	5,279	5,350
Other sundry payables and accruals	15,987	10,515
	130,938	167,024

The average credit period on purchases of certain goods is 29 days as at 30 June 2015 compared to 32 days as at 30 June 2014. No interest is charged on trade payables for this period. Thereafter, various percentages of interest may be charged on the outstanding balance based on the terms of specific contracts. The Company has financial risk management policies in place to ensure that all payables are paid within the agreed upon terms.

13. LOANS AND BORROWINGS

	30 June 2015 US$'000	31 December 2014 US$'000
Unsecured - at amortised cost		
Non-current		
Senior notes	284,000	300,000
Debt issuance costs	(3,346)	(3,637)
Secured - at amortised cost		
Non-current		
Senior notes	195,000	195,000
Term loans	190,000	225,000
Accreted interest	16,574	4,690
Debt issuance cost	(5,364)	(4,709)
	676,864	716,344
Disclosed in the financial statements as:		
Non-current borrowings	676,864	716,344
	676,864	716,344
A summary of the maturity of the Company's borrowings is as follows:		
Between 3 and 4 years	300,000	300,000
More than 4 years	369,000	420,000
	669,000	720,000
Accreted interest	16,574	4,690
Debt Issuance Cost	(8,710)	(8,346)
	676,864	716,344

13. LOANS AND BORROWINGS (CONTINUED)

Senior Notes

Senior Unsecured Notes
On 27 January 2015 the Company completed an equitisation of $16,000,000 of the senior unsecured notes held by Centerbridge Partners, L.P., and its affiliates through the issuance of approximately 102.8 million shares. 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. As at 30 June 2015 and 2014 the Company had $284,000,000 and $300,000,000 of senior unsecured notes outstanding respectively.

Senior Secured Notes
On 7 November 2014 the company used proceeds from tranche B of its new term loan to repay $105,000,000 of the senior secured notes in addition to paying $8,400,000 and $1,050,000 for a bond premium and accrued interest on the tendered notes. 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. As at 30 June 2015 and 2014 the Company had $195,000,000 and $300,000,000 of senior secured notes outstanding respectively.

Bank Credit Facility

On 1 June 2015 the Company entered into an asset-based, revolving bank credit facility (the “ABL”) that provides up to $40,000,000 of capacity for loans or other purposes such as letters of credit. As of 30 June 2015 there was no drawdown under this facility; however, there were outstanding letters of credit totalling $11,405,000 that reduced the amount available to draw under the ABL commitments. Interest rates on usage/drawings (we pay this on letters of credit which are not “borrowings”) are based on a base rate plus an applicable margin. The base rate is generally based on 30-day USD LIBOR, while the margin is determined based on the Company’s leverage according to a pricing grid. As of 30 June 2015 the applicable margin was 3.5% for LIBOR-based loans. This facility is secured by a first lien on the accounts receivable, inventories, deposit accounts and cash (“Working Capital Assets”) of the ABL borrower and guarantors and a third lien on substantially all of the other tangible and intangible assets (“Non-Working Capital Assets”) of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property). Provisions in the facility currently restrict availability by $5,000,000 until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for four consecutive quarters. Provisions also require that $5,000,000 of cash be held in a restricted bank account with the lender until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for two consecutive quarters, at which time the restricted cash shall be released. Following release of the restricted cash, but only to the extent that less than $7,500,000 of excess availability exists under the facility, the facility triggers a requirement to maintain an unadjusted fixed charge coverage ratio of not less than 1.1:1.0. Scheduled maturity is the earliest of (i) 90 days prior to maturity of senior secured notes (or any Indebtedness refinancing the security) (ii) 90 days prior to maturity of tranche A of the term loan (or any Indebtedness refinancing the security) (iii) 90 days prior to maturity of tranche B of the term loan (or any Indebtedness refinancing the maturity of the security) and (iv) 29 May 2020. Guarantors for the term loans are Boart Longyear Limited, Boart Longyear Canada, Boart Longyear Australia Pty Ltd, and Boart Longyear Company with the Issuer being Boart Longyear Managagement Pty Ltd.

13. LOANS AND BORROWINGS (CONTINUED)

Term Loans

As part of the Company recapitalisation in October 2014, the Company entered into a new term loan facility with Centerbridge Partners, L.P. Structured as Tranche A and Tranche B loans, the new loans have an interest rate of 12% per annum, which would be reduced to 11% per annum if the Company's trailing 12 month adjusted EBITDA is greater than $200,000,000. The term loans are structured to accrete interest which is payable to the term loan lender, Centerbridge Partners, L.P., a related party, and which is guaranteed by an unrestricted subsidiary funded with intangible assets not to exceed $44,000,000.

Tranche A
This tranche, issued on 22 October 2014 in the amount of $120,000,000, was used to repay the Company's previous bank credit facility. Upon closing of the new ABL revolving credit facility on 1 June 2015, $35,000,000 of tranche A was repaid resulting in an outstanding principal balance of $85,000,000 as of 30 June 2015. This Tranche contains a maturity of 22 October 2020 and is non-callable for the first 4 years. It is secured by a first lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital Assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

Tranche B
This tranche, in the amount of $105,000,000, was issued on 7 November 2014 and used to retire $105,000,000 of the Company's senior secured notes. As of June 30, 2015 the amount outstanding under Tranche B was $105,000,000. This Tranche contains a maturity of 1 October, 2018 and is non-callable for the life of the loan. It is secured by a second lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

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

The Company's ABL term loans and senior notes are all covenant-lite and do not presently require maintenance or testing of financial covenant ratios.

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

The Company's ABL includes a covenant that is triggered following release of the restricted cash, but only to the extent that less than $7,500,000 of excess availability exists under the facility. If triggered, the Company is required to maintain an unadjusted fixed charge coverage ratio of not less than 1.1:1.0.

As at 30 June 2015 the Company was in compliance will all of its debt covenants.

13. LOANS AND BORROWINGS (CONTINUED)

Covenants and other material items – bank credit facility and senior notes (Continued)

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

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

14. PROVISIONS

	30 June 2015 US$'000	31 December 2014 US$'000
Current		
Employee benefits	14,376	11,084
Restructuring and termination costs [1]	8,667	8,790
Warranty [2]	250	190
Onerous lease costs	2,532	3,877
	25,825	23,941
Non-current		
Employee benefits	3,053	5,425
Pension and post-retirement benefits [3]	27,868	38,329
Onerous Lease	1,511	1,149
	32,432	44,903
	58,257	68,844

(1) The provision for restructuring and termination costs represent the present value of management's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits.
(2) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's warranty program.
(3) Full actuarial valuations of the defined benefit pension and post-retirement benefit plans are performed annually by qualified independent actuaries for the Company's 31 December year-end closing. Management believes that movements in the defined benefit obligations and fair values of plan assets during the half-year ended 30 June 2015 have not been significant and, as a result, has not performed full actuarial valuations at 30 June 2015.

15. DIVIDENDS

No dividend has been determined for either of the half-years ended 30 June 2015 and 30 June 2014.

16. CASH AND CASH EQUIVALENTS

Included in the cash balance at 30 June 2015, is $8,231,000 of restricted cash. At 31 December 2014, $13,795,000 was considered restricted cash. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to the Company's ABL facility as well as restrictions to secure facility leases.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Legal claims and other contingent liabilities

The Company is subject to certain legal proceedings or potential disputes, that arise in the normal course of its business. Management believes that the ultimate amount of liability, if any, for any such matters 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.

Customs audits

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

17. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Customs audits (Continued)

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

The ZRA's assessment was based on an extrapolation of findings from a sample of transactions. The Company performed its own detailed analysis of those and other transactions, with the results showing there is some substance to the ZRA's claims, but the potential amount of any liability would be considerably less than the assessment. The Company shared those findings with the ZRA in a series of discussions resulting in the ZRA reducing its proposed assessment substantially. The Company still disagrees with the ZRA's revised assessment of $1,700,000 and has provided the ZRA additional data supporting its detailed analysis. The ZRA is considering the Company's submissions, and the Company expects additional discussions with the ZRA to attempt to resolve the open areas and believes it is appropriately reserved in respect to this matter.

19. SUBSEQUENT EVENT

The Company has not become aware of any matter or circumstance that has arisen since 30 June 2015 that has affected or may affect the operations of the consolidated entity or the results of those operations, or the state of the consolidated entity in subsequent years.