BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

ANNUAL FINANCIAL REPORT

YEAR ENDED 31 DECEMBER 2017

CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the financial report of Boart Longyear Limited (the "Parent") and its controlled entities (collectively the "Company") for the financial year ended 31 December 2017 (the "financial year") and the Independent Auditor's Report thereon.

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

DIRECTORS

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

Directors	Position
Marcus Randolph	Executive Chairman
Kyle Cruz	Non-executive Director (appointed effective 1 September 2017)
Jason Ireland	Non-executive Director (appointed effective 1 September 2017)
James Kern	Non-executive Director (Appointed effective 20 February 2018)
Gretchen McClain	Non-executive Director
Robert Smith	Non-executive Director (appointed effective 1 September 2017)
Richard Wallman	Non-executive Director (appointed effective 1 September 2017)
Eric Waxman	Non-executive Director (appointed effective 29 September 2017)

Others who held office as Directors during the financial year were:

Directors	Position
Bret Clayton	Non-executive Director (retired 1 September 2017)
Peter Day	Non-executive Director (retired 1 September 2017)
Lawrence First	Non-executive Director (appointed effective 1 September 2017; retired 20 February 2018)
Jonathan Lewinsohn	Non-executive Director (retired 20 January 2017)
Jeffrey Long	Non-executive Director (retired 1 September 2017)
Rex McLennan	Non-executive Director and Senior Independent Director (retired 1 September 2017)
Deborah O'Toole	Non-executive Director (retired 1 September 2017)
Matthew Sheahan	Non-executive Director (appointed effective 1 September 2017; retired 29 September 2017)
Conor Tochilin	Non-executive Director (appointed effective 20 January 2017; retired 1 September 2017)

For a summary of experience and qualifications for each Director, see the Board of Directors section on page 55 of this Report.

COMPANY SECRETARIES

- Fabrizio Rasetti (through 5 December 2017)
- Robert Closner (appointed Company Secretary effective 5 December 2017)
- Philip Mackey

PRINCIPAL ACTIVITIES

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 September 2017 the Company announced the completion of its recapitalisation, which achieved three primary objectives that include reduced debt, improved liquidity and extended maturities. The $284.0 million outstanding principal amount of the 7% Unsecured Notes due 2021 plus accrued and unpaid interest has been reduced by approximately $196.0 million in exchange for ordinary shares. Interest on all debt facilities may be paid in kind (rather than cash) at the Company’s election until December 2018. Maturities on existing debt have been extended until December 2022. Refer to the loans and borrowings note on page 108 for more information.

During 2017 the Company announced substantial changes to its Board of Directors in conjunction with the recapitalisation. In addition, the Board considered the composition of the Board committees and implemented a proposal to reduce the overall number of committees by eliminating the Environment, Health and Safety Committee (“EHS Committee”). Certain EHS Committee duties were transferred to the Audit, Compliance and Risk Committee.

Throughout 2017, the Company announced several changes to its senior management team. Robert Closner was appointed VP, General Counsel, and Kari Plaster was appointed to the role of VP, Human Resources. Mr Closner and Ms Plaster commenced their new roles on 16 October 2017 and 30 October 2017, respectively. In addition, the Company announced the departure of Mr Mark Irwin, Chief Commercial Officer; Mr Fabrizio Rasetti, Senior VP, General Counsel and Secretary; and Mr Brad Baker, Senior VP, Human Resources. The role of Chief Commercial Officer was not replaced and the duties of the role were distributed to other senior leaders.

EVENTS SUBSEQUENT TO REPORTING DATE

On 26 January 2018 the Company announced a new Management Incentive Plan (“MIP”), that has been implemented as of 1 January 2018, subject to shareholder approval. The MIP has been created to give senior leaders an opportunity to share in the growth and value of Boart Longyear’s business success. This plan is replacing the Long Term Incentive Plan (“LTIP”) and the Retention Incentive Grant Agreements (“RIGA”).

The new MIP is a private equity based long-term incentive plan, which is similar in design to a stock option plan, in that it allows participants to share in the gain of the Company’s value over time. Specifically, the MIP offers two ways to achieve payment: 1) time vesting and 2) performance thresholds. The time vesting portion represents 33.3% of the plan, spread over a 5-year time window. The performance portion of the MIP is based on the Company’s improvement in Total Enterprise Value (“TEV”).

There are two performance vesting criteria; one set at $900 million TEV, representing another 33.3% and the other set at $1.1 billion TEV, the final 33.3%. Awards are denominated in MIP Units, which represent proportional interest in the gain in enterprise value. These units will be shared amongst a pool of the Company’s senior leaders. Vested MIP Units will be paid in either cash or shares at the discretion of the Board of Directors.

LTIP accruals of Share Rights and Cash Rights will cease as of 31 December 2017. Therefore, LTIP Share Rights and Cash Rights will be calculated on a pro-rata basis on the applicable grant date through 31 December 2017. The pro-rated LTIP cash and shares will be paid out on the LTIP Vesting Date, in compliance with the continued employment condition provisions and other applicable provisions in the LTIP agreement. Likewise, the Target Retention Grant Value of the RIGA will be calculated on a pro-rata basis on the date of grant through 31 December 2017. The pro-rata amount will be paid out to RIGA holders employed on their Vesting Date set forth in their RIGA agreement (subject to the existing RIGA provisions).

DIVIDENDS

No dividends have been paid during the financial year.

REVIEW OF OPERATIONS [1]

1. Safety Performance, Market Conditions and Strategies

1.1 Overview

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

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

Our operating and commercial priorities include solidifying our competitive advantages with sustained investments in safety performance, productivity enhancements and operating improvements in our Global Drilling Services division, while remaining focused on the needs of our customer base. Similarly, technology and product innovation are central to the strength and future growth of our Global Products division, and we continue to pursue incremental product improvements that customers will need at all points in the mining cycle. New product development efforts remain focused on incremental product changes that increase productivity. Launched in the second half of 2017, our patented Longyear™ coloured diamond bits improve productivity by lasting longer and cutting faster. Development of the new XQ™ coring rod continues, featuring a greater depth capacity than RQ™ rod, and faster, easier joint make/breaks for higher productivity. TruCore™ core orientation tools continue to expand geographically and are now available globally. The TruShot™ magnetic survey instrument, the second in a future suite of tools, is now under test with our Global Drilling Services team. Both instruments are part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

Our capital structure exposes us to a variety of market, operational and liquidity risks. To address these risks, we completed the recapitalisation on 1 September 2017. We continue to be focused on being cash positive in 2018 as a primary goal for the business, which we intend to achieve through continued disciplined expense control and capital management, opportunistic cost reductions and productivity enhancements.

1.2 Safety Performance

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

In 2017, the Company reported safety performance, with a Total Case Incident Rate ("TCIR") of 1.62 and Lost-Time Injury Rate ("LTIR") of 0.22, compared to corresponding rates of 1.41 and 0.11 for 2016. (Both TCIR and LTIR are rates calculated based on 200,000 hours worked.) While Company performance continues to be solid, we are committed to providing our employees and customers with an injury-free workplace and industry-leading safety performance. During this full-year period, our employees experienced 71 injuries that required some medical treatment and eleven injuries that resulted in lost work time. We believe that significant improvements in our safety record are a moral imperative, and we are pursuing improvements through initiatives focused upon critical risk management, risk-focused field leadership, industry-leading training and competency verification and employee-centric safety messaging initiatives.

Four areas of focus for 2017 that will benefit our safety in 2018 are (1) the implementation of the BLY Integrated Training System (BITS); (2) implementation of global incident management training; (3) the implementation and refocus on our global Field Level Risk Assessment (FLRA) process; and (4) EHS Lead Indicator KPI's which will include: Management Interactions, BITS assigned training modules, In-Vehicle Monitoring System performance scorecard, and Corrective Action closure metrics.

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

1.3 Impact of Market Conditions

Market conditions in 2017 saw a modest improvement on the lows of 2016 as most of the world's mining companies increased exploration and capital expenditures. During 2017, drill rig utilisation improved; however, this has not yet translated into increased pricing conditions for our goods and services. Our Products business has historically been a leading indicator of activity in our Drilling Services business, so we see that the improved demand in the Products sector, particularly in the second half of 2017, as a positive sign. This trend is further supported by improved commodity prices and strong equity raisings by junior mining companies.

Despite the improving market conditions, the Company reported a statutory loss for the 2017 financial year of $150.0 million, which was an improvement of $6.8 million compared to the prior year (2016: $156.8 million loss). Adjusted net loss after tax for the year (adding back significant items and other non-recurring items) was $57.8 million, compared to an adjusted net loss after tax for 2016 of $108.4 million, an improvement of $50.6 million. See reconciliation in Section 3.3 'Significant Items'.

Objectives and Strategies

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

We are committed to driving long-term shareholder value, improved safety, productivity and profitability performance in our Global Drilling Services division, via:

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

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

In our Global Products division, we are focused on improving our commercial practices and product development to more closely align with customer priorities and product innovation requirements. Through ongoing technology and manufacturing leadership, we aim to deliver more cost-effective product offerings, with improved productivity and safety features.

Ultimately, our goal is operational excellence to help us address the risks and challenges of any mining industry cycle. We will do this by both preserving the significant upside that we can realise in our operations in order to grow with the industry, as well as working on improving our cost structure and operating performance. We also aim to capitalise on longer-term growth opportunities through investment in technologies that will broaden our customer offerings.

2 Financial and Operating Highlights

	For the year ended 31 December			
	2017 US$ Millions	2016 US$ Millions	$ Change	% Change
Key financial data				
Revenue	739.1	642.4	96.7	15.1%
NPAT(1)	(150.0)	(156.8)	6.8	4.3%
Adjusted NPAT(1)	(57.8)	(108.4)	50.6	46.7%
EBITDA(2)	(36.6)	1.6	(38.2)	-2387.5%
Adjusted EBITDA(2)	43.1	32.0	11.1	34.7%
Operating Loss	(87.7)	(60.8)	(26.9)	-44.2%
Profit/(Loss) from Trading Activities (3)	10.0	(23.9)	33.9	141.8%
Cash used in operations	(40.4)	(1.4)	(39.0)	-2785.7%
Net cash flows used in operating activities	(54.0)	(50.4)	(3.6)	-7.1%
Capital expenditures (accrual)	30.4	20.4	10.0	49.0%
Capital expenditures (cash)	28.4	22.4	6.0	26.8%
Weighted Average number of ordinary shares	9,225.9	935.6	8,290.3	886.1%
Earnings per share (basic and diluted)	(1.6) cents	(16.8) cents	15.2 cents	90.5%
Average BLY rig utilisation	43%	32%	11%	34.4%
Average Fleet size	720	889	(169)	-19.0%

(1) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and before significant and other non-recurring items'. See reconciliation in section 3.3 'Significant Items'.
(2) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before significant and other non-recurring items'. See reconciliation in section 3.3 'Significant Items'.
(3) Profit/(Loss) from Trading Activities is a non-IFRS measure and is used internally by management to assess the underlying performance of the business and has been derived from the Company's financial results by eliminating from Operating Loss charges relating to significant and other expense/income items.

3 Discussion and Analysis of Operational Results and the Income Statement

3.1 Revenue

Revenue for the year ended 31 December 2017 of $739.1 million increased by 15.1%, or $96.7 million, compared to revenue for the prior year ended 31 December 2016 of $642.4 million.

A majority of the revenue for both Global Drilling Services and Global Products is derived from providing drilling services and products to the mining industry and is dependent on mineral exploration, development and production activities.

Revenue during 2017, was higher as a result of higher volumes due to strengthening sentiment in the mining industry, resulting in improved spending on exploration and development when compared to the same period in 2016. We continue to face some headwinds from price on revenue but it was less in 2017 than in 2016.

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

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

	For the year ended 31 December					
	2017			2016		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	739.1	-	739.1	642.4	-	642.4
Cost of goods sold	(628.5)	2.7	(625.8)	(556.6)	3.0	(553.6)
Gross margin	110.6	2.7	113.3	85.8	3.0	88.8
Other income	6.6	-	6.6	8.9	-	8.9
General and administrative expenses	(152.9)	76.5	(76.4)	(108.8)	22.1	(86.7)
Sales and marketing expenses	(27.4)	0.5	(26.9)	(28.4)	2.4	(26.0)
Significant items	-	(79.7)	(79.7)	-	(27.5)	(27.5)
Other expenses	(24.7)	-	(24.7)	(18.3)	-	(18.3)
Operating loss	(87.8)	-	(87.8)	(60.8)	-	(60.8)

Gross margin in 2017 improved to 15.3% compared to 13.8% in 2016. The higher margin is related to cost savings from key improvement initiatives as well as improved margins on fixed costs relative to stronger sales volumes.

The total of other income, general and administrative expenses (“G&A”), sales and marketing expenses (“S&M”) and other expenses (adjusted for significant items) of $121.4 million in 2017 was relatively flat compared to 2016 of $122.1 million. Lower G&A costs were offset by higher other expenses, which were driven by foreign currency exchange losses and VAT related items.

3.3 Significant Items

During the years ended 31 December 2017 and 2016, the Company incurred the following restructuring expense, recapitalisation costs and impairment charges:

	For the year ended 31 December			
	2017	**2017**	**2016**	**2016**
US$ Millions	**US$ Millions**	**US$ Millions**	**US$ Millions**	**US$ Millions**
EBITDA[(1)]	**(36.6)**		**1.6**	
NPAT[(2)]		**(150.0)**		**(156.8)**
Recapitalisation costs	50.5	50.5	7.5	7.5
Impairments				
Property, plant and equipment	0.1	0.1	0.9	0.9
Intangible assets	-	-	1.0	1.0
Employee and related costs	15.1	15.1	8.0	8.0
Other restructuring expenses	14.0	14.0	10.1	10.1
Other non-recurring items	-	-	2.9	2.9
Tax effect of items and other tax write offs[(3)]	-	12.5	-	18.0
Total of significant and non-recurring items	79.7	92.2	30.4	48.4
Adjusted EBITDA[(1)]	**43.1**		**32.0**	
Adjusted NPAT[(2)]		**(57.8)**		**(108.4)**

(1) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before significant and other non-recurring items'.
(2) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and before significant and other non-recurring items'.
(3) Includes tax expense on derecognition of deferred tax assets and unrecognised tax losses of $36.3 million.

4 Discussion and Analysis of Cash Flow

	For the year ended 31 December			
	2017	2016		
	US$ Millions	US$ Millions	$ Change	% Change
Cash used in operations	(40.4)	(1.4)	(39.0)	-2785.7%
Net cash flows used in operating activities	(54.0)	(50.4)	(3.6)	-7.1%
Net cash flows used in investing activities	(15.4)	(7.9)	(7.5)	-94.9%
Net cash flows provided by financing activities	46.4	17.5	28.9	165.1%

4.1 Cash Flow used in Operating Activities

Cash flow from operating activities for the year ended 31 December 2017 was negative $54.0 million, which is slightly lower than 2016 of negative $50.4 million. Cash generated from higher EBITDA was offset by fees related to the recapitalisation.

We have invested $25.5 million in capital equipment to support existing operations during 2017, which is higher than the comparable prior period (2016: $19.2 million). Of the 2017 amount, approximately $19.0 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment, $3.0 million was spent on product development activities, including engineering and patent maintenance and the remaining amount related to facilities and other miscellaneous expenditures. 2017 capital expenditures have been partially offset by proceeds from the sale of property, plant and equipment of $13.8 million (2016: $16.4 million).

The increase in cash flows provided by financing activities is a direct result of the upsized ABL received as part of the recapitalisation.

5 Discussion of the Balance Sheet

The net liabilities of the Company increased by $78.5 million, to negative $259.0 million as at 31 December 2017, compared to negative $337.5 million as at 31 December 2016. This increase results primarily from lower long-term debt from equitising the majority of the 7% Unsecured Notes offset by the loss incurred in the year.

There were no significant movements in total assets during 2017. Working capital (assets and inventory) increased as the trading environment improved. This was offset by normal depreciation on property, plant and equipment.

Total liabilities decreased by $82.0 million to $932.1 million. This is primarily driven by lower debt as a result of the equitisation of approximately $196.0 million of the 7% Unsecured Notes, which is partly offset by capitalising the accrued interest and debt issuance costs from Term Loans A and B and the 10% Secured notes, combined with $45.0 million of new money from an upsized asset backed loan.

Liquidity and Debt Facilities

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

Description	Principal Outstanding as at 31 December 2017 (millions)	Accreted Interest as at 31 December 2017 (millions)	Interest Rate	Scheduled Maturity	Security
Senior Secured Notes	$217.0	$8.7	12%[2]	December 2022	Second lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the Term Loan B and Senior Secured Notes guarantors that are not ABL or Backstop ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and the other Term Loan B and Senior Secured Notes guarantors that are also ABL or Backstop ABL guarantors, and a first lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the Term Loan B and Senior Secured Notes issuer and other guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Term Loan – Tranche B	$105.0	$39.9	10%[3]	December 2022	Same as Senior Secured Notes
ABL	$17.0 [1]		Variable[3]	23 July 2020	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the Non-Working Capital Assets of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property), and in any case excluding assets of BLY IP, Inc., Boart Longyear Suisse Sarl and Boart Longyear S.A.C.
Term Loan – Tranche A	$85.0	$34.9	10%[3]	December 2022	First lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL or Backstop ABL guarantors, a second lien on the Working Capital Assets of the Term Loan A issuer and the other Term Loan A guarantors that are also ABL and Backstop ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Backstop ABL	$45.0	$1.6	11%	23 October 2020[5]	Same as ABL but including any real property required to be pledged as security for the Senior Secured Notes
Senior Unsecured Notes	$88.9	$0.4	1.5%	December 2022	Unsecured

(1) $12.0 million in letters of credit were issued in addition to the $17.0 million borrowings that were outstanding.
(2) Interest rate payable-in kind at an interest rate of 12% per annum at the Company's election until December 2018 and thereafter in cash at a reduce interest rate of 10% per annum.
(3) Interest is 10% payable-in-kind through December 2018 and 8% payable in-kind thereafter.
(4) Based on LIBOR + margin (grid-based margin is currently 3.5%).
(5) Maturity Date is 23 October 2020 or 90 days after the ABL due date.

The Company's ABL facility provides for a commitment of up to $50.0 million in revolving borrowings and other extensions of credit such as for letters of credit. This facility is a secured loan with a first-priority lien on the issuer's and guarantors' accounts receivable, inventories, and cash. Scheduled maturity is 23 July 2020. Pricing for the facility is based on LIBOR plus a grid based spread, which spread currently is 3.5%. The facility does not include ongoing financial maintenance covenants. Certain restrictions under the facility currently limit maximum borrowings to $45.0 million and require $5.0 million in cash to be held in a restricted account with the lender. These restrictions will be lifted if the Company satisfies a 1.1x fixed charge coverage test for four consecutive quarters.

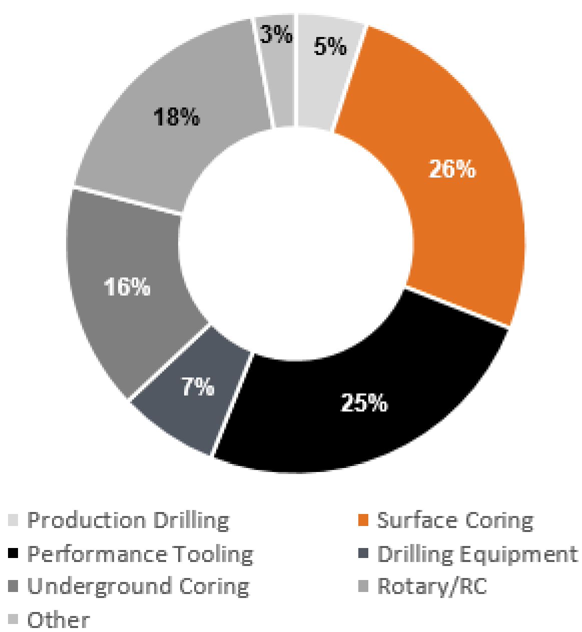
6 Review of Segment Operations

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

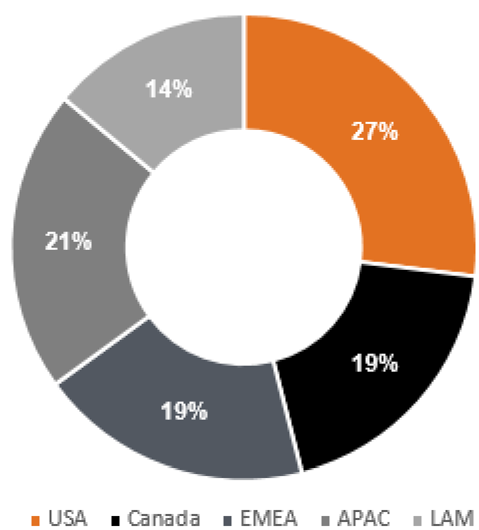
	Segment Revenue				Segment Profit	
	2017		2016		2017	2016
	US$ Millions		US$ Millions		US$ Millions	US$ Millions
Drilling Services		500.6		447.7	36.4	10.7
Global Products revenue						
Products third party revenue	238.5		194.7			
Products inter-segment revenue (1)	54.5		57.7			
Total Global Products		293.0		252.4	2.8	4.2
Less Global Product sales to Global Drilling Services		(54.5)		(57.7)		
Total third party revenue		739.1		642.4		
Total segment profit					39.2	14.9

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

Revenue by Type (1)



Revenue by Geography (1)



(1) Based on percentages of total Company revenue for the year ended 31 December 2017.

6.1 Review of Segment Operations - Global Drilling Services

	For the year ended 31 December			
	2017 US$ Millions	2016 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	500.6	447.7	52.9	11.8%
COGS				
Materials/labor/overhead/other	398.4	363.0	35.4	9.8%
Depreciation and amortisation	30.2	38.3	(8.1)	-21.1%
Total COGS	428.6	401.3	27.3	6.8%
COGS as a % of Revenue	*85.6%*	*89.6%*	*-4.0%*	-4.5%
Contribution margin $	62.8	35.6	27.2	76.4%
Contribution margin %	12.5%	8.0%	4.5%	56.3%
Business unit SG&A	9.3	10.7	(1.4)	-13.1%
Allocated SG&A	21.1	21.3	(0.2)	-0.9%
EBITDA	69.1	51.6	17.5	33.9%
Capital spend (accrual)	20.8	15.0	5.8	38.7%
Other Metrics				
Average # of Operating Drill Rigs	308	287	21	7.3%
Average # of Drill rigs	720	889	(169)	-19.0%
# of Employees at period-end	3,320	3,011	309	10.3%

Safety

The Global Drilling Services division's Total Case Incident Rate ("TCIR") for the year ended 31 December 2017 was 1.96, compared to 1.43 for 2016. The Lost-Time Incident Rate ("LTIR") for 2017 was 0.28, compared to 0.10 for 2016. Although the beginning of 2017 was challenging for Global Drilling Services in terms of TCIR performance, strong safety performance in recent months have continued the trend over several years of improving safety performance. We believe this trend supports the effectiveness of the divisions safety initiatives, which include better analysis of high-potential near miss incidents and significant injuries; applying corrective actions globally; increasing management safety interactions at operating locations; increasing supervisory competencies through training; reinforcing hazard assessments; and increasing drill rig inspection frequency.

Revenue

Consistent with recent commodity trends, mining industry spending on exploration and development and non-mining services increased in 2017 and, as a result, Global Drilling Services' revenue in 2017 was $500.6 million, up 11.8% from $447.7 million in 2016. The year-over-year revenue increase was driven by $49.4 million and $3.5 million improvements in volume and foreign exchange rates, respectively. Volume increases can be attributed primarily to the increase in Surface Coring and RC/Rotary in the US, and increases in existing customers programs in Latin America and EMEA.

Approximately 87% of Global Drilling Services' revenue for 2017 was derived from major mining companies, with the majority of these customers servicing the copper and gold industries. There was no single customer that contributed more than 10% of the Company's revenue in 2017. We believe this diversified revenue base provides greater revenue stability.

Margins

With Revenues increasing from $447.7 million in 2016 to $500.6 million in 2017, an 11.8% increase, Global Drilling Services also achieved an increase in Contribution Margin. The 2017 Contribution Margin was $62.8 million compared to $35.6 million in 2016, an increase of 76.4%. The primary drivers for the increase in Contribution Margin were the cost control initiatives undertaken by the business and the productivity and commercial improvements commenced in 2017. The Drilling Services business improved in meters per shift, non-billable hours and revenue per shift while reducing variable and fixed cost to maintain a flat cost structure from a percentage of revenue perspective.

EBITDA in 2017 was $69.1 million, up 33.9% from $51.6 million in 2016. The largest improvement was seen in our USA operations; EBITDA in the USA drilling services increased $10.1 million in 2017 primarily driven by an uplift of $24.6 million in revenue. Other regions of the Global Drilling Services business have had varied EBITDA results, but we continue to focus on the cost structure of all our operations and on driving continued improvement in productivity and commercial practices.

6.2 Review of Segment Operations - Global Products

	For the year ended 31 December			
	2017 US$ Millions	2016 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	238.5	194.7	43.8	22.5%
COGS				
Materials/labor/overhead/other	189.8	152.4	37.4	24.5%
Inventory obsolescence	1.4	(6.9)	8.3	120.3%
Depreciation and amortisation	6.1	6.7	(0.6)	-9.0%
Total COGS	197.3	152.2	45.1	29.6%
COGS as a % of Revenue	*82.7%*	*78.2%*	*4.5%*	5.8%
Contribution margin $	20.5	22.6	(2.1)	-9.3%
Contribution margin %	8.6%	11.6%	-3.0%	-25.9%
Business unit SG&A	21.3	20.0	1.3	6.5%
Allocated SG&A	16.0	17.0	(1.0)	-5.9%
EBITDA	11.3	13.4	(2.1)	-15.7%
Capital Spend (accrual)	1.1	1.9	(0.8)	-42.1%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	25.9	14.6	11.3	77.4%
Inventories [1]	174.4	165.0	9.4	5.7%
# of Employees	976	1,001	(25)	-2.5%

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

Safety

In 2017, the Total Case Incident Rate ("TCIR") for the Global Products segment was 1.16 recordable incidents per 200,000 hours worked and the Lost-Time Incident Rate ("LTIR") was 0.00. As with the Global Drilling Services division, these results reflect the Company's continued focus on programs to reinforce hazard recognition and consistently apply the Company's EHS management system across all operations. With the release of the Company's updated EHS management system, redefined and expanded EHS standards will continue to drive continuous improvement with a streamlined and comprehensive approach to best practices in safety.

Revenue

The year ended 31 December 2017 was significantly improved from prior year for the Global Products division. Revenue for the year was $238.5 million, up 22.5% from $194.7 million in 2016. The primary driver of the increase was coring tools and drill rigs.

Margins

Although revenue for Global Products increased by 22.5%, EBITDA for the year ended 31 December 2017 was down 15.7% when compared to 2016. The drop in EBITDA was primarily driven by improved trading conditions resulting in higher throughput in the manufacturing plants.

Backlog

At 31 December 2017, Global Products had a backlog of product orders valued at $33.5 million. This compares to $19.0 million at 31 December 2016. Average backlog during the second half of 2017 was $29.1 million compared to $22.7 million during the first half of 2017. The increase in our backlog, which we define as firm product orders, was driven by increase in demand for capital equipment and consumables. It should be noted that an order shipped within the same month the order is received does not reflect in backlog. Also, there is no certainty that orders in our backlog will result in actual sales because customers may have the ability to cancel orders depending on contract terms.

Intellectual Property

We rely on a combination of patents, trademarks, trade secrets and similar intellectual property rights to protect the proprietary technology and other intellectual property that are instrumental to our Global Products business. As at 31 December 2017, we had 429 issued patents, 608 registered trademarks, 204 pending patent applications and 20 pending trademark applications. We do not consider our Global Products business, or our business as a whole, to be materially dependent upon any particular patent, trademark, trade secret or other intellectual property.

Research and Development

Our Global Products division employs engineers and technicians to develop, design and test new and improved products. We work closely with our customers, as well as our Global Drilling Services division, to identify opportunities and develop technical solutions for issues that arise on site. We believe that sharing best practices accelerates innovation and increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from our Global Drilling Services network around the world. New product development efforts remain focused on incremental product changes that increase productivity so customers are willing to pay for them regardless of the business environment. Launched in the second half of 2017, our patented Longyear™ coloured diamond bits improve productivity by lasting longer and cutting faster. Development of the new XQ™ coring rod continues smoothly, featuring a greater depth capacity than RQ™ rod, and faster, easier joint make/breaks for higher productivity. TruCore™ core orientation tools continue to expand geographically and are now available globally. The TruShot™ magnetic survey instrument, the second in a future suite of tools, is now under test with our Global Drilling Services. Both instruments are part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

Inventories

Cash continued to be generated from inventory in 2017 due to careful management of demand in our supply chain organisation and continuous efforts to reduce excess inventory. While we generated $12.7 million related to third-party sales and consumption in our Global Drilling Services division, this was partially offset by an increase of $6.8 million related to foreign currency translation and $13.9 million related to a net increase in other non-cash items.

7. Outlook

7.1 Our 2018 Priorities

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

Four areas of focus for 2017 that will benefit our safety in 2018 are (1) the implementation of the BLY Integrated Training System (BITS); (2) implementation of global incident management training; (3) the implementation and refocus on our global Field Level Risk Assessment (FLRA) process; and (4) EHS Lead Indicator KPI's which will include: Management Interactions, BITS assigned training modules, In-Vehicle Monitoring System performance scorecard, and Corrective Action closure metrics.

Expand our mining and minerals drilling customer base by focusing on efficiency and productivity.
We remain focused on providing our customers with a full range of drilling services offerings. Our commitment is underpinned by initiatives to improve the efficiency and productivity with which we deliver services and information to our customers, combined with enhancements of our commercial practices and capabilities to ensure alignment with our customers' most important needs. Our goal is to be the driller of choice for our customers and thereby bring value both to the customer and to Boart Longyear.

Effectively manage customer relationships, pricing and contract terms. Our Global Drilling Services and Global Products businesses have implemented rigorous internal processes to ensure our products and services reflect the full value delivered to our customers and to solidify and create lasting customer relationships.

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

Improve cash generation in 2018, with the goal to continue to be cash positive, through careful management of liquidity and costs. Being cash positive in 2018 is a primary goal for the business, which we intend to achieve through continued disciplined expense and capital management, opportunistic cost reductions and productivity enhancements. For 2018, we will continue to drive business initiatives focused on improving our fixed and variable cost structures in keys areas of the business and we expect these benefits to improve liquidity in 2018 and beyond. Furthermore, we will continue to focus on process improvements, streamlined working capital management and structural changes to improve customer support and responsiveness and drive long-term efficiencies.

7.2 Outlook and Future Developments

We are not providing an outlook for 2018 revenue or EBITDA. However, increased drilling activity, in combination with our productivity and commercial initiatives are making a positive impact as demonstrated by the improved underlying 2017 results. We anticipate seeing ongoing gains from those identified initiatives which we continue to actively manage.

The mining industry is cyclical. Notwithstanding the reduced activity since 2012, 2016 appeared to have been an inflection point, marking a return to the longer-term growth outlook for the industry, underpinned by:

- continued industrialisation and urbanisation of developing economies, which are expected to support structural increases in demand for minerals and metals broadly in line with global GDP;
- improving commodity prices and corresponding customer margins relative to those of recent years;
- improving supply/demand fundamentals in key commodities like copper;
- reduced reserve to production ratios at many gold mines.

As a result, we retain confidence in our belief that natural resources companies will continue to produce throughout the cycle. This will continue to drive the need to both replace and supplement ongoing depletion of reserves and resources, driving future investment in exploration, development and capital spending. As the leading global drilling services provider to the mineral industry, we continue to drive operational improvements and technological innovation across our global fleet of assets, which we believe will continue to benefit the business through increased market opportunities.

We remain focused on our core mining markets and intend to continue to invest in growth opportunities in a selective and disciplined manner. We will continue to invest to develop the next generation of rod-handling solutions across our range of drilling rigs and expand the provision of subsurface resource information to our mining customers through our Geological Data Services business. In addition, we continue to pursue operational enhancements through safety and productivity improvements to deliver value to our customers and improve bottom line operating performance of our business.

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

7.3 Key Risks

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

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

We seek to mitigate the risk associated with volatility and weak demand conditions in our core mining markets by selectively pursuing opportunities in other markets, such as infrastructure and geotechnical applications for our Global Products business, and new technology offerings such as our Geological Data Services business. In addition, our business priorities include ongoing initiatives to further improve the underlying cost structure and simplify the business. We also seek to gain market share and expand our customer base in our core mining market by improving the efficiency and productivity with which we deliver services and information, and improve commercial practices for better alignment with our customers' needs.

Operational Risks. The majority of our drilling contracts are either short-term or may be cancelled upon short notice by our customers, and our products backlog is subject to cancellation. We seek to strengthen customer relationships and lessen retention risks through active customer selection, improved commercial practices and ongoing initiatives targeted at strengthening our operational and safety performance. We also pursue contracting practices to minimise the financial cost associated with the termination or suspension of customer contracts or orders. The degree to which we can allocate termination risks and obligations to our customers remain somewhat limited by industry practice.

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

Risks Related to Liquidity and Indebtedness. At 31 December 2017, our net debt was $598.9 million, with $642.7 million in gross debt and $43.8 million of cash on hand and availability through our Asset-Based Loan ("ABL") facility. The instruments comprising the Company's debt and their terms are set out in detail in Note 21 of the financial statements.

As announced on 1 September 2017 the Company successfully completed its recapitalisation, which achieved three primary objectives that reduced debt, improved liquidity and extended maturities. The $284.0 million outstanding principal amount of the 7% Unsecured Notes due 2021 plus accrued and unpaid interest has been reduced by approximately $196.0 million in exchange for ordinary shares. Interest on all debt facilities may be paid in kind (rather than cash) at the Company's election until December 2018. Maturities on existing debt have been extended until December 2022.

The annual financial report has been prepared on a going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors reaffirm that current and expected operating cash flow, cash on hand and available drawings under the Company's asset-based loan facility provide sufficient liquidity to meet its debts as and when they fall due.

Tax Risk. As previously disclosed and further detailed in Note 11 of the financial statements, the Company is contesting a series of tax audits performed by the Canada Revenue Agency ("CRA"). We also are responding to audits that are underway or anticipated to be performed by the CRA. The resolution of existing and potential assessments by Canadian tax authorities may adversely affect our liquidity. While the timing and resolution of the Company's appeals of the CRA's assessments are uncertain, we are pursuing strategies to mitigate the risks of an adverse outcome with the assistance of our external legal and tax experts.

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

7.4 Forward Looking Statements

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

REMUNERATION REPORT

This remuneration report sets out Boart Longyear's remuneration policies and practices, the rationale underlying them and their outcomes, for the year ended 31 December 2017 in accordance with the requirements of the Corporations Act 2001 (Commonwealth) (the Act) and its regulations. This information has been audited as required by Section 308(3C) of the Act.

The Company's policies have been developed within a framework that seeks to fairly reconcile and balance:

- the overall objective of attracting, retaining, aligning and motivating management in order to achieve the highest levels of performance from them for the benefit of all shareholders;
- high standards of fairness, transparency and sound corporate governance principles; and
- the particular business environment in which Boart Longyear operates, recognising that:
  - the Company's business is global and the senior executive team is based and operates primarily outside of Australia and is recruited internationally;
  - the markets in which the Company operates can have strong cyclical characteristics that place equal performance pressures on management in an upswing as in down cycles; and
  - importantly, the Company is incorporated and listed in Australia and complies with local corporate regulatory disclosures and practices.
  - safety is fundamental to relationships with employees, customers and all stakeholders. The Company also considers safety performance to be both a significant opportunity and a risk, as our customers often look to safety as a basis to differentiate their suppliers. The Company continues to be committed to providing our employees and customers with an injury-free workplace and industry-leading safety performance.

Changes in 2017

Each of the changes outlined below, were carefully designed to support the key strategic, financial and human resources objectives of the Company.

1. **Changes in Executive Leadership –** In October 2017, the Company announced that Mr Brad Baker, Senior Vice President of Human Resources, and Mr Fabrizio Rasetti, Senior Vice President and Legal Counsel, would exit the business at the end of October, 2017 and ceased employment as of 31 December 2017. As a result of these changes, Ms Kari Plaster was appointed Vice President of Human Resources, effective 30 October 2017, and Mr Robert Closner was appointed Vice President and General Counsel, effective 16 October 2017. Both Ms Plaster and Mr Closner serve on the Executive Committee and report to Mr Jeffrey Olsen, Chief Executive Officer. Furthermore, Mr Mark Irwin, Chief Commercial Officer ("CCO"), ceased employment as of 30 September 2017. As of 8 September 2017, Mr Robert Closner assumed the interim position of the CCO and duties as assigned. Mr Closner was then appointed Vice President and General Counsel, effective 16 October 2017. The position of CCO was subsequently eliminated and those duties have been divided amongst other senior leaders.

2. **Introduction of the Management Incentive Plan (MIP)** – Effective 31 December 2017 the Long Term Incentive Plan ("LTIP") and Retention Incentive Grant Agreement ("RIGA") programs ceased and are replaced by the new Management Incentive Plan ("MIP"), which is effective 1 January 2018 and subject to shareholder approval. Retention based awards have been calculated on a pro-rata basis as of 31 December 2017 and will be paid on the original payment date for current employees as per the award agreement. Performance based awards and stock option plans are cancelled as of 31 December 2017. The new MIP program will focus on aligning performance objectives to the total enterprise value of the Company. As the markets begin to stabilise, the Board believes that restructuring the incentive plan program provides a balanced long-term focus on both share price appreciation and continued improvement of the underlying operational and financial performance of the Company.

The Company continuously monitors its remuneration plans and arrangements to ensure they remain appropriate for executives, Directors and shareholders. Changes to remuneration arrangements are detailed in note 34 and in the 2018 Remuneration Report.

2017 business impacts on incentives

The year ended 31 December 2017 showed improvement from 2016 as the mining services market began to stabilise, which has translated into improvement in revenue, marginally higher utilisation of our drill fleet and further improvement in our product backlog compared to 2016. Our Products business has historically been a leading indicator of activity in our Drilling Services business, so we see that the improvement in Products revenues is a positive sign. This trend is further supported by improved commodity prices, increased exploration spend, and strong equity raisings by junior mining companies. These factors contributed to a year-over-year increase in revenue of $96.7 million, or 15.1%. Despite revenue coming in $96.7 million higher than the prior year, EBITDA was lower by $38.2 million and NPAT increased by $6.8 million compared to 2016. The lower EBITDA was primarily related to approximately $60 million of fees and other one-time recapitalisation costs associated with the recapitalisation announced on 1 September 2017. Adjusted EBITDA improved by $11.1 million, or 34.7%, exceeding target in the Short Term Incentive (“STI”) plan, and adjusted NPAT improved by $50.6 million.

As markets stabilised during 2017, the Company continued its focus on net cash generation, primarily through increased productivity as part of the Hard Work Cycle initiative and other corporate improvement initiatives. Rig utilisation increased as commodity prices improved and exploration spend increased. As a result, further capital was invested in working capital and other variable costs, such as labour and mobilisation to meet demand. As a result, free cash flow (defined for the purposes of Short Term Incentive (“STI”) calculations in section 3 of the annual report) for the business below target at negative $20.6 million. In addition, some safety metrics were below improvement targets. However, individuals met targets in general. Short-term incentive achievement for the Company’s executive KMP in 2017 was on average 53%.

The performance-based LTIP awards granted in 2014 were subject to a three-year Cumulative Net Debt target, adjusted for a Total Shareholder Return (“TSR”) modifier metric. Boart Longyear’s TSR was below that of our peers’ and so this metric was not achieved. Due to challenging market conditions, the 2014 LTIP awards vested on 15 March 2017 at 61.2% of the target. This is derived by the Cumulative Net Debt achievement of 68% of the LTIP target, adjusted by a further 10% modifier as our total shareholder return metric did not meet the target (68% - (68% x 10%) = 61.2%).

Changes to the Board of Directors

During 2017 the Company announced changes to its Board of Directors in conjunction with the recapitalisation. The majority of Directors resigned from the Board, in or prior to September 2017. In addition, the Board considered the composition of the Board committees and implemented a proposal to reduce the overall number of committees by eliminating the Environment, Health and Safety Committee (“EHS Committee”). Certain EHS Committee duties were transferred to the Audit, Compliance and Risk Committee.

Report Structure

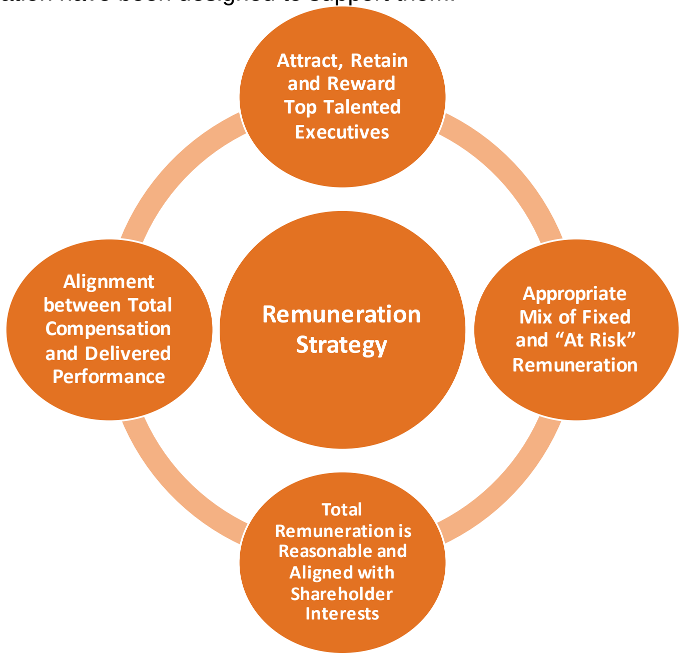
This Remuneration Report (“Report”) is presented in six sections, as follows:

Section		Description of content
1	**2017 remuneration overview**	• Outlines the Company’s remuneration practices and explains how executive remuneration is structured to support the Company’s strategic objectives. • Sets out the Directors and senior executives who are covered by this Report. • Details the actual remuneration earned by the CEO and other senior executives during the year ended 31 December 2017.
2	**Remuneration framework and strategy**	• Sets out the Company’s remuneration governance framework and explains how the Board and its Remuneration and Nominations Committee make remuneration decisions, including the use of external remuneration consultants. • Outlines the Company’s remuneration strategy.
3	**Components of executive remuneration**	• Provides a breakdown of the various components of executive remuneration. • Details the components of executive remuneration that are fixed and therefore not “at-risk.” • Outlines the key features of the short-term incentive plan that applies to the Company’s executives. • Outlines the key features of the long-term incentive plan and option plan that apply to the Company’s executives.
4	**Performance and risk alignment**	• Explains how executive remuneration is aligned with performance and outlines short-term and long-term performance indicators and outcomes. • Explains how executive remuneration is structured to encourage behaviour that supports long-term financial soundness and the Company’s risk management framework.
5	**Executive remuneration in detail**	• Sets out the total remuneration provided to executives (calculated pursuant to the accounting standards) during the years ended 31 December 2017 and 2016. • Provides details of the rights granted to executives during the year ended 31 December 2017 under the long-term incentive plan. • Summarises the key terms of executive service contracts (including termination entitlements).
6	**Non-executive Director arrangements**	• Explains the Non-executive Directors’ (NED) remuneration structure, including the basis on which NED remuneration is set and the components. • Outlines key features of the NED Share Acquisition Plan. • Sets out the NEDs’ remuneration during the years ended 31 December 2017 and 2016.

1. 2017 REMUNERATION OVERVIEW

1.1. EXECUTIVE REMUNERATION STRATEGY

The diagram below illustrates the primary objectives of the Company's executive remuneration strategy and how the components of overall remuneration have been designed to support them:



Attract, Retain and Reward Top Talented Executives	Appropriate Mix of Fixed and "At Risk" Remuneration	Total Remuneration is Reasonable and Aligned wit Shareholder Interests	Alignment Between Total Compensation and Delivered Performance
▪ Remuneration levels are competitive with similar roles in the markets in which the Company competes for talent. ▪ Incentive based compensation provides for upside potential with superior performance. ▪ Lont-term incentive compensation provides for a meaningful retention.	▪ There is a significant amount of total executive remuneration which is at risk and dependent upon achieving challenging performance and safety metrics. ▪ Fixed remuneration is appropriately market competitive and consistently higher performing executives are rewarded through higher base compensation. ▪ Performance management assists in indicating the overall total rewards for each ExCo member.	▪ The remuneratin committee regularly performs executive compensation benchmarking utilising independent compensation consultants. ▪ The long-term incentive component for 2017 remuneration is primarily delivered through equity share rights linked to the Company's ordinary shares. ▪ Executive and Directors cannot hedge equity share rights that are unvested or subject to restrictions. ▪ In some circumstances the Board may also elect to provide long-term incentives in the form of cash.	▪ Incentive based compensation is designed to reward executives for delivered performance against important Company safety, financial and strategic objectives. ▪ Incentive plans utilise an appropriate mix of challenging performance measures designed to only deliver value to executives if target performance is achieved over both the short long terms.

1.2. DIRECTORS AND SENIOR EXECUTIVES

This Report sets out the remuneration arrangements in place for the key management personnel ("KMP") of the Company for the purposes of the Corporations Act and the Accounting Standards, being those persons who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Non-executive Directors. The KMP for the year ended 31 December 2017 are listed in Table 1.2 below. Unless otherwise indicated, the individuals below were KMP for the entire financial year.

Table 1.2: Directors and senior executives who were KMP during the year ended 31 December 2017

Directors	Position
Marcus Randolph	Executive Chairman
Kyle Cruz	Non-executive Director (appointed effective 1 September 2017)
Lawrence First	Non-executive Director (appointed effective 1 September 2017)
Jason Ireland	Non-executive Director (appointed effective 1 September 2017)
James Kern	Non-executive Director (Appointed effective 29 September 2017, alternate director to for Mr Lawrence First)
Gretchen McClain	Non-executive Director
Robert Smith	Non-executive Director (appointed effective 1 September 2017)
Richard Wallman	Non-executive Director (appointed effective 1 September 2017)
Eric Waxman	Non-executive Director (appointed effective 29 September 2017)

Senior executives	Position
Jeffrey Olsen	Chief Executive Officer
Brendan Ryan	Chief Financial Officer
Robert Closner	Vice President, General Counsel (appointed effective 16 October 2017)
Fabrizio Rasetti	Senior Vice President, General Counsel and Secretary (ceased employment 31 December 2017)
Kari Plaster	Vice President, Human Resources (effective 30 October 2017)
Brad Baker	Senior Vice President, Human Resources (ceased employment 31 December 2017)
Denis Despres	Chief Operating Officer
Mark Irwin	Chief Commercial Officer (ceased employment 30 September 2017)

Others who held office as Directors during the financial year were:

Directors	Position
Bret Clayton	Non-executive Director (retired 1 September 2017)
Peter Day	Non-executive Director (retired 1 September 2017)
Lawrence First	Non-executive Director (appointed effective 1 September 2017; retired 20 February 2018)
Jonathan Lewinsohn	Non-executive Director (retired 20 January 2017)
Jeffrey Long	Non-executive Director (retired 1 September 2017)
Rex McLennan	Non-executive Director and Senior Independent Director (retired 1 September 2017)
Deborah O'Toole	Non-executive Director (retired 1 September 2017)
Matthew Sheahan	Non-executive Director (appointed effective 1 September 2017; retired 29 September 2017)
Conor Tochilin	Non-executive Director (appointed effective 20 January 2017; retired 1 September 2017)

Changes to KMP after 31 December 2017:

1) Lawrence First resigned from the Board effective 20 February 2018.
2) With the resignation of Lawrence First, James Kern was appointed as his replacement effective 20 February 2018.

1.3. REMUNERATION OUTCOMES

Actual remuneration

Details of CEO and other senior executive remuneration for the year ended 31 December 2017, prepared in accordance with statutory obligations and accounting standards, are contained in Table 5.1 of this Report. The remuneration calculations in Table 5.1 are based on the Accounting Standards principle of "accrual accounting" and, consequently do not necessarily reflect the amount of compensation an executive actually realised in a particular year. To supplement the required disclosure we have included table 1.3, below, which shows the actual compensation realised by the senior executives who were KMP at the end of 2017. Table 1.3 illustrates how the Company's remuneration strategy for senior executives translates into practice. It is important to note that the STI and LTI amounts are amounts earned on performance during the prior plan year(s) and vested and/or paid in the current year.

Table 1.3: Actual remuneration received by senior executives who were KMP on 31 December 2017

	Base salary US$	STI [1] US$	LTI [2] US$	LTI (cash) US$	Other [3] US$	Total US$
Jeffrey Olsen	586,154	554,400	51,067	100,750	33,580	1,325,951
Brendan Ryan	400,000	70,430	-	-	59,559	529,989
Robert Closner [4]	186,800	70,811	9,277	10,088	24,237	301,213
Kari Plaster [5]	41,538	-	-	-	23,512	65,050
Denis Despres	400,000	72,320	-	166,667 [6]	30,878	669,865

(1) Represents the cash paid in respect of the executive's STI award earned for the prior year's performance, but paid in the current reporting year. For further details of the STI Plan, see section 3.3 of this Report.

(2) Represents the value of share rights vested during the year ended 31 December 2017 (based on the market value of shares at the vesting date: A$0.09 on 15 March 2017 and A$0.06 on 3 April 2017). Share Rights granted under the Company's LTI Plan and options granted under the Company's option plan during other grant years that have not reached their respective vesting dates do not appear in this table, as they do not vest until the conclusion of the performance period and/or continued service requirement. For further details of the LTI Plan and option plans, see section 3.4 of this Report.

(3) Represents benefits such as US 401(k) retirement plan, Company matching and/or profit sharing contributions, car allowance, relocation fees, and tax preparation service reimbursement. Also includes sign-on bonuses and other bonuses granted and paid in 2017.

(4) Mr Closner was promoted and became a KMP effective 16 October 2017. His actual base salary reported above represents the combined total amount associated with his former position from January through September and his current position October through December.

(5) Ms Plaster was hired on 30 October 2017, as such, her actual remuneration received reflects a partial year of earnings from her date of hire. Ms Plaster was given a $40,000 sign-on bonus that will be paid in two installments of $20,000 each (once upon her joining BLY and again on her first anniversary date).

(6) In 2016, Mr Despres was granted a one-time, sign-on cash award of $300,000 and a share award of $200,000 to be paid in equal installments of one-third on each anniversary of his hire date (1 September 2016) beginning with the first anniversary and ending on the third. The shares were to be calculated by dividing one third of the share award by the 5-day volume weighted average share price for the five trading days immediately preceding and including the relevant anniversary date. As of 1 September 2017, $100,000 of the cash award and one-third of the share award vested. Mr Despres opted to receive cash, for the vested share award, instead of Company shares, resulting in a total cash payment of $166,667.

2. REMUNERATION FRAMEWORK AND STRATEGY

This section outlines the Company's remuneration governance framework and strategy and explains how the Board and Remuneration Committee make remuneration decisions that underpin the remuneration arrangements for senior executives, including the use of external remuneration consultants.

2.1. HOW REMUNERATION DECISIONS ARE MADE

Board responsibility

The Board acknowledges its responsibility for the Company's remuneration arrangements and ensures that they are equitable and aligned with the long-term interests of the Company and its shareholders. In performing this function and making decisions about executive remuneration, the Board is fully informed and acts independently of management. To assist in making decisions related to remuneration, the Board has established a Remuneration and Nominations Committee.

Remuneration and Nominations Committee ("Remuneration Committee" or "Committee")

The Remuneration Committee has been established to assist the Board with remuneration issues and is responsible for ensuring that the Company compensates appropriately and consistently with market practices. It also seeks to ensure that the Company's remuneration programs and strategies will attract and retain high-calibre Directors, executives and employees and will motivate them to maximise the Company's long-term business, create value for shareholders and support the Company's goals and values.

The Remuneration Committee's responsibilities include:

- reviewing, monitoring and overseeing the implementation of the executive remuneration policy;
- reviewing all aspects of remuneration of the CEO and the proposed remuneration of other members of the KMP, including any proposed change to the terms of their employment and any proposed termination payments;
- reviewing executive incentive plans, including equity-based plans and including a consideration of performance thresholds and regulatory and market requirements;
- developing performance hurdles for the CEO and reviewing proposed performance hurdles for other KMP;
- overseeing strategies for recruitment, retention and succession planning for Directors and key executive positions; and
- reviewing the composition of the Board and monitoring the performance of the Board and the Directors.

The charter of the Remuneration Committee is set out in full on the Company's website at www.boartlongyear.com.

The Committee members as at the date of this Report are Ms Gretchen McClain, Chairman, Mr Kyle Cruz, Mr Jason Ireland, and Mr Eric Waxman. The CEO, the Vice President, Human Resources and other members of senior management attend meetings of the Remuneration Committee, as appropriate, to provide information necessary for the Remuneration Committee to discharge its duties. Individual executives do not attend or participate in discussions where recommendations regarding their own circumstances are determined.

Use of remuneration consultants and external advisers

Where appropriate, the Board seeks and considers advice from independent remuneration consultants and external advisers. Remuneration consultants are engaged by, and report directly to, the Remuneration Committee and support it in assessing market practice so that base salary and targeted short-term and long-term compensation are in line with comparable roles. When remuneration consultants are engaged, the Committee ensures their independence, as necessary, from Company management in accordance with the assignment or advice being sought. Thus, the Committee may determine that complete independence from management is required, or it may direct the consultant to work with Company management to obtain relevant information or input in order to formulate advice or recommendations to the Committee.

The Committee has also established a formal Protocol that summarises the policy and procedures the Company has adopted to govern the relationship between the independent remuneration consultant, the Committee and management. The Protocol was developed in compliance with the obligations under Part 2D.8 of the *Corporations Act* and ensures that the remuneration consultant remains free from any undue influence by any member of the KMP to whom the recommendations relate. All consultant remuneration recommendations are provided directly to the Committee and are accompanied by an undue influence declaration from the consultant.

In 2017, the Committee relied on the external review of Mercer subject matter experts as well as key Centerbridge Partners in the creation and administration of the new Management Incentive Plan. In addition, the Committee continued to rely on the independent market review of KMP compensation obtained from Mercer Consulting.

2.2. REMUNERATION POLICY AND STRATEGY

The Company's executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of executives with shareholders.

The Company's remuneration program has been designed to ensure that the structure, mix of fixed and "at-risk" remuneration and quantum of senior executive remuneration meet the Company's specific business needs and objectives and are consistent with good market practice. An additional challenge impacting the remuneration program is the need to provide total compensation packages that are competitive in the US market, where remuneration levels and structures materially differ from Australian arrangements.

Accordingly, the Company's senior executive remuneration program has been structured so that it:

- provides a competitive compensation program to retain, attract, motivate and reward key employees;
- achieves clear alignment between total remuneration and delivered business and personal performance over the short and long term;
- is an appropriately balanced mix of fixed and "at-risk" remuneration; and
- is reasonable in the context of the definition in the *Corporations Act 2001*.

The Company and the Remuneration Committee regularly review all elements of the remuneration program to ensure that it remains appropriate to business strategy, is competitive and is consistent with relevant contemporary market practice. The remuneration initiatives are designed to assist the Company in achieving key business goals and objectives.

The diagram below illustrates three primary components of an executive's total compensation opportunity and how the components are structured to achieve the remuneration strategy and align with shareholder interests:

Fixed Remuneration	**Short-term Incentive (Corporate Bonus Plan)**	**Long-term Incentive**
• Provides a predictable base level of compensation commensurate with the executive's scope of responsibilities, leadership skills, values, performance and contribution to the Company. • Generally targeted to be near the median of the competitive talent market using external benchmarking data. Since the majority of the Company's executives (and all of the executive KMP) are located in the US, the competitive talent market is determined to be the US market. • Variability around the median is based on the experience, performance, skills, position, business unit size and/or complexity and unique market considerations, where necessary.	• This component of compensation is "at-risk" and earned only if challenging performance metrics are achieved. • Key performance metrics for 2017 include free cash flow, adjusted EBITDA, safety performance, and individual strategic goals. • These metrics were designed to weight performance on free cash flow, adjusted EBITDA and safety to overall Company performance in order to promote collaboration and to align with shareholder interests. • Individual strategic goals can include financial, operational and/or strategic targets. Examples include revenue growth, cost control goals, cash flow generation, geographic expansion, new product/market development and productivity programs. • The metrics used for the CBP are reviewed annually to ensure that they continue to support the Company's business strategy. • The STI is awarded in cash and will either be paid all at once, or in a staggered fashion, dependent on key business factors at the discretion of the Board.	• This component of compensation is "at-risk" and earned only if challenging performance metrics are achieved and/or continued service requirements are met over a multi-year performance period. • The Board selected cumulative EBITDA as the key measure of performance-based long-term incentive awards in 2017. Performance cash rights are measured against cumulative adjusted EBITDA from fiscal year 2017 through 2019. The hurdles used for the LTI are reviewed annually to achieve outcomes deemed important at that time by the Board. • The LTI performance criteria used in 2017 included a minimum threshold performance, below which no value is achieved. • The Board believes the 2017 LTI performance criteria provides an appropriate balance for long term shareholder return and underlying financial performance of the company. • Long Term Incentive Plan (LTIP) and Retention Incentive Grant Agreement (RIGA) programs will cease and be replaced by the new MIP, which is effective 1 January 2018. Retention based awards have been calculated on a pro-rata basis as of 31 December 2017 and will be paid on the original payment date as per the award agreement. Performance based awards and stock option plans are cancelled as of 31 December 2017.

3. COMPONENTS OF EXECUTIVE REMUNERATION

The remuneration policy and programs set out in this section of the Report apply to all executive KMP and to other members of the Company's senior management who are not KMP.

3.1. REMUNERATION MIX

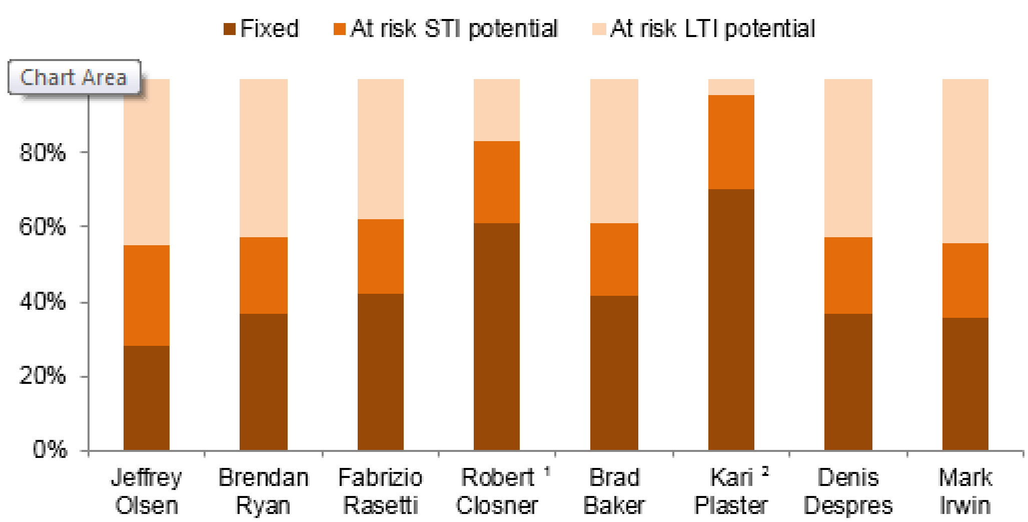
Total remuneration for the CEO and senior executives is made up of fixed remuneration (consisting primarily of base salary and superannuation contributions (or the foreign equivalent, such as the United States' 401(k) payments) and variable "at-risk" remuneration. The variable remuneration has two "at-risk" components:

- STI – being an annual bonus granted under the Company's Corporate Bonus Plan; and
- LTI – being equity or cash grants tied to vesting conditions, such as performance hurdles and continued employment.

The Board notes the Company's current market capitalisation may cause some shareholders and analysts to consider certain compensation components and/or total remuneration to be higher than market comparison models would suggest. Given the volatility of the Company's markets and the complexity of operating a global and complex business, the Board believes that maintaining its executive compensation benchmarking at levels that reflect the Company's size through the middle of the market cycle is a more accurate reflection of the long-term potential and through-the-cycle market capitalisation of the Company and the remuneration levels necessary to attract and retain the calibre of talent required to operate a highly leveraged company in a complex, global and highly cyclical environment.

The relevant proportion of fixed to at-risk components for senior executive remuneration during 2017 are shown below in table 3.1. The table illustrates the annualised remuneration mix for executive KMP, including annualised fixed salary, target STI (assuming performance metrics are achieved such that 100% of target bonus is earned) and LTI at the fair value at the date of grant (assuming 100% performance and vesting requirements are achieved). See section 3.4, Long-term Incentive, for further information.

Table 3.1: Remuneration mix



(1) Mr Closner was not a KMP on the date of the 2017 LTI grant award; therefore, Mr Closner's "fixed" vs "at-risk" remuneration is not representative of the remuneration mix awarded to KMPs in 2017.

(2) Ms Plaster was hired as of 30 October 2017. Due to the changes to the LTI plan that were to be implemented on 31 December 2017 and the implementation of the new MIP on 1 January 2018, Ms Plaster was not given an LTI award upon hire. Ms Plaster will be eligible to participate in the 2018 MIP plan. Her 2017 remuneration mix is skewed due to the lack of an LTI award in 2017 (with the exception of the long-term portion ($20,000) of her awarded sign-on bonus of $40,000).

3.2. FIXED REMUNERATION

The fixed component of executive remuneration consists primarily of base salary. Senior executives also receive other benefits, such as a vehicle allowance. In addition, the Company contributes to retirement programs, such as Australia's compulsory superannuation scheme or the United States' 401(k) defined contribution retirement plan.

Base salaries are reviewed annually by the Remuneration Committee (or, for the CEO, by the Board) and may be adjusted as appropriate to maintain market competitiveness and/or to make adjustments based on merit in accordance with the CEO's recommendation.

3.3. SHORT-TERM INCENTIVE

Table 3.3: Summary of the Short Term Incentive program

What is the STI program?	The Short Term Incentive program, or Corporate Bonus Plan ("CBP"), provides certain employees with the potential to receive an annual bonus if the Company meets annual financial and safety objectives, which are reviewed and approved by the Remuneration Committee. Potential target incentives under the CBP range between 10% and 100% of an employee's base salary depending on the employee's role. The actual bonus that an employee will receive under the CBP (if any) will vary depending on the Company's and the individual's performance against established annual objectives and targets, as detailed more fully below.
Who participates in the STI program?	97 senior employees, including BLY's senior executive KMP.
Why does the Board consider the STI program an appropriate incentive?	The CBP and the performance conditions set under the CBP have been designed to: • focus eligible employees on maximising Company performance in key financial, safety and operational targets; • align individual efforts with Company and shareholder interests; and • reward for superior individual and Company performance. By putting a significant proportion of senior executive remuneration at-risk against challenging targets, the CBP aligns executive interests with the Company's financial and safety performance and with the relevant operational and/or functional objectives.
What are the performance conditions?	There are three key Company performance components and Individual Strategic Objectives to the CBP that were used in 2017. Each component has a threshold performance level; a target level of performance where 100% of the bonus can be earned; and a maximum stretch level of performance whereby superior results can earn up to 200% of that component of the bonus. The Company's annual financial target for the purposes of the CBP is reviewed by the Remuneration Committee and approved by the Board. The Remuneration Committee's philosophy in setting financial and safety targets is to establish threshold targets that represent the desired minimum outcome for each goal (below which no bonus is payable for that goal) and stretch targets that can only be met by the achievement of excellent outcomes. The financial metrics used for the CBP are reviewed annually. The Remuneration Committee also reviews and approves the non-financial targets for senior executives (including the CEO). The CBP performance components for 2017 and their relative weighting are: (1) <u>Corporate Financial Target - Free Cash Flow (FCF)</u> - 35% of the Company's CBP Metrics opportunity is linked to the Company's FCF performance. For the purposes of calculating FCF, the statutory FCF is adjusted to eliminate the impact of items such as cash restructuring costs, pension plan pre-funding, interest and income tax receipts or payments, acquisition or disposals of subsidiaries, and cash flows from financing activities, including, but not limited to, proceeds from equity raisings and borrowings. The free cash flow metric was selected to ensure proper alignment and focus on the critical need to generate cash to fund ongoing operations and reduce debt.

For 2017, the Board approved the following performance payout matrix for the CBP Free Cash Flow component:

Free Cash Flow (35%)		
FCF US$'000	% of Budget	Payout %
>48,182	>200%	200%
24,091	100%	100%
< 6,023	29%	0%

Any actual performance falling between threshold and target, or target and maximum achievement will be calculated linearly.

(2) Corporate Financial Target – Adjusted EBITDA - 35% of the Company's CBP Metrics opportunity is linked to the Company's Adjusted EBITDA performance. For the purposes of calculating Adjusted EBITDA, Statutory EBITDA plus Restructure Costs = Adjusted EBITDA.

For 2017, the Board approved the following performance payout matrix for the CBP Adjusted EBITDA component:

Adjusted EBITDA (35%)		
US$'000	% of Budget	Payout %
>80,000	>200%	200%
40,000	100%	100%
< 10,000	25%	0%

(3) Corporate Non-Financial Target - Safety - 30% of the Company's CBP Metrics opportunity is dependent upon the Company's overall safety performance.

The Board and management believe that a component of the CBP based on safety results appropriately focuses Company employees on adopting safe work practices, continuously identifying ways to reduce or eliminate hazards or unsafe behaviours and getting employees home safely every day. Further, safety is paramount to the Company's customers, and the Company's ability to secure or retain work is impacted by its safety performance.

For 2017, the Board agreed, on the recommendation of its Audit, Safety and Risk Committee to use total case incident rates (TCIR), severity, and Critical Risk Incident Correction Action Closure rates as the measurements of safety performance for the CBP with the following performance payout targets:

Safety TCIR	Critical Risk Incident Correction Action Closure	Safety Severity	Payout %
1.69	93	2.74	50%
1.24	70	1.66	100%
0.90	47	1.20	200%

	The payout is linear between levels for each safety metric, and TCIR and severity are weighted equally at 11% and Critical Risk Incident Correction Action Closure is weighted at 8% of the CBP. In order to receive any accelerated payout above target, the lost time incident rate must be at or below 0.20. (4) Individual Strategic Objectives - 100% of the Individual Strategic Objective CBP opportunity is dependent upon performance against strategic objectives relevant to the employee's operational or functional responsibility. Examples of strategic objectives may include: operational or functional cost targets, geographic or targeted market segment or customer growth, new product introductions, leadership, talent retention and development, specific project or initiative progress, etc. Strategic objectives are utilised to reinforce continued focus on critical initiatives and operational or functional priorities that have a positive impact on current and/or future business performance. Strategic objectives should be pursued regardless of the business or market pressures impacting the overall corporate financial performance. Stretch performance on strategic objectives can be achieved to a maximum of 200% of the weighting of this component. Depending on the nature of the objective, stretch performance can be defined when the objective is approved at the beginning of the year, or in some circumstances be determined by the CEO and approved by the Board at the end of the year. The Board has discretion to modify the amount of the strategic objective award up or down as appropriate. In addition to the operation of the CBP, as set out above, the Board retains discretion to administer the CBP, including adjusting the bonus a participant receives.
How are the performance conditions measured?	Performance is assessed against the relevant targets annually based on the Company's fiscal year. The final determination of the Company's financial performance is determined after reviewing the Company's audited financial results for the relevant period. Financial metrics are assessed quantitatively against pre-determined targets. Where possible, non-financial targets are also assessed quantitatively, or otherwise, they are assessed by periodic qualitative performance appraisal. The Remuneration Committee recommends the amount of bonus to be paid to the CEO for Board approval. For senior executives, the Remuneration Committee will evaluate and approve recommendations from the CEO.
Sample calculation	Following is an example of how a bonus would be calculated, assuming the following: • Employee earns $150,000 with a 30% target bonus amount • Corporate Free Cash Flow of (70% achievement) • Adjusted EBITDA of (80% achievement) • Safety at target performance (100%) • Individual Strategic Objectives of (95% achievement) Free Cash Flow of 70% = 70% component payout (per Free Cash Flow table above)Adjusted Ajdusted EBITDA of 80% = 80% component payout (per Adjusted EBITDA table above) Safety performance at target = 100% component payout Strategic Objectives at target = 95% component payout Calculation: Step 1: Determine Company Metrics achievement Free Cash Flow = (70% x 35% weighting) = 25% + Safety performance = (100% x 30% weighting) = 30% + Adjusted EBITDA = (80% x 35% weighting) = 28% = Company achievement = 80%

	Step 2: Individual Strategic Objectives = 95% Step 3: Calculate Bonus Multiply Company Metrics achievement of 86% and Individual Strategic Objectives achievement of 95% to arrive at totally bonus achievement of 81.7% $150,000 x 30% Target Bonus = $45,000 x 80% Bonus achievement = $36,000 Bonus
In what form is the STI delivered?	All bonuses awarded under the CBP are paid in cash.
What STI awards did senior executives earn in 2017?	Bonuses earned by the executive KMP under the CBP for the year ended 31 December 2017 are set out in Table 4.1.3 in section 4.1 of this Report. The bonuses will be paid in July 2018.
What if a senior executive ceases employment?	A senior executive's entitlement to a CBP payment ceases on the date that they cease employment, unless the Board determines otherwise. However, where a senior executive's employment ceases for reasons other than for cause or good reason, any earned bonus will be pro-rated for the amount of time actually worked during the plan year.

3.4. Long-term incentives

Table 3.4: Summary of the Long-term Incentive

What is the purpose of the LTI?	The Company's LTI arrangements are designed to: • align senior executive rewards with shareholder value; • assist in retaining key executives; • encourage superior performance on a sustained basis; and • provide executives with an opportunity to share in the growth and value of the Company by tying the LTI component of senior executive remuneration to equity awards that rise and fall in value in line with the Company's share price.
Who participates in the LTI?	The executives eligible to participate in the LTI are senior management and corporate executives, including the KMP. The target value of annual LTI grants varies depending on the participant's position, skills and contributions to the Company. The target amounts are generally based on market averages for comparable roles at similar-sized companies. The Company made grants to approximately 76 participants during the year ended 31 December 2017. See Section 4.1 for details on LTI awards made to KMP.
What proportion of total remuneration does the LTI program represent?	Senior executives are typically offered grants that represent approximately 35% - 45% (54% for the CEO) (this is exclusive of Vice-president, Human Resources and Vice-president, General Counsel; due to timing of LTI awards- see table 3.1) of their total remuneration (on an annualised basis). However, those senior executives and other LTI Plan participants derive no actual value from their LTI grants unless applicable performance hurdles and/or service conditions are satisfied.
How is reward delivered under the LTI?	Under the LTIP Rules and the Option Plan Rules, the Board has flexibility to offer different types of incentives (e.g., Share Rights, Cash Rights, Options, or a combination of the three) as an executive's LTI award. The composition of the grants from year-to-year will depend on what, in the Board's view, will best incentivise and reward executives, having regard to the Company's circumstances. An Option is an entitlement to purchase a share at a pre-determined share price set at the grant date. A Share Right is an entitlement to receive a fully-paid ordinary share in the Company, and a Cash Right is an entitlement to receive a cash bonus up to a set maximum. Although the Board may elect to grant Cash Rights for any reason, they have the option to supplement Share Rights in order to limit share dilution when the stock price is low at the time of the award. The 2017 LTI Plan awards to the CEO, his direct reports and other senior leaders were comprised of a combination of performance-based Cash Rights and retention-based Cash Rights. The Board considered this to be appropriate for 2017 as it most effectively achieved three key objectives: aligning executives' interests with shareholders; motivating executives to focus on earnings targets over the longer term; and retaining key executive talent, which is critical to the Company's long term success. The performance-based Cash Rights were granted on terms and conditions determined by the Board, including vesting conditions linked to service and earnings achievement over a specified period (in this case three years).
Do participants pay for Options?	When Options are granted, they are offered at a pre-determined share price, which the recipient must pay in order to exercise the Option award after it vests. At the time the participant exercises the Option, the participant may pay the exercise price of the Options by making a payment to the Company, executing a cashless (broker-assisted) exercise that complies with applicable laws, authorising the withholding by the Company of an equivalent number of Shares otherwise deliverable to the participant pursuant to the Option, or by a combination of the foregoing.

<table>
<tr><td>Do participants pay for Share Rights or Cash Rights?</td><td>Share Rights and Cash Rights are offered at no cost to the LTIP participants, and no amount is payable to the Company by the participant if they vest.</td></tr>
<tr><td>What rights are attached to the Options or Share Rights?</td><td>Options and Share Rights do not carry voting rights. Shares allocated upon vesting of Share Rights or the exercise of Options will carry the same rights as other ordinary shares.

The Company may acquire shares underlying the Share Rights that it has granted under the LTIP, and the price paid by the Company will be the prevailing market price of the shares at the time of acquisition. The acquired shares will be held in trust. All dividends paid on unvested Share Rights will be held in trust and payable when the underlying Share Right vests.

Company employees are not entitled to trade or hedge their unvested Rights or Options.</td></tr>
<tr><td>What are the vesting conditions?</td><td>For the 2017 LTI grant to KMP and certain other senior executives, the vesting conditions are as follows:
<table>
<tr><th>LTI Incentive</th><th>Percentage of grant</th><th>Vesting condition</th><th>Partial vesting</th></tr>
<tr><td>Performance Cash Rights (granted to the CEO, his direct reports and other senior leaders)</td><td>50%</td><td>Satisfaction of cumulative adjusted EBITDA targets within three years of the grant date.
PLUS
Continued employment by the recipient as of the relevant testing date.</td><td>Vesting may occur on a pro-rata basis according to the conditions set out below.</td></tr>
<tr><td>Retention Cash Rights (granted to the CEO, his direct reports and other senior leaders)</td><td>50%</td><td>Continued employment by the recipient as of the relevant testing date.</td><td>Vesting may occur on a pro-rata basis according to the conditions set out below.</td></tr>
</table></td></tr>
</table>

How are the Performance Rights measured for awards granted to the CEO, his direct reports and other vice-presidents?

Performance Cash Rights:
The earnings target is defined as earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted to exclude impairments, restructuring and other non-recurring items. The Board has established a minimum target adjusted EBITDA performance for the 2018 fiscal year that must be achieved for any Cash Rights to vest. Due to market sensitivity, the adjusted EBITDA targets will be communicated in the Remuneration Report for the period following the close of the 2019 plan year.

Performance Cash Rights, subject to the Continued Employment Condition and a cumulative adjusted EBITDA target set by the Board for the 3-year performance period. For purposes of this performance condition, Adjusted EBITDA is defined as Earnings Before Interest Taxes and Depreciation minus impairments, restructuring and other non-recurring items consistent with the Company's reported financial results for the financial year ending 31 December 2019. Performance against the EBITDA target will be measured on a cumulative basis over a three-year performance period and determined by the Board in its discretion, subject to any inclusions or exclusions it considers appropriate. Performance Rights will vest in accordance with the following schedule:

Performance Thresholds	3-yr Cummulative Adj. EBITDA	Payout %
Max	≥336	150%
	296	125%
Target	174	100%
	156	75%
Theshold	91	50%
	< 91	0%

Why have the performance hurdles been chosen?

The Board believes that earnings targets as the LTI metrics (each weighted as 50% of the total) provide a balanced long-term focus on both absolute shareholder returns and continued improvement of the underlying operational and financial performance of the Company. Given the challenging business environment in which the Company is currently operating, the highly leveraged capital structure and the investment made by our shareholders, the Board believes a balanced focus appropriately aligns management equity incentives to the interests of the Company's shareholders.

What if a senior executive ceases employment?	A senior executive's unvested LTI awards will generally lapse on the date the executive ceases employment, unless the Board determines otherwise. However, where a senior executive's employment ceases due to death or total and permanent disability, all unvested awards will vest. Also, unless the Board determines otherwise, where a senior executive's employment ceases by reason of "Special Circumstances" (which includes redundancy, retirement or other circumstances which are considered by the Board to be extraordinary): • where there is no performance condition attached to an Option or Right (i.e. it is an Option, Retention Share Right or Retention Cash Right), any applicable time-based condition will be waived and the number of Options, Retention Share Rights and/ or Retention Cash Rights that vest will be pro-rated according to the extent of the retention period actually worked; and • where there is a performance condition attached to an Option or Right (i.e. it is a performance-based Option, Performance Share Right or Performance Cash Right), there will be no accelerated vesting of the performance-based Options or Rights and instead, the performance-based Options or Rights will remain "on foot" and be tested in the ordinary course and against the applicable performance condition. However, the number of performance-based Options or Rights that vest will be pro-rated over the period of time actually worked during the continued service period.
What happens in the event of a change of control?	In the event of a takeover or change of control of the Company, the Plan provisions will be applied in accordance with the Plan and the Board's discretion.
What Options or Rights were granted in 2017?	Rights granted during the year ended 31 December 2017 are set out in Table 5.2 of this Report.
What is the impact of MIP Implementation on the LTI?	Effective 1 January 2018 the Board approved a resolution to introduce a new Management Incentive Plan (MIP) subject to shareholder approval, which will replace the LTIP program (STIP program remains in place). Effective 31 December 2017 the Long Term Incentive Plan (LTIP) and Retention Incentive Grant Agreement (RIGA) programs will cease and be replaced by the new MIP program, which is effective 1 January 2018. Retention based awards will be calculated on a pro-rata basis as of 31 December 2017 and will be paid on the original payment date as per the award agreement. Performance based awards and stock option plans are cancelled as of 31 December 2017.

3.5 Executive Remuneration Clawback Policy

The Company has an incentive compensation clawback policy applicable to current and former senior executives, including the KMP listed in this report, as well as any other management of the Company who participated in the Company's incentive compensation plans. The policy is applicable to incentive compensation including bonuses, awards or grants of cash or equity under any of the Company's short or long-term incentive or bonus plans where bonuses, awards or grants are based in whole or in part on the achievement of financial results. If the Board determines that a covered employee was overpaid as a result of his or her fraud or willful misconduct that requires a restatement of the reported financial results, the Board may seek to recover the amount of the overpayment by a repayment or through a reduction or cancellation of outstanding future bonus or awards. The Board can make determinations of overpayment at any time through the third fiscal year following the year for which the inaccurate performance criteria were measured.

3.6 Option Plans

The Board established the 2015 Option Plan, as described above, which authorised the granting of stock options to the CEO, his direct reports and other Company vice-presidents. The options granted pursuant to the 2015 Option Plan are subject to a share-price appreciation performance condition and, subject to meeting that condition, in part or in full on any of the 14 March 2018, 14 March 2019 and 14 March 2020 testing dates. The options can be exercised for 10 years after the vesting date unless an employee terminates employment with the Company, in which case the Board may shorten the exercise period to no less than six months from the termination date.

During 2016, 1,000,000 options were issued under the 2015 Option Plan to Mr Mark Irwin, as a part of his new hire offer, with an exercise price of A$0.199. The fair value of the options awarded was approximately US$70 thousand. The terms and conditions of this award, including performance conditions, are the same as the 2015 LTI awards granted to other members of the KMP, as disclosed in the 2015 Remuneration Report.

No new options were granted in 2017. Details of options that have been granted to senior executives historically can be found in Table 4.1.7. In accordance with the transition from the LTIP program to the MIP, all Stock Options are cancelled effective 31 December 2017.

4. PERFORMANCE AND RISK ALIGNMENT

4.1. PERFORMANCE ALIGNMENT

While senior executive remuneration is structured to attract and retain talented employees, the amount of remuneration received by an individual is dependent on the achievement of superior performance and generating value for shareholders.

Table 4.1.1 below summarises the Company's performance over the past five years in respect of the financial and non-financial indicators identified by the Board to assess the Company's performance and future prospects.

Table 4.1.1: Year-on-year performance

	Share performance			Earnings performance				
Financial year	Closing share price A$	Dividend p/share US$ [1]	EPS % [2]	Revenue US$ millions	EBITDA US$ millions	NPAT US$ millions	ROE	Net Debt millions [3]
2017	0.01	-	(205.1%)	739	(37)	(150)	(50.3%)	599
2016	0.13	-	(179.4%)	642	2	(157)	(60.6%)	681
2015	0.06	-	(822.4%)	735	(115)	(326)	(596.1%)	586
2014	0.17	-	(510.9%)	867	(83)	(333)	(133.4%)	551
2013	0.38	0.01	(403.7%)	1,223	(337)	(620)	(79.3%)	n/a

(1) Dividends per share are shown based upon the cash amounts paid in each year.

(2) Calculated as basic EPS divided by closing share price.

(3) Net debt was selected as a performance criteria in 2014. Excludes impact of recapitalisation transaction, letters of credit, CRA & IRS obligations, strategic asset acquisitions & disposals, equity raise, potential asset backed loans, etc.

Short-term performance indicators and outcomes

Overall, STI earned and awarded to KMP in 2017 was 53% on average (down from 89% in 2016). This result was due to lower than expected safety performance and under-performance against the free cash flow component of the Corporate Bonus Plan in 2017. Additional details on actual performance for each of the bonus plan components follow.

Performance against 2017 financial targets

For 2017, the Remuneration Committee specifically recommended, and the Board approved, the following performance payout matrix for the Free Cash Flow component:

Free Cash Flow (35%)		
FCF US$'000	% of Budget	Payout %
≥48,182	≥200%	200%
24,091	100%	100%
< 6,023	29%	0%

Actual corporate free cash flow generation for the year was $(20.6) million, which resulted in a 0% achievement and 0% payout of the targeted amount.

In addition to the free cash flow component, for 2017, the Remuneration Committee specifically recommended, and the Board approved, the following performance payout matrix for the Adjusted EBITDA component:

Adjusted EBITDA (35%)		
US$'000	% of Budget	Payout %
≥80,000	≥200%	200%
40,000	100%	100%
< 10,000	25%	0%

Actual EBITDA for the year was $43.1 million, which resulted in a 108% achievement, or 37.7% payout of the target of 35%.

Performance against 2017 non-financial targets

For 2017, the Remuneration Committee specifically recommended, and the Board approved, the following performance payout matrix for the Safety component:

Safety TCIR	Critical Risk Incident Correction Action Closure	Safety Severity	Payout %
1.69	93	2.74	50%
1.24	70	1.66	100%
0.90	47	1.20	200%

The Company did not meet its performance on its targeted overall Safety metrics with actual TCIR performance of 1.62, Severity Rate of 3.70, and Critical Risk of 82, representing 57.8%, 0.0%, and 200% achievement, respectively, although the Critical Risk performance is capped at 100% due the LTIR gateway exceeding the acceptable threshold of 0.20 with a final performance of 0.22.

2017 was a particularly challenging year as the Senior Leadership Team restructured and recapitalized BLY requiring significant focus and attention on all aspects of our business. We continue to look for additional efficiencies and cost savings in the business. Leadership changes at Boart Longyear impacted the Board of Directors, as well as Senior Leadership. The business delivered solid overall performance against 2017's objectives including revenue, cost reductions and growth in underlying earnings. Boart Longyear understands the importance of transparent reporting in all facets of our business, as well as those that are represented in our incentive structures. Given the Company's size and position in the industry, it believes disclosing certain detailed financial or strategic performance targets would put it at a competitive disadvantage due to commercial sensitivities. However, in 2017 the Board established several specific strategic and operational objectives that included, but were not limited to:

- Delivering 2017 business performance in a difficult market environment by:
  - driving cost and efficiency improvements in corporate, business and functional areas;
  - reducing SG&A and overhead costs in 2017;
  - improving cash management and working capital related to our supply chain;
  - delivering targeted savings on drilling services efficiency and commercial initiatives;
  - and completing the recapitalisation
- Focusing on next generation engineering and manufacturing;
- Challenging our global footprint and streamlining as well as executing on a revised organisational structure to improve commercial, functional and operational alignment;
- Defining key customer strategic alliance plans and measurably improving customer relationships and benefits by increasing the commercial capabilities of the Company, particularly in our Drilling Services business;
- Achieving an improved safety culture through:
  - improved awareness across the entire organisation;
  - focusing on the THINK process;
  - increased transparency in reporting; and
  - increased use of engineering solutions to make our equipment safer.

These objectives applied to all senior executives as they relate to their operation, function or region.

Management's incentive plan is based upon quantitative measures of safety, adjusted EBITDA, and free cash flow. While there were significant improvements made in the cost structure of our business and targets for EBITDA were achieved, our safety performance did not reach our targets and much higher than anticipated working capital requirements in the fourth quarter of 2017 resulted in under achievement versus cash flow targets. The consequence of these results is a significant incentive plan underachievement.

Table 4.1.2: Average proportion of STI awarded, 2012 through 2017.

	2012	2013	2014	2015 [2]	2016	2017
% of target STI awarded [1]	72%	40%	122%	114%	90%	53%

(1) Weighted average for senior executives.
(2) Not including Mr Kirkey who was on his former bonus plan through 2015.

Table 4.1.3: STI earned during the year ended 31 December 2017

	STI earned US$	Target STI [1] US$	STI earned as % of target STI	% of target STI forfeited	STI as % of maximum STI [2]	% of maximum STI forfeited [2]
Jeffrey Olsen	312,120	600,000	52%	48%	26%	74%
Brendan Ryan	131,090	240,000	55%	45%	27%	73%
Fabrizio Rasetti [3]	108,202	208,000	52%	48%	26%	74%
Robert Closner [4]	40,584	78,016	52%	48%	26%	74%
Brad Baker [3]	84,389	162,225	52%	48%	26%	74%
Kari Plaster [5]	58,991	108,000	55%	45%	27%	73%
Denis Despres	128,593	240,000	54%	46%	27%	73%
Mark Irwin [3]	117,045	225,000	52%	48%	26%	74%

(1) The target potential value of the 2017 STI awards for the CEO and senior executives (who receive STI awards wholly in cash) is the amount disclosed. A minimum level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI for all participants in 2017 was nil.
(2) The maximum potential award assuming superior performance against all CBP metrics is 200% of target STI.
(3) Mr Rasetti, Mr Baker and Mr Irwin's employment with the Company ceased prior to or on 31 December 2017. However, they were eligible to receive a prorated STI bonus. Pursuant to their separation agreements, their prorated amounts assumed achievement of individual strategic performance at target.
(4) Mr Closner was a KMP from 16 October through 31 December 2017, however the bonus reflected in table 4.1.3 represents his target and earned bonus for the entire year.
(5) Ms Plaster's target and earned bonus was calculated on her annualized base salary prorated from her date of hire on 30 October 2017.

Long-term performance indicators and outcomes

LTI awards are provided to assist in retaining key executives, encourage superior performance on a sustained basis, and provide such executives with an opportunity to share in the growth and value of the Company.

The performance-based LTIP awards granted in 2014 were subject to a three-year Cumulative Net Debt target, adjusted for a Total Shareholder Return modifier. Due to challenging market conditions, the 2014 LITP awards vested at 61.2% of the target. This is derived by the Cumulative Net Debt achievement of 68% of the LTIP target, adjusted by a further 10% modifier as our total shareholder return was below our peers (68% - (68% x 10%) = 61.2%).

Table 4.1.4: Cumulative Net Debt performance for 2014 grants of performance-based LTI awards

	Targets				
	Threshold	Target	Maximum	Actual Net Debt[1]	Net Debt Performance
2014	554,500	542,676	530,852	550,758	66%
2015	602,200	573,500	544,800	586,272	78%
2016	687,289	654,537	621,885	681,044	60%
Cumulative Performance	1,843,989	1,770,713	1,697,537	1,818,074	68%
% of Award Earned	50%	100%	150%	68%	68%

(1) Excludes impact of recapitalisation transaction, letters of credit, CRA & IRS obligations, strategic asset acquisitions & disposals, equity raise, potential asset backed loans, etc.;

The vested Share Rights listed in Table 4.1.5 below include the Retention Share Rights and Performance Share Rights that were granted in 2014 and vested in 2017. The Performance Share Rights were subject to the performance period ended 31 December 2016 achieved 61.2% of the target award amount (as detailed in the narrative and table 4.1.4 above).

Table 4.1.5: Movement in Share Rights during the year ended 31 December 2017

Name	Grant date	FMV at Grant Date US$	Vesting date	Held at the beginning of the financial year	Number of Share Rights granted as remuneration	Number of Share Rights vested	Value of Share Rights vested US$ [1]	Number of Share Rights forfeited [2]		Held at the end of the financial year
Jeffrey Olsen	1-Apr-14	0.27	1-Apr-17	972,612	-	846,821	36,169	125,791		-
	15-Mar-16	0.05	15-Mar-19	8,362,602	-	-	-	8,362,602		-
Brendan Ryan	6-Sep-16	0.08	6-Sep-19	3,900,000	-	-	-	3,900,000		-
Fabrizio Rasetti	15-Mar-14	0.25	15-Mar-17	972,612	-	846,821	58,256	125,791		-
	15-Mar-16	0.05	15-Mar-19	2,241,177	-	-	-	1,023,321	3	1,217,856
Robert Closner	15-Mar-14	0.25	15-Mar-17	106,650	-	106,650	7,337	-		-
	1-Jul-15		15-Mar-19	370,000	-	-	-	243,470		126,530
	15-Mar-16	0.05	15-Mar-19	464,630	-	-	-	464,630		-
Brad Baker	15-Mar-14	0.25	15-Mar-17	729,459	-	635,116	43,692	94,343		-
	15-Mar-16	0.05	15-Mar-19	1,820,957	-	-	-	831,448	4	989,509
Denis Despres	1-Sep-16	0.08	1-Sep-19	2,600,000	-	-	-	2,600,000		-
Mark Irw in	15-Mar-16	0.05	15-Mar-19	1,961,030	-	-	-	950,903	5	1,010,127

(1) Represents the value of Share Rights vested during the year based on the market value of shares at the vesting and forfeiture date.

(2) A portion (38.8%) of the 2014 Performance Share Rights were forfeited due to performance targets not being reached at 100%, the remaining 61.2% vested in accordance with the met performance conditions (see table 4.1.4). In addition, a pro-rated portion of the outstanding 2015 and 2016 Retention Share Rights were forfeited due to the current LTIP plan being replaced by a new MIP plan to be implemented in 2018. All 2015 and 2016 outstanding Performance Share Rights were forfeited at year-end due to the MIP mentioned above. An exception to the year-end MIP pro-rating are employees who were terminated prior to 31 December 2017 and received a pro-rated letter based on their individual termination dates.

(3) Mr Rasetti's employment terminated on 31 December 2017, his outstanding Performance Share Rights were pro-rated upon his end date of 31 October 2017. This resulted in the forfeiture of 1,023,321 Performance Share Rights. The balance of 1,217,856 Performance Rights remain on foot and remain subject to meeting the performance condition.

(4) Mr Baker's employment terminated on 31 December 2017, his outstanding Performance Share Rights were pro-rated upon his end date of 31 October 2017. This resulted in the forfeiture of 831,448 Performance Share Rights. The balance of 989,509 Performance Rights remain on foot and remain subject to meeting the performance condition.

(5) Mr Irwin's employment terminated on 30 September 2017, at which time his outstanding Performance Share Rights were pro-rated upon his termination date. This resulted in the forfeiture of 950,903 Performance Share Rights. The balance of 1,010,127 Performance Rights remain on foot and remain subject to meeting the performance condition.

The Cash Rights listed in Table 4.1.6 below include the Retention Cash Rights and Performance Cash Rights that were granted in 2014 and vested in 2017, the Special Retention Rights granted in 2016 which will vest in 2019, and Retention Cash Rights and Performance Cash Rights granted in 2017 which will vest in 2020.

Table 4.1.6: Movement in Cash Rights during the year ended 31 December 2017

Name	Grant date	Vesting date	Held at the beginning of the financial year	Number of Cash Rights granted as remuneration	Number of Cash Rights vested	Value of Cash Rights vested US$	Number of Cash Rights forfeited [1]	Value of Cash Rights forfeited US$	Held at the end of the financial year
Jeffrey Olsen	1-Apr-14	1-Apr-17	125,000	-	100,750	100,750	24,250	24,250	-
	15-Mar-16	15-Mar-19	500,000	-	-	-	500,000	500,000	-
	1-Mar-16	1-Mar-19	900,000	-	-	-	349,315	349,315	550,685
	15-Mar-17	15-Mar-20	-	1,000,000	-	-	867,245	867,245	132,755
Brendan Ryan	6-Sep-16	6-Sep-19	200,000	-	-	-	200,000	200,000	-
	15-Mar-17	15-Mar-20	-	500,000	-	-	433,622	433,622	66,378
Fabrizio Rasetti	15-Mar-14	15-Mar-17	125,000	-	100,750	100,750	24,250	24,250	-
	15-Mar-16	15-Mar-19	134,000	-	-	-	61,184 [2]	61,184	72,816
	1-Mar-16	1-Mar-19	624,000	-	-	-	276,931 [2]	276,931	347,069
	15-Mar-17	15-Mar-20	-	400,000	42,120 [2]	42,120	315,760 [2]	315,760	42,120
Robert Closner	15-Mar-14	15-Mar-17	10,000	-	10,000	10,000	-	-	-
	15-Mar-16	15-Mar-19	25,260	-	-	-	25,260	25,260	-
	1-Mar-16	1-Mar-19	128,619	-	-	-	51,565	51,565	77,054
	15-Mar-17	15-Mar-20	-	60,000	-	-	52,035	52,035	7,965
Brad Baker	15-Mar-14	15-Mar-17	93,750	-	75,562	75,562	18,188	18,188	-
	15-Mar-16	15-Mar-19	108,875	-	-	-	49,712 [3]	49,712	59,163
	1-Mar-16	1-Mar-19	487,000	-	-	-	216,130 [3]	216,130	270,870
	15-Mar-17	15-Mar-20	-	325,000	34,223 [3]	34,223	256,554 [3]	256,554	34,223
Denis Despres	1-Sep-16	1-Sep-17	100,000	-	100,000 [4]	100,000	-	-	-
	1-Sep-16	1-Sep-17	66,667	-	66,667 [5]	66,667	-	-	-
	1-Sep-16	1-Sep-18	100,000	-	-	-	-	-	100,000
	1-Sep-16	1-Sep-19	100,000	-	-	-	-	-	100,000
	1-Sep-16	1-Sep-19	200,000	-	-	-	200,000	200,000	-
	15-Mar-17	15-Mar-20	-	500,000	-	-	433,622	433,622	66,378
Mark Irwin	15-Mar-16	15-Mar-19	117,250	-	-	-	56,854 [6]	56,854	60,396
	1-Mar-16	1-Mar-19	525,000	-	-	-	247,877 [6]	247,877	277,123
	15-Mar-17	15-Mar-20	-	500,000	45,600 [6]	45,600	408,800 [6]	408,800	45,600

(1) A portion (38.8%) of the 2014 Performance Cash Rights were forfeited due to performance targets not being reached at 100%, the remaining 61.2% vested in accordance with the met performance conditions (see table 4.1.4). In addition, a pro-rated portion of the outstanding 2016 and 2017 Retention Cash Rights were forfeited due to the current LTIP plan being replaced by a new MIP plan to be implemented in 2018. All 2016 and 2017 outstanding Performance Cash Rights were forfeited at year-end due to the new MIP mentioned above. An exception to the year-end MIP pro-rating are employees who were terminated prior to 31 December 2017 and received a pro-rated letter based on their individual termination dates.

(2) Mr Rasetti's employment ceased on 31 December 2017 at which time he received a pro-rata vesting of 42,120 outstanding Retention Cash Rights based on his end date of 31 October 2017. The balance of 157,880 outstanding Retention Cash Rights were forfeited. He also received a pro-rata portion of his Special Retention Rights which will remain outstanding until the scheduled vesting date in March 2019. The amount of 276,931 Special Retention Rights were forfeited. In addition, Mr Rasetti's outstanding Performance Cash Rights were also pro-rated based upon his end date resulting in the forfeiture of 219,064 Performance Cash Rights. The balance of 114,936 Performance Cash Rights remain on foot and are subject to meeting the performance conditions.

(3) Mr Baker's employment ceased on 31 December 2017 at which time he received a pro-rata vesting of 34,223 outstanding Retention Cash Rights based on his end date of 31 October 2017. The balance of 128,277 outstanding Retention Cash Rights were forfeited. He also received a pro-rata portion of his Special Retention Rights which will remain outstanding until the scheduled vesting date in March 2019. The amount of 216,130 Special Retention Rights were forfeited. In addition, Mr Baker's outstanding Performance Cash Rights were also pro-rated based upon his end date resulting in the forfeiture of 177,989 Performance Cash Rights. The balance of 93,386 Performance Cash Rights remain on foot and are subject to meeting the performance conditions.

(4) In 2016, Mr Despres received a one-time new hire sign-on award of $300,000 to be paid in equal instalments of one-third each on the anniversary of his hire date (1 September 2016) beginning with the first anniversary and ending on the third. There were no performance conditions on these amounts and one third of the award vested in 2017.

(5) In 2016, Mr Despres was granted a sign-on share award of $200,000 to be paid in equal installments of one-third on each anniversary of his hire date (1 September 2016) beginning with the first anniversary and ending on the third. The shares were to be calculated by dividing one third of the share award by the 5-day volume weighted average share price for the five trading days immediately preceding and including the relevant anniversary date. As of 1 September 2017, one-third of the award vested and Mr Despres opted to receive cash instead of Company shares, resulting in a cash payment of $66,667.

(6) Mr Irwin's employment ceased on 30 September 2017 at which time he received a pro-rata vesting of 45,600 outstanding Retention Cash Rights upon his termination date. The balance of 204,400 outstanding Retention Cash Rights were forfeited. He also received a pro-rata portion of his Special Retention Rights which will remain outstanding until the scheduled vesting date in March 2019. The amount of 247,877 Special Retention Rights were forfeited. In addition, Mr Irwin's outstanding Performance Cash Rights were also pro-rated based upon his cessation date resulting in the forfeiture of 261,254 Performance Cash Rights. The balance of 105,996 Performance Cash Rights remain on foot and are subject to meeting the performance conditions.

Table 4.1.7: Movement in options during the year ended 31 December 2017

Name	Effective grant date	Vesting date	Held at the beginning of the financial year	Number of options granted as remuneration	Number of options vested	Exercise price per option A$	Number of options forfeited	Held at the end of the financial year	Vested and exercisable as at 31 Dec 2017
Jeffrey Olsen	1-Apr-14	1-Apr-17	324,204	-	324,204	0.32	-	324,204	324,204
	1-Jul-15	15-Mar-20	8,265,360	-	-	0.20	8,265,360 [1]	-	-
Fabrizio Rasetti [2]	15-Mar-14	15-Mar-17	324,204	-	324,204	0.32	-	324,204	324,204
	1-Jul-15	15-Mar-20	5,289,830	-	-	0.20	2,504,205	2,785,625	-
Brad Baker [3]	15-Mar-14	15-Mar-17	243,153	-	243,153	0.32	-	243,153	243,153
	1-Jul-15	15-Mar-20	4,297,990	-	-	0.20	2,034,668	2,263,322	-
Mark Irwin [4]	18-Jan-16	15-Mar-20	1,000,000	-	-	0.20	590,900	409,100	-

(1) Mr Olsen's outstanding options were forfeited in 2017 due to the LTIP plan being replaced by a new MIP plan in 2018.

(2) Mr Rasetti's employment ceased on 31 December 2017, his Options were pro-rated based on his end date of 31 October 2017. Options granted in 2015 were pro-rated from the date of the grant and the portion that was not forfeited remain on foot and subject to continuing performance conditions.

(3) Mr Baker's employment ceased on 31 December 2017, his Options were pro-rated based on his end date of 31 October 2017. Options granted in 2015 were pro-rated from the date of the grant and the portion that was not forfeited remain on foot and subject to continuing performance conditions.

(4) Mr Irwin's employment ceased on 30 September 2017. Options granted in 2015 were pro-rated from the date of the grant and the portion that was not forfeited remain on foot and subject to continuing performance conditions.

4.2. RISK ALIGNMENT

4.2.1 Employee and Director Trading in Company Securities

Under the Company's Securities Trading Policy, Directors and employees (including senior executives) are prohibited from entering into transactions that limit the economic risk of holding unvested Rights or options that have been received as part of their remuneration. The Company treats compliance with this policy as a serious issue and takes appropriate measures to ensure the policy is adhered to, including imposing appropriate sanctions where an employee is found to have breached the policy.

Further restrictions also apply to Directors and senior executives with respect to their dealing in the Company's shares and other securities under the Securities Trading Policy, which may be found in the Corporate Governance section on the Company website at www.boartlongyear.com.

5. EXECUTIVE REMUNERATION IN DETAIL

This section provides details of total remuneration and service contract terms for the CEO and other senior executives.

5.1. TOTAL REMUNERATION-

Details of each senior executive’s remuneration during the years ended 31 December 2017 and 2016 (calculated in accordance with applicable accounting standards) are set out in Table 5.1.

Table 5.1: Senior executive remuneration

	Cash-based compensation									Non-cash-based compensation			
	Short term benefits [1]			Post-employment benefits		Other long-term benefits		Termination Benefits		Share-based compensation [2]			
	Cash salary US$	Annual bonus [3] US$	Other [4] US$	Super-annuation benefits [5] US$	Other US$	Retention Cash Rights US$	Perform-ance Cash Rights US$	Termination US$	Other US$	Options US$	Rights US$	Share-based %	Total US$
Jeffrey Olsen													
2017	586,154	312,120	25,480	8,100	-	62,500	38,250	-	-	122,468	31,688	13.0%	1,186,758
2016	536,154	554,320	24,760	7,950	-	270,814	152,759	-	-	142,733	197,875	18.0%	1,887,444
Brendan Ryan [6]													
2017	400,000	131,090	51,459 [13]	8,100	-	-	-	-	-	-	65,001	9.9%	655,651
2016	121,539	70,430	6,320	1,615	-	-	19,444	-	-	-	18,958	8.0%	238,306
Fabrizio Rasetti [7]													
2017	416,000	108,202	81,055 [13]	8,100	-	104,620	38,250	-	-	67,484	699,838	50.4%	1,523,549
2016	416,000	183,872	24,460	7,950	-	259,574	56,175	-	-	98,914	122,135	18.3%	1,169,080
Robert Closner [8]													
2017	186,800	40,584	24,237	-	-	10,088	-	-	-	-	37,753	12.6%	299,462
Brad Baker [9]													
2017	324,450	84,389	22,195	8,100	-	81,099	28,687	-	-	54,507	233,136	34.4%	836,563
2016	324,450	140,162	25,150	6,754	-	201,950	44,341	-	-	78,814	93,514	18.8%	915,135
Kari Plaster [10]													
2017	41,538	58,991	3,200	312	-	-	-	-	-	-	-	0.0%	104,041
Denis Despres [11]													
2017	400,000	128,593	22,778	8,100	-	66,667	-	-	-	-	143,333	18.6%	769,471
2016	126,154	72,320	6,560	1,154	-	61,111	22,222	-	-	-	55,185	16.0%	344,706
Mark Irwin [12]													
2017	375,000	117,045	16,000	8,100	-	-	-	-	-	12,594	24,631	6.7%	553,370
2016	341,732	192,880	57,371	7,950	-	145,833	30,941	-	-	16,042	25,875	5.1%	818,624

(1) There were no non-monetary benefits provided.

(2) In accordance with the requirements of the Australian Accounting Standards Board, remuneration includes a portion of the historical fair value of equity compensation recognised over the respective vesting period (i.e. Rights awarded under the LTIP and options awarded under the Option Plan(s)). The fair value of equity instruments is determined as at the grant date and is recognised over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of options at the date of their grant has been determined in accordance with AASB 2 applying Black-Scholes and Brownian Motion valuation methods. The assumptions underpinning these valuations are set out in Note 10 to the financial statements.

(3) The 2017 amount represents cash STI payments earned by the executive during the year ended 31 December 2017, which are expected to be paid in July and were approved by the Board in February 2018. The 2016 amount represents cash STI payments earned by the executive during the year ended 31 December 2016, which were paid in March 2017.

(4) Includes automotive allowances, reimbursements of financial and tax preparation assistance, relocation expenses, and dividends received on Share Rights, if any.

(5) Includes 401(k) plan matching contributions made by the employing entity in the United States.

(6) Mr Ryan was hired on 6 September 2016, as such, his 2016 actual remuneration received reflects a partial year of earnings from his date of hire.

(7) Mr Rasetti ceased employment on 31 December 2017.

(8) Mr Closner was considered a KMP on 16 October 2017, however, his remuneration above for 2017 includes remuneration received during the entire year.

(9) Mr Baker ceased employment on 31 December 2017.

(10) Ms Plaster was hired on 30 October 2017, as such, her actual remuneration received reflects a partial year of earnings from her date of hire. The annual bonus column represents the first of two $20,000 sign-on bonus payments.

(11) Mr Despres was hired on 1 September 2016, as such his 2016 remuneration received reflects a partial year of earnings from his hire date.

(12) Mr Irwin ceased employment on 30 September 2017. However, Mr Irwin remained employed and provided assistance to the CEO as needed from 1 October to 31 December and received post-notice pay for these services. His severance pay did not begin until 1 January 2018. Therefore, no termination benefits are disclosed for Mr Irwin above. Mr Irwin was hired on 18 January 2016, as such, his 2016 remuneration received reflects a partial year of earnings from his date of hire.

(13) Amounts reflect a portion of the expense associated with the special exertion award granted in 2017 which was granted, vested and paid in 2017.

5.2. RIGHTS AND OPTIONS GRANTED

No options were granted in 2017.

No share rights were granted in 2017.

Table 5.2: Cash Rights granted during the year ended 31 December 2017 table:

	Cash Rights			
Name	Number of LTI Rights granted	Number of Special Retention Rights granted	Future years payable	Maximum value of grant US$
Jeffrey Olsen	1,000,000	-	3 yrs	1,000,000
Brendan Ryan	500,000	-	3 yrs	500,000
Fabrizio Rasetti	400,000	-	3 yrs	400,000
Robert Closner	60,000	-	3 yrs	60,000
Brad Baker	325,000	-	3 yrs	325,000
Denis Despres	500,000	-	3 yrs	500,000
Mark Irwin	500,000	-	3 yrs	500,000

5.3. SHARE HOLDINGS

Shares

Table 5.3.1: Share holdings as at the end of the financial year and activity during the financial year, are as follows:

	Balance 1 January	Granted as remuneration	Received on exercise of options/rights	Net other change during year	Balance 31 December	Balance held nominally
2017						
Marcus Randolph	5,550,356	3,348,199	-	1,430,212	10,328,767	-
Kyle Cruz	-	-	-	-	-	-
Lawrence First	-	-	-	-	-	-
Jason Ireland	-	-	-	-	-	-
James Kern	-	-	-	-	-	-
Gretchen McClain	819,242	1,146,820	-	-	1,966,062	-
Robert Smith	-	-	-	-	-	-
Richard Wallman	-	-	-	-	-	-
Eric Waxman	-	-	-	-	-	-
Jeffrey Olsen	135,000	846,821	-	(460,950)	520,871	-
Brendan Ryan	-	-	-	-	-	-
Robert Closner	37,441	106,650	-	(57,806)	86,285	-
Kari Plaster	-	-	-	-	-	-
Denis Despres	-	-	-	-	-	-

Share holdings activity during the financial year for KMP and Directors who ceased employment or resigned prior to 31 December 2017, were as follows:

	Balance 1 January	Granted as remuneration	Received on exercise of options/rights	Net other change during year	Balance as of retirement date	Balance held nominally
2017						
Bret Clayton [1]	1,548,091	803,569	-	(300,000)	2,051,660	-
Peter Day [2]	1,608,865	803,569	-	-	2,412,434	-
Jonathan Lewinsohn [3]	-	-	-	-	-	-
Jeffrey Long [4]	955,215	803,569	-	-	1,758,784	-
Rex McLennan [5]	1,163,684	506,248	-	-	1,669,932	-
Deborah O'Toole [6]	914,111	803,569	-	-	1,717,680	-
Matthew Sheahan [7]	-	-	-	-	-	-
Conor Tochilin [8]	-	-	-	-	-	-
Fabrizio Rasetti [9]	344,300	846,821	-	(398,242)	792,879	-
Brad Baker [10]	200,796	635,116	-	(321,855)	514,057	-
Mark Irwin [11]	-	-	-	-	-	-

(14) Mr Clayton resigned 1 September 2017.

(15) Mr Day resigned 1 September 2017.

(16) Mr Lewinsohn resigned 20 January 2017.

(17) Mr Long resigned 1 September 2017.

(18) Mr McLennan resigned 1 September 2017.

(19) Ms O'Toole resigned 1 September 2017.

(20) Mr Sheahan was appointed effective 1 September 2017 and resigned 29 September 2017.

(21) Mr Tochilin was appointed effective 20 January 2017 and resigned 29 September 2017.

(22) Mr Rasetti's employment ceased 31 December 2017.

(23) Mr Baker's employment ceased 31 December 2017.

(24) Mr Irwin's employment ceased 30 September 2017.

5.4 SERVICE CONTRACTS AND TERMINATION PROVISIONS

Name and position held at the end of the financial year	Duration of contract	Notice period by Company	Notice period by executive	Termination payments (where these are in addition to statutory entitlements)
Jeffrey Olsen Chief Executive Officer	No fixed term	None required	180 days	For termination with cause, statutory entitlements only For termination without cause: • 12 months' salary • Pro-rata bonus to termination date • Waiver of medical insurance premiums for 12 months
Brendan Ryan Chief Financial Officer	No fixed term	None required	90 days	For termination with cause, statutory entitlements only For termination without cause: • 12 months' salary • Pro-rata bonus to termination date Waiver of medical insurance premiums for 12 months
Robert Closner Vice President, General Counsel and Company Secretary	No fixed term	None required	90 days	For termination with cause, statutory entitlements only For termination without cause: • One month per year of service with a minimum of 12 months and a maximum of 24 months. • Pro-rata bonus to termination date • Waiver of medical insurance premiums for 12 months
Kari Plaster Vice President, Human Resources	No fixed term	None required	90 days	For termination with cause, statutory entitlements only For termination without cause: • 12 months' salary • Pro-rata bonus to termination date • Waiver of medical insurance premiums for 12 months
Denis Despres Chief Operating Officer	No fixed term	None required	90 days	For termination with cause, statutory entitlements only For termination without cause: • 12 months' salary • Pro-rata bonus to termination date Waiver of medical insurance premiums for 12 months

Under the terms of the Company's LTIP and option plans, the Board has discretion to provide for early vesting of all or a portion of unvested Rights and Options depending on the circumstances of an employee's termination. The executive employment contracts listed above contain a twelve-month non-competition and non-solicitation covenant in the Company's favour. The Company may, at its option, extend the term of the covenants upon an executive's termination of employment for up to an additional twelve months in exchange for monthly payments of the executive's base salary for the term of the extension.

5.5 SPECIAL STRATEGIC RETENTION AWARDS FOR KEY EMPLOYEES (including the KMP)

In March 2016, the Board approved special strategic retention awards to certain key employees that include the KMP in March 2016. The Board recognises there has been continued contraction in both the industry and the Company, with no immediately visible signs of recovery. The Board further recognises the importance of retaining key leaders during a time of heightened uncertainty and that current outstanding equity awards have little-to-no visible retention value. These awards will be in the form of cash retention and will vest on the third anniversary of the award. If the senior executive is terminated for reasons other than for cause, the award will be prorated (with a minimum of one third the original award value) and remain outstanding and payable on the original vesting date. For the Company's KMP, all awards will vest in March 2019 and are in the following amounts:

Jeff Olsen (1)	$900,000
Fabrizio Rasetti (2)	$624,000
Robert Closner (3)	$131,468
Brad Baker (4)	$487,000
Mark Irwin (5)	$525,000

(1) Mr Olsen's amount above was reduced to $550,685 as a result of his pro-rated forfeitures due to the new MIP plan in 2018. This amount will remain outstanding until the scheduled vesting date in March 2019.

(2) Mr Rasetti's amount above was reduced to $347,069 as a result of his cessation of employment and will remain outstanding until the scheduled vesting date in March 2019.

(3) Mr Closner's amount above was reduced to $80,439 as a result of his pro-rated forfeitures due to the new MIP plan in 2018. This amount will remain outstanding until the scheduled vesting date in March 2019.

(4) Mr Baker's amount above was reduced to $270,870 as a result of his cessation of employment and will remain outstanding until the scheduled vesting date in March 2019.

(5) Mr Irwin's amount above was reduced to $277,123 as a result of his cessation of employment and will remain outstanding until the scheduled vesting date in March 2019.

6. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

This section explains the remuneration structure and outcomes for non-executive Directors.

6.1. NON-EXECUTIVE DIRECTORS' FEE STRUCTURE

Non-executive Directors (NED) are remunerated by a fixed annual base fee with additional fees paid for serving on Board committees. NED who are also employees of Centerbridge, Ares or Ascribe do not receive any Director fees. The payment of committee fees recognises the additional time commitment required by NED who serve on board committees. The Chairman may attend any committee meetings but does not receive any additional committee fees in addition to base fees.

The fees are determined within a maximum aggregate fee pool that is approved by shareholders. The approved fee pool limit is US$2.0 million, which aside from changing the currency exchange rate at the 2015 general meeting has not changed in quantum since the Company's initial public offering in 2007. During the financial year, US$1.0 million of the pool was utilised for non-executive Director fees, being approximately 50% of the fee pool limit.

In 2015, the Board retained Willis Towers Watson to provide an independent review of NED remuneration with the aim of ensuring an appropriate balance existed between North American and Australian Director pay practices. Effective 1 July 2015, NEDs were required to receive 50% of their annual base fees in ordinary shares of Company stock. This change was made to further strengthen the alignment of NED remuneration with shareholder interests and be more competitive with North American pay practices by including company stock as a component of the NED fee structure. The share issue occurred every three months by taking 50% of the base fees earned in US dollars, converting it to Australian dollars using the exchange rate on issue date and then dividing it by the volume weighted average price of the shares traded on the ASX in the first five days after each relevant fee period. The shares are then issued and deposited into each NED personal brokerage account. As described in Section 6.2 below, the Directors are not able to trade the shares, net of sales to cover income taxes, for a period of twelve months from when they are allocated. With the completion of the recapitalisation this practice was suspended as of 1 September 2017. Additionally, the base Board fee was increased by $40,000 per annum to a total of $160,000, while Committee fees were reduced from $15,000 per member to $7,500 and Committee Chair fees were reduced to $15,000 from $30,000.

Table 6.1: Components of Non-executive Director Remuneration

Component	**Explanation**
Board fees	Current base fees per annum are: • US$160,000 for non-executive Directors other than the Board Chairman and the resident Australian Directors (US$120,000 to 1 September 2017); • US$300,000 for the Board Chairman; and • AUS$200,000 for the resident Australian Directors.
Committee fees	Current committee fees for non-executive Directors (other than the Board Chairman) are: • US$7,500 annually for committee members (US$15,000 up to 1 September 2017); and • US$15,000 annually for committee chairs (US$30,000 up to 1 September 2017). Where the Board Chairman sits on a committee, he or she does not receive any additional fee.
Other fees/benefits	Non-executive Directors are entitled to be reimbursed for all reasonable out-of-pocket expenses incurred in carrying out their duties, including travel costs. The Board Chairman also is entitled to reimbursement for office and secretarial support. Non-executive Directors may also, with the approval of the Board, be paid additional fees for extra services or special exertions for the benefit of the Company. Non-executive Directors are not entitled to receive any performance-related remuneration, such as short-term or long-term incentives. During the term Mr Randolph serves as the Executive Chairman he is eligible to participate in the Company’s medical and dental plans.
Post-employment benefits	Compulsory superannuation contributions for Australian-resident non-executive Directors are included in the base fee and additional committee fees set out above. Non-executive Directors do not receive any retirement benefits other than statutory superannuation contributions. During the term Mr Randolph serves as the Executive Chairman he is eligible to participate in the Company’s 401(k) retirement plan, including receiving a 3% matching contribution by the Company up to a maximum of US$8,100 per annum.

6.2 NON-EXECUTIVE SHAREHOLDING GUIDELINE

In 2015, the Board implemented a shareholding guideline requiring non-executive Directors to be paid 50% of their base fees in Company shares and hold these shares for a minimum of one year. With the completion of the recapitalization this practice was suspended effective 1 September 2017.

6.3. NON-EXECUTIVE DIRECTOR SHARE ACQUISITION PLAN

In February 2008, the Remuneration Committee recommended, and the Board approved, the establishment of a non-executive Director Share Acquisition Plan ("NEDSAP") as foreshadowed in the Company's prospectus.

The NEDSAP is a fee sacrifice plan in which only non-executive Directors may participate. Participation in the NEDSAP is voluntary and non-executive Directors may elect to sacrifice up to 100% of their pre-tax base and committee fees to acquire ordinary shares at the prevailing market price.

Shares acquired under the NEDSAP will be subject to a holding lock for up to 10 years, during which they are unable to deal with their shares. The holding lock may be removed in certain circumstances, including a cessation of Directorship.

No shares were purchased under this plan during the year ended 31 December 2017.

6.4. DETAILS OF REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of non-executive Directors' remuneration for the year ended 31 December 2017 and 2016 are set out in the table below.

Table 6.4: Non-executive Director Remuneration

	Fees (incl. committee fees) [1] US$	Superannuation contributions [2] US$	Shares US$	Total US$
Marcus Randolph [3]				
2017	538,906 [3]	8,100	166,664	713,670
2016	1,159,975 [3]	7,950	250,000	1,417,925
Bret Clayton [4]				
2017	100,000	-	40,000	140,000
2016	105,000	-	60,000	165,000
Kyle Cruz [5]				
2017	-	-	-	-
Peter Day [6]				
2017	91,324	8,676	40,000	140,000
2016	95,891	9,109	60,000	165,000
Lawrence First [7]				
2017	-	-	-	-
Jason Ireland [8]				
2017	51,710	-	-	51,710
James Kern [9]				
2017	41,875	-	-	41,875
Jonathan Lewinsohn [10]				
2017	-	-	-	-
2016	-	-	-	-
Jeffrey Long [11]				
2017	80,000	-	40,000	120,000
2016	75,000	-	60,000	135,000
Gretchen McClain				
2017	138,958	-	40,000	178,958
2016	75,000	-	60,000	135,000
Rex McLennan [12]				
2017	114,000	-	40,000	154,000
2016	117,000	-	60,000	177,000
Deborah O'Toole [13]				
2017	78,539	7,461	40,000	126,000
2016	68,493	6,507	60,000	135,000
Matthew Sheahan [14]				
2017	-	-	-	-
Robert Smith [15]				
2017	51,710	-	-	51,710
Conor Tochilin [16]				
2017	-	-	-	-
Richard Wallman [17]				
2017	57,083	-	-	57,083
Eric Waxman [18]				
2017	-	-	-	-

(1) Please refer to Table 6.1 above for details of the annual non-executive Director base fees and committee fees. Some Director's 2017 fees also include a special exertion fee paid in 2017.
(2) Includes compulsory superannuation guarantee payments to Australian-resident Directors which are deducted from their base and additional committee fees.
(3) Includes director fees, cash salary and performance bonus. In consideration for acting as interim CEO and Executive Chair, Mr Randolph received a cash salary of US$360,570 and performance bonus of US$45,000 in 2017 and cash salary of US$509,975 and performance bonus of US$500,000 in 2016.
(4) Mr. Clayton resigned as of 1 September 2017.
(5) Mr Cruz was appointed effective 1 September 2017. He is an employee of Centerbridge and receives no Director fees.
(6) Mr Day resigned as of 1 September 2017.
(7) Mr First was appointed effective 1 September 2017 and resigned effective 20 February 2018. He is an employee of Ascribe Capital and received no Director fees.
(8) Mr Ireland was appointed effective 1 September 2017.
(9) Mr Kern was appointed as an alternate director for Mr. First effective 29 September 2017 and was appointed as a director effective 20 February 2018.
(10) Mr Lewinsohn resigned as of 20 January 2017. He is an employee of Centerbridge and received no Director fees.
(11) Mr Long resigned as of 1 September 2017.
(12) Mr Rex McLennan resigned as of 1 September 2017.
(13) Ms O'Toole resigned as of 1 September 2017.
(14) Mr Sheahan was appointed effective 1 September 2017 and resigned 29 September 2017. Mr Sheahan is an employee of Ares Management and received no Director fees.
(15) Mr Smith was appointed effective 1 September 2017.
(16) Mr Tochilin was appointed effective 20 January 2017 and resigned 1 September 2017. Mr Tochilin is an employee of Centerbridge and received no Director fees.
(17) Mr Wallman was appointed effective 1 September 2017.
(18) Mr Waxman was appointed effective 29 September 2017. He is an employee of Ares Management and receives no Director fees.

BOARD OF DIRECTORS

A brief summary of the Directors' work experience and qualifications is as follows.

Marcus Randolph

Marcus Randolph was appointed a Director of the Company and Chair on 23 February 2015. Mr Randolph has served more than 35 years in the mining industry in a variety of global, senior executive roles. Most recently, he was Chief Executive of BHP Billiton's Ferrous and Coal business from July 2007 to September 2013, located in Melbourne, and was a member of BHP's Group Management Committee.

Prior to that role, he also held several other senior executive roles at BHP, including as its Chief Organisation Development Officer, President Diamonds and Specialty Products, Chief Development Officer Minerals and Chief Strategic Officer Minerals. His earlier career includes Chief Executive Officer, First Dynasty Mines, Mining and Minerals Executive, Rio Tinto Plc, Director of Acquisitions and Strategy, Kennecott Inc., General Manager Corporacion Minera Nor Peru, Asarco Inc., and various mine operating positions in the US with Asarco Inc.

Mr Randolph holds a Bachelor of Sciences degree in Mining Engineering from the Colorado School of Mines in the United States and also holds a Master's in Business Administration from Harvard University.

Kyle Cruz

Kyle Cruz was appointed a Director of the Company on 1 September 2017. He is a member of the Remuneration and Nominations Committee. Mr Cruz is a Senior Managing Director at Centerbridge Partners, L.P., the Company's largest shareholder and investor. Prior to joining Centerbridge in 2007, he served as Vice President at Diamond Castle Holdings, a private equity firm founded by former senior professionals of DLJ Merchant Banking (DLJMB).

Previously, he worked as an Associate at DLJMB and J.W. Childs Associates, a Boston-based private equity firm. He began his career as an analyst in the Mergers and Acquisitions department of Goldman Sachs.

Jason Ireland

Jason Ireland was appointed a Director of the Company on 1 September 2017. He is a member of the Remuneration and Nominations Committee. Mr Ireland is the Head of McGrath Nicol's Advisory Business and is based in Sydney, Australia. He has over 24 years of experience in strategic reviews and implementation of performance improvement and restructuring initiative across a range of industries. In the past five years, he has spent considerable time in the mining services sector, advising boards and financiers on operations in key mining regions around the world. Prior to joining McGrath Nicol in 2006, Mr Ireland was a Senior Manager at KPMG.

Mr Ireland holds a Bachelor of Business from Charles Sturt University and is a member of the Institute of Chartered Accountants in Australia.

James Kern

James Kern was appointed as a Director of the Company on 20 February 2018. He is a member of the Audit, Safety & Risk Committee. Mr Kern has served as Managing partner of Majestic Ventures 1 LLC, a consulting and investment partnership focused on early stage growth companies, since 2014, In addition, he currently serves on boards of THL Credit Inc. (NASDAZ), a middle market lending company, PlaySight Interactive, an Israeli-based sports data analytics business and Basic Energies Services (NYSE), an oilfield services company.

From 2010 to 2014, Mr Kern was a Managing Director at Nomura Securities, serving as Head of Global Finance Financial Institution Group ("FIG") and Specialty Finance Investment Banking for the Americas. He previously served as Managing Director at J. P. Morgan securities within the FIG practice and was focused on Asset Management and Specialty Finance clients. From 1994-2008, he was a Senior Managing Director at Bear Stearns, where he held several positions, including Head of Strategic Finance-FIG, head of Corporate Derivatives and was a founding member of the firm's Structured Equity Products group.

Mr Kern has a B.S. from the Marshall School of Business at the University of Southern California.

Gretchen McClain

Gretchen W. McClain was appointed a Director of the Company on 15 November 2015. She is the Chairperson of the Remuneration and Nominations Committee and is also a member of the Audit, Safety & Risk Committee. She has more than 25 years of global experience in both Fortune 500 corporations and government service, including serving as founding CEO of an S&P 500 global water technology company, Xylem Inc., and NASA's Chief Director of the International Space Station. Ms. McClain brings extensive business, developmental, strategic and technical expertise having served a broad industrial market.

McClain serves as a Board of Director for publicly traded companies: AMETEK, Inc., Booz Allen Hamilton Holding Corporation, and Boart Longyear Limited, and a private family owned business, J.M. Huber Corp and serves as an Advisor to EPIC Ventures. Through her own consulting practice, she provides leadership and business services to executives, frequently working with start-up businesses and private equity firms.

She graduated from the University of Utah with a B.S. in Mechanical Engineering and received the University's prestigious Founders Award in 2015. McClain was inducted into the Utah Technology Council Hall of Fame and is the first woman to receive this honor.

Jeffrey Olsen

Jeffrey Olsen was appointed President and Chief Executive Officer on 1 March 2016 after serving as Chief Financial Officer since 2014. Before joining Boart Longyear, he served as Chief Commercial Officer for Rio Tinto's Iron & Titanium business since 2010. Prior to that time, he was Chief Financial Officer for Rio Tinto's Borax and Minerals divisions for approximately eight years, and held other financial roles at Rio Tinto. Mr Olsen's experience also includes financial roles at General Chemical Corporation and Xerox Corporation in the United States.

Mr Olsen holds a Bachelor's of Arts from the University of Utah and a Master of Business Administration from the Simon School of Business at the University of Rochester.

Robert Smith

Robert Smith was appointed a Director of the Company on 1 September 2017. He is a member of the Audit, Safety & Risk Committee. Mr Smith is a Partner of McGrath Nicol. Based in Melbourne, Australia, he specializes in business restructuring and performance improvement and has led numerous complex assignments often involving prominent listed entities and/or multi-lender banking syndicates. Mr. Smith's experience covers a wide variety of industries, including mining and mining services, energy, power and utilities, manufacturing, retail, media, information technology and financial services. Prior to joining McGrath Nicol in 2009, Mr. Smith was an Associate Director in Ernst & Young's Transaction and Assurance divisions. Mr. Smith began his career as an accountant with Arthur Andersen.

Mr Smith is a Member of Chartered Accountants Australia and New Zealand, a Member of the Australian Institute of Company Directors and a Registered Liquidator. He holds a Bachelor of Commerce from the University of Melbourne and a Graduate Diploma in Applied Finance and Investment.

Richard Wallman

Richard Wallman was appointed a Director of the Company on 1 September 2017 and is Chairperson of the Audit, Safety and Risk Committee. Mr Wallman's distinguished career includes senior executive roles in finance, as well as non-executive director roles at several large, publicly listed US companies. His executive experience includes serving as the Chief Financial Officer and Senior Vice President at Honeywell International, Inc. and its predecessor, AlliedSignal, from 1995 until his retirement in 2003. He also has held senior financial positions with the IBM Corporation and Chrysler Corporation and worked at Ford Motor Company earlier in his career.

Mr Wallman currently is a non-executive director of Roper Technologies, Inc. (NYSE), Charles River Laboratories International, Inc. (NYSE), Wright Medical Group, Inc. (NASDAQ) and Extended Stay America, Inc (NYSE).Mr Wallman holds a Bachelor of Engineering degree from Vanderbilt University in the United States and also holds a Master's in Business Administration from the University of Chicago.

Eric Waxman

Eric Waxman was appointed a Director of the Company on 29 September 2017. He is a member of the Remuneration and Nominations Committee. Mr Waxman is a Senior Advisor within Ares Management L.P.'s ("Ares") Private Equity Group. Mr Waxman works on both the acquisition and disposition of Ares portfolio assets and assists Ares portfolio companies in dealing with a range of significant legal issues, including corporate governance, regulatory inquiries and litigation. Prior to joining Ares in 2016, he was a partner at Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates, where he practiced for more than 30 years.

Mr Waxman holds a B.A. from the University of California Los Angeles in Economics and a J.D. from the University of California Davis School of Law.

COMPANY SECRETARIES

Fabrizio Rasetti was appointed Company Secretary on 26 February 2007. He joined Boart Longyear in April 2006. Prior to that time, he worked at SPX Corporation (New York Stock Exchange), where he held various management roles in the legal department and for business development over a period of almost nine years. He also worked in the private law firms of Howrey & Simon and Towey & Associates in Washington, DC. He received his BS in Foreign Service and J.D. from Georgetown University.

Robert Closner was appointed Vice President, General Counsel in October 2017 and later appointed as Company Secretary on 7 December 2017. He began his career as an associate at one of the leading law firms in Toronto, Canada and prior to joining Boart Longyear served as the General Counsel and Corporate Secretary of Ivernia Inc. Since joining the Company in 2008, Mr Closner has served in several key leadership positions for Boart Longyear as Regional General Counsel, most recently responsible for the Americas where he oversaw compliance matters, provided legal guidance and corporate commercial support. Prior to his Vice President appointment, Mr Closner held the position of Interim Chief Commercial Officer. Mr Closner received a Bachelor of Arts in Economics and Political Science from McGill University in Montreal, Quebec and attained his Juris Doctorate in Law from Queen's University in Kingston, Ontario.

Philip Mackey was appointed Company Secretary on 29 January 2016. He has over three decades of company secretarial and commercial experience and is a member of the Company Matters' secretariat team. Previously, he served as Company Secretary of ASX & SGX dual listed Australand Group Limited and Deputy Company Secretary of AMP Limited. Mr Mackey's commercial experience includes appointment as Chief Operating Officer (Specialised Funds) of Babcock & Brown and at Bressan Group. He is a Fellow of Governance Institute Australia and a Graduate Member of the Australian Institute of Company Directors.

DIRECTORS' MEETINGS

The following tables set out for each Director the number of Directors' meetings (including meetings of Board committees) held and the number of meetings attended by each Director during the financial year while he/she was a Director or committee member. The tables do not reflect the Directors' attendance at committee meetings in an "ex-officio" capacity. The tables also do not reflect special or informal meetings of the Board or its committees.

Pre Recapitalisation (Jan to Sep 2017)

	Board of Directors		Special Board Meetings [1]		Remuneration Committee		Audit, Compliance & Risk Committee [2]		Environment, Health & Safety Committee [2]		Board Status Change
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	During 2017
Bret Clayton	5	5	15	15			3	3	2	2	Retired 1 September 2017
Peter Day	4	5	15	14	3	3	3	3			Retired 1 September 2017
Jonathan Lewinsohn	0	0	2	2							Retired 20 January 2018
Jeffrey Long	5	5	15	12					2	2	Retired 1 September 2017
Gretchen McClain	5	5	15	14	3	3					
Rex McLennan	5	5	15	13			3	3	2	2	Retired 1 September 2017
Deborah O'Toole	5	5	15	14	3	3					Retired 1 September 2018
Marcus Randolph	5	5	15	15							
Jeffrey Olsen	5	5	15	14							Appointed 1 March 2016

Post Recapitalisation (Sep to Dec 2017)

	Board of Directors		Remuneration Committee		Audit, Safety & Risk Committee [2]		Board Status Change
	Held	Attended	Held	Attended	Held	Attended	During 2017
Kyle Cruz	3	3	2	2			Appointed 1 September
Lawrence First	3	0					Appointed 1 September
Jason Ireland	3	3	2	2			Appointed 1 September
James Kern	3	3			1	1	Appointed 29 September
Gretchen McClain	3	3	2	2	1	1	
Marcus Randolph	3	3					
Robert Smith	3	3			1	1	Appointed 1 September
Richard Wallman	3	2			1	1	Appointed 1 September
Eric Waxman	3	3	2	2			Appointed 29 September
Jeffrey Olsen	3	3					

(1) Special Board Meetings were held during 2017 to discuss the recapitalisation and other relevant topics.
(2) The Board combined the Audit, Compliance & Risk and the Environment, Health & Safety committees into a single committee called the Audit, Safety & Risk Committee following the recapitalisation.

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares, debentures, and rights or options over shares or debentures of the Company or a related body corporate as at the date of this report.

	Fully paid ordinary shares	Rights offering ordinary shares	Rights and options	Total
Marcus Randolph	10,328,767	-	-	10,328,767
Kyle Cruz	-	-	-	-
Lawrence First	-	-	-	-
Jason Ireland	-	-	-	-
James Kern	-	-	-	-
Gretchen McClain	1,966,062	-	-	1,966,062
Robert Smith	-	-	-	-
Richard Wallman	-	-	-	-
Eric Waxman	-	-	-	-

The Board adopted a non-executive Director shareholding guideline which recommends that non-executive Directors acquire and hold at least 30,000 Company shares within five years of their appointment. The target share amount was established to be roughly equivalent to one year's Directors' fees and was based on the value of the Company shares at the time. The target shareholding amount may be adjusted from time to time to track movements in the Company's share price.

GRANTS OF SHARES, RIGHTS OVER SHARES AND OPTIONS GRANTED TO DIRECTORS AND EXECUTIVES

At the Company's 2015 general meeting, shareholders approved a change to the remuneration structure for the Company's non-executive Directors to further improve alignment with shareholders and preserve cash. Effective 1 July 2015, Directors were required to receive 50% of their annual base fees in ordinary shares of Company stock. The Directors are not able to trade the shares, net of sales to cover income taxes, for a period of twelve months following their allocation. Shares granted to non-executive Directors and the Executive Chairman in lieu of their base fees are set out in Table 5.3.1 of the Remuneration Report. Prior to the implementation of the revised remuneration structure for non-executive Directors, no shares or rights over shares of the Company were granted to non-executive Directors since the Company's initial public offering in April 2007.

Shares and rights granted to executives of the Company are included in the Remuneration Report. As detailed more fully in the Remuneration Report, the Company has at various times in 2009, 2010 and 2014 granted options to former and current members of senior management. 345,000 of these options granted in June 2009 vested in accordance with their terms and expired in June 2014, with none having been exercised. 25,000 of these options granted in March 2010 vested in accordance with their terms and expire in March 2015. 891,561 of these options granted in March and April of 2014 vested in accordance with their terms and expire in March and April of 2024. No shares or interests have been issued during the financial year as a result of the exercise of options.

DIRECTORS' AND OFFICERS' INTERESTS IN CONTRACTS

Except as noted herein, no contracts involving Directors' or officers' interests existed during, or were entered into, since the end of the financial year other than the transactions detailed in Note 30 to the financial statements.

INDEMNIFICATION OF DIRECTORS AND OFFICERS AND AUDITORS

The Directors and officers of the Company are indemnified by the Company to the maximum extent permitted by law against liabilities incurred in their respective capacities as Directors or officers. In addition, during the financial year, the Company paid premiums in respect of contracts insuring the Directors and officers of the Company and any related body against liabilities incurred by them to the extent permitted by the Corporations Act 2001. The insurance contracts prohibit disclosure of the nature of the liability and the amount of the premium.

The Company has not paid any premiums in respect of any contract insuring Deloitte Touche Tohmatsu against a liability incurred in the role as an auditor of the Company.

EXECUTIVE MANAGEMENT TEAM

A brief summary of the Executive Management Team's work experience and qualifications is as follows.

Jeffrey Olsen

Mr Olsen's experience and qualifications are summarised above on page 56.

Denis Despres

Denis Despres was appointed the Company's Chief Operating Officer on 6 September 2016. He began his career with Boart Longyear in 1981 and held various positions with progressive responsibility in the Company's drilling services and products divisions over the next 26 years, including as Senior VP, Drilling Services. After leaving Boart Longyear in 2007, Mr Despres founded his own drilling business, which was acquired by Major Drilling in 2010. He most recently served as Major's Chief Operating Officer prior to rejoining Boart Longyear.

Mr Despres studied in Ontario, Canada, and received a diploma in mechanical engineering technology from Algonquin College, a Bachelor of Engineering from Lakehead University and a Master of Business Administration from Queen's University, all of which are in Ontario, Canada.

Brendan Ryan

Brendan Ryan was appointed Chief Financial Officer on 6 September 6 2016. Mr Ryan's experience includes over 24 years within the mining industry, spent predominantly with Rio Tinto and Shell / Anglo Coal, working in a variety of key commercial and operating roles. Prior to a year working with Private Equity, Mr Ryan held the role of Global Head of Business Evaluation for Rio Tinto in London where he was accountable for managing the group capital planning and allocation process. Earlier roles during his 13 years with Rio Tinto included Head of Business Development for the Rio Tinto Copper & Diamonds Group in London, VP Projects & Expansion at Kennecott Utah Copper in Salt Lake City, as well as other Business Evaluation and Business Analysis roles in London and Australia.

Mr Ryan holds a Master's of Business Administration from the University of Oxford, UK as well as a Bachelor of Engineering (Mining) honors degree from the University of Queensland, Australia.

Robert Closner

Mr Closner's experience and qualifications are summarised above on page 57.

Kari Plaster

Kari Plaster was appointed Vice President of Human Resources on 30 October 2017. Most recently, Ms Plaster served as CEO and Founder of Kindling Potential, a private coaching and consulting business using brain based strategies from the Neuroleadership Institute. Prior to this, Ms Plaster held several senior HR roles within Rio Tinto including General Manager, Leadership Model; VP HR, HSE Governance and External Relations; and Americas Director, Capability Development. She has worked in many different locations and businesses including Kennecott Utah Copper, US Borax and Iron Ore Company of Canada.

Ms Plaster holds a Bachelor of Science Degree from Boise State University in Criminal Justice Administration, and has designed and attended several senior leadership programs for Rio Tinto in cooperation with Duke's Corporate Education Programs.

AUDITOR

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 64 of this report.

NON-AUDIT SERVICES

Details of amounts paid or payable for non-audit services provided during the year by the auditor are outlined in Note 8 to the financial statements.

The auditor of Boart Longyear Limited is Deloitte Touche Tohmatsu. The Company has employed Deloitte Touche Tohmatsu on assignments additional to their audit duties where their expertise and experience with the Company are important. These assignments principally have been related to tax advice and tax compliance services, the magnitude of which is impacted by the global reach of the Company.

The Company and its Audit, Safety & Risk Committee (Audit Committee) are committed to ensuring the independence of the external auditor. Accordingly, significant scrutiny is given to non-audit engagements of the external auditor. The Company has a formal pre-approval policy that requires the pre-approval of non-audit services by the Chairman of the Audit Committee. Additionally, the total annual fees for such non-audit services cannot exceed the auditor's annual audit fees without the approval of the Audit Committee. The Audit Committee believes that the combination of these two approaches results in an effective procedure to control services performed by the external auditor.

None of the services performed by the auditor undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and are of the opinion that the services, as disclosed in Note 8 to the financial statements, do not compromise the external auditor's independence.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial year.

ROUNDING OF AMOUNTS

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

REMUNERATION

The Remuneration Report is included beginning at page 21 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Marcus Randolph
Chairman

28 February 2018

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
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Perth WA 6837 Australia

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

28 February 2018

Dear Directors

Boart Longyear Limited

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

As lead audit partner for the audit of the financial statements of Boart Longyear Limited for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Boart Longyear Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Liquidity At 31 December 2017, the Group has net liabilities of $259.0 million and net current assets of $107.8 million. As referred to below the Group completed the debt recapitalisation on 1 September 2017. The Group continues to manage its liquidity closely as disclosed in Note 1. This requires the achievement of budgets and cash flow forecasts which include assumptions about future cash flows and forecast results, which are uncertain.	Our audit procedures included, but were not limited to: • Assessing the process undertaken by management to develop the budget and cash flow forecasts for the 15 months period ending 30 June 2019 ('FY18/FY19') • Evaluating the key assumptions underlying the FY18/FY19 budget • Assessing the quantum and timing of forecast cash flows • Performing sensitivity analysis on the forecast cash flows, with reference to available cash balances and forecast cash flows from operating activities • Evaluating performance in the period from year end to audit opinion date against the FY18/FY19 budget • Assessing the appropriateness of the disclosures included in Note 1 to the financial statements.
Accounting for debt recapitalisation On 1 September 2017 the Group completed the debt recapitalisation which achieved three primary objectives – reduced debt, improved liquidity and extended the maturities of the remaining debt. The Group was required to issue certain equity instruments in order to extinguish $196.0 million of debt, reduce the interest cost through a reduction in rates and extend the maturities of the remaining debt to December 2022. The accounting for the debt recapitalisation required a significant level of judgement the basis of which is disclosed in Note 21.	Our audit procedures included, but were not limited to: • Reading relevant agreements and supporting documents in relation to the terms of the debt recapitalisation • Assessing the accounting treatment in conjunction with the requirements of Australian Accounting Standards • Challenging management's assessment with respect to the conclusion that the fair value of the equity instruments issued could not be reliably estimated and the face value of the recapitalised debt was equal to fair value at the transaction date • Testing that the necessary accounting entries were appropriately recorded in the Group's financial records • Testing on a sample basis the costs incurred to supporting documentation • Assessing the appropriateness of the disclosures included in Note 21 of the financial statements.

Carrying value of goodwill	

As disclosed in Note 18, the Group has goodwill of \$101.2 million which relates solely to the North America Drilling Services Cash Generating Unit (‘CGU’).
 	
AASB 136 requires goodwill to be tested for impairment on an annual basis and the Group’s testing date is 31 December.
 	
The evaluation of the recoverable amount (based on a Value in Use model) of the goodwill in the North America Drilling Services CGU requires significant judgement in determining the key assumptions including those relating to forecast revenue, gross margin, expenses, working capital, capital expenditure and discount rates applicable to the specific CGU.
	Our procedures included but were not limited to:
	• Understanding the process that management has undertaken to assess the recoverable amount of the goodwill
	• Assessing management’s determination of the Group’s CGUs based on our understanding of the nature of the Group’s business and the economic environment in which the segments operate
	• In conjunction with our corporate finance specialists, challenging the Group’s significant inputs, assumptions and estimates used as described in Note 18 to determine the recoverable value of the goodwill in the North America Drilling Services CGU including:
	  o forecast revenue, gross margin, expenses, working capital, capital expenditure by reference to actual results in the current period and approved budgets for the forecast period; and
	  o discount rates by reference to external data and Deloitte developed discount rates
	• Testing, on a sample basis, the mathematical accuracy of the cash flow model
	• Performing sensitivity analysis in relation to key assumptions, with particular focus on the gross margin, discount rate and terminal growth rate assumptions
	• Assessing the appropriateness of the disclosures included in Note 18 to the financial statements.

Taxation	
The Group operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including application of transfer pricing rules, indirect taxes, and transaction-related tax matters as disclosed in Note 11 and 27. At 31 December 2017, the Group has recorded an income tax expense of $6.9 million, current and non-current tax receivables of $1.7 million and $18.0 million, net current tax payables of $99.6 million and net deferred tax assets of $7.2 million and has disclosed its assessment of tax-related contingent liabilities in Notes 11 and 27. As disclosed in Note 11, the Group is under tax audit in Canada. The above matters give rise to complexity and uncertainty in respect of the determination of income taxes and deferred income tax assets as well as in the consideration of contingent liabilities associated with tax years open to audit. This requires significant judgement in estimating tax exposures and/or contingent liabilities.	Our procedures performed in conjunction with relevant tax specialists, included but were not limited to: • Obtaining an understanding of the process that management has taken to determine the taxation balances recognised in the financial report • Assessing the appropriateness of the treatment of selected specific transactions in the Group's tax expense calculations • Evaluating the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future taxable income to support the recognition of deferred income tax assets with reference to forecast taxable income • Evaluating the consistency of the forecast used by management to derive forecast taxable income to support the recognition of deferred tax assets against the forecast used for assessing the carrying value of intangible assets and property, plant and equipment • Challenging and evaluating management's assessment of uncertain tax positions including contingent liabilities and conclusions on complex tax arrangements through enquiries of the Group Taxation department, obtaining and considering the Group's correspondence with local tax authorities and advice received from third parties • Considering the adequacy of the Group's disclosures regarding current and deferred taxes, uncertain tax positions and tax-related contingencies.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 54 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Boart Longyear Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A Richards

A T Richards
Partner
Chartered Accountants
Perth, 28 February 2018

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards, and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

The Directors draw the reader's attention to Note 1 on page 77 concerning the going concern basis of preparation of the financial report.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Marcus Randolph
Chairman

28 February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2017 US$'000	2016 US$'000
Continuing operations			
Revenue	3	739,063	642,404
Cost of goods sold		(628,461) [1]	(556,569) [1]
Gross margin		110,602	85,835
Other income	4	6,637	8,939
General and administrative expenses		(152,858) [1]	(108,842) [1]
Sales and marketing expenses		(27,449) [1]	(28,394) [1]
Other expenses	4	(24,679)	(18,360)
Operating loss		(87,747)	(60,822)
Interest income	5	1,783	2,486
Finance costs	5	(57,155)	(72,713)
Loss before taxation		(143,119)	(131,049)
Income tax expense	11	(6,925)	(25,790)
Loss for the year attributable to equity holders of the parent		(150,044)	(156,839)
Loss per share:			
Basic loss per share	12	(1.6) cents	(16.8) cents
Diluted loss per share	12	(1.6) cents	(16.8) cents
Other comprehensive loss			
Loss for the year attributable to equity holders of the parent		(150,044)	(156,839)
Items that may be reclassified subsequently to profit or loss			
Exchange gain (loss) arising on translation of foreign operations		18,543	364
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss) gain related to defined benefit plans	23	7,791	(6,075)
Income benefit (tax) on income and expense recognised directly through equity		(752)	1,116
Other comprehensive loss for the year, net of tax		25,582	(4,595)
Total comprehensive loss for the year attributed to equity holders of the parent		(124,462)	(161,434)

(1) In the current period significant items have not been separately presented but have been included in the relevant line items. Details of items considered to be significant are included in note 7.

See accompanying Notes to the Consolidated Financial Statements included on pages 77 to 126

Consolidated Statement of Financial Position

As at 31 December 2017 — **BOART LONGYEAR LIMITED**

	Note	2017 US$'000	2016 US$'000
Current assets			
Cash and cash equivalents	**31**	43,758	59,343
Trade and other receivables	**13**	131,861	107,898
Inventories	**14**	174,375	165,020
Current tax receivable	**11**	1,657	4,399
Prepaid expenses and other assets		13,749	13,604
		365,400	350,264
Asset classified as held for sale	**16**	530	5,923
Total current assets		365,930	356,187
Non-current assets			
Property, plant and equipment	**17**	118,130	127,660
Goodwill	**18**	101,196	100,036
Other intangible assets	**19**	34,109	43,920
Deferred tax assets	**11**	20,597	19,465
Non-current tax receivable	**11**	18,033	19,035
Other assets		15,134	10,326
Total non-current assets		307,199	320,442
Total assets		673,129	676,629
Current liabilities			
Trade and other payables	**20**	138,248	126,589
Provisions	**22**	19,451	13,014
Current tax payable	**11**	99,590	94,577
Loans and borrowings	**21**	794	140
Total current liabilities		258,083	234,320
Non-current liabilities			
Loans and borrowings	**21**	641,884	734,987
Deferred tax liabilities	**11**	13,439	18,884
Provisions	**22**	18,720	25,941
Total non-current liabilities		674,043	779,812
Total liabilities		932,126	1,014,132
Net liabilities		**(258,997)**	**(337,503)**
Equity			
Issued capital	**24**	1,468,758	1,263,798
Reserves		(101,135)	(117,686)
Other equity		(137,182)	(137,182)
Accumulated losses		(1,489,438)	(1,346,433)
Total deficiency in equity		**(258,997)**	**(337,503)**

See accompanying Notes to the Consolidated Financial Statements included on pages 77 to 126

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Other [1] equity US$'000	Accumulated losses US$'000	Total attributable to owners of the parent US$'000
Balance at 1 January 2016	1,262,431	(131,025)	10,212	(137,182)	(1,184,635)	(180,199)
Loss for the period	-	-	-	-	(156,839)	(156,839)
Other comprehensive loss for the period - net of tax	-	364	-	-	(4,959)	(4,595)
Total other comprehensive loss	-	364	-	-	(161,798)	(161,434)
Shares issued to directors	717	-	-	-	-	717
Vesting of LTIP rights, restricted shares	650	-	(650)	-	-	-
Share-based compensation	-	-	3,413	-	-	3,413
Balance at 31 December 2016	**1,263,798**	**(130,661)**	**12,975**	**(137,182)**	**(1,346,433)**	**(337,503)**
Balance at 1 January 2017	1,263,798	(130,661)	12,975	(137,182)	(1,346,433)	(337,503)
Loss for the period	-	-	-	-	(150,044)	(150,044)
Other comprehensive loss for the period - net of tax	-	18,543	-	-	7,039	25,582
Total other comprehensive loss	-	18,543	-	-	(143,005)	(124,462)
Shares issued	200,464	-	-	-	-	200,464
Shares issued to directors	485	-	(438)	-	-	47
Vesting of LTIP rights, restricted shares	1,642	-	(1,642)	-	-	-
Cancellation of LTIP share rights	2,369	-	(2,369)	-	-	-
Share-based compensation	-	-	2,457	-	-	2,457
Balance at 31 December 2017	**1,468,758**	**(112,118)**	**10,983**	**(137,182)**	**(1,489,438)**	**(258,997)**

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

See accompanying Notes to the Consolidated Financial Statements included on pages 77 to 126

Consolidated Statement of Cash Flows

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Loss for the year		(150,044)	(156,839)
Adjustments provided by operating activities:			
Income tax expense recognised in profit		6,925	25,790
Finance costs recognised in profit	**5**	57,155	72,713
Depreciation and amortisation	**6**	51,108	62,470
Interest income recognised in profit	**5**	(1,783)	(2,486)
Gain on sale or disposal of non-current assets	**6**	(4,385)	(3,807)
Other non-cash items		(15,235)	(18,829)
Shares issued to directors		485	717
Impairment of current and non-current assets		2,175	2,048
Non-cash foreign exchange (gain)/loss		(4,162)	10,309
Equity-settled share-based payments	**6b, 10**	2,457	3,413
Long-term compensation - cash rights	**6b**	2,178	1,830
Changes in net assets and liabilities, net of effects from acquisition and disposal of business:			
(Increase) decrease in assets:			
Trade and other receivables		(19,041)	1,755
Inventories		12,672	21,372
Other assets		(2,680)	7,579
(Decrease) increase in liabilities:			
Trade and other payables		18,323	(16,469)
Provisions		3,444	(12,997)
Cash (used in) provided by operations		(40,408)	(1,431)
Interest paid		(7,384)	(45,296)
Interest received	**5**	1,783	2,486
Income taxes paid		(8,006)	(6,177)
Net cash flows used in operating activities		**(54,015)**	**(50,418)**

See accompanying Notes to the Consolidated Financial Statements included on pages 77 to 126

Consolidated Statement of Cash Flows

		2017 US$'000	2016 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(25,501)	(19,190)
Proceeds from sale of property, plant and equipment		13,791	16,410
Intangible costs paid		(2,850)	(3,173)
Investment in unaffiliated companies		(859)	(1,905)
Net cash flows used in investing activities		**(15,419)**	**(7,858)**
Cash flows from financing activities			
Proceeds from issuance of shares		4,464	-
Payments for debt issuance costs		(2,550)	(82)
Proceeds from borrowings		96,071	25,671
Repayment of borrowings		(51,594)	(8,105)
Net cash flows provided by financing activities		**46,391**	**17,484**
Net decrease in cash and cash equivalents		(23,043)	(40,792)
Cash and cash equivalents at the beginning of the year		59,343	113,357
Effects of exchange rate changes on the balance of cash held in foreign currencies		7,458	(13,222)
Cash and cash equivalents at the end of the year	**31**	**43,758**	**59,343**

See accompanying Notes to the Consolidated Financial Statements included on pages 77 to 126

1. GENERAL INFORMATION

Boart Longyear Limited (the "Parent") is a public company listed on the Australian Securities Exchange Limited (ASX) and is incorporated in Australia. Boart Longyear Limited and subsidiaries (collectively referred to as the "Company") operate in four geographic regions, which are defined as North America, Latin America, Asia Pacific, and Europe/Africa (EMEA).

Boart Longyear Limited's registered office and its principal place of business are as follows:

Registered office	Principal place of business
26 Butler Boulevard	2570 West 1700 South
Burbridge Business Park	Salt Lake City, Utah 84104
Adelaide Airport, SA 5650	United States of America
Tel: +61 (8) 8375 8375	Tel: +1 (801) 972 6430

Basis of Preparation

This financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of applicable accounting standards including Australian interpretations and the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with IFRS. The financial report includes the consolidated financial statements of the Company. For purposes of preparing the consolidated financial statements, the Company is a for-profit entity;

- is presented in United States dollars, which is Boart Longyear Limited's functional and presentation currency. All values have been rounded to the nearest thousand dollars (US'000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191. The financial statements were authorised for issue by the Directors on 28 February 2018;

- applies Accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. These accounting policies have been consistently applied by each entity in the Company;

- is prepared by combining the financial statements of all of the entities that comprise the consolidated entity, Boart Longyear Limited and subsidiaries as defined in *AASB 10 'Consolidated Financial Statements'*. Consistent accounting policies are applied by each entity and in the preparation and presentation of the consolidated financial statements; Subsidiaries are all entities for which the Company (a) has power over the investee (b) is exposed or has rights, to variable returns from involvement with the investee and (c) has the ability to use its power to affect its return. All three of these criteria must be met for the Company to have control over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until such time as the Company ceases to control such entity.

- all inter-company balances and transactions, and unrealised income and expenses arising from inter-company transactions, are eliminated.

- adopts all new and revised accounting standards and interpretations issued by the AASB that are relevant to the Company. The accounting policies and methods of computation are the same as those in the prior annual financial report; and

- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to Note 33 for further details.

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

1. GENERAL INFORMATION (CONTINUED)

Going Concern

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

At 31 December 2017, the Company has net liabilities of $259.0 million (2016: net liabilities of $337.5 million as at 31 December). The decrease in net liabilities is mainly a result of the equitisation of the 7% Unsecured Notes. At 31 December 2017, the Company has net current assets of $107.8 million (2016: $121.9 million as at 31 December).

In preparing the financial report, the Directors have made an assessment of the ability of the Company to continue as a going concern. The Company's ability to meet its ongoing operational and financing obligations requires the Company to achieve its forecast cash flows by sustaining previously implemented cost reductions, realise cost savings from ongoing and future cost-reduction and actively managing cash flows. The Directors reaffirm that current and expected operating cash flow, cash on hand and available drawings under the Company's asset-based loan facility provide sufficient liquidity to meet its debts as and when they fall due.

Restructure

On 1 September 2017 the Company announced the completion of its recapitalisation, which achieved three primary objectives – reduced debt, improved liquidity and extended maturities. The $284.0 million outstanding principal amount of the 7% Unsecured Notes due 2021 plus accrued and unpaid interest has been reduced by approximately $196.0 million in exchange for ordinary shares. Interest on all debt facilities may be paid in kind (rather than cash) at the Company's election through to December 2018. Maturities on existing debt have been extended until December 2022. Refer to the loans and borrowings note 21 for more information.

The Company remains heavily leveraged even after implementation of the restructuring. While interest on all of the Company's debt facilities (other than the revolving ABL facility with PNC Bank) is payable in kind until December 2018, interest on the 10% Secured Notes is payable in cash thereafter. The Company may therefore be required to dedicate a significant portion of its cash flow from operations to fund the payment of interest in the future, reducing the availability of cash flow to fund working capital, capital expenditures, development activity, acquisitions and other general corporate purposes. The Company's ability to refinance or renew its debt in December 2022, when it is scheduled to come due, will still depend on its ability to generate cash flow and, potentially, other circumstances, such as existing market conditions at the time of refinancing.

Cash flow Forecasts

The Company has prepared detailed cash flow forecasts which incorporate the financial impact of continued actions to address the market environment. In preparing the cash flow forecasts the Company has used best estimate assumptions. The Directors have assessed the Company's cash flow forecasts and revenue projections based on current market conditions and on results achieved to date attributable to ongoing cash-generating actions as well as continuing to evaluate risks and opportunities to this best estimate. Some of the key assumptions underpinning the cash flow forecasts and revenue projections are inherently uncertain and are subject to variation due to factors which are outside the control of the Company. The key assumptions are discussed below.

Market risk

The Company experienced significant declines in financial performance through mid-2016, as a result of declining demand for, and global oversupply of, the Company's services and products. This decline was driven by the global contraction in exploration and development spending across the commodities sector and by mining customers in particular. Despite recent improvements in the market, and increasing revenues, mineral exploration, production and development activities and contract pricing could remain at depressed levels for an extended period of time or decline even further than assumed in the cash flow forecasts, resulting in adverse effects on the Company's operating results, liquidity and financial condition.

1. GENERAL INFORMATION (CONTINUED)

Going Concern (continued)

Operational risk
In response to the recent improvements in the market, the company is seeing higher working capital demand. In order to to meet these working capital and payment obligations, the Company has implemented significant cost savings and cash management initiatives. These initiatives are aggressively managing fixed, variable and capital costs and, in particular, improving operational efficiencies and commercial practices.

The cash flow forecasts assume that the Company is able to maintain and improve on current volumes of work, sustain previously implemented reductions and realise additional cost savings from both ongoing and future cost-reduction and efficiency initiatives.

Other key assumptions
The cash flow forecasts also include a number of other key assumptions, in particular:

- assumptions relating to the timing and outcome of the tax audits detailed in Note 11 of the financial statements,
- that the US dollar remains consistent with current levels, particularly in relation to the Australian and Canadian dollars.

Notwithstanding the uncertainties set out above, the Directors believe at the date of signing of the financial report that there are reasonable grounds to continue to prepare the financial report on the going concern basis.

Key Judgements and Estimates

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

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

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

Note 1	Going Concern
Note 11	Income Tax
Note 14	Inventories
Note 17	Property, Plant and Equipment
Note 18	Goodwill and Other Asset Impairment Considerations
Note 27	Contingent Liabilities

1. GENERAL INFORMATION (CONTINUED)

Foreign Currency

The Company's presentation currency is the US dollar. The financial statements of the Company and its subsidiaries have been translated into US dollars using the exchange rates at each balance sheet date for assets and liabilities and at an average exchange rates for revenue and expenses throughout the period. The effects of exchange rate fluctuations on the translation of assets and liabilities are recorded as movements in the foreign currency translation reserve ("FCTR").

The Company determines the functional currency of its subsidiaries based on the currency used in their primary economic environment, and, as such, foreign currency translation adjustments are recorded in the FCTR for those subsidiaries with a functional currency different from the US dollar. The cumulative currency translation is transferred to the income statement when a subsidiary is disposed of or liquidated.

Transaction gains and losses, and unrealised translation gains and losses on short-term inter-company and operating receivables and payables denominated in a currency other than the functional currency, are included in other income or other expenses in profit or loss. Where an inter-company balance is, in substance, part of the Company's net investment in an entity, exchange gains and losses on that balance are taken to the FCTR.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

2. SEGMENT REPORTING

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

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

Segment revenue and results

	Segment Revenue				Segment Profit	
	2017		2016		2017	2016
	US$'000		US$'000		US$'000	US$'000
Drilling Services		500,583		447,656	36,395	10,679
Global Products revenue						
Products third party revenue	238,480		194,748			
Products inter-segment revenue [1]	54,507		57,704			
Total Global Products		292,987		252,452	2,803	4,214
Less Global Product sales to Global Drilling Services		(54,507)		(57,704)		
Total third party revenue		739,063		642,404		
Total segment profit					39,198	14,893
Unallocated costs [2]					(47,259)	(48,230)
Significant items					(79,686)	(27,485)
Finance costs					(57,155)	(72,713)
Interest income					1,783	2,486
Loss before taxation					(143,119)	(131,049)

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

(2) Unallocated costs include corporate general and administrative costs, as well as, other expense items such as foreign exchange gains or losses.

Other segment information

	Depreciation and amortisation of segment assets		Additions to non-current assets [2]	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Global Drilling Services	32,663	40,916	20,805	15,028
Global Products	8,599	9,271	3,904	1,980
Total of all segments	41,262	50,187	24,709	17,008
Unallocated [1]	9,846	12,283	5,657	3,459
Total	51,108	62,470	30,366	20,467

(1) Unallocated additions to non-current assets relate to the acquisition of general corporate assets such as software and hardware.
(2) Non-current assets excluding deferred tax assets.

2. SEGMENT REPORTING (CONTINUED)

Geographic information

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

	Revenue from external customers		Non-current assets [1]	
	2017 US$'000	**2016 US$'000**	**2017 US$'000**	**2016 US$'000**
North America	338,818	297,309	210,440	218,460
Asia Pacific	156,502	157,299	45,476	56,188
Latin America	108,627	85,573	23,054	24,232
EMEA	135,116	102,223	7,632	2,097
Total	739,063	642,404	286,602	300,977

(1) Non-current assets excluding deferred tax assets.

3. REVENUE

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, volume rebates and sales tax. 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.

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

Revenue from services rendered is recognised in the statement of profit and loss and other comprehensive income 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 meters drilled or other services performed 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.

The components of revenue are as follows:

	2017 US$'000	**2016 US$'000**
Revenue from the rendering of services	500,583	447,656
Revenue from the sale of goods	238,480	194,748
	739,063	642,404

There were no customer(s) that contributed 10% or more to the Company's revenue in 2017 and 2016.

4. OTHER INCOME / EXPENSE

The components of other income are as follows:

	2017 US$'000	2016 US$'000
Gain on disposal of property, plant and equipment	4,385	3,807
Gain on foreign currency exchange differences	-	1,616
Gain on disposal of scrap	805	309
Other	1,447	3,207
	6,637	8,939

The components of other expense are as follows:

	US$'000	US$'000
Amortisation of intangible assets	10,657	12,745
VAT write-off	3,323	2,897
Drilling services rework	-	603
Loss on foreign currency exchange differences	6,564	-
Impairment of Fixed Assets	1,936	-
Environmental fees	1,179	-
Other	1,020	2,115
Total other expenses	24,679	18,360

5. INTEREST INCOME / FINANCE COSTS

Interest income is as follows:

	2017 US$'000	2016 US$'000
Interest income:		
Bank deposits	1,783	2,486

Finance costs are as follows:

	2017 US$'000	2016 US$'000
Finance costs:		
Interest on loans and bank overdrafts	52,243	70,643
Amortisation of debt issuance costs	2,012	2,070
Interest on obligations under finance leases	60	-
Total finance costs	54,315	72,713
Finance costs due to debt repayment:		
Write-off of debt issuance costs	2,840	-
	2,840	-
Total finance costs	57,155	72,713

6. LOSS FOR THE YEAR

Loss for the year includes the following:

(a) Gains and losses

Loss for the year includes the following gains and (losses):

	2017 US$'000	2016 US$'000
Gain on disposal of property, plant and equipment	4,385	3,807
Net foreign exchange losses	(6,564)	1,616
Net reversal of bad debt expense	(1,343)	(181)

(b) Employee benefits expenses

	2017 US$'000	2016 US$'000
Salaries and wages	(244,119)	(240,094)
Post-employment benefits:		
Defined contribution plans	(5,751)	(6,497)
Defined benefit plans	(1,902)	(1,337)
Long-term incentive plans:		
Equity-settled share-based payments	(2,457)	(3,413)
Cash rights compensation	(2,178)	(1,830)
Termination benefits	(11,625)	(6,833)
Other employee benefits [1]	(69,827)	(66,540)
	(337,859)	(326,544)

(1) Other employee benefits include items such as medical benefits, workers' compensation, other fringe benefits and state taxes.

(c) Other

	2017 US$'000	2016 US$'000
Depreciation of non-current assets	(39,236)	(48,558)
Amortisation of non-current assets	(11,872)	(13,912)
Operating lease rental expense	(15,753)	(18,180)

7. SIGNIFICANT ITEMS

During 2017, the Company continued to reduce operating costs through a series of restructuring activities. The Company's restructuring efforts included:

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

The Company has incurred costs related to executing the recapitalisation, completed effective 1 September 2017 and its restructuring and cost-reduction plans. These costs include employee separations, exiting leased facilities and impairments of capital equipment related to relocating certain manufacturing activities and resizing the business.

In addition, the Company reassessed the carrying value of certain assets, including goodwill, intangible assets, plant and equipment and inventories, resulting in impairment charges and provisions.

Significant items for the years ended 31 December 2017 and 2016 are, as follows:

	Note	2017 US$'000	2016 US$'000
Recapitalisation costs [1]		50,471	7,456
Impairments:			
Equipment	**17**	136	878
Intangible assets	**19**	26	1,012
Employee and related costs [2]		15,116	8,008
Other restructuring costs [3]		12,175	8,121
Onerous leases		1,762	2,010
		79,686	27,485
Net of tax [4]		78,931	27,189

(1) Recapitalisation costs include fees for legal, finance and other advisory services.
(2) Employee and related costs include separation costs, retention and other employee-related costs.
(3) Other restructuring costs include fees and other advisory costs for business and operational improvement initiatives.
(4) The tax effect was calculated using applicable local country tax rates before application of excess of net operating losses. The net operating losses were largely not benefitted.

Classification of significant items on the income statement for the years ended 31 December 2017 and 2016 are, as follows:

	2017 US$'000	2016 US$'000
General and administrative expenses	76,511	22,096
Cost of goods sold	2,669	3,015
Research and development	189	2,278
Sales and marketing expenses	317	96
	79,686	27,485

7. SIGNIFICANT ITEMS (CONTINUED)

Significant items for the years ended 31 December 2017 and 2016 by business segment are, as follows:

	2017 US$'000	2016 US$'000
Global Drilling Services[1]	6,320	11,209
Global Products[2]	5,316	2,397
Unallocated	68,050	13,879
	79,686	27,485

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

8. REMUNERATION OF AUDITORS

	2017 US$'000	2016 US$'000
Company auditor's remuneration		
Audit and review of the financial report:		
Auditor of the parent entity	974	1,031
Related practices of the parent entity auditor	927	1,136
	1,901	2,167
Non-audit services:		
Review of tax returns	449	489
Tax services	308	360
	757	849
Total remuneration to Company auditor	2,658	3,016
Remuneration to other accounting firms		
Audit services	229	184
Non-audit services:		
Tax services	2,116	2,362
Global mobility	196	342
Accounting and payroll services	363	280
Other	105	83
Total remuneration to other accounting firms	3,009	3,251

Boart Longyear Limited's auditor is Deloitte Touche Tohmatsu. The Company has employed Deloitte Touche Tohmatsu on assignments in addition to their audit duties where their expertise and experience with the Company are important. These assignments principally have been related to tax advice and tax compliance services, the magnitude of which is impacted by the global reach of the Company.

The Board and its Audit, Safety & Risk Committee are committed to ensuring the independence of the external auditor. Accordingly, significant scrutiny is given to non-audit engagements of the external auditor. The Company has a formal pre-approval policy which requires the pre-approval of non-audit services by the Chairman of the Audit Committee. Additionally, the total annual fees for such non-audit services cannot exceed the auditor's annual audit fees without the approval of the Audit Committee. The Audit Committee believes that the combination of these two approaches results in an effective procedure to pre-approve services performed by the external auditor.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to key management personnel of the Company is set out below.

	2017 US$	2016 US$
Short-term employee benefits	4,940,895	4,823,617
Post-employment benefits	65,048	64,670
Other long-term benefits	430,161	1,729,127
Termination benefits	-	321,544
Share-based payments	1,899,097	1,600,722
	7,335,201	8,539,680

10. EMPLOYEE LONG TERM INCENTIVE PAYMENTS

As disclosed in note 34, effective 31 December 2017 the Long Term Incentive Plan (“LTIP”) and Retention Incentive Grant Agreement (“RIGA”) programs were cancelled and replaced by the new Management Incentive Plan (“MIP”). Total share-based expense charged to the profit or loss was $6.2 million in 2017 prior to the LTIP and RIGA plan cancellation.

11. INCOME TAXES

Income Taxes

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

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

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

Current and deferred taxation

Income tax expense includes current and deferred tax expense (benefit) and is recognised in profit or loss except to the extent that 1) amounts relate to items recognised directly in equity, in which case the income tax expense (benefit) is also recognised in equity, or 2) amounts that relate to a business combination, in which case the income tax expense (benefit) is recognised in goodwill.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Management periodically evaluates provisions taken in tax returns with respect to situations in which applicable tax regulation is open to interpretation. The Company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided on all temporary differences for which transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred but have not reversed at the balance sheet date. Temporary differences are differences between the Company's taxable income and its profit before taxation, as reflected in profit or loss, that arise from the inclusion of profits and losses in tax assessments in periods different from those in which they are recognised in profit or loss.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they likely will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to all or part of the deferred tax asset to be realised.

United States of America Tax Cuts and Jobs Act

In the United States, the Tax Cuts and Jobs Act (the Tax Act) was signed into law on 22 December 2017. The Tax Act changed many aspects of U.S. corporate income taxation and included a reduction of the corporate income tax rate from 35% to 21%, and an imposition of a tax on deemed repatriated earnings of foreign subsidiaries. We recognized the tax effects of the Tax Act in the year ended December 31, 2017 and recorded a $5 million tax benefit relating primarily to the remeasurement of deferred tax items to the 21% tax rate. We also recorded a $1 million tax charge related to the tax on deemed repatriated earnings. Upon completion of our 2017 U.S. income tax return in 2018, we may identify additional remeasurement adjustments related to the Tax Act. We will continue to assess our provision for income taxes as future guidance is issued but do not currently anticipate significant revisions will be necessary.

11. INCOME TAXES (CONTINUED)

Tax consolidation

The Company includes tax consolidated groups for the entities incorporated in Australia and the United States. The Parent Entity and its wholly-owned Australian resident entities are part of the same tax-consolidated group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Boart Longyear Limited. Companies within the US group also form a tax-consolidated group within the United States.

Tax expense (benefit) and deferred tax assets/liabilities arising from temporary differences of the members of each tax-consolidated group are recognised in the separate financial statements of the members of that tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity. Tax credits of each member of the tax-consolidated group are recognised by the head entity in that tax-consolidated group.

Entities within the Australian tax-consolidated group have entered into tax-funding arrangements with the head entity. Under the terms of the tax-funding arrangements, the tax-consolidated groups and each of the entities within the tax-consolidated group agrees to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable or payable to other entities in the tax-consolidated group.

Income tax expense is as follows:

	2017 US$'000	2016 US$'000
Income tax expense:		
Current tax expense	13,199	13,217
Adjustments recognised in the current year in relation to the current tax of prior years	664	6,238
Deferred tax (income) expense	(6,938)	6,335
	6,925	25,790

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

	2017	2016
Loss before taxation	(143,119)	(131,049)
Income tax benefit calculated at Australian rate of 30%	(42,936)	(39,315)
Impact of Non-Australia Tax Rates	3,313	2,059
Change In Deferred taxes as result US Tax Law Change [1]	(5,020)	-
Net non-deductible/non-assessable items other	10,832	20,692
Unrecognised tax losses [2]	38,493	31,094
Profit/(Loss) subject to double taxation in the US	211	(4,947)
Withholding tax net of foreign tax credit	3,619	2,035
Recognition of net prior year deferred tax assets	(2,180)	(4,879)
Other	(71)	12,813
	6,261	19,552
Under provision from prior years	664	6,238
Income tax expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	6,925	25,790

(1) On 22 December 2017, the United States of America ("US") enacted the Tax Cuts and Jobs Act (the "TCJA"). Among other things, the TCJA reduces the US federal corporate tax rate from 35% to 21% percent effective on 1 January 2018. The combined federal and state statutory tax rate for the Company's US subsidiaries for the measurement of deferred taxes for 2018 has been estimated at 25%. The Group will continue to monitor various US state law changes in reaction to the TCJA as changes are enacted.

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

11. INCOME TAXES (CONTINUED)

	2017 US$'000	2016 US$'000
Deferred tax recognised in equity:		
Actuarial movements on defined benefit plans	(752)	1,116

(c) Tax assets and liabilities

	2017 US$'000	2016 US$'000
Tax assets:		
Income tax receivable attributable to:		
Parent	(91,015)	(80,971)
Other entities in the tax consolidated group	91,015	80,971
Other entities	19,690	23,434
	19,690 [1]	23,434
Current tax liabilities:		
Income tax payable attributable to:		
Parent	-	-
Entities other than parent and entities in the consolidated group	99,590	94,577
	99,590	94,577

(d) Deferred tax balances

	2017 US$'000	2016 US$'000
Deferred tax comprises:		
Temporary differences	(1,248)	(7,502)
Unused tax losses and credits	8,406	8,083
	7,158	581

(1) The income tax receivable for 2017 is $19.7 million (2016: $23.4 million) of which $1.7 million is classified as current tax receivable and $18.0 million is classified as non-current tax receivable (2016: $4.4 million and $19.0 million respectively).

11. INCOME TAXES (CONTINUED)

2017	Opening balance US$'000	Recognised in income US$'000	FX differences US$'000	Recognised in equity US$'000	Closing balance US$'000
Deferred tax assets (liabilities) temporary differences					
Property, plant and equipment	1,304	2,226	38	-	3,568
Provisions	7,854	(4,756)	228	-	3,326
Doubtful debts	-	64	-	-	64
Other intangible assets	(19,429)	5,544	-	-	(13,885)
Accrued liabilities	1,703	1,561	50	-	3,314
Pension	600	(306)	17	(752)	(441)
Inventories	1,186	719	35	-	1,940
Investments in subsidiaries	(1,500)	1,500	-	-	-
Unrealised foreign exchange	(46)	217	-	-	171
Other	826	(154)	23	-	695
	(7,502)	6,615	391	(752)	(1,248)
Unused tax losses and credits:					
Tax losses	5,717	2,689	-	-	8,406
Foreign tax credits	2,366	(2,366)	-	-	-
	8,083	323	-	-	8,406
	581	6,938	391	(752)	7,158

Presented in the statement of financial position as follows:	
Deferred tax asset	20,597
Deferred tax liability	(13,439)
	7,158

Where deferred tax assets have been recognised, it is considered probable that the Company will generate sufficient future taxable income to utilise the assets.

11. INCOME TAXES (CONTINUED)

2016	Opening balance US$'000	Recognised in income US$'000	FX differences US$'000	Recognised in equity US$'000	Closing balance US$'000
Deferred tax assets (liabilities) temporary differences					
Property, plant and equipment	4,767	(3,362)	(101)	-	1,304
Provisions	8,637	(601)	(182)	-	7,854
Doubtful debts	30	(29)	(1)	-	-
Other intangible assets	(15,246)	(4,183)	-	-	(19,429)
Accrued liabilities	1,056	669	(22)	-	1,703
Pension	79	(593)	(2)	1,116	600
Inventories	3,728	(2,463)	(79)	-	1,186
Investments in subsidiaries	(1,500)	-	-	-	(1,500)
Unrealised foreign exchange	(810)	764	-	-	(46)
Other	1,368	(514)	(28)	-	826
	2,109	(10,312)	(415)	1,116	(7,502)
Unused tax losses and credits:					
Tax losses	4,106	1,611	-	-	5,717
Foreign tax credits	-	2,366	-	-	2,366
	4,106	3,977	-	-	8,083
	6,215	(6,335)	(415)	1,116	581

Presented in the statement of financial position as follows:	
Deferred tax asset	19,465
Deferred tax liability	(18,884)
	581

Unrecognised deferred tax assets	2017 US$'000	2016 US$'000
Tax losses - revenue	228,309	171,488
Unused tax credits	23,089	39,369
Temporary differences	62,633	126,105
	314,031	336,962

$87,679 expires within 3-20 years and $138,630 of the unrecognized deferred tax assets in relation to lax losses (revenue do not expire).

$23,089 expires within 1-10 years of the unrecognised deferred tax assets in relation to unused tax credits.

11. INCOME TAXES (CONTINUED)

Canadian income tax audits

The Company's Canadian income tax returns for the tax years 2007-2012 have been reassessed by the Canada Revenue Agency ("CRA"). These reassessments are being appealed through a multi-national dispute resolution process, known as "competent authority" to prevent the double-taxation of income assessed by multiple jurisdictions. The assessment for the 2007 through 2012 tax years, if upheld, would result in federal and provincial tax liabilities (including interest) of approximately C$109.4 million.

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

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

12. LOSS PER SHARE

	2017 US cents per share	2016 US cents per share
Basic loss per share	(1.6)	(16.8)
Diluted loss per share	(1.6)	(16.8)

Basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2017 US$'000	2016 US$'000
Loss used in the calculation of basic EPS	(150,044)	(156,839)

	2017 '000	2016 '000
Weighted average number of ordinary shares for the purposes of basic loss per share	9,225,868	935,553

Diluted loss per share

The loss used in the calculation of diluted loss per share are as follows:

	2017 US$'000	2016 US$'000
Loss used in the calculation of diluted EPS	(150,044)	(156,839)

	2017 '000	2016 '000
Weighted average number of ordinary shares used in the calculation of diluted EPS	9,225,868	935,553

The following potential shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

	2017 '000	2016 '000
Shares deemed to be issued for no consideration in respect of LTIP share rights	2,270	16,596

13. TRADE AND OTHER RECEIVABLES

Trade receivables are recorded at amortised cost. The Company reviews collectability of trade receivables on an ongoing basis and provides allowances for credit losses when there is evidence that trade receivables may not be collectible. These losses are recognised in the income statement within operating expenses. When a trade receivable is determined to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are recorded in other income in profit or loss.

	2017 US$'000	2016 US$'000
Trade receivables	123,554	94,220
Allowance for doubtful accounts	(1,844)	(1,278)
Goods and services tax receivable	8,229	13,194
Other receivables	1,922	1,762
	131,861	107,898

The ageing of trade receivables is detailed below:

	2017 US$'000	2016 US$'000
Current	90,156	68,591
Past due 0 - 30 days	18,963	14,682
Past due 31 - 60 days	6,338	4,134
Past due 61-90 days	3,338	3,259
Past due 90 days	4,759	3,554
	123,554	94,220

The average credit period on sales of goods is 60 days as at 31 December 2017, compared to 53 days at 31 December 2016. No interest is charged on trade receivables.

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

Credit risk management

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, when appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on accounts receivable. The Company holds security for a number of trade receivables in the form of letters of credit, deposits, and advanced payments.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No derivative financial instruments were entered into during 2017 or 2016.

14. INVENTORIES

Inventories are measured at the lower of cost or net realisable value. The cost of most inventories is based on a standard cost method, which approximates actual cost on a first-in first-out basis, and includes expenditures 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 overhead expenses (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.

Allowances are recorded for inventory considered to be excess or obsolete and damaged items are written down to the net realisable value. Due to the decline in the demand for products, and consumables used in our Global Drilling Services business, and the high inventory balances across the group and the speed at which inventory is turning in the current market, significant judgment is required in determining net realisable value of inventory.

14. INVENTORIES (CONTINUED)

	2017 US$'000	2016 US$'000
Raw materials	28,023	25,726
Work in progress	3,265	3,364
Finished products	143,087	135,930
	174,375	165,020

The Company did not record any additional provisions against inventory for the years ended 31 December 2017 and 2016. Obsolescence provisions were $25.0 million and $36.9 million as at 31 December 2017 and 2016, respectively.

15. FINANCIAL RISK MANAGEMENT

Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Company consists of debt, which includes the loans and borrowings disclosed in Note 21, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves, and accumulated losses/retained earnings.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed throughout these notes.

Of the outstanding loans and borrowings, Centerbridge Partners, L.P. accounted for $190.0 million of Term Loans outstanding and accreted interest of $74.8 million. The backstop ABL of $45.0 million and accreted interest of $1.6 million was provided by Centerbridge Partner, L.P., Ares Management L.P. and Ascribe Capital. There are no significant concentrations of credit risk. The carrying amount reflected above represents the Company's maximum exposure to credit risk for trade and other receivables.

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss is not recognised directly for trade receivables because the carrying amount is reduced through the use of an allowance account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial risk management objectives

The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company seeks to minimise the effects of these risks, where deemed appropriate, by using derivative financial instruments and other non-derivative strategies to manage these risk exposures to interest rate and foreign currency risk, including:

- foreign exchange forward contracts to hedge the exchange rate risk arising from transactions not recorded in an entity's functional currency,
- interest rate swaps to mitigate the risk of rising interest rates; and
- other non-derivative strategies.

Foreign currency risk management

Company subsidiaries undertake certain transactions denominated in currencies other than their functional currency, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters, which may include utilising forward foreign exchange contracts as well as options in addition to non-derivative strategies. The Company did not utilise any derivative instruments during the years ended 31 December 2017 or 2016.

The most significant carrying amounts of monetary assets and monetary liabilities (which include intercompany balances with other subsidiaries) that: (1) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (2) cause foreign exchange rate exposure, at 31 December are as follows:

	Assets		Liabilities	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Australian Dollar	94,116	310,407	163,003	117,848
Canadian Dollar	190	1,032	27,577	43,048
Euro	30,454	23,218	146,070	114,206
US Dollar	131,041	167,783	336,060	593,271

Foreign currency sensitivity

The Company is mainly exposed to exchange rate fluctuations in the Australian Dollar (AUD), Canadian Dollar (CAD), Euro (EUR) and United States Dollar (USD). The Company is also exposed to translation differences as the Company's presentation currency is different from the functional currencies of various subsidiaries. However, this represents a translation risk rather than a financial risk and consequently is not included in the following sensitivity analysis.

The following tables reflect the Company's sensitivity to a 10% change in the exchange rate of each of the currencies listed above. This sensitivity analysis includes only outstanding monetary items denominated in currencies other than the respective subsidiaries' functional currencies and remeasures these at the respective year end to reflect a 10% decrease in the indicated currency against the respective subsidiaries' functional currencies. A positive number indicates an increase in net profit and/or net assets.

	10% decrease in AUD		10% decrease in CAD	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Net profit	(1,247)	(2,965)	1,557	1,616
Net assets	6,264	(19,538)	2,483	3,835

	10% decrease in EUR		10% decrease in USD	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Net profit	3,919	1,753	9,035	8,120
Net assets	7,886	5,566	18,638	38,681

In management's opinion, the sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year-end exposure may not reflect the exposure during the course of the year.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Forward foreign exchange contracts

There were no open forward foreign currency contracts as at 31 December 2017 or 2016.

Interest rate risk management

The Company is not currently exposed to interest rate risk as entities within the Company borrow funds at fixed interest rates.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's Treasurer and Board.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk

The following tables reflect the expected maturities of non-derivative financial liabilities as at 31 December 2017 and 2016. These are based on the undiscounted expected cash flows of financial liabilities based on the maturity profile per the loan agreement. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount on the balance sheet.

	Weighted average effective interest rate %	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	5+ years US$'000	Adjust-ment US$'000	Total US$'000
31 December 2017								
Non-interest bearing payables	-	93,196	45,052	-	-	-	-	138,248
Variable interest rate instruments	5.1%	73	146	656	18,376	-	(2,240)	17,011
Fixed interest rate instruments	8.9%	-	-	-	930,935	-	(304,421)	626,514
Financial Lease	4.6%	66	132	595	1,877	-	-	2,670
		93,335	45,330	1,251	951,188	-	(306,661)	784,443
31 December 2016								
Non-interest bearing payables	-	91,064	35,525	-	-	-	-	126,589
Variable interest rate instruments	4.2%	61	122	548	19,328	-	(2,493)	17,566
Fixed interest rate instruments	9.5%	-	-	39,380	913,994	-	(230,595)	722,779
Financial Lease	4.7%	10	24	106	495	-	-	635
		91,135	35,671	40,034	933,817	-	(233,088)	867,569

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The following tables reflect the expected maturities of non-derivative financial assets. These are based on the undiscounted expected cash flows of the financial assets.

	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	Total US$'000
2017				
Non-interest bearing receivables	61,399	60,582	9,880	131,861
Cash	43,758	-	-	43,758
	105,157	60,582	9,880	175,619
2016				
Non-interest bearing receivables	52,830	40,503	14,565	107,898
Cash	59,343	-	-	59,343
	112,173	40,503	14,565	167,241

The liquidity risk tables are based on the Company's intent to collect the assets or settle the liabilities in accordance with the contractual terms.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.
- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analyses using prices from observable current market transactions.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements materially approximate their fair values.

16. ASSETS CLASSIFIED AS HELD FOR SALE

Based on current market conditions and future outlook, the Company has classified certain property, plant and equipment assets in the amount of $530 thousand as held for sale as at 31 December 2017 (31 December 2016: $5.9 million). These assets consist primarily of excess rigs and ancillary equipment. The opportunity for a gain by the disposition of these targeted assets allows the Company to rationalise its assets, raise capital and eliminate ongoing costs associated with maintaining these assets.

17. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset, including the costs of materials and direct labour and other costs directly attributable to bringing the asset to a working condition for the intended use. 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 assets.

Subsequent costs related to previously capitalised assets are capitalised only when it is probable that they will result in commensurate future economic benefit and the costs can be reliably measured. All other costs, including repairs and maintenance, are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease terms or their useful lives. Items in the course of construction or not yet in service are not depreciated.

The following useful lives are used in the calculation of depreciation:

Buildings	20-40	years
Plant and machinery	5-10	years
Drilling rigs	5-12	years
Other drilling equipment	1-5	years
Office equipment	5-10	years
Computer equipment:		
Hardware	3-5	years
Software	1-7	years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Leased assets

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards incidental to ownership of the leased assets to the Company. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Finance lease payments are apportioned between finance charges and reductions of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance leased assets are amortised on a straight-line basis over the shorter of the lease terms or the estimated useful lives of the assets.

Operating lease payments are recognised as expenses on a straight-line basis over the lease terms.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and Buildings US$'000	Plant and Equipment US$'000	Construction in Progress US$'000	Total US$'000
Balance at 1 January 2016	61,630	711,122	11,165	783,917
Additions	40	962	16,542	17,544
Disposal	(12,814)	(81,565)	-	(94,379)
Transfers to assets held for sale	-	(29,529)	-	(29,529)
Transfer to/from CIP	59	16,531	(16,590)	-
Transfer to intangible assets	-	-	(1,536)	(1,536)
Currency movements	(1,571)	(8,853)	(8)	(10,432)
Balance at 1 January 2017	47,344	608,668	9,573	665,585
Additions	34	797	26,684	27,515
Disposal	(3,022)	(63,956)	-	(66,978)
Transfer from CIP	562	18,063	(18,625)	-
Transfer from intangible assets	-	723	-	723
Currency movements	2,755	31,541	581	34,877
Balance at 31 December 2017	47,673	595,836	18,213	661,722
Accumulated depreciation and impairment:				
Balance at 1 January 2016	(20,982)	(586,460)	-	(607,442)
Depreciation	(2,106)	(46,452)	-	(48,558)
Reversal of/(impairment of)	167	(1,045)	-	(878)
Disposal	8,116	73,660	-	81,776
Transfers to assets held for sale	-	23,606	-	23,606
Currency movements	(338)	13,909	-	13,571
Balance at 1 January 2017	(15,143)	(522,782)	-	(537,925)
Depreciation	(1,723)	(37,513)	-	(39,236)
Impairment	(196)	(1,875)	-	(2,071)
Disposal	1,854	61,111	-	62,965
Currency movements	(1,292)	(26,033)	-	(27,325)
Balance at 31 December 2017	(16,500)	(527,092)	-	(543,592)
Net book value at 31 December 2016	**32,201**	**85,886**	**9,573**	**127,660**
Net book value at 31 December 2017	**31,173**	**68,744**	**18,213**	**118,130**

Property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. Assets are first considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe. As a result of this exercise, the Company recorded an impairment loss at 31 December 2017 and 31 December 2016 of $2.1 million and $878 thousand, respectively on property, plant and equipment.

18. GOODWILL AND OTHER ASSET IMPAIRMENT CONSIDERATIONS

Goodwill resulting from business combinations is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the carrying value of the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Upon disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill, intangible assets and property, plant and equipment

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

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

Goodwill by cash-generating units

	US$'000
Gross carrying amount:	
Balance at 1 January 2016	99,658
Currency movements	378
Balance at 31 December 2016	100,036
Balance at 1 January 2017	100,036
Currency movements	1,160
Balance at 31 December 2017	101,196

The carrying amount of goodwill of $101.2 million as at 31 December 2017 and $100.0 million as at 31 December 2016 was in the North America Drilling Services CGU.

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

18. GOODWILL AND OTHER ASSET IMPAIRMENT CONSIDERATIONS (CONTINUED)

Goodwill impairment by cash-generating units

Goodwill and intangible assets in the EMEA, Latin America and Asia Pacific Drilling Services CGUs have been fully impaired. For the cash-generating units with remaining goodwill and intangible assets, being the North America Drilling Services CGU, the Company performed a goodwill impairment test at 31 December 2017 and the recoverable amount for the North America Drilling Services CGU exceeded the goodwill carrying amount. Consequently, no goodwill impairments were recorded for the year ended 31 December 2017.

Key assumptions

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

In its impairment assessment, the Company calculates the recoverable amounts based on value-in-use calculations. Cash flow projections are based on the Company's expected performance over a ten-year period, which approximates the length of a typical mining business cycle based on historical industry experience, with a terminal value. Central to the approach adopted is the assumption that the mining industry will continue to follow its historical trend of cycles. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. The post-tax discount rate is applied to post tax cash flows that include an allowance for tax based on the respective jurisdictions' tax rate. No allowance is made for existing timing differences or carry-forward losses.

This method is used to approximate the requirement of the accounting standards to apply a pre-tax discount rate to pre-tax cash flows as the Company determined it was not feasible to calculate a stand-alone pre-tax discount rate.

18. GOODWILL AND OTHER ASSET IMPAIRMENT CONSIDERATIONS (CONTINUED)

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

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

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

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

Discount rate and terminal growth rate
A global discount rate of 11.5% is used and adjusted on a case-by-case basis for regional variations in the required equity rate of return. Based on information published by Bloomberg, the adjusted post-tax discount rate for the North American region is 10.8% and the terminal growth rate of 2.1% does not exceed the long-term average growth rate for the industry.

As part of our impairment test we have considered a number of different scenarios that consider the impact on the value-in-use calculations if key assumptions were to vary from those used in the calculations. We analysed the impact If revenue and gross margins do not improve as forecast in our impairment analysis due to lower than expected price and volume recovery and the Company is unable to adjust its cost structure. The analysis resulted in no impairment under these scenarios.

19. OTHER INTANGIBLE ASSETS

Trademarks and trade names

Trademarks and trade names recognised by the Company that are considered to have indefinite useful lives are not amortised. Each period, the useful life of each of these assets is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Trademarks and trade names that are considered to have a finite useful life are carried at cost less accumulated amortisation and accumulated impairment losses and have an average useful life of three years. Such assets are tested for impairment at least annually or more frequently if events or circumstances indicate that the asset might be impaired.

Contractual customer relationships

Contractual customer relationships acquired in business combinations are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be reliably measured. Contractual customer relationships have finite useful lives and are carried at cost less accumulated amortisation and accumulated impairment losses.

Contractual customer relationships are amortised over 10 – 15 years on a straight-line basis. Amortisation methods and useful lives are reassessed at each reporting date.

Patents

Patents are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over estimated useful lives of 10 - 20 years. Amortisation methods and useful lives are reassessed at each reporting date.

Research and development costs

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development costs are capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Capitalised costs include the cost of materials, direct labour and overhead costs directly attributable to preparing the asset for its intended use. Other development costs are expensed when incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives, which on average is 15 years.

19. OTHER INTANGIBLE ASSETS (CONTINUED)

	Trademarks US$'000	Patents US$'000	Customer relationships and other US$'000	Software US$'000	Development assets US$'000	Total US$'000
Gross carrying amount:						
Balance at 1 January 2016	4,253	6,250	46,675	87,471	43,940	188,589
Additions	40	891	-	1,626	362	2,919
Disposals	-	(4)	-	(5)	(164)	(173)
Transfer from PP&E	-	-	-	-	1,536	1,536
Currency movements	-	-	(146)	19	71	(56)
Balance at 31 December 2016	4,293	7,137	46,529	89,111	45,745	192,815
Balance at 1 January 2017	4,293	7,137	46,529	89,111	45,745	192,815
Additions	33	961	-	12	1,844	2,850
Disposals	(1,266)	(1)	(5,321)	(2)	(1)	(6,591)
Transfer to PP&E	-	-	-	-	(723)	(723)
Currency movements	-	-	1,752	20	(23)	1,749
Balance at 31 December 2017	3,060	8,097	42,960	89,141	46,842	190,100
Accumulated amortisation:						
Balance at 1 January 2016	(1,270)	(1,025)	(37,705)	(66,184)	(28,001)	(134,185)
Amortisation for the period	-	(488)	(1,609)	(10,653)	(1,162)	(13,912)
Disposals	-	-	-	-	143	143
Impairment for the period	-	-	-	-	(1,170)	(1,170)
Currency movements	-	-	238	(9)	-	229
Balance at 31 December 2016	(1,270)	(1,513)	(39,076)	(76,846)	(30,190)	(148,895)
Balance at 1 January 2017	(1,270)	(1,513)	(39,076)	(76,846)	(30,190)	(148,895)
Amortisation for the period	-	(471)	(1,622)	(8,568)	(1,211)	(11,872)
Disposals	1,270	-	5,321	-	-	6,591
Impairment for the period	-	-	-	-	(104)	(104)
Currency movements	-	-	(1,712)	(18)	19	(1,711)
Balance at 31 December 2017	-	(1,984)	(37,089)	(85,432)	(31,486)	(155,991)
Net book value at 31 December 2016	3,023	5,624	7,453	12,265	15,555	43,920
Net book value at 31 December 2017	3,060	6,113	5,871	3,709	15,356	34,109

Other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. As a result of the Company's review of specific intangible assets, the Company recorded an impairment loss at 31 December 2017 and 31 December 2016 of $104 thousand and $1.2 million, respectively.

The Company has reassessed the carrying value of certain development assets relating to its Global Products business. The 31 December 2017 review did not lead to an impairment for that period.

The Company recognised $8.1 million of research and development expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 (2016: $1.1 million).

20. TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost. They represent unsecured liabilities for goods and services provided to the Company prior to the end of the financial period that are unpaid and arise when the Company becomes obligated to make future payments.

	2017 US$'000	2016 US$'000
Current		
Trade payables	65,486	55,082
Accrued payroll and benefits	26,759	24,000
Accrued recapitalision costs	9,898	4,150
Goods and services tax payable	13,229	11,128
Accrued interest	1,051	10,036
Accrued legal and environmental	5,625	1,866
Professional fees	4,535	7,351
Accrued drilling costs	2,484	2,798
Other sundry payables and accruals	9,181	10,178
	138,248	126,589

The average credit period on purchases of certain goods is 39 days (2016: 37 days). No interest is charged on the trade payables for this period. Thereafter, various percentages of interest may be charged on the outstanding balance based on the terms of the specific contracts. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (“GST”), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

21. LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Debt issuance costs are amortised using the effective interest rate method over the life of the borrowing. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

	2017	2016
Unsecured - at amortised cost	**US$'000**	**US$'000**
Non-current		
Senior notes	88,882	284,000
Accreted interest	444	-
Debt issuance costs	-	(2,473)
Secured - at amortised cost		
Current		
Finance lease liabilities	794	140
Non-current		
Senior notes	217,035	195,000
Term loans	190,000	190,000
Accreted interest	85,153	53,779
Revolver bank loans	62,011	17,566
Debt issuance costs	(1,917)	(3,380)
Original issue discount	(1,600)	-
Finance lease liabilities	1,876	495
	642,678	735,127
Disclosed in the financial statements as:		
Current borrowings	794	140
Non-current borrowings	641,884	734,987
	642,678	735,127
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	794	140
Between 1 and 2 years	657	328,576
Between 2 and 3 years	64,255	156
Between 3 and 4 years	562	128,068
More than 4 years	579,927	284,040
	646,195	740,980
Original issue discount	(1,600)	
Debt issuance costs	(1,917)	(5,853)
	642,678	735,127

21. LOANS AND BORROWINGS (CONTINUED)

Recapitalisation

On 3 April 2017, the Company announced a proposed recapitalisation with Centerbridge Partners L.P., Ares Capital Ltd., and Ascribe Capital LLC to reduce the Company's debt and interest costs which would provide the Company with a more sustainable capital structure to support its operations (known as the "Recapitalisation"). The Recapitalisation was completed at the end of September 2017, effective 1 September 2017 and resulted in:

- reduction of the 7% unsecured debt (both principal and accrued interest costs) through a $196.0 million reduction in the principal amount and $16.4 million reduction in accrued interest and reduced interest rates (from 7% to 1.5% payable-in-kind[1] ("PIK") backdated to 1 January 2017),
- reduction in the interest burden on other debt instruments through a combination of a decrease in interest rates and deferral of interest payment through payable-in-kind ("PIK")/interest capitalisation arrangements; and
- deferring the maturity of retained debt funding to December 2022.

In order to achieve the Recapitalisation, the Company issued 24.9 billion shares and warrants (see note 24 for further details on the equity instruments issued). Accounting for the equity instruments issued under the Recapitalisation requires the determination of fair value. As a result of the financial position of the Group at the time of the Recapitalisation, and the dilutionary impact of the number of equity instruments issued there was a wide range of possible fair value estimates requiring a significant level of judgement. Further the probabilities of the various estimates could not be reasonably assessed and it was concluded that the fair value of the equity could not be reliably measured and was recorded based on the net reduction in the recorded value of the loans and borrowings pre and post the Recapitalisation. Further, the Company has determined that the fair value of the revised loans and borrowings is the face value of such instruments.

The movements in the loans and borrowings in the period are complex and include significant non cash transactions and debt reductions. The following table provides the movement in the material line items of loans and borrowings:

Description	2016 US$'000	Debt Drawn US$'000	Debt Reduction US$'000	Backstop ABL US$'000	Capitalised Interest US$'000	2017 Interest US$'000	Other US$'000	2017 US$'000
Senior Unsecured Notes								
Senior Unsecured Notes	284,000	-	(196,000)	-	-	882	-	88,882
Accreted Interest	-	-	-	-	-	444	-	444
Senior Secured Notes	195,000	-	-	-	22,035	-	-	217,035
Term Loans								
Term Loan A	85,000	-	-	-	-	-	-	85,000
Term Loan B	105,000	-	-	-	-	-	-	105,000
Total Term Loans	190,000		-		-	-	-	190,000
Accreted Interest	53,779	-	-	-	(22,035)	51,722	1,687	85,153
Revolver Bank Loans								
Bank credit facility	17,566	14,709	(15,264)	-	-	-	-	17,011
ABL	-	15,400	(15,400)	-	-	-	-	-
DDL Loan	-	20,930	(20,930)	-	-	-	-	-
Backstop ABL	-	-	-	45,000	-	-	-	45,000
Total Revolver Bank Loans	17,566	51,039	(51,594)	45,000	-	-	-	62,011
Other	(5,218)	-	-	-	-	4,107	264	(847)
Total	**735,127**	**51,039**	**(247,594)**	**45,000**	**-**	**57,155**	**1,951**	**642,678**

[1] Payable-in-kind interest refers to non-cash capitalised interest paid on maturity of the debt.

21. LOANS AND BORROWINGS (CONTINUED)

Senior notes

Senior Unsecured Notes
As of 31 December 2016 there was $284.0 million of senior unsecured notes outstanding at an interest rate of 7% with a scheduled maturity date of 1 April 2021. As part of the Recapitalisation as noted above, the Company restructured its senior unsecured notes. The $284.0 million outstanding principal amount of the 7% Unsecured Notes due 2021 has been reduced by $196.0 million in exchange for ordinary shares (see note 24 for further details on the equity instruments issued). Interest rate on the senior unsecured notes carry an interest rate of 1.5% per annum, which is payable-in-kind (i.e. non cash) until maturity in December 2022. The Company has $88.9 million of senior unsecured notes outstanding at 31 December 2017. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

Senior Secured Notes
As of 31 December 2016 there was $195.0 million of senior secured notes outstanding at an interest rate of 10% with a scheduled maturity date of 1 October 2018. As part of the Recapitalisation as noted above, the Company restructured its senior secured notes. Accrued and unpaid interest of $22.0 million has been capitalised on 1 September 2017 as part of the Recapitalisation. The Company has $217.0 million of senior secured notes outstanding at 31 December 2017 that carry a payable-in-kind interest rate of 12% per annum at the Company's election until December 2018 and thereafter in cash at the reduced interest rate of 10% per annum with a scheduled maturity date of December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

Bank Credit Facility

The Company has an asset-based, revolving bank credit facility (the "ABL") that was amended in July 2017 that increased its capacity from $40.0 million to $50.0 million of capacity for loans or other purposes such as letters of credit. As at 31 December 2017 there was $17.0 million outstanding under this facility (31 December 2016: $17.6 million outstanding). In addition, as at 31 December 2017 there were outstanding letters of credit totalling $13.0 million that reduced the amount available to draw under the ABL commitments (31 December 2016: $11.9 million outstanding letters of credit). Interest rates on usage/drawings (we pay this on letters of credit which are not "borrowings") are based on a base rate plus an applicable margin. The base rate is generally based on 30-day USD LIBOR, while the margin is determined based on the Company's leverage according to a pricing grid. As at 31 December 2017 the applicable margin was 3.5% for LIBOR-based loans.

The ABL facility is secured by a first lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the ABL borrower and guarantors and a third lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property). Provisions in the facility currently restrict availability by $5.0 million until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for four consecutive quarters. Provisions also require that $5.0 million of cash be held in a restricted bank account with the lender until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for four consecutive quarters, at which time the restricted cash shall be released. Following release of the restricted cash, but only to the extent that less than $7.5 million of excess availability exists under the facility. the facility contains a requirement to maintain a minimum liquidity of $10.0 million at all times in the facility through 30 June 2018 after that time there is a springing Fixed Charge Coverage Ratio ("FCCR") of 1.1:1.0 if excess availability is less than $7.5 million. Scheduled maturity has been extended until July 2020.

Backstop ABL
As part of the Recapitalisation on 1 September 2017, the Company entered into a new term loan facility. The new term loan has an interest rate of 11% per annum payable-in kind or 10% per annum payable in cash at the option of the borrower. It is secured by substantially the same collateral as the ABL credit facility and contains a maturity of October 2020. As at 31 December 2017 the amount outstanding under this facility was $45.0 million.

21. LOANS AND BORROWINGS (CONTINUED)

Term Loans

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

Tranche A
As at 31 December 2017 and 2016 the amount outstanding was $85.0 million. This tranche contains a maturity of December 2022 and is non-callable for the first 4 years. It is secured by a first lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

Tranche B
As at 31 December 2017 and 2016 the amount outstanding under Tranche B was $105.0 million. This tranche contains a maturity of December 2022 and is non-callable for the life of the loan. It is secured by a second lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and the Term Loan B and Senior Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

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

The Company's ABL term loans do not require maintenance or testing of financial covenant ratios.

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

The Company's ABL includes a covenant that requires the Company to maintain $10.0 million minimum liquidity in the facility through 30 June 2018 after that there is a springing Fixed Charge Coverage Ratio ("FCCR") of 1.1:1.0 if excess availability is less than $7.5 million.

As at 31 December 2017 the Company was in compliance with all of its debt covenants.

21. LOANS AND BORROWINGS (CONTINUED)

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

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

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

22. PROVISIONS

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

Liabilities for employee benefits for wages, salaries, annual leave, long service leave, and sick leave represent present obligations resulting from employees' services provided and are calculated at discounted amounts based on rates that the Company expects to pay as at reporting date, including costs such as workers' compensation insurance and payroll tax, when it is probable that settlement will be required and they are capable of being reliably measured.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Company as the benefits are provided to the employees.

Provisions are recognised for amounts expected to be paid under short-term cash bonus or profit-sharing plans if the Company has present legal or constructive obligations to pay these amounts as a result of past service provided by employees and the obligations can be reliably estimated.

Warranties

The Company maintains warranty reserves for products it manufactures. A provision is recognised when the following conditions are met: 1) the Company has an obligation as a result of an implied or contractual warranty; 2) it is probable that an outflow of resources will be required to settle the warranty claims; and 3) the amount of the claims can be reliably estimated.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

The following table reflects the provision balances:

	2017 US$'000	2016 US$'000
Current		
Employee benefits	8,995	9,935
Restructuring and termination costs	7,644	590
Warranty	1,299	885
Onerous leases	1,513	1,604
	19,451	13,014
Non-current		
Employee benefits	4,607	1,559
Pension and post-retirement benefits (Note 23)	12,601	22,435
Onerous leases	1,512	1,947
	18,720	25,941
	38,171	38,955

23. PENSION AND POST-RETIREMENT BENEFITS

Defined contribution pension plans and post-retirement benefits

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The amount recognised as an expense in profit or loss in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Defined contribution plans

Pension costs represent actual contributions paid or payable by the Company to the various plans. At 31 December 2017, and 2016, there were no significant outstanding/prepaid contributions. Company contributions to these plans were $5.8 million and $6.5 million for the years ended 31 December 2017 and 2016, respectively.

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans is calculated on the basis of contributions payable by the Company during the fiscal year.

Defined Benefit Pension Plans

The Company'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 Company's defined benefit obligations. 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.

The Company provides defined contribution and defined benefit pension plans for the majority of its employees. It also provides post-retirement medical arrangements in North America.

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

Full actuarial valuations of the defined benefit pension plans were performed as at various dates and updated to 31 December 2017 by qualified independent actuaries. The estimated market value of the assets of the funded pension plans was $211.1 million and $185.5 million at 31 December 2017, and 2016, respectively. The market value of assets was used to determine the funding level of the plans. The market value of the assets of the funded plans was sufficient to cover 90% in 2017 and 2016, of the benefits that had accrued to participants after allowing for expected increases in future earnings and pensions. Entities within the Company are paying contributions as required by statutory requirements and in accordance with local actuarial advice.

The majority of the defined benefit pension plans are funded in accordance with minimum funding requirements by local regulators. The assets of these plans are held separately from those of the Company, in independently administered funds, in accordance with statutory requirements or local practice throughout the world.

The majority of the defined benefit pension plans are closed to new participants. Under the projected unit credit method, service cost will increase as the participant ages until retirement when it goes to zero. In addition, changes to the discount rate can increase or decrease service cost.

23. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

Defined Benefit Pension Plans (Continued)

Company contributions to these plans were $5.8 million and $6.8 million during the years ended 31 December 2017 and 2016, respectively. Contributions in 2018 are expected to be $10.4 million.

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs are detailed below (shown in weighted averages):

	2017		2016	
	North America	Europe	North America	Europe
Discount rates	3.5%	1.6%	4.0%	1.4%
Expected Average Rate Increases:				
Salaries	3.5%	3.0%	3.5%	3.0%
Pensions in payment	-	1.5%	-	1.5%
Healthcare costs (initial)	5.0%	-	5.0%	-
Healthcare costs (ultimate)	5.0%	-	5.0%	-

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2017			2016		
	Pension Plan US$'000	Post-retirement medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement medical Plan US$'000	Total US$'000
Current service cost	1,226	-	1,226	1,173	-	1,173
Net interest expense	665	11	675	669	13	682
Past service cost	-	-	-	(518)	-	(518)
Total charge to profit and loss account	1,891	11	1,901	1,324	13	1,337

For the financial years ended 31 December 2017 and 2016, charges of approximately $1.6 million and $1.1 million, respectively, have been included in cost of goods sold and the remainder in general and administrative or sales and marketing expenses.

23. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

Changes in the present value of the defined benefit obligations were as follows:

	2017			2016		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Opening defined benefit obligation	207,653	324	207,977	201,488	356	201,844
Current service cost	1,226	-	1,226	1,173	-	1,173
Interest cost	6,487	11	6,498	7,049	13	7,062
Actuarial gains arising from demographic assumptions	(1,197)	-	(1,197)	(802)	-	(802)
Actuarial losses arising from financial assumptions	3,983	115	4,098	10,925	5	10,930
Past service cost	-	-	-	(518)	-	(518)
Exchange differences on foreign plans	15,910	28	15,938	(1,145)	10	(1,135)
Benefits paid	(10,791)	(61)	(10,852)	(10,517)	(60)	(10,577)
Closing defined benefit obligation	223,271	417	223,688	207,653	324	207,977

Changes in the fair value of the plan assets were as follows:

	2017			2016		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Opening fair value plan of assets	185,542		185,542	180,529	-	180,529
Expected return on plan assets	5,823	-	5,823	6,380	-	6,380
Actuarial gains arising from financial assumptions	10,536	-	10,536	4,079	-	4,079
Administrative expenses paid from the trust	(1,141)	-	(1,141)	(1,028)	-	(1,028)
Exchange differences on foreign plans	15,341	-	15,341	(729)	-	(729)
Contributions from the employer	5,777	61	5,838	6,828	60	6,888
Benefits paid	(10,791)	(61)	(10,852)	(10,517)	(60)	(10,577)
Closing fair value of plan assets	211,087	-	211,087	185,542	-	185,542

Assumed healthcare cost trend rates impact the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	2017 US$'000	2016 US$'000
One percentage point increase		
Effect on the aggregate of the service cost and interest cost	-	-
Effect on accumulated post-employment benefit obligation	2	7
One percentage point decrease		
Effect on the aggregate of the service cost and interest cost	-	-
Effect on accumulated post-employment benefit obligation	(2)	(7)

24. ISSUED CAPITAL

	2017 Shares '000	2017 US$'000	2016 Shares '000	2016 US$'000
Ordinary shares				
Share capital				
Ordinary shares, fully paid	26,289,795	1,463,167	940,585	1,204,291
Movements in ordinary shares				
Balance at beginning of year	940,585	1,204,291	929,062	1,202,924
Issued to Directors	12,758	485	11,243	717
Issued under the recapitalisation	24,895,916	194,873	-	-
Conversion of perferred shares	434,002	59,507	-	-
Vesting of LTIP rights	6,534	1,642	2,209	650
Cancellation of LTIP rights	-	2,369	-	-
Purchase of shares for LTIP	-	-	(1,929)	-
Balance at end of the year	26,289,795	1,463,167	940,585	1,204,291
Total shares outstanding	26,289,795	1,463,167	942,108	1,204,622
Shares held in trust	-	-	(1,523)	(331)
Balance at end of the year	26,289,795	1,463,167	940,585	1,204,291

	2017 Shares '000	2017 US$'000	2016 Shares '000	2016 US$'000
Convertible Preference shares				
Preferred shares, fully paid	434,002	59,507	434,002	59,507
Conversion of perferred shares	(434,002)	(59,507)	-	-
Balance at end of the year	-	-	434,002	59,507

	2017 Warrants '000	2017 US$'000	2016 Warrants '000	2016 US$'000
Issued Warrants				
Warrants issued but not exercised	731,082	5,591	-	-
Balance at end of the year	731,082	5,591	-	-
Total ordinary, convertible preference shares and warrants		1,468,758		1,263,798

Impact of the recapitalisation

Accounting for the equity instruments issued under the Recapitalisation requires the determination of fair value. As a result of the financial position of the Group at the time of the Recapitalisation, and the dilutionary impact of the number of equity instruments issued there was a wide range of possible fair value estimates requiring a significant level of judgement. Further the probabilities of the various estimates could not be reasonably assessed and it was concluded that the fair value of the equity could not be reliably measured and was recorded based on the net reduction in the recorded value of the loans and borrowings pre and post the Recapitalisation.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

25. DIVIDENDS

No dividend has been determined for any of the half-years ended 30 June 2017, 31 December 2017, 30 June 2016 or 31 December 2016.

There are no franking credits available for the years ended 31 December 2017 or 2016.

26. COMMITMENTS FOR EXPENDITURE

The Company has a number of continuing operational and financial commitments in the normal course of business.

	2017 US$'000	2016 US$'000
Capital commitments		
Purchase commitments for capital expenditures	3,298	2,030

Non-cancellable future operating lease commitments as at 31 December 2017 and 2016 consist of the following:

	31 December 2017		31 December 2016	
	Land and buildings US$'000	Plant and equipment US$'000	Land and buildings US$'000	Plant and equipment US$'000
Payments due within:				
1 year	8,908	719	10,476	628
2 to 5 years	8,711	1,256	14,999	931
After 5 years	22,242	334	19,333	-
	39,861	2,309	44,808	1,559

Description of operating leases

The Company has operating leases for land, buildings, plant and equipment with the following lease terms:

- 1 – 20 years for land and buildings with an average lease term of six years
- 1 – 8 years for machinery and equipment with an average lease term of five years
- 1 – 11 years for all other property with an average lease term of five years

The Company's property operating leases generally contain escalation clauses, which are fixed increases generally between 3% and 8%, or increase subject to a national index. The Company does not have any significant purchase options.

Contingent rental payments exist for certain pieces of equipment and are not significant compared with total rental payments. These are based on excess wear and tear and excess use.

27. CONTINGENT LIABILITIES

The recognition of provisions for legal disputes is subject to a significant degree of judgment. Provisions are established when (a) the Company has a present legal or constructive obligation as a result of past events, (b) it is probable that an outflow of resources will be required to settle the obligation, and (c) the amount of that outflow has been reliably estimated.

Letters of credit

Standby letters of credit primarily issued in support of commitments or other obligations as at 31 December 2017 are as follows:

Subsidiary	Purpose	Expiration Date	Amount US $'000
Australia	Secure credit facility	April 2018	195
Australia	Secure a facility rental	August 2018	579
Australia	Secure a facility rental	September 2018	619
United States	Secure workers compensation program	January 2018	100
United States	Secure a performance bond	June 2018	11,000
United States	Secure insurance program	August 2018	500
			12,993

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision or the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in Note 3.

A summary of the maturity of issued letters of credit is as follows:

	2017 US$'000	2016 US$'000
Less than 1 year	12,993	11,872

Guarantees

The subsidiaries of the Company provide guarantees within the normal course of business which includes payment guarantees to cover import duties, taxes, performance and completion of contracts. In addition, the Parent and certain subsidiaries are guarantors on the Company's loans and borrowings. See Note 21.

Legal contingencies

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

Tax and customs audits

The Company is subject to certain tax and customs audits that arise in the normal course of its business. Management believes that the ultimate amount of liability, if any, for any pending assessments (either alone or combined) would not materially affect the Company's operations, liquidity, or financial position taken as a whole. However, the ultimate outcome of these audits is uncertain and unfavourable outcomes could have a material adverse impact. See additional disclosure in Note 11.

27. CONTINGENT LIABILITIES (CONTINUED)

Other contingencies

Other contingent liabilities as at 31 December 2017 and 2016 consist of the following:

	2017 US$'000	2016 US$'000
Contingent liabilities		
Guarantees/counter-guarantees to outside parties	2,717	4,495

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained. See Note 15.

	Maximum credit risk	
	2017	2016
Financial assets and other credit exposure	US$'000	US$'000
Performance guarantees provided, including letters of credit	15,710	16,367

28. PARENT ENTITY DISCLOSURES

Financial position

	2017 US$'000	2016 US$'000
Assets		
Current assets	465,648	311,312
Total assets	465,648	311,312
Liabilities		
Current liabilities	64,525	56,026
Non-current liabilities	310,491	254,515
Total liabilities	375,016	310,541
Net Assets	90,632	771
Equity		
Issued capital	3,219,218	3,015,893
Reserves	4,523	11,690
Accumulated losses	(3,133,109)	(3,026,812)
Total equity	90,632	771

Financial performance

	2017 US$'000	2016 US$'000
Loss for the year	(128,028)	(155,483)
Total comprehensive loss	(128,028)	(155,483)

During the year ended 31 December 2017 there was no provision recorded against intercompany accounts (31 December 2016: $253.1 million). This provision has no impact on the consolidated financial statements.

Guarantees entered into by the parent entity in relation to debts of its subsidiaries

Other guarantees are described in Note 27.

Contingent liabilities

As at 31 December 2017 and 2016, Boart Longyear Limited did not have any contingent liabilities.

Contractual obligations

As at 31 December 2017 and 2016, Boart Longyear Limited did not have any contractual obligations.

Guarantees entered into by the parent entity in relation to debts of its subsidiaries

The Parent has entered into agreements with the Canada Revenue Agency and Ministry of Finance for the province of Ontario to guarantee the payment of all amounts finally determined to be due and payable by its Canadian affiliates in respect of contested tax assessments for the tax years from 2007 through 2012. See Note 11. Other guarantees are described in Note 27.

29. COMPANY SUBSIDIARIES

The Company's percentage ownership of the principal subsidiaries are as follows:

Subsidiaries	Country of incorporation	Business	31 Dec 2017	31 Dec 2016
A.C.N. 066 301 531 Pty Ltd1	Australia	Dormant	-	100
Aqua Drilling & Grouting Pty Ltd.2	Australia	Dormant	100	100
BL Canada DDL Inc.[1]	Canada	Holding Company	-	100
BL Canada Holdings Inc.[1]	Canada	Holding Company	-	100
BL DDL Holdings Pty Ltd	Australia	Holding Company	100	100
BL DDL II Holdings Pty Ltd	Australia	Holding Company	100	100
BL DDL NY Holdings Inc.	USA	Holding Company	100	-
BL DDL US Holdings Inc.[1]	USA	Holding Company	-	100
BLI Zambia Ltd.	Zambia	Drilling Services	100	100
BLY Cote d'Ivoire S.A.	Ivory Coast	Drilling Services	100	100
BLY EMEA UK Holdings Ltd.	United Kingdom	Holding Company	100	100
BLY Gabon S.A.	Gabon	Drilling Services	100	100
BLY Ghana Limited	Ghana	Drilling Services	100	100
BLY Guinea S.A.2	Guinea	Dormant	100	100
BLY IP Inc.	USA	Holding Company	100	100
BLY Madagascar S.A.	Madagascar	Drilling Services	100	100
BLY Mali S.A.	Mali	Drilling Services	100	100
BLY Mexico Servicios S.A. de C.V.1	Mexico	Dormant	-	100
BLY Senegal S.A.	Senegal	Drilling Services	100	100
BLY Sierra Leone Ltd.	Sierra Leone	Drilling Services	100	100
Boart Longyear (Cambodia) Ltd.[2]	Cambodia	Drilling Services	100	100
Boart Longyear (D.R.C.) S.A.	Dem. Rep. of Congo	Drilling Services	100	100
Boart Longyear (NZ) Limited	New Zealand	Drilling Services	100	100
Boart Longyear (Vic) No. 1 Pty Ltd	Australia	Holding Company	100	100
Boart Longyear (Vic) No. 2 Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Alberta Limited	Canada	Holding Company	100	100
Boart Longyear Argentina S.A.	Argentina	Drilling Services	100	100
Boart Longyear Australia Holdings Pty Limited	Australia	Holding Company	100	100
Boart Longyear Australia Pty Ltd	Australia	Drilling Services	100	100
Boart Longyear Bermuda Limited[1]	Bermuda	Holding Company	-	100
Boart Longyear Burkina Faso Sarl	Burkina Faso	Drilling Services	100	100
Boart Longyear B.V.	Netherlands	Drilling Products	100	100
Boart Longyear Canada	Canada	Drilling Products and Services	100	100
Boart Longyear Chile Limitada	Chile	Drilling Products and Services	100	100
Boart Longyear Colombia S.A.S.	Colombia	Drilling Services	100	100
Boart Longyear Comercializadora Limitada[1]	Chile	Drilling Products	-	100
Boart Longyear Company	USA	Drilling Products and Services	100	100
Boart Longyear Consolidated Holdings, Inc.	USA	Holding Company	100	100
Boart Longyear de Mexico, S.A. de C.V.	Mexico	Drilling Services	100	100
BLY Drilling Services and Products Mexico, S.A. de C.V.2	Mexico	Dormant	100	100
Boart Longyear Drilling Products (Wuxi) Co., Ltd.	China	Drilling Products and Services	100	100
Boart Longyear Drilling Services KZ LLP	Kazakhstan	Drilling Services	100	100
Boart Longyear Eritrea Ltd.	Eritrea	Drilling Services	100	100
Boart Longyear Global Holdco, Inc	USA	Holding Company	100	100
Boart Longyear GmbH & Co., KG	Germany	Drilling Products and Services	100	100
Boart Longyear Holdings (Thailand) Co., Ltd.	Thailand	Drilling Services	100	100
Boart Longyear International B.V.	Netherlands	Holding Company	100	100
Boart Longyear International Holdings, Inc.	USA	Holding Company	100	100
Boart Longyear Investments Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Liberia Corporation	Liberia	Drilling Services	100	100
Boart Longyear Limitada	Brazil	Drilling Products	100	100
Boart Longyear Limited	Ireland	Drilling Products	100	100
Boart Longyear Limited	Thailand	Drilling Services	100	100

29. COMPANY SUBSIDIARIES (CONTINUED)

Subsidiaries	Country of incorporation	Business	31 Dec 2017	31 Dec 2016
Boart Longyear LLC	Russia Federation	Drilling Products	100	100
Boart Longyear Management Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Manufacturing Canada Ltd.	Canada	Drilling Products	100	100
Boart Longyear Manufacturing and Distribution Inc.	USA	Drilling Products	100	100
Boart Longyear Netherlands BV	Netherlands	Holding Company	100	100
Boart Longyear Poland Spolka Z.o.o.	Poland	Drilling Products and Services	100	100
Boart Longyear Products KZ LLP	Kazakhstan	Drilling Products	100	100
Boart Longyear RUS	Russia Federation	Drilling Services	100	100
Boart Longyear S.A.C.	Peru	Drilling Products and Services	100	100
Boart Longyear Saudi Arabia LLC[2]	Saudi Arabia	Drilling Services	100	100
Boart Longyear Sole Co., Limited	Laos	Drilling Services	100	100
Boart Longyear Suisse Sàrl	Switzerland	Holding Company	100	100
Boart Longyear Ventures Inc.	Canada	Holding Company	100	100
Boart Longyear Vermogensverwaltung GmbH	Germany	Holding Company	100	100
Boart Longyear Zambia Limited	Zambia	Drilling Products	100	100
Cooperatief Longyear Holdings UA	Netherlands	Holding Company	100	100
Dongray Industrial Limited[2]	United Kingdom	Dormant	100	100
Drillcorp Pty Ltd[2]	Australia	Drilling Services	100	100
Geoserv Pesquisas Geologicas S.A.	Brazil	Drilling Services	100	100
Grimwood Davies Pty Ltd[2]	Australia	Drilling Services	100	100
Inavel S.A.	Uruguay	Drilling Services	100	100
Longyear Canada, ULC	Canada	Drilling Products	100	100
Longyear Global Holdings, Inc.	USA	Holding Company	100	100
Longyear Holdings New Zealand, Ltd[2]	New Zealand	Dormant	100	100
Longyear Holdings, Inc.	USA	Holding Company	100	100
Longyear South Africa (Pty) Ltd	South Africa	Drilling Products and Services	100	100
Longyear TM, Inc.	USA	Holding Company	100	100
North West Drilling Pty Limited	Australia	Dormant	100	100
P.T. Boart Longyear	Indonesia	Drilling Services	100	100
Patagonia Drill Mining Services S.A.	Argentina	Drilling Services	100	100
Portezuelo S.A.	Paraguay	Drilling Services	100	100
Prosonic Corporation[2]	USA	Dormant	100	100
Resources Services Holdco, Inc	USA	Holding Company	100	100
Votraint No. 1609 Pty Ltd	Australia	Drilling Services	100	100

(1) This entity was merged, liquidated or dissolved in 2017.
(2) This entity is currently in liquidation status.

30. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 9.

(ii) Other transactions with key management personnel of the Company

None.

(iii) During the year the Company incurred the following interest expenses associated with the relevant parties and corresponding debt facilities:

Centerbridge Partners, L.P. and entities related to Centerbridge Partners, L.P. – Term Loans A and B of $11.0 million and $13.2 million, respectively from 1 January 2017 to 31 December 2017.

Ares Capital, Ltd. and entities related to Ares Capital, Ltd. – Sr. Unsecured Notes, $72.8 thousand, from 1 September 2017 to 31 December 2017

Ares Capital, Ltd. and entities related to Ares Capital, Ltd. – Sr. Secured Notes, $101.4 thousand, from 1 September 2017 to 31 December 2017

Ascribe Capital, LLC and entities related to Ascribe Capital, LLC – Sr. Unsecured Notes, $202.2 thousand, from 1 September 2017 to 31 December 2017

Ascribe Capital, LLC and entities related to Ascribe Capital, LLC – Sr. Secured Notes, $2.0 million, from 1 September 2017 to 31 December 2017

(iv) Amounts owing (principal and accreted interest) at 31 December 2017:

- Centerbridge Partners, L.P. and entities related to Centerbridge Partners, L.P.:	$264.8 million
- Ares Capital, Ltd. and entities related to Ares Capital, Ltd. (Sr. Unsecured/Secured Notes):	$17.3 million
- Ascribe Capital, LLC and entities related to Ascribe Capital, LLC (Sr. Unsecured/Secured Notes):	$93.8 million

31. CASH AND CASH EQUIVALENTS

Included in the cash balance at 31 December 2017 is $5.8 million of restricted cash and at 31 December 2016 $6.9 million of restricted cash. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to the Company's ABL facility as well as restrictions to secure facility leases.

32. NON-CASH TRANSACTIONS

During the current year, the Company entered into the following non-cash financing activities, which are not reflected in the consolidated statement of cash flows:

- $53.0 million of non-cash interest expense;
- $22.9 million of capitalised interest on the Sr. Unsecured and Sr. Secured Notes; and
- $196.0 million of reduction in the principal amount of the Sr. Unsecured Notes.

33. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

Standards and Interpretations issued not yet effective

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

- AASB 15 Revenue from Contracts with Customers

  The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. An entity recognises revenue in accordance with that core principle by applying the following steps:

  Step 1: Identify the contract(s) with a customer
  Step 2: Identify the performance obligation in the contract
  Step 3: Determine the transaction price
  Step 4: Allocate the transaction price to the performance obligations in the contract
  Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  The standard permits either a full restrospective or a modified restrospective approach for the adoption.

  Management has not yet determined the effects of applying the new standard on the Company's financial statements. The standard is mandatory for financial years commencing on or after 1 January 2018.

- AASB 16 Leases

  IFRS 16 was issued in January 2016. For lessees it will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

  The accounting for lessors will not significantly change.

33. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of $42.2 million (see note 26). The Company has not yet assess what adjustments, if any, are necessary because of the requirement to recognise the Right-of-use asset and lease liability including consideration of other related matters including a change in definition of the lease term and the treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Company's profit or loss and classification of cash flows going forward. Mandatory for financial years commencing 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date.

- AASB 9 Financial Instruments

AASB 9 contains accounting requirement for financial instruments, replacing AASB 139 and will be effective 1 January 2018. The standard:

a. Contains a simpler model for classification and measurement of financial assets;

b. A single, forward looking 'expected loss' impairment model that will require more timely recognition of expected credit losses;

c. A substantially reformed approach to hedge accounting including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

Management has not yet determined the impact of this standard on the financial statements.

34. SUBSEQUENT EVENTS

On 26 January 2018 the Company announced a new Management Incentive Plan (MIP) that has been implemented as of 1 January 2018. The MIP has been created to give senior leaders an opportunity to share in the growth and value of Boart Longyear's business success. This plan is replacing the LTIP and the Retention Incentive Grant Agreements (RIGA).

The new MIP is a private equity based long-term incentive plan, which is similar in design to a stock option plan, in that it allows participants to share in the gain of the Company's value over time. Specifically, the MIP offers two ways to achieve payment: 1) time vesting and 2) performance thresholds. The time vesting portion represents 33.3% of the plan, spread over a 5-year time window. The performance portion of the MIP is based on the Company's improvement in Total Enterprise Value (TEV), which has been set at a baseline of $650.0 million.

There are two performance vesting criteria; one set at $900.0 million TEV, representing another 33.3% and the other set at $1.1 billion TEV, the final 33.3%. Awards are denominated in MIP Units, which represent proportional interest in the gain in opportunity value. These units will be shared amongst a pool of the Company's senior leaders. Vested MIP Units will be paid in either cash or shares at the discretion of the Board of Directors.

LTIP accruals of Share Rights and Cash Rights will cease as of 31 December 2017. Therefore, LTIP Share Rights and Cash Rights will be calculated on a pro-rata basis on the applicable grant date through 31 December 2017. The pro-rated LTIP cash and shares will be paid out on the LTIP Vesting Date, in compliance with the continued employment condition provisions and other applicable provisions in the LTIP agreement. Likewise, the Target Retention Grant Value of the RIGA will be calculated on a pro-rata basis on the date of grant through 31 December 2017. The pro-rata amount will be paid out to RIGA holders employed on their Vesting Date set forth in their RIGA agreement (subject to the existing RIGA provisions).