



**BOART
LONGYEAR**

**BOART
LONGYEAR
PROSPECTUS**

Boart Longyear Limited
ACN 123 052 728

IMPORTANT INFORMATION

Offer

This Prospectus is a replacement prospectus for the prospectus issued by Boart Longyear Limited ("Company") on 1 March 2007. The Offer contained in this Prospectus is an invitation to apply for Shares. No person is authorised to provide any information or to make any representation in connection with the Offer which is not contained in this Prospectus.

Lodgement and listing

This Prospectus is dated 9 March 2007. The Prospectus replaces the prospectus that was lodged with the Australian Securities and Investments Commission ("ASIC") on 1 March 2007. ASIC and ASX Limited ("ASX") take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The Company has applied to ASX for admission of the Company to the official list of ASX and official quotation of the Shares on ASX.

New Zealand Investment Statement

A New Zealand Investment Statement which complies with the Securities Act 1978 (NZ) and the Securities Regulation 1983 (NZ) has been prepared in connection with the Offer. New Zealand residents should read the Investment Statement before making an Application.

Exposure Period

The Corporations Act prohibits the Company from processing Applications during the Exposure Period. The Exposure Period has been extended by ASIC to end on 11 March 2007. Any Applications received during the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Electronic Prospectus

This Prospectus, excluding any Application Form, may be viewed during the Exposure Period by Australian and New Zealand residents only, in electronic form at www.boartlongyearshareoffer.com. A paper copy of this Prospectus may be obtained free of charge during the Offer Period by calling the Boart Longyear Offer Information Line on 1800 781 633 or +61 2 8280 7488. Applications may only be made on a printed copy of an Application Form attached to, or accompanying, this Prospectus, or electronically in accordance with the instructions contained in this Prospectus. Photocopies of an Application Form will not be accepted.

References to Group and Boart Longyear

Boart Longyear Limited is a new entity to be listed on ASX. For ease of reference in this Prospectus, except where the context otherwise indicates, references to "Boart Longyear" and "Group" are to the Company and its subsidiaries as it will exist after listing on ASX or its predecessors as is appropriate in the context.

Forward looking statements

The forward looking statements in this Prospectus are based on the Company's current expectations about future events.

They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company, the Directors and the Senior

Management Team, that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Prospectus.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company or the repayment of capital or the payment of a return on the Shares.

The Historical Financial Information and Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Sections 8 and 9 of this Prospectus and the Historical Financial Information contained in the Appendix.

Appendix containing additional financial information

You should note that a separate Appendix dated the date of this Prospectus has been prepared and lodged with ASIC. The Appendix contains detailed Historical Financial Information about the Company and information regarding the accounting policies adopted in connection with the preparation of the Historical Financial Information. The Appendix provides additional detail on the Historical Financial Information included within this Prospectus. The Company believes that the information in the Appendix is primarily of interest to professional analysts or advisors, or investors with similar specialist information needs. If you consider that the information in the Appendix may assist you in making your investment decision, you may obtain a copy of the Appendix free of charge by calling the Boart Longyear Offer Information Line on 1800 781 633 or +61 2 8280 7488.

The Appendix is taken to be included in this Prospectus in accordance with section 712 of the Corporations Act.

Independent review of Directors' Forecast and Financial Services Guide

The provider of the Independent Review of Directors' Forecast in Section 11, Deloitte Corporate Finance Pty Ltd, is required to provide Australian retail clients with a Financial Services Guide in relation to the Review under the Corporations Act. The Financial Services Guide is provided in Section 11.

This is not investment advice. Individual investors should seek their own financial advice

The Offer contained in this Prospectus does not take into account the investment objectives, financial situation and particular needs of individual investors. In considering the prospects of Boart Longyear, it is important that individual investors consider the risk factors that could affect the financial performance of the Company. As a prospective investor, you should carefully consider these factors in light of their particular investment objectives, financial situation and investment needs (including financial and taxation issues) and seek professional advice from their stockbroker, accountant or other professional adviser before deciding whether to invest. Some of the risk factors that should be considered by prospective investors are detailed in Section 8.

Expiry date

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Selling restrictions

This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus (including in electronic form) in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia or New Zealand, in particular, the Offer and sale of the Shares have not been, and will not be, registered under the US Securities Act of 1933 ("US Securities Act"), and accordingly, the Shares may not be offered, sold or resold in the United States or to, or for the account or benefit of, US Persons (as defined in Rule 902 under the US Securities Act), except to "qualified institutional buyers" ("QIBs") as defined in Rule 144A under the US Securities Act in accordance with Regulation D for Rule 144A, if applicable under the US Securities Act and applicable state securities laws or (i) outside the United States, to persons other than US Persons in offshore transactions in compliance with Regulation S under the US Securities Act. Please refer to Section 3.15 for additional information on selling restrictions that apply to the offer and sale of Shares in jurisdictions outside of Australia and New Zealand.

Privacy

The Application Forms attached to or accompanying this Prospectus require you to provide information that may be personal information for the purposes of the Privacy Act 1988 (Cth) as amended. The Company (and the registry on its behalf) may collect, hold and use that personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and administer the Company.

Access to information that you provide may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

Company's website

Any reference to documents included on the Company's website are provided for convenience alone, and none of the documents or other information on the website are incorporated by reference in this Prospectus.

Questions

If you have any questions in relation to the Offer, please call the Boart Longyear Offer Information Line on 1800 781 633 or +61 2 8280 7488. Further information may also be obtained from the Boart Longyear Share Offer website at www.boartlongyearshareoffer.com.

IMPORTANT DATES AND KEY OFFER STATISTICS

Important dates

Retail Offer opens	9.00am (Sydney time) on 12 March 2007
Retail Offer closes	5.00pm (Sydney time) on 28 March 2007
Institutional Offer opens	9.00am (Sydney time) on 2 April 2007
Institutional Offer closes	12.00pm (Sydney time) on 3 April 2007
Final Price and allocation announcement	4 April 2007
Shares commence trading on ASX (conditional and deferred settlement basis)	5 April 2007
Institutional Offer Settlement	11 April 2007
Issue and allotment of Shares	12 April 2007
Expected date for despatch of holding statements	12 April 2007
Shares commence trading on ASX (normal settlement basis)	16 April 2007

Note:

This timetable is indicative only. The Company and the Global Coordinator, in consultation with the Joint Lead Managers, reserve the right to vary the dates and times of the Offer, including to close the Offer early, or withdraw the Offer, to extend the Closing Date or to accept late applications, either generally or in particular cases, without notifying any recipient of this Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible after the opening of the Offer as the Offer may close at any time without notice.

Key Offer statistics

Indicative Price Range ¹	A\$1.76 – A\$2.10 per Share
Maximum number of Shares available under the Offer ^{2,3}	1,278m – 1,262m
Gross proceeds from the Offer ^{2,3,4}	A\$2,249 – A\$2,650m
Total number of Shares on issue following the Offer ⁵	1,485.3m
Market capitalisation ^{6,7}	A\$2,614m – A\$3,119m
Enterprise value ^{6,7}	A\$3,457m – A\$3,962m

Summary of FY2007 pro forma forecasts⁸

Pro forma earnings per share (post-amortisation) ^{9,10}	13.0 cents
Pro forma earnings per share (pre-amortisation) ^{9,10}	13.3 cents
Pro forma price earnings ratio (post-amortisation) ^{11,12}	13.5x – 16.1x
Pro forma price earnings ratio (pre-amortisation) ^{11,12}	13.3x – 15.8x
Pro forma enterprise value/EBITDA ^{13,14}	8.3x – 9.5x

Summary of FY2007 statutory forecasts

Statutory earnings per share (post-amortisation) ^{9,10}	6.8 cents
Statutory earnings per share (pre-amortisation) ^{9,10}	7.1 cents
Statutory enterprise value/EBITDA ^{13,14}	9.2x – 10.5x

Notes:

Based on the Directors' Forecasts (the Directors' Pro Forma Forecast and the Directors' Statutory Forecast), the Directors' Pro Forma Forecast is based on the Directors' Statutory Forecast adjusted to reflect the full year impact of acquisitions made in early FY2007 and certain financial and related restructuring initiatives that are not expected to recur. Details of the Directors' Forecasts, the assumptions on which they are based and the Management discussion and analysis of such forecasts and assumptions, together with associated risk factors, are set out in Sections 6 and 9, which you are encouraged to read fully.

1. The indicative Price Range is indicative only. The Final Price may be set at a price within, above or below this price range.	4. The gross proceeds from the Offer are calculated as the number of Shares issued under the Offer multiplied by the Final Price.	7. Enterprise value has been disclosed to enable potential investors to assess the total value of the Company inclusive of both equity and debt. Accordingly, enterprise value has been calculated as the market capitalisation of the Company at the indicative Price Range plus debt less cash based on the pro forma consolidated balance sheet as at 31 December 2006 (refer to Section 5.5).	8. The Forecast Financial Information has been presented in US dollars as this will be the presentation currency of Boart Longyear going forward. For convenience, FY2007 forecast amounts presented in US dollars have been translated into Australian dollars at a constant rate of US\$0.771-A\$1.00.	11. Pro forma price earnings ratio calculated as Indicative Price Range divided by pro forma earnings per Share. A price earnings ratio based on statutory earnings has not been shown as the FY2007 Directors' Statutory Forecast is not representative of the underlying earnings of Boart Longyear due to timing differences and the impact of certain significant non-recurring items.	12. The enterprise value/EBITDA multiple represents a valuation metric that enables investors to assess the valuation of comparable businesses before the impact of different capital and taxation structures and the impact of depreciation and amortisation.
2. Based on the indicative Price Range.	5. The total number of Shares on issue following the Offer will be the sum of the total number of Shares issued under the Offer and the number of Shares retained by the Consortium and Management Investors (see Sections 3.5 and 3.6 for further information).	8. FY means the 12 months ending 31 December (as the context requires).	9. Based on Forecast Financial Information which reflects a number of estimates, assumptions and pro forma adjustments that are subject to business, economic and competitive uncertainties and contingencies, with respect to future business decisions. These assumptions and adjustments are subject to changes and in many cases are outside the control of Boart Longyear.	10. The Forecast Financial Information presented in this Prospectus may vary from actual financial results and these variations may be material. Details of the Forecast Financial Information, the assumptions on which it is based and the Senior Management Team's discussion and analysis of it together with associated risk factors are set out in Sections 1.5, 2, 8 and 9.	

CONTENTS

Important dates and Key Offer statistics	1
Chairman's letter	3
Section 1 Investment overview	21
Section 2 Answers to key questions	33
Section 3 Details of the Offer	39
Section 4 Drilling industry overview	51
Section 5 Board Longyear overview	63
Section 6 Risk factors	81
Section 7 Board and Senior Management Team	87
Section 8 Pro forma Historical Financial Information	97
Section 9 Directors' Forecast	113
Section 10 Investigating accountant's report	129
Section 11 Independent review of Directors' Forecast	133
Section 12 Additional Information	139
Section 13 Glossary	157
Application Forms	163
Corporate directory	IBC

Dear Investor

Boart Longyear Limited – initial public offering

On behalf of the Directors, I invite you to consider becoming a shareholder of Boart Longyear Limited ("Boart Longyear").

Boart Longyear is the world's leading integrated drilling services provider and products manufacturer for the Minerals Industry, with a substantial presence in the Environmental & Infrastructure and Energy Industries. The Company's Drilling Services division provides drilling services to these industries primarily for the extraction of rock, soil or water samples for technical analysis, on a contract basis. The Company's Products division manufactures and supplies coring tools, drilling capital equipment, percussive tools and mining capital equipment and products. These are sold to a variety of drilling services providers, including Boart Longyear's Drilling Services division, in the Minerals, Environmental & Infrastructure and Energy Industries. Approximately 15% of the Products division's annual manufacturing output is used by the Drilling Services division.

Boart Longyear is the number one drilling services provider to the Minerals Industry in the key markets of Australia, Canada and the United States as well as globally (with a global market share of approximately 17%). The Company is also the leader in the manufacture and sale of products for the surface mineral exploration and underground mineral production drilling markets. Boart Longyear's market leading positions reflect the Company's strengths including drilling capabilities, technical expertise, experience, technological innovation, logistics capabilities and outstanding safety track record.

Boart Longyear's global reach and established relationships with blue-chip global mining companies will enable it to continue to capitalise on its exposure to favourable global market conditions. The rapid industrialisation and urbanisation of Brazil, Russia, India and especially China has driven strong demand for raw materials. This has resulted in high demand for Boart Longyear's drilling services and products due to growth in the development and production stages of mining and increased investment in exploration by mining companies. In addition, the Company has a growing presence in the provision of drilling services and products to the Environmental & Infrastructure and Energy Industries, which Management believes will experience strong long term growth.

Boart Longyear is forecasting pro forma FY2007 revenue of US\$1.46 billion and pro forma FY2007 EBITDA of US\$320 million, an increase of approximately 15% on pro forma FY2006 EBITDA. Further earnings growth is expected to be achieved by initiatives aimed at providing continuing improvements in operating efficiency and capturing growth opportunities, including both organic expansion and acquisitions. Boart Longyear's high quality management team and industry leading expertise provide it with the platform necessary to take advantage of favourable market dynamics and generate attractive returns to investors.

The total proceeds from the Offer will be approximately A\$2,449 million¹ and will be used primarily to fund the redemption of securities held by the Vendors and partially to repay debt. It is expected that the Group will have a market capitalisation of approximately A\$2,866 million on completion of the Offer¹.

I urge you to read this Prospectus carefully as it contains detailed information on the Offer and the financial and operating performance of Boart Longyear. Contact your stockbroker or accountant or other professional advisor if you have any queries.

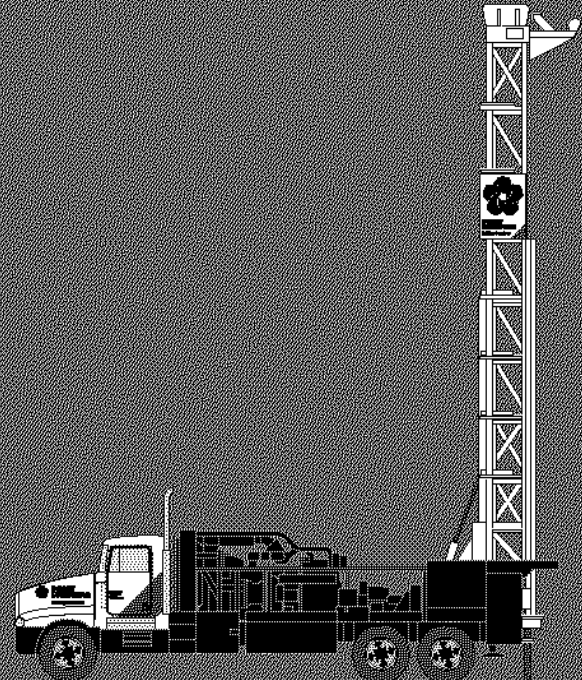
On behalf of the Directors, I commend the Offer to you and look forward to welcoming you as a Shareholder.

Yours sincerely



Graham Bradley
Chairman

Note
1. Based on the mid-point of the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer.



OVERBURDEN

SOIL

WEATHERED ROCK

ROCK

Boart Longyear is the world's leading integrated drilling services provider and products manufacturer for the Minerals Industry, with a substantial presence in the Environmental & Infrastructure and Energy Industries

BEDROCK

Drilling Services

FY2007 pro forma revenue

- US\$908.4 million (-62%)

Key operational data

- Fleet of over 1,080 rigs by the end of FY2007 (industry's largest)
- Service provided in 30 countries
- Approximately 5,400 employees

Products

FY2007 pro forma revenue

- US\$552.8 million (-38%)

Key operational data

- 11 manufacturing facilities in 7 countries
- 13 wholesale/distribution outlets (DrillStores)
- Products supplied to over 100 countries
- Approximately 2,000 employees



GLOBAL MARKET LEADER

No. 1 market position in:

- Minerals Industry globally and in key markets of Australia, Canada and the United States
- Environmental drilling services in the United States
- Surface mineral exploration products and underground mineral production drilling products sector globally

STRONG GLOBAL MARKETS

Minerals

Continued growth forecast for the Minerals Industry with high demand for Boart Longyear's services and products due to increased exploration, development and production spending by mining companies. This is driven by:

- strong demand for raw materials from the industrialisation and urbanisation of Brazil, Russia, India and especially China
- long term underinvestment in exploration contributing to a continued reduction in reserve lives

Environmental & Infrastructure

Growth in Environmental & Infrastructure Industry driven by:

- growing investment in public works
- increasing government regulation
- growing urban populations and limited water resources

Energy

Strong growth in the Energy Industry driven by:

- scarcity of traditional energy sources
- instability of traditional energy sources





INTEGRATED BUSINESS MODEL

Boart Longyear's integrated model of drilling services and products provides significant benefits

- Access to equipment in a supply-constrained market
- Continuous product development and innovation cycle driven by productivity requirements from the Drilling Services division
- A 'speed to market' advantage for new product development
- Unrivalled market knowledge

DIVERSIFIED EARNINGS

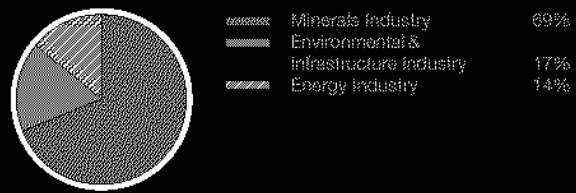
Boart Longyear's earnings are diversified by geography, product and customer segment

- Drilling services provided in 30 countries and products distributed to over 100 countries
- Exposure to varied industries:
 - Minerals
 - Environmental & Infrastructure
 - Energy
- Drilling services provided at all stages of the mining cycle and across a broad range of minerals



Consolidated FY2007
 pro forma revenue by geography

Drilling Services FY2007
 pro forma revenue by industry





FINANCIAL PROFILE

Earnings profile

- History of strong earnings growth and margin expansion
- Highly variable cost structure
- Low maintenance capital expenditure requirements
- High proportion of FY2007 Drilling Services division's earnings either contracted under framework agreements or considered highly probable by management
- No single customer represented more than 4% of the Group's FY2006 pro forma revenue (excluding the Company's Drilling Services division)

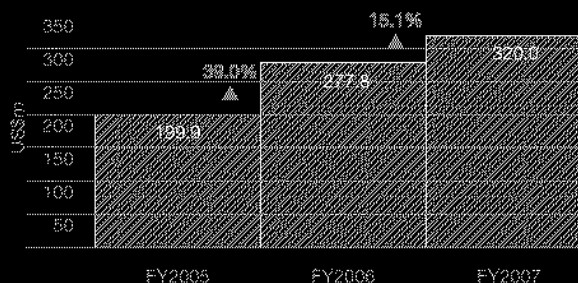
Pro forma consolidated balance sheet

The deficit reflected in the pro forma consolidated balance sheet of the Boart Longyear Group as at 31 December 2006 (refer to Table 8.5.1) primarily arises due to the application of reverse acquisition accounting principles under AIFRS (refer to Section 5.2.5). The material components of Equity are:

- issued capital which represents the share capital of Longyear Global Holdings Inc. ("LGHI"), the accounting acquirer of the Boart Longyear Group;
- other equity amounts which represent the net amount arising from:
 - (a) an "in substance" share buyback transaction undertaken on the merger of Resources Services Holdco USA ("RSH USA") and LGHI and;
 - (b) the replacement of the equity of Boart Longyear Limited with that of LGHI in accordance with the principles of reverse acquisition accounting under AIFRS.
- the accumulated losses in LGHI which have largely arisen from financing charges incurred under the previous capital structure and dividends paid.

The excess purchase price paid by the Boart Longyear Group over the net book value of the assets and liabilities acquired is not recognised on consolidation. As a consequence the recorded value of equity in the pro forma consolidated balance sheet of the Boart Longyear Group is less than the recorded value of equity in the pro forma balance sheet of Boart Longyear Limited (refer to Table 8.6.1).

Pro forma consolidated EBITDA FY2005 – FY2007



Note:
Equivalent statutory FY2007 EBITDA is US\$290.5 million. Refer to Section 9 for a comparison of FY2007 pro forma and statutory EBITDA.

Pro forma consolidated balance sheet of the Boart Longyear Group as at 31 December 2006

	US\$m	A\$m
Total current assets	414.4	526.6
Total non-current assets	523.8	665.6
Total assets	938.2	1,192.2
Total current liabilities	298.4	379.3
Total non-current liabilities	713.3	906.4
Total liabilities	1,011.7	1,285.7
Net liabilities	(73.5)	(93.5)
Equity		
Issued capital	452.3	574.8
Reserves	7.3	9.3
Other equity amounts	(261.3)	(332.1)
Retained earnings/accumulated losses	(271.8)	(345.5)
Total equity/(deficit)	(73.5)	(93.5)

Note:
US dollar pro forma consolidated balance sheet information as at 31 December 2006 has been translated into A\$ at the exchange rate prevailing at that date of US\$0.767: A\$1.00.

CONTINUING OPERATING EFFICIENCY

Globally run, operationally
focused business

- Global sourcing of manufacturing inputs to reduce costs
- Expansion of manufacturing facilities in low cost countries
- Implementation of preferred provider agreements with global customers
- Clear management focus on improvements to drive earnings growth





EXTENSIVE GROWTH POTENTIAL

Extensive growth opportunities identified

- Further expansion into key markets – Environmental & Infrastructure and Energy Industries
- Expansion into high growth, developing geographies – Russia, Latin America and Africa
- Positioned to be the leading consolidator of the fragmented drilling services market
- Boart Longyear has successfully completed six bolt-on acquisitions since August 2006 and has identified a number of further opportunities globally

KEY RISKS



The key risks to Boart Longyear's business include (but are not limited to) the following:

-
- if commodities prices fall below certain threshold levels, expenditure on drilling services and products may be reduced
 - if demand for drilling services decreases, the market may be oversupplied with drill rigs which may result in pressure on drilling services contractors' volumes and margins
 - recent restructuring and operational changes may impact the performance of the business
 - limited barriers to entry and potential for competitor consolidation
 - potential for unforeseen operating difficulties associated with recent acquisitions
 - foreign exchange fluctuations
 - additional risk from expansion into new geographical markets
 - the majority of customer contracts are relatively short term and can be cancelled by the customer at short notice
 - skilled labour shortages and increased competition for rig operators.

For further discussion of these key risks and other risks to the Company, please see Section 6, Risk Factors.

INVESTMENT OVERVIEW

1.1 Business overview

Boart Longyear is the world's leading integrated drilling services provider and products manufacturer for the Minerals Industry, with a substantial presence in the Environmental & Infrastructure and Energy Industries.

Boart Longyear has a corporate office in Sydney, Australia and its operational head office is in Salt Lake City, Utah, United States. It has five regional offices located in Australia, Canada, The Netherlands, Peru and South Africa. Boart Longyear has more than 7,800 employees and provides contract drilling services in 30 countries and distributes products to customers in more than 100 countries.

1.2 Key investment highlights

Global market leader

Boart Longyear has a global footprint and, with more than 100 years of corporate history, is a well recognised brand in the provision of drilling services and products to the Minerals, Environmental & Infrastructure and Energy Industries. Boart Longyear's scale, global presence and leading market position provide it with a competitive advantage in providing services to the global mining Majors.

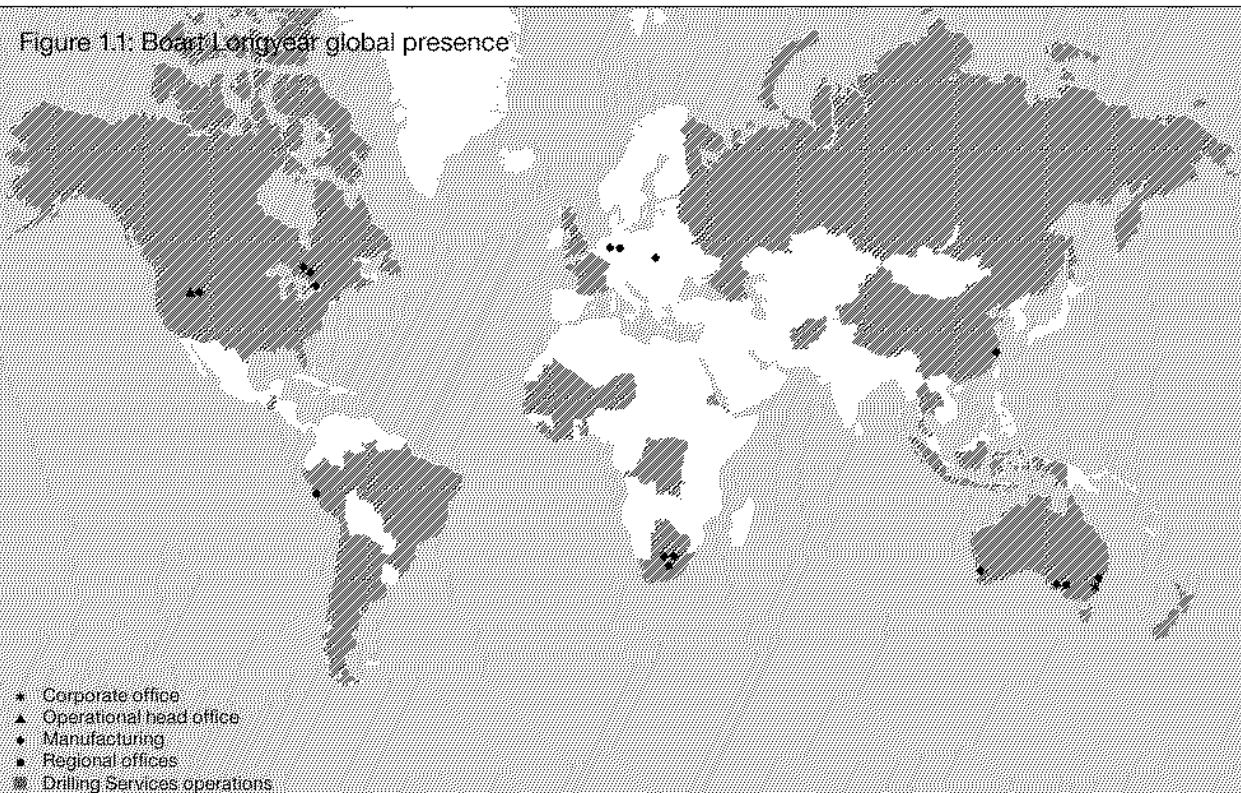
Boart Longyear has the number one market position in the provision of drilling services to the Minerals Industry globally, with a market share of approximately 17% as well as leading positions in the key markets of Australia, Canada and the United States.

The Company has a substantial and growing presence in the Environmental & Infrastructure Industry with the leading market position in the US environmental drilling services segment with approximately 17% share of this highly fragmented industry.

Boart Longyear also has a growing presence in the Energy Industry which includes the oil sands, oil shale and coal bed methane segments.

Boart Longyear is also the leading manufacturer of products for the surface and underground mineral exploration drilling products sector.

Figure 1.1: Boart Longyear global presence



Exposure to strong global markets

Approximately 70% of the Drilling Services division's revenue is generated by the provision of drilling services to the Minerals Industry. Demand for raw materials has been driven by the rapid industrialisation and urbanisation of emerging economies including Brazil, Russia, India and especially China. In addition, supply shortages have resulted from a long term underinvestment in exploration which has contributed to inadequate additions to reserves. These factors have together resulted in a sustained increase in exploration, development and production activity by mining companies and high demand for Boart Longyear's services and products.

Global nonferrous minerals exploration budgets for mining companies were approximately US\$7.5 billion in FY2006 and are expected to grow by approximately 20% to approximately US\$9.0 billion in FY2007. Based on current market conditions and expenditure patterns, coupled with the robust balance sheets of the Majors and significant capital recently raised by Juniors, Management expects that exploration and development budgets will continue to grow in FY2008 although at a slower rate than in FY2007.

Current and forecast commodity prices are well above average production costs and in general provide robust returns for mining companies. Such conditions are supportive of continued investment in exploration expenditure which is typically curtailed when commodities prices do not exceed production costs plus an economic margin. Forecasts of demand for commodities are supportive of continued strength in these markets.

Approximately 17% of the Drilling Services division's revenue is generated from the provision of drilling services to the Environmental & Infrastructure Industry. Investment in public works, increasing government regulation and growing urban populations coupled with limited availability of surface water is driving growth in demand for environmental and infrastructure drilling. Increased demand for construction and geotechnical drilling services reflects generally strong economic conditions and investment in new public works.

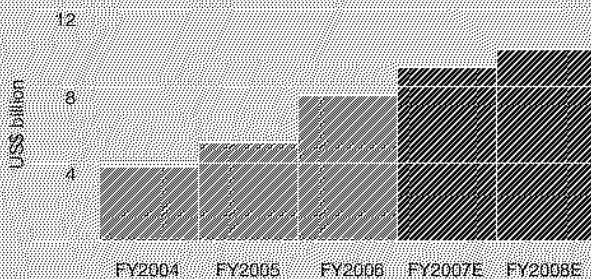
Approximately 15% of the Drilling Services division's revenue is generated from the provision of drilling services to the Energy Industry. Due to growing hydrocarbon consumption and uncertainty surrounding the supply of existing energy resources, major oil and gas companies and utilities have increased their investment in exploration for, and development of, non-conventional energy sources, such as Canadian oil sands and oil shale in the United States (from which oil can be extracted), geothermal energy sources and coal bed methane. This sector represents a major growth opportunity for Boart Longyear.

Successful business model

The integration of drilling services and products is key to Boart Longyear's business model, providing the following competitive advantages:

- access to equipment in a supply-constrained market;
- continuous product development and innovation cycle driven by productivity requirements from the Drilling Services division;
- a 'speed to market' advantage for new product developments; and
- unrivalled market knowledge.

Figure 1.2: Global nonferrous minerals exploration budgeted expenditure



Source: Metal Economics Group data, FY2004-FY2006 and FY2007 estimate. Management's FY2008 estimate.

Attractive financial profile**Earnings growth**

Boart Longyear is forecasting FY2007 pro forma revenue of US\$1.46 billion and FY2007 pro forma EBITDA of US\$320 million, representing 15% growth on FY2006 pro forma EBITDA. This growth is expected to be achieved through:

- continuation of strong market conditions;
- continuing improvements in operating efficiency through implementation of key initiatives;
- the successful integration of a number of recent acquisitions; and
- the success of the integrated business model.

Revenue diversification

The Company's earnings profile is diversified across the different stages of mining operations, different commodities and different geographies.

Boart Longyear has a presence across the different stages of mining operations. Approximately 25% of the Company's FY2007 Minerals Industry related drilling services pro forma revenue is forecast to be derived from the exploration stage of mining operations, approximately 50% from the development stage and the remaining approximately 25% from the production stage.

In addition, Boart Longyear's revenue is generated from a diverse geographic base. The Asia Pacific, Canadian and United States markets are forecast to account for approximately 26%, 25% and 24% respectively of Boart Longyear's FY2007 pro forma revenue, with the remaining 25% spread relatively evenly across South America, Europe and Sub Saharan Africa.

Cash flow

The Company has a strong cash flow and low maintenance capital expenditure requirements. Total capital expenditure has averaged approximately 6.5% of annual revenue over the last two years and is predominantly discretionary, providing significant flexibility to reflect levels of activity and market demand.

Cost structure

Boart Longyear has a highly variable cost structure. The fixed costs of purchasing equipment to provide drilling services and manufacture products are relatively small, with the main cost drivers being volume-related (such as wages and inputs) enabling Boart Longyear to tailor its cost structure to suit the prevailing market conditions.

Earnings visibility

Approximately 75% of forecast FY2007 Drilling Services pro forma revenue is either contracted under framework agreements or is considered by Management to be highly probable. This is supported by a diverse customer base. No single external customer represented more than approximately 4% of Group pro forma revenue in FY2006.

Continuing improvements in operating efficiency
Prior to 2005, Boart Longyear operated as a division of Anglo American and represented less than 4% of Anglo American revenue. The Company was considered a non-core business, managed regionally and growth constrained.

Advent International, Bain Capital and the Management Investors' acquisition of Boart Longyear from Anglo American has enabled Management to restructure the business and undertake several initiatives to improve operating efficiency, including the following:

- the transition of the Company to centrally managed operations;
- the establishment of a new, global procurement team to centralise global sourcing of manufacturing inputs such as steel, machined parts, drilling fluids and telecommunications services;
- the restructuring and rationalisation of the Company's manufacturing facilities. The key aspect of the Company's rationalisation program is to maximise production at its lower cost facilities in Wuxi, China and Wroclaw, Poland and to scale-back or close down facilities in higher cost locations. The Company currently has 11 manufacturing facilities in seven countries, having recently closed four facilities in Europe and South Africa. In addition, Boart Longyear is also improving manufacturing facility throughput, with a program currently underway to debottleneck all facilities. This is resulting in increased manufacturing output for all major products; and

- the implementation of a key account initiative to increase the Company's share of the drilling services and products expenditure by Majors. These initiatives include the introduction of dedicated relationship and account managers, global pricing initiatives and sole-source provider agreements. Boart Longyear expects to benefit from greater stability in the demand for its drilling services from preferred provider agreements and customers will have the benefit of guaranteed supply and quality, standard contract terms and conditions, consistent use of experienced crews and safe drilling practices.

The restructuring of Boart Longyear as an integrated, global company has enabled Management to identify many areas to further improve operating efficiency further and Management expects substantial ongoing margin improvement opportunities in FY2007 and beyond.

Extensive growth potential

Boart Longyear is continually expanding the breadth of its drilling services operations in emerging markets.

The Canadian oil sands industry forecast to grow by 24% from FY2006 to FY2007. Management intends to grow Boart Longyear's market share of this market by strengthening relationships with the major oil sands producers to capture an increased proportional share of new drilling opportunities. Additional rigs were put in place and utilised for this purpose in early FY2006.

The Company is also planning to utilise its drilling expertise to enter markets in which it has either a modest or no presence such as coal bed methane, construction and geotechnical segments of the Energy Industry. These industries represent a significant revenue opportunity for the Company.

Boart Longyear primarily operates in developed markets, such as Australia, Canada and the United States. Management has identified opportunities to expand the Drilling Services division's operations into key geographies (such as South America, China, Russia and parts of Africa) where the Company either has a limited presence or where high growth is anticipated.

The fragmented nature of both the drilling services and products industries provide Boart Longyear with consolidation opportunities, to expand geographically and to enable rapid growth into new or recently entered markets. As the leading integrated participant in the global drilling services and products industries, Boart Longyear believes that it has the access to capital and industry knowledge to lead the consolidation of these industries.

The Company continues to consider acquisition opportunities (in addition to those it has recently made, see Section 5.3.1). At the date of this Prospectus there are no transactions that are sufficiently advanced for inclusion. However, the Group is actively exploring opportunities in similar and adjacent sectors to those in which it currently operates.

High quality management team with industry-leading expertise

Boart Longyear has an experienced, high quality management team led by Paul Brunner, who has been with the Company for 19 years.

The relocation of the Company's operational head office to Salt Lake City, Utah, United States from Johannesburg, South Africa, enabled the Company to strengthen its management team. The current management team has extensive experience with leading global companies such as General Electric, Ford Motor Company, 3Com Corporation, Joy Global, Honeywell and Black & Decker.

The Board comprises a majority of Independent Directors with significant skills and depth of experience, both in Australia and internationally.

1.3 Key investment risks

Investors should be aware that there are risks associated with any investment in the stock market. In addition, there are a number of risk factors specific to Boart Longyear, the industry in which it operates and the general business environment. These risk factors may be outside the control of Boart Longyear, the Directors and Management and may have an impact on the operating and financial performance of Boart Longyear.

Major areas of risk associated with an investment in Boart Longyear include (but are not limited to):

- commodities prices are volatile. A decline in commodity prices may impact expenditure on drilling services and products. Historically when commodities prices have fallen below the cost of production plus an economic margin, mining activity has tended to decline, typically in the following financial year;
- If demand for drilling services decreases the market may be oversupplied with drill rigs which may result in pressure on drilling services contractors' volumes and margins;
- since 2005, the Company has undergone significant restructuring and operational changes. The rapid transformation of the Company may adversely affect its performance;
- the threat of increased competition in the drilling services or products industries may adversely affect Boart Longyear's current market position and plans for future growth. Boart Longyear may lose business to its competitors if it is unable to demonstrate technical competence, competitive pricing and reliable performance;
- the process of integrating acquisitions may result in unforeseen operating difficulties and may require the commitment of significant management, financial or other personnel resources to address any such issues;
- a significant proportion of Boart Longyear's revenue is denominated in currencies other than the US dollar. The currency of countries in which Boart Longyear operates may fluctuate;
- Boart Longyear intends to selectively pursue acquisitions of businesses to complement its organic growth. However, there can be no assurance that it will be able to identify suitable acquisitions at acceptable prices, or successfully execute the acquisition and integration of targets once identified;
- some of the countries in which Boart Longyear operates, or has targeted for growth, have experienced political or economic instability in the past and may experience instability in the future;
- the majority of Boart Longyear's drilling services contracts tend to be reasonably short term and/or subject to cancellation by the customer upon short notice with limited or no damages payable to Boart Longyear which may adversely affect the financial performance of the Company;
- tightening of the labour market in key regions due to a shortage of skilled workers and a growing number of competing drilling rigs in operation may prevent Boart Longyear hiring adequate staff and implementing expansion plans; and
- effectiveness of internal controls of Boart Longyear's business systems, including information technology, finance, accounting, human resources, marketing and contracts systems, may be compromised as the business expands and acquisitions of new companies are made.

Prior to applying for Shares, prospective Applicants should read the entire Prospectus and, in particular, should consider the assumptions underlying the Forecast Financial Information in Section 9, the sensitivity analysis in Section 9.6, and the key risk factors in Section 6 that could affect the future financial performance of Boart Longyear.

1.4 Business strategy

Boart Longyear is the world's leading integrated drilling services provider and products manufacturer for the Minerals Industry, with a substantial presence in the Environmental & Infrastructure and Energy Industries. Boart Longyear aims to become the clear leader in all three industries in which it operates through:

- offering customers a coordinated and consistent global drilling services and products offering;
- offering customers the most extensive global portfolio of technologically advanced and innovative drilling services and products;
- driving product innovation and new customer opportunities through the Company's unique integrated business model;
- pursuing geographic expansion in Latin America, Africa, Russia and China to take advantage of extensive market opportunities in the Minerals Industry in these regions;
- seeking further expansion in the Environmental & Infrastructure Industry to take advantage of environmental regulations which have created opportunities for subsurface exploration for contaminants and hazardous substances and facilitating exploration for new sources of fresh water to support growing populations;
- capturing a more than proportional share of new contracts in the oil sands, oil shale and coal bed methane segments of the Energy Industry which is strategically important as these segments are forecast to achieve high growth;
- pursuing acquisitions to consolidate existing industry positions and enter new markets of strategic interest, providing quicker and more profitable routes to new markets than might be possible through organic growth alone;
- continuing implementation of key account management initiatives which focus on the world's top mining customers to increase the Company's share of these Majors' drilling budgets;
- implying global sourcing initiatives which use the Company's global operations and scale to drive efficiencies in procurement and product sourcing, information technology and sales, general and administration expenses;
- continuing expansion, debottlenecking and rationalisation of the Company's manufacturing facilities to achieve maximum efficiency and lower costs;
- applying functional expertise across sales, information technology, environmental, health and safety, manufacturing, product development and engineering to further drive business performance;
- delivering industry-leading occupational, health and safety standards through continual development and deployment of its occupational, health and safety systems and practices globally; and
- implementing further working capital improvements.

Further details about Boart Longyear's business strategy are set out in Section 5.

1.5 Summary financial information

The table below summarises Boart Longyear's consolidated Historical Financial Information and the Forecast Financial Information. The Directors believe US dollar reporting represents the best indicator of Boart Longyear's financial results because the largest proportion of Boart Longyear's revenue is denominated in US dollars (approximately 37% FY2006 pro forma revenue).

The table below should be read in conjunction with the more detailed discussions of the Historical Financial Information, the Forecast Financial Information and the risk factors set out in Sections 6, 8 and 9 and the Appendix.

Table 1.1: Boart Longyear Group's pro forma historical, pro forma forecast and statutory forecast consolidated income statement

	Pro forma FY2005 US\$m	Pro forma FY2006 US\$m	Pro forma FY2007 US\$m	Pro forma FY2005 A\$m	Pro forma FY2006 A\$m	Pro forma FY2007 A\$m	Statutory FY2007 US\$m	Statutory FY2007 A\$m
Revenue from operating activities	1,022.6	1,252.8	1,461.2	1,342.0	1,664.9	1,895.0	1,460.0	1,893.4
Cost of sales	(672.0)	(768.6)	(882.3)	(881.9)	(1,021.4)	(1,144.2)	(891.4)	(1,156.0)
Gross profit	350.6	484.2	578.9	460.1	643.5	750.8	568.6	737.4
Other expenses	(150.7)	(206.4)	(258.9)	(197.8)	(274.3)	(335.8)	(278.1)	(360.7)
EBITDA	199.9	277.8	320.0	262.3	369.2	415.0	290.5	376.7
Depreciation	(40.4)	(45.9)	(61.1)	(53.0)	(61.0)	(79.2)	(59.0)	(76.5)
EBITA	159.5	231.9	258.9	209.3	308.2	335.8	231.5	300.2
Amortisation	(0.7)	(0.9)	(2.9)	(0.9)	(1.2)	(3.8)	(2.8)	(3.6)
EBIT	158.8	231.0	256.0	208.4	307.0	332.0	228.7	296.6
Net finance costs			(36.7)			(47.6)	(96.0)	(124.5)
Income tax expense			(70.3)			(91.2)	(54.5)	(70.7)
NPAT			149.0			193.2	78.2	101.4
NPAT (pre-amortisation)			151.9			197.0	81.0	105.0

Notes:

1. US dollar pro forma historical financial information has been translated into A\$ at the average exchange rate for the financial year being US\$0.762:A\$1.00 for FY2005 and US\$0.7525:A\$1.00 for FY2006.
2. US dollar pro forma forecast financial information for FY2007 has been translated into A\$ at US\$0.771:A\$1.00 being the forecast six month forward rate at the time of preparation of the Directors' Forecast.
3. In presenting pro forma EBITDA, pro forma EBITA and pro forma EBIT, interest is defined as net finance costs as described in Note D.1.21 of the Appendix.
4. Depreciation on the fair value uplift to tangible assets arising pursuant to the purchase price allocation exercise for the Acquired Businesses has only been applied effective from the date of acquisition or 31 December 2006 for acquisitions subsequent to year end. The Directors do not believe that a reasonable basis exists for recognising a pro forma adjustment from 1 January 2005 and the financial impact is not material to understanding the Historical Financial Information.
5. Amortisation charges primarily relate to patents, as the purchase price allocation exercise completed in relation to the Acquired Businesses has only been applied effective from the date of the acquisition or 31 December 2006 for acquisitions subsequent to year end. The Directors do not believe that a reasonable basis exists for recognising a pro forma adjustment from 1 January 2005 for amortisation of contractual customer relationships and the financial impact is not material to understanding the Historical Financial Information.
6. For the purposes of presentation of financial information in this Prospectus and the Appendix, cost of sales has been presented exclusive of all depreciation and amortisation, including depreciation and amortisation absorbed into the cost of inventories presented in the pro forma balance sheet. In its statutory financial report for the year ending 31 December 2007, Boart Longyear intends to present cost of sales and other functional expenses inclusive of depreciation and amortisation applicable to both the Drilling Services and Products businesses.
7. As noted in Section 8, the Historical Financial Information has been presented to the pro forma EBIT level only as the businesses historically operated under a different corporate structure with different gearing and tax profiles.

1.6 Dividend policy

Dividends to Shareholders, to the extent they are paid, are expected to be payable in arrears for six month periods ending 30 June and 31 December.

Subject to the Directors' discretion and their assessment of investment opportunities available to the Company, the Directors expect to distribute to Shareholders between 30% and 40% of the Company's net profit after tax.

The Directors anticipate that the first dividend to Shareholders will be declared in respect of the six month period ending 31 December 2007. A dividend will not be paid in respect of the six month period ending 30 June 2007.

Given that a significant proportion of Boart Longyear's earnings are generated outside Australia, it is not expected that dividends will be fully franked. However, the Company will target an ongoing franking level of 30 to 40%. The Directors may consider alternative mechanisms (such as Share buy-backs or capital reductions) from time to time to provide the most efficient returns to Shareholders.

The Directors can give no assurance as to the extent or timing of dividends or the level of franking of dividends, as these matters will depend upon future events, including the profitability, capital requirements and taxation position of the Company from time to time. The payment of dividends by Boart Longyear will be at the complete discretion of the Directors.

1.7 Overview of the Offer

The Offer is structured as follows:

- the Retail Offer, made pursuant to this Prospectus and the New Zealand Investment Statement, consisting of:
 - (i) the General Offer, which is open to Australian and New Zealand resident Retail Investors (refer to Section 3.7.3);
 - (ii) the Broker Firm Offer, which is open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker (refer to Section 3.7.1); and
 - (iii) the Priority Offer, which is open to Australian and New Zealand resident Retail Investors nominated by Boart Longyear (refer to Section 3.7.2);
- the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand, the United States and certain other overseas jurisdictions and is made pursuant to this Prospectus and the New Zealand Investment Statement or, where applicable, the International Offering Circular (refer to Section 3.8.1).

The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by the Global Coordinator, in consultation with the Joint Lead Managers and the Company.

The Company will also be issuing Shares to the Vendors in connection with the Offer, as further described in Section 3.2.

All Shares offered for issue under the Offer are issued subject to the disclosures in this Prospectus, the New Zealand Investment Statement and the International Offering Circular, as applicable, and will rank equally with each other, including those Shares issued to Vendors.

Refer to Section 3 for full details of the Offer.

1.8 Purpose of Offer

The purpose of the Offer is to provide the Company with:

- cash to redeem Redeemable Notes held by the Vendors;
- cash to pay down a portion of the Company's debt balance;
- cash to pay the costs of the Offer;
- a Listing, thereby broadening its Shareholder base and providing a liquid market for its Shares; and
- access to capital markets to fund future growth opportunities.

1.9 Use of Offer proceeds

The total gross proceeds of the Offer will be equal to the number of Shares issued under the Offer multiplied by the Final Price. The total gross proceeds of the Offer are expected to be between A\$2,249 million and A\$2,650 million, based on the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 on the Closing Date for the Institutional Offer.

Table 1.2: Sources and applications of funds^{1,2}

Sources	A\$m
Gross proceeds under the Offer	2,449
Total	2,449
Applications	A\$m
Redemption of Redeemable Notes	1,301
Reduction in the Company's debt level ³	1,055
Costs of the Offer	93
Total	2,449

Notes:

1. Amounts in the table are based on the mid-point of the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 on the Closing Date for the Institutional Offer. The pro forma balance sheets as at 31 December 2006 in Section 8 assume a foreign exchange rate of US\$0.737:A\$1.00 resulting in different Australian dollar amounts from the table above.
2. Differences between the amounts in the table and the pro forma balance sheet amounts set out in Section 8 also arise because the pro forma net debt at 31 December 2006 will differ from the net debt at Settlement due to working capital, capital expenditure and debt servicing requirements prior to Settlement (refer to Section 12.5.2 for information on the Company's debt facilities following Settlement).
3. The amount of reduction in the Company's debt level following the debt restructuring includes the related costs of undertaking the debt restructuring.

The Company will not retain any of the proceeds of the Offer, other than an amount to pay the costs of the Offer and to repay a portion of the Company's debt balance. The Directors expect that Board Longyear will have sufficient working capital from its operations and existing facilities to meet its operational requirements and business needs during the Forecast Period.

1.10 Shareholding structure

Boart Longyear was registered in Victoria, Australia as a public company on 2 January, 2007. Upon completion of the Offer, its indicative shareholding structure will be as follows:

Table 1.3: Shareholding structure post Offer

Shareholder	Immediately following the Offer % ¹	Following issue of Shares under the equity arrangements described in Section 3.11 % ¹
New Shareholders pursuant to the Offer	85.5	84.4
Management Investors ²	2.4	3.6
Macquarie European Investments Pty Limited ³	2.0	2.0
Other existing shareholders ^{4,5}	10.1	10.0
Total	100	100

Notes:

- Based on the mid-point of the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 on the Closing Date for the institutional Offer.
- Management Investors have entered into an escrow arrangement with the Company (refer to Section 3.11) under which they will be restricted from dealing with any of their retained holding until the date that is the later of three business days after the announcement of Boart Longyear's FY2007 results and twelve months after Settlement of the Offer.
- Macquarie European Investments Pty Limited (a subsidiary of Macquarie Bank) has entered into an escrow agreement with the Company (refer to Section 3.2) under which it will be restricted from dealing with any of its retained holding until three business days after the announcement of Boart Longyear's FY2007 results.
- Other existing shareholders includes the Consortium (with the exception of Macquarie European Investments Pty Limited) and David McLemore but does not include Advent International or Bain Capital as they are disposing of all of their interests in Boart Longyear under the Offer.
- The other existing shareholders' retained holdings will not be subject to escrow.

Due to the vesting period associated with the equity arrangements described in Sections 3.11, the Management Investors will initially receive 35.8 million Shares (based on the mid point of the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 at the Closing Date of the Institutional Offer) representing 2.4% of the Shares of the Company at Completion of the Offer. Following vesting, during the period from October to December 2007, the Shares held by the Management Investors will increase to 53.7 million (based on the mid point of the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 at the Closing Date for the Institutional Offer).

1.11 How to apply for Shares

Details on how to apply for Shares are set out in Section 3.7. If you have any questions about how to invest in the Company, you should contact your stockbroker, accountant or other professional advisor.

1.12 Minimum subscription amount

A minimum subscription amount under the Offer is required to fund the redemption of Redeemable Notes, to undertake the debt restructuring (approximately US\$1,055 million) and to cover the costs of the Offer.

The Offer will not proceed, and all Applications and Application Monies will be returned to Applicants (without interest), unless a minimum subscription amount of A\$1,148 million is raised under the Offer. The Company reserves the right to not proceed with the Offer or any part of it at any time before allotment of Shares to Applicants in the Retail Offer and bidders in the Institutional Offer.

1.13 Enquiries

All questions relating to this Prospectus should be directed to the Boart Longyear Offer Information Line on 1800 781 633 or +61 2 8280 7488 or by contacting a Syndicate Member (see Corporate Directory for contact details). Information about the Offer is also available to Australian and New Zealand resident investors on the Boart Longyear Share Offer website at www.boartlongyearshareoffer.com.

Investors will be able to contact the Boart Longyear Offer Information Line to receive details of their allocations from 8.30am on the date of Listing, expected to be 5 April 2007. Notices informing Applicants of their allocations are expected to be despatched by standard post on or about 12 April 2007.

ANSWERS TO KEY QUESTIONS



Topic	Summary	Where to find more information
Who is the issuer of the Prospectus?	Boart Longyear Limited	Section 5
What does Boart Longyear do?	Boart Longyear is the world's leading integrated drilling services provider and products manufacturer for the Minerals Industry, with a substantial presence in the Environmental & Infrastructure and Energy Industries.	Section 5
What is the Offer?	The Offer is an initial public offering of 1,262 million–1,278 million Shares representing 85% ¹ of the issued capital of Boart Longyear following the Offer. Retail Offer Applicants will be required to apply for an Australian dollar value of Shares and will pay the Final Price per Share. The Final Price will be set at the conclusion of the Institutional Offer bookbuild and may be above, within or below the Indicative Price Range of A\$1.76–A\$2.10 per Share.	Section 3.3
How much will Boart Longyear raise through the Offer?	Boart Longyear is seeking to raise A\$2,249 million–A\$2,650 million (based on the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 on the Closing Date for the Institutional Offer).	Section 3.5
How will the proceeds of the Offer be used?	The proceeds of the Offer will be used to redeem Redeemable Notes held by the Vendors, to repay a certain portion of Boart Longyear's debt balance and to fund the costs of the Offer.	Section 3.5
What is the purpose of the Offer?	The purpose of the Offer is to provide Boart Longyear with: <ul style="list-style-type: none"> – cash to redeem Redeemable Notes held by the Vendors; – cash to pay down a portion of the Company's debt balance; – cash to pay the costs of the Offer; – a Listing, thereby broadening its Shareholder base and providing a liquid market for its Shares; and – access to capital markets to fund future growth opportunities. 	Section 3.4
What is the minimum/maximum application under the Offer?	Applicants in the Retail Offer must apply for a minimum value of A\$2,000 worth of Shares and in multiples of A\$500 thereafter. The value of Shares that may be applied for under the Retail Offer is not subject to a maximum amount. However, the Company and the Global Coordinator reserve the right to treat any Applications in the Retail Offer which are for more than A\$100,000, or which are from persons whom they believe may be Institutional Investors, as Final Price bids in the Institutional Offer or to reject the Application.	Section 3.7

Note:

¹ Based on the mid-point of the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer.

Topic	Summary	Where to find more information
What is the minimum/maximum application under the Offer continued?	<p>The Company and the Global Coordinator also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person for this purpose.</p> <p>Applicants in the Institutional Offer must bid for a minimum of 50,000 Shares. However, the Company, the Global Coordinator and the Joint Lead Managers reserve the right to accept smaller bids.</p>	Section 3.7
Is the Offer underwritten?	No, the Offer is not underwritten.	Section 3.16
What will the market capitalisation of the Company be upon listing on ASX?	The market capitalisation of the Company will be A\$2,614 million to A\$3,119 million (based on the Indicative Price Range of A\$1.76 – A\$2.10 per share).	Key Offer Statistics
What are the key dates of the Offer?	<p>The Retail Offer opens at 9.00am (Sydney time) on 12 March 2007.</p> <p>The Retail Offer closes at 5.00pm (Sydney time) on 28 March 2007.</p> <p>The Shares are expected to be quoted on ASX under ASX code BLY on 5 April 2007 initially on a conditional and deferred settlement basis.</p> <p>Holding statements are expected to be despatched on or about 12 April 2007 and the Shares are expected to commence trading on a normal settlement basis on 16 April 2007.</p> <p>The Company and the Global Coordinator, in consultation with the Joint Lead Managers, reserve the right to alter any of the dates relating to the Offer described in this Prospectus without notice. Investors are encouraged to submit their Applications as soon as possible after the opening of the Offer.</p>	Important Dates
What are the key benefits of investing in the Offer?	<p>The Offer is expected to provide investors with an investment in a company with a range of attributes including:</p> <ul style="list-style-type: none"> – market leadership in the provision of drilling services and products to the global Minerals Industry; – exposure to continued strength in the Minerals Industry and the high growth Environmental & Infrastructure and Energy Industries; – a vertically integrated business model that delivers competitive advantages in access to products, product development and market knowledge; – diversified earnings and an attractive financial profile; – continuing improvements in operating efficiency; – extensive identified growth opportunities including expansion into emerging markets such as the Environmental & Infrastructure Industry and Energy Industries and high growth geographies such as Africa, Russia and South America; and – high quality management with industry-leading expertise. 	Section 1.2

Topic	Summary	Where to find more information
<p>What are the key risks of investing in Boart Longyear?</p>	<p>The key risks to Boart Longyear's business include (but are not limited to) the following:</p> <ul style="list-style-type: none"> - if commodities prices fall below certain threshold levels, expenditure on drilling services and products may be reduced; - if demand for drilling services decreases, the market may be oversupplied with drill rigs which may result in pressure on drilling services contractors' volumes and margins; - recent restructuring and additional operational changes may impact the performance of the business; - limited barriers to entry and potential for competition consolidation; - potential for unforeseen operating difficulties associated with recent acquisitions; - foreign exchange fluctuations; - additional risk from expansion into new geographical markets; - the majority of customer contracts are relatively short term and can be cancelled by the customer at short notice; and - skilled labour shortages and increased competition for rig operators. 	<p>Section 6</p>
<p>What are the tax implications of investing in the Offer?</p>	<p>Shareholders will be subject to Australian tax on dividends.</p> <p>The tax consequences for investors, particularly non-resident Shareholders will differ depending on their individual circumstances.</p> <p>Investors should consider seeking tax advice prior to making an investment in Boart Longyear.</p>	<p>Section 3.15; 11</p>
<p>What are the costs of the Offer and who is paying them?</p>	<p>The total costs of the Offer are estimated to be between A\$90 million and A\$102 million (inclusive of GST), based on the Indicative Price Range.</p> <p>These costs are payable by the Company out of the proceeds of the Offer.</p>	<p>Section 12.12</p>

Topic	Summary	Where to find more information
When will I receive dividends?	<p>Dividends to Shareholders, to the extent they are paid, are expected to be payable in arrears for six month periods ending 30 June and 31 December.</p> <p>Subject to the Directors' discretion and their assessment of investment opportunities available to the Company, the Directors expect to distribute to Shareholders between 30% and 40% of the Company's net profit after tax.</p> <p>The Directors anticipate that the first dividend to Shareholders will be declared in respect of the six month period ending 31 December 2007. A dividend will not be paid in respect of the six month period ending 30 June 2007.</p> <p>Given that a significant proportion of Boart Longyear's earnings are generated outside Australia, it is not expected that dividends will be fully franked. However, the Company will target an ongoing franking level of 30 to 40%. The Directors may consider alternative mechanisms (such as buy-backs or capital reductions) to provide the most efficient returns to Shareholders.</p> <p>The Directors can give no assurance as to the extent or timing of dividends or the level of franking of dividends, as these matters will depend upon future events, including the profitability, capital requirements and taxation position of the Company from time to time. The payment of dividends by Boart Longyear will be at the complete discretion of the Directors.</p>	Section 1.6
Is there any commission payable to financial advisors?	<p>The Company will pay the Global Coordinator a fee of up to 3.0% for distribution to the Syndicate Members.</p> <p>Brokers in the Broker Firm Offer will receive a fee of 1.5% (inclusive of GST) of the value of Shares which they allocate to their clients. This fee is payable by the Company.</p> <p>Participating organisations of ASX will receive a handling fee of 1.0% (inclusive of GST) on General Offer Applications bearing the code of an ASX participating organisation where that Applicant is allotted Shares, with the handling fee payable by the Company. There is a cap on such handling fees of A\$300 per Application (inclusive of GST) (or multiple Applications believed to be from the same person).</p> <p>No handling fees will be payable on Applications under the Broker Firm, Priority or Institutional Offers.</p>	Section 3.12; 12.5.1.1
How do I apply for Shares?	<p>By submitting a valid Application Form within, or accompanying, this Prospectus (including, for Australian and New Zealand residents only, the electronic version of the Prospectus), in accordance with the instructions set out in the Prospectus.</p>	Section 3.7

Topic	Summary	Where to find more information
What is the allocation policy?	<p>The Global Coordinator, in consultation with the Company and the Joint Lead Managers, has discretion regarding the allocation of Shares between the Retail Offer and the Institutional Offer.</p> <p>The Global Coordinator, in consultation with the Company and the Joint Lead Managers, has discretion regarding the allocation of Shares under the Retail Offer and may reject any Application, or allocate a lesser amount of Shares than that applied for, in its absolute discretion.</p>	Section 3.7.6
When will I receive confirmation that my Application has been successful?	<p>Holding statements are expected to be despatched on or about 12 April 2007 and the Shares are expected to commence trading on a normal settlement basis on 16 April 2007.</p>	Section 3.7.8
Who are the advisors to the Offer?	<p>Macquarie Equity Capital Markets Limited is the Global Coordinator.</p> <p>Macquarie Equity Capital Markets Limited, Goldman Sachs JBWere Pty Ltd and UBS AG, Australia Branch are the Joint Lead Managers to the Offer.</p> <p>Allens Arthur Robinson is the Australian legal advisor to the Company in connection with the Offer.</p> <p>Deloitte Touche Tohmatsu has prepared the Investigating Accountant's Report on Historical Financial Information.</p> <p>Deloitte Corporate Finance Pty Ltd has prepared the Independent Review of Directors' Forecasts.</p>	Section 12.10
How can I obtain further information?	<p>By reading this Prospectus in its entirety.</p> <p>By speaking to your stockbroker, accountant or other professional advisor.</p> <p>By calling the Boart Longyear Offer Information Line on 1800 781 633 or +61 2 8280 7488.</p> <p>For Australian and New Zealand residents only, by visiting the Boart Longyear Share Offer website at www.boartlongyearshareoffer.com.</p>	All Sections
Contact details	<p>For further contact details, refer to the Corporate Directory of this Prospectus.</p>	Inside back cover

DETAILS OF THE OFFER



3.1 Important dates

Retail Offer opens	9.00am (Sydney time) on 12 March 2007
Retail Offer closes	5.00pm (Sydney time) on 28 March 2007
Institutional Offer opens	9.00am (Sydney time) on 2 April 2007
Institutional Offer closes	12.00pm (Sydney time) on 3 April 2007
Final Price and allocation announcement	4 April 2007
Shares commence trading on ASX (conditional and deferred settlement basis)	5 April 2007
Institutional Offer Settlement	11 April 2007
Issue and allotment of Shares	12 April 2007
Expected date for despatch of holding statements	12 April 2007
Shares commence trading on ASX (normal settlement basis)	16 April 2007

Note:

This timetable is indicative only. The Company and the Global Coordinator, in consultation with the Joint Lead Managers, reserve the right to vary the dates and times of the Offer, including to close the Offer early, or withdraw the Offer, to extend the Closing Date or to accept late applications, either generally or in particular cases, without notifying any recipient of this Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible after the opening of the Offer as the Offer may close at any time without notice.

3.2 Background to the Offer

In 2005, financial sponsors, Advent International and Bain Capital and the Management Investors acquired Longyear Global Holdings Inc. from Anglo American. At that time, Boart Longyear was a non-core business for Anglo American and had limited access to capital. It represented less than 4% of Anglo American's annual revenue and was run as a collection of small regional businesses. The Company's headquarters was located in Johannesburg, South Africa. The Company recognised the significant operational improvements and growth opportunities that could flow from restructuring Boart Longyear into a globally run, operationally focused business and through providing capital to fund growth. They moved the headquarters of the Company to Salt Lake City, United States.

In 2006, a consortium of equity investors, including Macquarie European Investments Pty Limited ("Macquarie European Investments") (a subsidiary of Macquarie Bank) and a number of institutional investors ("Consortium") was introduced as an investor in Boart Longyear alongside Advent International, Bain Capital and the Management Investors. The shareholders agreed to fund a focused acquisition and capital expenditure program for the Company to complement the continuing operational improvements and growth initiatives which commenced upon Advent International, Bain Capital's and the Management Investors' acquisition in 2005.

Since the Consortium was introduced as an investor, the Company has completed a series of drilling services and products acquisitions (refer to Section 5.3.1).

3.2.1 Initial Investor arrangements

The Vendors currently, directly or indirectly, hold shares in Resource Services Holdco, Inc., a holding company for the Boart Longyear Businesses. As part of the restructure in preparation for the Offer, the Vendors have agreed to dispose of their shares in this initial investment vehicle in return for securities in Boart Longyear Investments, a wholly owned subsidiary of the Company. A portion of the Vendors' securities will be redeemed for cash as part of the Offer, in effect allowing a partial sell down of the Vendors' interests. The remaining portion of the Vendor's securities will be exchanged into Shares in the Company. This outcome will be achieved through the following steps:

- Boart Longyear Investments will acquire Resources Services Holdco Inc at the same time as the Settlement under the Offer, being 11 April 2007, pursuant to a share sale agreement ("SSA") entered into with the Vendors.

- For the portion of their investment to be realised through the Offer, the Vendors will receive Redeemable Notes ("RNs") issued by Boart Longyear Investments. Shortly after allotment of Shares under the Offer, Boart Longyear Investments will redeem each RN on issue, by paying the Final Price for each RN redeemed. The total amount payable by Boart Longyear Investments to fund the redemption of RNs will be A\$1,301 million (based on the mid-point of the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer).

- For the portion of their investment to be retained after the Offer, the Vendors will receive Exchangeable Notes ("ENs") issued by Boart Longyear Investments. On allotment of Shares under the Offer, each EN on issue will be exchanged for a Share in the Company.

Based on the mid-point of the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer, Macquarie European Investments will hold approximately A\$57 million in Shares after completion of the Offer, representing circa 2.0% of the Company's issued capital (refer to Section 3.6).

Macquarie European Investments has agreed to an escrow arrangement with the Company under which it will be restricted in dealing with the Shares until three business days after the announcement of the Company's FY2007 results.

Macquarie European Investments is an existing shareholder and has a current investment comprising 17% of the existing shareholder base.

Under the arrangements between the Vendors it was agreed that Macquarie Bank would receive a portion of any profit achieved by certain Vendors determined in part by reference to the increase in value of the Vendors' investment up to the date of the Offer. Upon completion of the Offer, the value of the Vendors' investment will be determined by reference to the Final Price.

3.3 The Offer

The Offer comprises the Retail Offer and the Institutional Offer and is for 1,262 million to 1,278 million Shares, based on the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer. The Offer will represent 85%–86% of the total Shares on issue following completion of the Offer (based on the mid point of the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer), with the remaining 14%–15% to be held by the Vendors. Further information regarding the number of Shares to be issued under the Offer is set out in Section 3.6. Details about the issue of Shares to Vendors in connection with the conversion of Exchangeable Notes are set out in Section 3.2.1.

All Shares under the Offer will be issued at the Final Price. Under the terms of the Offer Management Agreement, the Final Price will be determined by Macquarie European Investments Pty Limited as the nominated representative of the Vendors, after consultation with the Company and the Joint Lead Managers, after the close of the Institutional Offer. The Final Price may be within, above or below the Indicative Price Range of A\$1.76–A\$2.10 per Share.

For additional information on the determination of the Final Price, refer to Section 3.8.3.

3.4 Purpose of Offer

The purpose of the Offer is to provide the Company with:

- cash to redeem Redeemable Notes held by Vendors;
- cash to pay down a portion of the Company's debt balance;
- cash to pay the costs of the Offer;
- a Listing, thereby broadening its Shareholder base and providing a liquid market for its Shares; and
- access to capital markets to fund future growth opportunities.

3.5 Use of Offer proceeds

The total gross proceeds of the Offer will be equal to the number of Shares issued under the Offer multiplied by the Final Price. The total gross proceeds of the Offer are expected to be between A\$2,249 million and A\$2,650 million, based on the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer.

Table 3.1: Sources and applications of funds^{1,2}

Sources	A\$m
Gross proceeds under the Offer	2,449
Total	2,449
Applications	A\$m
Redemption of Redeemable Notes held by Vendors	1,301
Reduction in the Company's debt level ³	1,055
Costs of the Offer	93
Total	2,449

Notes:

1. Amounts in the table are based on the mid-point of the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 on the Closing Date for the Institutional Offer. The pro forma balance sheets as at 31 December 2006 in Section 8 assume a foreign exchange rate of US\$0.787:A\$1.00 resulting in different Australian dollar amounts from the table above.
2. Differences between the amounts in the table and the pro forma balance sheet amounts set out in Section 8 also arise because the pro forma net debt at 31 December 2006 will differ from the net debt at Settlement due to working capital, capital expenditure and debt servicing requirements prior to Settlement (refer to Section 12.5.2 for information on the Company's debt facilities following Settlement).
3. The amount of reduction in the Company's debt level following the debt restructuring includes the related costs of undertaking the debt restructuring.

The Company will not retain any of the proceeds of the Offer, other than an amount to pay the costs of the Offer and to repay a portion of the Company's debt balance. The Directors expect that Boart Longyear will have sufficient working capital from its operations and existing facilities to meet its operational requirements and business needs during the Forecast Period.

3.6 Structure of the Offer

The Offer is structured as follows:

1. the Retail Offer, made pursuant to this Prospectus and the New Zealand Investment Statement, consisting of:
 - (i) the General Offer, which is open to Australian and New Zealand resident Retail Investors (refer to Section 3.7.3);
 - (ii) the Broker Firm Offer, which is open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker (refer to Section 3.7.1);
 - (iii) the Priority Offer, which is open to Australian and New Zealand resident Retail Investors nominated at the sole discretion of Boart Longyear (refer to Section 3.7.2); and
2. the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand, the United States and certain other overseas jurisdictions and is made pursuant to this Prospectus, the New Zealand Investment Statement or the International Offering Circular where applicable (refer to Section 3.8.1).

The Offer will be managed by the Global Coordinator, in consultation with the Joint Lead Managers and the Company. The Offer is not underwritten. Details of the Offer Management Agreement, to which the Company and the Joint Lead Managers are parties, including the termination provisions and the fees payable, are set out in Section 12.5.1.

The Retail Offer and Institutional Offer are conditional on each other. If one does not proceed, the other will not proceed.

All Shares offered for issue under the Offer will be issued subject to the disclosures in this Prospectus, the New Zealand Investment Statement and the International Offering Circular, as applicable, and will rank equally with each other, including those Shares issued to the Vendors.

The ownership structure of the Company following the Offer and assuming the issue of Shares to Management under the equity arrangements outlined in Section 3.11 will be as follows:

Table 3.2: Shareholding structure post Offer

Shareholder	Immediately following the Offer % ¹	Following issue of Shares under the equity arrangements described in Section 3.11 % ¹
New Shareholders pursuant to the Offer	85.5	84.4
Management Investors ²	2.4	3.6
Macquarie European Investments Pty Limited ³	2.0	2.0
Other existing shareholders ^{4,5}	10.1	10.0
Total	100	100

Notes:

1. Based on the mid-point of the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 on the Closing Date for the Institutional Offer.
2. Management Investors have entered into an escrow arrangement with the Company (refer to Section 3.11) under which they will be restricted from dealing with any of its retained holding until the date that is the later of three business days after the announcement of Boart Longyear's FY2007 results and twelve months after Settlement of the Offer.
3. Macquarie European Investments Pty Limited (a subsidiary of Macquarie Bank) has entered into an escrow agreement with the Company (refer to Section 3.2) under which it will be restricted from dealing with any of their retained holding until three business days after the announcement of Boart Longyear's FY2007 results.
4. Other existing shareholders includes the Consortium (with the exception of Macquarie European Investments Pty Limited) and David McLemore but does not include Advent International or Bain Capital as they are disposing of all of their interests in Boart Longyear under the Offer.
5. The other existing shareholders' retained holdings will not be subject to escrow.

Due to the vesting period associated with the equity arrangements described in Sections 3.11, the Management Investors will initially receive 35.8 million Shares (based on the mid point of the Indicative Price Range and a foreign exchange rate of US\$0.771:A\$1.00 at the Closing Date of the Institutional Offer) representing 2.4% of the Shares of the Company at Completion of the Offer. Following vesting, from the period during October to December 2007, the Shares held by the Management Investors will increase to 53.7 million (based on the mid point of the Indicative price Range and a foreign exchange rate of US\$0.771:A\$1.00 at the Closing Date for the Institutional Offer).

3.7 Retail Offer

The Retail Offer is open to Australian and New Zealand resident Retail Investors only.

To apply in the Retail Offer, you must have a registered address in Australia or New Zealand and must provide the information requested on the applicable Application Form. If you have been offered a firm allocation by a Broker, you will be treated as a Broker Firm Applicant in respect of that allocation (refer Section 3.7.1).

If you apply in the Retail Offer, you must apply for a minimum value of A\$2,000 worth of Shares and in multiples of A\$500 thereafter. There is no maximum value of Shares which may be applied for under the Retail Offer. However, the Company and the Global Coordinator reserve the right to treat any Applications in the Retail Offer which are for more than A\$100,000 or are from persons whom they believe may be Institutional Investors, as Final Price bids in the Institutional Offer or to reject the Application. The Company and the Global Coordinator also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person for this purpose.

Closing Date for the Retail Offer

The Retail Offer opens at 9.00am (Sydney time) on 12 March 2007 and closes at 5.00pm (Sydney time) on 28 March 2007, subject to amendment by the Company and the Global Coordinator, in consultation with the Joint Lead Managers. Broker Firm Applications lodged with Brokers must be lodged in accordance with the timetable instructions provided by your Broker. Completed Application Forms and Application Monies for the General Offer and Priority Offer must be received by the Registry no later than 5.00pm (Sydney time) on the Closing Date unless the Company and the Global Coordinator, in consultation with the Joint Lead Managers, elect to close the General Offer and Priority Offer early or extend the Closing Date for the General Offer and Priority Offer.

The Retail Offer may be closed at any earlier date, without notice. If you are applying under the Retail Offer, you are therefore encouraged to submit your Applications as soon as possible after the Offer opens at 9.00am (Sydney time) on 12 March 2007.

The Company and the Global Coordinator, in consultation with the Joint Lead Managers, reserve the right to reject any Application Form which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Retail Offer will be allotted Shares at the Final Price. Under the terms of the Offer Management Agreement, the Final Price will be determined by Macquarie European Investments Pty Limited as the nominated representative of the Vendors, after consultation with the Company and the Joint Lead Managers, after the close of the Institutional Offer as described in Section 3.8. An Indicative Price Range has been set at A\$1.76 to A\$2.10 per Share but the Final Price may be set above, within or below the Indicative Price Range. To the extent permitted by law, the offer by an Applicant in the Retail Offer is irrevocable.

3.7.1 Broker Firm Offer

Who can apply in the Broker Firm Offer?

The Broker Firm Offer is open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker.

How to apply in the Broker Firm Offer

If you are a Broker Firm Applicant, you should contact your Broker for information about how to submit your Application Form and for payment instructions. Your Broker will act as your agent and, in submitting your Application Form and Application Monies, you must:

- make the cheque, bank draft or money order payable to the Broker that has given you the firm allocation in accordance with their instructions; and
- deliver your completed Application Form and Application Monies to the Broker that has given you the firm allocation as instructed by them.

It is your Broker's responsibility to ensure that your Application Form and Application Monies are submitted before 5.00pm (Sydney time) on the Closing Date or any earlier closing date as determined by your Broker. The Company, the Global Coordinator, the Joint Lead Managers or the Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

3.7.2 The Priority Offer

Who can apply in the Priority Offer?

The Priority Offer is only open to Australian and New Zealand resident Retail Investors nominated by Boart Longyear.

How to apply in the Priority Offer?

If you are a Priority Offer Applicant, you should have received a personalised Application Form with this Prospectus. Applications in the Priority Offer must be made on the personalised Application Form and must be accompanied by a cheque, bank draft or money order for the Application Monies. Cheques,

bank drafts or money orders must be drawn on an Australian financial institution in Australian dollars and be made payable to "Boart Longyear Share Offer Account" and crossed "Not Negotiable". Cash will not be accepted. Receipts for payments will not be issued. You should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s).

Alternatively, you may submit your Priority Application electronically via the internet at www.boartlongyearshareoffer.com and submit your Application Monies using BPAY®. If you apply online and intend to submit Application Monies using BPAY®, you must ensure that your payment is submitted and processed by your bank so that funds are received before 5.00pm (Sydney time) on the Closing Date.

If you submit an online Application and your payment is not received before 5.00pm (Sydney time) on the Closing Date, it will be treated as a late Application and may not be processed. Full details on how to make payment through BPAY® can be made on the Boart Longyear Share Offer website at www.boartlongyearshareoffer.com.

If the amount of your cheque(s) for Application Monies (or the amount for which those cheque(s) clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, or your BPAY® payment is for any reason not received or not received in full, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

If you do not submit your Application on a personalised Application Form, or do not apply online under the Priority Offer, your Application will be treated as an Application in the General Offer and will not receive any priority.

3.7.3 General Offer

Who can apply in the General Offer?

The General Offer is open to Australian and New Zealand resident Retail Investors.

How to apply in the General Offer

If you wish to apply under the General Offer, you must complete and lodge an Application Form attached to or within this Prospectus in accordance with the instructions set out on the form.

Applications in the General Offer must be accompanied by a cheque, bank draft or money order for the Application Monies. Cheques, bank drafts or money orders must be drawn on an Australian financial institution in Australian dollars and made payable to "Boart Longyear Share Offer Account" and crossed "Not Negotiable". Cash will not be accepted. Receipts for payment will not be issued. Applicants

should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s).

Alternatively, you may submit your General Offer Application electronically via the internet at www.boartlongyearshareoffer.com and submit your Application Monies using BPAY®. If you apply online and intend to submit Application Monies using BPAY®, you must ensure that your payment is submitted and processed by your bank so that funds are received before 5.00pm (Sydney time) on the Closing Date. If you submit an online Application and your payment is not received before 5.00pm (Sydney time) on the Closing Date, it will be treated as a late Application and may not be processed. Full details on how to make payment through BPAY® can be made on the Boart Longyear Share Offer website at www.boartlongyearshareoffer.com.

If the amount of your cheque(s) for Application Monies (or the amount for which those cheque(s) clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, or your BPAY® payment is for any reason not received or not received in full, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

3.7.4 Where to send your Application Form under the Priority Offer and General Offer

Completed Application Forms, together with the cheque, bank draft or money order for the Application Monies, should be mailed or delivered to the Registry as set out below by the Closing Date:

Postal Address	OR Delivery Address
Boart Longyear Initial Public Offer c/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia	Boart Longyear Initial Public Offer c/- Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Australia

Alternatively, you may submit your General Offer or Priority Offer Application and Application Monies electronically via the internet at www.boartlongyearshareoffer.com with payment through BPAY®. Full details on how to make payment through BPAY® can be found on the Boart Longyear Share Offer website at www.boartlongyearshareoffer.com.

3.7.5 Acceptance of Applications under the Retail Offer

An Application in the Retail Offer is an offer by you to the Company to subscribe for Shares in the amount specified in the Application Form at the Final Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract with acceptance to take place after the quotation of Shares on ASX and Settlement.

3.7.6 Allocation policy under the Retail Offer

The Global Coordinator, in consultation with the Joint Lead Managers and the Company, has discretion regarding the allocation of Shares to Applicants in the Retail Offer and may reject any Application, or allocate a lesser amount of Shares than those applied for, in its absolute discretion. This discretion includes the allocation of Shares between the Retail Offer and the Institutional Offer.

The value of Shares that may be applied for under the Retail Offer is not subject to a maximum amount. However, the Company and the Global Coordinator reserve the right to treat any Applications in the Retail Offer which are for more than A\$100,000, or which are from persons whom they believe may be Institutional Investors, as Final Price bids in the Institutional Offer or to reject the Application. The Company and the Global Coordinator also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person for this purpose.

Allocation Priority

The allocation priority in respect of each component of the Retail Offer is as follows:

1. Broker Firm Offer;
2. Priority Offer; and
3. General Offer.

Allocations under the Broker Firm Offer

Firm stock which has been allocated to Brokers for allocation to their Australian and New Zealand resident Retail Investors will be issued to Broker Firm Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm stock among their Retail Investors, and they (and not the Company, the Global Coordinator or the Joint Lead Managers) will be responsible for ensuring that Retail Investors who have received a firm allocation from them receive the relevant Shares.

Broker Firm Applicants will be able to confirm their firm allocations through the Broker from whom they received those allocations. However, Applicants in the Broker Firm Offer who sell Shares before receiving an initial statement of holding do so at their own risk, even if they have obtained details of their holding from their Broker.

Allocations under the Priority Offer

Allocations under the Priority Offer will be at the absolute discretion of Boart Longyear.

Allocations under the General Offer

The Global Coordinator, in consultation with the Joint Lead Managers and the Company, reserves the right to reject any Application or to allocate a lesser amount than that applied for or to allocate no Shares to any or all Applicants in the General Offer.

3.7.7 Determination of the number of shares to be issued to successful Applicants Under the Retail Offer

The number of Shares to be issued to each successful Applicant under the Retail Offer will equal the dollar amount of their Application, less any scaling back (e.g. as a result of excess demand), divided by the Final Price and rounded down to the nearest whole Share.

For example, if you applied for A\$5,000 worth of Shares, the Application was scaled back to A\$3,000, and the Final Price was A\$2.10 you would receive 1,428 Shares, calculated as:

$$\frac{\text{A\$3,000}}{\text{A\$2.10}} = 1,428.57 \text{ Shares}$$

$$\text{A\$2.10}$$

$$= 1,428 \text{ Shares when rounded down to the nearest whole Share.}$$

You would receive a refund of A\$2,001 being the amount of scale-back. No interest will be paid on any Application Monies or refunds.

The method of scale-back will be determined by the Global Coordinator, in consultation with the Joint Lead Managers and the Company, at its absolute discretion.

3.7.8 Announcement of Final Price and final allocation policy in the Retail Offer

The Company expects to announce the Final Price and the final allocation policy under the Retail Offer on or about 4 April 2007. This information will be advertised in The Australian and other national and major metropolitan newspapers on or about that same day. Applicants in the Retail Offer will also be able to call the Boart Longyear Offer Information Line on 1800 781 633 after 8.30am (Sydney time) from 5 April 2007 to confirm their allocations. Applicants who are eligible to participate in the Retail Offer and are overseas should call +61 2 8280 7488.

However, if you are an Applicant in the Retail Offer and sell Shares before receiving an initial statement of holding, you do so at your own risk, even if you have obtained details of your holding from the Boart Longyear Offer Information Line.

3.7.9 Can the Offer be withdrawn or closed early?

Boart Longyear reserves the right to withdraw the Offer at any time before the allocation of Shares under the Offer. If the Offer is withdrawn, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer or otherwise. Boart Longyear will retain any interest which accrues on Application Monies.

Boart Longyear and the Global Coordinator, in consultation with the Joint Lead Managers, reserve the right to close the Offer early.

3.7.10 Refunds

Application Monies will be refunded (in full or in part) in Australian dollars where an Application is rejected, an Application is subject to scale-back or the Offer is withdrawn or cancelled. No interest will be paid on any refunded amounts. The Company will retain any interest earned on Application Monies.

Refund cheques will be sent following completion of the Offer or as otherwise applicable in the circumstances outlined above.

3.8 Institutional Offer

3.8.1 Invitations to bid

The Company is inviting certain Institutional Investors to bid for Shares in the Institutional Offer. The Institutional Offer is structured in three parts:

- an invitation to Australian and New Zealand Institutional Investors to bid for Shares, made under this Prospectus and the New Zealand Investment Statement as applicable;
- an invitation to QIBs in the United States to bid for Shares in transactions that are exempt from the registration requirements of the US Securities Act in reliance upon Regulation D (or Rule 144A, if applicable), and applicable United States state securities laws, made under the International Offering Circular; and
- an invitation to Institutional Investors in certain jurisdictions outside Australia, New Zealand and the United States to bid for Shares in transactions that are exempt from the registration requirements of the US Securities Act in reliance upon Regulation S

and in compliance with all applicable laws in the jurisdictions in which such Shares are offered and sold, made under the International Offering Circular.

3.8.2 Institutional Offer process and the Indicative Price Range

The Institutional Offer will be conducted using a bookbuild process managed by the Global Coordinator and the Joint Lead Managers, who will act as joint bookrunners. Full details of how to participate, including bidding instructions, will be provided to participants by the Global Coordinator and the Joint Lead Managers.

Participants can only bid into the bookbuild for Shares through Syndicate Members. They may bid for Shares at specific prices or at the Final Price. Participants may bid above, within or below the Indicative Price Range, which is A\$1.76 to A\$2.10 per Share. Under the terms of the Offer Management Agreement, the Final Price will be determined by Macquarie European Investments as the nominated representative of the Vendors, after consultation with the Company and the Joint Lead Managers, after the close of the Institutional Offer as described in Section 3.8.

The minimum bid size in the Institutional Offer is 50,000 Shares. However, the Company and the Joint Lead Managers reserve the right to accept smaller bids.

The bookbuild will be conducted from 9.00am (Sydney time) on 2 April 2007 to 12.00pm (Sydney time) on Tuesday, 3 April 2007. The Company and the Global Coordinator, in consultation with the Joint Lead Managers, reserve the right to vary the dates and/or times of the Institutional Offer without notice.

Bids in the Institutional Offer may be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to subscribe or procure subscribers for the Shares bid for (or such lesser number as may be allocated) at the price per Share bid or at the Final Price, where this is below the price per share bid; on the terms and conditions set out in this Prospectus or the International Offering Circular (as applicable), including any supplementary or replacement document, and in accordance with any bidding instructions provided by Syndicate Members to participants. Bids can be accepted or rejected by the Company in whole or in part, without further notice to the bidder. Acceptance of a bid will give rise to a binding contract.

Details of the arrangements for notification and settlement of allocations applying to participants in the Institutional Offer will be provided to participants prior to or at the opening of the bookbuild process. In some cases, Shares allocated may be delivered by the Joint Lead Managers, or their international affiliates, pursuant to settlement support arrangements under which the relevant Shares may be sold or issued to them and on-sold by them to satisfy the relevant allocations under the Institutional Offer.

3.8.3 The Final Price

The bookbuild process will be used to determine the Final Price. Under the terms of the Offer Management Agreement, the Final Price will be determined by Macquarie European Investments as the nominated representative of the Vendors, after consultation with the Company and the Joint Lead Managers, after the close of the Institutional Offer as described in Section 3.8.2. It is expected that the Final Price will be announced to the market on or about 4 April 2007. In determining the Final Price, consideration will be given to, but will not be limited to, the following factors:

- the level of demand for Shares under the Institutional Offer at various prices;
- the level of demand for Shares under the Retail Offer;
- the objective of maximising the proceeds of the Offer; and
- the desire for an orderly secondary market in the Shares.

The Final Price will not necessarily be the highest price at which Shares could be sold and may be set above, within or below the Indicative Price Range.

All successful bidders in the Institutional Offer will pay the Final Price.

3.8.4 Allocation policy under the Institutional Offer

The allocation of Shares among bidders in the Institutional Offer will be determined by the Joint Lead Managers, in consultation with the Company. The Joint Lead Managers, in consultation with the Company, will have absolute discretion regarding the basis of allocation of Shares, and there is no assurance that any bidder will be allocated any Shares, or the number of Shares for which it has bid.

The initial determinant of the allocation of Shares under the Institutional Offer will be the Final Price. Bids lodged at prices below the Final Price will not receive an allocation of Shares.

The allocation policy will also be influenced by, but not constrained by, the following factors:

- the price and number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders; and
- any other factors that the Joint Lead Managers, in consultation with the Company, consider appropriate, in their sole discretion.

3.9 Minimum subscription amount

A minimum subscription amount under the Offer is required to fund the redemption of Redeemable Notes, to undertake the debt restructuring (approximately US\$1,055 million) and to cover the costs of the Offer.

The Offer will not proceed, and all Applications and Application Monies will be returned to Applicants (without interest), unless a minimum subscription amount of A\$1,148 million is raised under the Offer. The Company reserves the right to not proceed with the Offer or any part of it at any time before allotment of Shares to Applicants in the Retail Offer and bidders in the Institutional Offer.

3.10 Discretion regarding the Offer

The Company reserves the right not to proceed with the Offer or any part of it at any time before the allotment of Shares to Applicants in the Retail Offer and to bidders in the Institutional Offer. If the Offer or any part of it does not proceed or is cancelled, all Application Monies, or the relevant Application Monies will be refunded (without interest).

The Company also reserves the right to close the Offer or any part of it early, or extend the Offer or any part of it or to accept late Applications or bids either generally or in particular cases, or to reject any application. Under the terms of the Offer Management Agreement, Macquarie European Investments, as nominated representative of the Vendors, in consultation with the Company and the Joint Lead Manager, may set the Final Price which is above, within or below the Indicative Price Range.

3.11 Investment by Management

The Management Investors will hold interests in Boart Longyear as a result of their existing shareholding in the Boart Longyear Group prior to the Offer. These interests will represent between 2.3% and 2.5% of the Company at Settlement of the Offer based on the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer.

In addition, certain equity arrangements were agreed between Management and the existing shareholders ("Vendors") during 2006. The value of the shareholding resulting from these equity arrangements will be determined by reference to the Final Price.

In accordance with these arrangements, cash proceeds from the Offer, otherwise payable to the Vendors, will be set aside to fund the Shares to be issued under the equity arrangements between October and December 2007 once the vesting period for the equity arrangements has been satisfied. Upon vesting, the Shares will be issued by the Company at the Final Price. The number of Shares being issued upon vesting increases with the Final Price determined under the Offer. Assuming all equity arrangements vest, the number of Shares to be issued will range between 15 million and 20 million based on the Indicative Price Range and will result in the Company receiving between A\$26.4 million and A\$42.0 million in cash during the last quarter of FY2007.

Therefore, based on the existing shareholdings of the Management Investors prior to the Offer and Shares to be issued under the equity arrangements, the total number of Shares to be held by Management Investors in Boart Longyear will represent approximately 3.6% of the Company's issued share capital (based on the mid-point of the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer).

Each of the Management Investors has agreed to an escrow arrangement with the Company under which they will be restricted from dealing with all the Shares they hold until the later of twelve months after the settlement of the Offer and three business days following the announcement of Boart Longyear's FY2007 results.

The Company will waive these restrictions only if:

- a takeover bid is made for all the Shares and holders of at least half of the Shares not subject to the restrictions have accepted the offer under the takeover bid; or
- a scheme of arrangement relating to the Shares becomes effective.

The Company will also waive these restrictions to permit dealings for estate planning purposes to family members.

3.12 ASX admission and quotation

It is expected that Shares will commence trading on ASX on or about 5 April 2007, initially on a conditional and deferred settlement basis.

All contracts formed on acceptance of Applications and bids in the Institutional Offer will be conditional on ASX agreeing to quote the Shares on ASX and also on initial settlement (that is, settlement in respect of all, or substantially all, of the Shares the subject of the Offer occurring under the Offer Management Agreement and associated settlement support arrangements ("Settlement")). Trades occurring on ASX before Settlement occurs will be conditional on Settlement occurring.

Conditional trading will continue until the Company has advised ASX that Settlement has occurred, which is expected to be on or about 11 April 2007.

Trading on ASX will then be on an unconditional but deferred settlement basis until the Company has advised ASX that initial holding statements have been despatched to Shareholders. Trading on ASX is expected to commence on a normal settlement basis on or about 16 April 2007.

If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of Applications and bids in the Institutional Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect. Refer to Section 3.8.3 for details on the announcement of the Final Price and final allocation policy under the Institutional Offer.

Following the issue of Shares, successful Applicants will receive a holding statement setting out the number of Shares issued to them under the Offer. It is expected that holding statements will be despatched by standard post on or about 12 April 2007. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants trading in Shares prior to receiving a statement of holding do so at their own risk. The Company, the Registry, the Global Coordinator and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them or by the Boart Longyear Offer Information Line.

3.13 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants upon acquisition of the Shares under the Offer. Various fees are payable in relation to the Offer by the Company to the Global Coordinator, the Joint Lead Managers, the other Syndicate Members and certain other Brokers. Details are set out in Section 12.5.1.1.

3.14 Stamping fees

Participating organisations of ASX will receive a handling fee of 1.0% (inclusive of GST) on General Offer Applications bearing the code of an ASX participating organisation where that Applicant is allotted Shares, with the handling fee payable by the Company. There is a cap on such handling fees of A\$300 per Application (inclusive of GST) (or multiple Applications believed to be from the same person). No handling fees will be payable on Applications under the Broker Firm, Priority or Institutional Offers.

3.15 Taxation

The Australian taxation consequences of any investment in Shares will depend upon the investor's particular circumstances. It is the obligation of potential investors to make their own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course of action you should follow, you should consult your stockbroker, accountant or other professional advisor. Section 12.9 sets out further information in relation to tax.

3.16 Offer Management Agreement

The Company has entered into an Offer Management Agreement with the Global Coordinator and the Joint Lead Managers in respect of the management of the Offer. The Offer will not be underwritten. Once the Final Price has been determined, the Global Coordinator and the Joint Lead Managers or their affiliates will be obliged to provide settlement support in respect of successful bids in the Institutional Offer under the Offer Management Agreement. The Offer Management Agreement sets out a number of circumstances under which the Global Coordinator and the Joint Lead Managers may terminate the agreement and settlement support obligations. A summary of certain terms of the Offer Management Agreement, including the termination provisions, is set out in Section 12.5.1.

3.17 Foreign selling restrictions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The Shares have not been, and will not be, registered under the US Securities Act and may not be

offered or sold in the United States or to, or for the account or benefit of, US Persons except to QIBs in accordance with an applicable exemption from the registration requirements of the US Securities Act pursuant to Regulation D (or Rule 144A, if applicable), and applicable United States state securities laws.

This Prospectus may not be distributed in the United States or to US Persons, or elsewhere outside Australia and New Zealand, unless it is attached to, or constitutes part of, the International Offering Circular that further describes selling restrictions applicable in the United States and other jurisdictions outside Australia and New Zealand, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the offering and selling instructions set out in this Prospectus and in compliance with the laws of any applicable jurisdiction. This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue this Prospectus.

Each person to whom the Offer is made under this Prospectus (including each person in Australia and New Zealand to whom the Institutional Offer is made) will be required to represent, warrant and agree as follows (and will be taken to have done so if it makes a bid in the Institutional Offer):

- it acknowledges that the Shares have not been, and will not be, registered under the US Securities Act, or in any other jurisdiction outside Australia or New Zealand, and may only be offered and sold: (i) in the United States or to, or for the account or benefit of, US Persons, to persons that are QIBs in accordance with Regulation D (or Rule 144A, if applicable), and applicable United States state securities laws; and (ii) outside the United States, to persons other than US Persons in offshore transactions in compliance with Regulation S;
- it is not in the United States or a US Person and is not acting for the account or benefit of a US Person or any other foreign person; and
- either (1) it is not engaged in the business of distributing securities or (2) if it is, it agrees that it will not offer or resell in the United States or to, or for the account or benefit of, a US Person (a) any Shares it acquires under the Offer at any time or (b) any Shares it acquires other than under the Offer until 40 days after the date on which the Shares are allocated under the Offer, in either case other than in a transaction meeting the

requirements of Rule 144A or Regulation S; provided, however, that the foregoing will not prohibit any sale of Shares on ASX if neither the seller nor any person acting on its behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States.

No person is authorised to provide any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations will not be relied upon as having been authorised by the Company, the Global Coordinator or the Joint Lead Managers or any other Syndicate Member or any other person, nor will any such persons have any liability or responsibility in relation to them.

A New Zealand Investment Statement which complies with the Securities Act 1978 (NZ) and the Securities Regulation 1983 (NZ) has been prepared in connection with the Offer. New Zealand residents should read the Investment Statement before making an Application.

3.18 Electronic Prospectus

The Offer constituted by this Prospectus is available electronically only to Australian and New Zealand residents accessing and downloading or printing the electronic version of this Prospectus within Australia and New Zealand. Australian and New Zealand residents located in Australia or New Zealand may view this Prospectus on the Boart Longyear Share Offer website at www.boartlongyearshareoffer.com. The Offer constituted by this Prospectus in electronic form is not available to investors outside Australia and New Zealand, including persons in the United States and US Persons. Refer to Section 3.17 for applicable selling restrictions.

Persons who access the electronic version of this Prospectus should ensure they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any person in Australia or New Zealand who requests a copy by contacting the Boart Longyear Offer Information Line on 1800 781 633 or +61 2 8280 7488 during the Offer Period.

Applicants using the Application Form attached to the electronic version of this Prospectus must be located in Australia or New Zealand. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to or accompanying a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

3.19 CHESS and holding statements

The Company intends to apply to participate in CHESS and, in accordance with the Listing Rules and the ASTC Settlement Rules, will maintain an electronic CHESS sub-register and an electronic issuer sponsored sub-register.

Following the issue of Shares to successful Applicants, Shareholders will receive an initial statement of holding (similar in style to a bank account statement) that sets out the number of Shares that have been allocated to them under the Offer.

This statement will also provide details of a Shareholder's HIN in the case of a holding on the CHESS sub-register, or SRN in the case of a holding on the issuer sponsored sub-register. Shareholders will be required to quote their HIN or SRN, as appropriate, in all dealings with a stockbroker or the Registry.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker, in the case of a holding on the CHESS sub-register, or through the Registry in the case of a holding on the issuer sponsored sub-register. The Company or the Registry may charge a fee for these additional issuer sponsored statements.

3.20 Enquiries

If you require assistance to complete an Application Form or require additional copies of this Prospectus, you should contact the Boart Longyear Offer Information Line on 1800 781 633 or +61 2 8280 7488. The Boart Longyear Offer Information Line will be open on business days from 8.30am to 5.30pm (Sydney time) from 1 March 2007. Investors will be able to contact the Boart Longyear Offer Information Line to receive details of their allocations from 8.30am (Sydney time) on the date of Shares commencing conditional and deferred settlement trading, which is expected to be 5 April 2007. However, if you are an Applicant in the Retail Offer and sell Shares before receiving an initial statement of holding, you do so at your own risk, even if you have obtained details of your holding from the Boart Longyear Offer Information Line. If you require advice as to whether to invest in the Company, you should seek professional advice from your stockbroker, accountant or other professional advisor.

DRILLING INDUSTRY OVERVIEW



4.1 Introduction

Boart Longyear is the world's leading integrated drilling services provider and products manufacturer for the Minerals Industry, with a substantial presence in the Environmental & Infrastructure and Energy Industries.

This Section 4 addresses the market segments and regions currently served or targeted by Boart Longyear.

Table 4.1: Drilling industry

Industry	Minerals Industry	Environmental & Infrastructure Industry	Energy Industry
Segments served by Boart Longyear	<ul style="list-style-type: none"> - All stages of mining operations: - Exploration - Development - Production - Mine closure 	<ul style="list-style-type: none"> - Water - Environmental - Construction - Geotechnical 	<ul style="list-style-type: none"> - Oil sands - Oil shale - Coal bed methane - Geothermal - Coal exploration
FY2006 industry size for customer segments served by Boart Longyear	- US\$2.5 billion	- US\$3.8 billion	- US\$2.1 billion
Main regions currently served by Boart Longyear	<ul style="list-style-type: none"> - Asia Pacific - Canada - United States - South America - Europe - Sub Saharan Africa 	<ul style="list-style-type: none"> - Water – New Zealand, United States - Environmental – New Zealand, United States and Europe - Construction – United States and Canada - Geotechnical – New Zealand, United States and Canada 	<ul style="list-style-type: none"> - Canada - United States - Asia Pacific
Primary drilling technologies	<ul style="list-style-type: none"> - Diamond core - Dual tube reverse circulation - Percussive - Rotary air blast - Sonic 	<ul style="list-style-type: none"> - Sonic - Auger - Rotary - Probe - Diamond core 	<ul style="list-style-type: none"> - Rotary - Sonic - Diamond core
Key drivers	<ul style="list-style-type: none"> - Raw materials demand and supply dynamics - Commodities prices relative to the cost of production 	<ul style="list-style-type: none"> - GDP growth - Growing urbanisation - In the case of environmental drilling, regulatory changes 	<ul style="list-style-type: none"> - Consumption rate and price of conventional energy sources - Increasing interest in developing alternative energy sources
Largest participants in the customer segments served by Boart Longyear	<ul style="list-style-type: none"> - Boart Longyear (#1) - Major Drilling (#2) - Layne Christensen (#3) 	<ul style="list-style-type: none"> - Boart Longyear (#1)² - Layne Christensen (#2) - Diversified Water (#3) - Water Development Corporation (#4) 	<ul style="list-style-type: none"> - Mullen Group (#1)³ - Ensign Energy Services (#2) - Boart Longyear (#3)

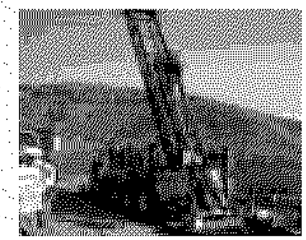
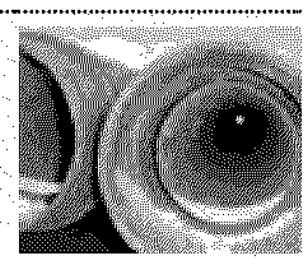
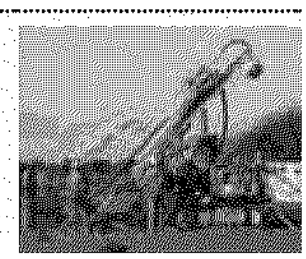

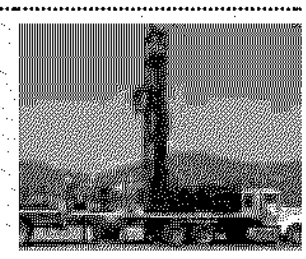
Notes:

1. Management estimates based on industry data.
2. United States Environmental drilling segment only.
3. Canadian oil sands segment only.

4.1.1 Primary drilling technologies

There are several drilling technologies used in the Minerals Industry. The drilling method used depends on the purpose of the drilling activity. All methods require purpose built equipment and skilled operators to perform the drilling safely, efficiently and to an appropriate standard.

Table 4.2: Primary drilling technologies

<p>Diamond core drilling</p>	<p>Diamond core drilling utilises an annular drill bit with an industrial-grade diamond crown to cut a cylindrical core through solid rock. This is the most sophisticated form of drilling due to the information that it yields and commands a higher service margin than other forms of drilling.</p> <p>The core barrel assembly used in diamond core drilling enables core samples to be retrieved using a device on a wireline cable through the hollow drill rods. The wireline device has the benefit of permitting the core sample to be withdrawn without having to remove the entire string of drill rods from the hole to reach the sample. This is of particular importance for deep drilling and for ground conditions that require frequent inner tube removals. Diamond core drilling has been used to extract core samples from depths up to 3,000 metres.</p>	
<p>Rotary drilling</p>	<p>Rotary drilling, in its simplest form, uses an air or water stream that is pumped to the face of the drill bit through the centre of the hollow drill rods to convey the drill cuttings to the surface between the wall of the hole and the exterior of the drill pipe. Boart Longyear's LM-700 rotary rig can drill to depths of approximately 3,400 metres.</p>	
<p>Rotary air blast drilling</p>	<p>This is a comparatively inexpensive method of rotary drilling, useful for geological sampling in the earliest stages of exploration drilling. Shallow holes are produced by these smaller, truck-mounted rotary rigs. Chip samples are blown to the surface using compressed air that is directed through the inside of the hollow drill rods, through the drill bit, and up the annulus between the wall of the hole and the exterior of the drill pipe. Rotary air blast drilling is generally used as a shallow hole system to depths no greater than 50 metres.</p>	
<p>Dual tube reverse circulation drilling</p>	<p>Dual tube reverse circulation drilling employs the same types of drill rigs as rotary air blast drilling but uses a dual-walled drill rod. Dual tube reverse circulation drilling is the preferred method when:</p> <ul style="list-style-type: none"> - hole conditions are such that the wall of the hole is not capable of supporting the erosive effect of the chip samples being conveyed to the surface; - the hole wall itself lacks the strength to remain open as drilling advances; or - the hole wall is too porous to maintain a column of drilling fluid, which is needed to keep the hole open. In these cases, if dual tube reverse circulation drilling is not used, the sample may be diluted and rendered meaningless to the geologist or the hole lost. <p>With dual tube reverse circulation drilling, the air or water flushing medium is circulated to the drill bit from within the annular space that exists between the inner and outer tubes of the dual-walled drill pipe. As the air or water passes through the drill bit, it picks up the chip sample at the face of the drill bit and conveys it to the surface in the inner tube.</p> <p>Dual tube reverse circulation drilling is primarily used for exploration and can penetrate hard rock to depths of about 600 metres.</p>	
<p>Sonic drilling</p>	<p>Sonic drilling is a vibratory drilling method that is used to sample any type of unconsolidated ground formation.</p> <p>Rotating eccentric weights in the rig's rotation unit impart a vibration into a rod string and core barrel assembly. Matching the frequency of vibration to the natural frequency of the ground enables optimum drilling speeds to be obtained. The sonic drilling system is ideally suited to coring heap leach pads and waste dumps found on mine sites, as well as mineral sands and alluvial deposits. Due to the minimally invasive nature of this method, and the fact that it does not use air or water which have the potential to dilute samples, sonic drilling is principally used for environmental and geotechnical applications. The Company's sonic rigs can drill to depths of up to 200 metres.</p>	

Auger drilling

Auger drilling, a less complex drilling method, is a drilling method that uses spiral shaped augers to bore holes in soft earth formations to depths of up to 70 metres. When hollow-stem augers are used to bore the hole, sample tubes can be lowered through the augers to the face of the drill bit. The sample tube, which is connected to a small rod string, is generally hammered into the ground at the drill bit face. By counting the number of hammer blows that are required to advance the sample tube a prescribed distance and then analysing the resulting earth core sample, engineers can determine certain geotechnical properties of the ground.



Percussive drilling

Percussive drilling is used to penetrate rock, generally to depths of less than 50 metres, to create holes for the placement of explosives (blast holes). In addition to rotation of the drill bit, the drill bit also impacts the subsurface rock in a hammer-like fashion to fracture rock efficiently. As this method is merely for the creation of holes, and not to collect core samples for analysis, this method is less sophisticated than other methods of drilling.



Probe drilling

Probe drills are pneumatic or hydraulic geotechnical drills designed to reach into potentially unstable ground while remaining on solid ground. These drills are used to delineate existing underground workings and mine shafts to prevent damage or injury that could result from the use of heavy machinery on these areas. Probe drilling is also used for drilling in inaccessible low clearance or indoor areas.



4.2 Drilling services market

4.2.1 Minerals Industry

4.2.1.1 Description

Exploration drilling for minerals primarily involves the extraction of solid rock core or chip samples for technical analysis. This is regarded as a non-core activity by mining companies and is typically contracted to third party service providers, such as Boart Longyear. The samples extracted provide the mining companies with critical information over the life of a mining project. Exploration drilling services are used in each stage of mining operations: exploration, development, production and closure of the mine.

In addition, drilling services are required for mining companies to estimate the size and quality of reserves, key determinants of the value of a mining company, to communicate to investors. Investors use mining companies' reserves to assist in their evaluation and valuation of mining companies.

Management estimates that direct global expenditure on Minerals Industry drilling services was approximately US\$2.5 billion in FY2006 and is expected to grow by approximately 20% to US\$3.0 billion in FY2007 and continue growing in FY2008, albeit at a slower rate.

Table 4.3: Drilling services provided throughout mining operations.

	Exploration stage drilling	Development stage drilling	Production stage drilling
Description	<p>This stage of mining, also known as the 'greenfield' stage, is primarily focused on the discovery of mineral deposits. It is the earliest stage of mining operations and precedes the development and production stages.</p> <p>In this stage, equipment and crews are deployed to often remote locations to undertake exploration drilling on undeveloped land to determine whether sufficient reserves exist within a region to justify development of a mining project.</p> <p>Crews drill into the underlying rock to recover rock chips or core samples to ascertain the existence or quality of a mineral deposit.</p> <p>The integrity of the core samples supplied by drilling services providers for analysis is extremely important for the accurate determination of the feasibility of a particular prospect. For this reason, Management's experience is that mining companies will typically engage experienced drilling services providers with a track record of producing high quality core samples.</p> <p>Following the discovery of a mineral deposit, substantial drilling is typically required to characterise the size and quality of the deposit and to assess the feasibility of developing the deposit.</p>	<p>Development stage exploration drilling is typically undertaken to enable resource definition required for the expansion of an existing mining project and also to aid in the planning and construction of new mine sites. This is known as "brownfield" drilling.</p>	<p>Production stage exploration drilling is drilling that takes place within the mine boundaries and includes both surface and underground services. Operating mines require exploration drilling services to delineate the ore body for planning and grade control over the life of the mine.</p> <p>Exploration drilling is also required to control or obtain water. Large diameter water production wells are often bored either to supply the mine with process water, or to extract water from the vicinity of the mine to improve mining conditions.</p> <p>In the production stage, percussive drills are used to conduct blast hole drilling in underground mines for extracting ore for removal to the surface.</p>
Fundamentals	<p>The key driver of demand for exploration stage drilling is commodities pricing. Due to the risk of failure in exploration activity and the costs involved in establishing a new mine if exploration is successful, exploration stage drilling is undertaken only when commodities prices are sufficient to support those costs. Historically there has been a lag of approximately 12 months between a significant fall in commodities prices and impact on exploration stage drilling demand. Current and long term forecast commodities prices are well above the levels required to initiate exploration activity.</p>	<p>The 'brownfield' stage of mining is less susceptible to fluctuations in the commodities cycle than 'greenfield' exploration. This is because miners are more likely to be able to access and develop high quality deposits in close proximity to existing mining operations than through 'greenfield' exploration. Mining companies can also extract significant efficiencies through the processing of new reserves using existing mine infrastructure.</p>	<p>Demand for production stage exploration drilling for mine planning and production is relatively stable despite fluctuations in commodities prices.</p>

Mine closure

When production ceases and a mine is closed, remedial action is undertaken to restore the site to premining condition. Drilling services required at this stage include environmental testing to install monitoring wells within and around the mine.

4.2.1.2 Industry dynamics

Outsourcing by mining companies

Drilling equipment is specialised and requires trained operators to perform the drilling service safely and cost-effectively. For this reason, mining companies typically outsource their drilling services to contracted service providers. A mining company's drilling services requirements will typically fluctuate and outsourcing is accepted as a desirable alternative to maintaining peak staffing and equipment levels, particularly on a global scale.

Those mining companies that have in sourced drilling operations generally undertake such activities at underground mining operations or where they have unionised workforces and are contractually bound to in source their drilling requirements.

Drilling services contractors

Drilling services providers generally compete on productivity, price, accuracy, safety, reliability and experience. While price is an important consideration, it is often not the definitive factor in the selection of a drilling services provider. In Management's experience, technical ability, safety record, consistency and quality of services have emerged as key considerations for the Majors, as has the ability to provide global support.

Drilling services contracts are typically awarded following a tender process. Drilling services providers tend to quote following a detailed costing and pricing process that ensures that projects are properly planned and take into account the geography, geology, timeframe, staffing and equipment and tooling costs.

A typical drilling contract specifies the depth of drilling required, the duration of the project and the scope and conditions of work to be undertaken. Customers are typically charged on a rate per-metre drilled basis. Profitability is therefore a function not only of price and the ability to provide an accurate price estimate, but also productivity, which is driven by the drilling method, technology, efficiency of the equipment and skill and experience of the drill operators.

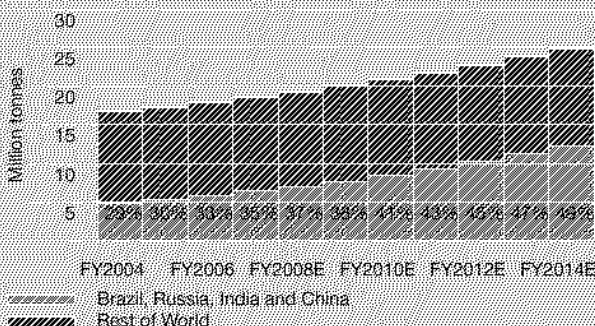
4.2.1.3 Key industry drivers

The Minerals Industry is driven by the global supply and demand for raw materials. Increased demand from the rapid industrialisation and urbanisation of nations such as Brazil, Russia, India and especially China, coupled with increasing supply shortages, is expected to maintain demand for raw materials at levels that sustain strong demand for drilling services by the Minerals Industry. As a result the Minerals Industry is experiencing historically high prices across many minerals.

Commodities demand

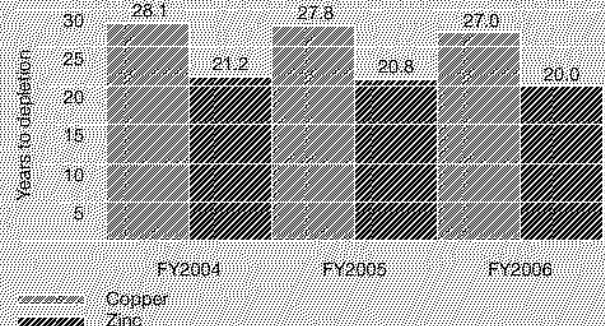
Following World War II, with the rebuilding of Europe and Japan, the world entered a period of sustained and strong commodity utilisation and demand resulting in a period of increasing commodities prices into the 1970s. Following the supply-induced oil shocks in 1973 and 1978-1979, increased supply and more stable geopolitical conditions resulted in depressed commodities prices and a long term under investment by mining companies in new exploration and reserve development.

Figure 4.1: Copper demand by region



Source: Management estimates based on industry data

Figure 4.2: Reserve life of Copper and Zinc



Source: Management estimates based on industry data, displays years until depletion based on current year consumption rates

Recently, the rapid industrialisation and urbanisation of emerging economies, especially China, has led to significant growth in the consumption of raw materials as illustrated by Figure 4.1 which displays the significant increase in demand for copper since 2004, particularly from Brazil, Russia, India and China. Increased demand from other emerging economies, particularly India, is expected to drive additional growth.

The expected increase in demand for copper, other base metals and iron ore provides the mining sector with a positive outlook and supports increased demand for drilling services by the Minerals Industry.

Gold, unlike other commodities, acts as a store of value, a unit of exchange and is also used in jewellery making. Current macroeconomic conditions favour the outlook for gold, namely:

- increased demand for gold jewellery from the new, wealthier, middle classes in China and India;
- a weakening US dollar coupled with inflationary pressures are highly supportive for gold prices as investors seek a safe, inflation neutral investment;
- new sources of investment demand in gold are appearing, particularly petro-dollar revenue in oil-rich states; and
- de hedging by the mining companies since 2002 has created net demand for gold. While the impact of de hedging is declining, the current trend among mining houses is to avoid hedging other than to the extent required to obtain project finance.

Commodities supply

Strong commodities prices and continued demand for drilling services by the Minerals Industry is also expected to be supported by supply shortages of commodities caused by reduced reserve lives due to the sustained underinvestment in exploration by mining companies. The depletion of key commodities reserves, as illustrated in Figure 4.2, is expected by Management to promote further investment in exploration to identify replacement reserves which will drive demand for drilling services.

Production

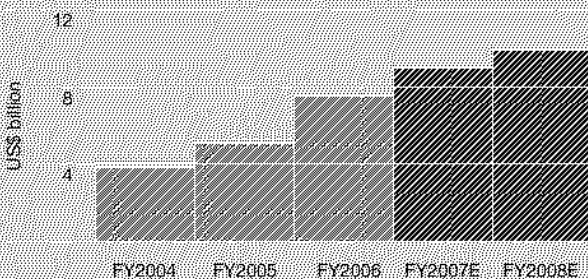
Production is driven predominantly by supply and demand fundamentals as operating mines target the highest possible utilisation levels. As a result of the increased demand for commodities and supply shortages, resulting from declining reserves, production levels have increased significantly in recent years. Production increases are expected to continue over at least the medium term, sustained by continuing commodities demand.

This outlook implies that demand for drilling services will increase over the short to medium term.

Exploration expenditure

Increased demand for raw materials, together with a slowing discovery rate and decreasing global mineral reserves resulting from historical under investment in exploration, support the expectation that demand for exploration drilling services will increase. As illustrated in Figure 4.3, global exploration expenditure by the mining industry is expected to increase at a compound annual growth rate of approximately 30% from FY2004 to FY2008E. Global nonferrous exploration budgets for all mining companies in the global Minerals Industry was approximately US\$7.5 billion in FY2006, and is expected to grow by approximately 20% to approximately US\$9.0 billion in FY2007.

Figure 4.3: Global nonferrous minerals exploration budgeted expenditure



Source: Metal Economics Group data, FY2004-FY2006 and FY2007 estimate; Management estimates FY2008 estimate.

Based on current market conditions and expenditure patterns, coupled with the robust balance sheets of the Majors and significant capital recently raised by Juniors, Management expects that exploration and development budgets will continue to grow in FY2008, although at a slower rate than forecast for FY2007.

Management estimates that approximately 40% of total mining exploration budgets are comprised of spending on drilling services.

The decision by mining companies to undertake exploration activity involves a cost/return analysis. The price at which a commodity can be sold compared with the cost to produce it, is a key determinant of whether a potential mine site is feasible for mining. When commodities prices fall below a feasible margin above the cost to produce, exploration expenditure is typically reduced in the financial year commencing immediately after that price decrease. This is because mining companies will typically adjust their exploration budgets in response to price decreases for the next financial year, rather than curtail exploration expenditure in the current financial year for which a budget has already been set. However, fluctuations in commodities prices above these levels do not typically have a significant impact on exploration expenditure. Accordingly, if commodities prices stay above these threshold levels, demand for drilling services should be stable or increasing despite any fluctuations in commodities prices.

As a result of the impact of emerging economies on demand for raw materials and shortages of base metals and other mineral commodities, commodities prices have increased substantially in recent years and are forecast to remain strong over the next few years. Current and forecast prices are not only significantly above the long term cost of production, but are also in excess of the industry operating margins above the cost of production, which are typically the levels below which exploration expenditure is curtailed.

In the case of base metals, iron ore and mineral commodities other than gold, a further factor driving the demand for drilling services is that miners, due to a scarcity of accessible new reserves, are increasingly forced to explore for deeper and more remotely located ore bodies that are more difficult to extract. These deposits typically have more complex geology and thus mine planning and extraction techniques require more detailed information before production can commence. This results in greater volumes of drilling being required to locate the mineral deposits and ascertain whether the deposits

can be economically mined and greater demand for Boart Longyear's services and products.

4.2.1.4 Key customers

Key customers of Minerals drilling services companies can be divided into three primary groups:

Majors are large, global companies with current annual non-ferrous mining-related revenues of more than US\$500 million which typically have the financial strength to develop a major mine without external financing. Examples include Anglo American, Barrick Gold, BHP Billiton, Phelps Dodge, Rio Tinto, Teck Cominco and Xstrata.

Juniors are mining companies without significant current mining-related revenues that are dependent on outside equity financing to fund exploration activity. Typically, they are pure minerals explorers that have not achieved sufficient scale to self-finance new projects. Juniors raised US\$14.8 billion of equity in 2006. Management estimates that this equates to approximately two years of Junior exploration spend. A significant portion of these funds are expected to be spent on global exploration drilling.

Intermediates are companies with mining-related revenue between those of Majors and Juniors (typically over US\$50 million but less than US\$500 million annually). Examples include Kingsgate, Oxiana, Jubilee Mines, Ivanhoe Mines and Zinifex.

Majors typically have more stable exploration budgets in comparison to Juniors.

The exploration drilling activity of Majors is typically related to the development stage of the mining process as opposed to the more cyclical exploration stage drilling undertaken by Juniors. Furthermore, drilling activity by Majors in the exploration and development stages does not decline to the same extent as those of Juniors during periods of lower commodities prices. This can partly be attributed to Juniors' reliance on equity financing.

The balance sheets of the Majors are currently comparatively strong and this is expected to continue to drive consolidation in the mining industry, such as BHP Billiton's takeover of WMC Resources.

The Minerals Industry is highly fragmented, with few major market participants and a large number of small, often family-run, regional or local companies. Key large industry participants in the global Minerals drilling services industry include Boart Longyear (holding the leading market share), Layne Christensen Company and Major Drilling Group International Inc.

4.2.2 Environmental & Infrastructure Industry

4.2.2.1 Description

Boart Longyear has a substantial and increasing presence in the Environmental & Infrastructure Industry and is the leader in the United States environmental drilling industry.

The Environmental & Infrastructure Industry incorporates environmental, water, construction and geotechnical drilling services. The size of the United States water and European environmental and infrastructure industry in which Boart Longyear operates was estimated by Management to be approximately US\$3.8 billion in FY2006 and is much larger globally.

Drilling services offered to the Environmental & Infrastructure Industry include two primary drilling applications:

- site investigation drilling, which involves the installation of wells for monitoring; and
- characterisation of ground water and soil and remediation drilling, which relates to in situ treatment or pump-and-treat applications.

Drilling services offered to the water industry include the drilling and construction of water wells, well pump rehabilitation services and wells for ground water injection and recharge.

Construction drilling services include the development of bore holes that are used to improve ground conditions in or around construction sites that are used for the installation of piles, grout, freeze pipes, tensioning devices or instrumentation.

Geotechnical drilling services include drilling performed in advance of building construction work or an excavation to provide engineers and geologists with core samples for analysis to determine the ground's material properties such as soil strength. These investigations are required well in advance of the construction of large scale public works such as dams and tunnels.

4.2.2.2 Key industry drivers

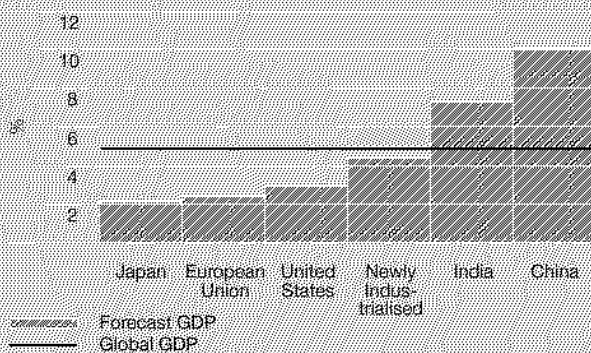
The Environmental & Infrastructure Industry is predominantly driven by governmental regulation and spending and GDP growth.

In the high growth markets of China and India, GDP is forecast to grow at 10.0% and 7.3% respectively in FY2007, providing strong future demand for drilling services to the Environmental & Infrastructure Industry.

Environmental

In developed countries, mitigating environmental liability is a prime concern for industry and government and results in demand for environmental testing, monitoring and remediation drilling on industrial sites, whether those sites are experiencing ongoing industrial activity, are abandoned or are undergoing a change of ownership. Increasingly stringent environmental regulations in developed countries are expected to continue to drive demand for drilling services in these markets.

Figure 4.4: FY2007 forecast GDP growth



Source: International Monetary Fund

Water

The United States market for water exploration drilling services is estimated by Management to have been approximately US\$1.9 billion in FY2006. Water development projects are both publicly and privately funded projects and are driven by population growth and the consequential industrial, agricultural and residential expansion. The key growth drivers of the water drilling sector in the United States include industrial growth and urban expansion combined with the excessive draw-down of both surface and ground water (aquifer) reserves.

In developing countries, rapidly expanding populations, particularly those in arid regions, are straining existing water resources. Further expansion and improvement of the water supply infrastructure, for which drilling services are required, is needed to create sufficient potable water.

Construction and geotechnical

The key drivers of the construction and geotechnical drilling segment are GDP growth and urban expansion.

Existing infrastructure (roadways, bridges and dams) is undergoing constant maintenance and upgrading to accommodate growing usage and demand. Large scale development projects, such as transportation or underground services (light-rail or combined sewer overflow systems) required to support larger population bases are expected to increase in number as economic and urban expansion continues.

4.2.2.3 Key customers

The key customers for:

- environmental drilling services are consulting firms, representing public and private entities undertaking large capital works;
- water drilling services are governments and municipalities alongside large mining firms, industrial and agriculture users; and
- construction and geotechnical drilling services are subcontractors to civil construction companies.

4.2.2.4 Competitors

The environmental drilling industry in the United States is fragmented and localised. Boart Longyear is the only environmental drilling services provider which has a broad presence across the United States. Some of the larger regional participants include Water Development Corporation, Layne Christensen, ADT and Miller Drilling. Most environmental drillers are also active in water exploration drilling services.

Key participants in the United States water industry include Boart Longyear, Layne Christensen, Diversified Water and Water Development Corporation. The market is otherwise fragmented and many competitors are small local operators. The Company only has a small presence in the water drilling industry outside the United States.

Key participants in the United States and Canadian construction and geotechnical drilling segment include Hayward Baker, Malcolm Drilling, Berkel & Company, Moretench, Schnabel Foundation and Trevi Group. The geotechnical drilling industry is highly fragmented with no discernible leader.

4.2.3 Energy industry**4.2.3.1 Description**

Boart Longyear has a growing presence in the Energy Industry providing oil sands, oil shale and coal bed methane exploration drilling services and pre collaring or casing of gas wells.

Due to continued growth in hydrocarbon consumption and uncertainty surrounding the supply of existing resources in the Middle East and South America, global oil and gas companies and utilities have sought to expand their access to new energy sources. Such activity has included the exploration for non-conventional energy sources, such as Canadian oil sands and oil shale (from which oil can be extracted) and coal bed methane (which involves drilling ventilation gas wells for coal mining companies). Management estimates that the market segments served by Boart Longyear were worth approximately US\$2.1 billion in FY2006. The oil sands sector is forecast by Management to grow at 20% in FY2007 and the coal bed methane and gas well casing sectors are expected to grow by 8% to 10% in FY2007. The Canadian oil sands drilling market is one of the highest growth segments of the energy drilling services industry. For example, the Alberta oil sands in Canada are expected to attract over US\$80 billion worth of investment over the next decade with approximately 75% of potential oil sands areas still available for exploration and leasing.

4.2.3.2 Key industry drivers

Demand for non-conventional energy related drilling is strongly influenced by:

- the price of conventional energy sources, such as oil and gas;
- the increased rate of consumption of hydrocarbons, particularly as a result of economic expansion; and
- the increased interest in developing alternative sources of energy (non-conventional oil sources, geothermal and coal bed methane).

The oil sands, oil shale and coal bed methane drilling sectors in North America are forecast to maintain strong growth rates driven by the long term trend of tightening supply of conventional energy sources. The increasing complexity and scarcity of new large and/or easily accessible oil and gas reserves has driven exploration drilling expenditure. Additionally, the political instability in certain oil-producing regions, including the Middle East and Venezuela, is expected to drive the development of alternative energy sources even faster in politically stable regions such as Canada.

4.2.3.3 Key customers

The key users of Energy Industry drilling services are oil and gas companies and large government run utilities and coal mining companies (seeking to de-gas coal mines).

4.2.3.4 Competitors

Boart Longyear is a key participant in the Energy Industry for oil sands in Canada together with Mullen Group and Ensign Energy Services. Unlike Boart Longyear, which is focused solely on exploration drilling for energy sources, both Mullen and Ensign operate diverse businesses involved in the exploration for, and production of, both conventional and non-conventional sources of oil and gas. The remaining competitors are small, regional, privately owned firms.

Currently, Boart Longyear does not have a significant presence in the coal bed methane industry. However, it has identified this as an attractive sector and has developed a strategy of becoming a leading participant in this high growth sector. Competitors in this market are Ensign Energy Services and Precision Drilling.

4.3 Products

4.3.1 Product descriptions

The drilling products business supplies capital equipment (surface and underground) and consumable products (diamond drill bits, percussive drill bits, core barrels, drill rods and casings and other products) to the Minerals, Environmental & Infrastructure and Energy Industries. Total global expenditure on drilling products in the market segments currently served by Boart Longyear is estimated by Management to have been approximately US\$2.0 billion in FY2006 and is expected by Management to grow by 15% in FY2007 to US\$2.3 billion.

Coring tools

Coring tools include advanced wireline and conventional diamond drill coring systems used in Minerals drilling, including diamond drill bits, core barrels, rods and casings. These products are designed and used to extract rock and other core samples drilled.

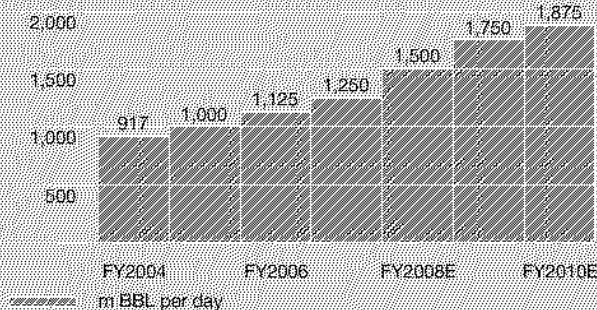
Drilling capital equipment – rigs

A wide range of rigs are manufactured for use by the Minerals, Environmental & Infrastructure and Energy Industries. Each rig type is designed and manufactured for specific applications. The parameters used to design rigs include hole depth, hole diameter, hole use/maintenance and ground conditions.

Percussive tools

Percussive tools include drill mounted and hand held hammers used to produce the rotation and impact forces, shank adaptors to transmit the energy to the drill string, drill rods and couplings for various hole depths and bits which are fitted with tungsten carbide inserts to fracture the rock.

Figure 4.5: Canadian oil sands production estimates



Source: Management estimates based on industry data

Stone cutting consumables – Diamond wire

Stone and concrete cutting tools and equipment produced by Boart Longyear and its competitors primarily consist of diamond wire and diamond saw blades, as well as related equipment. These products are used for quick and efficient cutting of natural stone, concrete and similar materials and are made from diamond-impregnated segments similar to the diamond-drill bits used in Minerals Industry drilling.

Mining capital equipment

Other mining capital equipment includes load-haul-dump machines and utility vehicles for underground mining and tunnelling and percussive drills. Hydraulic and pneumatic rockdrills are principally used for drilling blast holes in underground mining and tunnelling applications.

4.3.2 Key industry drivers

The Minerals, Environmental & Infrastructure and Energy drilling products industries are driven by the same key drivers as the Minerals, Environmental & Infrastructure and Energy drilling services industries. Refer to Section 4.2.3.2 for discussion of the key industry drivers.

4.3.3 Key customers

The customers of the drilling products industry are numerous and diversified. The customer base participates in a range of mining, environmental, infrastructure and energy activities. Key customers include drilling services providers (including Boart Longyear's Drilling Services division) and mining companies.

4.3.4 Competitors

Boart Longyear, Atlas Copco Group and Sandvik AB are the key participants in the global exploration drilling products industry. The remainder of participants are regional or niche participants.

4.4 Regulatory environment

There are no global bodies governing the provision of drilling services or the manufacture of related products. However, industry participants must adhere to relevant national and state regulations.

There are various bodies which govern specific types of drilling services. The services provided by Boart Longyear are subject to various licensing, permitting, approval and reporting requirements imposed by federal, state, local and foreign laws. Boart Longyear's operations are subject to inspection by, and the regulations of, governmental agencies, including the Department of Transportation, and the Occupational Safety and Health Administration ("OSHA") and Mine Safety and Health Administration ("MSHA") within the Department of Labor in the United States as well as their counterparts in countries other than the United States. In addition, the Company's activities are subject to regulation under various environmental laws regarding emissions to air, discharges to water and management of waste and various hazardous substances.

Drilling related products manufacturers are usually subject to environmental industrial relations and product liability regulation. Refer to the Risk Factors in Section 6 for more information.

BOART LONGYEAR OVERVIEW

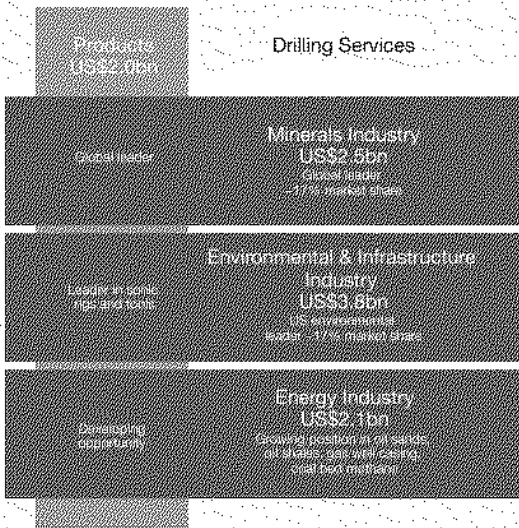


5.1 Introduction

Boart Longyear is the world's leading integrated drilling services provider and products manufacturer for the Minerals Industry, with a substantial presence in the Environmental & Infrastructure and Energy Industries.

The segments in which the Company operates were estimated by Management to have global sales of approximately US\$10 billion in FY2006.

Figure 5.1: Boart Longyear's market segment



Note:
1. Industry size for US Water only and US and Europe environmental & infrastructure segments.

Source: Management estimates based on industry data.

Boart Longyear operates an integrated business, covering two markets:

- Drilling Services – the provision of contract drilling services for the extraction of rock, soil and water samples for technical analysis; and
- Products – the manufacture of capital equipment (rigs) and consumables to the drilling industry, including its own Drilling Services division.

The Company generated pro forma revenue of US\$1.25 billion in FY2006, is forecast to generate pro forma revenue of US\$1.46 billion in FY2007 and has over 7,800 employees globally.

The Drilling Services division, which is expected to account for US\$908 million or approximately 60% of the Company's pro forma revenue in FY2007, provides drilling services in 30 countries in the Minerals, Environmental & Infrastructure and Energy Industries.

The Company's Products division, which is expected to account for the remaining 40% of pro forma revenue for FY2007, representing US\$553 million, manufactures products for customers in over 100 countries in the Minerals, Environmental & Infrastructure and Energy Industries.

The Company has a corporate office in Sydney, Australia and its operational head office is in Salt Lake City, Utah, United States. Boart Longyear has five regional offices in Australia, Canada, The Netherlands, Peru and South Africa and its revenue is derived from a diverse geographic base.

Figure 5.2: Consolidated FY2007 pro forma revenue by geography



Boart Longyear's Drilling Services division has established a leading position in the key geographic segments of the Minerals drilling services industry of Australia, Canada and the United States, of which Management estimate US\$1.0 billion was spent on drilling services in FY2006. The Company is also the market leader of the US\$2.5 billion global Minerals drilling services industry, with an estimated 17% share.

The Company's Products division is the global leader in the surface and underground mineral exploration drilling products segment.

The Company also has a substantial presence in the global Environmental & Infrastructure Industry with a leadership position in the United States environmental drilling services segment.

Boart Longyear has a growing position in oil sands, oil shales, gas well casing and coal bed methane segments within the Energy drilling services industry in the United States and Canada. The Company is also investigating opportunities in relation to its products offering to the Energy Industry.

5.2 Integrated business model

Boart Longyear's integrated model of Drilling Services and Products divisions fosters a mutually beneficial relationship. Management estimates that approximately 15% of the Products division's manufacturing output is used to supply drilling products to the Company's Drilling Services division.

Additionally, the integrated model provides the following competitive advantages:

- access to equipment in a supply-constrained market;
- continuous product development and innovation cycle driven by productivity requirements from Drilling Services;
- a 'speed to market' advantage for new product development; and
- unrivalled market knowledge.

Figure 5.3: Boart Longyear global presence

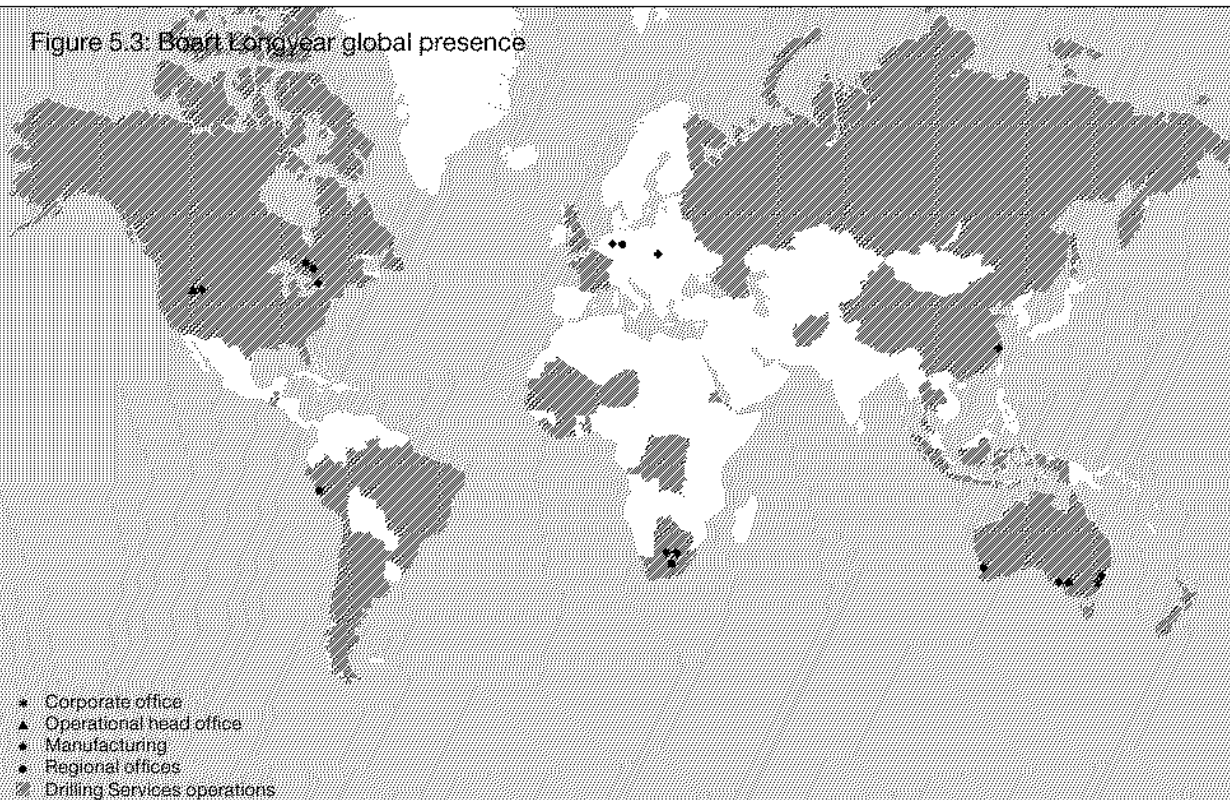


Table 5.1: Operational structure overview

	Drilling Services division	Products division
Business summary	<ul style="list-style-type: none"> - Conducts drilling for clients on a contract basis, primarily for the extraction of rock, soil or water samples for technical analysis 	<ul style="list-style-type: none"> - Produces a wide range of equipment and consumables for use in drilling - Produces mining capital equipment, primarily for mine production - Produces hardrock tools for blast hole drilling - Produces stone cutting consumables
FY2007 pro forma revenue¹	US\$908.4 million (~62%)	US\$552.8 million (~38%)
FY2007 pro forma EBITDA²	US\$251.0 million (~67%)	US\$121.2 million (~33%)
FY2007 maintenance capital expenditure	US\$26.9 million	US\$3.6 million
FY2007 expansionary capital expenditure	US\$58.0 million	US\$12.9 million
Product/service offering	<p>Drilling services are provided to the following industries:</p> <ul style="list-style-type: none"> - Minerals (exploration, development, production and mine closure drilling) - Environmental & Infrastructure (environmental, water, construction and geotechnical drilling) - Energy (oil sands, oil shale and coal bed methane drilling and gas well-casing) 	<p>Drilling consumables products include:</p> <ul style="list-style-type: none"> - Diamond core bits - Drilling rods - Core barrels - Percussive drilling consumables - Diamond cutting wire <p>Drilling equipment products include:</p> <ul style="list-style-type: none"> - Minerals core drilling rigs - Environmental/geotechnical rigs - Percussive drilling rigs - Rockdrills - Mining capital equipment

Notes:

1. Excludes intercompany sales. See Section 9 for discussion of Directors' Forecast.

2. Excludes corporate costs which are included in consolidated EBITDA.

	Drilling Services division	Products division
Key operational data	<ul style="list-style-type: none"> - Fleet of over 1,080 rigs (industry's largest) by the end of FY2007 - Services provided in 30 countries - Approximately 5,400 employees 	<ul style="list-style-type: none"> - 11 manufacturing facilities in 7 countries - 13 wholesale/distribution DrillStores - Supplies products to over 100 countries - Approximately 2,000 employees
Market share	<ul style="list-style-type: none"> - Minerals Industry – global market leader with an approximate market share of 17% - Environment & Infrastructure Industry – market leader in the US environmental drilling industry with an approximate market share of 17% 	<ul style="list-style-type: none"> - Minerals – market leader in the segments that the Company serves and particularly the surface mineral exploration and underground mineral production drilling product segment
Principal customers	<ul style="list-style-type: none"> - Mining companies (primarily Majors such as BHP Billiton, Rio Tinto and Barrick) - Governments and local councils in Environmental & Infrastructure Industry - Shell, Petro Canada, Suncor, Syncrude in oil sands segment of the Energy Industry 	<ul style="list-style-type: none"> - Drilling services providers including the Company's Drilling Services division that uses approximately 15% of the Product division's manufacturing output - Participants in the Mineral, Environmental & Infrastructure and Energy Industries

Figure 5.4: Drilling Services FY2007 pro forma revenue by industry

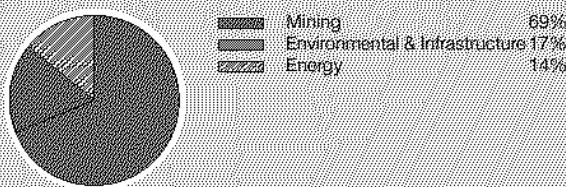
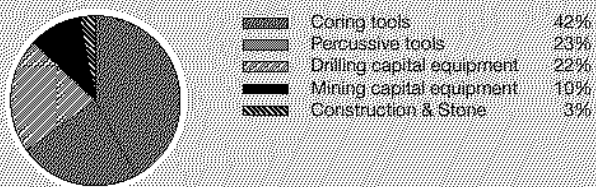


Figure 5.5: Products FY2007 pro forma revenue by product



5.3 Company history

Boart Longyear has been a provider of drilling services and products to the global Minerals Industry for over 100 years.

The Longyear Company was founded in 1890 and Boart International, a De Beers subsidiary engaged in the development of industrial applications for industrial diamonds (including coring drill bits), in 1936.

The Longyear Company was acquired by Boart International in 1974 and formally merged into Boart Longyear in 1994. From 1974 to 2005, Boart Longyear operated as a wholly owned subsidiary of Anglo American, providing services and products to most major mining companies. During this time, the Company acquired and successfully integrated a number of companies that further expanded Boart Longyear's capabilities.

Under Anglo American's ownership, Boart Longyear represented less than 4% of total revenue, was considered a non-core business and was managed regionally, with its head office in Johannesburg, South Africa. There was limited emphasis on performance or growth and the Company had limited access to capital.

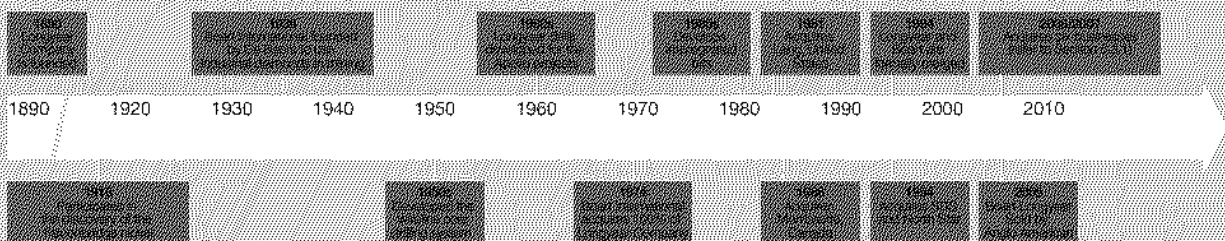
In 2005, Boart Longyear was acquired by Advent International, Bain Capital and the Management Investors. In 2006, the Consortium was introduced as an investor alongside Advent International, Bain Capital and the Management Investors.

Since the sale by Anglo American, Management has undertaken a number of restructuring initiatives to establish Boart Longyear as a globally run business, focused on operational improvements and organic and acquisition growth. These measures include the following:

- establishment of one global, integrated business with a uniform approach to pricing, equipment assignment and client account management;
- relocation of operational head office to Salt Lake City, Utah, United States, from Johannesburg, South Africa, which significantly expanded the available candidate pool for senior management positions; and
- significant investment in expanding and improving the business. For example:
 - the Company has completed six acquisitions over the six months to 31 January 2007;
 - restructuring and rationalising the Company's manufacturing base;
 - there are currently a number of cost saving initiatives being undertaken, such as global sourcing of inputs; and
 - during FY2006, the Company undertook significant capital expenditure to add over 60 rigs to its base fleet and to debottleneck and rationalise its manufacturing footprint.

The Company believes there are still further benefits to be derived from operating as an independent, global drilling business. This is expected to drive growth in the medium term. These opportunities are described in further detail in Section 5.7.

Figure 5.6: Company history



5.3.1 Recent acquisitions

Over the six months to 31 January 2007, Boart Longyear made six strategic acquisitions. Four of the businesses acquired are based in Western Australia (North West Drilling, DrillCorp, Grimwood Davies and KWL) and two in the Americas (Prosonic and Connors).

The acquisitions of North West Drilling, DrillCorp and Grimwood Davies significantly expanded Boart Longyear's presence in the important Western Australian mining industry, providing the Company with an increased presence in surface drilling, particularly iron ore drilling, and further exposure to Majors such as BHP Billiton and Rio Tinto.

KWL designs and manufactures a range of multipurpose and dual tube reverse circulation rigs which complement Boart Longyear's strong offering of surface and underground coring drilling rigs.

The acquisition of Prosonic provides the Company with a base for international expansion of its sonic drilling capabilities and the acquisition of Connors provides increased exposure to the leading Latin American mining houses. There is potential for further operational efficiencies to be realised in FY2008 from these acquisitions, following their integration into the Group. For all the drilling services companies recently acquired by Boart Longyear, new rigs are planned to be deployed to the businesses during FY2007.

5.4 Drilling Services division

5.4.1 Overview

Boart Longyear's Drilling Services division undertakes contract drilling work for the Minerals, Environmental & Infrastructure and Energy industries.

The Drilling Services division will operate a fleet of over 1,080 drill rigs by the end of FY2007 and employs over 5,400 employees including rig operators, driller's assistants, supervisors and supporting staff.

The division provides its mining clients with earth and rock core, or rock chip samples in various sizes at certain depths for mineral analysis purposes. The division typically operates in the exploration and development stage and also provides drilled blast holes for production mining purposes.

Boart Longyear's Drilling Services division generates the majority of its revenue from the Minerals Industry but in recent years has also developed drilling capability for the non-mining Environmental & Infrastructure and Energy Industries.

In the Environmental & Infrastructure Industry, Boart Longyear's services include the drilling, installation and servicing of monitoring and remediation wells for ground water treatment and wells for fresh-water production, de-watering or brown (grey) water injection. Geotechnical and construction drilling services include soil sampling and earth improvement drilling solutions, such as micro-pile and de-watering well installations.

In the Energy Industry, Boart Longyear provides earth and rock core samples for analysis purposes, as well as completed holes for the installation of gas well casings and the installation of coal bed methane wells.

Boart Longyear's Drilling Services division is International Standard Organisation 14001 (Environmental) ("ISO 14001") and Occupational Health and Safety Association Standard 18001 (Safety) ("OHSAS 18001") accredited. In Management's experience, the Company's ISO 14001 and OHSAS 18001 accreditation is a differentiating factor for Majors when selecting a drilling services provider and for the Company when trying to attract skilled labour.

5.4.2 Competitive strengths

Key competitive strengths of Boart Longyear's Drilling Services division include its:

- global reach providing a platform to support its longstanding relationships with its global customer base;
- integrated business model providing access to equipment and consumables to enhance drilling productivity;
- ability to provide a full suite of drilling services to its global customer base;
- scale and access to capital enabling it to make acquisitions to further consolidate Boart Longyear's market position; and
- industry leading safety and training regime which is a key focus of the Majors and is critical for attracting skilled employees.

5.4.3 Global presence

Boart Longyear's Drilling Services division operates in 30 countries across North America, South America, Asia Pacific, Europe and Sub Saharan Africa, with an international network of more than 50 zone locations that maintain and mobilise equipment close to key geographic markets. To extend its service offering to remote locations, Boart Longyear also operates fly-in-fly-out rigs and drilling crews to provide drilling services in remote areas without the need for significant capital investment in infrastructure.

5.4.4 Minerals Industry (~70% of FY2007 Drilling Services revenue)

Boart Longyear has established a clear leadership position in the key Minerals Industry drilling services markets of Australia, Canada and the United States, of which Management estimate US\$1.0 billion was spent on drilling services in FY2006. The Company is also the leader in the Minerals drilling services market globally with an estimated 17% share of the US\$2.5 billion global Minerals Industry.

Boart Longyear's revenue is diversified across all stages of mining, as well as commodities.

Approximately 70% of Boart Longyear's total drilling services revenues are derived from contract drilling work for mining companies globally, predominantly for the exploration, development and production of gold, copper and other base metals. Other Minerals Industry revenue is derived from drilling in respect of other commodities including diamonds, platinum group metals and uranium.

Approximately 75% of the Company's Mineral Industry revenue is derived from the development and production stages of mining operations, which are less impacted by fluctuations in commodities prices than the exploratory stage.

5.4.5 Non-mining applications – Environmental & Infrastructure and Energy Industries (~30% of FY2007 Drilling Services revenue)

Boart Longyear has diversified its revenue base over the past several years through selective expansion into high growth non-mining industries. Growth initiatives have included expansion of its provision of drilling services to the Environmental & Infrastructure (including the environmental, water, construction and geotechnical segments) and Energy (including the oil sands, oil shale, gas well pre collars and coal bed methane segments) Industries.

Environmental & Infrastructure

Boart Longyear's environmental drilling services are focused on soil and ground water contamination issues. The Company is the market leader with a market share of 17% in the United States environmental drilling industry and is well positioned in this segment by its sonic drilling capabilities. Boart Longyear is the leader in sonic drilling, a specialised and growing technology.

Boart Longyear's water drilling services are focused on the US\$1.9 billion fresh water drilling industry in the United States. These services include the drilling and construction of water wells, and are supplemented by well pump rehabilitation services. Additionally, the Company constructs wells for ground water injection and recharge, a service that is expected to experience increased demand, particularly in coastal regions where depleted aquifers are at risk of contamination from salt water intrusion.

Figure 5.7: Drilling Services FY2007 Minerals Industry pro forma revenue by mineral

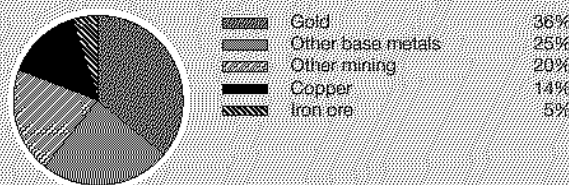
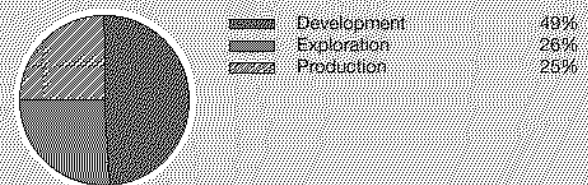


Figure 5.8: Drilling Services FY2007 Minerals Industry pro forma revenue by mining phase



At present, Boart Longyear's presence in the construction and geotechnical drilling segment of the Environmental & Infrastructure Industry is limited. However, Boart Longyear believes there are a range of growth opportunities in this segment. These opportunities are expected to be realised through the development and application of innovative sonic drilling techniques and, where appropriate, via strategic bolt-on acquisitions.

Energy

The energy drilling services provided by Boart Longyear involve the exploration and exploitation of non-conventional energy sources such as oil sands, oil shale and coal bed methane. Boart Longyear does not drill for conventional oil or gas, but does provide specialised gas well pre collaring services.

Boart Longyear provides earth and rock core samples for analysis purposes, as well as completed holes for the installation of gas well casings and the installation of coal bed methane wells.

Due to growing hydrocarbon consumption and uncertainty surrounding the supply of existing resources in the Middle East and Venezuela, major oil and gas companies and utilities have sought to expand their access to new energy sources. Such activity has included the exploration and exploitation of non-conventional energy sources, such as Canadian oil sands (from which oil can be extracted), geothermal energy sources and coal bed methane, providing a major growth opportunity for Boart Longyear.

5.4.6 Key customers

Boart Longyear's customers in the Minerals Industry are predominantly major blue-chip gold, copper and other base metals miners, with sufficient capital to ensure steady exploration drilling budgets in addition to continued development and production activity. Majors are forecast to represent more than 40% of the Company's Minerals Industry drilling services related revenue in FY2007. Management estimates that no one customer accounted for greater than 7% of the Drilling Services division pro forma revenues in FY2006 and the Company's largest customer accounts for approximately 4% of total Company revenues.

The continued consolidation of mining companies, such as BHP Billiton's takeover of WMC Resources, provides Boart Longyear with an opportunity to be a single source services provider to large mining companies who prefer to have a focused program of supplier selection. Boart Longyear's size, broad geographic footprint and strong regional presence enable it to provide the volume of services required by global participants and meet the safety standards required by these customers.

Key Drilling Services division customers include:

- Anglo American
- Barrick
- BHP Billiton
- Companhia Vale do Rio Doce
- De Beers
- Newcrest
- Newmont
- Phelps Dodge
- Rio Tinto
- Xstrata

The Company's customers in the Environment & Infrastructure Industry are generally municipal councils and water contractors. The size of these customers is generally small with Boart Longyear having no major individual customers.

5.4.7 Equipment

Boart Longyear's drill rig fleet is the largest fleet operated by a drilling services company in the world, having increased substantially from 728 in FY2003 to an expected fleet of over 1,080 rigs by the end of FY2007. The Company will add 77 rigs to its fleet during FY2007, earnings from which will only be recognised as they are deployed into the field throughout the year. The aggregate annual revenue uplift from these rigs will be seen in FY2008.

This increase in the number of rigs has not adversely affected the rig assignment rate. A drill rig is considered to be assigned if it is either scheduled to go to a project or is in use on a project. The Company's assignment rate has improved from approximately 70% in FY2003 to a forecast assignment rate of over 90% in FY2007.

The improvement in assignment rates is attributable to both the strength of the global Minerals Industry and to the Company's new global focus on ensuring that rig assignment is optimised across regions.

Boart Longyear's drill rigs range in size from small underground pneumatic drills costing approximately US\$25,000 to large diameter rotary rigs that cost in excess of US\$4 million.

The operational life of a drill rig varies greatly. Underground rigs depreciated over a five year period, whilst surface core rigs are depreciated over 10 years and rotary rigs over 12 years. Boart Longyear has developed equipment-specific maintenance programs which result in some drill rigs lasting well in excess of their depreciable life, and often over 20 years.

5.4.8 Contracts profile

A typical drilling contract specifies the depth of drilling required; the duration of the project and the scope and conditions of work. Customers are typically charged on a rate per-metre drilled basis. Profitability is therefore a function not only of price, but also productivity, which is driven by the drilling method, technology, efficiency of the equipment and skill and experience of the drill operators.

Management estimates that the Company enters into approximately 6,500 contracts per year, with no contract expected to represent more than 3% of FY2007 Drilling Services division pro forma revenue. The majority of the contracts undertaken by the Drilling Services division are short term in duration, which is in line with industry standards.

In the Minerals Industry some mining exploration stage contracts are as short as three months, but mining production stage contracts are generally longer and typically last up to 12 months. Approximately 75% of FY2007 Drilling Services pro forma revenue is either under framework agreements or considered by Management to be highly probable, giving the Company high earnings visibility at the beginning of each year.

Despite their relatively short duration, Minerals Industry drilling services contracts are generally reviewed annually following a negotiation or re-bid.

In the case of exploration stage contracts, such work is often renewed or extended to the completion of the project following a successful strike or discovery. In such cases, and particularly on the more remote contracts, mining companies will often prefer to leave the incumbent drilling services contractor on site to continue drilling so that the project continues with minimal disruption and the mobilisation and demobilisation costs are kept to a minimum.

In the Environmental & Infrastructure Industry, drilling services contracts are shorter in duration, generally lasting between a day and four months. An environmental drilling services contract does not generally extend beyond four months.

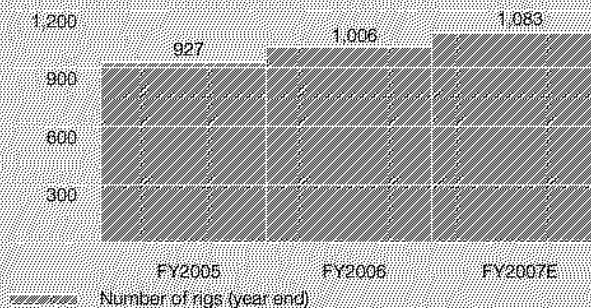
In the Energy Industry, the scope of work tends to be larger and contract duration is typically three to six months but can extend up to 12 months.

Boart Longyear has a strong track record of contract renewal underpinned by the Company's:

- integration of its drill operators with the operations of the mining company;
- increasing access to the exploration and production planning schedules of the Majors;
- leading safety performance and resource availability; and
- focus on a diversified blue-chip client base.

Tenders for contracts are managed at Boart Longyear's regional offices. Only certain managers are pre-approved to submit bids for contracts. Additionally, the contract managers have a predefined bid limit, above which they must seek general management approval and written sign-off.

Figure 5.9: Drilling Services number of rigs



Note: Includes rigs acquired with the Acquired Businesses

5.4.9 Safety and risk management

A crucial consideration for mining companies in the selection of drilling service providers is safety track record. Boart Longyear has established a reputation as an industry leader in the application of safe operating practices and products which provides a competitive advantage when bidding for customer contracts.

Boart Longyear has achieved year-on-year industry-leading safety performance. The Company's Total Case Incident Rate (TCIR)/Lost Workday Case Accident Incident Rate (LWCAIR) is 83% below the United States mining industry average which demonstrates the Company's superior injury incident rate performance.

Boart Longyear is focused on effectively managing safety performance and building a solid safety culture. Quantified hazards and risks drive goals, awareness levels and provide the Company with a competitive advantage by enabling it to support the Company's growth strategies safely.

The Company's focus on improving safety has avoided significant costs being incurred through accidents and resulted in more efficient operations.

5.5 Products division

5.5.1 Overview

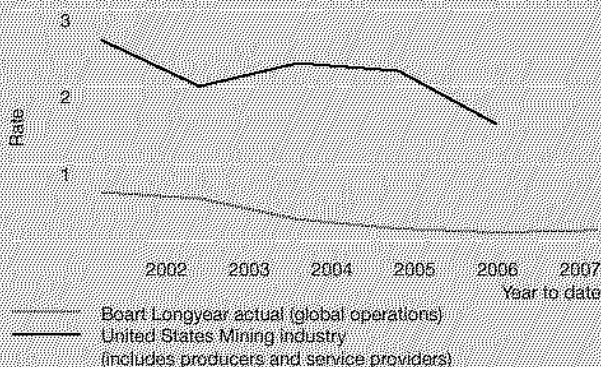
Boart Longyear's Products division manufactures and sells coring tools, drilling capital equipment, percussive tools, mining capital equipment and products for the construction and stone industries. These products are used in the Minerals, Environmental & Infrastructure and Energy Industries.

Coring tools developed, manufactured and distributed by Boart Longyear include diamond coring bits, drill rods with patented joint technology and sophisticated wireline core extraction systems with patented technology. The division also manufactures diamond consumable products for the natural stone and construction industries globally.

Boart Longyear is a recognised leader in the supply of drilling products to the Minerals Industry and particularly in the provision of dedicated surface and underground coring rigs and bits used for surface mineral exploration and underground mineral production.

The majority of the division's products are sold to drilling services providers. Management estimates that approximately 15% of the Products division's manufacturing output is used by the Company's Drilling Services division.

Figure 5.10: Lost workday case accident incident rate*



Source: Management estimates based on industry data

Note: Rate is calculated as the number of cases (accidents) times 200,000 divided by the actual number of hours worked. The 200,000 figure represents an average size company employing 100 employees, all working 2,000 hours per year.

Boart Longyear's extensive experience in the drilling industry has enabled it to build a comprehensive offering of drilling products. No other competitor offers such a broad and technologically advanced product range for mining drilling applications. A significant part of what drives Boart Longyear's Products division's technological leadership position is the relationship between the Company's two divisions. For example, Boart Longyear designed its patented RQ™ coring rod based upon direct input from its drill rig operators. The RQ™ patented thread design withstands greater stress than all previously available coring rod designs, enabling drilling of substantially deeper holes. The Products division receives direct feedback from the Drilling Services division on drillers' experiences in using the products in the field. This knowledge is then used to develop new or improved products that are tested by the Drilling Services division's field crews.

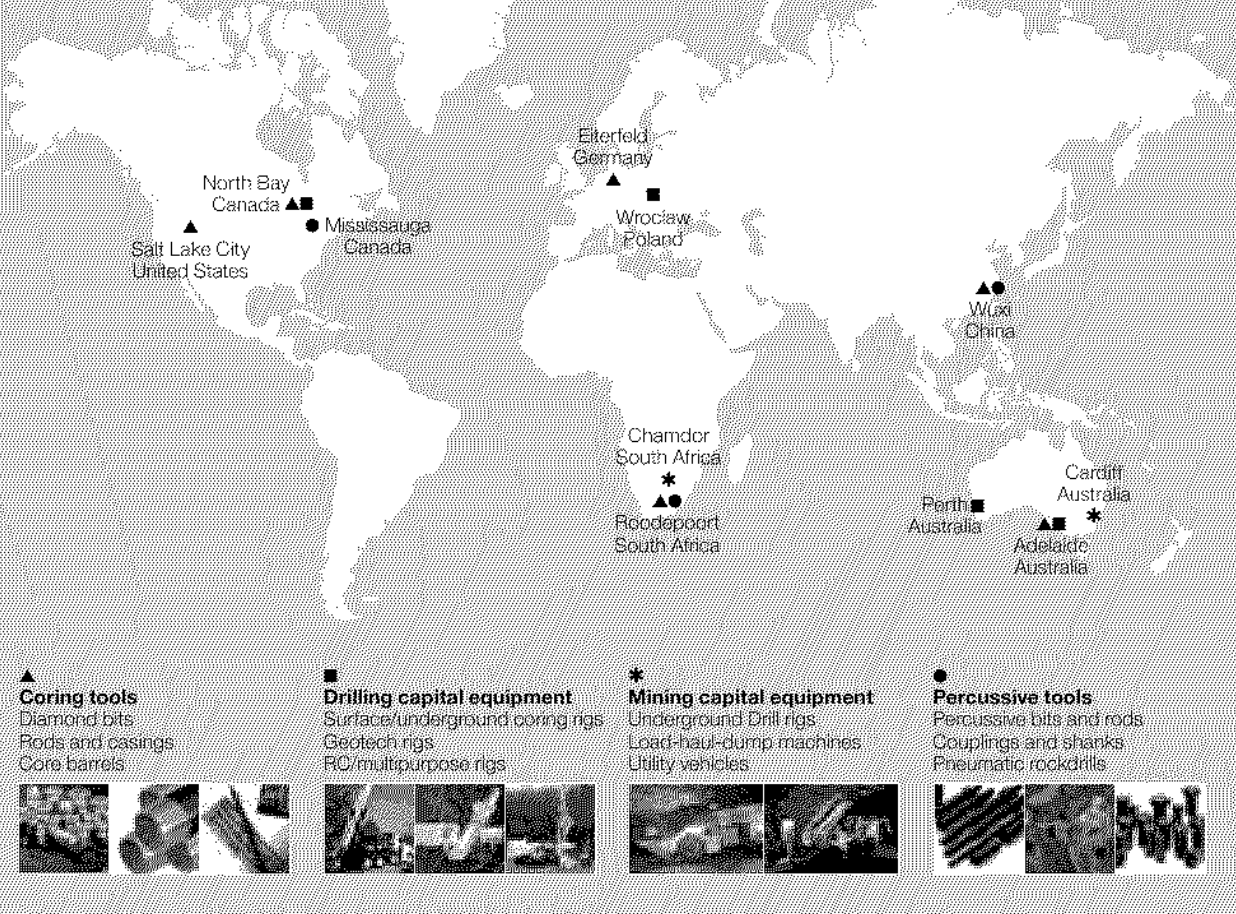
The Products division also operates a network of 13 distribution outlets (DrillStores) across the United States. These stores are a direct wholesaler and distribution centre for all types of drilling supplies used by drilling services providers. Approximately 40% of the DrillStores' sales are Boart Longyear manufactured products.

5.5.2 Competitive strengths

Key competitive strengths of Boart Longyear's Products division include its:

- increasingly efficient production underpinned by expansion of capacity in lower cost countries;
- product innovation as a result of feedback and insight into customers' needs provided by the Drilling Services division;
- market leading positions. For example Boart Longyear is the market leader in surface and underground coring rigs and in sonic drilling technology; and

Figure 5.11: Products division manufacturing footprint



- longstanding relationships with blue chip customers.

At present, the lead time within the industry for non-Boart Longyear manufactured drilling rigs is 6–12 months. However, the Company's Products division can provide rigs within three months which is a direct result of Boart Longyear's recent capacity additions.

5.5.3 Global presence

Boart Longyear's global footprint currently consists of 11 manufacturing facilities, located in Australia, Canada, China, Germany, Poland, South Africa and the United States. The Company has significantly increased its capacity to meet the growing demand for its products as displayed in Table 5.2.

The Products division has a global sales network with 38 sales offices in 22 countries in addition to its manufacturing operations.

The Products division has recently undertaken three major restructuring projects, generating significant annual savings. These restructuring measures are focused on reducing the facility footprint, increasing scale efficiencies and returning focus to Boart Longyear's core drilling-related products offering.

Boart Longyear has established low cost manufacturing facilities in Wuxi, China and Wrocław, Poland. These production facilities are primarily responsible for production of high volume, standardised products, and have sufficient capacity for production to be expanded in the future. Production of sophisticated assembly products continues to be undertaken regionally depending on the drilling and geological requirements of the region. For example, dual purpose core drilling/dual tube reverse circulation drill rigs for use in the iron ore industry are manufactured in Perth, Western Australia.

Table 5.2: Manufacturing capacity increases

Facility	Product	Increase in manufacturing output	Actual/expected completion date
Wuxi, China	Percussive tools	~75%	31 March 2007
Wrocław, Poland	Drilling capital equipment	~50%	31 May 2007
North Bay, Canada	Rods	~55%	31 March 2007
North Bay, Canada	Drilling capital equipment	~65%	31 December 2006
Adelaide, Australia	Rods	~100%	31 March 2007
Salt Lake City, United States	Diamond bits	~55%	31 March 2007

5.5.4 Sales, marketing and distribution

The Products division's sales are made either directly to the end user or through distributors who then on-sell to end users. In regions where sales volumes are large, individuals may have product-specific sales responsibility, whereas in smaller countries and regions, sales efforts may be the responsibility of one individual.

Distribution methods vary depending on the type of product and customer. Large-scale products such as drill rigs are delivered directly to the end-user. For other tools, equipment and consumables, Boart Longyear operates three regional warehouses in Canada, Singapore and The Netherlands which have been outsourced to third party logistics companies.

The Products division also targets the drilling wholesale/distribution sector for energy, environmental, water, construction and geotechnical drilling through its DrillStore operations in the United States. The industry is highly fragmented with no competitor estimated to have more than a single digit market share.

5.5.5 Key customers

The Products division has a diversified customer base, the majority of whom are drilling contractors (including Boart Longyear's Drilling Services division) and mine operators.

Key Products division customers include:

- Advisor Drilling
- Bradley Drilling
- Major Drilling
- Layne Christensen
- Connors (Canada)

5.6 Employees

Boart Longyear currently employs over 7,800 staff: approximately 5,400 in the Drilling Services division and approximately 2,000 in the Products division, with the balance in the Company's corporate and operational head offices.

Table 5.3: Boart Longyear employees by region

	Americas	Asia Pacific	Sub Saharan Africa	Europe	
Drilling Services	~60%	~30%	~10%	< 1%	~5,400
Products	~30%	~20%	~40%	~10%	~2,000
Corporate					~400
Total	~50%	~29%	~18%	~3%	100%

5.6.1 Drilling Services division

Given current drilling services industry labour shortages, attracting and retaining skilled employees is a key priority of the Company's Drilling Services division. Boart Longyear leverages its global presence, market position, safety record, growth opportunities and focus on talent development to attract and retain the best employees.

Drilling Services field employees are typically employed on a contract basis. Employees are generally regionally based such that they can provide drilling services to the surrounding geographic areas. However, many employees have the flexibility within Boart Longyear to move geographically to locations in which major new drilling services contracts have been awarded.

The skill level, and the subsequent training time required to develop safe and efficient operators, is dependent on the type of drilling services conducted. Shallow core and percussive holes are not as technically challenging as deep, large diameter holes drilled with either core or rotary systems. The training time for less technical drilling can be six months, whereas for more complex drilling it can take up to two years. Training is provided at Boart Longyear's training facilities in the United States, Canada, South America, Asia Pacific region, South Africa and Europe and further training is provided in the field.

5.6.2 Products division

Boart Longyear's Products division employs approximately 2,000 staff. The division's manufacturing employees have typically been hired on a full or part time basis with training provided on the job.

Boart Longyear's Mississauga, North Bay and Roodepoort facilities have unionised labour forces. The Company has developed good relationships with these unions through ongoing communications with union leadership and effective collective bargaining agreements. Other Boart Longyear locations that have individual members that are involved in unions but do not operate as a collective include Adelaide, Cardiff, Wuxi, Germany, and Poland. Salt Lake City is a non-union manufacturing facility.

5.7 Growth opportunities

Boart Longyear was sold by Anglo American in 2005. Since that time, the Company has undergone significant operational restructure with substantial investment in the Company's expansion. Management has identified a range of growth opportunities which are expected to drive the future growth of Boart Longyear.

5.7.1 Global account management

In mid FY2006, Boart Longyear commenced initiatives to increase its share of the drilling services and products expenditure of current Major mining customers. These initiatives include dedicated relationship and account managers, global pricing initiatives and sole-source provider agreements. It is intended that customers will benefit from these initiatives through guarantee of supply and quality, standard contract terms, consistent use of experienced crews and safe drilling practices.

Global account management will enable Boart Longyear to re-allocate rigs to customers who perform a higher proportion of development and production drilling, which will provide more stable work over time and increased exposure to the less cyclical exploration expenditure of the Majors. Global account management is also expected to provide geographic expansion via contracts with mining houses in new geographies where Boart Longyear's market share is below its global average.

The response of customers to the initiatives has been sufficiently positive that Boart Longyear has had to slow the global account management program roll-out in FY2007 so that it can focus on delivering on its value proposition to customer accounts that have already been targeted. As capacity grows, additional key account relationships will be developed.

The Company has achieved a sizeable increase in drilling income directly resulting from key account management. Management is targeting a 50% share of the Majors' drilling expenditure. The Company's global account management initiative is of increasing importance, given the consolidation of the mining industry led by the Majors and the lower volatility of Majors' exploration drilling spend.

5.7.2 Global sourcing

As a subsidiary of Anglo American, Boart Longyear was managed on a regional basis and did not coordinate purchasing on a global basis. Boart Longyear established a global team for the sourcing of material inputs into its manufacturing processes to achieve discounts and better leverage the Company's buying power in the second quarter of FY2006. Since then, Management has implemented centralised purchasing and improved inventory management for key inputs including steel, machined parts, drilling fluids, telecommunications services and PVC. To date, the program has focused on a relatively small number of key inputs. Management intends to expand the list of inputs upon which the program is focused and believes that further savings beyond those currently forecast should be possible in the future. The following table describes the process undertaken in relation to key saving initiatives. Management estimates achieving further sourcing savings in FY2007.

Table 5.4: Sourcing savings realised

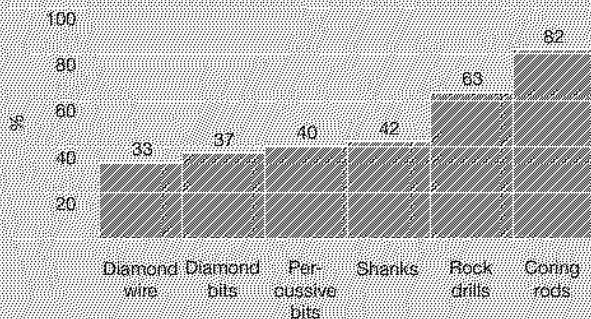
Saving realised on:	Process undertaken:
Rig assembly	Negotiated savings (contract manufacturer)
Drilling fluid	Supply base rationalisation
Logistics	Negotiating and outsourcing
Travel	Consolidated arrangements
Move to low cost supplier (China)	Qualifying suppliers in China as second source materials
Further logistics savings	Renegotiating contracts
Power transmission	Consolidated volume quoting

5.7.3 Restructuring and facility utilisation

The Company has undertaken a comprehensive restructure and rationalisation of its global manufacturing footprint aimed at improving manufacturing efficiency. The key aspect of the rationalisation program is to increase capacity at lower cost locations and rationalise facilities in higher cost locations.

Management has closed four facilities in Europe and South Africa bringing the total down to 11 facilities. For example, the Company previously operated three separate facilities in South Africa, that have now been consolidated into the Roodepoort, South Africa facility. Further, the Company is in the process of moving the manufacturing of shanks from Mississauga, Canada to its lower cost facility in Wuxi, China. The capacity of the lower cost facilities of Wuxi, China and Wroclaw, Poland will be increased by 75% and 50%, respectively from the end of the first quarter of FY2007.

Figure 5.12: Products manufacturing capacity increase during FY2006 and FY2007



Boart Longyear has also undertaken to improve manufacturing facility throughput. A program to debottleneck all facilities has been implemented and its rollout will continue in FY2007 and FY2008. This has resulted in increased manufacturing output for all major products.

The Company now outsources the assembly of a large part of certain rigs. This provides Boart Longyear with additional manufacturing flexibility and the ability to concentrate on other areas of the manufacturing process and reduce the labour costs necessary for the assembly of rigs.

In the long term, Boart Longyear will further review its manufacturing footprint and consider relocating more production facilities to lower cost regions such as China and Eastern Europe.

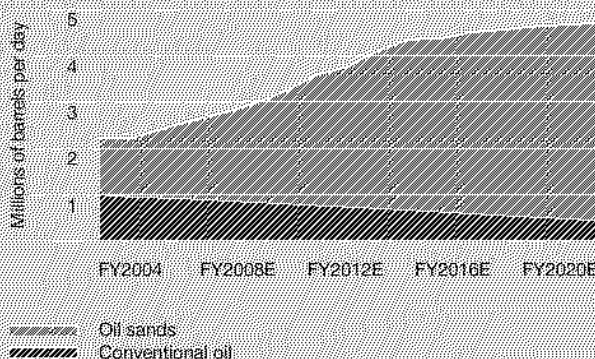
5.7.4 Increased market share in high growth markets

Boart Longyear is focused on expanding its drilling services operations in emerging markets.

For example, Boart Longyear currently captures an approximate 20% share of the Canadian oil sands exploration drilling services industry and Management intends to grow its market share by strengthening relationships with the major oil sands producers and capturing an increased proportional share of new drilling opportunities. Additional rigs were put in place and utilised for this purpose in early FY2006. The Canadian oil sands industry is forecast to grow by 24% in FY2007.

The Company is also planning to leverage its drilling expertise to enter industries in which Boart Longyear has either a modest or no presence such as coal bed methane, construction and geotechnical industry segments. The Company estimates that these markets represent a significant revenue opportunity for the Company.

Figure 5.13: Canadian oil production – conventional v oil sands



Source: Management estimates based on industry data

5.7.5 Geographic expansion

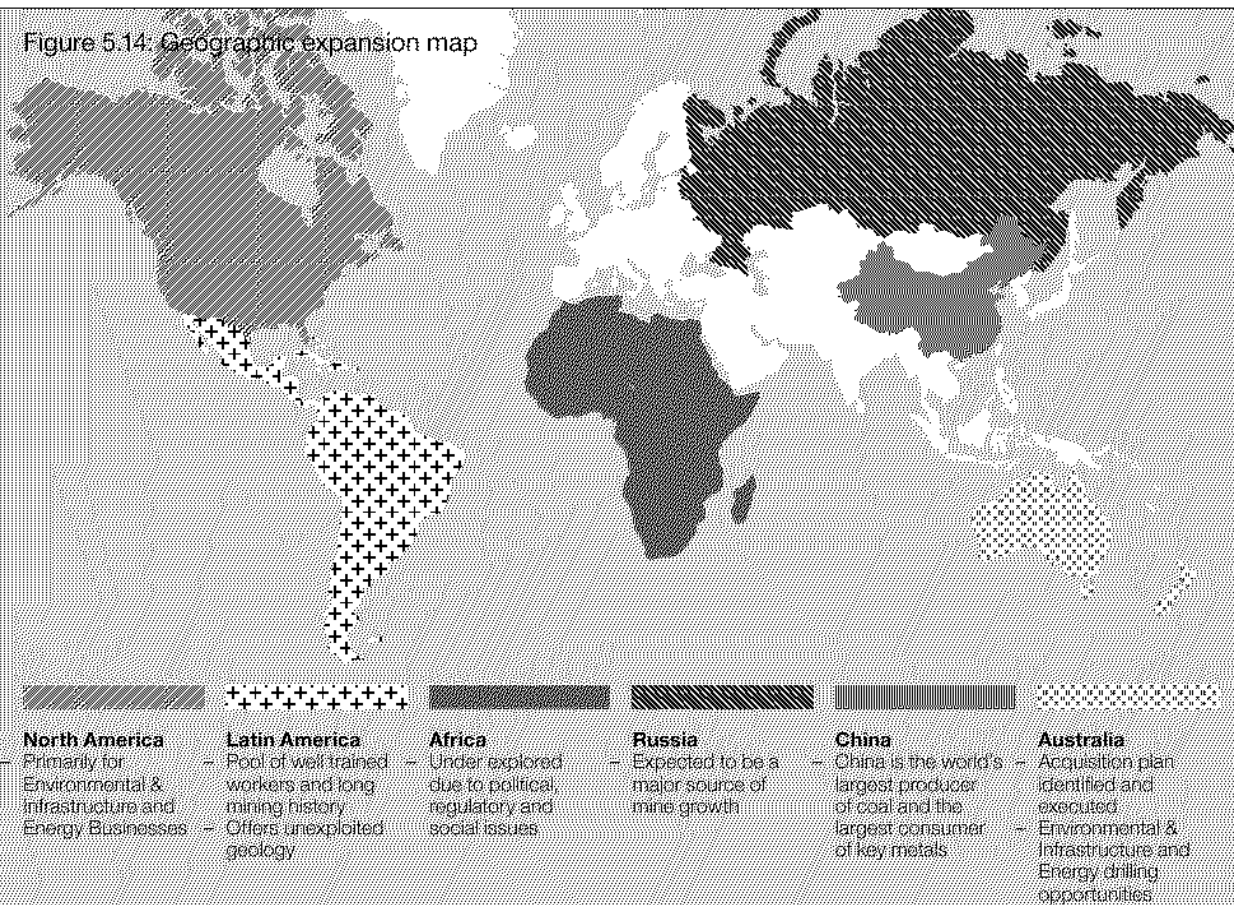
Boart Longyear has identified the opportunity to expand the Drilling Services division into key geographies where the Company has limited presence and/or sustained high market growth is anticipated. Management has identified Chile, Peru, Mexico, Argentina, Russia, the Democratic Republic of Congo and China as key geographies, with substantial new mining capacity already beginning to appear in these markets. Such geographic entry or expansion is likely to occur in conjunction with several of the Company's initiatives, including acquisitions and global account management.

5.7.6 Acquisition led expansion

The fragmented nature of both the drilling services and products industries provide Boart Longyear the opportunity to consolidate these markets, to expand geographically and to enable rapid entry into new or recently entered industries. The primary goals of this acquisition strategy are to develop strong regional positions in the drilling services business and to enhance of the Company's global offering in the drilling products business.

As a global leader and the only integrated participant in the global drilling services and products industry, Boart Longyear has the access to capital and industry knowledge to lead the consolidation of the market.

Figure 5.14: Geographic expansion map



The Company has a track record of successfully integrating acquisitions. Once businesses are acquired, Boart Longyear implements a targeted integration strategy focussing on management capabilities and operational efficiencies of the business. In the case of the acquisitions the Company has made in the six months to January 2007 (refer to Section 5.3.1), the Company will seek to retain key management of the acquired business and selectively recruit to fill any gaps in the management team. Boart Longyear will then implement standardised management tools and processes in corporate functions such as human resources, accounting, forecasting and budgeting, environment and occupational health and safety.

Most significantly, as many acquired companies are relatively small and capital constrained, Boart Longyear will typically inject capital into acquired businesses to fund growth. For example:

- Boart Longyear acquired Lang Exploratory Drilling in the early 1980s. Through capital investment, the Lang business has grown from US\$3 million annual revenue to over US\$100 million per annum in revenue while diversifying into water and energy drilling services; and
- the Company has made significant investment in environmental drilling services. In recent years, by acquiring Wisconsin Test Drilling, Northstar Drilling, D.L. Maher, Geotech Explorations Inc, and Holt Drilling in the United States. Through a program of capital investment that included adding rigs and other ancillary equipment to these businesses, Boart Longyear has succeeded in establishing a leading position in the United States environmental drilling sector.

In addition to the Company's six recent acquisitions the Company continues to consider various acquisition opportunities, none of which at the date of this Prospectus is sufficiently advanced for inclusion.

Boart Longyear has been and will continue pursuing its acquisition strategy on a global basis. The choice of future acquisition targets will be driven by targets of strategic interest that provide a quicker and more profitable route to new markets, new customers or new technology than might be possible through a strictly organic strategy. The Company will focus on acquisitions in developing countries such as Russia, Latin America and parts of Africa and the Environmental & Infrastructure and Energy Industries.

RISK FACTORS



6.1 Introduction

There are a number of factors, both specific to Boart Longyear, and of a general nature, which may affect the future operating and financial performance of Boart Longyear, its investment returns and the value of its shares. Many of the circumstances giving rise to these risks are beyond the control of Boart Longyear, the Directors and the Senior Management Team.

This Section describes certain specific areas that are believed to be the major risks associated with an investment in Boart Longyear. Each of the risks described below could, if they eventuate, have a material adverse effect on Boart Longyear's operating and financial performance and its ability to pay dividends.

Prospective investors should note that this Section is not an exhaustive list of the risks associated with an investment in Boart Longyear and it should be considered in conjunction with other information disclosed in this Prospectus.

6.2 Risks specific to Boart Longyear and the drilling industry**6.2.1 Mineral commodities price cycles**

Demand for drilling services and products depends significantly on the level of mineral exploration and development activities conducted by mining companies. Industry experience indicates that when commodities prices fall below certain levels, mining expenditure declines in the following 12 months. There is a risk that a significant, sustained fall in commodities prices could substantially reduce future mining expenditure particularly in relation to exploration, leading to a decline in returns to Boart Longyear, which may have a material adverse effect on its financial position. The Company is assuming in its forecasts that current commodities market conditions will persist throughout the forecast period and in particular, that the gold price remains above Management's estimated point of inelasticity.

Commodity prices are volatile. As a result of strong demand across the Minerals Industry, the price of gold and many base metals are at historically high levels.

Current commodities market conditions have led to increased supply of drill rigs to the market. In the event of a decrease in demand, the market may be oversupplied with rigs which may result in pressure on drilling services contractors' margins, drilling volumes and the sale of new rigs.

A fall in commodity prices may decrease equity market support for listed mining companies, particularly Juniors. This could result in mining companies finding it difficult to raise additional equity capital to fund their exploration activities and consequently their spending on drilling services.

At times of decreased demand for drilling services, smaller competitors may be able to better compete on price, due to their lower overhead costs, and gain market share from Boart Longyear.

6.2.2 Operational restructure and internal controls

The Company has undergone significant restructuring over the last two years, including relocating the Company's operational head office from Johannesburg, South Africa to Salt Lake City, Utah, United States, implementing a global sourcing policy, rationalising its manufacturing footprint and undertaking a number of acquisitions. The rapid transformation of the Company may adversely affect the performance of the business.

In addition, Boart Longyear is still building an internal control environment suitable for a listed, global company in the context of its rapidly changing operational structure. If the Company is unsuccessful in establishing adequate levels of controls it may impact on the Company's operational and financial performance, as well as its financial reporting and the accuracy of its public disclosures.

6.2.3 Competition

Boart Longyear may lose business to its competitors if it is unable to demonstrate technical competence, competitive pricing and reliable performance to its customers. Boart Longyear faces significant competition and a large part of the drilling services business is dependent upon obtaining work through a competitive bidding process. In the drilling services business Boart Longyear competes with several large drilling companies and many smaller firms on a local or regional level. Competition may place downward pressure on contract prices and profit margins and presents challenges for maintaining strong growth rates.

The threat of increased competition in the drilling services or products markets may adversely affect Boart Longyear's current market share and plans for future growth. The fragmented nature of Boart Longyear's markets provides opportunities for competitors to consolidate, which may reduce the scale advantage that Boart Longyear currently enjoys.

Additionally, the capital cost to acquire drilling rigs is relatively low, enabling existing competitors to expand and new competitors to enter the market. This exposes Boart Longyear to the risk of reduced market share and scope for geographic growth as well as lower price and margins from its existing business.

6.2.4 Recent acquisitions

The integration of Boart Longyear's recent acquisitions has only recently commenced. Through the acquisitions, Boart Longyear may be exposed to business risks or liabilities, including environmental liabilities and regulatory breaches, for which Boart Longyear is not fully indemnified or insured. The integration of systems, equipment and personnel may influence the success of the acquisitions. Any issues arising from integration of the acquired businesses may require significant management, financial or personnel resources that would otherwise be available for ongoing development and expansion of existing operations. If this happens, it may have a material adverse effect on the operating and financial performance of Boart Longyear.

Expansion into new geographies via acquisitions (and organically) also brings additional geographic and currency risk. Some of the key locations targeted for growth by Boart Longyear are undergoing industrialisation and urbanisation and as such do not have the economic, political or social stability that many developed nations now possess. There is a risk that the operations, assets, employees or repatriation of revenues could be impaired by factors specific to the regions in which Boart Longyear operates.

6.2.5 Adverse foreign exchange movements

A significant proportion of Boart Longyear's revenue is denominated in currencies other than the US dollar. The currency of countries in which Boart Longyear operates may be subject to fluctuation, which may negatively impact on Boart Longyear's reported financial performance.

6.2.6 Inability to identify and execute acquisitions

Boart Longyear intends to selectively pursue acquisitions of businesses to complement its organic growth. However, there can be no assurance that it will be able to identify suitable candidates for acquisition at acceptable prices, obtain adequate funding to proceed, or successfully execute acquisitions and integration of these targets. In addition, Boart Longyear's future acquisitions may subject it to unanticipated risks or liabilities, or disrupt its operations and divert management's attention from day to day operations.

6.2.7 Instability in certain countries

Some of the countries in which Boart Longyear operates or has targeted for growth have experienced political and or economic instability in the past and may be subject to risks beyond the Company's control, such as war or civil disturbance, political, social and economic instability, corruption, nationalisation, expropriation without fair compensation or cancellation of contract rights, significant changes in government policies, breakdown of the rule of law and regulations and new tariffs, taxes and other trade barriers. If adverse events occur in such countries, there is a risk that the foreign operations or repatriation of revenues could be impaired or assets or employees adversely affected.

6.2.8 Customer contracts

The majority of Boart Longyear's customer contracts tend to be reasonably short term and/or subject to cancellation by the customer upon short notice with limited or no damages payable to Boart Longyear. There is a risk that contracts may not be renewed or may be cancelled, potentially impacting the financial performance of Boart Longyear.

6.2.9 Skilled labour shortages

Boart Longyear's ability to remain productive, profitable and competitive and to effect its planned growth initiatives, including increasing the number of drilling rigs in operation, depends on its ability to attract and retain skilled workers.

Tightening of the labour market in key regions due to a shortage of skilled workers, combined with a high industry turnover rate and growing number of competing drilling service providers, may inhibit the Company's ability to hire and retain employees. Additionally, raising rates paid to drillers and drill hands poses a risk to Boart Longyear's margins if it is unable to pass on such higher costs through price increases.

6.2.10 Business systems

Control of Boart Longyear's business systems, including information technology, finance, accounting, human resources, marketing and contracts systems may be compromised as the business continues its transitions to a global business and new companies are acquired. As many of these functions must be undertaken regionally, the coordination of these roles through integrated systems and head office oversight is paramount to the ongoing success of Boart Longyear. To address this issue, new financial and operating systems have been implemented in most regions. These new systems are designed to improve the business operations and management oversight. However, as it is early in the implementation of a number of these systems, there may be a level of business disruption during the initial stages of implementation.

In addition, there is a risk that the new financial systems may not work as planned, and that the Company may not derive the intended benefit from them, which may adversely impact the Company's business operations and financial planning.

6.2.11 Constraints on manufacturing

Boart Longyear's strong growth, combined with the rationalisation of manufacturing facilities, has placed pressure on its drilling products manufacturing capacity. A number of facility expansions and productivity improvements have been implemented with the current capacity expansion program underway. Any delays in further capacity expansion may constrain the Company's ability to capture additional volume. This may reduce the revenues of Boart Longyear's drilling products business and/or impact the ability of Boart Longyear to meet the demands of its growing drilling services business, either of which may adversely affect the earnings and financial performance of Boart Longyear.

6.2.12 Supplier relationships and rig deliveries

Boart Longyear relies on key supplier relationships, to significantly reduce the backlog time for drill rigs and coring tools. Any change in key supplier relationships could cost Boart Longyear this competitive advantage and may adversely affect the earnings and financial performance of Boart Longyear. The Company's expansion plans partly rely on the addition to its drill rig fleet of 77 rigs in FY2007, with the weighting towards the first half of FY2007. A significant delay in delivery or time lag between delivery and despatch to the field beyond the three months Directors have allowed for, or a failure to deliver the additional rigs, may have a material adverse effect on the financial position and operating performance of the Company. The delay or inability of suppliers to supply key manufacturing inputs such as steel may delay manufacturing of products and rigs that may adversely affect the financial position of the Company's business.

6.2.13 Non-mining expenditure

Non-mining expenditure includes Environmental & Infrastructure and Energy drilling. Most of these markets are driven by governmental regulation and spending. As a result, revenues and earnings generated from these markets tend to reflect growth in GDP rather than being correlated with the commodities price cycle. A downturn in general economic conditions or productivity of the economy may reduce the income earned from the Environmental & Infrastructure and Energy markets.

6.2.14 Operational risks and liability

Risks associated with drilling include, in the case of employees, personal injury and loss of life and, in the case of the Company, damage and destruction to property and equipment, release of hazardous substances to the environment and interruption or suspension of drill site operations due to unsafe drill operations. The occurrence of any of these events may have an adverse effect on Boart Longyear, including financial loss, key personnel loss, legal proceedings and damage to the Company's reputation. In particular, Boart Longyear's customers are placing an increasing focus on occupational health and safety and a deterioration in the Company's safety record may result in the loss of significant customers.

Additionally, warranty and indemnity provisions in Boart Longyear's drilling services contracts leave Boart Longyear exposed to substantially all of the risk and liability associated with the services performed under such contracts. While Boart Longyear maintains insurance to cover losses and claims arising out of the performance of its drilling services, such insurance may not prevent a material adverse effect on the financial position and operating performance of Boart Longyear by such losses or claims.

6.2.15 Regulatory

The drilling industry is highly regulated by environmental, health and safety regulations which could have material impact on the functioning, financial stability and future earnings potential of Boart Longyear.

To the extent that the Company fails to comply with laws and regulations, it could be subject to monetary fines, suspension of operations or other penalties. In addition, legislation and regulations affect the Company's mineral exploration customers and influence their decision whether to conduct mineral exploration and development.

6.2.16 Taxation

The Company's effective pro forma tax rate for FY2007 is assumed to be approximately 32%. The relative proportion of total profit that the Company earns in each offshore jurisdiction may change, particularly as a result of acquisitions. This would result in the Company's effective tax rate changing.

6.2.17 Business interruptions

Significant business interruption as a result of natural disasters, unstable weather conditions, unstable service sites, regulatory intervention, delays in necessary approvals and permits or product input supply bottlenecks may reduce Boart Longyear's ability to complete drilling services contracts and manufacture products resulting in performance delays, increased costs and loss of revenue.

6.3 General risks

6.3.1 General economic conditions

The operating and financial performance of Boart Longyear is influenced by a variety of general economic and business conditions, including inflation, interest rates and exchange rates, access to debt and capital markets, and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse effect on the financial performance, financial position, cash flows, distributions, growth prospects and share price of Boart Longyear.

6.3.2 Equity market risks

There are risks associated with any investment in shares. The market price of listed securities such as the shares of Boart Longyear are affected by numerous factors including, but not limited to, those identified in this Section 6 and other factors such as hostilities, tensions and acts of terrorism. As a consequence, the shares may trade on ASX at higher or lower prices than the issue price of the Boart Longyear shares.

6.3.3 Liquidation and realisation risk

There can be no guarantee that an active market in the shares of Boart Longyear will develop or that the price of the shares will increase. There may be relatively few or many potential buyers or sellers of the shares on ASX at any given time. This may increase the volatility of the market price of the shares. It may also affect the prevailing market price at which share holders are able to sell their securities. This may result in Shareholders receiving a market price for their Boart Longyear shares that is less than the price that Shareholders paid.

6.3.4 Other risks

In addition to the risks described above, there are many factors which may affect the Company's performance. These include customer relationships, loss of key personnel, labour disputes and changes in taxation laws or an adverse review of the Group's interpretation of these laws by revenue authorities.

BOARD AND SENIOR MANAGEMENT



7.1 Board

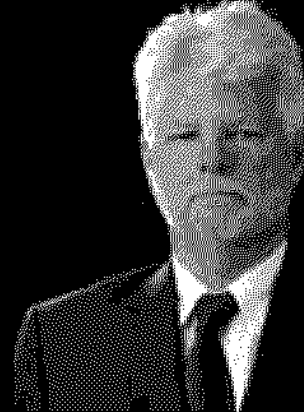
Graham Bradley
Chairman

Mr Bradley is Chairman of ASX listed diversified property group, Stockland Corporation Limited, Chairman of Anglo American Australia Limited, the Australian arm of global mining group Anglo American plc, and Chairman of HSBC Bank Australia Limited, the Australian subsidiary of HSBC plc. He is also a director of Singapore Telecommunications Limited, MBF Australia Limited, Po Valley Energy Limited and Proteome Systems Limited. From 1995 to 2003, Mr Bradley was the CEO of leading listed investment management group, Perpetual Trustees Australia Limited. He also spent four years as CEO of Blake Dawson Waldron. Previously, Mr Bradley spent 12 years at McKinsey & Company, an international firm of management consultants. Mr Bradley received his BA, LLB (Hons 1) from Sydney University and an LLM from Harvard Law School.



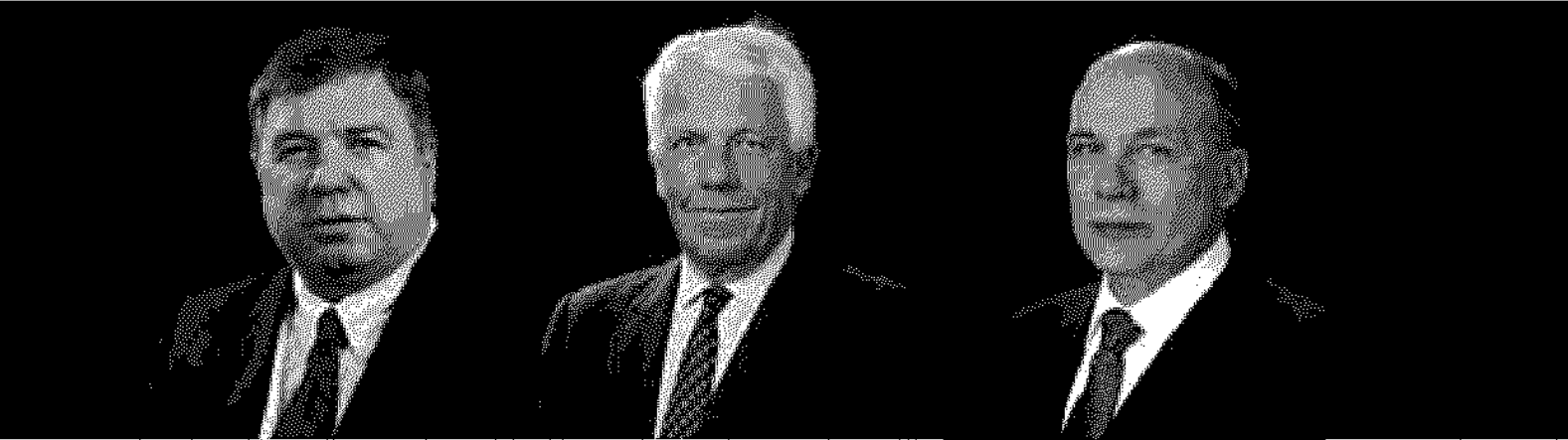
Bruce Brook
Non Executive Director

Mr Brook is currently a director and Chairman of the Audit Committee of Lihir Gold Limited, Consolidated Minerals Limited, and Snowy Hydro Limited. He was CFO of WMC Resources Limited from 2002 to 2005 and has approximately 30 years' experience in various roles, including Deputy CFO of ANZ Banking Group Limited, Group Chief Accountant of Pacific Dunlop Limited, General Manager, Group Accounting at CRA Limited and General Manager, Accounting and Services at Pasminco Limited. Mr Brook gained his BComm and BAccounting at the University of Witwatersrand and is a fellow of the Institute of Chartered Accountants in Australia.



Geoff Handley
Non Executive Director

Mr Handley is currently a director of Endeavour Silver Corporation, Eldorado Gold Corporation (both listed on the Toronto and American Stock Exchanges), Pan Australian Resources Limited (listed on the ASX) and the unlisted Oryx Mining and Exploration Limited. He has over 30 years of technical and financial experience in the mining industry having worked most recently as Executive Vice President, Strategic Development with Placer Dome Inc., where he was responsible for global exploration, acquisitions, research & development and strategic planning. Mr Handley received a BSc (Hons) (Geology and Chemistry) from James Cook University of North Queensland.



David McLemore
Non Executive Director

Mr McLemore has 35 years of industrial experience and has broad operational experience. Mr McLemore has been involved with Advent International for eight years on investments including Advent International's acquisition of Boart Longyear from Anglo American in 2005. Mr McLemore acted as Chairman and then Deputy Chairman of Boart Longyear during Advent International and Bain Capital's ownership and remained as Deputy Chairman of Boart Longyear upon introduction of the Consortium as an investor. Prior to this, he worked as a General Manager for General Electric from 1985 to 1997. Mr McLemore received his BS from Oklahoma State University.

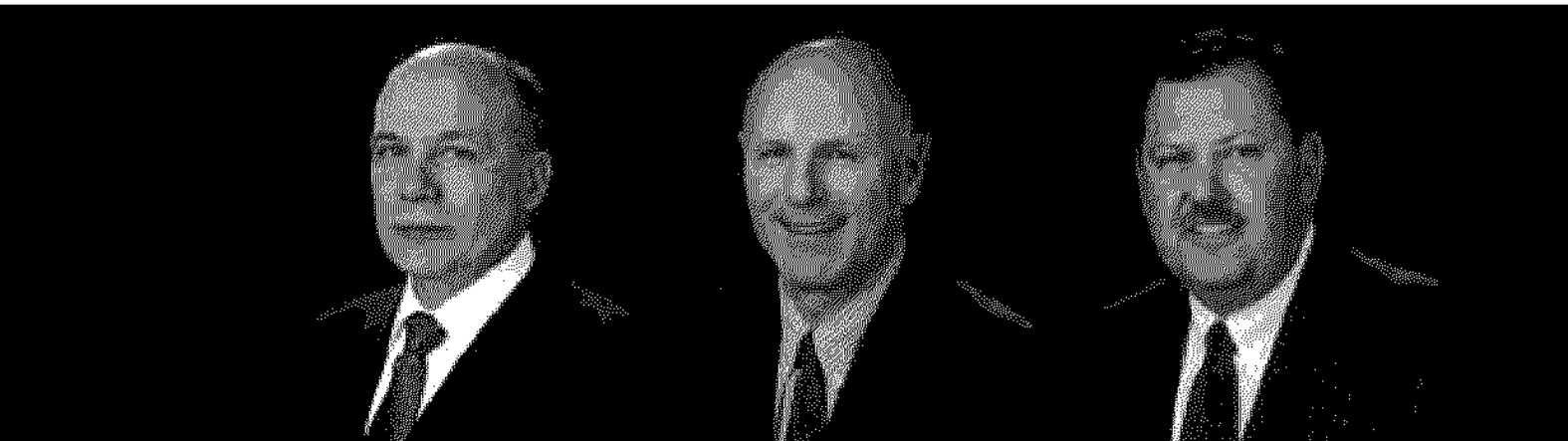
Peter St George
Non Executive Director

Mr St George is currently a director of First Quantum Minerals Limited (listed on the Toronto Stock Exchange), a director of Spark Infrastructure Group, Victorian electricity distribution businesses Powercor Australia Ltd and Citipower Pty and Chairman of accounting and financial services firm, Walter Turnbull. Mr St George was also a director of SFE Corporation Limited from 2000 until its merger with ASX Limited in July 2006. He acted as Chief Executive/Co Chief Executive of Salomon Smith-Barney Australia/NatWest Markets Australia from 1995 to 2001. Prior to coming to Australia, Mr St George had more than 20 years' experience in senior corporate advisory roles within NatWest Markets and Hill Samuel & Co in London. Mr St George qualified as a Chartered Accountant in South Africa and received an MBA from the University of Cape Town.

Paul Brunner
Managing Director and
Chief Executive Officer

Mr Brunner joined Boart Longyear's Canadian operation in 1987. He was appointed as CEO of Boart Longyear in 2004, having held the title of Managing Director from 2000. He was Boart Longyear's Regional Director for the South American region for six years, having held senior management positions in Canada for six years. Mr Brunner holds a BSc in Mining Engineering from Colorado School of Mines and an MBA from Harvard Business School.

7.2 Senior Management Team



Paul Brunner
Managing Director and
Chief Executive Officer

See Section 7.1.

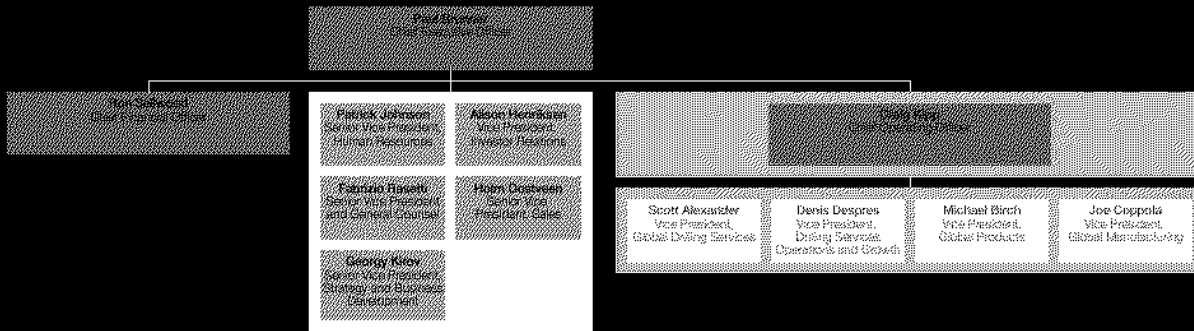
Craig Kipp
Chief Operating Officer

Mr Kipp was appointed as COO of Boart Longyear in 2005. Prior to joining Boart Longyear, he was employed by General Electric from 1983 to 2005, serving in various capacities including President and COO of the Global Nuclear Fuel division, General Manager of China operations and General Manager of Hungary operations. Mr Kipp received his BA and MA in Mechanical Engineering from the University of North Dakota and his MBA from the University of Chicago.

Ron Sellwood
Chief Financial Officer

Mr Sellwood was appointed as CFO in 2005. He joined the Anglo American Group in 1994 and has held positions as Financial Director for Mondi and CFO for Anglo Coal. He is a qualified Chartered Accountant and is a member of the South African Institute of Chartered Accountants. Mr Sellwood received his BComm in Accounting from the University of Natal.

Figure 7.1: Management Structure



**Scott Alexander
Vice President of Global Drilling Services**

Mr Alexander was appointed as Vice President of Global Drilling Services in 2006. Prior to joining Boart Longyear, he was the Vice President of Manitowoc Crane Group's aftermarket operations in the Americas. His prior experience includes several senior leadership positions at Joy Global, including serving as Vice President and General Manager of P&H MinePro Services North American and International operations and Vice President of Mining Equipment Product Management and Business Development. Prior to Joy Global, Mr Alexander held various leadership positions within Bucyrus International, including General Manager of Bucyrus International (China). Mr Alexander holds a BBA in Marketing from the University of Wisconsin.

**Denis Despres
Vice President of Drilling Services Operations and Growth**

Mr Despres was appointed as Vice President of Drilling Services Operations and Growth in 2006. He joined Boart Longyear in 1981 as a Design Engineer in Canada and has held numerous positions in the company including Vice President of Global Services, Sales Representative, Contracts Manager, General Manager of Underground division, and General Manager of USA and Peru. Denis received his BSc in Mechanical Engineering from Lakehead University in Canada and his MBA from Queens University in Kingston, Ontario.

**Michael Birch
Vice President of Global Products**

Mr Birch was appointed as Vice President of Global Products in 2006. Prior to joining Boart Longyear, he worked for Black and Decker for 15 years in a variety of roles. He was also Vice President and General Manager for Baldwin Hardware and Director of Marketing for DeWalt Industrial Power Tool division. Mr Birch received his Degree in Business Management from Brigham Young University.

Joe Coppola
Vice President of Global Manufacturing

Mr Coppola was appointed as Vice President of Global Manufacturing in 2006. Prior to joining Boart Longyear, he was the Vice President of Integrated Supply Chain and Mechanical Services for Honeywell International. Before his time at Honeywell, Mr Coppola worked in a number of different capacities for the Eaton Corporation mostly in manufacturing but also in strategic planning, where he spent three years working in Havant, England as Director of European Hydraulics Operation. Mr Coppola received a BSc in Mechanical Engineering from Valparaiso University and an MBA from the University of Notre Dame.

Holm Oostveen
Senior Vice President of Sales

Mr Oostveen was promoted as Senior Vice President of Sales in 2006. He joined Boart Longyear in April 2003 as Vice President of Sales and Marketing in Europe and was promoted to the role of Regional Director of Europe in January 2004. Mr Oostveen has been instrumental in leading the development of new markets in the European territory, and in Russia, Kazakhstan and the Middle East. Prior to joining the Group, he held several Sales and Marketing Management positions including Managing Director of Widia GmbH in Germany, a leading manufacturer of metal cutting and forming tools. Mr Oostveen received his BBA from Nijenrode Netherlands School of Business and his MBA from the American Graduate School of International Management in Glendale, Arizona, United States.

Fabrizio Rasetti
Senior Vice President and General Counsel

Mr Rasetti was appointed as General Counsel in 2006. Prior to joining Boart Longyear, he was the Segment General Counsel and Vice President of Business Development for the Flow Segment of SPX Corporation, having served in various capacities within their Law Department for the previous nine years. Prior to SPX Corporation, Mr Rasetti worked for the private law firms of Howrey & Simon, as well as Towey & Associates. Mr Rasetti received his BSc in Foreign Service and JD from Georgetown University. Mr Rasetti is Boart Longyear's Company Secretary.

Georgy Kirov
Senior Vice President of Strategy and Business Development

Mr Kirov was appointed as Senior Vice President of Strategy and Business Development in 2006. Prior to joining Boart Longyear, he was the Executive Director of Corporate Development at Magna Donnelly from 2004 to 2006. Mr Kirov has extensive experience in acquisitions, growth and development strategy as a Consultant with Bain & Company and Chief Executive Officer and Founder for Freight Medium. Mr Kirov received a Bachelor's Degree in Economics from Yale University and an MBA from The Wharton School, University of Pennsylvania in Strategic management, E-commerce strategy, and Information Economics.

Patrick Johnson
Senior Vice President of Human Resources

Mr Johnson was appointed as Senior Vice President of Human Resources in January 2006. Prior to joining Boart Longyear, he was the Managing Director of Human Resources for Global Operations at Applied Materials, having served there in various capacities for the previous six years. Prior to Applied Materials, Mr Johnson was the Vice President of Human Resources for TECO Westinghouse, and had held management level positions at Arabian American Oil Company and at Star Enterprise. Mr Johnson holds a Senior Professional in Human Resources certificate, along with a Certified Employee Benefit Specialist qualification from IFEB and Wharton School, University of Pennsylvania. Mr Johnson received a BBA in Accounting from the University of Houston, and an MA, with Honours, in Human Resource Management also from the University of Houston.

Allison Henriksen
Vice President of Investor Relations

Mrs Henriksen was appointed Vice President of Investor Relations in 2007 and is based at the corporate office in Sydney. Prior to joining Boart Longyear, she spent four years with Creative Outsourcing Solutions International, latterly as Group CFO and Company Secretary, based in the United Kingdom. Prior to this she was employed by Ernst & Young from 1990 to 2002, both in the UK and Australia in various roles including Associate Director, Corporate Finance London. Mrs Henriksen received her BComm from the University of Melbourne and is an Associate of the Australian Institute of Chartered Accountants.

7.3 Corporate Governance

Board of Directors and Committees

The Directors as at the date of this Prospectus are detailed in Section 7.1.

The Board monitors the operational and financial position and performance of Boart Longyear and oversees its business strategy and approves the Group's strategic goals. The Board is responsible for the corporate governance of Boart Longyear. The role of the Board is outlined in greater detail in the Corporate Governance Statement in this Section.

To assist the Board in performing its duties, the following committees have been established, each of which has its own charter:

- Audit, Risk and Compliance Committee;
- Remuneration and Nomination Committee; and
- Environment, Health and Safety Committee.

The Board may establish other committees from time to time if required.

The charters of these committees reflect ASX Best Practice Recommendations and are available from Boart Longyear's website.

Audit, Risk and Compliance Committee

The purpose of the Audit, Risk and Compliance Committee is to assist the Board in fulfilling its statutory and fiduciary obligations in relation to:

- the quality and integrity of the Group's financial statements, accounting policies and financial reporting and controls, including compliance with laws, regulations and ethical guidelines, and disclosure practices;
- the performance of the Group's external auditors and their appointment and removal;
- the independence of the external auditor and the rotation of the external audit engagement partners at least every three years;
- Group funding, financial risk management, and monitoring of business risk; and
- statements, commentary or financial reports to be released to ASX.

The Committee will meet as often as required and at least four times each year. Meetings of the Committee may be attended by any Director, and by the engagement or audit partner of the external auditor. The Committee will provide regular reports to the Board on the matters within the Committee's areas of responsibility. The Committee may take advice from external parties at Boart Longyear's cost.

The Committee's Charter requires that it consists of at least three Non Executive Directors with appropriate financial experience. The Committee members are Bruce Brook (Chairman), Peter St George and Geoff Handley.

Remuneration and Nomination Committee

The purpose of the Remuneration and Nomination Committee is to assist the Board in the effective discharge of its responsibilities in relation to the remuneration and performance of executives and Non Executive Directors.

The responsibilities of the Committee include:

- regularly reviewing the executive and non-executive remuneration policy of Boart Longyear and monitoring compliance with the executive remuneration policy;
- reviewing executive incentive plans and terms of employment and reviewing and approving termination payments;
- developing and implementing a plan to identify, assess and enhance the competencies of Directors;
- making recommendations for the annual remuneration report; and
- making recommendations for the appointment, remuneration and removal of Directors.

The Committee will meet as often as required and at least four times each year. Meetings of the Committee may be attended by any Director. The Committee will provide regular reports to the Board on matters within the Committee's area of responsibility.

The Committee's Charter requires that it consists of at least three Non Executive Directors. The Committee members are Peter St George (Chairman), Graham Bradley and David McLemore.

Environment, Health and Safety Committee

Boart Longyear places a high priority on safety and management of operational risks, including in relation to health, the environment, security of operations and materials and product liability and regulations governing drilling operations.

The purpose of the Environment, Health and Safety Committee is to assist the Board in the effective discharge of its responsibilities in relation to safety and the key operational risks outlined above. The Committee has authority from the Board to review and investigate any matter within the scope of its charter and make recommendations to the Board in relation to those matters.

The responsibilities of the Committee include:

- ensuring that the systems and processes for identifying, assessing and managing operational risks of Boart Longyear are adequately monitored;
- regularly reviewing the policies of the Group pertaining to key operational areas, including safety, health, environment, security of operations and materials, product liability and regulations governing drilling operations and reviewing the supporting management systems and processes;
- reviewing investigations of major incidents within the Group's operations; and
- monitoring legislative developments and considering major operational issues that may have significant implications for the Group.

The Committee will meet as often as required and at least four times each year. Meetings of the Committee may be attended by any Director. The Committee will provide regular reports to the Board on matters within the Committee's areas of responsibility.

The Committee's Charter requires that it consists of at least three Non Executive Directors. The Committee members are Geoff Handley (Chairman), Bruce Brook and David McLernore.

External Communications Policy

Once listed, Boart Longyear will be a 'disclosing entity' pursuant to sections 111AC and 111AR of the Corporations Act. As such, it will be subject to the continuous disclosure requirements of the Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the Listing Rules, the Group will be required to disclose to ASX any information concerning the Group which is not generally available and which, if it were made available, a reasonable person would expect to have a material effect on the price or value of Shares. In addition, the Group will provide ASX with any information necessary to correct or prevent a false market in Boart Longyear securities.

All information provided to ASX will be posted to Boart Longyear's website at www.boartlongyear.com after ASX confirms an announcement has been made.

Boart Longyear has adopted a written External Communications Policy in relation to information disclosure and relevant procedures for internal monitoring of matters that may require disclosure to ASX. The VP Investor Relations and General Counsel (and in their absence the CFO and Assistant General Counsel) have primary responsibility for the administration of the Policy and for coordinating the disclosure of price sensitive information relating to Shares to ASX. They are also responsible for ensuring that Directors and employees of Boart Longyear are aware of their responsibilities under the Policy.

The Policy also sets out other principles that Boart Longyear will apply in relation to disclosure of material information, including that the Group:

- may request a trading halt from ASX or make a preliminary or holding announcement where a proposal is insufficiently complete to warrant disclosure;
- will not generally respond to market rumours, except where incomplete or selective disclosure of information relating to Boart Longyear has been released, particularly where that information is affecting trading in the Group's securities; and
- will not provide analysts with material information that is not publicly available.

Continuous disclosure will be a standing agenda item at each Board meeting.

Securities Trading Policy

Boart Longyear has adopted a Securities Trading Policy governing trading in the Group's securities by Directors, officers and employees. The purpose of the Policy is to raise awareness of insider trading rules and of the fact that trading must not proceed without prior notification and clearance.

Any Director or employee who is in possession of price sensitive information which is not generally available to the market must not deal in the Group's securities.

The Policy provides that if a Director or senior executive of Boart Longyear wishes to trade in Boart Longyear securities or exercise options over Shares, they must first obtain confirmation from the appropriate person within the Company or the Chairman of the Board that there is no objection under the Securities Trading Policy to the proposed transaction.

If a Director deals in Company securities the Director must advise the Company of these transactions, and the Company must advise ASX within five business days, in accordance with the Corporations Act and the Listing Rules.

Corporate Governance Statement

The Board is responsible for the overall governance of the Group.

The Board has adopted a Board Charter which sets out the responsibilities of the Board in greater detail, including the following responsibilities:

- providing strategic direction for, and approving, Boart Longyear's business strategies and objectives;
- monitoring the operational and financial position and performance of Boart Longyear;
- identifying the principal risks faced by Boart Longyear and taking reasonable steps designed to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent possible, reduce the impact of these risks;
- requiring that financial and other reporting mechanisms are put in place which result in adequate, accurate and timely information being provided to the Board and Shareholders and the financial market as a whole being fully informed of all material developments relating to Boart Longyear;

- appointing, overseeing and evaluating the performance of and, where appropriate, removing the CEO, approving other key executive appointments and planning for executive succession;
- reviewing and approving remuneration for the senior executives of Boart Longyear;
- approving Boart Longyear's budgets and business plans and monitoring the management of Boart Longyear's capital, including the progress of any major capital expenditures, acquisitions or divestitures;
- establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements;
- adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards; and
- approving, and reviewing from time to time, Boart Longyear's internal compliance procedures, including any codes of conduct and taking all reasonable steps to ensure that the business of Boart Longyear is conducted in an open and ethical manner.

The Charter provides for the Board to delegate specific matters to the Senior Management Team, or to committees established by the Board.

Under the Charter, a Director may obtain external professional advice at Boart Longyear's expense, with the Chairman's prior approval. Such advice must be made available to Boart Longyear.

The Charter requires that there should be a majority of Non Executive Directors as opposed to Executive Directors, and that a majority of the Non Executive Directors should be independent. The Chairman of the Board should be an independent Non Executive Director.

7.4 Internal Control Framework

Boart Longyear has undergone significant restructuring and expansion over the last two years, including the integration of a number of acquisitions and the inclusion of several new appointments to the Senior Management Team. Management is currently developing the management structures, internal controls framework and systems that will be necessary for it to operate the Company's business as a listed entity and on the scale anticipated in its growth plans.

Management is currently in the process of enhancing and expanding its risk management framework in order to support its growth plans. In addition, Management is taking steps to improve internal controls including enhancing the Company's existing information technology systems so as to ensure such systems are adequate to support the Company's expansion projects and increases in the scale of its operations.

PRO FORMA HISTORICAL INFORMATION



8.1 Overview

The historical financial information included in this Section and the Appendix consists of:

- the pro forma consolidated statement of revenue, EBITDA and EBIT of the Boart Longyear Group for FY2005 and FY2006, as set out in Section 8.3;
- the pro forma consolidated summary cash flow before financing and tax of the Boart Longyear Group for FY2005 and FY2006, as set out in Section 8.3;
- the pro forma consolidated balance sheet of the Boart Longyear Group as at 31 December 2006, as set out in Section 8.5; and
- the pro forma parent entity balance sheet of the Boart Longyear Group as at 31 December 2006, as set out in Section 8.6.

The Company was incorporated on 2 January 2007 and has not undertaken any trading activities since incorporation. It is intended that the Company will effect a business combination by its subsidiary, Boart Longyear Investments, acquiring the Boart Longyear Businesses and the Acquired Businesses, by acquiring RSHI, the current legal parent entity of the Boart Longyear Group, contemporaneously with the issue of Shares under the Offer as at Settlement on or about 11 April 2007. As a result, there is no actual historical financial information for the Company. Therefore, in order to present potential investors in the Company with information to help them to understand what the historical financial performance and cash flow of the Boart Longyear Group would have been had those businesses operated as a stand-alone consolidated group since 1 January 2005, the Directors have prepared pro forma historical financial information on the financial performance and cash flow of the Boart Longyear Businesses and the

Acquired Businesses after removing the financial performance of the businesses disposed of in FY2005 and FY2006.

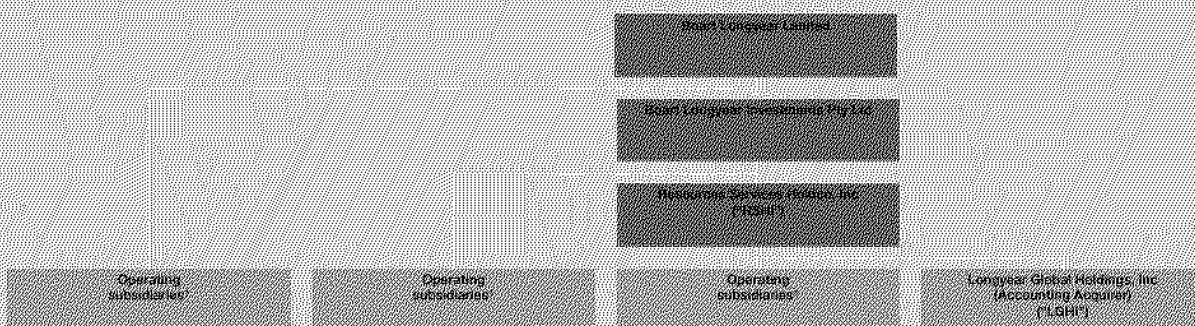
The diagram below illustrates a simplified corporate structure of the Boart Longyear Group as at Settlement following the transaction described above.

The pro forma historical financial information also presents the pro forma parent entity balance sheet of the Company prepared as though the acquisition of the Boart Longyear Businesses and the Acquired Businesses through the acquisition of RSHI, including the businesses acquired after 31 December 2006 (refer to Section 5.3 for further commentary on these acquisitions), had occurred on 31 December 2006 and reflects the proposed new corporate structure of the Boart Longyear Group which will be in place as at Settlement.

As discussed in more detail in Section 8.2.6, the audited consolidated financial statements of the Boart Longyear Group for FY2005 and FY2006 are different from the pro forma historical financial information for the same periods presented in this Prospectus, primarily because the FY2005 and FY2006 audited consolidated financial statements of the Boart Longyear Group include the results of certain businesses which were sold during those periods and do not include the full year pro forma normalised results of the Acquired Businesses.

The pro forma historical financial information is presented in abbreviated form and should be read in conjunction with, and is qualified by reference to, the information contained elsewhere in this Section and in the Appendix. This Section and the Appendix do not contain all of the disclosures that are necessary in an annual financial report prepared in accordance with the Corporations Act. Details of how to obtain a copy of the Appendix are contained in Important Information section at the start of this Prospectus.

Figure 8.1: Simplified Corporate Structure



1. An internal group restructure will be implemented at Settlement following the acquisition of RSHI by Boart Longyear Investments which will result in all operating subsidiaries being transferred from LGHI to be owned by either the Company, Boart Longyear Investments or RSHI.

8.2 Basis of preparation and presentation

8.2.1 Accounting convention

The pro forma Historical Financial Information included in this Prospectus has been prepared in accordance with the recognition and measurement principles prescribed under AIFRS and other mandatory professional reporting requirements in Australia.

Historically, the Boart Longyear Group has prepared historical financial information in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP"). The Company will be required to report in accordance with AIFRS from its date of incorporation. Pursuant to the 'reverse acquisition accounting' treatment under AIFRS for the acquisition of RSHI (refer to Section 8.2.5), the consolidated financial statements of the Company will be presented as a continuation of the consolidated financial statements of LGHI, which is the current accounting parent entity of the Boart Longyear Group and is therefore considered to be the 'acquirer' for accounting purposes. The date of transition to AIFRS for the Company is 1 January 2006, being the first day of the comparative period to be presented in the Company's first consolidated annual financial report for the year ending 31 December 2007. From the date of transition to AIFRS, the historical financial information for the Boart Longyear Group (including historical financial information for the Acquired Businesses) from which the pro forma historical financial information included in this Section and the Appendix has been derived, has been presented in accordance with AIFRS (this is set out in further detail in the Appendix). The conversion to AIFRS was made after considering the effect of the mandatory exceptions and optional exemptions in AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' that the Company expects to apply as at the date of transition to AIFRS. In order to assist with the comparison between the pro forma historical financial information for FY2005 and FY2006, the pro forma historical financial information for FY2005 has also been presented in accordance with AIFRS.

8.2.2 Derivation of financial information

The pro forma historical financial information of the Boart Longyear Group contained in this Section and the Appendix has been derived from the following:

- the audited consolidated financial statements of the Boart Longyear Group for FY2005 and FY2006, each prepared in accordance with UK GAAP;
- the unaudited financial records of the businesses disposed of during FY2005 and FY2006; and
- the unaudited financial records of the Acquired Businesses (refer to Section 5.3 for further commentary on these acquisitions).

Adjustments have been made to this financial information to present the pro forma historical financial information of the Boart Longyear Group in accordance with AIFRS.

A more detailed discussion of the derivation of the pro forma historical financial information for the Boart Longyear Group and an explanation and quantification of the adjustments to that information is set out in Note E of the Appendix.

8.2.3 Pro forma and normalisation adjustments

Prior to the acquisition of the Boart Longyear Businesses and the Acquired Businesses through to the acquisition of RSHI as at Settlement, the Boart Longyear Businesses and the Acquired Businesses will have operated under a different corporate structure with different gearing and tax profiles to those proposed for the Boart Longyear Group after completion of the Offer. As a consequence, the Directors believe the historical net finance costs and income tax expense incurred by these businesses are not representative of what the net finance costs and income tax expense would have been, had the Boart Longyear Group operated under the new structure which will be in place after completion of the Offer. Therefore historical net finance costs and income tax expense have not been presented in the pro forma historical financial information of the Boart Longyear Group included in this Section and the Appendix.

The pro forma historical financial information of the Boart Longyear Group includes certain pro forma adjustments to reflect the operations of the Boart Longyear Group that will be in place as at completion of the Offer, and normalisation adjustments to remove certain material one-off items within the historical financial information of the Boart Longyear Businesses and the Acquired Businesses, as considered appropriate by the Directors.

The principal pro forma adjustments for the historical financial information relate to the inclusion of the pro forma normalised pre-acquisition results of operations and cash flows of acquisitions that have occurred either in FY2005, FY2006 or in FY2007 prior to the date of this Prospectus as if the acquisitions had occurred on 1 January 2005 and the exclusion of the results and cash flows of certain businesses disposed of during FY2005 and FY2006.

The principal normalisation adjustments for the pro forma historical consolidated statement of revenue, EBITDA and EBIT relate to the exclusion of changes in ownership costs, restructuring expenses, material one-off asset impairments, restructured employee compensation arrangements, the mark to market impact of certain derivative instruments, head office relocation and staffing costs, goodwill amortisation and impairment charges under UK GAAP and other one-off items.

The principal normalisation adjustments for the pro forma historical consolidated summary cash flow before financing and tax relate to the exclusion of cash flows from acquisitions and disposals, sale of property, plant and equipment and cash outflows from the non-recurring investment in derivative instruments. In addition to the above, Management conducted a review of certain accounting practices, including the estimated useful lives of certain plant and equipment and capitalisation practices, the financial effect of which has been reflected in the pro forma historical financial information.

All of the above adjustments, together with a reconciliation of the audited consolidated financial statements of the Boart Longyear Group for FY2005 and FY2006 to the pro forma historical financial information are provided in Note E of the Appendix (which uses certain unaudited financial information for the Boart Longyear Businesses and the Acquired Businesses in the reconciliation as described in the Appendix).

8.2.4 Presentation and functional currency

The results of the major operating businesses are recorded in their functional currencies, which are generally their local currencies. US dollar denominated revenue represented approximately 37% of the Boart Longyear Group's total pro forma FY2006 revenue, with the remainder denominated in the currencies of the other operational markets, including Canada (approximately 22%), Australia (approximately 19%), Europe (approximately 10%), South Africa (approximately 9%) and others (approximately 3%).

Consequently, under AIFRS, the Directors believe US dollar reporting represents the best indicator of the results of the Boart Longyear Group. Future financial reporting by Boart Longyear will therefore be presented in US dollars. However, for this

convenience of prospective investors, Australian dollar information has also been included in this Prospectus. US dollar historical financial information has been translated into Australian dollars at the average exchange rate for the financial years presented, except for the historical balance sheet which has been translated at the applicable exchange rate prevailing at year end.

8.2.5 Reverse acquisition accounting

AASB 3 'Business Combinations' requires that all business combinations (the bringing together of separate entities into one group) are accounted for using the purchase method. This method of accounting requires one of the combining entities to be identified as the acquirer. However, AASB 3 also states that 'when a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities that existed before the combination shall be identified as the acquirer on the basis of the evidence available'. This is commonly referred to as 'reverse acquisition accounting'.

At Settlement, the Company will effect a business combination by its subsidiary, Boart Longyear Investments, acquiring RSHI, the current legal parent entity of the Boart Longyear Group, so that the Company will become the ASX listed legal parent entity of the Boart Longyear Group. The business combination will be undertaken by Boart Longyear Investments issuing Redeemable Notes and Exchangable Notes to the existing shareholders of RSHI. The Redeemable Notes will be redeemed for cash and the Exchangable Notes will be exchanged for shares in the Company. Accordingly, the Directors are of the opinion that, in accordance with the requirements of AASB 3, neither Boart Longyear Investments nor the Company would be identified as the acquirer for accounting purposes.

In the opinion of the Directors, the acquirer for accounting purposes for the business combination under the principles of AASB 3 is the current accounting parent entity of the Boart Longyear Group, LGHI, rather than RSHI, which is the current legal parent entity of the Boart Longyear Group. LGHI is the current accounting parent entity and RSHI is the current legal parent entity of the Boart Longyear Group as a result of a restructuring transaction of the Boart Longyear Group undertaken on 9 October 2006.¹ Accordingly, in its financial statements for FY2007 and future periods, the Boart Longyear

Note:

1. LGHI acquired the Boart Longyear Businesses from Anglo American plc effective 29 July 2005. On 6 October 2006, LGHI undertook a merger in accordance with the laws of Delaware, United States with Resources Services Holdings USA, Inc. ("RSH USA"), a Delaware corporation, following which LGHI continued as the surviving corporation. Subsequently on 9 October 2006, all shareholders in LGHI exchanged their equity interests in LGHI for equivalent equity interests in RSHI. For accounting purposes, neither the acquisition of LGHI by RSHI nor the merger between LGHI and RSH USA are considered to be transactions of substance and accordingly, the consolidated financial statements of RSHI are presented as a continuation of the consolidated financial statements of LGHI.

Group will present both LGHI (Accounting Acquirer) consolidated financial information and Company (legal parent) financial information. The controlled entities of LGHI (Accounting Acquirer) are deemed to be all other combining entities of the Boart Longyear Group, including RSHI and the Company.

The major implications of the application of reverse acquisition accounting are that:

- consolidated financial statements shall be issued under the name of the Company, but described in the notes as a continuation of the financial statements of LGHI (Accounting Acquirer) and accordingly:
 - (a) the assets and liabilities shall be recognised and measured in those consolidated financial statements at the carrying amounts of LGHI (Accounting Acquirer) immediately before Settlement, rather than at fair values;
 - (b) the retained earnings and other equity balances recognised in those consolidated financial statements shall be the retained earnings and other equity balances of LGHI (Accounting Acquirer) immediately before Settlement;
 - (c) the amount recognised as issued equity instruments in those consolidated financial statements shall be determined by adding the notional cost of the combination to the issued equity of LGHI immediately before Settlement; and
 - (d) comparative information presented in those consolidated financial statements shall be that of LGHI (Accounting Acquirer);
- the retained earnings of LGHI (Accounting Acquirer) as at Settlement are not available for the payment of dividends to the shareholders of the Company.

8.2.6 Statutory financial information

In its financial statements for FY2007, the Boart Longyear Group will present:

- for the Company (legal parent) – financial information for the period from incorporation to 31 December 2007. No comparative historical financial information for FY2006 will be provided as the Company was incorporated on 2 January 2007; and

for the Boart Longyear Group – consolidated financial information for LGHI (Accounting Acquirer) and its deemed controlled entities for FY2007. Comparative financial information will be included for FY2006 as under reverse acquisition accounting, the consolidated financial statements are a deemed continuation of the consolidated financial statements of the Accounting Acquirer.

As a result of the restructuring of LGHI that occurred during the year ended 31 December 2006, and the disposals of the MCE Poland business and the Hard Materials and Soft Rock Tools businesses, the FY2007 statutory financial information presenting the comparative period to 31 December 2006 will not be representative of the Group's future performance. Furthermore, statutory financial information will be different to the pro forma historical financial information for the same period presented in this Prospectus.

Unlike the pro forma historical financial information of the Boart Longyear Group presented in this Prospectus and in the Appendix, the FY2006 comparative income statement to be presented in the FY2007 statutory financial report will:

- include the operating results of the MCE Poland business from 1 January 2006 to 1 August 2006;
- include the operating results of the Hard Materials and Soft Rock Tools businesses from 1 January 2006 to 24 April 2006;
- include the loss on disposal of the Hard Materials and Soft Rock Tools businesses as at 24 April 2006 and the gain on disposal of the MCE Poland business as at 1 August 2006;
- include the operating results of North West Drilling only from 1 August 2006, the operating results of Drillcorp only from 20 October 2006 and the operating results of Prosonic only from 6 December 2006, whereas the FY2006 pro forma financial information includes the operating results for those businesses since 1 January 2006;
- present information to the NPAT level;
- include the net finance costs and tax expense associated with the structure in place prior to completion of the Offer; and
- exclude the pro forma and normalisation adjustments referred to in Section 8.2.3.

Similarly, unlike the pro forma consolidated balance sheet of the Boart Longyear Group as at 31 December 2006 presented in this Prospectus and in the Appendix, the statutory comparative balance sheet as at 31 December 2006 to be presented in the FY2007 statutory financial report:

- will not include the impact of the KWL, Grimwood Davies and Connors acquisitions that occurred subsequent to 31 December 2006; and
- will not include the impact of the Offer, including the debt restructure and associated transaction costs.

8.3 Pro forma historical consolidated statement of revenue, EBITDA, EBIT and cash flow

Table 8.3.1 presents the pro forma historical consolidated statement of revenue, EBITDA and EBIT of the Boart Longyear Group (refer to Section 8.2.2 and Note E of the Appendix for a description of the derivation of this historical financial information).

Table 8.3.1 Pro forma historical consolidated statement of revenue, EBITDA and EBIT

	Pro forma FY2005 US\$m	Pro forma FY2006 US\$m	Pro forma FY2005 A\$m	Pro forma FY2006 A\$m
Pro forma revenue from operating activities	1,022.6	1,252.8	1,342.0	1,664.9
Cost of sales	(672.0)	(768.6)	(881.9)	(1,021.4)
Pro forma gross profit	350.6	484.2	460.1	643.5
Other expenses	(150.7)	(206.4)	(197.8)	(274.3)
Pro forma EBITDA	199.9	277.8	262.3	369.2
Depreciation	(40.4)	(45.9)	(53.0)	(61.0)
Pro forma EBITA	159.5	231.9	209.3	308.2
Amortisation	(0.7)	(0.9)	(0.9)	(1.2)
Pro forma EBIT	158.8	231.0	208.4	307.0

Notes:

1. US dollar pro forma historical financial information has been translated into A\$ at the average exchange rate for the financial year being US\$0.762:A\$1.00 for FY2005 and US\$0.7525:A\$1.00 for FY2006.
2. In presenting pro forma EBITDA, pro forma EBITA and pro forma EBIT, interest is defined as net finance costs as described in Note D.1.21 of the Appendix.
3. Depreciation on the fair value uplift to tangible assets arising pursuant to the purchase price allocation exercise for the Acquired Businesses has only been applied effective from the date of acquisition or 31 December 2006 for acquisitions subsequent to year end. The Directors do not believe that a reasonable basis exists for recognising a pro forma adjustment from 1 January 2005 and the financial impact is not material to understanding the Historical Financial Information.
4. Amortisation charges primarily relate to patents, as the purchase price allocation exercise completed in relation to the Acquired Businesses has only been applied effective from the date of the acquisition or 31 December 2006 for acquisitions subsequent to year end. The Directors do not believe that a reasonable basis exists for recognising a pro forma adjustment from 1 January 2005 for amortisation of contractual customer relationships and the financial impact is not material to understanding the Historical Financial Information.
5. For the purposes of presentation of financial information in this Prospectus and the Appendix, cost of sales has been presented exclusive of all depreciation and amortisation, including depreciation and amortisation absorbed into the cost of inventories presented in the pro forma balance sheet. In its statutory financial report for the year ending 31 December 2007, the Company intends to present cost of sales and other functional expenses inclusive of depreciation and amortisation applicable to both the Drilling Services and Products businesses.
6. The Historical Financial Information has been presented to the pro forma EBIT level only as the businesses historically operated under a different corporate structure with different gearing and tax profiles.

Table 8.3.2 presents the pro forma summary historical consolidated summary cash flow before financing and tax of the Boart Longyear Group for FY2005 and FY2006.

Table 8.3.2 Pro forma historical consolidated summary cash flow before financing and tax

	Pro forma FY2005 US\$m	Pro forma FY2006 US\$m	Pro forma FY2005 A\$m	Pro forma FY2006 A\$m
Pro forma EBIT	158.8	231.0	208.4	307.0
Depreciation and amortisation	41.1	46.8	53.9	62.2
Pro forma EBITDA	199.9	277.8	262.3	369.2
Pro forma non-cash and other items and working capital movements	(72.6)	(21.2)	(95.3)	(28.2)
Pro forma cash flow available from operations	127.3	256.6	167.0	341.0
Pro forma capital expenditure – growth	(38.4)	(60.6)	(50.4)	(80.5)
Pro forma capital expenditure – maintenance	(11.4)	(31.1)	(15.0)	(41.3)
Pro forma cash flow before financing and tax	77.5	164.9	101.6	219.2

Notes:

1. Refer to notes to Table 8.3.1 for details of exchange rates applied.
2. Pro forma capital expenditure in the above table excludes US\$5.2 million and US\$9.2 million of plant and equipment acquired by means of finance leases in FY2005 and FY2006 respectively.
3. Pro forma capital expenditure in the table above has been prepared on an accrual basis.

Table 8.3.3 presents the key pro forma historical financial indicators for the business divisions of the Boart Longyear Group.

Table 8.3.3 Key pro forma historical financial indicators by business division

US\$m	Drilling Services		Products		Corporate		Total	
	FY2005	FY2006	FY2005	FY2006	FY2005	FY2006	FY2005	FY2006
Pro forma revenue from operating activities	621.4	768.1	401.2	484.7	–	–	1,022.6	1,252.8
Pro forma gross profit	217.3	306.2	133.3	178.0	–	–	350.6	484.2
Pro forma gross margin %	35.0%	39.9%	33.2%	36.7%	–	–	34.3%	38.7%
Pro forma EBITDA	153.4	203.5	55.0	97.6	(8.5)	(23.3)	199.9	277.8
Pro forma EBITA	121.1	166.5	47.2	89.0	(8.8)	(23.6)	159.5	231.9
Pro forma EBIT	121.1	166.5	46.5	89.0	(8.8)	(24.5)	158.8	231.0

Note:

1. Refer to notes to Table 8.3.1 for details of exchange rates applied and a description of the presentation of cost of sales and gross profit.

Table 8.3.4 presents the pro forma historical revenue and EBITDA by geographic segment for the Boart Longyear Group.

Table 8.3.4 Pro forma historical revenue and EBITDA by geographic segment

US\$m	Pro forma FY2005	Pro forma FY2006	Growth rate FY2006
Pro forma revenue			
United States	252.2	305.1	20.9%
Canada	243.1	308.1	26.7%
Asia Pacific	253.8	309.2	21.8%
South America	81.8	107.9	32.0%
Europe	90.4	101.6	12.4%
Sub Saharan Africa	101.3	120.9	19.3%
Total	1,022.6	1,252.8	22.5%
Pro forma EBITDA			
United States	64.8	74.6	15.0%
Canada	45.3	71.2	57.3%
Asia Pacific	62.4	92.7	48.5%
South America	23.3	32.8	40.6%
Europe	8.8	24.1	173.7%
Sub Saharan Africa	3.8	5.7	50.3%
Corporate	(8.5)	(23.3)	174.1%
Total	199.9	277.8	39.0%

Note:

1. Refer to notes to Table 8.3.1 for details of exchange rates applied.

8.4 Management's discussion and analysis of pro forma results of operations

Management's discussion and analysis below relates to the pro forma historical financial information for the Boart Longyear Group for FY2005 and FY2006 (Tables 8.3.1 and 8.3.2) and should be read in conjunction with the description of the basis upon which the information has been prepared (refer to Section 8.2), the table of key pro forma financial indicators (Table 8.3.3) and the pro forma and normalisation adjustments described in Section 8.2.3 (as further detailed in the Appendix).

A description of the business and the business drivers is provided in Section 5 and Section 9.

8.4.1 Consolidated

Pro forma consolidated revenue for the Boart Longyear Group increased from US\$1,022.6 million in FY2005 to US\$1,252.8 million in FY2006, reflecting improved market conditions leading to the expansion of the Company's rig portfolio by 79 rigs and increased demand for its drilling capital equipment and associated coring tools.

Pro forma consolidated EBITDA for the Boart Longyear Group increased from US\$199.9 million in FY2005 to US\$277.8 million in FY2006, reflecting improved performance across the Boart Longyear Group as described in Sections 8.4.2 and 8.4.3.

The pro forma depreciation charge increased by US\$5.5 million from US\$40.4 million in FY2005 to US\$45.9 million in FY2006. The principal driver of this movement was the capital expenditure in FY2006 of US\$91.7 million in order to meet drilling market demand. Pro forma amortisation remained relatively consistent from FY2005 to FY2006. As a result, pro forma EBIT increased by US\$72.2 million from US\$158.8 million in FY2005 to US\$231.0 million in FY2006.

8.4.2 Drilling Services

Pro forma revenue for Drilling Services increased by US\$146.7 million from US\$621.4 million in FY2005 to US\$768.1 million in FY2006 primarily due to increased mineral exploration and production drilling in the established mining markets of the United States, Canada and Australia and increased Energy drilling. In addition, the continued industrialisation of the BRIC Economies led to increased drilling activity in these regions.

The increase in revenue in FY2006 is also due to the full year effect of drill rigs added in FY2005, the part year impact of the additional 79 drill rigs added in FY2006 as well as increases in prices in renewed drilling services contracts.

Pro forma gross profit margin for Drilling Services increased from 35.0% in FY2005 to 39.9% in FY2006 through price increases in renewed drilling services contracts, increased revenue from higher margin geographies (such as West Africa and Russia) and the restructure of lower margin contracts. These increases were partially offset by increases in salaries in markets where labour shortages and competitor activity existed.

The factors above resulted in pro forma EBITDA increasing US\$50.1 million or 32.7% from US\$153.4 million in FY2005 to US\$203.5 million in FY2006. While gross profit increased by US\$88.9 million in the same period, this was partially offset by an increase in other expenses of US\$36.5 million as a result of the requirement to add infrastructure such as employees and training facilities in order to support the current and future anticipated growth in the business.

8.4.3 Products

Pro forma revenue for Products increased by US\$83.5 million from US\$401.2 million in FY2005 to US\$484.7 million in FY2006 principally due to higher sales volumes of its surface drilling capital equipment as a result of the Company increasing production capacity through its plant expansions, process improvements and outsourcing arrangements. The increase in drilling capital equipment sales also led to an increase in associated consumable sales such as coring tools.

Pro forma gross profit margin increased from 33.2% in FY2005 to 36.7% in FY2006 as a result of:

- savings achieved through the closure of the Company's manufacturing facilities in Ireland and Spain and moving production to lower cost jurisdictions that are also closer to the Company's customers. In addition, as part of the restructure, the Company consolidated its manufacturing operations in South Africa from four facilities into two facilities. These restructuring initiatives were undertaken in the second half of FY2005;
- cost savings achieved through Boart Longyear's global procurement of raw materials, other inputs and services. The majority of the initiatives commenced in the second half of FY2006. Prior to the establishment of the global procurement initiative, sourcing was undertaken on a regional basis; and
- the leverage of the Group's fixed cost base achieved through higher volumes following an increase in manufacturing capacity in the second half of FY2006 as part of a strategic capital investment program.

The above savings were partially offset by increases in labour, steel prices and machined parts and supplies.

Pro forma EBITDA for Products increased by US\$42.6 million from US\$55.0 million in FY2005 to US\$97.6 million in FY2006, with the increase attributable to the revenue growth in the period and the restructuring and sourcing cost savings.

The increase in depreciation in FY2006 reflects the part year impact of the strategic capital investment program which was initiated in the second half of FY2006 (see Section 5.3 for further details).

8.4.4 Corporate

Corporate expenses increased by US\$14.8 million from US\$8.5 million in FY2005 to US\$23.3 million in FY2006 principally as a result of the establishment of the Company's global headquarters in Salt Lake City, Utah, United States.

8.4.5 Capital expenditure

Pro forma capital expenditure increased by US\$41.9 million from US\$49.8 million in FY2005 to US\$91.7 million in FY2006. The increase was principally as a result of:

- the Company's expansion of its drill rig portfolio (total of 79 rig additions) in order to meet the current and expected drilling activity of its customers; and
- a strategic capital investment program undertaken in the second half of FY2006 to update and expand the Company's manufacturing capacity in order to meet increased market demand.

In addition to the above, the Company acquired plant and equipment of US\$5.2 million and US\$9.2 million by means of finance leases in FY2005 and FY2006 respectively.

8.5 Pro forma consolidated balance sheet

8.5.1 Basis of preparation

Table 8.5.1 sets out the pro forma consolidated balance sheet of the Boart Longyear Group as at 31 December 2006 (refer to Sections 8.1 and 8.2 for a description of the derivation of pro forma historical financial information). As discussed in Section 8.2, the pro forma consolidated balance sheet of the Boart Longyear Group has been prepared in accordance with AIFRS, applying the principles of reverse acquisition accounting.

In addition to the preparation in accordance with AIFRS, the major assumptions applied in the preparation of the pro forma consolidated balance sheet of the Boart Longyear Group are described in Section 8.5.2.

The pro forma consolidated balance sheet as at 31 December 2006 should be read in conjunction with the financial information and notes to the financial information set out in the Appendix.

Table 8.5.1 Pro forma consolidated balance sheet of the Boart Longyear Group as at 31 December 2006

	US\$m	A\$m
Current assets		
Cash and cash equivalents	15.4	19.6
Trade and other receivables	233.7	297.0
Other financial assets	2.2	2.8
Inventories	139.7	177.5
Prepaid expenses and other current assets	23.4	29.7
Total current assets	414.4	526.6
Non-current assets		
Property, plant and equipment	260.1	330.5
Deferred tax assets	36.7	46.6
Other financial assets	3.9	5.0
Goodwill and other intangible assets	221.9	282.0
Other assets	1.2	1.5
Total non-current assets	523.8	665.6
Total assets	938.2	1,192.2
Current liabilities		
Trade and other payables	240.8	306.0
Current tax payable	23.0	29.2
Loans and borrowings	5.1	6.6
Provisions	28.8	36.6
Other liabilities	0.7	0.9
Total current liabilities	298.4	379.3
Non-current liabilities		
Trade and other payables	0.7	0.9
Loans and borrowings	668.8	849.9
Other financial liabilities	2.3	2.9
Deferred tax liabilities	3.7	4.7
Provisions	37.8	48.0
Total non-current liabilities	713.3	906.4
Total liabilities	1,011.7	1,285.7
Net assets/(liabilities)	(73.5)	(93.5)
Equity		
Issued capital	452.3	574.8
Reserves	7.3	9.3
Other equity amounts	(261.3)	(332.1)
Retained earnings/(accumulated losses)	(271.8)	(345.5)
Total equity/(deficit)	(73.5)	(93.5)

Note:

1. US dollar pro forma consolidated balance sheet information as at 31 December 2006 has been translated into A\$ at the exchange rate prevailing at that date of US\$0.787:A\$1.00.

8.5.2 Assumptions

In preparing the pro forma consolidated balance sheet of the Boart Longyear Group, it has been assumed that:

- RSHI is acquired by Boart Longyear Investments, a wholly owned subsidiary of the Company, for an estimated purchase price of US\$1,429.4 million (A\$1,816.5 million) (based on the mid-point of the Indicative Price Range and using the historical foreign exchange rate as at 31 December 2006 of US\$0.787:A\$1.00);
- borrowings of the Company are restructured to a pro forma net debt position of US\$650 million (reflecting the total size of the term facilities as described in Section 12.5.2) plus finance leases and other borrowings of US\$13.2 million (including US\$12.0 million of finance leases) less the unamortised balance of debt arrangement fees (US\$4.3 million); and
- the Offer raises A\$2,367.6 million (US\$1,863.1 million) (based on the mid-point of the Indicative Price Range) and the proceeds are applied to redeeming the Redeemable Notes held by the Vendors of A\$1,375.6 million (US\$1,082.5 million), repayment of a portion of debt facilities and related costs of the debt restructuring of US\$708.6 million (A\$900.5 million) and paying related Offer costs of A\$91.5 million (US\$72.0 million); and

the following transactions which completed after 31 December 2006, occurred on 31 December 2006:

- the acquisition of KWL;
- the acquisition of Grimwood Davies; and
- the acquisition of Connors.

Note:

Certain assumptions used in the preparation of the pro forma consolidated balance sheet and the pro forma parent entity balance sheet differ from those used in the Key Offer Statistics and elsewhere in the Prospectus for the reasons referred to in Table 1.2 in Section 1.

8.6 Pro forma parent entity balance sheet

Table 8.6.1 below sets out the pro forma parent entity (Boart Longyear Limited) balance sheet as at 31 December 2006. The pro forma parent entity balance sheet as at 31 December 2006 has been prepared as though the Company acquired RSHI on 31 December 2006 notwithstanding that the Company was not incorporated until 2 January 2007. The value of the net assets presented in the pro forma consolidated balance sheet of the Boart Longyear Group as at 31 December 2006 is significantly less than the value of the net assets of the pro forma parent entity balance sheet at the same date due to the application of reverse acquisition accounting.

Table 8.6.1 Pro forma parent entity (Boart Longyear Limited) balance sheet as at 31 December 2006

	Pro forma US\$m	Pro forma A\$m
Non-current assets		
Investments in subsidiaries	2,141.4	2,721.3
Deferred tax assets	18.2	23.1
Total non-current assets	2,159.6	2,744.4
Total assets	2,159.6	2,744.4
Net assets	2,159.6	2,744.4
Equity		
Issued capital	2,159.6	2,744.4
Total equity	2,159.6	2,744.4

Note:

1. US dollar pro forma balance sheet information as at 31 December 2006 has been translated into A\$ at the exchange rate prevailing at that date of US\$0.787:A\$1.00.

8.6.1 Basis of preparation and assumptions

The pro forma parent entity balance sheet as at 31 December 2006 has been prepared on the basis that the Company through Boart Longyear Investments acquired RSHI on 31 December 2006.

In determining the purchase price to be paid for RSHI, and therefore the carrying value of the investment in RSHI in the pro forma parent entity balance sheet, it has been assumed that:

- RSHI is acquired by the Company through Boart Longyear Investments for a pro forma purchase price of approximately US\$1,429.4 million (A\$1,816.5 million) based on the mid-point of the Indicative Price Range and using the historical foreign exchange rate as at 31 December 2006 of US\$0.787:A\$1.00;
- the purchase price will be funded by Boart Longyear Investments issuing Exchangable Notes valued at A\$441.0 million (US\$347.0 million) and Redeemable Notes valued at A\$1,375.6 million (US\$1,082.5 million) to the Vendors. The value of the Exchangable Notes and Redeemable Notes issued to the Vendors is based on the mid-point of the Indicative Price Range and using the historical foreign exchange rate as at 31 December 2006 of US\$0.787:A\$1.00;
- the Offer raises A\$2,367.6 million (US\$1,863.1 million) based on the mid-point of the Indicative Price Range (using the historical foreign exchange rate as at 31 December 2006 of US\$0.787:A\$1.00) and the proceeds are applied to redeem Redeemable Notes held by the Vendors of A\$1,375.6 million (US\$1,082.5 million), repayment of a portion of the debt facilities and related costs of the debt restructuring of US\$708.6 million (A\$900.5 million) and paying related Offer costs of A\$91.5 million (US\$72.0 million); and
- an internal group restructure will be implemented at Settlement following the acquisition of RSHI by Boart Longyear Investments which will result in the proceeds of the Offer received by the Company being invested in various Group subsidiaries and subsequently invested in or loaned to the subsidiaries that hold the debt facilities prior to IPO or are incurring related Offer costs.

If the Final Price is greater than or less than the value assumed in the pro forma parent entity balance sheet, this is likely to result in a change in share capital, a change in the carrying value of RSHI and a change in the value at which the Redeemable Notes are redeemed.

8.7 Liquidity**8.7.1 General**

The principal sources of funds are cash flows from operations and borrowings under credit facilities. The Boart Longyear Group expects that it will finance its ongoing operations with a combination of operating cash flows and bank borrowings.

Existing cash resources, credit facilities and the anticipated cash flows from operations are expected to provide sufficient liquidity to meet the Boart Longyear Group's currently anticipated cash requirements for a period of at least the 12 months following listing on ASX. The Boart Longyear Group's ability to generate sufficient cash depends on its future performance which, to a certain extent, is subject to general economic, financial, competitive and other factors beyond the control of Boart Longyear, the Directors and the Senior Management Team. In addition, future capital expenditure and other cash requirements could be higher than currently expected as a result of various factors. If this occurs, or if the amount of the Boart Longyear Group's anticipated sources of cash is lower than expected, the Boart Longyear Group may be required to seek additional external financing.

8.7.2 Working capital

The Boart Longyear Group's working capital requirements vary across the year and reflect matters such as the level of drilling activity of Boart Longyear and its customers and the level of capital expenditure. Increased drilling activity also leads to increased demand for the Company's products such as coring and percussive tools.

The Boart Longyear Group actively manages working capital and aims to reduce working capital over time. It is expected that inventory levels and working capital levels improve as a result of specific working capital reduction initiatives. Management considers that inventory levels are sufficient to meet required customer service levels.

8.7.3 Financing facilities

The Boart Longyear Group's external financing facilities are described in full in Section 12. The Boart Longyear Group has a working capital facility as part of a revolving facility and will use this to fund short term borrowing requirements which may be caused by cash flow needs from items such as seasonal peaks in working capital, capital expenditure, or integration costs on acquisitions.

8.8 Critical accounting policies

The Boart Longyear Group's critical accounting policies are those that it believes are most important to the presentation of its financial position and performance. In many cases, the accounting treatment of a particular transaction is specifically dictated by AIFRS with no need for the application of judgement. In certain circumstances however, the preparation of consolidated financial statements in conformity with AIFRS requires the Boart Longyear Group to use judgement to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Boart Longyear Group believes the policies described below represent its critical accounting policies. Details of the Boart Longyear Group's significant accounting policies are included in the Appendix.

8.8.1 Revenue

8.8.1.1 Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfer of risks and rewards varies depending on the individual terms of the contract of sale and with local statute but is generally when title and insurance risk has passed to the customer and the goods have been delivered to a contractually agreed location.

8.8.1.2 Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion of the contract is determined as follows:

- Revenue from drilling services contracts is recognised on the basis of actual metres drilled for each contract; and
- Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

8.8.2 Defined benefit superannuation/pension plans

The Boart Longyear Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any fund assets is deducted.

The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Boart Longyear Group's defined benefit obligations. Where there is no deep market in such bonds, the market yields (at the reporting date) of government bonds are used. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and related changes in actuarial assumptions are charged or credited to retained earnings.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Where the calculation results in a benefit to the Boart Longyear Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post employment benefits or other long term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

8.8.3 Inventories

Products

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a standard cost method, which approximates actual cost on a first-in first-out basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads (including depreciation) based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Drilling Services

The Company maintains an inventory of core drilling rods and casings for use in the rendering of services. Such inventories are measured at the lower of cost and net realisable value. Core drilling rods and casings are initially recognised at cost and are expensed over their useful life. A regular and ongoing review is undertaken to establish whether any items are obsolete or damaged, and if so their carrying amount is written down to its net realisable value.

8.8.4 Property, plant and equipment

8.8.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset including the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

8.8.4.2 Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

8.8.4.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The following useful life estimates are used in the calculation of depreciation:

Buildings	20–40 years
Plant and machinery	5–10 years
Drill rigs	5–12 years
Other drilling equipment	1–5 years
Office equipment	5–10 years
Computer equipment:	
Hardware	3–5 years
Software	1–5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Estimates in respect of the useful life and residual value of certain items of plant and equipment and drill rigs were revised effective 6 October 2006 for annual financial reporting purposes. The pro forma historical financial information assumes that the revised estimated useful lives were applicable from 1 January 2005.

8.8.5 Restructuring provision

A provision for restructuring is recognised when the Boart Longyear Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

8.8.6 Earn-out and bonus agreements

In certain circumstances, previous owners of acquired businesses become employees of the Boart Longyear Group. A business combination agreement may include earn-out or bonus clauses which provide for an adjustment to the cost of the combination contingent upon future events. If contingent consideration is, in substance, compensation for services or profit sharing (e.g. clauses requiring that the individual remain employed by the Boart Longyear Group), those payments are recognised as an expense over the period of services provided. If the substance of the consideration is payment for the business acquired, the amount is treated as an adjustment to the cost of the business combination.

8.9 Off balance sheet financing arrangements

The Boart Longyear Group has off balance sheet arrangements for lease commitments and unconditional purchase agreements. Details and further information regarding these commitments as at 31 December 2006 can be found in Note D.14 of the Appendix.

Other than these items, the Group does not believe that it has entered into any off balance sheet transaction, arrangement or other relationship that is reasonably likely to materially affect its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, the availability of capital resources or requirements for capital resources.

8.10 Capital commitments

The Boart Longyear Group had various capital commitments contracted for, as at 31 December 2006, principally relating to the acquisition of new drill rigs and ancillary equipment, strategic capital projects to expand manufacturing capability and capacity across a number of its key product lines and office renovations at the Salt Lake City, Utah, United States location.

Further information regarding these commitments can be found in Note D.14 of the Appendix.

8.11 Foreign exchange hedging practice

Boart Longyear is exposed to market risks associated with foreign currency exchange rates particularly with respect to the exchange rate between the US dollar, the Canadian dollar and the Australian dollar. In this regard approximately 37% of Boart Longyear's revenues are denominated in US dollars, with a large portion of the remainder being denominated in Canadian and Australian dollars (22% and 19% respectively). In general, Management considers the Boart Longyear group to be appropriately hedged through having the currency of the cost base largely matching that of the revenue base. There are however, transactions between the North American and Australian operations hence exchange rate differences can arise throughout a financial year. On occasions the Company uses forward exchange contracts to limit the effects of changes in exchange rates or foreign denominated assets and liabilities.

Exchange differences may also arise as a result of the translation of profits arising from operations recorded in currencies other than the US dollar.

8.12 Interest rate hedging practice

The Company is exposed to interest rate risks and utilises interest rate swaps to manage its exposure to interest rate changes in a portion of its existing debt (refer to Section 12.5.2).

DIRECTORS' FORECAST



9.1 Basis of preparation and presentation

The Forecast Financial Information has been prepared by the Directors and includes the pro forma forecast Consolidated Income Statement and pro forma summary forecast cash flow before financing and tax for FY2007 ("Directors' Pro Forma Forecast") and the statutory forecast consolidated income statement and the statutory summary forecast cash flow before financing and tax for FY2007 ("Directors' Statutory Forecast"), collectively referred to as the 'Directors' Forecast'. The Directors' Pro Forma Forecast differs materially from the Directors' Statutory Forecast for that period, principally due to a number of non-recurring items, as detailed in Section 9.5.

The accounting policies disclosed in Note D of the financial information in the Appendix have been consistently applied in the preparation of the Forecast Financial Information. For comparative purposes, certain pro forma historical financial information is disclosed in this Section. The pro forma historical financial information has also been disclosed in Section 8 and the Appendix and includes the pro forma consolidated historical statements of revenue, EBITDA and EBIT for FY2005 and FY2006. The basis of preparation and presentation of the Forecast Financial Information in this Section is consistent with the basis of preparation and presentation for the historical periods described in Section 8.2.

The Directors' Forecast is based upon a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Directors and the Senior Management Team, and upon assumptions with respect to future business decisions, which are subject to change.

The inclusion of the Directors' Forecast in this Prospectus should not be regarded as a representation or warranty with respect to its accuracy, or the accuracy of the underlying best estimate assumptions, or that the Boart Longyear Group will achieve, or is likely to achieve, any particular results. The Directors' Forecast also assumes the success of the Boart Longyear Group's business strategies. The success of these strategies is subject to uncertainties and contingencies beyond the control of the Company, the Directors and the Senior Management Team, and no assurance can be given that the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the Directors' Forecast has been prepared, or otherwise.

Events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the Directors' Forecast. These differences may be material. The drilling industry is subject to many external factors which can materially impact the Boart Longyear Group's future financial performance as described in Section 6.

The Directors' Forecast is based on best estimate assumptions as to revenue, costs and exchange rates, among other things, for FY2007. As shown in the sensitivity analysis in Section 9.6, relatively small changes in key assumptions can have a significant impact on operating results. Accordingly, the Directors cannot and do not guarantee the achievement of the Directors' Forecast.

The Directors believe that due care and attention has been used in the preparation of the Directors' Forecast, and consider the assumptions to be reasonable when viewed as a whole. The information is not fact and prospective investors are cautioned not to place undue reliance on the Directors' Forecast.

There is no intention to publish updates to the Directors' Forecast in the future.

9.2 Statements of pro forma historical, pro forma forecast and statutory forecast consolidated income

The table below sets out certain pro forma historical financial information and the Directors' Pro Forma Forecast Consolidated Income Statement and the Directors' Statutory Forecast Consolidated Income Statement. The information in the table should be read together with the key best estimate assumptions underlying the Directors' Pro Forma Forecast described in Section 9.4, the sensitivity analysis set out in Section 9.6, the risk factors set out in Section 6 and other information contained in this Prospectus.

Certain significant costs that are not representative of the ongoing costs of the Boart Longyear Group are forecast to occur during FY2007. These costs are excluded from the Directors' Pro Forma Forecast and are detailed in the reconciliation of the Directors' Pro Forma Forecast to the Directors' Statutory Forecast in Section 9.5. In addition, the Directors' Pro Forma Forecast assumes that all of the Acquired Businesses that were acquired after 31 December 2006, were acquired on 1 January 2007. The Directors' Statutory Forecast figures presented in the following table reflects the actual timing of acquisitions as well as adjustments for certain one-off costs.

Table 9.2.1 Pro forma historical, pro forma forecast and statutory forecast consolidated income statements

	Pro forma FY2005 US\$m	Pro forma FY2006 US\$m	Pro forma FY2007 US\$m	Pro forma FY2005 A\$m	Pro forma FY2006 A\$m	Pro forma FY2007 A\$m	Statutory FY2007 US\$m	Statutory FY2007 A\$m
Revenue from operating activities	1,022.6	1,252.8	1,461.2	1,342.0	1,664.9	1,895.0	1,460.0	1,893.4
Cost of sales	(672.0)	(768.6)	(882.3)	(881.9)	(1,021.4)	(1,144.2)	(891.4)	(1,156.0)
Gross profit	350.6	484.2	578.9	460.1	643.5	750.8	568.6	737.4
Other expenses	(150.7)	(206.4)	(258.9)	(197.8)	(274.3)	(335.8)	(278.1)	(360.7)
EBITDA	199.9	277.8	320.0	262.3	369.2	415.0	290.5	376.7
Depreciation	(40.4)	(45.9)	(61.1)	(53.0)	(61.0)	(79.2)	(59.0)	(76.5)
EBITA	159.5	231.9	258.9	209.3	308.2	335.8	231.5	300.2
Amortisation	(0.7)	(0.9)	(2.9)	(0.9)	(1.2)	(3.8)	(2.8)	(3.6)
EBIT	158.8	231.0	256.0	208.4	307.0	332.0	228.7	296.6
Net finance costs			(36.7)			(47.6)	(96.0)	(124.5)
Income tax expense			(70.3)			(91.2)	(54.5)	(70.7)
NPAT			149.0			193.2	78.2	101.4
NPAT (pre-amortisation)			151.9			197.0	81.0	105.0

Notes:

1. US dollar pro forma historical financial information has been translated into A\$ at the average exchange rate for the financial year being US\$0.762:A\$1.00 for FY2005 and US\$0.7525:A\$1.00 for FY2006.
2. US dollar pro forma forecast financial information for FY2007 has been translated into A\$ at US\$0.771:A\$1.00 being the forecast six month forward rate at the time of preparation of the Directors' Forecast.
3. In presenting pro forma EBITDA, pro forma EBITA, and pro forma EBIT interest is defined as net finance costs as described in Note D.1.21 of the Appendix.
4. Depreciation on the fair value uplift to tangible assets arising pursuant to the purchase price allocation exercise for the Acquired Businesses has only been applied effective from the date of acquisition or 31 December 2006 for acquisitions subsequent to year end. The Directors do not believe that a reasonable basis exists for recognising a pro forma adjustment from 1 January 2005 and the financial impact is not material to understanding the Historical Financial Information.
5. Amortisation charges primarily relate to patents, as the purchase price allocation exercise completed in relation to the Acquired Businesses has only been applied effective from the date of the acquisition or 31 December 2006 for acquisitions subsequent to year end. The Directors do not believe that a reasonable basis exists for recognising a pro forma adjustment from 1 January 2005 for amortisation of contractual customer relationships and the financial impact is not material to understanding the Historical Financial Information.
6. For the purposes of presentation of financial information in this Prospectus and the Appendix, cost of sales has been presented exclusive of all depreciation and amortisation, including depreciation and amortisation absorbed into the cost of inventories presented in the pro forma balance sheet. In its statutory financial report for the year ending 31 December 2007, Boart Longyear Limited intends to present cost of sales and other functional expenses inclusive of depreciation and amortisation applicable to both the Drilling Services and Products businesses.
7. As noted in Section 8, the Historical Financial Information has been presented to the pro forma EBIT level only as the businesses historically operated under a different corporate structure with different gearing and tax profiles.

Table 9.2.2 Key pro forma historical and forecast financial indicators by business division (US\$m)

US\$m	Drilling Services		Products		Corporate		Total	
	FY2006	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006	FY2007
Pro forma revenue from operating activities	768.1	908.4	484.7	552.8	—	—	1,252.8	1,461.2
Pro forma gross profit	306.2	364.7	178.0	214.2	—	—	484.2	578.9
<i>Pro forma gross margin %</i>	39.9%	40.1%	36.7%	38.7%	—	—	38.7%	39.6%
Pro forma EBITDA	203.5	251.0	97.6	121.2	(23.3)	(52.2)	277.8	320.0
Pro forma EBITA	166.5	201.1	89.0	110.0	(23.6)	(52.2)	231.9	258.9
Pro forma EBIT	166.5	198.9	89.0	109.3	(24.5)	(52.2)	231.0	256.0

Note:

1. Refer to notes to Table 9.2.1 for details of exchange rates applied and a description of the presentation of cost of sales and gross profit.

Table 9.2.3 Pro forma historical and forecast revenue and EBITDA by geographic segment

US\$m	Pro forma FY2006	Pro forma FY2007	FY2007 Growth Rate
Pro forma revenue			
United States	305.1	344.6	12.9%
Canada	308.1	364.9	18.4%
Asia Pacific	309.2	381.2	23.3%
South America	107.9	124.5	15.4%
Europe	101.6	123.9	22.0%
Sub Saharan Africa	120.9	122.1	1.1%
Total	1,252.8	1,461.2	16.6%
Pro forma EBITDA			
United States	74.6	86.5	16.0%
Canada	71.2	92.4	29.8%
Asia Pacific	92.7	110.5	19.2%
South America	32.8	38.1	16.0%
Europe	24.1	26.5	9.9%
Sub Saharan Africa	5.7	16.3	185.9%
Corporate	(23.3)	(50.3)	116.0%
Total	277.8	320.0	15.2%

Notes:

1. Refer to notes to Table 9.2.1 for details of exchange rates applied.
2. Total corporate expense for FY2007 of \$50.3 million on a geographic basis differs from the total corporate expense shown in Table 9.2.1 as there is a \$1.9 million allocation from USA to corporate head office.

Table 9.2.4 Pro forma historical, pro forma forecast and statutory forecast consolidated summary cash flow before financing and tax

	Pro forma FY2005 US\$m	Pro forma FY2006 US\$m	Pro forma FY2007 US\$m	Pro forma FY2005 A\$m	Pro forma FY2006 A\$m	Pro forma FY2007 A\$m	Statutory FY2007 US\$m	Statutory FY2007 A\$m
EBIT	158.8	231.0	256.0	208.4	307.0	332.0	228.7	296.6
Depreciation and amortisation	41.1	46.8	64.0	53.9	62.2	83.0	61.8	80.1
EBITDA	199.9	277.8	320.0	262.3	369.2	415.0	290.5	376.7
Non-cash and other items and working capital movements	(72.6)	(21.2)	7.9	(95.3)	(28.2)	10.2	(7.7)	(10.0)
Cash flow available from operations	127.3	256.6	327.9	167.0	341.0	425.2	282.8	366.7
Capital expenditure – growth	(38.4)	(60.6)	(86.0)	(50.4)	(80.5)	(111.5)	(85.9)	(111.4)
Capital expenditure – maintenance	(11.4)	(31.1)	(30.5)	(15.0)	(41.3)	(39.5)	(30.5)	(39.5)
Cash flow before financing and tax	77.5	164.9	211.4	101.6	219.2	274.2	166.4	215.8

Notes:

1. Refer to notes to Table 9.2.1 for details of exchange rates applied.
2. In arriving at pro forma EBITDA, pro forma EBITA and pro forma EBIT, interest is defined as net finance costs as described in Note D.1.2.1 of the Appendix.
3. Pro forma capital expenditure in the above table excludes US\$5.2 million and US\$9.2 million of plant and equipment acquired by means of finance leases in FY2005 and FY2006 respectively.
4. Pro forma capital expenditure in the above table has been prepared on an accrual basis.

9.3 Management's discussion and analysis of Directors' Pro Forma Forecast for FY2007

The commentary included in this Section discusses the key factors that are forecast to impact the financial performance of the Boart Longyear Group in FY2007. Management's discussion and analysis should be read in conjunction with the tables of key pro forma financial indicators (Tables 9.2.2 and 9.2.3).

Investors should be aware that the timing of actual events, and the magnitude of their impact, may differ from that assumed in preparing the Directors' Pro Forma Forecast, and that this may have a materially positive or negative effect on the Boart Longyear Group's actual financial performance or financial position.

The Directors' Pro Forma Forecast has been prepared on the basis of key best estimate assumptions set out in Section 9.4. Investors are advised to review these assumptions in conjunction with the sensitivity analysis set out in Section 9.6, the risk factors set out in Section 6 and other information set out in this Prospectus.

9.3.1 Consolidated

Pro forma revenue for Boart Longyear is forecast to increase by US\$208.4 million from US\$1,252.8 million in FY2006 to US\$1,461.2 million in FY2007. This increase assumes the:

- increase in the size of the Company's drill rig fleet by 77 rigs in FY2007 in order to fulfil the current market demand for drilling services;
- full year effect of 79 drill rigs added throughout FY2006;
- increase in pricing and efficiency of the rig portfolio;
- uplift in revenue from additional products manufacturing capacity installed in the second half of FY2006 and in the first half of FY2007;
- price increases for the Company's product range and on the renewal of drilling services contracts; and
- growth in the Company's non-Minerals drilling end-markets, such as Energy Industry drilling.

The above operational forecast assumptions for FY2007 assume the following macro economic conditions:

- strong global commodities demand coupled with constrained supply;
- declining commodity reserves caused by 30 years of underinvestment in exploration and development during the period of relatively low commodity utilisation from 1970 to 2000 coupled with the continued industrialisation of Brazil, Russia, India and China; and
- significant investment in exploration and development as a result of the accumulating cash reserves of the Majors and significant equity raised by the Juniors in recent years.

Pro forma EBITDA is forecast to increase by US\$42.2 million from US\$277.8 million in FY2006 to US\$320.0 million in FY2007 as a result of:

- the forecast growth in revenue outlined above;
- efficiencies delivered by the Company's products manufacturing rationalisation program including the transfer of production to lower cost countries such as China; and
- specific incremental cost reduction initiatives across the businesses, including the global sourcing initiative, which uses the Company's global reach and scale to derive sourcing benefits.

The EBITDA increase resulting from the elements above is expected to be partially offset by the full year effect of the employment and associated costs incurred in continuing to establish the Company's global headquarters in Salt Lake City, Utah, United States.

9.3.2 Drilling Services

In Drilling Services, sales revenue is forecast to increase by 18.3% to US\$908.4 million in FY2007, primarily driven by the continued expansion of the drill rig fleet, the full year effect of drill rigs added in FY2006, expansion into high growth/higher margin countries/regions such as Russia and the Commonwealth of Independent States, Chile and Western Africa and an increased focus on global account management of the key mining majors. The Directors have also assumed that there will be continued growth in mining and energy drilling (oil sands and gas pre collar) during the Forecast Period. As a result, Management has forecast increasing its drill rig fleet by 77 rigs during FY2007 which will enable the Company to service the expected increase in demand.

As a consequence of continued consolidation in the resources sector and Boart Longyear's position as one of the world's major drilling companies, the Company is increasing its focus on global account management. Management expect to derive additional revenues from this initiative due to higher planning visibility as well as gaining a higher percentage share of the Majors' drilling requirements.

At the beginning of each financial year, the Company has a level of revenue under framework agreements with its customers. Additional amounts of revenue are classified as highly probable in nature. As at 1 January 2007 the Company had approximately 75% of its forecast Drilling Services revenue under framework agreements for FY2007 or classified as highly probable.

Pro forma gross profit is expected to increase by 19.1% to US\$364.7 million in FY2007, with pro forma gross profit margins expected to increase by 20 basis points to 40.1% primarily driven by the full year impact of FY2006 price increases on contract renewal and expected price increases on contract renewals in FY2007, an increase in revenue from historically higher margin geographies such as Western Africa and a continued focus on the restructuring of lower margin contracts currently in place.

Pro forma EBITDA is forecast to increase by US\$47.5 million from US\$203.5 million in FY2006 to US\$251.0 million in FY2007 principally driven by the flow through of revenue from the new rig additions and the increased scale benefits over other expenses.

Depreciation is forecast to increase by US\$12.9 million in FY2007 when compared with FY2006, primarily due to the projected addition of new drill rigs throughout the year and the impact of a full year of depreciation for those drill rigs added in FY2006.

9.3.3 Products

During FY2007, the Products business is forecast to benefit from continued strong demand for drilling capital equipment as well as associated coring and percussive tools.

The pro forma revenue of the Products business is forecast to increase to US\$552.8 million in FY2007 which represents a 14.0% increase on FY2006. This increase reflects the forecast of a higher number of drill rig sales and increased demand for coring and percussive tools driven by the Company's additional installed production capacity.

The increase in the Company's production capacity was a result of a strategic review of the Company's manufacturing facilities undertaken in the second half of FY2006. The review identified the need to undertake a number of specific capital projects as well as the re-design of certain manufacturing processes. The resultant capacity expansion projects will be implemented by the end of the first half of FY2007. In addition, management has forecast a number of productivity improvements and efficiencies as a result of the recent changes to manufacturing processes.

Pro forma gross margin is forecast to increase by 200 basis points, from 36.7% in FY2006 to 38.7% in FY2007 due to:

- cost savings derived through the global sourcing initiative, particularly in respect of drilling capital equipment and steel and machined parts;
- price increases; and
- the higher leverage of the fixed portion of the Company's manufacturing cost base achieved through capacity expansion and the resulting increase in volumes.

The increase in pro forma EBITDA from US\$97.6 million in FY2006 to a forecast US\$121.2 million in FY2007 reflects revenue growth (above), gross margin improvements (above) and the reduction of other expenses as a percentage of sales due to several restructuring initiatives.

Depreciation in FY2007 is expected to increase, reflecting the level of capital expenditure expected to be incurred during FY2007 and the full year impact of depreciation associated with the FY2006 capital expenditure.

9.3.4 Corporate

Corporate costs are forecast to increase from US\$23.3 million in FY2006 to US\$52.2 million in FY2007. The increase of US\$28.9 million is primarily due to the expansion of the Company's Salt Lake City office into a fully resourced operational head office for the Company's global operations.

9.3.5 Capital expenditure

The Directors' Forecast assumes pro forma capital expenditure of US\$116.5 million as set out in the following table:

Table 9.3.1 Directors' Pro Forma Historical and Forecast capital expenditure

	Pro forma FY2005 US\$m	Pro forma FY2006 US\$m	Pro forma FY2007 US\$m	Pro forma FY2005 A\$m	Pro forma FY2006 A\$m	Pro forma FY2007 A\$m
Growth	38.4	60.6	86.0	50.4	80.5	111.5
Maintenance	11.4	31.1	30.5	15.0	41.3	39.5
Total pro forma capital expenditure	49.8	91.7	116.5	65.4	121.8	151.0
Drilling Services	36.5	63.9	84.9	47.9	84.9	110.0
Products	11.8	17.6	16.5	15.5	23.4	21.4
Corporate	1.5	10.2	15.1	2.0	13.5	19.6
Total pro forma capital expenditure	49.8	91.7	116.5	65.4	121.8	151.0

Notes:

1. Refer to notes to Table 9.2.1 for details of exchange rates applied.
2. Pro forma capital expenditure in the above table excludes US\$5.2 million and US\$9.2 million of plant and equipment acquired by means of finance leases in FY2005 and FY2006, respectively.
3. Pro forma capital expenditure in the table above has been prepared on an accrual basis.

Drilling Services

Capital expenditure forecast for the Drilling Services division includes maintenance capital expenditure of US\$26.9 million and growth capital expenditure of US\$58.0 million. The growth capital expenditure represents the addition of 77 new drill rigs and ancillary equipment in order to satisfy the anticipated demand for drilling services of the Majors and Juniors. Maintenance capital expenditure includes the replacement of 25 drill rigs.

Products

The capital expenditure forecast for the Products division includes maintenance capital expenditure of US\$3.6 million and growth capital expenditure of US\$12.9 million. The majority of the growth capital expenditure is associated with the strategic investment program which commenced in the second half of FY2006 in order to increase the Company's manufacturing capacity of the Company's key products.

Corporate

The capital expenditure forecast for the Corporate division includes growth capital expenditure of US\$15.1 million. The majority of the growth capital expenditure is associated with the proposed implementation of a new accounting and finance system and other related IT projects.

9.4 Key assumptions underlying the Directors' Forecast

9.4.1 General assumptions

The following general assumptions are relevant to both the Directors' Pro Forma Forecast and the Directors' Statutory Forecast, unless specifically stated otherwise:

- while Boart Longyear is exposed to fluctuations in the United States, Canadian and Australian economies (the key economies in which it operates) and specifically the level of mining and exploration activity undertaken by mining companies in these countries, this exposure is mitigated by the geographic diversification and the diversification of drilling services and products offerings within these regions. The Directors' Forecast assumes that there are no significant changes in current prevailing economic conditions, nor in the rate of economic growth in the United States, Canada and Australia, changes to which may have an adverse impact on the level of expenditure on drilling services and products;

- current commodities market conditions persist throughout the forecast period and in particular the gold price remains above the Senior Management Team's estimated point of inelasticity as discussed in Section 4.2.1.3;
- no significant industrial, contractual, environmental or political changes or legal claims impact Boart Longyear and the continuity of its operations;
- no significant change occurs in the legislative regimes (including in relation to tax) and regulatory environments in the jurisdictions in which Boart Longyear or its key customers or suppliers operate which may materially effect on the Directors' Forecast;
- all key personnel are retained in the business throughout FY2007;
- notwithstanding Boart Longyear's investment objectives, no acquisitions are completed or investments made by Boart Longyear and there are no divestments of any businesses or assets during the Forecast Period;
- no material changes occur in Australian Accounting Standards (including AIFRS), Statements of Accounting Concepts or other mandatory professional requirements, including the Urgent Issues Group Consensus Views and the Corporations Act, which may have a material effect on Boart Longyear's financial results and reported cash flows during the Forecast Period;
- no material beneficial or adverse effects arise from the actions of competitors;
- in relation to the Directors' Pro Forma Forecast, no change occurs in the Company's debt and capital structure other than as set out in, or contemplated by, this Prospectus; and
- there are no material amendments to any material agreements or arrangements relating to Boart Longyear's businesses and no cancellation or termination of such agreements or arrangements. The parties to those agreements and arrangements are assumed to continue to comply with the terms of all material agreements and arrangements.

9.4.2 Specific assumptions

The following best estimate assumptions have been adopted by the Directors in preparing both the Directors' Pro Forma Forecast and the Directors' Statutory Forecast, unless otherwise stated:

9.4.2.1 Operating revenue

The forecast pro forma revenue for FY2007 has been prepared using a bottom-up approach, by which each division is primarily responsible for setting its own forecast earnings on a country-by-country basis. The bottom-up budgets take into account local market conditions, plant specific capacity, existing contracts, new business, new capital expenditure including the timing of the expenditure and price increases as well as volume considerations.

Refer to Section 9.4.3 and 9.4.4 for specific forecast revenue assumptions for Drilling Services and Products.

9.4.2.2 Operating expenses

In relation to operating expenses, the bottom-up budget process outlined above takes into account salaries, bonuses and other employment costs (including superannuation and employment taxes) by employee at FY2007 pay rates specific to local countries or regions. In addition, forecast costs relating to utilities and transmission, telecommunications, rates and rent, promotions and marketing are based on contracted terms or historical experience.

The Directors and the Senior Management Team undertake a process of refining the bottom-up budgets based on a top-down analysis to take into consideration broader market conditions and outlook as well as corporate initiatives and strategies.

Refer to Section 9.4.3 and 9.4.4 for specific forecast operating expense assumptions for Drilling Services and Products.

9.4.2.3 Cost savings

The Boart Longyear Group is undergoing several restructuring initiatives which are designed in part to reduce costs in some areas of the business. The Directors' Statutory and Directors' Pro Forma Forecasts only include the part year benefit of the restructuring from the expected date of completion of the following programs, with the majority of the benefits expected to be achieved in FY2008:

- restructuring of the South African Products business by focusing on the Company's key customers and product lines allowing for greater streamlining of the sales and marketing and manufacturing workforce;
- procurement savings contracted in the first quarter of FY2007 prior to the Offer;
- the replacement of the Company's sales force in certain European countries with local distributors; and
- cost savings involved with the relocation of shank production from the Mississauga manufacturing facility in Canada to Wuxi, China.

9.4.2.4 Public company costs

The Directors' Pro Forma Forecast assumes additional public company costs of approximately US\$2.5 million per annum, including the costs of reporting, Independent Directors' fees, Directors' and Officers' insurance, communications, compliance and registry.

9.4.2.5 Depreciation

The Directors' Pro Forma Forecast depreciation charge for FY2007 of US\$61.1 million is based on the actual depreciation charge for FY2006, adjusted for additional depreciation associated with the forecast capital expenditure in FY2007, together with the full year effect of the rig additions in FY2006 and the capital expenditure related to the expansion of the Group's manufacturing capacity. The forecast depreciation charge also takes into account the re-evaluation of useful lives by the Boart Longyear Group during the second half of FY2006 to ensure the Company's accounts appropriately reflect the economic lives of certain plant and equipment and other items.

9.4.2.6 Amortisation

The Directors' Pro Forma Forecast amortisation charge for FY2007 of US\$2.9 million principally relates to patents and identifiable intangible assets including contractual customer relationships from the Acquired Businesses.

9.4.2.7 Capital Expenditure

The Directors' Pro Forma Forecast capital expenditure of US\$116.5 million is based on historical experience, forecast requirements of the existing and Acquired Businesses, maintaining facilities on a replacement cost basis and a number of development and expansionary initiatives to grow earnings. The Directors' Forecast assumes all of the forecast capital expenditure for FY2007 will be funded by operating cash flows and debt facilities. Further details on capital expenditure are outlined in Section 9.3.5.

9.4.2.8 Net finance cost

The Directors' Pro Forma Forecast net finance costs are based on the proposed funding and banking arrangements which will be in place shortly after the Offer (including a fixed interest rate swap over US\$528.0 million of debt) as summarised in Section 12.5.2. The Directors' Statutory Forecast reflects the higher interest cost relating to debt levels prior to this Offer. The net finance cost also includes interest revenue that would be receivable on cash in the business and the net impact of the excess expected return on pension plan assets over the associated pension plan interest cost adjusted to reflect the expectation that certain surplus assets held by the South African Pension plan will be apportioned between employees and the Company in future years.

9.4.2.9 Tax

The effective tax rate of the Boart Longyear Group is assumed to be approximately 32% in FY2007. This is higher than the Australian corporate tax rate, 30%, reflecting the proportion of profits that are expected to be generated outside of Australia. Investors should be aware that the relative proportion of total revenue that the Company earns in each offshore jurisdiction may change particularly as a result of acquisitions. This could result in the effective tax rate changing.

9.4.2.10 Expenses of the Offer

The forecast US\$72.0 million (A\$91.5 million) expenses of the Offer are paid in full by the Company, but of this total, US\$68.6 million (A\$87.2 million) are recorded against equity and hence have no impact on the Directors' Forecast EBIT, either on a pro forma or a statutory basis.

9.4.2.11 Exchange rates

The following exchange rates have been used in preparing the Directors' Statutory and Pro Forma Forecasts for the Group's major operating regions:

- US dollar:Australian dollar exchange rate of US\$0.771:A\$1.00 based on available six month forward rate at the time of preparation of the Directors' Forecast (forecast appreciation of 2.5% compared to the average rate for FY2006);
- US dollar:Canadian dollar exchange rate of US\$0.849:C\$1.00 based on available six month forward rates at the time of preparation of the Directors' Forecast (forecast depreciation of 3.7% compared to with the average rate for FY2006);
- US dollar:Euro exchange rate of US\$1.306:Euro\$1.00 based on available six month forward rates at the time of preparation of the Directors' Forecast (forecast appreciation of 4.1% compared to the average rate for FY2006); and
- US dollar:South African rand exchange rate of US\$0.136:ZAR\$1.00 based on available six month forward rates at the time of preparation of the Directors' Forecast (forecast depreciation of 7.4% compared to the average rate for FY2006).

For the other regions in which the Group operates, relevant six month forward rate assumptions have been assumed on a country-by-country basis.

9.4.3 Drilling Services – key assumptions**9.4.3.1 Growth in market size and market share**

The growth of the Minerals exploration drilling market is a key factor in determining the future revenue of Drilling Services. Based on industry research, the Directors expect the growth in exploration drilling to be approximately 20% in FY2007.

The Directors' Forecast assumes that Drilling Services' market share remains at current levels over the Forecast Period.

9.4.3.2 Addition of drill rigs

The Drilling Services division forecast for FY2007 is based on the assumed increase in the drill rig fleet by 77 expansionary drill rigs throughout the financial year with a weighting towards the first half of FY2007. The Directors have allowed for an average time lag between rig delivery and when it begins to generate revenue of approximately three months to cater for rig preparation and provide a contingency against late deliveries.

9.4.3.3 Contractual position

In surface mineral exploration drilling as well as underground production drilling contracts are typically for a duration of 12 months although there are instances in certain regions where contracts are of longer duration. As a consequence, at the beginning of each financial year the Company has good visibility over revenue and earnings for the next financial year. In preparing the Directors' Forecast, the Directors have assumed that the majority of contracts which expire during the Forecast Period will be renewed on similar terms, consistent with past experience.

9.4.3.4 Input prices

The cost of labour and drilling consumables are key inputs in Boart Longyear's Drilling Services operations. Direct labour rates are forecast to increase between 3% and 15% in FY2007 for Drilling Services reflecting country specific inflationary pressures as well as strong demand for drillers in certain countries as a result of the upturn in the resources sector.

A key assumption of the Directors' Forecast is the retention and recruitment of sufficient staff to operate the increased number of drill rigs to be owned by the Company. In order to achieve this, the Company has implemented a number of initiatives including career development plans, investing in IT infrastructure such as online recruitment and human resource information systems.

Boart Longyear's Products division is one of Drilling Services' key suppliers of drill rigs and drilling consumables.

The cost of other key inputs, including maintenance and fuel are assumed to move in line with or above CPI.

9.4.4 Products – key assumptions

9.4.4.1 Growth in market size and market share

Growth in the major product groups (coring tools, drilling capital equipment and percussive tools) is a key factor in determining future revenue for Products. Specific growth rates for each product category have been forecast and are expected to be in the range of between 7.5%-15% growth.

Furthermore, the Directors' Forecast for FY2007 assumes that Products' market share increases by approximately 1.0% over total markets served.

9.4.4.2 Manufacturing capacity

During FY2006 the Company undertook a review of its manufacturing facilities and identified a number of strategic capital projects to expand its manufacturing capability and capacity across a number of its key product lines. As a result of this process the Company added manufacturing capacity in the second half of FY2006 and in the first half of FY2007.

9.4.4.3 Contractual position

Due to the consumable nature of many of its products, the majority of Products' sales are on an order by order basis with typical price stability of 30 days. With some of the larger customers, supply contracts are in place that typically last for one year. In a few cases the agreements span more than one year, but have a price adjustment clause, allowing the Company to increase prices on an annual basis.

9.4.4.4 Sales prices

Following a review of its product portfolio, supply and demand dynamics and its relative price positioning against its competitors in the market, the Company raised prices in the second half of FY2006. The forecast for FY2007 assumes a full year effect of this price increase.

9.4.4.5 Utilisation levels

The Directors' Forecast assumes plant utilisation levels ranging between 75.0% and 85.0% of capacity for all of the Company's manufacturing facilities based on individual requirements. The forecast utilisation levels allow for a 'normal' level of planned and unplanned maintenance. The Directors believe these are reasonable operating levels for each facility.

9.4.4.6 Input prices

Steel is a key input for products manufactured by the Products Division. Boart Longyear sources steel from a number of third parties and regions and is therefore impacted by the price of local and imported steel. The price sensitivity of steel does vary, as the Company uses differing grades and types for its products. The price of steel used in the Products' forecast is based on known contracts in place as at 1 January 2007. Such contracts typically last for a period of 3 to 12 months at which time pricing can be reviewed with suppliers. Approximately 30% of Boart Longyear's forecast spend on steel is contracted at specific prices. The Company has anticipated certain market movements in the price of steel and to this end has included a planned price increase in its FY2007 forecast.

Boart Longyear also outsources the assembly of certain drilling capital equipment to a third party. The cost forecast for these services is based on contracts currently in place with the third party and anticipated volumes.

In relation to labour costs, the Company has a number of Collective Bargaining Agreements ("CBAs") in place at its manufacturing facilities (North Bay, Mississauga, Roodepoort and Adelaide) and as such, labour costs have been forecast based on the respective agreements and headcount required for achieving forecast production levels. The remaining facilities have forecast labour costs based on local wage inflation and conditions.

The cost of other key inputs, including other raw material and indirect costs, is assumed to move in line with or above CPI.

9.5 Directors' Statutory Forecast**9.5.1 Basis of preparation**

The Directors' Statutory Forecast comprises the summary statutory forecast consolidated income statement of Boart Longyear for FY2007 as set out in Table 9.5.1.

Table 9.5.1 Reconciliation of Directors' Pro Forma Forecast and Directors' Statutory Forecast Consolidated Income statement for FY2007

FY2007	Pro forma US\$m	Part year adjustments US\$m	Non- recurring items US\$m	Interest adjustment US\$m	Tax adjustment US\$m	Statutory US\$m
Revenue from operating activities	1,461.2	(2.0)	0.8	—	—	1,460.0
Cost of sales	(882.3)	1.2	(10.3)	—	—	(891.4)
Gross profit	578.9	(0.8)	(9.5)	—	—	568.6
Other expenses	(258.9)	0.7	(19.9)	—	—	(278.1)
EBITDA	320.0	(0.1)	(29.4)	—	—	290.5
Depreciation	(61.1)	0.2	1.9	—	—	(59.0)
EBITA	258.9	0.1	(27.5)	—	—	231.5
Amortisation	(2.9)	0.1	—	—	—	(2.8)
EBIT	256.0	0.2	(27.5)	—	—	228.7
Net finance costs	(36.7)	—	—	(59.3)	—	(96.0)
Income tax expense	(70.3)	—	—	—	15.8	(54.5)
NPAT	149.0	0.2	(27.5)	(59.3)	15.8	78.2
NPAT (pre-amortisation)	151.9	0.1	(27.5)	(59.3)	15.8	81.0

Notes:

1. Refer to notes to Table 9.2.1 for details of exchange rates applied.
2. For the purposes of presentation of financial information in this Prospectus and the Appendix, cost of sales has been presented exclusive of depreciation and amortisation, including depreciation and amortisation absorbed into the cost of inventories presented in the pro forma balance sheet. In its statutory financial report for the year ending 31 December 2007, the Company intends to present cost of sales inclusive of depreciation and amortisation applicable to both the Drilling Services and Products businesses.
3. In arriving at pro forma EBITDA, pro forma EBITA and pro forma EBIT, interest is defined as net finance costs as set out in the accounting policies note in the Appendix.

9.5.2 Part year adjustments

The Directors' Pro Forma Forecast includes the full year impact of the following:

- earnings of the acquisitions assuming they were in place on 1 January 2007. Accordingly, the Directors' Statutory Forecast includes an adjustment to EBITDA of US\$0.6 million and to depreciation of US\$0.2 million so as to present the Directors' Pro Forma Forecast to reflect the actual timing of the KWL, Grimwood Davies and Connors acquisitions; and
- the Employee Share Ownership Scheme which is proposed to be introduced following the completion of the Offer (US\$0.4 million).

9.5.3 Non-recurring items

The Directors' Pro Forma Forecast Income Statement of revenue, EBITDA and EBIT has excluded US\$27.5 million of significant items on the basis that the inclusion of these items is not representative of the ongoing results of the Boart Longyear Group. These adjustments include the following:

- the write-off to the profit and loss account in FY2007 of inventory which was capitalised as part of the purchase price allocation on the Acquired Businesses as it does not conform with Boart Longyear's inventory accounting policy. The amount expensed in FY2007 is considered to be one-off in nature (US\$8.7 million);
- the value of rotary and sonic rods and casings included in inventory as at 31 December 2006 that will be expensed to the profit and loss in FY2007. This is non-recurring as from 1 January 2007 the Group will be capitalising rotary and sonic rods and casings to property, plant and equipment and depreciating over their useful lives (US\$1.6 million);
- costs incurred in relation to the change in corporate structure and associated additional audit and accounting costs (US\$7.1 million);
- integration costs associated with the Acquired Businesses (excluding Diamond Drilling), which principally relate to redundancy costs, retention payments and other costs, less proceeds from the sale of one of the facilities acquired as part of the recent acquisitions (US\$1.9 million);

- relocation and other costs associated with the Boart Longyear restructuring initiatives to the extent these have not been specifically provided for as at 31 December 2006 (US\$1.8 million);

- costs incurred on the marking to market value of certain derivative instruments from 1 January 2007 to prior to the completion of the Offer (US\$1.0 million), on the basis that the instruments will be closed out prior to the completion of the Offer; and

- additional costs associated with a profit share arrangement within an employment contract related to a previous acquisition that is due to expire at the end of FY2007 and will not be renewed on similar terms (US\$7.0 million) and a one-off non-compete payment (US\$0.3 million).

The above adjustments are particularly offset by the additional depreciation expense in relation to the change in accounting practices for rods and casings and drill rig refurbishments (US\$1.9 million).

The Directors' Pro Forma Forecast Cash Flow before Financing and Tax adjusts for cash flow relating to acquisitions undertaken in January 2007 and for US\$15.6 million of non-cash and one-off cash items on the basis that the inclusion of these is not representative of the ongoing cash flows of the Boart Longyear Group. In addition to the adjustments to the Directors' Pro Forma Forecast Consolidated Income Statement, the adjustments to cash flow before financing and tax for non-cash and one-off cash items include the following:

- redundancy payments and other one-off cash outflows associated with the Boart Longyear Group's restructuring initiatives for items provided for as at 31 December 2006 but are cash outflows in FY2007 (outflow of US\$5.2 million);
- cash outflows associated with an employee compensation agreement and an earn-out arrangement relating to certain historical acquisitions by the Boart Longyear Group that are non-recurring as the payments will conclude at the end of FY2007 and will not be renewed (outflow of US\$12.9 million);
- one-off cash payment for recently terminated and restructured arrangements associated with historical acquisitions by the Boart Longyear Group that were no longer aligned with the overall interests of the Group (outflow of US\$14.4 million);

- addback of the non-cash item relating to the inventory write off which was capitalised as part of the purchase price allocation for the Acquired Businesses (inflow of US\$8.7 million);
- cash proceeds from one-off sales of fixed assets and investments (inflow of US\$3.0 million); and
- other non-recurring cash items that are not representative of the ongoing business (inflow of US\$5.2 million).

9.5.4 Net finance cost adjustment

The net finance costs included in the Directors' Pro Forma Forecast represent the full year impact of the structure that will be in place at settlement of the Offer, including the new debt funding arrangements. Prior to the Offer, the Boart Longyear Group had significantly higher debt levels, which will be refinanced immediately following the Offer. Additional net finance costs as a result of the previous financing structure will be incurred from 1 January 2007 until completion of the Offer.

The net finance costs included in the Directors' Statutory Forecast includes the net impact of the expected excess return on pension plan assets over pension plan interest cost and is not adjusted for the surplus apportionment referred to in Section 9.4.2.8.

9.5.5 Tax adjustment

The tax adjustment represents the net tax impact of the adjustments described above.

9.6 Sensitivity analysis

The Directors' Pro Forma Forecast as set out in Section 9.2 is based on certain economic and business assumptions about future events. Set out in the table below is a summary of the sensitivity of the Directors' Pro Forma Forecast NPAT to variations in a number of key variables for FY2007. The sensitivity analysis is specific to the selling prices, exchange rates and volumes for FY2007, and reflects the fact that in many cases the sales and costs prices are either fixed or inter-linked. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables over the full year. In practice, changes in variables may offset each other or may be cumulative, and it is likely that Boart Longyear's management would respond to any adverse change in one variable by taking action to minimise the net effect on the Boart Longyear Group's earnings.

Presented below are some of the key sensitivities which could affect the Director's Pro Forma Forecast NPAT for FY2007. The sensitivities do not assume any mitigation actions are taken by management in order to minimise the impact of such an event.

Table 9.6.1 Sensitivity analysis on Directors' Pro Forma Forecast NPAT for FY2007

NPAT impact	US\$m	%
Sensitivities for the Drilling Services division		
(a) One month delay in rig expansion	-2.4	1.6
(b) 1% increase/decrease in gross margin	+/-6.1	4.0
(c) 1% increase in labour costs	-1.7	1.1
Sensitivities for the Products division		
(a) 1% increase/decrease in sales volumes	+/-1.6	1.0
(b) 5% increase in steel costs	-3.6	2.4
(c) 1% increase/decrease in gross margin	+/-3.7	2.4
Sensitivities for the consolidated Pro Forma Forecast		
(a) 5% appreciation/(depreciation) of the A\$ versus the US\$	+/-2.9	1.6
(b) 5% appreciation/(depreciation) of the C\$ versus the US\$	+/-0.4	0.3
(c) 50 basis point increase/decrease in the interest rate	+/-0.4	3.3
(d) 1% increase in Corporate Head Office Costs	-0.4	0.3

9.6.1 Sensitivities for Drilling Services

The NPAT within the Drilling Services division may be affected by the following sensitivities during the forecast period:

- **One month delay in rig expansion**
The estimated impact of a one month delay in the deployment of new rigs to the field throughout the course of FY2007. This sensitivity is calculated on a rig by rig basis (taking into account location and seasonality) by reducing the assumed revenue increase associated with the new rigs to be added in FY2007. The estimated impact is the tax-effected amount of lost revenue less the saving in variable cost of sales such as labour, consumables, travel and accommodation, fuel and equipment rentals.
- **Increase/decrease of 1% in gross margin**
The estimated impact of a 1% increase or decrease in gross margin across all of the Company's operating regions and represents the tax effected amount of the additional revenue received or foregone.
- **Increase of 1% in labour costs**
The estimated impact of a 1% increase or decrease in the Company's total direct labour cost and represents the tax effected impact of the increased labour cost. It should be noted that in most cases any increase or decrease in labour costs will be passed through to the customer at the time of contract renegotiation. Therefore, Management estimate that approximately 50% of the tax effected impact of any change in labour costs in FY2007 would be mitigated by amended contract pricing.

9.6.2 Sensitivities for the Products division

Forecast NPAT within the Products division may be affected by the following during the forecast period:

- **Increase/decrease of 1% in sales volumes**
The estimated tax effected impact of a 1% increase or decrease in sales volumes less associated direct variable cost of sales including sales commissions.
- **Increase of 5% in steel prices**
The estimated tax effected impact of a 5% increase or decrease in steel prices. Management believe that the impact of any increase in steel prices would largely be mitigated by adjusting the price of the resultant end product. However, there is likely to be a lag of up to six months between the initial steel price increase and the ability to pass this through to customers via product re-pricing.
- **Increase/decrease of 1% in gross margin**
The estimated impact of a 1% increase or decrease in gross margin across all of the Company's operating regions and represents the tax effected amount of the additional revenue received or forgone.

9.6.3 Sensitivities for the Consolidated Group Exchange rates

The Directors consider the Boart Longyear Group to be naturally hedged to a reasonable extent due to the currency of the cost base in each country largely matching that of the revenue base. However, there are transactions that are recorded in other currencies and that take place between the Company's operations across various regions (particularly between North America and Australia). Therefore, exchange differences can arise throughout a financial year. All foreign currency transactions are brought to account using the relevant exchange rate in effect at the date of the transaction.

Exchange differences may also arise as a result of the translation of profits arising from operations recorded in currencies other than the US dollar.

Table 9.6.1 shows the estimated tax effected impact of a 5% appreciation/depreciation of the Australian and Canadian dollar versus the US dollar.

Approximately 25% of the Company's revenues are derived by the Canadian business. However the impact of a movement in the Canadian dollar against the US dollar is largely offset by the US dollar revenues received by the Canadian business as a result of its international operations and US dollar denominated product sales.

– **Increase/decrease in interest rates by 50 basis points**

Table 9.6.1 illustrates the estimated impact of a 50 basis point increase or decrease in the interest rate. This represents a movement in the interest charge on the variable component of the debt. Refer to Section 12.5.2 for additional details on Group debt facilities and the hedging arrangements.

– **Increase of 1% in corporate head office costs**

The estimated tax effected impact of a 1% increase in Corporate Head Office costs.

– **Mineral commodities prices**

The Company's earnings are impacted by demand for mineral commodities. When commodity prices fall below a certain threshold, the expenditure budgets of mining companies are reduced particularly in relation to exploration spend. Refer to Section 4.1.2.3.

Commodity prices are forecast to remain above Management's estimated point of inelasticity throughout the forecast period.

9.6.5 Liquidity

9.6.5.1 Working capital

The Directors' Forecast assumes working capital would increase in line with the forecast FY2007 growth in the Boart Longyear Businesses and the Acquired Businesses, however, the Company intends to implement various working capital reduction initiatives. The expected net result for FY2007 is an improvement in working capital levels. The initiatives target working capital savings in trade accounts receivable, trade accounts payable and inventory levels.

9.7 Market risk

Boart Longyear will be exposed to market risks associated with interest rates and foreign currency exchange rates as referred to in Section 9.6 and a number of other market related risks, such as commodity pricing, as detailed in Section 6.

INVESTIGATING ACCOUNTANT'S REPORT





The Directors
 Boart Longyear Limited
 Level 25, Chifley Tower
 Chifley Square
 Sydney NSW 2000

9 March 2007

Dear Sirs

BOART LONGYEAR LIMITED – INVESTIGATING ACCOUNTANTS' REPORT

Introduction

This report has been prepared at the request of the Directors of Boart Longyear Limited (the Company), for inclusion in a Prospectus to be issued by the Company.

Reference to the Company and other terminology used in this report have the same meaning as defined in the Glossary contained in the Prospectus.

Scope of Report

You have requested that Deloitte Touche Tohmatsu (Deloitte) prepare an Investigating Accountants' Report reviewing the pro forma historical financial information set out in tables 8.3.1, 8.3.2, 8.5.1 and 8.6.1 and the Appendix¹ to the Prospectus (the Appendix) comprising the pro forma unaudited:

- Historical consolidated statement of revenue, EBITDA and EBIT of the Boart Longyear Group for the years ended 31 December 2005 and 31 December 2006;
- Consolidated balance sheet of the Boart Longyear Group as at 31 December 2006;
- Historical consolidated summary cash flow statement before financing and tax of the Boart Longyear Group for the years ended 31 December 2005 and 31 December 2006;
- Company balance sheet of Boart Longyear Limited as at 31 December 2006; and
- Notes to the above pro forma historical financial information

(referred to collectively as the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from historical financial information after adjusting for the pro forma transactions and adjustments described in the Appendix.

The Directors of the Company are responsible for the preparation and presentation of the Pro forma Historical Financial Information, including the determination of the pro forma transactions and adjustments.

The Pro forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act. The pro forma historical consolidated statements of revenue, EBITDA and EBIT have been prepared to the level of "profit from ordinary activities before interest and income tax expense" (EBIT). The pro forma consolidated statements of revenue, EBITDA and EBIT exclude the impact of the existing capital structure, as reflected in interest expense and income taxes, as this capital structure is not considered relevant given anticipated changes in debt and equity structures as a result of the proposed transactions.

Note

The Appendix is a separate document lodged with ASIC, and is taken to be included as part of the Prospectus in accordance with section 712 of the Corporations Act.



The historical financial information upon which the Pro forma Historical Financial Information is based, being the financial statements of Resource Services Holdco Inc. (RSHI) and its predecessors, has been audited. The audit opinions were unqualified.

Scope for Review of Pro forma Historical Financial Information

We have reviewed the Pro forma Historical Financial Information in order to report whether anything has come to our attention which causes us to believe that the Pro forma Historical Financial Information as set out in tables 8.3.1, 8.3.2, 8.5.1 and 8.6.1 and the Appendix does not present fairly the:

- (i) Pro forma consolidated financial performance and pro forma cash flows of the Boart Longyear Group for the years ended 31 December 2005 and 31 December 2006;
- (ii) Pro forma consolidated balance sheet of the Boart Longyear Group as at 31 December 2006, and
- (iii) Pro forma company balance sheet of Boart Longyear Limited as at 31 December 2006;

on the basis of the pro forma transactions and adjustments described in the Appendix, and in accordance with the recognition and measurement principles required by AIFRS and other mandatory professional reporting requirements in Australia and the accounting policies adopted by the Company and described in the Appendix.

Our review of the Pro forma Historical Financial Information has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited to:

- Review of work papers, accounting records and other documents;
- A review of the pro forma transactions and adjustments made to the historical financial information;
- Analytical procedures applied to the financial data;
- A comparison of consistency in application of the recognition and measurement principles in AIFRS and other mandatory professional reporting requirements in Australia and the accounting policies adopted by the Company and disclosed in the Appendix; and
- Enquiry of Directors, Management and others.

These procedures do not provide all the evidence required in an audit, thus the level of assurance we provide is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement on the Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro forma Historical Financial Information as set out in tables 8.3.1, 8.3.2, 8.5.1 and 8.6.1 and the Appendix, does not present fairly the:

- (i) Pro forma consolidated financial performance and pro forma cash flows of the Boart Longyear Group for the years ended 31 December 2005 and 31 December 2006;
- (ii) Pro forma consolidated balance sheet of the Boart Longyear Group as at 31 December 2006; and
- (iii) Pro forma company balance sheet of Boart Longyear Limited as at 31 December 2006



Member of
Deloitte Touche Tohmatsu

on the basis of the pro forma transactions and adjustments described in the Appendix, and in accordance with the recognition and measurement principles required by AIFRS and other mandatory professional reporting requirements in Australia and the accounting policies adopted by the Company and described in the Appendix.

Subsequent Events

Subsequent to 31 December 2006 and up to the date of this report, nothing has come to our attention that would cause us to believe material transactions or events outside the ordinary course of business of the Company have occurred, other than the matters dealt with in this report or the Prospectus, which would require comment on, or adjustment to, the information contained in this report, or which would cause such information to be misleading.

Independence and Disclosures of Interests

Deloitte does not have any interest in the outcome of this issue other than the preparation of this Report, the preparation of the Review of the Directors' Forecast by Deloitte Corporate Finance Pty Limited and other services in relation to the Offer for which normal professional fees will be received. Deloitte is the auditor of the Company. Other member firms of Deloitte Touche Tohmatsu provides the Boart Longyear Group with audit and other professional services for which normal professional fees are received.

Responsibility

Deloitte has consented to the inclusion of this Investigating Accountants' Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Deloitte makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

Steven Shirliff
Partner

INDEPENDENT REVIEW OF DIRECTORS' FORECAST

Deloitte

Note: This report consists of both a Financial Services Guide and a Review of Directors' Forecast

Part 1 – Financial Services Guide

9 March 2007

What is a Financial Services Guide?

This Financial Services Guide (FSG) is an important document whose purpose is to assist you in deciding whether to use any of the general financial product advice provided by Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127). The use of "we", "us" or "our" is a reference to Deloitte Corporate Finance Pty Limited as the holder of Australian Financial Services Licence (AFSL) No. 241457. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide
- details of any potential conflicts of interest
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

We have been engaged by the Directors of Boart Longyear Limited to give general financial product advice in the form of a report to be provided to you in connection with a Prospectus to be issued for shares in Boart Longyear Limited. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us using the details located above.

Deloitte Corporate Finance Pty Limited is ultimately owned by the Australian partnership of Deloitte Touche Tohmatsu. The Australian partnership of Deloitte Touche Tohmatsu and its related entities provide services primarily in the areas of audit, tax, consulting, and financial advisory services. Our directors may be partners in the Australian partnership of Deloitte Touche Tohmatsu.

The Australian partnership of Deloitte Touche Tohmatsu is a member firm of the Deloitte Touche Tohmatsu Verein. As the Deloitte Touche Tohmatsu Verein is a Swiss Verein (association), neither it nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms

is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

The financial product advice in our report is provided by Deloitte Corporate Finance Pty Limited and not by the Australian partnership of Deloitte Touche Tohmatsu, its related entities, or the Deloitte Touche Tohmatsu Verein.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Australian partnership of Deloitte Touche Tohmatsu (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- to provide general financial product advice in respect of:
 - debentures, stocks or bonds to be issued or proposed to be issued by a government
 - interests in managed investment schemes including investor directed portfolio services
 - securities.
- to deal in a financial product by arranging for another person to apply for, acquire, vary or dispose of financial products in respect of:
 - debentures, stocks or bonds issued or to be issued by a government
 - interests in managed investment schemes including investor directed portfolio services
 - securities.

Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we



Member of
Deloitte Touche Tohmatsu

recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Deloitte Corporate Finance Pty Limited nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any commissions or other benefits, except for the fees for services rendered to the party or parties who actually engage us. Our fee will also be disclosed in the relevant PDS or offer document prepared by the issuer of the financial product.

All of our employees receive a salary. Our employees are eligible for annual salary increases and bonuses based on overall performance but do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits in connection with our advice.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Responsibility

The liability of Deloitte Corporate Finance Pty Limited is limited to the contents of this FSG and our report referred to in this FSG.

What should you do if you have a complaint?

If you have any concerns regarding our report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Complaints Officer
Practice Protection Group
PO Box N250
Grosvenor Place
Sydney NSW 1220

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service ("FICS"). FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FICS at:

Financial Industry Complaints Service
PO Box 579
Collins Street West
Melbourne VIC 8007
Telephone: 1300 780 808
Fax: +61 3 9621 2291
Internet: <http://www.fics.asn.au>

If your complaint relates to the professional conduct of a person who is a Chartered Accountant, you may wish to lodge a complaint in writing with the Institute of Chartered Accountants in Australia ("ICAA"). The ICAA is the professional body responsible for setting and upholding the professional, ethical and technical standards of Chartered Accountants and can be contacted at:

The Institute of Chartered Accountants
GPO Box 3921
Sydney NSW 2001
Telephone: +61 2 9290 1344
Fax: +61 2 9262 1512

Specific contact details for lodging a complaint with the ICAA can be obtained from their website at <http://www.icaa.org.au/about/index.cfm>.

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: info@asic.gov.au
Internet: <http://www.asic.gov.au/asic/asic.nsf>



Part 2 – Review of Directors' Forecast

The Directors
Boart Longyear Limited
Level 25, Chiffley Tower
Chiffley Square
Sydney NSW 2000

9 March 2007

Dear Sirs

REVIEW OF DIRECTORS' FORECAST

Introduction

This report has been prepared at the request of the Directors of Boart Longyear Limited (the Company), for inclusion in a Prospectus to be issued by the Company. Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary contained in the Prospectus.

Scope of Report

The Directors are responsible for the preparation and presentation of the forecast financial information of the Company for the year ending 31 December 2007 comprising the Directors' Pro Forma Forecast, the Directors' Statutory Forecast and the cash flows of the Company as set out in Tables 9.2.1 and 9.2.4 of the Prospectus (collectively the Directors' Forecast) and the information contained therein, including the assumptions on which they are based.

We have reviewed the Directors' Forecast together with the assumptions on which the Directors' Forecast is based as set out in Section 9.4 of the Prospectus in order to give a statement thereon to the Directors of the Company.

Our review of the Directors' Forecast has been conducted in accordance with AUS 902 "Review of Financial Reports" applicable to review engagements. Our review consisted primarily of enquiry, comparison, and analytical review procedures we considered necessary including discussions with management and Directors of the Company of the factors considered in determining their assumptions. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Directors' Forecast and the evaluation of accounting policies used in the Directors' Forecast.



These procedures have been undertaken in order to state whether anything has come to our attention, which causes us to believe that:

- (i) the Directors' best-estimate assumptions do not provide reasonable grounds for the preparation of the Directors' Forecast
- (ii) in all material respects, the Directors' Forecast is not properly compiled on the basis of the Directors' best-estimate assumptions, consistent with the accounting policies adopted and used by the Company and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards
- (iii) the Directors' Forecast itself is unreasonable.

Our review is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards and provides less assurance than an audit. In addition, prospective financial information, such as the Directors' Forecast, relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which the Directors' Forecast is based, those assumptions are generally future-orientated and therefore speculative in nature. Accordingly, actual financial performance may vary from the prospective financial information presented in the Prospectus and such variations may be material. We have not performed an audit and we do not express an audit opinion on the Directors' Forecast.

Directors' Forecast

The Directors' Forecast has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 31 December 2007. There is a considerable degree of subjective judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties and contingencies which are often outside the control of the Company. The Directors' Forecast has been prepared using assumptions summarised in the Prospectus which are based on best-estimate assumptions relating to future events that management expect to occur and actions that management expect to take.

The sensitivity analysis set out in Section 9.6 of the Prospectus demonstrates the impacts on the forecast financial performance of changes in key assumptions. The prospective financial information is therefore only indicative of the financial performance which may be achievable. Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information.

Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Sections 6, 9.6 and 9.7 respectively of the Prospectus.



Member of
Deloitte Touche Tohmatsu

Based on our review of the Directors' Forecast, which is not an audit, and based on an investigation of the reasonableness of the Directors' best estimate assumptions which give rise to the Directors' Forecast, nothing has come to our attention which causes us to believe that:

- (i) the Directors' best-estimate assumptions, as set out in the Prospectus, do not provide reasonable grounds for the preparation of the Directors' Forecast;
- (ii) the Directors' Forecast is not properly compiled on the basis of the Directors' best-estimate assumptions, consistent with the accounting policies adopted and used by the Company and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards;
- (iii) the Directors' Forecast itself is unreasonable.

Actual financial performance is likely to be different from the Directors' Forecast since anticipated events frequently do not occur as expected and the variations may be material. Accordingly, we express no opinion as to whether the Directors' Forecast will be achieved.

We disclaim any responsibility for any reliance on this statement or on the Directors' Forecast to which it relates for any other purpose than that for which it was prepared.

Independence

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this issue other than the preparation of this Report and the Investigating Accountants' Report included in Section 10 of the Prospectus and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of Company.

Responsibility

Deloitte has consented to the inclusion of this report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Deloitte makes no representation regarding and takes no responsibility for, any other statements or material in, or omissions from, the Prospectus.

Yours faithfully

Ian Thatcher
Director

ADDITIONAL INFORMATION



12.1 Registration and corporate structure

The Company was registered in Victoria on 2 January 2007 as a public company limited by shares.

12.2 Share capital

As at the date of this Prospectus, the Company has only one class of shares on issue, being fully paid ordinary shares ("Shares").

12.3 The Constitution and rights attaching to Shares

12.3.1 Summary of the Constitution and Shares
The rights attaching to the Shares are:

- set out in the Constitution; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

The key provisions of the Constitution and the principal rights and obligations of Shareholders are summarised in this Section 12.

12.3.1.1 Voting

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (irrespective of the number of Shares they hold) (unless the Shareholder appoints more than one proxy, attorney or representative, in which case none of the proxies, attorneys or representatives is entitled to vote), and one vote on a poll for each Share held. Voting at any meeting of Shareholders is by a show of hands unless a poll is demanded. A poll may be demanded by at least five Shareholders entitled to vote on the resolution, Shareholders with at least 5% of the votes that may be cast on the resolution, or the Chairman. The Chairman does not have a casting vote, in addition to any deliberative vote, on either a show of hands or a poll.

12.3.1.2 Dividends

The Directors may from time to time determine that a dividend is payable to Shareholders out of the profits of the Group. The Directors may pay dividends as, in their judgement, the financial position of Boart Longyear justifies. The Directors may fix the amount, the time and the method of payment of the dividends.

Subject to any special rights or restrictions attaching to any shares, dividends must be paid equally on all shares and in proportion to the number of, and the amounts paid on, the shares held. Refer to Section 1.6 for further information on the dividend policy of Boart Longyear.

12.3.1.3 Issue of further Shares and other securities

Without affecting any special rights conferred on the holders of any securities and subject to any restrictions on the issue of shares or other securities imposed by the Listing Rules and the Corporations Act, any securities may be issued with preferred, deferred or other special rights or restrictions as the Directors determine.

12.3.1.4 Variation of class rights

Subject to the Corporations Act and their terms of issue, the rights attaching to any class of shares may be varied with the written consent of holders of shares with at least 75% of the votes in the class, or by a special resolution passed at a separate meeting of the holders of shares of the class. In either case, the holders of shares in a class with not less than 10% of the votes in the class of shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

The creation or issue of further shares ranking equally with a class of shares already on issue is not a variation of class rights.

12.3.1.5 Transfer of Shares

Shareholders may transfer Shares by a written transfer instrument in the usual form or any form approved by the Directors or by a proper transfer affected in accordance with the ASTC Settlement Rules and ASX requirements. All transfers must comply with the Constitution, the Listing Rules, the ASTC Settlement Rules and the Corporations Act.

The Directors may refuse to register a transfer of Shares, including in circumstances where the transfer is not in registrable form, or the refusal to register the transfer is permitted by the Listing Rules or ASX. The Directors must refuse to register a transfer of Shares where required to do so by the Listing Rules.

12.3.1.6 General meeting and notices

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of Boart Longyear and receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution or the Corporations Act.

12.3.1.7 Winding up

Subject to any special resolution or rights or restrictions attaching to any class or classes of shares, Shareholders will be entitled on a winding up to a share in any surplus assets of Boart Longyear in proportion to the Shares held by them.

12.3.1.8 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. The provisions will lapse unless renewed by a special resolution of Shareholders in general meeting three years from the date the provisions were adopted or last renewed.

12.3.1.9 Directors – appointment and removal

The number of Directors must be such number as the Directors determine but must be not less than three and not more than 10. Directors are elected at annual general meetings of Boart Longyear. Other than a person appointed as a Managing Director or Executive Director, a Director may not hold office for a continuous period in excess of three years or past the third annual general meeting following that Director's last election or appointment (whichever is the longer) without submitting for re-election.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of Boart Longyear.

12.3.1.10 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present and voting. If the votes are equal on a proposed resolution, the Chairman has a casting vote in addition to the Chairman's deliberative vote unless only two of the Directors present are entitled to vote.

12.3.1.11 Directors – remuneration

The Directors are entitled to receive remuneration for their services, as the Directors decide, but the total amount paid to all Non Executive Directors for such services must not exceed in aggregate in any financial year the maximum aggregate sum as may be approved from time to time by Boart Longyear in general meeting. The current maximum aggregate sum is A\$2 million per annum. No retirement benefits, apart from superannuation contributions already made, are payable to a Non Executive Director upon retirement.

The Constitution also provides for the Group to pay all reasonable expenses of Directors in attending meetings and carrying out their duties.

12.3.1.12 Directors' and officers' indemnity and insurance

Boart Longyear indemnifies each director and officer of the Group against any liability (including costs and expenses) incurred by that person in or arising out of the conduct of the business of Boart Longyear or in or arising out of the discharge of the duties of the director or officer.

Where the Directors consider it appropriate, the Group may insure a director or officer of Boart Longyear against any liability incurred by that person in or arising out of the conduct of the business of the Group or in or arising out of the discharge of the duties of the director or officer. Boart Longyear may give a former Director access to documents provided to or available to Directors and other papers referred to in those documents where the Directors consider it appropriate.

12.3.1.13 Amendment

The Constitution may be amended only by a special resolution passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution. At least 28 days' written notice specifying the intention to propose the resolution must be given to Shareholders.

12.3.2 Rights attaching to Exchangeable Notes and Redeemable Notes

Each Redeemable Note will be issued by Boart Longyear Investments on the terms that it is redeemable upon allotment of Shares under the Offer at a redemption price equal to the Final Price and each Exchangeable Note will be issued by Boart Longyear Investments on the terms that it is exchangeable upon allotment of Shares under the Offer into one Share.

12.4 Employee incentive plans**12.4.1 Employee equity compensation plan****12.4.1.1 The Plan**

The Company intends to adopt an equity compensation plan to assist in the attraction, motivation and retention of employees (including executive directors) within the Group (**Plan**).

The Plan will involve both:

- (a) the issue of employee share options (**Options**) convertible into ordinary shares in the Company (**Shares**); and
- (b) the granting of conditional rights to receive Shares (**Rights**).

Shares issued under the Plan will rank equally with the other issued Shares.

The final Plan terms will be approved by the Board before the Plan is implemented but it is anticipated that the key terms of the Plan will be as described below.

12.4.1.2 Size of Plan

When any offer is made under the Plan, the total number Shares the offer relates to plus the total number of Shares issued in the previous five years under the Plan or under any other employee incentive plan of the Company will be less than 5% of the Shares on issue at the time of the offer.

12.4.1.3 Eligibility

Under the Plan, the Company may offer either or both Options and Rights to employees within the Group from time to time as determined by the Board in its discretion and in accordance with the rules of Plan and applicable law.

12.4.1.4 Consideration for Options and Rights

Options or Rights granted to employees of the Group may be issued and granted for no consideration.

12.4.1.5 Nature of Rights and vesting of Rights

Subject to the terms of the Plan, the grant of a particular number of Rights will give the holder of a given number of Rights a conditional entitlement to exercise the Rights and have transferred to him or her an equal number of ordinary Shares. The number of Rights that will become exercisable will depend upon the extent to which the conditions to exercise are fulfilled. The Board will have a discretion under the Plan as to the terms upon which it will offer Rights under the Plan, including the conditions upon which the Rights will become exercisable.

12.4.1.6 Nature of Options and vesting of Options

An Option holder will be entitled to exercise Options granted under the Plan in respect of which all exercise conditions have been satisfied. The Board will have a discretion under the Plan as to the terms upon which it will grant Options under the Plan, including the terms upon which the Options will become exercisable.

12.4.1.7 Issue or acquisition of Shares on exercise of Options and Rights

At the discretion of the Company, Shares in respect of which a participant has exercised Options may be delivered by being issued to the participant by the Company or purchased on-market by the Company for the participant.

The Shares that are the subject of Rights will either:

- (a) be issued by the Company to a custodian or acquired on-market by a custodian at the same time as the grant of Rights under the Plan or at another time determined by the Board and transferred to the holder of the Rights at the time of exercise of the Rights; or
- (b) be acquired by the Company on-market for the Right holder following the exercise of Rights.

12.4.1.8 No transfer of Rights or Options

Without the prior approval of the Board, Rights and Options may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered.

12.4.1.9 Expiry of Rights and Options

Unless the Board determines otherwise, if an Option or Right has not lapsed earlier it will lapse at the latest time at which the Option or Right may be exercised, as specified by the Board at the time of the offer.

12.4.1.10 Quotation

- (a) Options will not be quoted on ASX.
- (b) The Company will apply for official quotation of any Shares issued upon exercise of Options, or issued in connection with the grant of Rights, in accordance with the Listing Rules.

12.4.1.11 Ceasing employment

The Plan will contain provisions concerning:

- (a) Shortening of the time available to exercise vested Options and Rights in the event of voluntary resignation of an employee of the Group.
- (b) Vesting and exercise of Rights and Options not yet vested in the event that an employee ceases employment because of redundancy, death, disability or illness.

12.4.1.12 Change of control of the Company

The Plan will provide for early vesting of Rights and Options in the event of a change of control of the Company.

12.4.1.13 Other Plan terms

The Plan will also contain customary and usual terms for dealing with:

- (a) changes in capital structure; and
- (b) administration, variation, suspension and termination of the Plan.

12.4.1.14 Non-executive directors' fees

The Company intends to adopt a separate scheme which provides for the non-executive directors of the Company to elect to receive all or part of their directors' fees in Shares. Any Shares a director receives under these provisions will be acquired on-market by the Company for the director.

12.4.2 Other employee incentive schemes

The Board intends to implement further equity-based employee incentive schemes to assist in the attraction, motivation and retention of employees at all levels.

To the extent practicable, the Board intends to introduce plans which apply equally to its employees irrespective of the jurisdiction in which those employees are employed. Due to the differing requirements of the securities laws in the various jurisdictions in which the Group operates, the structure and timing of such plans have not yet been determined.

12.5 Material contracts

The Directors consider that there are certain contracts which are significant or material to Boart Longyear or of such a nature that an investor may wish to have particulars of them when making an assessment whether to apply for Shares. The main provisions of each contract are summarised below. These are summaries only and do not fully describe all the provisions of each contract.

12.5.1 Offer Management Agreement

On 1 March 2007, the Company, Macquarie Equity Capital Markets (in its capacity as Global Coordinator and Joint Lead Manager), Goldman Sachs JBWere Pty Limited (in its capacity as Joint Lead Manager), and UBS AG, Australia Branch (in its capacity as Joint Lead Manager), entered into the Offer Management Agreement. Under the Offer Management Agreement, the Global Coordinator has agreed to manage the Offer and the Joint Lead Managers have agreed to manage the bookbuild for the Offer and to provide settlement support for the Institutional Offer.

12.5.1.1 Fees

Under the Offer Management Agreement, the Company must pay:

- (a) a global Coordinator fee of 0.61% of the gross proceeds received under the Offer to the Global Coordinator; and
- (b) broker fees of 1.50% of the gross proceeds received under the Broker Firm Offer to the Global Coordinator, who will then distribute it to the relevant Brokers and Syndicate Members;

(c) a fixed management fee of 60.00% of the Fees for Distribution, to the Global Coordinator, who will then distribute it in the following proportions:

- (i) 77.75% as fixed management fees to be divided equally among the Joint Lead Managers (including the Global Coordinator); and
- (ii) 22.25% as fixed management fees to be divided equally among the Co-Lead Managers; and

(d) at the Global Coordinators request, a discretionary selling fee of up to 40% of Fees for Distribution to the Global Coordinator, who must then distribute it in the following proportions:

- (i) 77.75% to be divided among the Joint Lead Managers (excluding the Global Coordinator) and the Co-Lead Managers, in proportion to performance (such performance to be determined by the Global Coordinator in consultation with the Company) as determined by the Global Coordinator in its absolute discretion; and
- (ii) 22.25% to be divided equally among the Co-Lead Managers, in proportion to performance (such performance to be determined by the Global Coordinator in consultation with the Company) as determined by the Global Coordinator in its absolute discretion.

In this respect "Fees for Distribution" means an amount equal to 3.00% of the gross proceeds received under the Offer less the global Coordinator fee described in paragraph (a) above and less any broker fees described in paragraph (b) above.

These fees will only be payable upon successful completion of the Offer. The Company must pay, or reimburse the Joint Lead Managers, for all reasonable costs of and incidental to the Offer.

12.5.1.2 Representations, warranties and undertakings of the Company

The Offer Management Agreement contains various representations and warranties that are customary for agreements of this type, including representations and warranties made by the Company. In addition, the Offer Management Agreement contains various obligations of the Company regarding its conduct in relation to the Offer, including that it must not be involved in any activity which breaches the Constitution, the Offer Management Agreement, the Corporations Act, the Listing Rules and any other applicable laws.

The Company must also, among other things, not without the prior written consent of the Joint Lead Managers:

- (a) for 180 days after the allotment of Shares under the Offer, allot or agree to allot, or indicate in any way that it may or will allot or agree to allot, any shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any member of the Group other than under the Offer, the Offer Management Agreement, an employee share plan, or a dividend reinvestment or bonus share plan described or disclosed in the Prospectus and the International Offering Circular; or
- (b) amend the Prospectus, New Zealand Investment Statement or the International Offering Circular, such consent not to be unreasonably withheld.

12.5.1.3 Indemnities

The Offer Management Agreement contains the usual indemnities given by the Company in favour of the Joint Lead Managers and Co-Lead Managers and certain affiliated persons, related bodies corporate and related persons of the Joint Lead Managers and Co-Lead Managers for any loss incurred directly or indirectly arising out of or in connection with the Offer.

12.5.1.4 Termination

Each Joint Lead Manager may terminate its obligations under the Offer Management Agreement upon the occurrence of a number of events.

If any of the termination events in the paragraphs below occur before Settlement or such other time as specified in those paragraphs, a Joint Lead Manager may terminate all of its obligations under the Offer Management Agreement.

In the case of the events in the paragraphs below which are marked with an asterisk, a Joint Lead Manager may only terminate its obligations under the Offer Management Agreement if it has reasonable grounds to believe and does believe that:

- (a) the event has or is likely to have a materially adverse effect on the outcome or success of the Offer or the likely price at which the Shares will trade on ASX;
- (b) could give rise to a liability for the Joint Lead Manager under the Corporations Act or any applicable laws; or

- (c) has or is likely to have a materially adverse effect on the willingness of institutional investors (or would in the absence of any contractual obligation have or be likely to have such a material adverse effect) to pay the Final Price.

Events

- (a) **(disclosures in Prospectus)** a statement contained in this Prospectus is misleading or deceptive, or a matter is omitted from this Prospectus (having regard to the provisions of sections 710, 711 and 716 of the Corporations Act), or this Prospectus otherwise fails to comply with the Corporations Act, the Listing Rules or other applicable laws;
- (b) **(disclosures in the International Offering Circular or the Pricing Disclosure Package)** the International Offering Circular or the Pricing Disclosure Package includes:
 - (i) an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or
 - (ii) any forecast, expression of opinion, intention or expectation expressed in the International Offering Circular or the Pricing Disclosure Package which is not, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole;
- (c) **(supplementary prospectus)** the Company issues or in the reasonable opinion of the Joint Lead Managers becomes required to issue, a supplementary prospectus or to file or register any supplementary document required by New Zealand securities laws;
- (d) **(offences by Directors)** any of the following occurs:
 - (i) a Director of the Company is charged with an indictable offence;
 - (ii) any Director of the Company is disqualified from managing a corporation under the Corporations Act; or
 - (iii) the chairman or chief investment officer of the Company vacates his or her office;

- (e) **(listing approval)** approval is refused or not granted, other than subject to customary conditions, to:
- (i) the Company's admission to the official list of ASX; or
 - (ii) the official quotation of all of the Shares on ASX;
- on or before the date the Institutional Offer opens, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (f) **(notifications)** any of the following notifications are made:
- (i) ASIC holding a hearing under section 739(2) of the Corporations Act or issuing an order (including an interim order) under section 739 of the Corporations Act;
 - (ii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or this Prospectus;
 - (iii) ASIC commences any inquiry, investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or this Prospectus;
 - (iv) any person gives a notice under section 733(3) of the Corporations Act or any person (other than a Joint Lead Manager) who has previously consented to the inclusion of their name or any statement in this Prospectus withdraws that consent;
 - (v) any person gives a notice under section 730 of the Corporations Act in relation to this Prospectus;
- (g) **(NZ notifications)** any New Zealand regulatory body in respect of the Offer issues an order suspending or cancelling the issue or use of the New Zealand Investment Statement or any advertisement, or preventing the Company from issuing the New Zealand Investment Statement or any advertisement or the New Zealand Securities Commission exercises any power under Part 3 of the Securities Act 1978 (NZ) in relation to the Offer;
- (h) **(withdrawal)** the Company withdraws this Prospectus, the New Zealand Investment Statement, the International Offering Circular or the Offer;
- (i) **(consent)** any person whose consent to the issue of this Prospectus is required by section 720 of the Corporations Act who has previously consented to the issue of this Prospectus withdraws such consent or any person otherwise named in this Prospectus with their consent (other than a Joint Lead Manager) withdraws such consent;
- (j) **(material adverse change)** any material adverse change occurs or an event occurs which is likely to give rise to a material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group including:
- (i) any change in the earnings, prospects or forecasts of the Group from those disclosed in this Prospectus, the New Zealand Investment Statement or the International Offering Circular;
 - (ii) any change in the nature of the business conducted by the Group;
 - (iii) any change in the assets, liabilities, financial position or performance, profits or losses of the Group from those respectively disclosed in this Prospectus, the New Zealand Investment Statement or the International Offering Circular; and
- (k) **(insolvency)** the Company or any member of the Group is insolvent or there is an act or omission made which may result in the Company or any member of the Group becoming insolvent;
- (l) **(market fall)** the S&P/ASX 200 Index is, at the close of normal trading on ASX on any business day until Settlement, lower than 90% of the level of that index as at the last close of normal trading on ASX on:
- (i) the business day immediately preceding the date of the Offer Management Agreement and remains at or below that level for at least 3 consecutive business days or until the end of the day before the Settlement Date; or
 - (ii) on the Institutional Offer Closing Date and remains at or below that level for at least 3 consecutive business days or until the end of the day before the Settlement Date;
- (m) **(disruption in financial markets)** either of the following occurs:

- (i) a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
- (ii) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading,
- in either case the effect of which is such as to make it, in the reasonable judgment of the Joint Lead Managers, impractical to promote the Offer or to enforce contracts to subscribe for the Shares;
- (n) ***(disclosures in due diligence report)** the due diligence report or any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Group or the Offer is misleading or deceptive;
- (o) ***(material contracts)** any term of a material contract is varied, terminated, rescinded or altered without the prior consent of the Joint Lead Managers or any material contract is found to be void or voidable;
- (p) ***(legal proceedings)** any of the following occurs:
- (i) the commencement of legal proceedings against the Company or any Director of the Company;
- (ii) any regulatory body commences any inquiry or public action against a Director of the Company in his or her capacity as such or announces that it intends to take any such action;
- (q) ***(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, a new law or government policy in Australia (including a policy of the Reserve Bank of Australia), any member state of the European Union, Canada, South Africa or the United States of America (other than a law or policy announced prior to the date of the Offer Management Agreement);
- (r) ***(change in management)** a change in senior management or the Board of Directors of the Company occurs;
- (s) ***(breach)** the Company fails to perform or observe any of its obligations under the Offer Management Agreement;
- (t) ***(Certificate)** any Certificate given under the Offer Management Agreement by the Company is false, misleading or inaccurate;
- (u) ***(representations and warranties)** a representation or warranty contained in the Offer Management Agreement on the part of the Company is not true or correct;
- (v) ***(hostilities)** in respect of any one or more of the United States of America, Australia, New Zealand, any member state of the European Union, the United Kingdom, Canada, South Africa, Indonesia, North Korea, South Korea, China or Japan:
- (i) hostilities not presently existing commence;
- (ii) a major escalation in existing hostilities occurs;
- (iii) a declaration is made of a national emergency or war;
- (iv) a major terrorist act is perpetrated on any of those countries or a diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world; or
- (w) ***(financial markets)** there is any adverse change or disruption to the existing financial markets, political or economic conditions, of Australia, the United States of America, the United Kingdom or the international financial markets or any change in national or international political, financial or economic conditions;
- (x) ***(fraud)** the Company or any of its Directors or officers (as that term is defined in the Corporations Act), engage in any fraudulent conduct or activity whether or not in connection with the Offer; or
- (y) ***(Offer timetable)** an event specified in the Offer timetable is delayed for more than 2 business days.

12.5.2 Summary of debt financing arrangements

12.5.2.1 Summary of facilities

The Company has received a commitment from ABN AMRO Bank N.V (Australia Branch), National Australia Bank Limited and The Royal Bank of Scotland plc, Australia Branch ("Banks") to enter into a Subscription Agreement ("IPO Facilities Agreement") with Boart Longyear Management Pty Limited and Longyear Canada, ULC ("Initial Borrowers"), the Company and various of the Company's subsidiaries (the Initial Borrowers, the Company and such subsidiaries are together the "Guarantors") for the Banks to provide the following interest bearing debt facilities ("IPO Facilities"):

12.5.2.2 Conditions precedent

The right of the Initial Borrowers and any Guarantor which becomes a borrower under the IPO Facilities Agreement (the Initial Borrowers and such Guarantors are together the "Borrowers") to make the first and subsequent drawings under the IPO Facilities will be subject to the satisfaction of various conditions precedent which are typical of financing facilities of this type.

12.5.2.3 Use of proceeds

The IPO Facilities, in conjunction with the proceeds of the Offer (refer to Section 1.9), will be made available to the Borrowers for the following purposes:

- in the case of the Term Facilities, towards repaying a portion of the Boart Longyear Group's existing external debt, paying the costs and expenses incurred by the Company in relation to the Offer and funding

general corporate requirements of the Boart Longyear Group; and

in the case of the Revolving Facility, to fund:

- acquisitions which comply with the acquisitions parameters set out in the IPO Facilities Agreement;
- the working capital and capital expenditure requirements of the Boart Longyear Group;
- general corporate requirements of the Boart Longyear Group; and
- in the case of both the Term Facilities and Revolving Facility, for any other purpose approved by the Banks.

Part of the proceeds of the Offer will be used to repay the balance of the money owing under the Boart Longyear Group's existing external debt facilities.

It is intended that Term Facility A and Term Facility B (together the "Term Facilities") as set out in Table 12.1 below will be fully drawn immediately following completion of the Offer. The Revolving Facility will be utilised to fund seasonal or inter-month working capital movements during the course of the year. Based on the forecast cash flow of the Company for the 2007 financial year, the Revolving Facility is estimated to vary between a net drawdown and a net positive cash balance. The Revolving Facility is estimated to be drawn down, net of cash balances, to a level of between US\$35 million and US\$45 million at the Settlement date.

Table 12.1 Summary of debt facilities

Facility	Limit (US\$m)	Type of funding	Maturity date	Repayment and interest
Term Facility A	585.0	Cash advances	Three years from the date of first drawdown of the IPO Facilities	Principal repayable on the maturity date Interest payable at the end of each interest period
Term Facility B	65.0 ¹	Cash advances	Five years and one day from the date of first drawdown of the IPO Facilities	Principal repayable on the maturity date Interest payable at the end of each interest period
Revolving Facility	200.0	Cash advances, bank guarantees and letters of credit	Five years from the date of first drawdown of the IPO Facilities	Principal repayable on the maturity date Interest payable at the end of each interest period

Note:

1. Funding available in Canadian dollars.

12.5.2.4 Guarantee

The IPO Facilities will be unsecured but will be guaranteed by the Guarantors. Under the terms of the IPO Facilities Agreement, certain subsidiaries of the Company will be required to become guarantors of the IPO Facilities, subject to compliance with applicable financial assistance laws in the jurisdiction of incorporation of the subsidiary.

12.5.2.5 Interest

For cash advances under the IPO Facilities, interest will be payable at a rate equal to the sum of the relevant base rate plus the relevant margin, which adjusts in accordance with the leverage ratio of the Boart Longyear Group.

The Boart Longyear Group has implemented two separate US dollar fixed to floating interest rate hedges under which the Boart Longyear Group will have US\$528 million in aggregate of its interest rate exposure at IPO at a weighted average base interest rate of 4.99% pa. The first interest rate swap arrangement was effective from 5 August 2005 and has a three and a half year maturity. The second interest rate swap arrangement was effective from 20 October 2006 and has a five year maturity. The aggregate amount of interest rate exposure will reduce over the life of the respective interest rate swap arrangements.

12.5.2.6 Representations, warranties, undertakings and events of default

The IPO Facilities Agreement contains representations, warranties and undertakings from the Borrowers, the Guarantors and any subsidiaries which become guarantors of the IPO Facilities ("Obligors"). The representations, warranties and undertakings are typical of financing facilities of this type.

The IPO Facilities Agreement also contains certain undertakings and events of default typical of financing facilities of this type.

12.5.2.7 Review events

It is a review event if:

- any person obtains control (as defined in the Corporations Act) of the Company; or
- following the IPO:
 - the trading in the ordinary shares and other equity securities in the Company on the Australian Securities Exchange is suspended and that suspension continues for an uninterrupted period of more than five business days; or
 - the Company is de listed by the Australian Securities Exchange.

On the occurrence of the review event, the Company and the Banks will consult for at least 60 days to establish the impact of the review event and formulate a remedial action plan. If the review event and remedial action plan are not acceptable to the Banks, the Borrowers must repay all money outstanding under the IPO Facilities within 60 days of receiving notice that repayment is required and the Banks may immediately cancel their commitments. If the review event and remedial action are acceptable to the Banks subject to revised terms, each Obligor and the Banks will take reasonable steps to promptly implement those revised terms. However, if the revised terms have not been implemented to the satisfaction of the Banks within 60 days of the Banks notifying the Company of the revised terms, the Borrowers must repay all money outstanding under the IPO Facilities within 60 days of receiving that notice and the Banks may immediately cancel their commitments.

12.6 ASIC relief

ASIC has granted a modification of section 707 of the Corporations Act to permit, without the requirement to lodge a further disclosure document, the resale of Shares issued to Institutional Investors under the International Offering Circular and to New Zealand residents under the New Zealand Investment Statement.

12.7 ASX waivers and exemptions

ASX has approved 'in-principle' the grant of a waiver of the following rules:

- Listing Rule 7.1 in connection with the issue of securities to an underwriter of the Dividend Reinvestment Plan (refer to Section 12.8);
- Listing Rule 10.11 in connection with the issue of Shares to Paul Brunner and David McLemore upon exchange of the Exchangeable Notes (refer to Section 12.3.2);
- Listing Rule 10.11 in connection with the issue of Shares to the Non Executive Directors (refer to Section 12.10.1.1); and
- Listing Rule 10.11 in connection with the issue of Shares to Paul Brunner as described in Section 3.11.

The Company will formally apply for a waiver of these Listing Rules at the time of lodgement of its application for admission to the official list of ASX.

12.8 Dividend Reinvestment Plan

The Directors have approved and may implement a Dividend Reinvestment Plan ("DRP").

The rules of the DRP are typical of a dividend reinvestment plan operated by an ASX listed company. Shareholders who elect to participate in the DRP will be able to reinvest the dividends they are entitled to receive in Shares rather than receiving those dividends in cash. Shareholders may choose to participate in the DRP in respect of some or all of their Shares. The Board may choose to enter into underwriting arrangements from time to time for the partial or full underwriting of any shortfall in the DRP take up with respect to a particular dividend.

The DRP will commence on the date determined by the Board, and may be varied, terminated or suspended by the Board at any time, according to the rules of the DRP. As at the date of this Prospectus, the Board has not decided to commence the DRP.

A Shareholder subject to the laws of another country may not participate in the DRP until the Board is satisfied that such participation will not constitute a breach of the laws of that country or place.

A copy of the rules of the DRP will be made available by the Group to Shareholders in advance of the record date for the first dividend in respect of which the Board determines to commence the DRP. Alternatively, a copy of the rules of the DRP will be available on Boart Longyear's website at www.boartlongyear.com.

12.9 Australian taxation considerations

This is a general description of the Australian income tax consequences for investors who acquire Shares through the Retail Offer or Institutional Offer.

The taxation summary seeks to provide Australian tax resident individual Shareholders, Australian tax resident complying superannuation fund Shareholders, Australian tax resident corporate Shareholders and tax non-resident Shareholders with an overview of the relevant Australian income tax considerations associated with the payment of dividends by the Group and the future disposal of their Shares.

The Australian tax laws are complex. The summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The individual circumstances of each investor may affect the taxation implications of the investment of that investor. Investors should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances.

Boart Longyear disclaims all liability to any investor or other party for all costs, losses, damages and liabilities that the investor or other party may suffer or incur arising from or relating to or in any way connected with the contents of this summary or the provision of this summary to the investor or any other party or the reliance on it by the investor or any other party.

Unless otherwise indicated, these comments are based on the income tax law, established interpretations of that law and understanding of the practice of the tax authority in Australia as at the date of this Prospectus. Investors should also be aware that the Australian tax rules are continuing to undergo significant change.

12.9.1 Taxation of Dividends

Dividends are paid to Shareholders from the accounting profits of Boart Longyear. Shareholders will receive credits for any Australian corporate tax that has been paid on these profits. These credits are known as 'franking credits' and they represent the extent to which a dividend is 'franked'. It is possible for a dividend to be fully or partly franked or unfranked. Where a dividend is partly franked, the franked portion is treated as fully franked and the remainder as being unfranked.

It should be noted that the definition of dividend for Australian income tax purposes is broad and can include certain capital returns and off-market share buy-backs.

12.9.1.1 Australian tax resident Shareholders – individuals

Individual Australian tax resident Shareholders will need to include dividends in their assessable income in the income year in which the dividend is paid. In addition, to the extent that the dividends are franked, then the franking credits attaching to the franked dividends must also be included in their assessable income (that is, the dividend is grossed-up). Shareholders are taxed at their prevailing marginal rate on the dividend and franking credits received.

Individual Shareholders will be entitled to a 'tax offset' equal to the amount of franking credits received. Individual Shareholders will receive a tax benefit if the franking credits attached to the dividend exceed their tax payable on the receipt of the dividend. Individual Shareholders will need to pay additional tax if the tax payable as a result of receiving the dividend exceeds the franking credits attached to the dividend. Individual Shareholders are entitled to claim a refund for any excess franking credits.

To the extent that the dividend is unfranked, there is no gross-up and Shareholders should generally be taxed at their prevailing marginal rate on the dividend received, with no tax offset.

In order for individual Shareholders to be entitled to claim the tax offset in relation to the franked dividend amount, the recipient of the dividend must be a 'qualified person'. Broadly, to be a qualified person, two tests must be satisfied, namely the 'holding period rule' and the 'related payments rule'.

In broad terms, if individual Shareholders have held the Shares at risk for at least 45 days (excluding the dates of acquisition and disposal), they are able to claim a tax offset for the amount of any franking credits attaching to the dividend.

12.9.1.2 Australian tax resident Shareholders – corporations

Dividends payable to Australian tax resident corporate Shareholders will be included in their assessable income in the income year the dividend is paid. To the extent that the dividends are franked, then the franking credits attaching to the franked dividend must also be included in assessable income (that is, the dividend is grossed-up). The corporate Shareholder may be entitled to a tax offset equal to the amount of franking credits received. This would result in the dividend being free of further company tax to the extent that it is franked. Corporate Shareholders are unable to claim refunds for excess franking offsets. However, where excess franking offsets exist, they may be converted into carry forward tax losses. A fully franked dividend should effectively be free of tax to a corporate Shareholder.

To the extent that the dividend is unfranked, there is no gross-up and corporate Shareholders should generally be taxed at the company tax rate on the dividend received, with no tax offset.

Corporate shareholders are also entitled to a franking credit in their franking accounts equal to the franking credit attaching to the dividend. Corporate shareholders can then use the credit to make frankable distributions to their shareholders.

12.9.1.3 Australian tax resident Shareholders – complying superannuation funds

In general terms, complying superannuation funds treat the receipt of a dividend in the same way as an individual.

12.9.1.4 Non-resident Shareholders – general

Generally, dividends payable to non-resident (for tax purposes) Shareholders will be subject to dividend withholding tax to the extent that they are unfranked. Australian dividend withholding tax is imposed at 30% unless a Shareholder is a resident of a country with which Australia has concluded a double taxation agreement. In these circumstances, the withholding tax is generally then limited to 15%. Unfranked dividends attributable to certain types of foreign income may also be distributed free of withholding tax.

Fully franked dividends are not subject to Australian dividend withholding tax. In certain circumstances, non-resident (for tax purposes) Shareholders may be assessable for tax on any such dividends. They should also consider the impact of dividends under their domestic tax regime.

12.9.2 Taxation of future Share disposals

12.9.2.1 Australian tax resident Shareholders – general

Australian tax resident Shareholders who trade Shares in the ordinary course of their business and/or hold their Shares on revenue account must include any gains made on the disposal of their Shares in their assessable income. Shareholders who include gains made on the disposal of their Shares in their assessable income are not assessed for capital gains tax on the disposal.

All other Shareholders will hold their Shares on capital account. These Shareholders must consider the impact of Australian capital gains tax rules on the disposal of their Shares.

A Shareholder derives a capital gain on the disposal of Shares where the capital proceeds received on disposal exceed the capital gains tax cost base of those Shares. The cost base of each Shareholder should generally be equal to the issue price of the Shares and, among other things, include any incidental costs of acquisition and non-deductible interest expenditure in acquiring the Shares.

A Shareholder incurs a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced capital gains tax cost base of the Shares.

All capital gains and losses for the income year are added together to produce a net capital gain position for that income year. A net capital gain for an income year is included in the Shareholder's assessable income and is subject to taxation in Australia. A net capital loss is effectively quarantined and may generally be carried forward to the next income year to be deducted against future capital gains.

12.9.2.2 Non-resident Shareholders – general

Non-resident (for tax purposes) Shareholders who hold Shares on revenue account may need to include profits from the sale of Shares in their assessable income. Applicable double taxation agreements may provide relief from Australian taxation.

Non-resident Shareholders who do not hold Shares on revenue account may be subject to Australian capital gains tax upon disposal of their Shares where 50% or more of the company is represented by Australian real property and the shareholder owned at least 10% of the Shares at the time of disposal or for at least 12 months during the 24 months before the disposal.

12.9.2.3 Individual Shareholders – capital gains tax concession

Australian tax resident individual Shareholders may be entitled to a concession on the amount of capital gains assessed. The concession is available to individual Shareholders who hold their Shares for at least 12 months prior to disposal. The concession results in only 50% of any capital gain being assessable. Capital losses must be applied first to reduce capital gains before applying the discount capital gains tax provisions. The concession is not available to corporate Shareholders.

The capital gains tax treatment of Australian tax resident complying superannuation fund Shareholders is, in general, the same as that set out for Australian tax resident individuals, except that the capital gains tax discount is one third rather than 50%.

12.9.3 Tax File Number and Australian Business Number

You are not obliged to quote your tax file number ("TFN"), or where relevant, Australian Business Number ("ABN"), to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, tax is required to be deducted by the Company at the highest marginal rate (currently 45%) plus Medicare Levy (currently 1.5%) from certain distributions.

No withholding requirement applies in respect of fully franked dividends paid by the Company on the Shares.

12.9.4 Stamp duty

No stamp duty will be payable by successful Applicants or bidders on the issue of Shares to successful Applicants or bidders pursuant to the Offer. In addition, under current stamp duty legislation, no stamp duty would ordinarily be payable on any subsequent transfer of Shares by successful Applicants or bidders.

12.9.5 Goods and services tax

Under current Australian law, goods and services tax will not be payable in respect of any issue or transfer of Shares.

12.10 Interests of Directors, existing investors, advisors and promoters

Other than as stated in this Section 12.10 or elsewhere in this Prospectus:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director, to induce them to become, or to qualify as, a Director;
 - none of the following persons:
 - (a) a Director or proposed Director;
 - (b) each person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
 - (c) a promoter of the Company; or
 - (d) a broker to the Offer,
- holds or has held at any time in the two years before lodgement of this Prospectus with ASIC, an interest in:
- (a) the formation or promotion of the Company;
 - (b) the Offer; or
 - (c) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

was paid or given, or agreed to be paid or given, any amount or benefit for services provided by such person in connection with the formation or promotion of the Company or the Offer.

12.10.1 Interests of Directors**12.10.1.1 Interests in Shares**

The Non-Executive Directors (and their associates) are entitled to and have noted an intention to apply for Shares in the Offer. The Company has also agreed to grant additional Shares to the Directors (or their associates) in consideration for their assistance in relation to recent acquisitions and in preparing the Company for the Offer. Those additional Shares will be granted subject to certain conditions, being:

- they will vest upon the third anniversary of the grant, subject to the Non-Executive Director remaining in that capacity for that time;
- there will be a restriction upon sale until the earlier of 10 years from the grant date, the Non-Executive Director ceasing to hold office or the Board's discretion; and
- certain trigger events, such as a change of control, may cause an earlier vesting.

Table 12.2: Non-Executive Directors' interests in Shares

Director	Number of Shares to be applied for under the Offer ¹	Number of additional Shares to be granted by the Company in consideration for their services ¹	Total ¹
Graham Bradley (Chairman)	1,813,472	471,503	2,284,974
Bruce Brook (Non-Executive Director)	103,627	44,042	147,669
Geoff Handley (Non-Executive Director)	51,813	31,088	82,902
Peter St George (Non-Executive Director)	207,254	69,948	277,202
David McLemore (Non-Executive Director)	–	–	800,000 ²

Note:

1. Based on the mid-point of the Indicative Price Range.

2. See Section 12.10.1.4 for further information.

In addition to the Shares set out in Table 12.2 above, Section 12.10.1.4 contains details regarding the interests of Paul Brunner and David McLemore in the Company, who are Vendors.

12.10.1.2 Remuneration

Under the Constitution, Non Executive Directors are entitled to such remuneration as is determined by the Board, which remuneration must not exceed in aggregate the maximum amount initially fixed by the Directors or such higher amount subsequently approved by the Company in general meeting. Currently, it has been determined that such remuneration will not exceed A\$2 million per annum to be apportioned among the Non Executive Directors as the Board determines in its absolute discretion. The Directors acknowledge that as Board Longyear grows, the demands on the Directors will increase and the Directors' fees will be increased commensurate with their responsibilities and workload, as determined by the Board and approved by Shareholders.

For FY2007, the base fee payable to each Non Executive Director (excluding the Chairman) is A\$120,000 pa (before tax), excluding superannuation. The base fee payable to the Chairman is A\$360,000 pa (before tax), excluding superannuation. Additional fees are payable to Non Executive Directors for committee memberships and are calculated at a rate of 10% of the base fee for a Non Executive Director for membership of a committee and 20% of the base fee for a Non Executive Director for chairmanship of a committee. The committee fees are not inclusive of superannuation. Non Executive Directors may elect to receive any part, or all of the annual fees (including committee fees as Shares in Company in lieu of cash). Non Executive Directors may also be reimbursed for expenses properly incurred as a Director in the course of performing their duties.

12.10.1.3 Deed of access, indemnity and insurance

The Company has entered into a deed of access, indemnity, and insurance with each Director, which confirms the Director's right of access to Board papers and documents relating to the Directors and requires the Company to indemnify the Director for liability incurred as an officer and promoter of the Company, subject to the restrictions imposed by the Corporations Act and the terms of the Constitution. The deed provides that the Company must advance to the Director reasonable costs incurred or expected to be incurred by the Director in defending certain proceedings.

The deed provides that the Company must keep a complete set of Board papers and that the Director be allowed access to, and a copy of, the Board papers in certain circumstances.

The deed requires the Company to maintain a policy of insurance which insures the Director against liability as a director and officer of the Boart Longyear Group from the date of the deed until the later of the date which is seven years after the Director ceases to hold office as a director of the Company and the date that any relevant proceedings commenced or threatened during the period of seven years after the Director ceases to hold office have been fully resolved.

12.10.1.4 Other interests of Directors

Paul Brunner

Paul Brunner (Managing Director) invested in the Boart Longyear Group alongside Advent International and Bain Capital in 2005 (refer to Section 3.2). In addition, he acquired an interest in the group as a result of the equity arrangements outlined in Section 3.11.

As part of the shareholder arrangements entered into in 2006, it was agreed that, in the event of an initial public offering, Mr Brunner would reinvest approximately 50% of his interest in the Company on an after tax basis.

In accordance with these arrangements and based on the mid-point of the Indicative Price Range, and a foreign exchange rate assumption of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer, Mr Brunner is expected to hold approximately 16.7 million Shares in the Company (taking into account his initial investment and assuming vesting of his equity arrangements in October 2007). These Shares are subject to the disposal restrictions set out in Section 3.11. In addition, Mr Brunner is expected to receive approximately US\$24.9 million on an after tax basis net of certain investment-related expenses.

Executive Service Agreement: Paul Brunner

Longyear Holdings, Inc. has entered into an executive services agreement with Paul Brunner for a three year term under which he will be entitled to receive a base salary of US\$875,000 per annum. In addition to his base salary, Mr Brunner is entitled to receive an annual bonus of up to 100% of his base salary if he meets specified corporate and personal goals. He is also entitled to other cash and non-cash benefits, including a car allowance, reimbursement of tax and financial planning fees. Mr Brunner will be eligible, at the Board's discretion, to participate in the employee share plan discussed in Section 12.4.

The specified corporate and personal goals under which Mr Brunner's bonus will be determined include targets for the achievement of and exceeding the prospectus forecast.

Mr Brunner is subject to a 12 month non-compete restraint following the term of his agreement or in the event that his agreement is terminated before the end of its term, which can be extended for a further 12 months under certain circumstances.

If Mr Brunner's employment is terminated without cause, or if he terminates his employment for good reason, he is entitled to certain benefits, including:

- the payment of unpaid and accrued base salary;
- a pro-rata annual bonus for the year of termination;
- reimbursement of reasonable expenses incurred in relocating out of Utah; and
- monthly severance payments equal to his monthly base salary at the time of termination, payable for a period of 18 months.

Mr Brunner can terminate his employment for good reason if there is a material adverse change in his title, authority or duties, his base salary or annual bonus is reduced or any other material breach of his agreement. Alternatively, Longyear Holdings Inc. can terminate Mr Brunner's employment with cause in certain circumstances such as conviction of a criminal offence, breach of any duty owed to the company or if he refuses to perform the lawful directives of the board.

David McLemore

David McLemore (Non-Executive Director) also invested in the Boart Longyear Group alongside Advent International and Bain Capital in 2005. As a result of this investment Mr McLemore is expected to hold approximately 0.8 million shares in the Company following the Offering and will receive approximately US\$10.8 million in after tax proceeds (based on the mid-point of the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 on the Closing Date of the Institutional Offer) after taking account of certain investment related expenses. The Shares held by Mr McLemore will not be subject to disposal restrictions. However, the Shares will be subject to the standard trading restrictions applicable to the Directors.

12.10.2 Interests of existing investors

The Vendors will hold:

- approximately 674 million Redeemable Notes which will be redeemed at the Final Price shortly after completion of the Offer (refer to Section 3.2); and
- approximately 216 million Shares on Allotment following exchange of Exchangeable Notes issued at Settlement (refer to Section 1.9).

Based on the mid-point of the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 at the Closing Date of the Institutional Offer, the value of the redemption proceeds that will be received by Vendors is A\$1,301 million and the value of the Shares that will be held by Vendors is A\$417 million. These Shares will represent approximately 14.5% of the value of the Company's issued capital after completion of the Offer (refer to Section 1.10).

12.10.2.1 Interests of Macquarie Bank

Macquarie Bank and its subsidiaries ("Macquarie") have a number of relationships with the existing shareholders and the Company:

- Macquarie is an existing shareholder. Macquarie will hold approximately A\$57 million in Shares after completion of the Offer (based on the mid-point of the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 at the Closing Date of the Institutional Offer), representing approximately 2.0% of the Company's issued capital (refer to Section 1.9).
- Macquarie has agreed to an escrow arrangement with the Company under which it will be restricted from dealing with the Shares until the earlier of one year after the Settlement of the Offer or three business days after the announcement of the Company's FY2007 results; and
- Macquarie is Global Coordinator and Joint Lead Manager to the Offer (refer to Section 12.5.1).

12.10.3 Interests of advisors and experts

Macquarie Equity Capital Markets has acted as Global Coordinator and Joint Lead Manager to the Offer. Goldman Sachs JBWere and UBS have acted as Joint Lead Managers to the Offer. The Company has agreed to pay Macquarie Equity Capital Markets in their capacity as Global Coordinator the amount in accordance with the Offer Management Agreement referred to in Section 12.5.1 for these services, and to distribute from this fees payable to the Joint Lead Managers and Co-Lead Managers.

The Company has entered into an agreement with Macquarie Bank and MECM under which they provide investment banking services to the Company (subject to certain exclusions) up until 8 August 2008, for which they will be entitled to receive fees in an amount to be agreed with the Company.

Allens Arthur Robinson has acted as Australian legal advisor to the Company in connection with the Offer and has performed work in relation to the Australian due diligence inquiries on legal matters. The Company has agreed to pay Allens Arthur Robinson A\$850,000 (excluding GST) for such services to the date of this Prospectus. Further amounts may be paid to Allens Arthur Robinson in accordance with its time-based charges.

Deloitte Touche Tohmatsu has prepared the Investigating Accountant's Report on Historical Financial Information included in Section 9 and has performed work in relation to the due diligence inquiries regarding historical financial information and taxation matters. The Company has agreed to pay Deloitte Touche Tohmatsu approximately A\$1,328,000 (excluding GST) for such services to the date of this Prospectus. Further amounts may be paid to Deloitte Touche Tohmatsu in accordance with its time-based charges.

Deloitte Corporate Finance Pty Ltd has prepared the Independent Review of Directors' Forecasts included in Section 11 and has performed work in relation to the due diligence inquiries regarding Forecast Financial Information. The Company has agreed to pay Deloitte Corporate Finance Pty Ltd approximately A\$1,421,000 (excluding GST) for such services to the date of this Prospectus. Further amounts may be paid to Deloitte Corporate Finance Pty Ltd for due diligence services in relation to the acquisition of Connors, Grimwood Davies and KWL (\$1,086,000).

The interests of Co-Lead Managers are provided in the summary of the Offer Management Agreement in Section 12.5.1.

12.11 Consents and disclaimers of responsibility

Written consents have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Macquarie Equity Capital Markets has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Global Coordinator and Joint Lead Manager to the Offer in the form and context in which it is named;
- Goldman Sachs JBWere Pty Ltd and UBS have given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, their written consent to be named in this Prospectus as Joint Lead Manager to the Offer in the form and context in which they are named;
- ABN AMRO Rothschild, Credit Suisse (Australia) Limited and JP Morgan Australia Limited have given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, their written consent to be named in this Prospectus as Co-Lead Managers to the Offer in the form and context in which they are named;
- Allens Arthur Robinson has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is named;
- Deloitte Touche Tohmatsu has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion of its Investigating Accountant's Report on Historical Financial Information included in Section 8 and to be named in this Prospectus in the form and context in which it is named;
- Deloitte Corporate Finance Pty Ltd has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion of its Independent Review of Directors' Forecast included in Section 11 and to be named in this Prospectus in the form and context in which it is named; and
- Metal Economics Group has given, and not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is named.

No entity referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons referred to above expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given above. None of the advisors or experts referred to above has caused or authorised the issue of this Prospectus.

12.12 Costs of the Offer

If the Offer proceeds, the total estimated costs in connection with the Offer (including advisory, legal, accounting, tax, stamp duty, listing and administrative fees, as well as printing, advertising and other expenses) are currently estimated to be approximately A\$93 million (based on the mid-point of the Indicative Price Range and a foreign exchange rate assumption of US\$0.771:A\$1.00 at the Closing Date of the Institutional Offer). This amount will be paid by the Company from funds raised under the Offer.

12.13 Litigation and claims

So far as the Directors are aware, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Boart Longyear is directly or indirectly concerned which may have a material adverse affect on the business or financial position of the Group.

The Company and its external consultants are currently investigating conduct involving employee misappropriation within the Company's Russian operations. While this investigation is still underway, based on the investigation to date and the amounts involved, the Directors do not believe this matter will have a material adverse effect on the business or financial results of the Group.

Additionally, in connection with such investigation, the Company and its external consultants are also investigating certain entertainment expenses, gifts and monetary payments made at the direction of persons under investigation in the Russian operation to employees of customers. Such payments could violate various national anti-bribery or other laws or regulations. Funds for such payments appear to have passed through foreign banks to an intermediary, which could constitute a violation of applicable money-laundering and other laws. A manager in the Russian operation has been terminated for violating Company procedures; other employees are being investigated. The investigation is continuing and, at this stage, no determination has been made regarding the nature or extent of any liability.

12.14 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in New South Wales and each Applicant and bidder submits to the exclusive jurisdiction of the courts of New South Wales.

12.15 ASX admission and quotation

The Company will apply, within seven days of the date of this Prospectus, to ASX for admission to the official list of ASX and for official quotation of the Shares on the market operated by ASX.

Quotation of the Shares on ASX is expected to occur initially on a conditional and deferred settlement basis on or about 5 April 2007.

12.16 Appendix containing additional financial information

Investors should note that a separate Appendix dated the date of this Prospectus has been prepared and lodged with ASIC. The Appendix contains detailed pro forma historical financial information about the Company and information regarding the accounting policies adopted in connection with the preparation of that pro forma historical financial information.

The Appendix expands on the pro forma historical financial information included within this Prospectus. The Company believes that the information in the Appendix is primarily of interest to professional analysts or advisors, or investors with similar specialist information needs. If you consider that the information in the Appendix may assist you in making your investment decision, you may obtain a copy of the Appendix free of charge by calling the Boart Longyear Offer Information Line on 1800 781 633 or +61 2 8280 7488.

The Appendix is taken to be included in this Prospectus in accordance with Section 712 of the Corporations Act.

12.17 Statement of Directors

The issue of this Prospectus has been authorised by each of the Directors. Each Director has consented to the lodgement of this Prospectus with ASIC and its issue, and has not withdrawn that consent.

GLOSSARY 13

AS	means Australian dollars.
AASB	means the Australian Accounting Standards Board.
ABN	means Australian Business Number.
Accounting Acquirer	means LGHI as set out in Section 8.2.5.
ACN	means Australian Company Number.
Acquired Businesses	means North West Drilling, Prosonic, Grimwood Davies, KWL, Connors and Diamond Drilling.
Advent International	means certain funds affiliated with Advent International Corporation.
AIFRS	means Australian equivalents of International Financial Reporting Standards.
Anglo American	means Anglo American plc.
Applicant	means a person who submits a valid Application Form pursuant to this Prospectus.
Application	means an application to subscribe for Shares under this Prospectus.
Application Form	means an application form attached to or accompanying this Prospectus.
Application Monies	means the amount accompanying an Application Form submitted by an Applicant.
ASIC	means the Australian Securities and Investments Commission.
ASTC	means ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
ASTC Settlement Rules	means the ASTC Settlement Rules issued by ASTC.
ASX	means ASX Limited (ABN 98 008 624 691).
Bain Capital	means Bain BL Holdings, L.P., an investment vehicle affiliated with Bain Capital LLC.
Board	means the board of Directors.
Boart Longyear or Boart Longyear Group or Company or Group	means Boart Longyear Limited (ACN 123 052 728) and its subsidiaries or its predecessors, being the Boart Longyear division of Anglo American plc from 1 January 2005 to 29 July 2005, LGHI from 30 July 2005 to 9 October 2006 and RSHI from 10 October 2006 until 11 April 2007 and their subsidiaries.
Boart Longyear Businesses	means the businesses described in Section 5.1.
Boart Longyear Offer Information Lines	means the telephone line to enquire about the Offer, being 1800 781 633 or +61 2 8280 7488.
Boart Longyear Investments	means Boart Longyear Investments Pty Ltd (ACN 124 070 373), a wholly owned subsidiary of the Company.
Broker	means Participating Organisation, and includes each Syndicate Member.
Broker Firm Applicants	means persons offered a firm allocation of Shares by their Broker.

Broker Firm Offer	means the invitation under this Prospectus to Australian resident Retail Investor clients of Brokers who have received a firm allocation of Shares from their Broker, as described in Section 3.7.1.
C\$	means Canadian dollars
CEO	means Chief Executive Officer.
CFO	means Chief Financial Officer.
CHESS	means the Clearing House Electronic Sub-register System, operated by ASTC.
Closing Date	means the date on which the Offer closes, being 28 March 2007 in respect of the Retail Offer or 3 April 2007 in respect of the Institutional Offer. These dates may be varied (e.g. brought forward) without prior notice by the Company and the Global Coordinator, in consultation with the Joint Lead Managers.
Co-Lead Managers	means collectively ABN AMRO Rothschild, Credit Suisse (Australia) Limited and JP Morgan Australia Limited.
Company	means Boart Longyear.
Connors	means Connors SA and Connors Argentina SA.
Consolidated Income Statement	means the income statement of the Group.
Consortium	means the consortium of institutional equity investors which contributed equity to the vehicles that acquired an interest in Longyear Global Holdings Inc.
Constitution	means the constitution of the Company.
COO	means Chief Operating Officer.
Corporations Act	means the Corporations Act 2001 (Cth).
Deloitte Touche Tohmatsu	means Deloitte Touche Tohmatsu (ABN 74 490 121 060).
Directors	means the directors of the Company.
Directors' Forecast	means the Directors' Pro Forma Forecast and the Directors' Statutory Forecast.
Directors' Pro Forma Forecast	means the pro forma forecast consolidated income statement and pro forma forecast capital expenditure for FY2007, as set out in Section 9.
Directors' Statutory Forecast	means the statutory forecast consolidated income statement for FY2007, as set out in Section 9.
DrillCorp	means Drillcorp Ltd.
DRP	means the dividend reinvestment plan as described in Section 12.8.
EBIT	means earnings before interest and Group tax.
EBITA	means earnings before interest, Group tax and amortisation.
EBITDA	means earnings before interest, Group tax, depreciation and amortisation.
EHS	means Environment, Health and Safety.

Energy Industry	means exploration drilling for the energy industry including the oil sand, oil shale, gas, coal exploration and coal bed methane segments and pre-collaring or casing of gas wells.
Environmental & Infrastructure Industry	means exploration drilling for the environmental, water, construction and geotechnical industries.
ESOP	means Executive Share Option Plan.
Exchangable Notes	means exchangable notes to be issued by Boart Longyear Investments to the Vendors.
Exposure Period	means the period from 1 March 2007 ending on 11 March 2007.
Final Price	means the price which successful bidders and Applicants will pay for Shares under the Offer, as described in Section 3.8.3.
Forecast or Estimate	means Management's best estimate.
Forecast Financial Information	means the statutory or pro forma forecast financial information for the Forecast Period set out in Section 9.
Forecast Period	means the 12 months ending 31 December 2007.
FY	means the financial year ended or ending 31 December (as the context requires).
General Offer	means the offer to Australian and New Zealand resident Retail Investors who are not Broker Firm Applicants or Priority Offer Applicants.
General Offer Applicant	means an Applicant in the General Offer.
Global Coordinator, MECM or Macquarie Equity Capital Markets	means Macquarie Equity Capital Markets Limited (ACN 001 374 572).
Grimwood Davies	means Grimwood Davies Pty Ltd.
GST	means goods and services tax.
HIN	means Holder Identification Number.
Historical Financial Information	means the historical financial information for the Historical Periods as set out in Section 8.
Historical Periods	means FY2005 and FY2006.
Indicative Price Range	means the indicative price range for the Institutional Offer as specified in Section 3.8.2.
Institutional Investor	means an investor to whom offers or invitations in respect of Shares can be made without the need for a lodged prospectus or other formality, including in Australia persons to whom offers or invitations in respect of Shares can be made without the need for a lodged prospectus under section 708 of the Corporations Act.
Institutional Offer	means the invitation to Institutional Investors in Australia and a number of overseas jurisdictions and is made pursuant to this Prospectus and, where applicable, the International Offering Circular, as described in Section 3.6.

International Offering Circular	means the international offering circular under which the Institutional Offer will be made in certain overseas jurisdictions.
Joint Lead Managers	means MECM, Goldman Sachs JBWere Pty Ltd and UBS AG, Australia Branch.
Juniors	means as per the description in Section 4.2.1.4.
KWL	means the business and assets of KWL Drillrig Engineering Pty Ltd.
LGHI	means Longyear Global Holdings, Inc.
Listing	means the Company being included on the official list of ASX.
Listing Rules	means the listing rules of ASX.
Macquarie Bank	means Macquarie Bank Limited (ACN 008 583 542).
Macquarie European Investments	means Macquarie European Investments Pty Limited.
Majors	has the meaning given in Section 4.2.1.4.
Management	means the Senior Management Team.
Management Investors	means those members of the Senior Management Team who currently have an equity interest in the Company and will continue to own shares in the Company following the Offer.
Minerals Drilling Industry	means exploration drilling conducted during the exploration, development, production or mine closure stage of mining operations.
New Zealand Investment Statement	means the investment statement prepared in connection with the Offer which complies with the Securities Act 1978 (NZ) and the Securities Regulation 1983 (NZ).
Non Executive Director	means a non-executive Director of the Company.
North America	means the United States and Canada.
North West Drilling	means North West Drilling Pty Ltd.
NPAT	means net profit after Group tax.
Offer	means the Retail Offer and the Institutional Offer.
Offer Management Agreement	means the offer management agreement between the Company and the Joint Lead Managers, as described in Section 12.5.1.
Offer Period	means the period during which the Retail Offer is open for receipt of Applications, being Monday, 12 March 2007 to Wednesday, 28 March 2007 unless varied.
Participating Organisation	means a participating organisation of the ASX.
Priority Offer Applicants	means an Applicant under the Priority Offer.
Priority Offer	means the invitation under this Prospectus to Australian and New Zealand resident Retail Investors by Boart Longyear, as described in Section 3.7.2.
Prosonic	means Prosonic Corporation.
Prospectus	means this prospectus, being a prospectus for the purpose of Chapter 6D of the Corporations Act.

QIB	means a qualified institutional buyer as defined in Rule 144A of the US Securities Act.
Redeemable Notes	means redeemable notes issued by Boart Longyear Investments to the Vendor.
Registry	means Link Market Services Limited (ABN 54 083 214 537).
Regulation D	means Regulation D promulgated under the US Securities Act.
Regulation S	means Regulation S promulgated under the US Securities Act.
Retail Investor	means an investor who is not an Institutional Investor.
Retail Offer	means the Broker Firm Offer, Priority Offer and the General Offer.
RSHI	means Resources Services Holdco, Inc.
Rule 144A	means Rule 144A promulgated under the US Securities Act.
Section	means a section of this Prospectus.
Senior Management Team	means the CEO, COO, CFO and the senior management team of Boart Longyear.
Settlement	means the date on which the Shares issued under the Offer are allocated to successful Applicants.
Share	means a fully paid ordinary share in the Company.
Shareholder	means a registered holder of a Share.
Subsidiary	has the meaning given in the Corporations Act, including wholly owned and joint venture subsidiaries.
SRN	means Securityholder Reference Number.
Syndicate Members	means the Global Coordinator, the Joint Lead Managers and the Co-Lead Managers.
TFN	means Tax File Number.
UK GAAP	means generally accepted accounting principles in the United Kingdom.
United States or US	means United States of America.
US\$	means United States dollars.
US Persons	has the meaning given by Regulation S.
US Securities Act	means the United States Securities Act of 1933, as amended.
Vendors	means the Consortium, Advent International, Bain Capital, Management Investors and David McLemore.

Directors of Boart Longyear Limited

Graham Bradley (Chairman)
Paul Brunner (Chief Executive Officer)
Bruce Brock (Non Executive Director)
Gavin Handley (Non Executive Director)
David McLemore (Non Executive Director)
Peter St George (Non Executive Director)

Company Secretary

Fabrizio Rasetti

Registered Office

Level 25, Chifley Tower
Chifley Square
Sydney NSW 2000
Australia

Boart Longyear Website

www.boartlongyear.com

Boart Longyear Share Offer Website

www.boartlongyearshareoffer.com

Boart Longyear Offer Information Line

1800 781 653 or 401 2 6280 7188

Auditor to Boart Longyear

Deloitte Touche Tomatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Investigating Accountant

Deloitte Touche Tomatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Registry

Link Market Services Ltd
Level 12
660 George Street
Sydney NSW 2000

Global Coordinator

Macquaria Equity Capital Markets Limited
Level B
No. 1 Martin Place
Sydney NSW 2000

Joint Lead Managers

Macquaria Equity Capital Markets Limited
Level B
No. 1 Martin Place
Sydney NSW 2000

Goldman Sachs JEMera Pty Ltd
Level 42, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

UBS AG, Australia Branch

Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Co-Lead Managers

ABN AMRO Rothschild
ABN AMRO Tower
68 Phillip Street
Sydney NSW 2000

Credit Suisse (Australia) Limited
Gateway
1 Macquarie Place
Sydney NSW 2000

JP Morgan Australia Limited
Grosvenor Place
225 George Street
Sydney NSW 2000

Legal Advisors to the Offer

Allens Arthur Robinson
Level 28
Deutsche Bank Place
Corner of Hunter and Phillip Streets
Sydney NSW 2000



www.boartlongyear.com

www.boartlongyearshareoffer.com