BOART LONGYEAR

2008 Annual Report

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A LETTER FROM THE CHAIRMAN

"IN A YEAR OF GENERALLY FAVOURABLE CONDITIONS FOR THE WORLDWIDE MINING AND RESOURCE INDUSTRIES, BOART LONGYEAR PERFORMED WELL IN 2008. OUR NET PROFIT AFTER TAX WAS US$157 MILLION. THIS RESULT WAS ACHIEVED ON REVENUES OF US$1,839 MILLION, AN INCREASE OF 17 PERCENT OVER 2007 REVENUES OF US$1,576 MILLION."

Dear Investors,

I am pleased to present the Company's second Annual Report since our ASX listing in April 2007.

In a year of generally favourable conditions for the worldwide mining and resource industries, Boart Longyear performed well in 2008. Our net profit after tax was US$157 million. This result was achieved on revenues of US$1,839 million, an increase of 17 percent over 2007 revenues of US$1,576 million. Our earnings before net interest, taxes, depreciation and amortization (EBITDA) in 2008, including restructuring and related impairment charges, were US$356 million, 20 percent above our 2007 EBITDA of US$297 million.

The Company made a number of strategic acquisitions in 2008. These included Britton Brothers Diamond Drilling in February, strengthening our market share in mineral exploration and energy in western Canada and Mexico; Aqua Drilling in May, providing an entry into the environmental and water drilling business in Australia; and Eklund Drilling Company in September, which strengthened our position in reverse circulation drilling in the Western USA. We also continued to divest non-core assets.

As all investors will be aware, the global financial crisis and economic slowdowns in both developed and developing nations dramatically changed the outlook for resource industries in the latter part of 2008. The outlook for 2009 is one of significantly lower prices for most commodities and reduced new investment in resource projects. These factors create considerable uncertainty in many markets in which Boart Longyear competes. Needless to say, these developments have severely impacted the Company's share price, as they have for many businesses that service the resource sector.

As a result, as we have progressively advised shareholders over recent months, we expect our revenues, margins and profit in 2009 to be substantially lower than in 2008. Both our Drilling Services and Products divisions will be negatively impacted, but some of our businesses, including those related to energy, underground, environmental and infrastructure drilling are expected to remain relatively stable in 2009.

In anticipation of this downturn, management has taken a number of decisive actions to reduce our manufacturing capacity, to resize our headcount, to lower business overheads and to reduce operating costs and capital expenditure. This includes senior management and directors agreeing to a 10 percent reduction in salary and fees.

In light of the importance of cash conservation in the current environment, the Board has decided not to pay a final dividend for 2008. We believe that reduction in our outstanding debt is a more prudent use of our free cash flow at this time. The Board will review the Company's dividend policy on a regular basis with the expectation that, as business conditions improve, it will again be appropriate to distribute a portion of our earnings to shareholders.

Our major priority in the year ahead will be to conserve cash and reduce our total net borrowings, which stood at US$764 million at 31 December 2008, up from US$569 million at 31 December 2007. The increase in debt levels resulted from our acquisitions and rig fleet expansion programs in 2008. By reducing working capital and capital expenditures, and by careful management of operating cash flows, the Company plans to reduce its level of borrowings.

Turning to management and board matters, I would like to acknowledge the leadership of our former Chief Executive Officer, Paul Brunner, who retired on 31 December after six years as the Company's CEO. Paul led the transformation of Boart Longyear and its preparation for public listing with skill and distinction. We welcomed our Chief Executive Officer, Craig Kipp, on 1 January 2009, and our new Chief Financial Officer, Joe Ragan, who joined us last September.

We also thank Geoff Handley for his contribution as an inaugural director of the listed company. Geoff retired from the Board on 15 November 2008. We welcome David Grzelak who became a director on 13 November 2008, and we look forward to his contribution.

Let me close by thanking our people around the world for their hard work, dedication and achievements in the year just past. The challenges in 2009 will be many, but the Board has great confidence that our executive team and our workforce will rise to these challenges in the year ahead.

GRAHAM BRADLEY
CHAIRMAN

"LET ME CLOSE BY THANKING OUR PEOPLE AROUND THE WORLD FOR THEIR HARD WORK, DEDICATION AND ACHIEVEMENTS IN THE YEAR JUST PAST. THE CHALLENGES IN 2009 WILL BE MANY, BUT THE BOARD HAS GREAT CONFIDENCE THAT OUR EXECUTIVE TEAM AND OUR WORKFORCE WILL RISE TO THESE CHALLENGES IN THE YEAR AHEAD."

A LETTER FROM THE CHIEF EXECUTIVE OFFICER

It is a pleasure as CEO to deliver my first annual report to Boart Longyear's shareholders.

2008 was a year of extreme contrasts. The first three quarters were characterized by growth, expanding capacity and completing a number of strategic acquisitions. In the fourth quarter, the world changed. These changes were dramatic and rapid, but our leadership team responded decisively. We immediately changed our strategy from one of growth and expansion to one focusing on cost control and cash generation.

In spite of this rapid market change, Boart Longyear still had a record 2008 performance in both revenue and earnings. The credit goes to the hard work and dedication of over 7,000 skilled drillers, engineers, salesmen, and our experienced management team located around the globe.

"IN THE FOURTH QUARTER, THE WORLD CHANGED. THESE CHANGES WERE DRAMATIC AND RAPID, BUT OUR LEADERSHIP TEAM RESPONDED DECISIVELY. WE IMMEDIATELY CHANGED OUR STRATEGY FROM ONE OF GROWTH AND EXPANSION TO ONE FOCUSING ON COST CONTROL AND CASH GENERATION."

Our diversity played a big part in our successful 2008. Our Drilling Service and Products divisions are truly global. We have operations in more than 40 countries, and we generate sales in over 100 countries. Yet, no more than 25 percent of our revenue is from any major market. As you can see, our world-class drillers and support staff carry many passports. Our customer base is also diverse. We support both exploration and production drilling in many markets, including precious metals, base metals, uranium, energy and environmental and construction markets—all on a global scale.

In spite of our record-setting financial performance, our stock price fell sharply in the second half of the year. We are disappointed by this, but our leadership team is committed to taking the necessary actions to restore shareholder confidence. We will continue to build the Boart Longyear franchise for the long term. The critical issue confronting the Company in the near term is the refinancing of our debt by April 2010. This refinancing is the top priority for the leadership team, and I am confident that this will be resolved in 2009.

The unprecedented and ongoing global credit crisis has resulted in lower economic growth and has raised questions about future commodity prices and exploration spending. We are prepared for a difficult operating environment in 2009. We are taking all necessary actions on cost control, working capital, capital spending and cash generation.

Fortunately, for the past several years, we have taken steps to variabilize the cost structure of our business. This makes cost control an easier and quicker process. For example, we have outsourced more, consolidated factories, reduced our regional drilling operations and "leaned out" our global logistics and supply chain. The net result is a faster and more agile business that can respond quickly to changing market conditions. These efforts will continue. We recognize the competitive advantage of speed.

EXECUTIVE LEADERSHIP TEAM
From left to right

Mike Birch
Vice President, Global Products

Brad Baker
Senior Vice President, Human Resources

Craig Kipp
Chief Executive Officer
(seated in front)

Fabrizio Rasetti
Senior Vice President, General Counsel and Secretary

Ira Kane
President, Environmental & Infrastructure Drilling Services

Scott Alexander
Vice President, Global Drilling Services

Joe Ragan
Chief Financial Officer

Our plans involve more than just surviving this downturn. Product development continues, with a focused pipeline of new product introductions. Our joint services and products business model, which is unique in our industry, results in a high level of innovation and our products engineers will continue to generate new, productive drilling products for us and our customers.

Additionally, our customers tell us it is our safety and compliance culture that sets us apart in the industry. During 2008, our best-in-class incident rate (TCIR) and lost time rate (LTIR) further improved by 34 percent and 59 percent, respectively. Our mining customers are demanding, and they will continue to demand improved performance in this area. We will continue to deliver.

Finally, in this report we have highlighted many of Boart Longyear's leaders. They are located all over the globe. I firmly believe this team is the real Boart Longyear differentiator. They have joined us from diverse backgrounds. They bring leadership experience from markets as distinct as aviation, consumer products, machining tools, automotive, banking and retail. They have all been through downturns in their previous industries. Our team knows how to adapt to the changing marketplace, react quickly and drive performance across a broad range of markets, cultures and geographies.

Boart Longyear has weathered many downturns in our 120-year history. It is a humbling experience to see global markets change this quickly and in unison. However, I know we will come out of this current downturn stronger, leaner, and more focused. I believe that Boart Longyear has the market-leading franchise and is well-positioned for the future. I remain very optimistic about our future prospects.

CRAIG KIPP
CHIEF EXECUTIVE OFFICER

PICTURED: TOP TO BOTTOM

GLOBAL DRILLING SERVICES TEAM *From left to right*
Steve Sangalli, VP, Environmental & Infrastructure - US
Dianne Bettes, General Manager, Minerals & Energy - Asia Pacific (seated)
Louis Del Solar, General Manager, Minerals & Energy - Latin America
Michael Napoletano, General Manager, Minerals & Energy - EMEA
Pat Rocca, General Manager, Minerals & Energy - Canada

GLOBAL ENGINEERING TEAM *From left to right*
Shayne Drivdahl, Director, Engineering - Sonic
Joe Moody, Vice President, Global Engineering (seated)
Keith Littlely, Technical Director, Reverse Circulation R&D
Keith Burch, Director, Engineering - Reverse Circulation Capital Equipment/Tools
Chris Drenth, Director, Engineering - Percussive and Tools (seated)
Dave Ritter, Director, Engineering - Capital Equipment;
Peter Kanck, Technical Director, Coring R&D (not pictured)

GLOBAL SALES TEAM *From left to right*
Ross Tilson, Director, Sales - Asia Pacific
Ulrich Kienle, Director, Sales - Sub Saharan Africa (seated)
John Pike, Director, Sales - Canada
Hans Glaessner, Director, Key Accounts (seated)
Pascal LeFevre, Director, Sales - Europe
Kevin Mullowney, Director, Sales - US (seated)

OUR INTEGRATED DRILLING SOLUTION

BUSINESS OVERVIEW

Boart Longyear has been a leading provider of drilling services and products to the global minerals industry for over 120 years. We operate an integrated business delivering high-quality drilling services and products to customers. Our skilled workforce includes over 7,000 employees located in over 40 countries around the world.

DRILLING SERVICES

Our Drilling Services division operates in North America, South America, Asia Pacific, Europe and Africa. We have an international network of more than 36 zone locations that maintain and mobilise equipment close to key geographic markets.

Our competitive strengths include:

- Global reach and longstanding relationships with a global customer base;
- Access to equipment and consumables to enhance drilling productivity;
- Full range of drilling technologies; and
- Industry-leading safety and training programmes.

MINING AND MINERALS
We are the global leader for minerals exploration, supporting mining customers in the exploration, development and production of gold, copper, nickel, zinc, uranium, and other metals and minerals. The rock core chips and samples we extract provide mining companies with critical information over the life of a mining project, from exploration through closure of the mine.

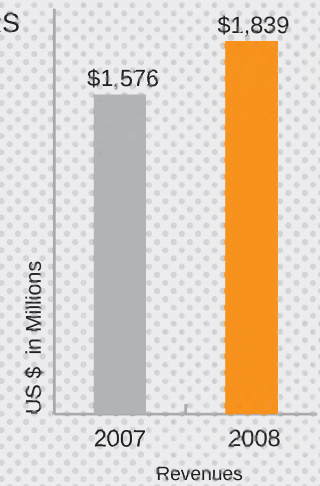
ENVIRONMENTAL
Our environmental drilling business continues to expand its presence and capabilities to serve customers in the environmental, water, geotechnical and geo-construction industries.

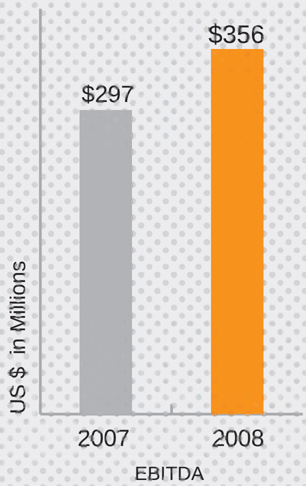
ENERGY
We assist customers in the exploration and production of a range of energy sources, such as oil sands, oil shale, coal bed methane and geothermal, by providing earth and rock core samples for analysis and by installing gas well casings and coal bed methane wells.

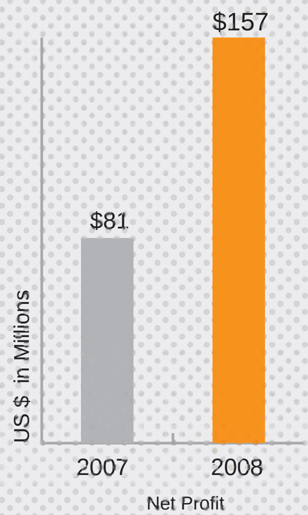
Boart Longyear is the #1 provider of drilling services to the US environmental industry.

KEY FINANCIAL INDICATORS

- Revenues up 17%
- EBITDA up 20%
- Net Profit up 93%







DRILLING PRODUCTS

Our Products division develops, manufactures and markets capital equipment and consumables for use in a range of exploration and production activities. These products are used in a variety of industries such as mining, geotechnical, construction and energy and are sold to customers located in over 100 countries.

We are a recognized leader in the supply of drilling products to the mineral exploration market, which supports mine operators as well as drilling contractors. Boart Longyear's product line includes surface and underground coring rigs, diamond bits, drill rods and wireline core extraction systems. We design these products to specifically meet the safety and productivity needs of the industry.

We also supply consumables and capital equipment to our own Drilling Services division.

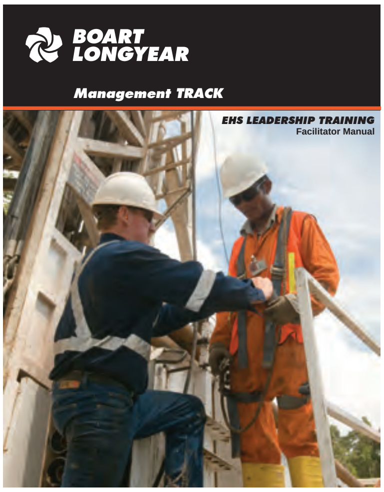
Boart Longyear is the world's #1 provider of products to the surface and underground exploration drilling industries.

Boart Longyear's full range of drilling rigs serve clients in the exploration, production and construction industries.

Boart Longyear's engineering teams design tomorrow's drilling solutions focused on safety, performance and reliability.

Boart Longyear is an industry leader in both surface and underground exploration and production drilling.

FOCUS ON SAFETY, TRAINING AND DEVELOPMENT



We recognize that the people we employ are our most important asset. By effectively training our workforce, we are able to deliver greater operational efficiencies and a safer work environment to the customers we serve.

Boart Longyear has demonstrated commitment to the safety of our employees, our customers and the environment, as shown by our proudly earned safety and environmental certifications of ISO and OHSAS.

Safety is an integral part of the Boart Longyear corporate culture. In the past several years, Boart Longyear has invested significant time and resources to develop innovative tools, practices and drilling machines that lower the risk of injury on job-sites. Our goal is zero environmental incidents, zero new cases of occupational illness and zero workplace injuries.

2008 was a year in which Boart Longyear continued to prove our industry-leading safety performance with 43% of all locations operating with no recordable injuries for the year. Our regional drilling services teams continue to show their commitment to safety with outstanding results. Our Brazilian team has worked 8 million hours without a lost time injury, followed closely by Peruvian and Indonesian teams with over 3 million injury-free work hours.

HIGHLIGHTED BELOW ARE JUST THREE OF OUR MANY RECENT SAFETY-FOCUSED ACCOMPLISHMENTS:

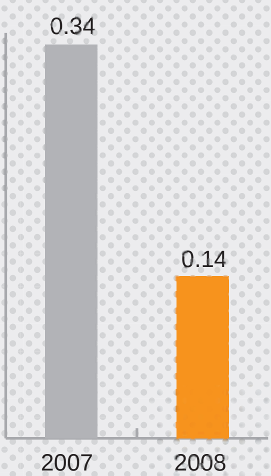
Global EHS Management System (GEMS)
With the launch of GEMS, an electronic global data base designed to monitor all incidents, we are now able to track hazards, near misses, bumps and bruises, first aids, recordables, and lost time incidents. Striving to prevent incidents before they happen, GEMS provides a mechanism for root cause analysis and tracking corrective actions to ensure all incidents are investigated and information is shared globally.

Rig Safety Manual
In 2008, we developed a new rig safety manual, which incorporated policies, procedures, job safety analysis, and best practices to ensure that all rigs are consistently operated in a safe and effective manner.

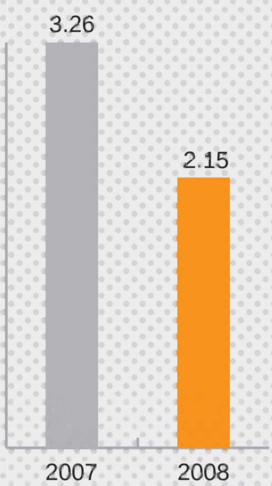
Training and Development
In 2008 we held many global EHS Leadership Training courses to teach our leaders their roles and responsibilities for implementing our safety programs within their respective areas of duty. The curriculum incudes: corporate EHS rules and regulations; focusing on accident prevention using consistent techniques and methodologies; instruction on conducting thorough and accurate incident investigations in order to correctly determine root causes, draw conclusions, assign action items and prevent incident recurrence.

SAFETY IMPROVEMENTS

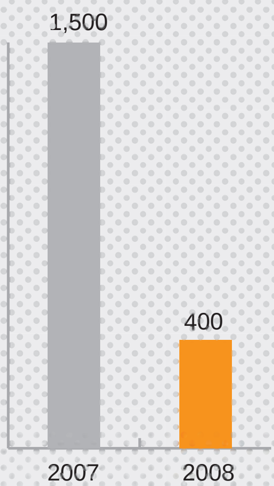
- LTIR down 59%
- TCIR down 34%
- Lost time days down 73%.



Total Lost Time Incident Rate (LTIR)



Total Case Incident Rate (TCIR)



Total lost time days

BOART LONGYEAR'S AUTOMATED HANDS-FREE ROD HANDLING SYSTEM - ENGINEERED FOR SAFETY PERFORMANCE

Our uniquely integrated business includes both contract drilling services and drilling products, so we understand the needs of our customers and work to provide world-class drilling solutions, including those specifically designed to meet the increasingly important safety requirements of the industry.

In 2008 we announced the development of a completely hands-free diamond rod handling system. This system not only picks up drilling rods and automatically positions them, but also makes and breaks the rod joints. This eliminates many common injury risks that come with traditional, manual handling.

Working with our global drilling services teams, our global engineering team has initiated in-depth field testing of our new 4200 surface exploration drill, which includes this new automated rod handling technology. As a result, we are gaining real-time safety and performance data and bringing this information back to our products and engineering teams.

Field testing the 4200 surface exploration drill.

GLOBAL CITIZENSHIP

SAVING LIVES, ONE FLIGHT AT A TIME

Boart Longyear is proud to be a support Australia's Royal Flying Doctor Service, a not-for-profit charitable service providing aeromedical emergency and primary health care services together with communication and education assistance to people who live, work and travel in remote Australia.

BREAD FOR LIFE

Each week, Boart Longyear's South African operations donate food to the underprivileged through NG Welfare's "Bread for Life" campaign. The organisation is a comprehensive professional social welfare service focused on child protection, family preservation, poverty alleviation, feeding schemes and HIV/AIDS.

Boart Longyear conducts EHS training classes around the world.

Our Brazil drilling team has worked a total of 8 million hours without a lost time injury.

Our 4200 surface exploration drill includes a hands-free diamond rod handler, which picks up rods, makes and breaks rod joints without the need for manual operation.

BOARD OF DIRECTORS

GRAHAM BRADLEY (CHAIRMAN) | CRAIG KIPP | BRUCE BROOK | DAVID GRZELAK | DAVID McLEMORE | PETER ST GEORGE

GRAHAM BRADLEY

Mr. Bradley was appointed a director of the Company on 21 February 2007 and is currently Chairman of the Company. He is also Chairman of Stockland Corporation Limited (appointed February 2004) and Po Valley Energy Limited (appointed September 2004) and a director of Singapore Telecommunications Limited (appointed March 2004). He is also chairman of the unlisted local subsidiaries of HSBC plc and Anglo American plc. In addition, Mr. Bradley is a director of a number of non-profit philanthropic organisations.

From 1995 to 2003, Mr. Bradley was the Chief Executive Officer of the listed investment management group Perpetual Trustees Australia Limited (now known as Perpetual Limited). He also spent four years as the Chief Executive Officer of the law firm Blake Dawson. Previously, he spent 12 years at McKinsey & Company, an international firm of management consultants.

Mr. Bradley resigned as Chairman of Proteome Systems Limited on 29 November 2007 and Film Finance Corporation Australia Limited on 30 June 2008.

Mr. Bradley received a BA and LLB (Hons 1) from Sydney University and an LLM from Harvard Law School.

He is a member of the Remuneration & Nomination Committee.

CRAIG KIPP

Mr. Kipp was appointed a director of the Company on 28 June 2008. He was appointed the Company's Chief Executive Officer on 1 January 2009, prior to which time he was President and Chief Operating Officer. Mr. Kipp joined the Company in 2005 after 22 years with General Electric, where he was employed in various capacities, including as President and Chief Operating Officer of the Global Nuclear Fuel division and General Manager of operations in Hungary and China.

Mr. Kipp received his BS and MS in Mechanical Engineering from the University of North Dakota and an MBA from the University of Chicago.

BRUCE BROOK

Mr. Brook was appointed a director of the Company on 21 February 2007. He is currently a director and Chairman of the Audit Committee of Lihir Gold Limited (appointed December 2005) and Snowy Hydro Limited (appointed May 2006). He is a member of the Financial Reporting Council, a member of the Finance Committee of the University of Melbourne and a member of the Audit Committee of the Salvation Army (Southern Territory).

Mr. Brook was the Chief Financial Officer of WMC Resources Limited from 2002 to 2005 and has approximately 30 years' experience in various roles, including Deputy Chief Financial Officer of ANZ Banking Group Limited, Group Chief Accountant of Pacific Dunlop Limited, General Manager, Group Accounting at CRA Limited and General Manager, Accounting and Services at Pasminco Limited.

Mr. Brook resigned as a director of Consolidated Minerals Limited on 20 February 2008 (appointed December 2005).

Mr. Brook gained his B.Comm and B.Accounting at the University of Witwatersrand and is a fellow of the Institute of Chartered Accountants in Australia.

He is Chairman of the Audit, Compliance & Risk Committee and a member of the Environment Health & Safety Committee.

DAVID GRZELAK

Mr. Grzelak was appointed a director of the Company on 13 November 2008. He is currently Chairman and Chief Executive Officer of Komatsu America Corp. and has held a variety of senior executive positions with Komatsu since joining the company in 1991. Prior to joining Komatsu, he worked in General Electric's Transportation Systems business for approximately 20 years. Mr. Grzelak has served as a director of the NYSE-listed Alamo Group Inc. and member of its Audit, Compensation & Nomination committees since 2006.

Mr. Grzelak earned his BS in industrial engineering from Penn State University and an MBA from Gannon University.

He is a member of the Audit, Compliance & Risk Committee and the Environment, Health & Safety Committee.

DAVID MCLEMORE

Mr. McLemore was appointed a director of the Company on 21 February 2007. He has 35 years of industrial and broad operational experience. He has held a number of positions with various Advent International portfolio companies for ten years and was involved with Advent International's acquisition of the Boart Longyear Group from Anglo American plc in 2005.

Mr. McLemore served at various times as Chairman, Deputy Chairman and Vice Chairman of the Boart Longyear Group from 2005 until 2007. Mr. McLemore also served as a General Manager of General Electric's Power Systems division from 1985 to 1997.

Mr. McLemore received his BS from Oklahoma State University.

He is a member of the Environmental Health & Safety Committee and was appointed its Chairman effective 15 November 2008. He is also a member of the Remuneration & Nomination Committee.

PETER ST GEORGE

Mr. St George was appointed a director of the Company on 21 February 2007. He also has been a director of First Quantum Minerals Limited (listed on the Toronto Stock Exchange) since October 2003. Mr. St George was a director of Spark Infrastructure Group, Powercor Australia Limited, Citipower Pty Limited and CHEDHA Holdings Pty Limited from December 2005 until 31 December 2008. He also served as a director and Chairman of Walter Turnbull, an Australian accounting and financial services firm, from August 2002 until 31 October 2008 and was a director of SFE Corporation Limited from 2000 until its merger with ASX Limited in July 2006.

Mr. St George served as Chief Executive/ Co-Chief Executive of Salomon Smith Barney Australia/NatWest Markets Australia from 1995 to 2001. In addition, he has more than 20 years' experience in senior corporate advisory roles within NatWest Markets and Hill Samuel & Co in London.

Mr. St George qualified as a Chartered Accountant in South Africa and received an MBA from the University of Cape Town.

He is Chairman of the Remuneration & Nomination Committee and a member of the Audit, Compliance & Risk Committee.

EXECUTIVE LEADERSHIP TEAM

SCOTT ALEXANDER	BRAD BAKER	MIKE BIRCH	IRA KANE	JOE RAGAN	FABRIZIO RASETTI
VICE PRESIDENT, GLOBAL DRILLING SERVICES	SENIOR VICE PRESIDENT, HUMAN RESOURCES	VICE PRESIDENT, GLOBAL PRODUCTS	PRESIDENT ENVIRONMENTAL & INFRASTRUCTURE DRILLING SERVICES	CHIEF FINANCIAL OFFICER	SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY

CRAIG KIPP

See Page 10.

SCOTT ALEXANDER

Mr. Alexander was appointed Vice President, Global Drilling Services in 2006. Prior to joining Boart Longyear, he was Vice President of Manitowoc, Inc.'s Crane Group aftermarket operations in the Americas. His 32 years of mining industry experience include serving with Joy Global, Inc. as Vice President and General Manager of P&H MinePro Services and Vice President, P&H Product Management & Business Development, and with Bucyrus International, Inc. in various roles.

BRAD BAKER

Mr. Baker was appointed as Senior Vice President, Human Resources in 2008. Prior to joining Boart Longyear he worked for Milacron Inc. for 17 years in a variety of roles including Vice President of Human Resources.

MICHAEL BIRCH

Mr. Birch was appointed Vice President, Global Products in 2006. Prior to joining Boart Longyear, he worked for Black & Decker Corporation for 15 years across various business units in both North America and Europe. Past roles include Vice President and General Manager for Baldwin Hardware and Director of Marketing and Product Development for the DeWalt Industrial Power Tools, both divisions of Black & Decker Corporation.

IRA KANE

Mr. Kane joined Boart Longyear in 2006 through the acquisition of the Prosonic Corporation, the USA's largest provider of sonic drilling services, where he served as its President and COO. Prior to this, he served for nine years as President & COO of MPW Industrial Services Co. He also held the position of Executive Vice-President of OHM corporation and was a practicing attorney in Columbus, Ohio.

JOE RAGAN

Mr. Ragan was appointed Chief Financial Officer in 2008. Prior to joining Boart Longyear, he held the position of Chief Financial Officer for GTSI Corp., a leading technology solutions provider for the public sector listed on NASDAQ. He also held the position of Chief Financial Officer of US Operations for Winstar Communications, Inc.

FABRIZIO RASETTI

Mr. Rasetti was appointed Senior Vice President, General Counsel and Secretary in 2006. Prior to joining Boart Longyear, he was a Segment General Counsel and Segment Vice-President for Business Development for NYSE-listed SPX Corporation and served in various other management roles during his nine-years there. Prior to SPX Corporation, he worked in the private law firms of Howrey & Simon and Towey & Associates in Washington, DC.

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BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

ANNUAL FINANCIAL REPORT

YEAR ENDED 31 DECEMBER 2008

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DIRECTORS' REPORT

The directors present their report together with the financial report of Boart Longyear Limited ("Boart Longyear" or the "Company") and its controlled entities (collectively the "Group" or the "Consolidated Entity") for the financial year ended 31 December 2008 ("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 in office during the financial year and as of the date of this report are set out below:

- Graham Bradley — Appointed 21 February 2007
- Bruce Brook — Appointed 21 February 2007
- David Grzelak — Appointed 13 November 2008
- Craig Kipp — Appointed 28 June 2008
- David McLemore — Appointed 21 February 2007
- Peter St George — Appointed 21 February 2007

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

- Paul Brunner — Appointed 28 February 2007; resigned 31 December 2008
- Geoff Handley — Appointed 21 February 2007; resigned 15 November 2008

DIRECTORS' MEETINGS

The following table sets out for each director the number of directors' meetings (including meetings of committees of directors) held during the financial year while he was a director or committee member and the number of meetings each director attended. The table does not reflect the directors' attendance at committee meetings in an "ex-officio" capacity.

Directors	Board of Directors		Nomination & Remuneration Committee		Audit, Compliance & Risk Committee		Environment Health & Safety Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Graham Bradley	6	6	5	5	-	-	-	-
Bruce Brook	6	6	-	-	4	4	4	4
Craig Kipp [4]	2	2	-	-	-	-	-	-
David McLemore	6	6	5	5	-	-	4	4
Peter St. George	6	6	5	5	4	4	-	-
David Grzelak [3]	1	1	-	-	-	-	-	-
Paul Brunner [1]	6	6	-	-	-	-	-	-
Geoff Handley [2]	6	6	-	-	4	4	4	4

(1) Resigned on 31 December 2008.
(2) Resigned on 15 November 2008.
(3) Appointed 13 November 2008.
(4) Appointed 28 June 2008.

COMPANY SECRETARIES

Fabrizio Rasetti was appointed Company Secretary on 26 February 2007. A summary of his work experience and qualifications is found on page 11.

Paul Blewett was appointed Company Secretary on 21 October 2008. Prior to joining Boart Longyear he was General Counsel and Company Secretary for Hills Industries Limited (ASX:HIL). Prior to Hills Industries, he held a number of positions with other Australian Securities Exchange listed companies, following private legal practice for 8 years with Lynch Meyer, Adelaide, South Australia. Mr. Blewett received his LLB from the University of Adelaide in 1983.

Duncan W.S. Glasgow resigned as Company Secretary on 21 October 2008.

PRINCIPAL ACTIVITIES

The Company is a leading integrated provider of drilling services, capital equipment and consumable products for customers in the mining and minerals exploration, environmental and infrastructure, and energy industries. The Group conducts these activities through two operating divisions, known as the Global Drilling Services and Global Products divisions.

The Global Drilling Services division operates in over 30 countries. It provides services to a diverse customer base and offers a broad range of drilling technologies, including, but not limited to, diamond core, underground, reverse circulation, rotary and sonic drilling.

The Global Products division manufactures and sells capital equipment and consumables primarily to customers in the drilling services and mining industries globally. These products include rigs and products (such as bits, rods and in-hole tools) for exploration drilling, rock drilling and environmental, infrastructure and construction applications. The division also distributes a wide variety of products and supplies through its network of retail drill stores in the United States.

Financial performance

Total revenue for the twelve months ended 31 December 2008 was $1,839 million, an increase of approximately 17% as compared to $1,576 million over the prior twelve months ended 31 December 2007. Of the $263 million increase in revenue during 2008, $270 million was attributable to an increase in revenues in the Global Drilling Services division offset by a $7 million decrease in revenue in the Global Products division. Revenues were higher in North America, South America, Asia Pacific and Africa, but lower in Europe.

In 2008, the Global Drilling Services division generated revenue of $1,241 million, up approximately 28% on the same period last year. Higher revenues were attributable to higher pricing for certain drilling services, the impact of certain acquisitions made in 2007 and 2008, and favourable FX movements as well as the impact of the organic expansion in the Company’s fleet of drilling rigs.

In 2008, the Global Products division generated revenue from ongoing operations of $598 million, down 1% on the prior year. Higher pricing and favorable FX movements were more than offset by lower volumes, primarily attributable to the sale of certain non-core assets which took place in 2008.

Net profit after tax for the twelve months ended 31 December 2008 was $157 million, an increase of 93% as compared to $81 million over the prior twelve months ended 31 December 2007. Net profit after tax in 2008 includes restructuring expense of $20 million and net profit after tax in 2007 includes the impact of finance costs relating to the higher debt levels in place prior to the listing of the Company related to pre-listing debt and other fees and expenses related to the IPO in early 2007.

Tax expense for the twelve months ended 31 December 2008 was $75 million, an increase of approximately 36% as compared to $55 million for the prior twelve months ended 31 December 2007. The effective tax rate in 2008 of 32.2% has decreased from 40.4% in 2007, and takes into account the tax weighting of the corporate structure.

Earnings per share in 2008 were 10.4 cents per share on a basic and diluted basis, compared to earnings per share on a basic and diluted basis of 5.4 cents for the same period in 2007.

DIVIDENDS

The directors of the Company declared dividends totaling US 3.8 cents per share during the financial year. A dividend of US 1.5 cents per share was declared on 29 February 2008 and paid on 18 April 2008. A further dividend of US 2.3 cents per share was declared on 26 August 2008 and paid on 16 October 2008. Both dividends were 35% franked.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Acquisition of Other Entities and Operations

During the financial year, the Group completed acquisitions of Britton Brothers Diamond Drilling, Aqua Drilling & Grouting Pty Ltd, Westrod Engineering and Eklund Drilling Company Inc. Aqua Drilling and Westrod are located in Australia, while Britton Brothers’ operations are in Canada and Mexico. Eklund Drilling operates in the western United States of America.

Divestiture of Operations

The Group completed the sale of its mining capital equipment and diamond wire businesses, both of which are in South Africa, and residential water business in the United States of America.

Other than the Company's acquisitions and divestitures listed above, in the opinion of the directors, there were no other significant changes in the state of affairs of the Group during the financial year.

EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the directors, there has not arisen in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, results or state of affairs in future financial years.

FUTURE DEVELOPMENTS

The Group intends to continue its principal activities related to providing drilling services and selling drilling capital equipment and consumable products while focusing on operating improvements, product development, cost management, cash generation and debt reduction. The Group may also elect to expand its product or service offerings through organic growth initiatives or strategic acquisitions although it expects the level of acquisitions to decline as compared to 2008 and 2007.

Further information about likely developments in the operations of the Group in future years, expected results of those operations, and strategies of the Group and its prospects for future financial years has been omitted from this report because disclosure of the information is likely to result in unreasonable prejudice to the Group.

CORPORATE GOVERNANCE STATEMENT

The Board believes that high standards of corporate governance are an essential prerequisite for creating sustainable value for shareholders. This statement summarises the main corporate governance policies and practices in place within the Group. Unless otherwise noted, the Company has followed the best practice recommendations set out in the ASX Corporate Governance Council's Principles and Recommendations (the "ASX Guidelines").

The Company's most significant governance policies, including Board and committee charters, may be found on the Company's website at www.boartlongyear.com.

Role of the Board

The Board charter sets out the powers and responsibilities of the Board. These include:

- providing strategic direction for, and approving, the Company's business plans and objectives;
- monitoring the operational and financial position and performance of the Company;
- establishing a sound risk management framework for the Company and ensuring that management takes reasonable steps to implement appropriate controls and otherwise mitigate risks;
- requiring that robust financial and other reporting mechanisms are put in place to provide adequate, accurate and timely information to the Board and shareholders regarding all material developments;
- appointing and evaluating the performance of the Chief Executive Officer, approving other key executive appointments and planning for executive succession;
- reviewing and approving remuneration for senior executives;
- approving the Company's annual operating budget and business plans and monitoring the management of the Company's capital, including any material capital expenditures, acquisitions or divestitures;
- monitoring procedures to ensure compliance with legal and regulatory requirements and accounting standards; and
- determining the level of authority delegated to the Chief Executive Officer and Company management.

The Board has delegated to the Chief Executive Officer and to the Company's Executive Management Committee ("EXCO") responsibility for managing the business of the Company in compliance with Board policies, legal requirements and the fundamental standards of ethics and integrity reflected in the Group's Code of Business Conduct. The Board policies and charters set clear thresholds for management authority and ensure accountability to, and oversight by, the Board for the approval of specific matters, including remuneration of senior executives, changes to the Company's share capitalisation, declaration of dividends, the Company's annual operating budget, material acquisitions and divestitures and changes to corporate strategy. Delegations are regularly reviewed by the Board and may be changed by the Board at any time.

Composition of the Board

At the date of this report, the Company has one executive director and five non-executive directors.

Boart Longyear recognises that the ability of its Board to fulfill its role properly requires that the directors collectively have an appropriate range of skills, experience and expertise, including experience in accounting and financial reporting, operational expertise and experience in the markets the Group serves, and that a majority of the directors is independent. In assessing the independence of non-executive directors, the Board has considered the criteria detailed in the Board charter, including, whether a director:

- is a substantial shareholder of the Company, or otherwise is associated directly or indirectly with a substantial shareholder;
- has been employed in an executive capacity by the Company or Group within the last three years and did not become a director within three years of being so employed;
- has been a principal of a material professional adviser or a material consultant to the Company or Group within the last three years;
- is a partner in, or material shareholder or officer of, a material supplier or customer of the Company or Group;
- has a material contractual relationship with the Company or Group other than as a director; and
- has received more than A$100,000 from the Company or Group during the past year other than as compensation for the director fulfilling his duties as a director.

The charter also defines materiality as being an amount in excess of 5% of Boart Longyear's or the advisor's, supplier's or customer's revenues or expenses, as the case may be.

The Board meets the requirements of the charter and the recommendations of the ASX Guidelines as a majority of the Board is comprised of non-executive directors and all of the non-executive directors, including the Chairman, meet the independence criteria listed above.

Board Processes

The Board meets at least six times a year and convenes additional meetings as required. The agenda for Board meetings is prepared by the Chief Executive Officer and other senior management in conjunction with the Chairman and, along with supporting papers, is distributed to directors prior to each meeting. Certain senior executives participate in Board and committee meetings, thus providing the directors with access to key operating, financial and compliance personnel on a regular basis. In addition, the directors have access to other Company employees in Board and committee meetings, during visits to operations and in other settings.

Board Committees

The Board has three permanent committees to assist it in discharging its responsibilities. These are the:

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

These committees have written charters that are reviewed at least annually. All non-executive directors may attend any committee meeting. The Chairman of each committee reports on committee proceedings at the next Board meeting and minutes of committee meetings are circulated to directors in the Board papers.

Audit, Compliance & Risk Committee

The Audit, Compliance & Risk Committee assists the Board to fulfill its governance and disclosure responsibilities in relation to the quality and integrity of the Company's financial reports, internal controls, risk management framework and external audits. The committee also monitors compliance with laws and regulations. The committee makes recommendations to the Board regarding the appointment, performance and independence of the external auditor and must approve all non-audit services performed by the external auditor.

The committee is comprised of three non-executive directors, all of whom are independent directors and at least one of whom has relevant accounting qualifications or experience. The members of the committee during and since the financial year are:

- Bruce Brook – Chairman
- Peter St George
- David Grzelak (appointed 14 November 2008)
- Geoff Handley (resigned 15 November 2008)

Remuneration & Nomination Committee

The Remuneration & Nomination Committee supports the Board by overseeing matters related to executive and director remuneration and the composition and performance of the Board. The committee's responsibilities include:

- developing and reviewing remuneration plans, including annual bonus plans and equity-based incentive plans;
- developing performance objectives for the Chief Executive Officer and his direct reports and reviewing performance against those objectives;
- overseeing policies 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 committee consists of the following three non-executive directors:

- Peter St George – Chairman
- Graham Bradley
- David McLemore

Environment, Health & Safety Committee

Boart Longyear places a high priority on safety, management of operational risks and compliance with environmental laws and regulations. The Environment, Health & Safety Committee assists the Board in the effective discharge of its responsibilities in relation to these matters and has authority to investigate any matter within the scope of the committee's charter.

Among its responsibilities, the committee:

- ensures that the Company has effective systems and processes for monitoring and mitigating operational risks;
- reviews and assesses the Company's policies and practices to ensure compliance with environmental and operational regulatory requirements, including through internal and external audits; and
- reviews the results of investigations of any major health, safety or environmental incidents occurring in the Company's operations.

The committee consists of the following three non-executive directors:

- David McLemore – Chairman (appointed Chairman on 15 November 2008)
- Bruce Brook
- David Grzelak (appointed 14 November 2008)
- Geoff Handley (resigned 15 November 2008)

Board and Director Performance

The Board has a formal annual assessment process that includes performance assessments of the Board committees and individual directors. As part of the assessment process, each director completes a questionnaire on the operation of the Board and its committees and the performance and contributions of the directors. The results of the questionnaires are compiled by the Chairman and discussed with each director individually. The Chairman also holds a further discussion about the Board's effectiveness with the Board as a whole. This Board effectiveness evaluation took place this year in the period between June 2008 and August 2008.

New directors undergo an induction process to inform them of the nature of the Company's business, strategies, risks and issues, and expectations about director performance. The terms of a non-executive director's appointment are set out in a letter to the director from the Company. The letter details the director's obligations, including to:

- act in the best interests of the Company at all times;
- submit to re-election from time-to-time as required by the Company's constitution;
- notify the Chairman of any change in circumstances that might prevent the director from being regarded as independent;
- comply with the Company's constitution, governance policies and all applicable legal requirements, including the Company's Securities Trading Policy;
- devote sufficient time to prepare for and attend Board meetings and otherwise to discharge the director's duties;
- keep confidential, and not use for the benefit of any person or party other than the Company, any confidential information of the Company or Group; and
- disclose any directorships, business interests or circumstances that might represent conflicts of interests or reasonably be perceived to interfere with the exercise of the director's independent judgment, or have an adverse impact on the Company's reputation or public profile.

The appointment letter also confers certain benefits and rights upon the director, including indemnities and insurance coverage for liabilities arising out of the discharge of the director's duties and unfettered access to papers, information and employees of the Company. In addition, directors may, with the approval of the Chairman, consult with professional advisors.

Executive Performance

The Company employs a structured performance evaluation process to ensure that senior executives are motivated to deliver shareholder value and are accountable to the Board at all times. The process commences early each financial year when the Board establishes and approves corporate performance objectives as well as individual performance objectives for the most senior managers of the Company. As detailed more fully in the Remuneration Report, performance against those objectives determines the potential incentive the executive may receive under the Company's annual bonus plan. The Chief Executive Officer's annual incentive is based 100% on the achievement of the annual corporate performance objectives approved by the Board. Other senior managers of the Company have individual performance objectives that account for 50% of the total annual bonus for which they are eligible and the annual corporate performance objectives that account for the balance. The Company's executive performance assessment process for 2008 and goal-setting process for 2009 commenced in January 2009 and is scheduled to be completed in March 2009.

Risk Management

The Board recognises that risk management and internal controls are fundamental to good corporate governance, and the Board and senior management accept their responsibility to identify and manage risk on an ongoing basis. The Company's risk management framework consists of a number of controls, including:

- documented systems, procedures, authorities and delegations for the orderly management of the Company;
- policies and ethical standards, and ensuring that employees understand such obligations;
- risk-based internal audits to test the Company's controls and assist management with the enforcement of Company policies; and
- certifications from management and process owners throughout the Company regarding the design and operation of risk management systems, internal controls and compliance.

The Board is assisted and advised in its oversight of the Company's risk management system by two of its committees: the Environment, Health & Safety Committee with respect to operational risks generally and the Audit, Compliance & Risk Committee with respect to financial, compliance and other risks. Those committees review the annual audit plan of the Company's internal audit function and Environment, Health & Safety group, and, along with senior management, consider the findings of those audits. The Audit, Compliance & Risk Committee also monitors compliance programs managed by the Company's legal function and reviews the sifnificant findings of any compliance reviews or investigations.

During the financial year, the Company enhanced its risk management processes by implementing a formal and comprehensive risk management system based on a written risk management policy and the findings of Company audits and investigations. Those processes are managed by the corporate Director of Risk Management, who, among other tasks, directs regular regional and corporate risk identification and mitigation reviews and assists in tracking corrective actions.

Integrity of Financial Reporting

In accordance with the ASX Guidelines, the Chief Executive Officer and Chief Financial Officer have certified the following (among other detailed certifications) to the Board in writing:

1) in their opinion, after having made appropriate enquiries:

    (i) the financial statements of the Company and Consolidated Entity for the financial year comply with Accounting Standards and have been properly maintained in accordance with section 286 of the Corporations Act 2001; and

    (ii) the financial reports of the Company and Consolidated Entity, and notes thereto, present a true and fair view, in all material respects, of the financial position and performance of the Company and of the Consolidated Entity in accordance with section 297 of the Corporations Act 2001.

2) to the best of their knowledge and belief after having made appropriate enquiries:

    (i) the statements made in (1) above regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance which, in all material respects, implements the policies adopted by the Board of Directors through delegation to senior executives;

    (ii) the risk management and internal compliance system, to the extent it relates to financial reporting, is operating effectively in all material respects based on the risk management model adopted by the Company;

    (iii) nothing has come to management's attention since 31 December 2008 that would indicate any material change to the statements made in 2(i) and 2(ii) above, and

These statements are supported by certifications made to the Chief Executive Officer and Chief Financial Officer by the financial managers of each of the Company's divisions and regions and by other managers globally. They provide a reasonable but not absolute level of assurance and do not imply a guarantee against adverse events or more volatile outcomes arising in the future. A number of internal control deficiencies relating to financial reporting have been identified during the financial year, and in such cases, where deemed appropriate, additional tests of procedures or tests of resulting account balances included in the financial statements have confirmed that there has been no material impact on the financial reports. Management also has reported to the Board as to the effectiveness of the Company's management of material business risks.

Code of Business Conduct and Ethical Standards

Boart Longyear's directors, management and employees are required to act with integrity at all times and maintain high ethical standards. The Company has adopted a Code of Business Conduct that covers a broad range of matters, including:

- conflicts of interest and the preservation and proper use of Company assets;
- protection of confidential and commercially sensitive information;
- employment legislation;
- competition law and fair dealing;
- environmental, health and safety considerations;
- improper payments, bribery and money laundering, including transactions with government officials;
- financial reporting and record-keeping; and
- each employee's affirmative duty to report violations of policy or law.

The Code of Business Conduct is available on the Company's website at www.boartlongyear.com. The Company supplements the Code of Business Conduct with additional policies that provide more detailed guidance on substantive legal requirements and other principles and requires employees to successfully complete assigned compliance training courses on an ongoing basis.

Environmental Performance

Boart Longyear is committed to achieving a high standard of environmental performance. The Company's operations are subject to various environmental laws and regulations in the many jurisdictions in which it operates, including regulations under both Commonwealth and state legislation in Australia. The Board, with the assistance of the Environment, Health & Safety Committee, monitors environmental performance against relevant legislation and Company objectives and monitors remedial action when required.

The directors are not aware of any business unit operating in breach of environmental regulations during the financial year and to the date of this report under any applicable law of the Commonwealth or of a State or Territory.

Continuous Disclosure

The Board aims to ensure that all of its shareholders and the market in general are kept fully and promptly informed of all major developments and changes that are likely to materially affect its operations, financial results and business prospects. The Company's External Communications Policy specifies how the Company will meet its continuous disclosure obligations under ASX Listing Rule 3.1 and sets out procedures for Company employees to report potentially price-sensitive information to management and the Board.

The Company produces financial statements for its shareholders and other interested parties twice per year. Shareholders have the right to attend the Annual General Meeting in April and are provided with an explanatory memorandum on the resolutions proposed through the Notice of Meeting. The Company also employs a Vice President of Investor Relations to manage and assure prompt and relevant communications with shareholders and the market generally, and the Company posts material information for its shareholders, such as ASX announcements and financial results, on its website at www.boartlongyear.com.

Donations

Boart Longyear contributes to the communities in which it works with donations, sponsorship and practical support. The Company does not make political donations.

DIRECTORS' SHAREHOLDINGS

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

Directors	Fully paid ordinary shares	Restricted shares [1], rights and options	Total
Graham Bradley	2,118,364	491,891	2,610,255
Bruce Brook	458,108	45,945	504,053
Craig Kipp	5,214,626	2,994,710	8,209,336
David McLemore	1,158,609	-	1,158,609
Peter St. George	446,216	72,972	519,188
David Grzelak	10,000	-	10,000

(1) The directors' restricted shares as listed in the table above, although fully paid ordinary shares, are subject to a vesting condition of three years' service by the directors.

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

The shares or rights over shares of the Company that have been granted to directors or executives of the Group are included in the Remuneration Report. Options over unissued shares of the Company have been granted to the Chief Executive Officer, Mr. Kipp, as detailed in the Remuneration Report. No shares or interests have been issued during or since the end of the financial year as a result of exercise of an option.

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 35 to the financial statements. In 2008, management recommended that the Company engage Mr. St George to assist with the Company's evaluation of a potential acquisition. The Board, with Mr. St George abstaining from the discussions, reviewed and approved the engagement and proposed terms and concluded that they did not conflict with the Company's director independence guidelines.

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.

REMUNERATION REPORT

The information provided in this Remuneration Report is that required under Section 300A of the Corporations Act.

This Report sets out the remuneration arrangements for the Key Management Personnel (KMP), who are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). The KMP include the top five highest-paid executives. The remuneration policy and programs detailed in this report also apply to senior Company management not included as KMP.

The following individuals have been included as KMP in during the financial year:

- Graham Bradley (Chairman, non-executive director)
- Bruce Brook (Non-executive director)
- David McLemore (Non-executive director)
- Peter St George (Non-executive director)
- David Grzelak (Non-executive director) appointed 13 November 2008
- Geoff Handley (Non-executive director) resigned 15 November 2008
- Paul Brunner (Chief Executive Officer and Executive Director) resigned 31 December 2008
- Craig Kipp (Chief Operating Officer) (Executive Director) appointed 28 June 2008 (Chief Executive Officer) appointed 1 January 2009
- Joseph Ragan III (Chief Financial Officer) commenced employment 29 September 2008
- Brad Baker (Senior Vice President, Human Resources) commenced employment 2 June 2008
- Fabrizio Rasetti (Senior Vice President, General Counsel and Secretary)
- Scott Alexander (Vice President of Global Drilling Services)
- Michael Birch (Vice President of Global Products)
- Patrick Johnson (Senior Vice President, Human Resources) resigned 6 June 2008
- Terrance Dolan (Senior Vice President, Business Development and Marketing) resigned 31 October 2008

Remuneration Policies and Practices

The Board has ultimate responsibility for remuneration issues, including policies and procedures to ensure that the Company remunerates fairly and responsibly. The Remuneration & Nomination Committee ("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 policies 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 role and responsibilities of the Remuneration Committee are set out in its charter. The Chief Executive Officer, the Senior Vice President for Human Resources and other members of senior management attend meetings of the committee, as appropriate, to provide information necessary for the committee to discharge its duties. In addition, the committee also has access to external consultants as it sees fit to provide advice, market data and other information required.

Overall, the structure, quantum and mix of components of the Company's remuneration program, detailed below, are designed to meet the specific needs of the business and be consistent with good market practice. The Company and Remuneration Committee will regularly review all elements of its remuneration framework to ensure that they remain appropriate to the business strategy and are competitive and consistent with contemporary market practice.

Non-Executive Director Remuneration

Non-executive directors are remunerated by a fixed base fee with additional amounts paid for serving on Board committees. Non-executive director fees are determined within an aggregate directors' fee pool limit that periodically will be approved by shareholders in general meeting. The current approved limit is A$2.0 million. Fees are set to reflect the responsibility and time commitments required of non-executive directors and are reviewed annually to ensure that they remain fair and consistent with market practice.

The base fee for non-executive directors during the financial year was A$120,000 per annum, while the Chairman received a base fee of A$360,000 per annum. Non-executive directors (other than the Chairman) received an additional 10% of the base fee for each Board committee on which they sat or 20% of the base fee for each committee they chaired. In 2008, these fees did not include compulsory superannuation payments paid to Australian-resident non-executive directors at the statutory rate of 9% on all Board and committee fees. In lieu of the superannuation payments, US-resident non-executive directors received an additional payment of 9% on all Board and committee fees. During the financial year, A$1,069,161 (US $893,572) of the pool was utilised for non-executive director fees (taking into account the aggregate payment of fees and superannuation), being approximately 53% of the fee pool limit.

Non-executive directors also are reimbursed for all reasonable out-of-pocket expenses incurred in carrying out their duties. They do not receive any retirement benefits other than statutory superannuation contributions or any performance-related remuneration, such as the management short-term incentive or LTIP programs.

Non-Executive Director Share Acquisition Plan

In February 2008, the 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 pre-tax 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 ten years. The holding lock will be removed in certain circumstances, including a cessation of directorship. There have been 200,985 shares issued under this plan during the financial year ended 31 December 2008.

Executive Remuneration

There are several components of remuneration provided to reward executives, presenting a balance of fixed and at-risk pay as well as short and longer-term rewards. Consistent with market practice, the proportion of remuneration attributable to each component depends on the executive's seniority. These components are as follows:

Fixed Remuneration	At-risk Remuneration
Base Salary	Short-Term Incentive (Corporate Bonus Plan(CBP)); and Long-Term Incentive (share rights and share options)

The Company's executive remuneration has been structured to ensure that it:

- is reasonable;
- provides a competitive compensation program to retain, attract and reward key employees;
- achieves clear alignment between total remuneration and delivered business and personal performance over the short and long-terms; and
- is an appropriately balanced mix of fixed and at-risk compensation.

The Company places great importance on the need to retain key employees, thereby avoiding disruption to operations. Accordingly, the use of both time-based and performance-based rewards is designed to ensure the Company's leadership is retained and delivers sustainable, long-term shareholder returns. The directors believe that the at-risk components of the remuneration framework will effectively align senior management's interests with those of shareholders.

The Directors believe that the achievement of certain performance objectives by executives of the Company links the remuneration policy to the Company achieving its targeted performance objectives. The Company has only been a public company since 11 April 2007 and therefore does not have a five-year history to present. An analysis of the past two year's remuneration and performance achievement has demonstrated the correlation between the short-term incentives (CBP) and the Company's achievement of its targeted performance objectives. For the 2007 plan year, the KMP received between 67% and 85% of their target bonus amount. For the 2008 plan year, the KMP will receive between 83% and 90%* of their target bonus amount. In both years, management remuneration under the CBP directly tracked to corporate financial targets established for those years, which represented between 50% of the bonus payable to senior executives and 100% of the bonus payable to the Chief Executive Officer.

*100% for Mr. Ragan due to an employment agreement.

The table below shows summary information about the Company's earnings and movements in shareholder wealth for the last two years to 31 December 2008:

	2008 US$'000	2007 US$'000
Revenue	1,838,538	1,575,737
Net profit after tax	156,724	81,115
Share price at start of period [1]	$2.39	$1.94
Share price at end of year	$0.20	$2.35
Basic and diluted earnings per share	10.4 cents	5.4 cents
Dividends per share	3.8 cents	None

(1) The Company began trading shares on 5 April 2007.

The relative proportions in 2008 of the elements of the executive compensation that are fixed and related to on-target achievement are:

	Fixed		Incentive		Total
Executive Management	Short-term [1]	Long-term [2]	Short-term [3]	Long-term [4]	incentive based
Paul Brunner	50%	0%	50%	0%	50%
Craig Kipp	36%	19%	27%	18%	45%
Joseph Ragan III	38%	18%	26%	18%	44%
Scott Alexander	50%	13%	24%	13%	37%
Michael Birch	41%	20%	20%	19%	39%
Fabrizio Rasetti	41%	20%	20%	19%	39%
Brad Baker	42%	19%	21%	18%	39%

(1) Short-term fixed compensation includes salary and other benefits such as automotive allowances. One-time items such as sign-on bonuses are excluded from the calculations. In addition, the purpose of the table is to present target compensation percentages and accordingly, those executives that were not employed for the entire year were annualised for the purpose of the table.
(2) Long-term fixed compensation includes 50% of the LTIP compensation that is based on only service conditions and post-employment benefits. For Mr. Kipp, the long-term fixed compensation associated with the 2,500,000 share options that were issued upon his acceptance of the Chief Executive Officer position were one-time grants and are therefore excluded from the table.
(3) Short-term incentive compensation includes the annual bonus.
(4) Long-term incentive compensation includes the 50% of the LTIP compensation that is based on both performance and service conditions.

Fixed Remuneration

The fixed component of executive compensation consists primarily of base salary. All executives receive other benefits, such as a vehicle allowance. In addition, the Company contributes to retirement programs, such as Australia's Superannuation Guarantee system and the United States' 401(k) plans. The level of fixed compensation paid to employees is based on market standards and also takes into account a variety of factors, including an individual's experience, the unique skills required to perform their role and their particular contribution to the Company.

At-risk Remuneration

At-risk remuneration includes both short-term and long-term incentives.

Short-term Incentives

The Company has established its Corporate Bonus Plan ("CBP") to provide incentives for its employees to achieve specific annual objectives that are determined by the Board on an annual basis. The CBP aims to:

- focus employees on achieving key financial, safety and operational targets;
- align individual efforts with annual operating performance objectives; and
- reward superior individual and Company performance.

The CBP rewards senior executives and other Company employees for their achievement during a financial year of specific key performance indicators for the Company as well as for the achievement of performance goals specific to the business unit or function for which they are responsible. The incentive earned under the CBP, if any, will vary depending on relative performance against a variety of targets, as detailed more fully below. Except in certain circumstances, all participants in the CBP must remain employed with the Company on the date incentives are paid to receive any award.

The potential incentives available under the CBP range between 10% and 100% of an employee's base salary depending on the employee's role. Of that potential incentive, 50% is linked to the Company's financial performance, and 50% is linked to operational or functional objectives relevant to the employee's business unit or function, such as meeting sales targets, staying within expense budget or meeting other individual commitments. The Chief Executive Officer's and President and Chief Operating Officer's incentive compensation in 2008 was based entirely on the achievement of the Company's Board-approved financial objectives for the year. Additionally, certain conditions may reduce, but not increase, incentives under the CBP, including failure by a participant's business unit to achieve target safety metrics (which can reduce the overall incentive payable under the CBP by up to 10%) and a participant's failure to adhere to corporate leadership values, such as legal compliance (which can reduce the incentive payable under the CBP by up to 100%).

The Remuneration Committee approves the Company's annual financial targets for the CBP. Targets are set at both "threshold" and "stretch" levels. The committee also reviews non-financial targets for the CEO and his direct reports. The committee's philosophy in setting financial targets is to establish "threshold" targets that represent the desired minimum outcome for each goal and "stretch" targets that are realistically achievable with excellent execution of the Company's annual plan. The financial performance indicators adopted by the Board in 2008 as the most appropriate measures in the financial year for determining the incentives payable under the CBP were earnings before interest, taxes and depreciation and amortisation (EBITDA) and net working capital. At the end of the financial year, the committee assesses the level of achievement against financial and non-financial targets. The final determination of performance measures is determined after reviewing the Company's audited financial results.

Long-term Incentives

The Company has established a Long-term Incentive Plan ("LTIP") to assist predominantly in retaining key executives and encouraging superior performance on a sustained basis. The incentive provided under the LTIP in 2008 was an annual grant of rights ("Rights") that will vest based on the satisfaction of performance-based and/or time-based conditions. Vested Rights will convert to ordinary, fully paid shares on a one-for-one basis.

The executives eligible to participate in the LTIP are senior divisional, regional and corporate executives. The target value of annual LTIP grants varies up to 100% of a participant's base salary depending on the participant's position. The target amounts are based on market averages for comparable roles at similarly-sized companies. The Company made grants to approximately 120 participants in 2008.

Under the terms of the LTIP in 2008, a participant receives a specified number of Rights that will, when vested, result in the participant receiving ordinary shares in the Company at no cost to the participant. The Company may acquire shares underlying the grants, 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, and the participant will receive dividends paid on those shares from the time of acquisition until vesting. Shares acquired in respect of grants which do not vest will be held by the trustee and will be available for issue in respect of future grants for the Australian trust. Under the US trust, the grants which do not vest, or are forfeited, must be sold immediately.

In 2008, the tranches of Rights granted under the LTIP and the vesting conditions attaching to each are as follows:

Tranche	Percentage of Grant	Vesting Condition	Partial Vesting
Tranche 1 Rights	50% for executives who are at a vice president level or higher; 25% for other participants.	Achievement of the cumulative earnings per share ("EPS") targets set by the Board at a level the Board considers demanding. The targets include a "threshold" EPS target and a "stretch" EPS target for each financial year during the three-year performance period. Vesting will be determined by the Company's performance against cumulative EPS targets for the performance period plus Continuation of employment during the performance period and until the third anniversary of the grant date.	Yes. Vesting occurs on a pro-rata basis if the cumulative three-year minimum EPS threshold is surpassed. At the minimum cumulative EPS threshold, 50% of Tranche 1 Rights will vest. Full vesting occurs only if the Company's cumulative EPS meets or exceeds the cumulative "stretch" EPS target for the performance period.
Tranche 2 Rights	50% for executives who are at a vice president level or higher; 75% for other participants.	Continuous employment from the grant date and until the third anniversary of the grant date.	No, except in certain special circumstances such as death, redundancy, retirement, change of control or other circumstances considered by the Board in its absolute discretion to be extraordinary. In such circumstances, the Board will determine whether all or some portion of the outstanding rights will vest.

In addition to the LTIP, the Company has implemented an option plan for its Chief Executive Officer, the details of which are discussed more fully on page 35.

Employee and Director Trading in Company Securities

Boart Longyear has adopted a Securities Trading Policy for its directors and employees. The policy prohibits trading in the Company's stock at any time if a person is in possession of material, non-public information. In addition, it prohibits short-term trading and dealing in derivative securities and establishes "black-out" periods from July 1 and January 1 of each year until such time as the Company's half-year and full-year results are made public. The policy prohibits any director or employee from entering into transactions that limit the economic risk of participating in unvested entitlements under the Company's equity-based remuneration schemes and it also requires directors to immediately disclose any Company shares purchased on margin if a director were likely to sell Company shares in response to the financier's demand for repayment.

Further, when trades are allowed under the policy, non-executive directors and the Chief Executive Officer may only trade in the Company's shares with the consent of the Chairman, and executive officers and other designated employees must obtain the consent of the Company's General Counsel prior to any trade. The Chairman must obtain the consent of the Chairman of the Audit, Risk & Compliance Committee to trade in the Company's shares.

Remuneration Summary

2008	Cash-based compensation								Non-cash-based compensation			
	Short Term Benefits				Post-employment benefits			Other	Share-based compensation			
	Salary & Fees	Bonus	Adjustment to 2007 Bonus [12]	Other [2, 3]	Superannuation [4]	Other	Long-term benefits	Termination benefits	Shares	Options & Rights	Share-based	Total
	$	$	$	$	$	$	$	$	$	$	%	$
Non-Executive Directors *												
Graham Bradley	300,878 [1]	-	-	-	27,078 [1]	-	-	-	240,247 [5]	-	42.3%	568,203
Bruce Brook	130,380 [1]	-	-	-	11,734 [1]	-	-	-	22,441 [5]	-	13.6%	164,555
David McLemore	136,846	-	-	-	-	-	-	-	-	-	0.0%	136,846
Peter St. George	130,380 [1]	-	-	34,264	11,734 [1]	-	-	-	35,641 [5]	-	16.8%	212,019
David Grzelak [13]	14,270	-	-	-	-	-	-	-	-	-	0.0%	14,270
Geoff Handley [11]	119,515 [1]	-	-	-	10,756 [1]	-	-	-	36,150 [5]	-	21.7%	166,421
Total	832,269	-	-	34,264	61,303	-	-	-	334,479	-		1,262,315
Executive Management **												
Paul Brunner [6]	918,136	725,603	(159,775)	22,068	6,438	6,750	153,000	-	-	-	0.0%	1,672,220
Craig Kipp	775,790	504,693	-	22,068	5,713	6,750	-	-	-	585,888	30.8%	1,900,902
Joseph Ragan III [7]	103,077	72,154 [14]	-	80,517 [15]	-	-	-	-	-	7,562	2.9%	263,310
Scott Alexander	296,977	123,542	(12,600)	14,580	6,900	6,750	-	-	-	36,273	7.7%	472,422
Michael Birch	351,470	151,659	43,272	14,580	6,900	6,750	-	-	-	81,831	12.5%	656,462
Terrance Dolan [8]	223,429	-	(3,474)	55,451 [15]	6,900	2,275	-	45,000	-	(38,000)	(9.1%)	291,581
Patrick Johnson [9]	148,025	-	-	7,465	6,900	6,750	-	-	-	-	0.0%	169,140
Fabrizio Rasetti	324,025	145,001	-	17,916	6,900	6,750	-	-	-	76,173	13.2%	576,765
Brad Baker [10]	166,250	74,148	-	85,451 [15]	4,275	-	-	-	-	64,011	16.2%	394,135
Total	**3,307,179**	**1,796,800**	**(132,577)**	**320,096**	**50,926**	**42,775**	**153,000**	**45,000**	**-**	**813,738**		**6,396,937**
TOTAL	**4,139,448**	**1,796,800**	**(132,577)**	**354,360**	**112,229**	**42,775**	**153,000**	**45,000**	**334,479**	**813,738**		**7,659,252**

* Employed by Boart Longyear Limited.
** Employed by Longyear Holdings, Inc. ("LHI"), an unlisted Delaware-registered United States corporation, or another unlisted United States affiliate thereof.

1. Based on an average exchange rate of A$1=US$0.83577 for the year ended 31 December 2008.
2. The KMP were insured against liabilities incurred in the performance of their duties under directors' and officers' liability insurance. The Company is prevented by its insurance contract from disclosing premiums paid for such coverage.
3. Includes automotive allowances, sign-on bonuses and other short-term cash compensation. Peter St George was paid US$34,264 for consulting services provided to the Company related to a potential acquisition.
4. Includes superannuation payments for Australian directors or 401(k) plan contributions made by the employing entity in the United States.
5. Shares were awarded to the non-executive directors in respect of work performed prior to and during the lead up to the Company's listing in April 2007. The amount in this table is the expense for the year that is recognised over the service condition. As disclosed in the Company's prospectus, these shares have a service condition of three years and have a holding lock of up to ten years. The service condition on Mr. Handley's shares was waived and the shares became fully vested upon his resignation. There were no new shares issued during the current year.
6. Mr. Brunner's employment terminated on 31 December 2008.
7. Mr. Ragan's employment commenced on 29 September 2008.
8. Mr. Dolan's employment terminated on 31 October 2008.
9. Mr. Johnson's employment terminated on 6 June 2008.
10. Mr. Baker's employment commenced on 2 June 2008.
11. Mr. Handley resigned 15 November 2008.
12. Bonus amounts for 2007 were accrued at 85% of target bonus. The amount included in this column represents the increase or decrease from the actual bonus paid over/under the bonus accrued in 2007.
13. Mr. Grzelak was appointed on 13 November 2008.
14. Mr. Ragan received a specified target bonus for 2008 per his employment agreement.
15. Mr. Ragan and Mr. Baker received sign-on bonuses of $75,000 and Mr. Dolan received a sign-on bonus of $45,000.

2007	Cash-based compensation							Non-cash-based compensation				
	Short Term Benefits			Post-employment benefits			Other	Share-based compensation				
	Salary & Fees $	Bonus [3] $	Other [4 5] $	Superannuation [6] $	Other $	Long-term benefits $	Termination benefits $	Shares $	Rights $	Other $	Share-based %	Total $
Non-Executive Directors * #												
Graham Bradley	302,036 [1]	-	-	27,183 [1]	-	-	-	176,244 [7]	-	-	34.9%	505,463
Bruce Brook	130,882 [1]	-	-	11,779 [1]	-	-	-	16,378 [7]	-	-	10.3%	159,039
Geoff Handley	130,882 [1]	-	-	11,779 [1]	-	-	-	11,733 [7]	-	-	7.6%	154,394
David McLemore	146,184 [2]	-	-	-	-	-	-	-	-	-	0.0%	146,184
Peter St. George	130,882 [1]	-	-	11,779 [1]	-	-	-	26,156 [7]	-	-	15.5%	168,817
Total	840,866	-	-	62,520	-	-	-	230,511	-	-		1,133,897
Executive Management **												
Paul Brunner	812,499	743,750	14,712	6,500	-	188,000	-	-	-	-	0.0%	1,765,461
Scott Alexander	280,000	119,000	120,748	6,500	-	-	-	-	-	-	0.0%	526,248
Michael Birch	270,452	91,954	14,580	6,500	-	-	-	-	-	-	0.0%	383,486
Terrance Dolan [8]	91,666	36,833	59,797	2,275	-	-	-	-	38,000	-	16.6%	228,571
Patrick Johnson	274,352	116,600	17,916	6,500	-	-	-	-	-	-	0.0%	415,368
Craig Kipp	556,249	366,563	14,712	6,500	-	-	-	-	-	-	0.0%	944,024
Holm Oostveen [9]	121,016	-	-	6,500	-	-	284,422	-	-	-	0.0%	411,938
Fabrizio Rasetti	273,000	116,025	17,916	6,500	-	-	-	-	-	-	0.0%	413,441
Ronald Sellwood [10]	311,495	185,938	11,034	6,500	-	-	400,225	-	-	-	0.0%	915,192
Total	**2,990,729**	**1,776,663**	**271,415**	**54,275**	**-**	**188,000**	**684,647**	**-**	**38,000**	**-**		**6,003,729**
TOTAL	**3,831,595**	**1,776,663**	**271,415**	**116,795**	**-**	**188,000**	**684,647**	**230,511**	**38,000**	**-**		**7,137,626**

* Employed by Boart Longyear Limited.
** Employed by Longyear Holdings, Inc. ("LHI"), an unlisted Delaware-registered United States corporation, or another unlisted United States affiliate thereof.
# The founding directors of the Company, Neil Upfold, Robin Bishop and Nicholas Atkins, held directorships from 3 January 2007 to 21 February 2007 and did not receive any remuneration or fees from the Company or the Group.

1. Based on an average exchange rate of A$1=US$0.83899 for the year ended 31 December 2007.
2. Mr. McLemore's compensation in 2007 includes fees of US$126,184 for his service as a director of the Company plus US$20,000 received in January and February 2007 as compensation for serving as the Vice-Chairman of Resources Services Holdco, Inc.
3. Management bonuses are reflected at the accrued rate of 85% of target bonus.
4. The KMP were insured against liabilities incurred in the performance of their duties under directors' and officers' liability insurance. The Company is prevented by its insurance contract from disclosing premiums paid for such coverage.
5. Includes automotive allowances, sign-on bonuses and other short-term cash compensation.
6. Includes 401(k) plan contributions made by the employing entity in the United States.
7. Shares were awarded to the non-executive directors in respect of work performed prior to and during the lead up to the listing in April 2007. As disclosed in the Company's prospectus, these shares have a service condition of three years and have a holding lock of up to ten years.
8. Mr. Dolan's employment with the Group commenced on 27 August 2007.
9. Mr. Oostveen's employment terminated on 31 May 2007.
10. Mr. Sellwood's employment terminated on 31 October 2007, and Mr. Donald Newman assumed the role of Acting Chief Financial Officer on that date. Mr. Newman has not been considered part of Key Management Personnel for this Remuneration Report as he fulfilled the role of CFO in an acting capacity only until Mr. Ragan joined the Company.

Analysis of Bonuses Included in Remuneration

2008	Included as Remuneration	% Vested in Year	% Forfeited in Year	Target STI % for Financial Year
Paul Brunner	725,603	79.0	21.0	100
Craig Kipp	504,693	79.0	21.0	75/85
Joseph Ragan III [1]	72,154	100.0	-	70
Scott Alexander	123,542	83.2	16.8	50
Michael Birch	151,659	86.3	13.7	50
Terrance Dolan	-	-	100.0	50
Patrick Johnson	-	-	100.0	50
Fabrizio Rasetti	145,001	89.5	10.5	50
Brad Baker [1]	74,148	83.2	16.8	50

(1) The accrued bonuses for Messrs. Ragan and Baker have been calculated on a pro-rata basis since these executives were not employed by the Company for the full calendar year.

2007	Included as Remuneration [1]	% Vested in Year	% Forfeited in Year [3]	Target STI % for Financial Year
Paul Brunner	743,250	85	15	100
Scott Alexander	119,000	85	15	50
Michael Birch	91,954	85	15	50
Terrance Dolan [2]	36,833	85	15	50
Patrick Johnson	116,600	85	15	50
Craig Kipp	366,563	85	15	75
Holm Oostveen	-	-	100	50
Fabrizio Rasetti	116,025	85	15	50
Ronald Sellwood [2]	185,938	85	15	70

(1) Bonus amounts included in remuneration for the financial year represent the amount that was accrued based on the achievement of corporate performance criteria under the Corporate Bonus Plan for 2007. The actual bonus payments to management had not been finalised by the date of the prior year Remuneration Report and in certain cases were different than those listed, as the Company's executive performance evaluation process for 2007 had not been completed.
(2) The accrued bonuses for Messrs. Dolan and Sellwood were calculated on a pro-rata basis since neither executive was employed by the Company for the full calendar year.
(3) The percentages listed were those expected to be forfeited during the financial year due to corporate financial performance criteria not being met under the Corporate Bonus Plan for 2007 or for the cessation of an executive's employment.

Rights, Options and Shares Granted as Compensation to Key Management Personnel

Rights and Shares

Details of the rights under the LTIP and restricted shares that were granted as compensation to the KMP during the reporting period, and details of those that were exercised, vested, or lapsed during the financial year are as follows:

Name	Held at the beginning of the Financial Year No.	Granted as Remun-eration No.		Vested during the year No.	Forfeited during the year No.	Held at the end of the Financial Year No.	Vested and Exercisable as at 31 December 2008 No.
Graham Bradley	491,891	-		-	-	491,891	-
Bruce Brook	45,945	-		-	-	45,945	-
Geoff Handley	32,432	-		(32,432)	-	-	-
David McLemore	-	-		-	-	-	-
Peter St George	72,972	-		-	-	72,972	-
Scott Alexander	-	85,000	1	-	-	85,000	-
Michael Birch	-	200,000	2	-	-	200,000	-
Craig Kipp	-	494,710	1	-	-	494,710	-
Joseph Ragan III	-	300,000	4	-	-	300,000	-
Fabrizio Rasetti	-	178,500	1	-	-	178,500	-
Brad Baker	-	150,000	3	-	-	150,000	-
Terrance Dolan	174,000	-		-	(174,000)	-	-

(1) The fair value of the rights at the grant date is the closing price on the 11 April 2008 date of grant (US$1.77), the rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.
(2) The fair value of the rights at the grant date is the closing price on the 11 April 2008 and 26 June 2008 date of grant (US$1.77 and US$2.10, respectively). The rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.
(3) The fair value of the rights at the grant date is the closing price on the 26 June 2008 date of grant (US$2.10). The rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.
(4) The fair value of the rights at the grant date is the closing price on the 23 October 2008 date of grant (US$0.40). The rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.

The rights under the LTIP and the restricted shares were provided at no cost to the recipient.

Mr. Handley's restricted shares were vested by the Board upon his resignation.

The rights under the LTIP granted to Mr. Dolan were forfeited upon his resignation.

Options

During the year, Mr. Kipp was granted two tranches of options in conjunction with his appointment as Chief Executive Officer. The first tranche of 1,000,000 options vests on 1 January 2013 and has an exercise price of A$1.95 per option and a fair value on the grant date of US$0.69 per option. The second tranche of 1,500,000 options vests on 1 January 2014 and has an exercise price of A$0.21 and a fair value on the grant date of US$1.45 per option. Vesting for both tranches of options is conditioned on Mr. Kipp's employment with the Company on the relevant vesting date, although vesting may accelerate upon certain events such as a change in control. Both tranches of options expire on 31 December 2015.

Except as described above, no options or other rights over shares in the Company have been granted to KMP during or since the end of the financial year.

During the reporting period, no shares were issued on the exercise of options or rights previously granted as compensation.

Analysis of Movements in Rights, Options and Shares

The movement during the reporting period, by value of the relevant rights, options and shares in the Company held by KMP is detailed below:

Name	Entitlement to rights granted in year US$	Share options granted in year US$	Exercised in year US$	Forfeited in year US$	Total rights value in year US$	Total option value in year US$
Craig Kipp	875,637	2,864,367	-	-	875,637	2,864,367
Brad Baker	265,500	-	-	-	265,500	-
Fabrizio Rasetti	315,945	-	-	-	315,945	-
Scott Alexander	150,450	-	-	-	150,450	-
Michael Birch	383,535	-	-	-	383,535	-
Joseph Ragan III	120,000	-	-	-	120,000	-
Geoff Handley	-	-	49,621	-	-	-
Terrance Dolan	-	-	-	314,940	-	-

The following table shows the share-based payment arrangements that were in existence at 31 December 2008:

Series	Grant Date	Expiry Date	Vesting Date	Fair Value at Grant Date
(1) Issued 12 April 2007	12-Apr-07	12-Apr-10	N/A	1.53
(2) Issued 17 September 2007	17-Sep-07	1-Jul-10	1-Jul-10	1.81
(3) Issued 11 April 2008	11-Apr-08	11-Apr-11	11-Apr-11	1.77
(4) Issued 28 April 2008	28-Apr-08	1-Jan-13	31-Dec-15	0.69
(5) Issued 28 April 2008	28-Apr-08	1-Jan-14	31-Dec-15	1.45
(6) Issued 26 June 2008	26-Jun-08	11-Apr-11	11-Apr-11	2.10
(7) Issued 23 July 2008	23-Jul-08	23-Jul-11	23-Jul-11	2.05
(8) Issued 23 October 2008	23-Oct-08	23-Oct-11	23-Oct-11	0.40

Service Agreements and Summary of Key Contract Terms

Summary of specific terms of the contracts between the Company and Key Management Personnel are set out below.

Name and position held at the end of Financial Year	Duration of contract	Notice Period by Company	Notice Period by Executive	Termination payments (where these are in addition to statutory entitlements)

Craig Kipp
Chief Executive Officer
President
	None Specified	None Specified	180 Days	• For termination with cause, statutory
				• For termination without cause
				  • 12 months' salary
				  • Pro-rata bonus to termination date
				  • Waiver of medical insurance premiums for 12 months or until 31 December 2010, whichever is later
				  • Up to $100,000 relocation expense reimbursement
				  • Tax gross-up payment should any termination or other contractual payment be deemed subject to an excise tax under the US tax code

Scott Alexander
Vice President, Global Drilling Services
	None Specified	None Specified	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

Brad Baker
Senior Vice President, Human Resources
	None Specified	None Specified	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

Michael Birch
Vice President, Global Products
	None Specified	None Specified	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

Name and position held at the end of Financial Year	Duration of contract	Notice Period by Company	Notice Period by Executive	Termination payments (where these are in addition to statutory entitlements)

Fabrizio Rasetti
Senior Vice President, General Counsel and Secretary
	None Specified	None Specified	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

Joseph Ragan, III
Chief Financial Officer
	None Specified	None Specified	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

NON-AUDIT SERVICES

Details of amounts paid or payable for non-audit services provided during the year by the auditor are outlined in Note 36 to the financial statements.

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.

The directors are of the opinion that the services, as disclosed in Note 36 to the financial statements, do not compromise the external auditor’s independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved by the Audit Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services 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.

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 directors and officers of the Company and any related body corporate 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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 40 of the annual financial report.

ROUNDING OF AMOUNTS

Boart Longyear Limited is a company of a kind referred to in Class Order 98/100, 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 Class Order, unless otherwise indicated.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Graham Bradley
Chairman

Sydney, 26 February 2009

Craig Kipp
Chief Executive Officer

Sydney, 26 February 2009

Deloitte.

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The Directors
Boart Longyear Limited
919-929 Marion Road
Mitchell Park SA 5043
Australia

26 February 2009

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 2008, 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

Rod Smith
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Report

to the members of Boart Longyear Limited

Report on the Financial Report

We have audited the accompanying financial report of Boart Longyear Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 43 to 120.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the compensation disclosures contained in the directors' report. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion on the Financial Report

In our opinion:

(a) the financial report of Boart Longyear Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Report on Remuneration Report

We have audited the Remuneration Report included on pages 25 to 38 of the directors' report for the year ended 31 December 2008. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Boart Longyear Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rod Smith
Partner
Chartered Accountants
Sydney, 26 February 2009

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 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

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

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

Graham Bradley
Chairman

Sydney, 26 February 2009

Craig Kipp
Chief Executive Officer

Sydney, 26 February 2009

	Note	Consolidated 2008 US$'000	Consolidated 2007 US$'000	Parent 2008 US$'000	Parent 2007 US$'000
Revenue	5	1,838,538	1,575,737	-	-
Cost of goods sold		(1,260,620)	(1,069,360)	-	-
Gross margin		577,918	506,377	-	-
Other revenue	5	-	-	55,110	15,108
Other income	7	18,427	18,466	-	-
General and administrative expenses		(181,695)	(150,260)	(1,753)	(5,996)
Selling and marketing expenses		(118,295)	(129,295)	-	-
Restructuring expenses and related impairments	9	(20,328)	(5,584)	-	-
Other expenses		(6,697)	(2,734)	(2,118)	(7,640)
Operating profit		269,330	236,970	51,239	1,472
Interest income	5	1,637	5,012	603	3,049
Finance costs	6	(39,688)	(105,922)	-	-
Profit before taxation		231,279	136,060	51,842	4,521
Income tax (expense) benefit	8	(74,555)	(54,945)	(1,751)	2,988
Profit for the year attributable to equity holders of the parent		156,724	81,115	50,091	7,509

Earnings per share:

	Note	Consolidated 2008	Consolidated 2007
Basic and diluted earnings per share	26	10.4 cents	5.4 cents

See accompanying notes to the financial statements.

Balance Sheet

As at 31 December 2008

		Consolidated		Parent	
	Note	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Current assets					
Cash and cash equivalents	32a	50,603	87,548	108	1,087
Trade and other receivables	11	234,578	243,212	28,323	61,197
Inventories	12	177,296	176,265	-	-
Other financial assets	13	306	604	-	-
Current tax receivable	8	10,161	9,918	6,583	-
Prepaid expenses		26,166	32,975	-	-
		499,110	550,522	35,014	62,284
Assets classified as held for sale		-	16,067	-	-
Total current assets		499,110	566,589	35,014	62,284
Non-current assets					
Property, plant and equipment	14	403,693	358,360	-	-
Goodwill	15	234,571	206,186	-	-
Other intangible assets	16	73,456	29,478	-	-
Deferred tax assets	8	68,537	31,391	11,614	15,999
Other financial assets	13	-	-	2,186,106	2,175,180
Other assets		1,609	544	-	-
Defined benefit plan asset	20	13,031	19,797	-	-
Total non-current assets		794,897	645,756	2,197,720	2,191,179
Total assets		1,294,007	1,212,345	2,232,734	2,253,463
Current liabilities					
Trade and other payables	17	195,597	244,685	1,511	8,533
Provisions	19	23,109	14,318	-	-
Current tax payable	8	32,378	25,323	-	7,277
Loans and borrowings	18	3,314	6,543	-	-
		254,398	290,869	1,511	15,810
Liabilities directly associated with non-current assets classified as held for sale		-	8,370	-	-
Total current liabilities		254,398	299,239	1,511	15,810
Non-current liabilities					
Trade and other payables	17	1,293	200	-	-
Loans and borrowings	18	811,604	650,170	-	-
Other financial liabilities	13	27,197	12,985	-	-
Deferred tax liabilities	8	2,130	7,632	-	-
Provisions	19	45,037	22,479	-	-
Total non-current liabilities		887,261	693,466	-	-
Total liabilities		1,141,659	992,705	1,511	15,810
Net assets		152,348	219,640	2,231,223	2,237,653
Equity					
Issued capital	21	478,036	479,673	2,228,139	2,229,776
Reserves	22	(118,319)	22,534	2,592	368
Other equity	23	(141,539)	(141,539)	-	-
Retained earnings (accumulated losses)	24	(65,830)	(141,028)	492	7,509
Total equity		152,348	219,640	2,231,223	2,237,653

See accompanying notes to the financial statements.

Statement of Recognised Income and Expense

For the financial year ended 31 December 2008

BOART LONGYEAR LIMITED

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	US$'000	US$'000	US$'000	US$'000
Loss on cash flow hedges recorded in equity	22	(20,359)	(9,107)	-	-
Exchange differences arising on translation of foreign operations	22	(133,764)	34,695	-	-
Actuarial gains (losses) related to defined benefit plans	20	(31,679)	29,847	-	-
Income tax on income and expense recognised directly through equity		14,128	(4,526)	-	-
Net income (expense) recognised directly in equity		(171,674)	50,909	-	-
Transfer to profit or loss on cash flow hedges	22	6,147	(1,673)	-	-
Income tax on transfers to profit and loss		(1,967)	669	-	-
Profit for the period		156,724	81,115	50,091	7,509
Total recognised income and expense for the period		(10,770)	131,020	50,091	7,509

See accompanying notes to the financial statements.

Cash Flow Statement

For the financial year ended 31 December 2008

BOART LONGYEAR LIMITED

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	US$'000	US$'000	US$'000	US$'000
Cash flows from operating activities					
Profit for the year		156,724	81,115	50,091	7,509
Adjustments provided by operating activities:					
Income tax expense (benefit) recognised in profit		74,555	54,945	1,751	(2,988)
Finance costs recognised in profit	6	39,688	105,922	-	-
Depreciation and amortisation	7	86,347	59,848	-	-
Investment revenue recognised in profit	5	(1,637)	(5,012)	(603)	(3,049)
Loss on sale or disposal of non-current assets	7	1,018	272	-	-
Gain on disposal of businesses	7	(9,131)	(3,218)	-	-
Impairment of current and non-current assets		6,577	-	-	-
Foreign exchange gain (loss)		6,462	(6,506)	-	-
Share-based compensation	22	2,224	775	-	-
Non-operating expenses		(536)	10,807	-	5,207
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:					
(Increase) decrease in assets:					
Trade and other receivables		(16,213)	(24,025)	28,516	(60,829)
Inventories		(48,559)	(46,326)	-	-
Other assets		(2,222)	(6,187)	4,385	50,723
Increase (decrease) in liabilities:					
Trade and other payables		(29,505)	46,084	(16,051)	15,810
Provisions		5,058	(22,904)	-	-
Cash generated from operations		270,850	245,590	68,089	12,383
Interest paid		(38,023)	(36,623)	-	-
Interest received	5	1,637	5,012	603	3,049
Income taxes paid		(91,593)	(56,201)	-	-
Net cash flows from operating activities		142,871	157,778	68,692	15,432

See accompanying notes to the financial statements.

Cash Flow Statement (continued)

For the financial year ended 31 December 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	US$'000	US$'000	US$'000	US$'000
Cash flows from investing activities					
Purchase of property, plant and equipment		(145,910)	(124,278)	-	-
Proceeds from sale of property, plant and equipment		3,484	7,293	-	-
Development costs paid		(5,081)	(3,032)	-	-
Software costs paid		(15,890)	-	-	-
Payments for acquisitions of businesses	32b	(138,426)	(129,833)	-	-
Proceeds on disposal of subsidiary, net of cash disposed	32c	19,624	10,053	-	-
Payments for investments		-	-	(10,926)	(1,890,388)
Purchase of derivative instruments		-	(1,054)	-	-
Net cash flows used in investing activities		(282,199)	(240,851)	(10,926)	(1,890,388)
Cash flows from financing activities					
Proceeds from issuance of shares		-	1,952,655	-	1,952,656
Payments for share buy-back for LTIP		(1,637)	-	(1,637)	-
Payments for share issuance costs		-	(76,613)	-	(76,613)
Payments for debt issuance costs		(523)	(16,955)	-	-
Interest and other costs of finance related to pre-IPO debt structure		-	(37,332)	-	-
Proceeds from borrowings		287,079	1,060,518	-	-
Repayment of borrowings		(133,128)	(1,709,427)	-	-
Dividends paid	25	(57,108)	-	(57,108)	-
Payment to redeemable note holders		-	(1,030,828)	-	-
Net cash flows from financing activities		94,683	142,018	(58,745)	1,876,043
Net increase (decrease) in cash and cash equivalents		(44,645)	58,945	(979)	1,087
Cash and cash equivalents at the beginning of the year		87,548	25,530	1,087	-
Effects of exchange rate changes on the balance of cash held in foreign currencies		7,700	3,073	-	-
Cash and cash equivalents at the end of the year	32a	50,603	87,548	108	1,087

See accompanying notes to the financial statements.

1. GENERAL INFORMATION

General information

Boart Longyear Limited (the “Parent” or the “Company”) 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 “Boart Longyear Group” or the “Group”) operate in five geographic regions, which are defined as North America, South America, Europe, Asia Pacific, and Africa.

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

Registered office
919-929 Marion Road
Mitchell Park South Australia 5043
Australia
Tel: +61 (8) 8375 8375

Principal place of business
Riverpark Corporate Center #14 Suite 600
10808 South River Front Parkway
South Jordan , Utah 84095
United States of America
Tel: +1 (801) 972 6430

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group 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. Details of the impact of these new accounting standards are set out in the individual accounting policy notes set out below. These Standards and Interpretations include:

- AASB 2007-4 ‘Amendments to Australian Accounting Standards Arising from ED 151 and Other Amendments’. The adoption of this Standard did not change any of the amounts recognised in the financial statements but did change the format of the Cash Flows Statement from the direct method to the indirect method.

- AASB Interpretation 11 AASB 2 ‘Group and Treasury Share Transactions’ and AASB 2007 – 1 ‘Amendments to Australian Accounting Standards arising from AASB Interpretation 11’. The adoption of this Interpretation did not have a significant impact on the Group’s financial results or balance sheet.

- AASB Interpretation 14 AASB 119 ‘The Limit on a Defined Asset, Minimum Funding Requirements and their Interactions’ is effective for annual reporting periods commencing on or after 1 January 2008. Interpretation 14 aims to clarify how to determine in normal circumstances the limit on the asset that an employer’s balance sheet may contain in respect of its defined benefit pension plan. The adoption of Interpretation 14 did not have a significant impact on the Group.

- AASB 2008-4 ‘Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities’ is effective for annual reporting periods ending on or after 30 June 2008. This amends AASB 124 ‘Related Party Disclosures’ to exclude disclosing entities that are companies from the application of certain paragraphs in the standard (dealing with certain key management personnel disclosures), as the requirements for these entities are now incorporated into the Corporations Act, 2001. The adoption of this standard did not have a significant impact on the Group.

Standards and Interpretations issued not yet effective

The accounting standards and AASB Interpretations that will be applicable to the Group 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 Group.

Business Combinations

AASB 3 ‘Business Combinations (2008)’, AASB 127 ‘Consolidated and Separate Financial Statements’ and AASB 2008-3 ‘Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127’ are effective for annual reporting periods commencing on or after 1 July 2009. These standards alter the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for. There are also consequential amendments to other standards affected through AASB 2008-2, most notably AASB 128 ‘Investments in Associates’ and AASB 131 ‘Interests in Joint Ventures’. Management has not yet assessed the impact of these standards.

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

Borrowing costs

AASB 123 'Borrowing Costs' was revised in May 2007, with the revised standard becoming applicable to annual reporting periods beginning on or after 1 January 2009. A related omnibus standard AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' makes a number of amendments to other accounting standards as a result of the revised AASB 123 and must be adopted at the same time. This revised version requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The adoption of this standard is not expected to have an impact on the Group's financial results or balance sheet.

Segment reporting

AASB 8 'Operating Segments' is applicable to annual reporting periods beginning on or after 1 January 2009 and replaces AASB 114 'Segment Reporting'. A related omnibus standard AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' makes a number of amendments to other accounting standards as a result of AASB 8 and must be adopted at the same time. AASB 8 requires entities to determine operating segments based on their internal management reporting structure for the reporting of their financial performance. The adoption of AASB 8 and AASB 2007-3 are not expected to have an impact on the Group's financial results or balance sheet as they are only concerned with disclosure.

Share-based payments

AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations' is applicable to annual reporting periods beginning on or after 1 January 2009. It amends AASB 2 'Share-based Payment' to introduce equivalent amendments made to IFRS 2 'Share-based Payment' to:

- clarify that vesting conditions are those conditions that determine whether the entity receives the services that result in the counterparty's entitlement
- restrict the definition of vesting conditions to include only service conditions and performance conditions
- amend the definition of performance conditions to require the completion of a service period in addition to specified performance targets
- specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

Management has not yet assessed the impact of adopting this standard.

Other standards

AASB 101 'Presentation of Financial Statements (revised September 2007)', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101' is effective for annual reporting periods commencing on or after 1 January 2009. AASB 101 introduces "total comprehensive income", changes the titles of some of the financial statements, requires a statement of financial position at the beginning of the earliest comparative period when comparatives are "restated", requires disclosure of income tax relating to each component of other comprehensive income. Management has not yet assessed the impact of this standard.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The financial report includes the separate financial statements of the Parent and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Parent and the Group comply with IFRS.

The financial report is presented in United States dollars which is Boart Longyear Limited's functional and presentation currency. The financial statements were authorised for issue by the directors on 26 February 2009.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

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.

In applying A-IFRS, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income 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 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied 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 Group.

The consolidated financial statements are 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 127 ‘Consolidated and Separate 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 Boart Longyear Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until such time as the Group ceases to control such entity. Where necessary, adjustments are made to the financial statements of subsidiaries to make their accounting policies consistent with the Boart Longyear Group accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised income and expenses arising from inter-company transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The significant accounting policies set out below have been applied in the preparation and presentation of the financial report for the year ended 31 December 2008 and the comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Presentation currency

Results of the major operating businesses are recorded in their functional currencies, which are generally their local currency. The Group's US dollar denominated revenue represents the most predominant currency. Accordingly, under A-IFRS, management believes that US dollar reporting represents the best indicator of the results of the Group and therefore the consolidated financial information is presented in US dollars.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits repayable on demand with a financial institution. Cash balances and overdrafts in the balance sheet are stated at gross amounts within current assets and current liabilities, unless there is a legal right of offset at the bank. The cash and cash equivalents balance primarily consists of money market funds and bank term deposits with original maturity at time of purchase of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(c) Trade and other receivables

Trade receivables are recorded at amortised cost. The Group reviews collectability of trade receivables on an ongoing basis and makes judgments as to its ability to collect outstanding receivables and provides an allowance for credit losses when there is objective evidence that the Group will not be able to collect the debt. The amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is determined to be uncollectible, it is written off against the allowance account for doubtful debts. Subsequent recoveries of amounts previously written off are recorded in other income in the income statement.

(d) Inventories

Products

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on a standard cost method, which approximates actual cost on a first-in first-out basis, and includes 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 overheads (including depreciation) based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Drilling Services

The Group maintains an inventory of core drilling rods and casings and certain consumables for use in the rendering of services. Such inventories are measured at the lower of cost or net realisable value. Core drilling rods and casings are initially recognised at cost and are expensed as utilised. A regular and ongoing review is undertaken to establish whether any items are obsolete or damaged, and if so their carrying amount is written down to its net realisable value. Allowances are recorded for inventory considered to be excess or obsolete.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the present value at acquisition of the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets.

Subsequent costs are recognised in the carrying amount of an item of property, plant and equipment, as appropriate, only when it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are recognised in the income statement as an expense as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term or their useful lives. Land and properties in the course of construction 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.

(f) Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the attributable net assets and is not amortised, but tested for impairment annually. If there is an indication that the goodwill may be impaired, the impairment is recognised in income and is not subsequently reversed. When the excess of the cost of an acquisition over the fair value of the attributable net assets is negative (a surplus on acquisition), it is recognised immediately in profit or loss.

Trademarks and trade names

Trademarks and trade names recognised by the Boart Longyear Group 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 3 years. Such assets are tested for impairment at least annually or more frequently if events or circumstances indicate that the asset might be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contractual customer relationships

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

Contractual customer relationships are amortised over 10 – 15 year periods on a straight line basis. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Patents

Patents are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over their estimated useful lives of 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is 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 expenditure is 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 Boart Longyear Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives, which on average is 15 years.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(g) Assets classified as held for sale

Non-current assets (and disposal groups) classified as held for sale and liabilities directly associated are measured at the lower of carrying amount or fair value less costs to sell.

The Boart Longyear Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale of the asset (or disposal group) must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the Group’s control but it remains committed to a sale.

The Group discloses the results of these disposal groups as discontinued operations on the face of the income statement only if they meet the following requirements:

- represent a separate major line of business or geographical area of operations;
- are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- are a subsidiary acquired exclusively with a view to resale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets

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

Assets held under finance leases are initially recognised at their 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 balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to Note 3(o). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Current and deferred taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or where it arises as part of a business combination, in which case it is recognised in goodwill.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, in respect of all temporary differences that have originated but not reversed at the balance sheet date where 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 at the balance sheet date. Temporary differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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 probably will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Current and deferred taxation (continued)

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.

A deferred tax asset is 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 the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Tax consolidation

The Group includes tax consolidated groups for the entities incorporated in Australia and the United States. Tax expense/income, deferred tax liabilities and deferred tax assets 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 values arising from the unused tax losses and relevant tax credits of each members of the tax-consolidated group are recognised by the head entity in that tax-consolidated group.

Entities within the various tax-consolidated groups will enter into tax funding arrangements and tax-sharing agreements with the head entities. Under the terms of the tax funding arrangements, the relevant head entity and each of the entities in that tax-consolidated group will agree 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.

(j) Derivative financial instruments

The Boart Longyear Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability regardless of their remaining maturities.

Hedge accounting

The Boart Longyear Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Boart Longyear Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hedge accounting (continued)

Furthermore, at the inception of the hedge and on an ongoing basis, the Boart Longyear Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the Boart Longyear Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Boart Longyear Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

(k) Impairment

Non-financial assets

The Boart Longyear Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, a recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use or its fair value, less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recorded in other income in the income statement. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(l) 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 Boart Longyear Group prior to the end of the financial period that are unpaid and arise when the Group becomes obligated to make future payments.

(m) Provisions

A provision is recognised if, as a result of a past event, the Boart Longyear Group 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.

Warranties

The Boart Longyear Group maintains warranty reserves for consumable type products manufactured or sold by its various companies. Based on past experience, warranty returns have not been significant. A provision for warranties is recognised when the underlying products or services are sold or becomes evident after the sale. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the Group starts to implement the restructuring plan or announces the main features of the restructuring plan to those affected by the plan in a sufficiently specific manner to raise a valid expectation of those affected that the restructuring will be carried out. The Group's restructuring accruals include only the direct expenditures arising from the restructuring, which are those that are both necessarily incurred by the restructuring and not associated with the ongoing activities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower 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. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(n) 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 to the reporting date and are calculated at discounted amounts based on remuneration wage and salary rates that the Boart Longyear Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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 Group 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 Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution pension plans and post-retirement benefits

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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 the income statement 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 balance sheet.

Defined benefit pension plans

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

The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the Group's defined benefit obligations. Where there is no deep market in such bonds, the market yields at the reporting date on government bonds are used. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and related changes in actuarial assumptions are charged or credited to retained earnings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

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

Share-based payment transactions

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black-Scholes-Merton model, which requires the input of highly subjective assumptions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

Earn-out and bonus agreements

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

(o) 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. For refinancing or restructuring of liabilities which are not considered a substantial modification, all costs incurred related to the refinancing or restructuring are amortised to profit and loss over the remaining period of the borrowings. For refinancing or restructuring of liabilities which are considered a substantial modification, a gain (loss) is recognised and the initial issue costs are written off, while any issuance costs related to the refinancing are recorded against the liabilities.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial guarantee contract liabilities

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

Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Group financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Group financial statements.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Non-current loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate. Current trade receivables are recorded at the invoiced amount and do not bear interest.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 13.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(q) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition

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 taxes. 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 profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion of the contract is determined as follows:

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

Investment income is accrued over time, by reference to the principal outstanding and at the effective applicable interest rate.

(s) Foreign currency transactions

The financial statements of the Boart Longyear Group and its international subsidiaries have been translated into US dollars using the exchange rate at each balance sheet date for assets and liabilities of foreign operations and at an average exchange rate for revenues 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 Group’s presentation currency is the US dollar. The Group 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.

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 in the consolidated income statement.

(t) Contingencies

The recognition of accruals for legal disputes is subject to a significant degree of estimation. Accruals are made for loss contingencies when it is deemed probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated. Accruals are recognised when (a) the Boart Longyear Group has a present legal or constructive obligation as a result of past events, (b) it is more likely than not that an outflow of resources will be required to settle the obligation, and (c) the amount of that outflow has been reliably estimated.

(u) Segment reporting

A segment is a distinguishable component of the Boart Longyear Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group’s primary format for segment reporting is business segments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(w) Goods and services tax

Revenues, 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.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Boart Longyear Group has two business segments—Global Drilling Services and Global Products—which provide services and products to mining companies, energy companies (coal, oil, gas and geothermal), water utilities, environmental and geotechnical engineering firms, government agencies and other mining services companies.

Global Drilling Services consists of providing rigs, equipment, consumables and services for drilling and completing holes and the extraction and presentation of rock, soil and water samples on a contract basis. This business depends upon the supply and utilisation of drilling rigs, the skills and training of the drilling services personnel and the ability to negotiate the contracts under which these services are provided to customers.

Global Products designs, manufactures and markets drilling rigs and drilling products such as rods, bits and core barrels used in the drilling of holes. The Global Products business sells the drilling products to mining and construction companies as well as to contract drilling services that use these products as consumables in the drilling process. The Global Drilling Services segment is a major user of these products. This segment depends upon the development of products and the ability to manufacture, distribute and supply products to the Group's world-wide customers in a timely and competitive manner.

These business segments are the basis for which the Group reports its primary segment information.

	External sales		Inter-segment (i)		Total	
	2008	2007	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Global Drilling Services	1,240,559	970,898	-	-	1,240,559	970,898
Global Products	597,979	604,839	93,149	105,248	691,128	710,087
Total of all segments	1,838,538	1,575,737	93,149	105,248	1,931,687	1,680,985
Eliminations					(93,149)	(105,248)
Revenue					1,838,538	1,575,737
Interest revenue					1,637	5,012
Consolidated revenue					1,840,175	1,580,749

(i) Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers for similar goods.

	Profit before tax		Assets		Liabilities	
	2008	2007	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Global Drilling Services	230,614	180,133	751,497	655,666	74,051	100,682
Global Products	115,284	114,611	290,895	331,583	31,620	57,730
Total of all segments	345,898	294,744	1,042,392	987,249	105,671	158,412
Eliminations	-	-	-	-	-	-
Unallocated	(114,619)	(158,684)	251,615	225,096	1,035,988	834,293
Consolidated	231,279	136,060	1,294,007	1,212,345	1,141,659	992,705

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

	Acquisition of segment assets		Depreciation and amortisation of segment assets	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Global Drilling Services	265,204	206,281	68,562	44,136
Global Products	26,294	25,898	12,999	14,118
Total of all segments	291,498	232,179	81,561	58,254
Eliminations	-	-	-	-
Unallocated	24,620	10,551	4,786	1,594
Consolidated	316,118	242,730	86,347	59,848

The Group's two business segments operate in five principal geographic areas – Africa, Europe, North America, South America, and Asia Pacific. The Group's revenue from external customers and information about its segment assets by geographical locations is detailed below:

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Africa	203,171	139,100	99,186	114,174	4,329	3,780
Europe	106,549	124,951	60,202	70,719	5,116	5,407
North America	790,581	732,311	530,943	442,815	214,130	74,491
South America	230,498	143,167	133,866	121,889	33,303	63,088
Asia Pacific	507,739	436,208	469,810	462,748	59,240	95,964
	1,838,538	1,575,737	1,294,007	1,212,345	316,118	242,730

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
Revenue from the rendering of services	1,240,559	970,898	-	-
Revenue from the sale of goods	597,979	604,839	-	-
	1,838,538	1,575,737	-	-
Interest income:				
Bank deposits	1,470	4,815	574	1,363
Other loans and receivables	75	100	29	1,686
Other	92	97	-	-
	1,637	5,012	603	3,049
Dividends from subsidiaries	-	-	55,110	15,108
	1,840,175	1,580,749	55,713	18,157

6. FINANCE COSTS

	Consolidated	
	2008 US$'000	2007 US$'000
Interest on bank overdrafts and loans	31,210	72,420
Interest rate swap (income) expense	6,147	(1,673)
Amortisation of debt issuance costs	1,651	27,096
Debt early termination costs	-	5,600
Interest on obligations under finance leases	680	645
Total interest expense	39,688	104,088
Loss arising on derivatives in a designated cash flow hedge accounting relationship	-	1,834
Loss arising on derivatives in a designated fair value hedge accounting relationship	14,760	4,532
Gain arising on adjustment to hedged item in a designated fair value hedge accounting relationship	(14,760)	(4,532)
	-	1,834
Total finance costs:	39,688	105,922

In 2007, interest paid prior to the IPO was included in the cash flow statement as a financing activity. Interest paid after the IPO was included in the cash flow statement as an operating activity.

7. PROFIT FOR THE YEAR

(a) Gains and losses

Profit for the year has been arrived at after crediting (charging) the following gains and (losses):

	Consolidated		Parent	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Loss on disposal of property, plant and equipment	(1,018)	(272)	-	-
Gain on disposal of businesses	9,131	3,218	-	-
Net foreign exchange gains (losses)	7,054	12,665	(1,786)	(1,259)
Other income	2,242	2,583	-	-

(b) Income and expenses relating to financial instruments

Profit for the year includes the following income and expenses arising from movements in the carrying amounts of financial instruments (other than derivative instruments in an effective hedge relationship).

	Consolidated		Parent	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Loans and receivables:				
Interest income	1,545	4,915	603	3,049
Impairment of loans and receivables	(5,428)	(73)	-	-
	(3,883)	4,842	603	3,049
Financial liabilities at amortised cost				
Interest expense	(31,210)	(78,020)	-	-
Interest rate swap income (expense)	(6,147)	1,673	-	-
Amortisation expense	(1,651)	(27,096)	-	-
Exchange gain (loss)	(219)	489	-	-
	(39,227)	(102,954)	-	-

7. PROFIT FOR THE YEAR (CONTINUED)

(c) Employee benefit expenses:

	Consolidated 2008 US$'000	Consolidated 2007 US$'000	Parent 2008 US$'000	Parent 2007 US$'000
Post employment benefits				
Defined contribution plans	(13,229)	(13,674)	-	-
Defined benefit plans	758	(372)	-	-
Share-based payments:				
Equity-settled share-based payments	(2,224)	(775)	-	-
Termination benefits (non-restructuring)	(845)	(1,525)	-	-
Termination benefits (restructuring)	(9,312)	-	-	-
Other employee benefits	(108,234)	(79,872)	-	-
	(133,086)	(96,218)	-	-

(1) Other employee benefits include such items as medical benefits, worker's compensation, other fringe benefits, state taxes, etc.

(d) Other:

	Consolidated 2008 US$'000	Consolidated 2007 US$'000	Parent 2008 US$'000	Parent 2007 US$'000
Depreciation of non-current assets	(80,307)	(57,153)	-	-
Amortisation of non-current assets	(6,040)	(2,695)	-	-
Operating lease rental expense	(27,619)	(24,192)	-	-
Write-down of inventory (restructuring)	(7,220)	-	-	-
Impairment of property, plant and equipment (restructuring)	(1,398)	-	-	-

8. INCOME TAXES

Income tax expense (benefit) is as follows:

	Consolidated 2008 US$'000	Consolidated 2007 US$'000	Parent 2008 US$'000	Parent 2007 US$'000
Income tax expense (benefit):				
Current tax expense (benefit)	105,655	57,020	(2,633)	(5,814)
Adjustments recognised in the current year in relation to the current tax of prior years	(218)	(10,215)	-	-
Deferred tax expense (benefit)	(30,882)	8,140	4,384	2,826
	74,555	54,945	1,751	(2,988)

(a) The prima facie income tax expense (income) on pre-tax accounting profit reconciles to the income tax expense (benefit) in the financial statements as follows:

	Consolidated 2008 US$'000	Consolidated 2007 US$'000	Parent 2008 US$'000	Parent 2007 US$'000
Profit before taxation	231,279	136,060	51,842	4,521
Income tax expense calculated at Australian rate of 30%	69,384	40,818	15,553	1,356
Impact of higher rate tax countries	6,183	3,739	-	-
Impact of lower rate tax countries	(2,552)	(3,425)	-	-
Net nondeductible/nonassessable items	(2,756)	7,820	-	188
Utilisation of losses not previously recognised	-	(2,532)	-	-
Unrecognised tax losses	73	-	-	-
Income subject to double taxation in the U.S.	7,693	17,745	-	-
Unutilised foreign tax credits	8,337	2,381	2,322	-
Recognition of deferred tax assets arising in prior years	(2,506)	(2,210)	-	-
Deduction of foreign taxes	(4,963)	(5,314)	-	-
Dividends exempt from tax	-	-	(16,533)	(4,532)
Other	(4,120)	6,137	409	-
	74,773	65,160	1,751	(2,988)
(Over) under provision	(218)	(10,215)	-	-
	74,555	54,945	1,751	(2,988)

8. INCOME TAXES (CONTINUED)

(b) Income tax recognised directly in equity during the period

The following current and deferred amounts were charged (credited) directly to equity during the period:

	Consolidated		Parent	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Deferred tax:				
Actuarial movements on defined benefit plans	7,262	(7,954)	-	-
Share issue costs	-	18,778	-	18,778
Cash flow hedges	4,899	4,097	-	-
	12,161	14,921	-	18,778
(c) Current tax assets and liabilities				
Current tax assets:				
Income tax receivable attributable to:				
Parent	17,878	-	17,878	-
Other entities in the tax consolidated group	(11,295)	-	(11,295)	-
Other entities	3,578	9,918	-	-
	10,161	9,918	6,583	-
Current tax liabilities:				
Income tax payable attributable to:				
Parent	-	(5,768)	-	(5,768)
Other entities in the tax consolidated group	-	13,045	-	13,045
Other entities	32,378	18,046	-	-
	32,378	25,323	-	7,277
(d) Deferred tax balances				
Deferred tax comprises:				
Temporary differences	66,407	20,170	11,614	15,999
Tax losses	-	3,902	-	-
	66,407	24,072	11,614	15,999

8. INCOME TAXES (CONTINUED)

	Consolidated						
2008	**Opening balance US$'000**	**Credited to income US$'000**	**FX Differences US$'000**	**Acquired/ disposed US$'000**	**Adj. to PY acquisitions US$'000**	**Credited to equity US$'000**	**Closing balance US$'000**
Deferred tax assets (liabilities)							
Property, plant and equipment	(23,753)	2,752	(242)	78	-	-	(21,165)
Provisions	4,138	1,381	372	-	-	-	5,891
Doubtful debts	125	441	11	-	-	-	577
Intangibles	(7,822)	3,765	(703)	(2,052)	(617)	-	(7,429)
Acquisitions and restructuring costs	11,080	(3,983)	995	-	-	-	8,092
Share-issue expenses	16,122	(4,385)	-	-	-	-	11,737
Accrued liabilities	9,231	(344)	829	-	-	-	9,716
Pension	923	(1,429)	83	-	-	7,262	6,839
Debt and interest	4,688	(2,345)	421	-	-	-	2,764
Hedge loss	4,935	-	-	-	-	4,899	9,834
Unearned revenues	(1,169)	1,274	(105)	-	-	-	-
Inventory	2,976	4,172	267	-	-	-	7,415
Investments in subsidiaries	(597)	54	(54)	-	-	-	(597)
Foreign tax credit carryforward	-	6,723	-	-	-	-	6,723
Unrealised foreign exchange	-	20,960	-	-	-	-	20,960
Other	(705)	6,099	(61)	(281)	-	-	5,052
	20,170	35,135	1,813	(2,255)	(617)	12,161	66,407
Unused tax losses and credits:							
Tax losses	3,902	(4,253)	351	-	-	-	-
	24,072	30,882	2,164	(2,255)	(617)	12,161	66,407

Presented in the balance sheet as follows:	
Deferred tax liability	(2,130)
Deferred tax asset	68,537
	66,407

	Parent				
2008 **Deferred tax assets**	**Opening Balance US$'000**	**Charged to income US$'000**	**Other US$'000**	**Charged to Equity US$'000**	**Closing Balance US$'000**
Share issue costs	15,999	(4,385)	-	-	11,614

Presented in the balance sheet as follows:	
Deferred tax liability	-
Deferred tax asset	11,614
	11,614

8. INCOME TAXES (CONTINUED)

	Consolidated						
2007	Opening balance US$'000	Charged to income US$'000	FX Differences US$'000	Acquired/ disposed US$'000	Other US$'000	Credited to equity US$'000	Closing balance US$'000
Deferred tax assets/(liabilities)							
Property, plant and equipment	(19,050)	(5,135)	2,217	(1,785)	-	-	(23,753)
Provisions	4,739	(50)	(551)	-	-	-	4,138
Doubtful debts	3,306	(2,796)	(385)	-	-	-	125
Intangibles	(3,942)	(1,628)	459	(2,711)	-	-	(7,822)
Acquisitions and restructuring costs	13,333	(702)	(1,551)	-	-	-	11,080
Share issue costs	123	(2,826)	-	-	47	18,778	16,122
Accrued liabilities	6,311	3,654	(734)	-	-	-	9,231
Pension	8,176	1,652	(951)	-	-	(7,954)	923
Debt and interest	5,001	269	(582)	-	-	-	4,688
Hedge loss	838	-	-	-	-	4,097	4,935
Unearned revenues	(1,140)	(162)	133	-	-	-	(1,169)
Inventory	3,572	(180)	(416)	-	-	-	2,976
Investments in subsidiaries	(2,057)	1,221	239	-	-	-	(597)
Other	4,336	(4,546)	(496)	-	-	-	(705)
	23,546	(11,229)	(2,619)	(4,496)	47	14,921	20,170
Unused tax losses and credits:							
Tax losses	921	3,088	(107)	-	-	-	3,902
	24,467	(8,140)	(2,726)	(4,496)	47	14,921	24,072

Presented in the balance sheet as follows:	
Deferred tax liability	(7,632)
Deferred tax asset	31,391
Directly associated with assets held for sale	313
	24,072

	Parent				
2007 Deferred tax assets	Opening Balance US$'000	Charged to income US$'000	Other US$'000	Credited to Equity US$'000	Closing Balance US$'000
Share issue costs	-	(2,826)	47	18,778	15,999
Presented in the balance sheet as follows:					
Deferred tax liability					-
Deferred tax asset					15,999
					15,999

8. INCOME TAXES (CONTINUED)

	Consolidated	
	2008	2007
Unrecognised deferred tax assets	US$'000	US$'000
Tax losses - revenue	2,197	3,971
Unused tax credits	52,696	48,871
	54,893	52,842

The Parent and its wholly-owned Australian resident entities became part of the same tax-consolidated group with effect from 12 April 2007 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. Certain companies within the Dutch group have also formed a tax-consolidated group within the Netherlands.

Entities within the tax-consolidated groups have entered into tax-funding arrangements with the head entities. Under the terms of the tax-funding arrangements, the tax-consolidated groups and each of the entities within those tax-consolidated groups agree 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 groups.

9. GROUP RESTRUCTURING

During 2008, the Boart Longyear Group initiated a significant effort to reduce operating costs through a series of restructuring activities. The Group's restructuring efforts include:

- reduction of drilling services, manufacturing, general and administrative, and sales and marketing staff levels;
- consolidation of manufacturing, sales and services facilities; and
- discontinuation of certain businesses/product lines.

As a result of these restructuring activities, the Group recognised separation costs associated with staff reductions, provisions related to leases associated with facilities being closed, and impairments of inventory and capital equipment related to businesses and product lines being discontinued. Similar types of restructuring activities occurred in 2007.

Restructuring expenses are as follows:

	Consolidated	
	2008	2007
	US$'000	US$'000
Employee separation costs	9,312	4,186
Write-down of inventory	7,220	-
Impairment of property, plant and equipment	1,398	-
Occupancy and other	2,398	1,398
	20,328	5,584

9. GROUP RESTRUCTURING (CONTINUED)

Restructuring expenses relate to the following expense categories:

	Consolidated 2008 US$'000	Consolidated 2007 US$'000
Cost of goods sold	12,345	2,629
General and administrative expenses	3,971	1,398
Selling and marketing expenses	4,012	1,557
	20,328	5,584

During 2007, as well, the Boart Longyear Group completed a group restructuring that resulted in a new corporate structure. In summary, the group restructuring consisted of:

- Certain entities included within the US tax consolidated group selling wholly owned subsidiaries to wholly owned Australian subsidiaries of Boart Longyear Limited; and
- Repayment of existing external borrowings and drawdown of new borrowings in Canada and Australia.

10. RECLASSIFICATION

During 2008 the Group performed a review of selling and marketing expenses and determined that certain costs relating to training, projects and maintenance were classified as selling and marketing costs but would be more appropriately classified as cost of goods sold. As a result, the accounts were reclassified to cost of goods sold, and systems were put in place to properly classify these costs on a go forward basis. In order to present comparable financial results, the related 2007 accounts included in selling and marketing costs have been reclassified to cost of goods sold as follows:

	2007 Cost of goods sold US$'000	2007 Selling and marketing US$'000
Amounts originally reported	(1,047,088)	(151,567)
Reclassification	(22,272)	22,272
Restated Amounts	(1,069,360)	(129,295)

11. TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
Trade receivables	217,239	237,345	-	-
Allowance for doubtful accounts	(8,100)	(3,425)	-	-
Goods and services tax receivable	13,965	9,034	-	-
Other receivables	11,474	258	106	67
Intercompany receivable	-	-	28,217	61,130
	234,578	243,212	28,323	61,197

The aging of trade receivables is detailed below:

	Consolidated	
	2008	2007
	US$'000	US$'000
Current	166,870	172,535
Past due 0 - 30 days	28,055	48,097
Past due 31 - 60 days	9,204	9,180
Past due 61-90 days	6,542	5,619
Past due 90 days	6,568	1,914
	217,239	237,345

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in the allowance for doubtful accounts in respect of trade receivables is detailed below:

	Consolidated	
	2008	2007
	US$'000	US$'000
Opening Balance	3,425	4,169
Additional provisions	6,453	89
Amounts used	(125)	(1,099)
Amounts reversed	(1,025)	(16)
Transferred to held for sale	-	(45)
Foreign currency exchange differences	(628)	327
Closing balance	8,100	3,425

The average credit period on sales of goods is 65 days. No interest is charged on trade receivables.

The Group's policy requires customers to pay the Group in accordance with agreed payment terms. The Group'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 balance sheet. Trade receivables have been aged according to their original due date in the above aging analysis. The Group holds security for a number of trade receivables in the form of letters of credit, deposits, and advanced payments.

The Group has used the following basis to assess the allowance loss for trade receivables and as a result is unable to specifically allocate the allowance to the aging categories shown above:

- a general provision based on historical bad debt experience;
- the general economic conditions in specific geographical regions;
- an individual account by account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

12. INVENTORIES

	Consolidated	
	2008	2007
	US$'000	US$'000
Raw materials	32,724	34,094
Work in progress	5,788	17,896
Finished products	138,784	124,275
	177,296	176,265

13. FINANCIAL INSTRUMENTS

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves, other equity and retained earnings (accumulated losses) as disclosed in Notes 21, 22, 23 and 24 respectively.

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 in Note 3 to the financial statements.

Categories of financial instruments

	Consolidated		Parent	
	2008	2007	2008	2007
Financial Assets	US$'000	US$'000	US$'000	US$'000
Current				
Loans and Receivables:				
Cash and cash equivalents	50,603	87,548	108	1,087
Trade and other receivables	234,578	243,212	28,323	61,197
Other financial assets	306	604	-	-
	285,487	331,364	28,431	62,284
Non-current				
Investments carried at cost:				
Investments in subsidiaries	-	-	2,186,106	2,175,180

	Consolidated		Parent	
	2008	2007	2008	2007
Financial Liabilities	US$'000	US$'000	US$'000	US$'000
Current				
Amortised cost:				
Trade and other payables	195,597	244,685	1,511	8,533
Loans and borrowings	3,314	6,543	-	-
	198,911	251,228	1,511	8,533
Non-current				
Amortised cost:				
Trade and other payables	1,293	200	-	-
Loans and borrowings	811,604	650,170	-	-
	812,897	650,370	-	-
Other financial liabilities:				
Derivative instruments in designated hedge accounting relationships	27,197	12,985	-	-

At the reporting date there are no significant concentrations of credit risk. The carrying amount reflected above represents the Group's and the Parent's maximum exposure to credit risk for such loans and receivables.

13. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives

The Group'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 Group 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.

The Group seeks to minimise the effects of these risks, where deemed appropriate, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk and interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (Note 3(l)). The Group enters into a variety of derivative financial instruments to manage its exposure 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.

Foreign currency risk management

The Group 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 utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities, including intercompany balances, at the reporting date is as follows:

	Assets		Liabilities	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
Australian Dollar	308,821	172,199	56,458	30,207
Canadian Dollar	24,062	7,473	37,211	10,890
Euro	40,948	37,109	113,280	122,017
US Dollar	201,245	76,896	158,592	129,991

13. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency sensitivity

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

The following tables detail the Group's sensitivity to a 10% change in each of the Group's subsidiaries functional currency against the relevant foreign currencies. The percentages disclosed below are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a given percentage change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in net profit and net assets where the subsidiaries functional currency strengthens against the respective currency. For a weakening of the subsidiaries functional currency against the respective currency there would be an equal and opposite impact on the profit and net assets.

	AUD Impact		CAD Impact	
	Consolidated		Consolidated	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
Net profit	(428)	(510)	980	513
Net assets	(22,498)	(12,393)	191	-
Change in currency [1]	10%	10%	10%	10%

	EUR Impact		USD Impact	
	Consolidated		Consolidated	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
Net profit	(982)	(840)	(5,550)	4,895
Net assets	7,506	8,581	1,231	507
Change in currency [1]	10%	10%	10%	10%

(1) This has been based on the historical changes in the Group's subsidiaries functional currencies against the related foreign currencies in the financial year ended 31 December 2008 and 31 December 2007.

The Parent has no significant exposure to foreign currencies at the reporting date. The Group's sensitivity to certain foreign currency denominated loans has decreased during the current period mainly due to the retirement of these instruments and due to current hedging activity.

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

13. FINANCIAL INSTRUMENTS (CONTINUED)

Forward foreign exchange contracts

The following table details the forward foreign currency contracts outstanding as at the reporting date:

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008	2007	2008 FC'000	2007 FC'000	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Consolidated								
Sell - CAD								
Less than 3 months	1.2216	0.9805	30,540	63,730	25,000	65,000	-	-

The Group has entered into contracts to hedge the foreign currency exposure it has on United States dollar denominated loans in Canada. The Group has entered into forward foreign exchange contracts (for terms not exceeding 9 months) to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as fair value hedges.

Interest rate risk management

The Parent and the Group are exposed to interest rate risk as entities within the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. The Parent's and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's:

- profit before tax would increase/decrease by $3,295,000 (2007: decrease/increase by $2,720,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.
- other equity reserves would increase/decrease by $7,196,000 (2007: increase/decrease by $10,167,000) mainly as a result of the Group's exposure to interest rates on its interest rate swap contracts that are in a cash flow hedge relationship.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the LIBOR curve at reporting date and the credit risk inherent in the contract, and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

13. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate swap contracts (continued)

The following tables detail the notional principal amounts and the remaining terms of interest rate swap contracts outstanding as at reporting date.

Outstanding floating for fixed contracts	Average contracted fixed interest rate 2008 %	2007 %	Notional principal amount 2008 US$'000	2007 US$'000	Fair value 2008 US$'000	2007 US$'000
Consolidated						
1 to 2 years	3.1890%	-	100,000	-	(1,497)	-
2 to 5 years	5.1825%	5.1825%	325,000	378,000	(25,700)	(12,985)
			425,000	378,000	(27,197)	(12,985)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is 90-day USD LIBOR. The Group settles the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period of the loan.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where 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 the financial condition of accounts receivable.

The Group 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.

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 Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Financial assets and other credit exposures	Maximum credit risk 2008 US$'000	2007 US$'000
Consolidated		
Performance guarantees provided including letter of credits	40,619	29,254

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Treasurer and board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

13. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management (continued)

The Group 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. Included in Note 18 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail the Parent's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been presented based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. 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 of the balance sheet.

Consolidated

	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
2008								
Non-interest bearing payables	-	136,463	59,134	-	1,293	-	-	196,890
Finance lease liability	8.1%	32	65	2,433	3,285	-	(1,032)	4,783
Variable interest rate instruments	3.9%	2,657	5,313	23,909	832,621	-	(52,500)	812,000
Fixed interest rate instruments	12.0%	1,173	-	-	-	-	-	1,173
		140,325	64,512	26,342	837,199	-	(53,532)	1,014,846
2007								
Non-interest bearing payables	-	146,811	97,874	-	200	-	-	244,885
Finance lease liability	8.3%	47	95	3,464	4,781	-	(1,518)	6,869
Variable interest rate instruments	5.9%	3,208	6,415	28,869	730,688	-	(123,342)	645,838
Fixed interest rate instruments	6.0%	20	40	3,685	591	-	(330)	4,006
		150,086	104,424	36,018	736,260	-	(125,190)	901,598

13. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and interest risk tables (continued)

Parent

	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
2008								
Non-interest bearing payables	-	1,054	457	-	-	-	-	1,511
		1,054	457	-	-	-	-	1,511
2007								
Non-interest bearing payables	-	5,119	3,414	-	-	-	-	8,533
		5,119	3,414	-	-	-	-	8,533

The following table details the Parent's and the Group's expected maturity for its non-derivative financial assets. The tables below have been presented based on the undiscounted contractual maturities of the financial assets.

Consolidated

	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
2008							
Non-interest bearing receivables	108,267	126,311	-	-	-	-	234,578
Cash	50,603	-	-	-	-	-	50,603
	158,870	126,311	-	-	-	-	285,181
2007							
Non-interest bearing receivables	128,006	115,206	-	-	-	-	243,212
Cash	87,548	-	-	-	-	-	87,548
	215,554	115,206	-	-	-	-	330,760

13. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and interest risk tables (continued)

Parent

	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
2008							
Non-interest bearing receivables	13,072	15,251	-	-	-	-	28,323
Cash	108	-	-	-	-	-	108
	13,180	15,251	-	-	-	-	28,431
2007							
Non-interest bearing receivables	36,718	24,479	-	-	-	-	61,197
Cash	1,087	-	-	-	-	-	1,087
	37,805	24,479	-	-	-	-	62,284

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instrument that settle on a net basis and the undiscounted net inflows (outflows) on those derivatives. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Consolidated

	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
2008							
Interest rate swaps	-	(3,416)	(10,366)	(13,476)	-	61	(27,197)
2007							
Interest rate swaps	-	(282)	(3,654)	(9,167)	-	118	(12,985)

The Parent had no derivative financial instruments for the reporting periods disclosed.

Fair value of financial instruments

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

- 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 analysis using prices from observable current market transactions
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		
	Land and Buildings US$'000	Plant and Equipment US$'000	Total US$'000
Balance at 1 January 2007	36,043	299,005	335,048
Additions	6,587	122,402	128,989
Acquisitions through business combinations	4	18,546	18,550
Disposal of assets	(784)	(31,198)	(31,982)
Transfer to held for sale	-	(969)	(969)
Currency movements	2,979	45,164	48,143
Balance at 1 January 2008	44,829	452,950	497,779
Additions	4,011	134,026	138,037
Acquisitions through business combinations	4,329	33,270	37,599
Adjustments to business combinations accounted for on a provisional basis in 2007	-	2,540	2,540
Disposal of assets	(539)	(20,221)	(20,760)
Currency movements	(5,538)	(100,407)	(105,945)
Balance at 31 December 2008	47,092	502,158	549,250
Accumulated depreciation and impairment:			
Balance at 1 January 2007	(1,654)	(81,093)	(82,747)
Depreciation for the year	(999)	(56,154)	(57,153)
Disposal of assets	223	24,125	24,348
Transfer to held for sale	-	459	459
Currency movements	(1,691)	(22,635)	(24,326)
Balance at 1 January 2008	(4,121)	(135,298)	(139,419)
Depreciation for the year	(3,223)	(77,084)	(80,307)
Impairment of non-current assets	-	(1,398)	(1,398)
Disposal of assets	157	14,156	14,313
Currency movements	2,631	58,623	61,254
Balance at 31 December 2008	(4,556)	(141,001)	(145,557)
Net book value at 31 December 2007	**40,708**	**317,652**	**358,360**
Net book value at 31 December 2008	**42,536**	**361,157**	**403,693**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Tangible property, plant and equipment includes machinery equipment, office equipment, furniture and fixtures, and vehicles, which are substantially freehold. The net book value of property, plant and equipment at 31 December 2008 and 2007 includes an amount of $3,430,000 and $6,060,000, respectively, related to assets held under finance leases.

During 2008, the Group sold the mining capital equipment and diamond wire businesses in South Africa and the residential water business in the United States of America. These sales included net book value of property, plant and equipment of $425,000, $257,000 and $1,768,000, respectively.

During 2007, the Group sold its Australina-based mining capital equipment business, as well as the diamond blades and Interfels businesses. These sales included net book value of property, plant and equipment of $56,000, $148,150 and $30,000, respectively. The Group also disposed of its Zimbabwe and Calulo Drilling (Pty) Ltd businesses which had no property, plant and equipment.

15. GOODWILL

	Consolidated Goodwill US$'000
Gross carrying amount:	
Balance at 1 January 2007	125,336
Additions through business combinations	62,276
Adjustments to business combinations accounted for on a provisional basis in 2006	3,602
Currency movements	14,972
Balance at 31 December 2007	206,186
Balance at 1 January 2008	206,186
Additions through business combinations	65,577
Adjustments to business combinations accounted for on a provisional basis in 2007	2,775
Currency movements	(39,967)
Balance at 31 December 2008	234,571

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to individual cash generating units. The carrying amount of goodwill by geographic segment allocated to cash-generating units that are significant individually or in aggregate is as follows:

	Consolidated	
	2008 US$'000	2007 US$'000
Asia Pacific	105,661	125,696
South America	33,108	31,572
North America	95,802	48,918
	234,571	206,186

15. GOODWILL (CONTINUED)

The carrying amount of goodwill is tested for impairment annually at 31 October and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The impairment testing was updated at 31 December 2008. The recoverable amount is based on a value in use calculation using cash flow projections based on financial forecasts over a 10-year period, which approximates the length of a typical business cycle based on historical industry experience, with a terminal value. Key assumptions used for impairment testing for 31 October 2008 include a post-tax global discount rate of 11.5% adjusted on a case by case basis for regional variations in the required equity rate of return, expected future profits and future annual growth rates consistent with internal forecasts and expected performance of the specific business line being tested for impairment over the cycle. Sensitivity analysis is used to determine whether the carrying value is supported by different assumptions.

16. OTHER INTANGIBLE ASSETS

	Consolidated					
	Trademarks US$'000	Patents US$'000	Customer relationships US$'000	Software US$'000	Development assets US$'000	Total US$'000
Gross carrying amount:						
Balance at 1 January 2007	1,988	1,090	11,689	-	2,442	17,209
Additions through business combinations	-	-	10,460	-	-	10,460
Additions	-	-	-	-	3,032	3,032
Currency movements	-	-	2,395	-	-	2,395
Balance at 31 December 2007	1,988	1,090	24,544	-	5,474	33,096
Balance at 1 January 2008	1,988	1,090	24,544	-	5,474	33,096
Additions through business combinations	1,270	-	33,376	-	-	34,646
Adjustments to business combinations accounted for on a provisional basis in 2007	-	-	1,763	-	-	1,763
Additions	-	-	-	15,890	5,081	20,971
Currency movements	-	-	(7,710)	-	(846)	(8,556)
Balance at 31 December 2008	3,258	1,090	51,973	15,890	9,709	81,920
Accumulated amortisation:						
Balance at 1 January 2007	(41)	(153)	(301)	-	(222)	(717)
Amortisation for the period	-	(144)	(2,186)	-	(365)	(2,695)
Currency movements	-	-	(206)	-	-	(206)
Balance at 31 December 2007	(41)	(297)	(2,693)	-	(587)	(3,618)
Balance at 1 January 2008	(41)	(297)	(2,693)	-	(587)	(3,618)
Amortisation for the period	(123)	(160)	(4,058)	(1,340)	(359)	(6,040)
Currency movements	-	-	1,145	-	49	1,194
Balance at 31 December 2008	(164)	(457)	(5,606)	(1,340)	(897)	(8,464)
Net book value at 31 December 2007	1,947	793	21,851	-	4,887	29,478
Net book value at 31 December 2008	3,094	633	46,367	14,550	8,812	73,456

17. TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
Current				
Trade payables	105,671	152,073	-	-
Accrued payroll and benefits	34,833	54,754	-	-
Goods and services tax payable	24,795	6,433	-	-
Professional fees	4,127	2,376	618	290
Other sundry payables and accruals	26,171	29,049	893	8,243
	195,597	244,685	1,511	8,533
Non-current				
Trade and other payables	1,293	200	-	-
	1,293	200	-	-

The average credit period on purchases of certain goods is 43 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 Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18. BORROWINGS

	Consolidated 2008 US$'000	Consolidated 2007 US$'000
Unsecured - at amortised cost		
Current		
Bank loans	1,173	3,505
Non-current		
Bank loans (i)	808,962	645,838
Other liabilities	-	501
Secured - at amortised cost		
Current		
Bank overdrafts	-	-
Finance lease liabilities	2,141	3,038
Non-current		
Bank loans	-	-
Finance lease liabilities (ii)	2,642	3,831
	814,918	656,713
Disclosed in the financials statements as:		
Current borrowings	3,314	6,543
Non-current borrowings	811,604	650,170
	814,918	656,713
A summary of the maturity of the Group's borrowings is as follows:		
Less than 1 year	3,314	6,543
Between 1 and 2 years	583,075	2,377
Between 2 and 3 years	1,737	581,697
Between 3 and 4 years	226,341	1,512
More than 4 years	451	64,584
	814,918	656,713

(i) As at 31 December 2008 and 2007, bank loans consist of variable rate loans with a consortium of banks with maturity dates of 10 April 2010 and 13 April 2012. The interest rates on the loans are based on a base rate plus applicable margin. The base rate is generally based on USD LIBOR rates, while the margin is determined based on leverage according to a pricing grid. As at 31 December 2008, the rates ranged from USD LIBOR + 0.55% to USD LIBOR + 0.65% (2.05% to 2.15%). As at 31 December 2007, the rates ranged from USD LIBOR + 0.65% to USD LIBOR + 0.75% (5.53% to 5.63%). The Group hedges a portion of its exposure to floating rates under the loans via interest rate swaps, exchanging variable rate interest payments for fixed rate interest payments. As of 31 December 2008, $425,000,000 notional amount of floating rate interest rates were swapped to fixed at a base rate ranging from 3.163% to 5.1825%. As of 31 December 2007, $378,000,000 notional amount of floating rate interest rates were swapped to fixed at a base rate of 5.1825%.

The Group’s borrowings contain covenants and restrictions requiring the Group to meet certain financial ratios and reporting requirements. These covenants include maintaining a Debt to EBITDA ratio of not more than 3.75:1 and an EBITDA to Interest ratio of not less than 3.0:1. Testing of covenant compliance takes place twice-yearly for the trailing 12 month periods to 30 June and 31 December. Noncompliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the associated debt becoming immediately due and payable. The Group is in compliance with the debt covenants as at 31 December 2008 and 2007.

Bank facilities include a revolver of $200,000,000. As of 31 December 2008 $162,000,000 is drawn with interest rates from 1.15% to 2.5875%. As of 31 December 2007 the revolver was undrawn. Only $188,857,000 of the revolver can be drawn because of outstanding letters of credit. The loans are guaranteed by certain subsidiaries of the Group. See Note 28 for a listing of subsidiary guarantors.

(ii) Secured by the assets leased. The borrowings have interest rates ranging from 5.15% to 11.07%, with repayment periods not exceeding 6 years.

19. PROVISIONS

	Consolidated 2008 US$'000	Consolidated 2007 US$'000
Current		
Employee benefits	9,013	10,712
Warranty (i)	5,366	1,665
Restructuring and termination costs (ii)	8,730	1,941
	23,109	14,318
Non-current		
Employee benefits	1,909	1,895
Pension and post-retirement benefits (Note 20)	43,128	20,584
	45,037	22,479
	68,146	36,797

The changes in the provisions for the year ended 31 December 2008 are as follows:

	Consolidated	
	Warranty (i) US$'000	Restructuring and termination costs (ii) US$'000
Balance at 1 January 2008	1,665	1,941
Additional provisions recognised	8,330	13,332
Reductions arising from payments/other sacrifices of future economic benefits	(1,820)	(5,317)
Reductions resulting from re-measurement or settlement without cost	(1,526)	(933)
Foreign exchange	(1,283)	(293)
Balance at 31 December 2008	5,366	8,730

(i) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's warranty program. The estimate has been made on the basis of historical warranty trends.

(ii) The provision for restructuring and termination costs represents the present value of management's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits and onerous leases.

20. PENSION AND POSTRETIREMENT BENEFITS

The Parent has no employees and therefore does not support any pension or postretirement plans. Accordingly, the disclosures detailed below relate to the Group.

Pension and Postretirement Medical Commitments

The Group operates defined contribution and defined benefit pension plans for the majority of its employees. It also operates postretirement medical arrangements in Southern Africa and North America. The policy for accounting for pensions and postretirement benefits is included in Note 3(n).

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 Group during the fiscal year.

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 Group, in independently administered funds, in accordance with statutory requirements or local practice throughout the world.

The postretirement medical arrangements provide health benefits to retired employees and certain dependants. Eligibility for coverage is dependent upon certain criteria. The majority of these plans are unfunded and have been provided for by the Group.

Defined Contribution Plans

Pension costs represent actual contributions paid or payable by the Group to the various plans. At 31 December 2008, and 2007, there were no significant outstanding/prepaid contributions. Group contributions to these plans were $13,229,000 and $13,674,000 for the years ended 31 December 2008, and 2007, respectively.

The Group's operations in the Netherlands participate in an industry-wide pension scheme for the mechanical and electrical engineering industries, known as the PME Fund. Although it is a defined benefit pension plan, the participating employers have no obligation other than to pay set contributions based on benefits accrued by the employees every period. The employers are not obligated to make additional payments to fund deficits, nor have they any right to repayments in the event of surpluses. The Group treats the PME scheme as a defined contribution plan.

Defined Benefit Pension Plans

Full actuarial valuations of the defined benefit pension plans were performed as of various dates and updated to 31 December 2008 by qualified independent actuaries. The estimated market value of the assets of the funded pension plans was $150,626,000 and $257,362,000 at 31 December 2008, and 2007, 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 88% and 104% in 2008 and 2007, respectively, of the benefits that had accrued to participants after allowing for expected increases in future earnings and pensions. Entities within the Group are paying contributions as required in accordance with local actuarial advice.

As the majority of the defined benefit pension plans are closed to new participants, it is expected that under the projected unit credit method, service cost will increase as the participants age.

Group contributions to these plans were $5,310,000 and $6,678,000 for the years ended 31 December 2008 and 2007, respectively. Contributions in 2009 are expected to be $6,451,000.

20. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2008			2007		
	Southern Africa	The Americas	Europe	Southern Africa	The Americas	Europe
Discount rates	7.5%	6.5%	6.3%	8.5%	5.7%	5.3%
Expected average rate of increase in salaries	5.0%	4.3%	3.5%	6.0%	4.4%	3.5%
Expected average rate of increase of pensions in payment	4.0%	-	1.5%	5.3%	-	1.5%
Expected average long term rate of return on plan assets	6.8%	8.0%	6.4%	8.8%	7.9%	6.8%
Expected average increase in healthcare costs (initial)	6.0%	8.0%	-	6.8%	9.0%	-
Expected average increase in healthcare costs (ultimate)	6.0%	5.0%	-	6.8%	5.0%	-

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

	2008			2007		
	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	3,070	453	3,523	4,583	486	5,069
Interest cost on plan liabilities	13,315	735	14,050	12,595	830	13,425
Past service cost	4,069	(4,126)	(57)	558	-	558
Expected return on plan assets	(17,555)	-	(17,555)	(18,394)	-	(18,394)
Effects of settlement and curtailment gains	142	(861)	(719)	(286)	-	(286)
Total charge to profit and loss account	3,041	(3,799)	(758)	(944)	1,316	372

For the financial years ended 31 December 2008 and 2007 a (gain) loss of $(564,000) and $141,000, respectively, has been included in cost of goods sold and the remainder in general and administrative or sales and marketing expenses.

20. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

The following amounts have been recognised in the statement of recognised income and expense.

	2008			2007		
	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
Actuarial gains (losses) during the year, net of taxes	(22,779)	(1,639)	(24,418)	(11,478)	1,615	(9,863)
Adjustments recognised for restrictions on the defined benefit asset	-	-	-	31,756	-	31,756
	(22,779)	(1,639)	(24,418)	20,278	1,615	21,893

In 2001, legislation in South Africa was passed which restricts pension surpluses where they are not expected to give rise to future contribution reductions or refunds because of local restrictions over their use. During 2007, the South African Regulators approved the subsidiary's proposal in respect of the apportionment of the surplus from the plans. At 1 January 2007, the regulators in South Africa had not yet acted on the subsidiary's proposal in respect of the apportionment of the surplus in the plan. As a result, the 1 January 2007 net liabilities shown for South Africa assumed the surplus was unrecoverable. The surplus restriction in South Africa arises where pension surpluses are not expected to give rise to future contribution reductions or refunds because of local restrictions over the use of the surplus. The 2007 net assets shown in respect to South Africa have been adjusted to reflect the approved proposal and an agreement between the subsidiary, the trustees and the members with respect to the apportionment of future surplus. The majority of the members elected to transfer to the Alexander Forbes Retirement Fund effective 28 February 2008, leaving only one member in the fund. The liability with respect to the transfer was settled on 19 December 2008. The net asset recorded has certain restrictions on how the surplus can be used.

The amount included in the balance sheet arising from the Group's obligations in respect of defined benefit plans is as follows:

	2008			2007		
	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
Present value of funded defined benefit obligations	165,891	-	165,891	240,813	-	240,813
Fair value of plan assets	(150,626)	-	(150,626)	(257,362)	-	(257,362)
	15,265	-	15,265	(16,549)	-	(16,549)
Present value of unfunded defined benefit obligations	5,421	9,411	14,832	5,855	11,481	17,336
(Surplus) deficit	20,686	9,411	30,097	(10,694)	11,481	787
Restrictions on assets recognised	-	-	-	-	-	-
Net liability (asset) arising from defined benefit obligations	20,686	9,411	30,097	(10,694)	11,481	787

20. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2008			2007		
	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	246,668	11,481	258,149	217,587	13,074	230,661
Current service cost	3,070	453	3,523	4,583	486	5,069
Interest cost	13,315	735	14,050	12,595	830	13,425
Contributions from plan participants	65	290	355	292	179	471
Actuarial losses (gains)	(20,689)	2,655	(18,034)	26,717	(2,615)	24,102
Past service cost	4,069	(4,126)	(57)	558	-	558
Losses (gains) on curtailments	194	-	194	(286)	-	(286)
Liabilities extinguished on settlements	(18,766)	(861)	(19,627)	-	-	-
Exchange differences on foreign plans	(26,761)	(585)	(27,346)	20,216	180	20,396
Benefits paid	(29,853)	(631)	(30,484)	(35,594)	(653)	(36,247)
Closing defined benefit obligation	171,312	9,411	180,723	246,668	11,481	258,149

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

	2008			2007		
	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	257,362	-	257,362	239,371	-	239,371
Expected return on plan assets	17,555	-	17,555	18,394	-	18,394
Actuarial gains (losses)	(49,717)	-	(49,717)	8,973	-	8,973
Assets distributed on settlements	(18,714)	-	(18,714)	-	-	-
Exchange differences on foreign plans	(31,382)	-	(31,382)	19,248	-	19,248
Contributions from the employer	5,310	341	5,651	6,678	474	7,152
Contributions from plan participants	65	290	355	292	179	471
Benefits paid	(29,853)	(631)	(30,484)	(35,594)	(653)	(36,247)
Closing fair value of plan assets	150,626	-	150,626	257,362	-	257,362

20. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

The analysis of the plan assets and the expected rate of return at the balance sheet date are as follows:

	2008						
	Southern Africa		The Americas		Europe		
	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Total Fair Value US$'000
At 31 December 2008							
Equity	10.5%	6,968	10.0%	41,681	8.0%	19,476	68,126
Bonds	7.5%	6,757	5.0%	43,576	4.0%	12,520	62,853
Property	-	-	-	-	6.5%	2,783	2,783
Cash	5.5%	7,391	4.0%	6,631	-	-	14,022
Other	-	-	4.0%	2,842	-	-	2,842
Total market value	6.8%	21,116	8.0%	94,730	6.4%	34,779	150,626

	2007						
	Southern Africa		The Americas		Europe		
	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Total Fair Value US$'000
At 31 December 2007							
Equity	11.5%	48,495	9.5%	70,929	7.8%	31,801	151,225
Bonds	-	-	5.4%	52,193	4.5%	11,742	63,935
Property	-	-	-	-	6.3%	5,382	5,382
Cash	6.5%	26,113	4.0%	9,368	-	-	35,481
Other	-	-	4.0%	1,339	-	-	1,339
Total market value	8.8%	74,608	7.9%	133,829	6.8%	48,925	257,362

The pension and post-retirement (surplus) deficit by geographic region are as follows:

	Consolidated							
	31 December 2008				31 December 2007			
	Southern Africa	The Americas	Europe	Total	Southern Africa	The Americas	Europe	Total
Postretirement medical plan deficit	218	9,193	-	9,411	2,512	8,969	-	11,481
Pension plan (surplus) deficit	(13,249)	18,435	15,500	20,686	(22,309)	3,577	8,038	(10,694)
Total (surplus) deficit	(13,031)	27,628	15,500	30,097	(19,797)	12,546	8,038	787

On 8 December 2003, the Medicare Prescription Drug Improvement and Modernisation Act of 2003 was signed into law in the U.S. The Act introduced a prescription drug benefit beginning 2006 under Medicare ("Medicare Part D") as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Based on an actuarial analysis of the levels of benefits provided under the Group's Postretirement Welfare Plan, the plan's actuary has concluded that beneficiaries receive drug coverage at least actuarially equivalent to Medicare Part D. The federal subsidy was reflected in costs, reducing the accumulated postretirement benefit obligation by approximately $468,000 and $1,183,000 at 31 December 2008 and 2007, respectively. The expense was reduced by approximately $87,000 and $112,000 at 31 December 2008 and 2007, respectively.

20. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

	2008			2007		
	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
Fair value of plan assets	150,626	-	150,626	257,362	-	257,362
Present value of defined benefit obligation	(171,312)	(9,411)	(180,723)	(246,669)	(11,481)	(258,150)
Surplus (deficit)	(20,686)	(9,411)	(30,097)	10,693	(11,481)	(788)
Experience adjustments on plan liabilities	(635)	63	(572)	(36,668)	2,688	(33,980)
Experience adjustments on plan assets	(49,718)	-	(49,718)	8,974	-	8,974

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

	2008 US$'000	2007 US$'000
One percentage point increase		
Effect on the aggregate of the service cost and interest cost	126	214
Effect on accumulated post-employment benefit obligation	1,256	1,489
One percentage point decrease		
Effect on the aggregate of the service cost and interest cost	(107)	(177)
Effect on accumulated post-employment benefit obligation	(1,067)	(1,251)

21. ISSUED CAPITAL

Pursuant to its Initial Public Offering ("IPO") in April of 2007 on the ASX, Boart Longyear Limited issued 1,269,158,552 ordinary shares. An additional 216,091,448 ordinary shares were issued to redeem exchangeable notes and an additional 17,595,513 ordinary shares were issued to previous shareholders of RSHI to repurchase RSHI shares surrendered. As a result, total ordinary shares issued as at 31 December 2007 were 1,502,845,513. There were no shares issued during the financial year, but the Company purchased 5,221,560 shares on market for the LTIP program.

Prior to the IPO, Boart Longyear Limited acquired RSHI and the transaction was accounted for as a reverse acquisition. As a result, the amount recognised for the newly issued equity is equal to the value of the issued equity of RSHI prior to the combination. The difference between the value of the issued equity of RSHI prior to the combination and the actual net proceeds received for the issue of Boart Longyear Limited shares is included within other equity amounts on the balance sheet and summarised in Note 23.

	Consolidated	
	2008 US$'000	2007 US$'000
Share Capital		
Ordinary shares, fully paid	478,036	479,673
Movements in ordinary shares		
Balance at beginning of year	479,673	452,331
Issued during the year to previous holders of equity (net of costs)	-	27,342
Purchase of shares for LTIP	(1,637)	-
Balance at end of the year	478,036	479,673

	Parent			
	2008 US$'000	2008 Number of shares (000's)	2007 US$'000	2007 Number of shares (000's)
Share Capital				
Ordinary shares, fully paid	2,228,139	1,497,624	2,229,776	1,502,846
Movements in ordinary shares				
Balance at beginning of year	2,229,776	1,502,846	-	-
Issued during the year to previous holders of equity (net of costs)	-	-	27,342	17,596
Issued at float (net of costs)	-	-	2,202,434	1,485,250
Purchase of shares for LTIP	(1,637)	(5,222)	-	-
Balance at end of the year	2,228,139	1,497,624	2,229,776	1,502,846

22. RESERVES

	Consolidated		Parent	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Foreign currency translation	(103,548)	30,216	-	-
Equity-settled employee benefits	2,592	368	2,592	368
Unrealised losses related to hedging instruments	(17,363)	(8,050)	-	-
	(118,319)	22,534	2,592	368

During the years ended 31 December 2008 and 2007 the changes in each of the respective reserve accounts were as follows:

	Consolidated	
Foreign currency translation	2008 US$'000	2007 US$'000
Balance at beginning of year	30,216	(4,479)
Exchange differences arising on translation of foreign operations	(133,764)	34,695
Balance at end of the year	(103,548)	30,216

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into United States dollars are brought to account by entries made directly to the foreign currency translation reserve.

	Consolidated		Parent	
Equity-settled employee benefits	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Balance at beginning of year	368	7,743	368	-
Share-based compensation expense	2,224	775	2,224	368
Forfeiture of shares	-	(8,150)	-	-
Balance at end of the year	2,592	368	2,592	368

The equity-settled employee benefits reserve arises on the grant of restricted shares, LTIP rights and share options. Amounts are transferred out of the reserve and into issued capital when the share is issued.

	Consolidated	
Unrealised losses related to hedging instruments	2008 US$'000	2007 US$'000
Balance at beginning of year	(8,050)	(1,367)
Unrealised loss on cash flow hedges	(20,359)	(9,107)
Transfer to profit or loss on cash flow hedges	6,147	(1,673)
Related income tax	4,899	4,097
Balance at end of the year	(17,363)	(8,050)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

23. OTHER EQUITY

During the years ended 31 December 2008 and 2007, the changes in other equity consisted of:

	Consolidated 2008 US$'000	Consolidated 2007 US$'000
Balance at beginning of year	(141,539)	(991,546)
Cancellation of shares	-	8,150
Proceeds from issuance of shares	-	2,253,201
IPO transaction costs capitalised (net of tax)	-	(50,766)
Payment to redeemable note holders	-	(1,360,578)
Balance at end of the year	(141,539)	(141,539)

24. RETAINED EARNINGS (ACCUMULATED LOSSES)

During the years ended 31 December 2008 and 2007, the changes in accumulated losses consisted of:

	Consolidated		Parent	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Balance at beginning of year	(141,028)	(244,036)	7,509	-
Profit for the period attributable to equity holders of the parent	156,724	81,115	50,091	7,509
Dividends paid	(57,108)	-	(57,108)	-
Actuarial gains (losses) on defined benefit plans (net of tax)	(24,418)	21,893	-	-
Balance at end of the year	(65,830)	(141,028)	492	7,509

25. DIVIDENDS

	2008 Cents per share	2008 Total US$'000
Fully paid ordinary shares		
Final dividend 35% franked	1.5	22,543
Interim dividend 35% franked	2.3	34,565
	3.8	57,108

Consistent with the disclosures made in the Boart Longyear prospectus, the directors did not declare a dividend during the financial year ended 31 December 2007.

Below is the combined amount of franking credits available for the next year:

	2008 US$'000	2007 US$'000
Combined franking account balance	2,202	7,667
Franking credits that will arise from the payment of income tax payable as at 31 December	(6,583)	7,277
Adjusted combined franking balance	(4,381)	14,944

26. EARNINGS PER SHARE

	Consolidated	
	2008 Cents per share	2007 Cents per share
Basic earnings per share	10.4	5.4
Diluted earnings per share	10.4	5.4

Basic earnings per share

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

	2008 US$'000	2007 US$'000
Earnings used in the calculation of basic EPS	156,724	81,115

	2008 '000	2007 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,502,011	1,489,057

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is as follows:

	2008 US$'000	2007 US$'000
Earnings used in the calculation of diluted EPS	156,724	81,115

	2008 '000	2007 '000
Weighted average number of ordinary shares used in the calculation of basic EPS	1,502,011	1,489,057
Shares deemed to be issued for no consideration in respect of:		
Non-executive director restricted shares	335	239
LTIP share rights	635	13
Shares issued to previous holders of RSHI B shares	-	1,685
Weighted average number of ordinary shares used in the calculation of diluted EPS	1,502,981	1,490,994

Weighted average number of converted, lapsed, or cancelled potential ordinary shares included in the calculation of diluted earnings per share:

	2008 '000	2007 '000
Non-executive director restricted shares	25	-
LTIP share rights	256	-
Shares issued to previous holders of RSHI B shares	-	1,685

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	2008 '000	2007 '000
LTIP share rights	73	11
Share options	542	-

27. COMMITMENTS FOR EXPENDITURE

Commitments

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

	2008 US$'000	2007 US$'000
Capital Commitments		
Purchase commitments for capital expenditures	732	4,226

Operating leases

Non-cancellable future operating lease commitments as at 31 December 2008 and 2007, consist of the following:

	Consolidated			
	31 December 2008		31 December 2007	
	Land and Buildings US$'000	Plant and Equipment US$'000	Land and Buildings US$'000	Plant and Equipment US$'000
Payments due within:				
One year	7,774	16,060	6,595	15,347
Two to five years	16,610	39,123	9,551	32,660
After five years	8,367	4,476	1,805	2,226
	32,751	59,659	17,951	50,233

Description of operating leases

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

- 1 – 30 years for land and buildings with an average lease term of 7 years
- 1 – 5 years for machinery and equipment with an average lease term of 3 years
- 1 – 7 years for all other property with an average lease term of 3 years

The Group's property operating leases generally contain escalation clauses, which are fixed increases generally between 3% and 9%, or increase subject to a national index. The Group 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.

The Group has no significant operating leases that are considered onerous other than the $2,002,000 included in the restructuring expenses provision.

28. CONTINGENT LIABILITIES

Indemnifications

Anglo American plc has agreed to indemnify the Group for 50% of any losses in excess of $250,000 suffered due to unknown environmental matters (up to a maximum of $15,000,000) arising from Group properties formerly owned by Anglo American plc and which are identified within five years of the purchase date on 29 July 2005.

Letters of credit

Standby letters of credit primarily issued in support of commitments or other obligations as of 31 December 2008 are as follows.

- The Group's subsidiary in Holland, Cooperatief Longyear Holdings UA, has a letter of credit in the amount of $2,500,000 with ABN/Amro for performance bonds with ACE Insurance Company of North America which expires July 2009.
- Some of the Group's subsidiaries in the U.S. have letters of credit in the amounts of $405,000, $4,000,000, $500,000 and $495,000 with ABN/Amro for various leases with JPMC, Zurich Insurance, Mike Albert Leasing, and BB&T Leasing, which expire January 2009 and December 2009.
- The Group's subsidiary in Patagonia has a letter of credit in the amount of $2,200,000 which expires February 2009.
- The Group's subsidiary in Connors Argentina has a letter of credit in the amount of $1,400,000 which expires February 2009.
- The Group's subsidiary in Canada has a letter of credit in the amount of $50,000 which expires November 2009.

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

	Consolidated	
	2008	2007
	US$'000	US$'000
Less than one year	11,550	9,743
One to three years	-	1,400
	11,550	11,143

28. CONTINGENT LIABILITIES (CONTINUED)

Guarantees

The subsidiaries of the Group 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 Group and certain subsidiaries are guarantors on the Group's loans and borrowings.

A summary of the Group's subsidiaries which are guarantors of the Group's long-term debt is as follows:

Country	Entity
Canada	Longyear Canada ULC
	Boart Longyear Alberta Limited
	Boart Longyear Canada
United States	Longyear Holdings, Inc.
	Longyear TM, Inc.
	Boart Longyear Company
	Boart Longyear Consolidated Holdings Inc
	Boart Longyear International Holdings Inc
	Longyear Global Holdings, Inc.
	Resources Services Holdco, Inc.
	Boart Longyear Global Holdco, Inc.
	Prosonic Corporation
Australia	Boart Longyear Limited
	Boart Longyear Management Pty Limited
	Boart Longyear Investments Pty Limited
	Votraint No. 1609 Pty Limited
	North West Drilling Pty Limited
	Drillcorp Limited
	Grimwood Davies Pty Limited
	Boart Longyear Australia Pty Limited
	Boart Longyear Australia Holdings Pty Limited
	A.C.N. 066 301 531 Pty Limited
Europe	Coopertief Longyear Holdings
	Longyear Calulo Holdings BV
	Boart Longyear International BV
	Boart Longyear BV
South Africa	Longyear South Africa (Pty) Limited

Legal Contingencies

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

28. CONTINGENT LIABILITIES (CONTINUED)

Other Contingencies

Other contingent liabilities as at 31 December 2008 and 2007 consist of the following:

	Consolidated	
	2008	2007
	US$'000	US$'000
Contingent Liabilities		
Guarantees or counter-guarantees issued to outside parties	29,069	18,111
	29,069	18,111

29. COMPANY SUBSIDIARIES

The principal subsidiaries' ownership percentage consist of the following:

Subsidiaries	Country of Incorporation	Business	31 December 2008	31 December 2007
A.C.N. 066 301 531 Pty Ltd	Australia	Tools and Equipment	100	100
Aqua Drilling & Grouting Pty Ltd.	Australia	Drilling Services	100	-
BLI Zambia Ltd.	Zambia	Drilling Services	100	100
BLY Ghana Limited	Ghana	Drilling Services	100	100
BLY Mali S.A.	Mali	Drilling Services	100	100
BLY Mexico Servicios S.A. de C.V.	Mexico	Drilling Services	100	-
Boart Longyear (Cambodia) Ltd.	Cambodia	Drilling Services	100	-
Boart Longyear (D.R.C.) SPRL	Dem. Rep. of Congo	Drilling Products & Services	100	100
Boart Longyear (Germany) GmbH	Germany	Tools and Equipment	100	100
Boart Longyear (Holdings) Ltd.	United Kingdom	Holding Company	100	100
Boart Longyear (Hong Kong) Limited	Hong Kong	Drilling Services	100	-
Boart Longyear (Investments) Ltd.	United Kingdom	Dormant	100	100
Boart Longyear (NZ) Limited	New Zealand	Drilling Services	100	100
Boart Longyear (Pty) Ltd	Botswana	Drilling Products	100	100
Boart Longyear Alberta Limited	Canada	Holding Company	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	Bermuda	Holding Company	100	100
Boart Longyear Burkina Faso Sarl	Burkina Faso	Drilling Services	100	-
Boart Longyear BV	Holland	Drilling Products	100	100
Boart Longyear Canada	Canada	Drilling Products & Services	100	100
Boart Longyear Company	USA	Tools, Equipment and Drilling	100	100
Boart Longyear Consolidated Holdings, Inc.	USA	Holding Company	100	100
Boart Longyear Drilling Products Company (Wuxi) Lt	China	Drilling Products and 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	-
Boart Longyear India Private Ltd	India	Tools and Equipment	100	100
Boart Longyear International BV	Holland	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 Limitada	Brazil	Drilling Products	100	100
Boart Longyear Limited	Ireland	Drilling Products	100	100
Boart Longyear Limited	Laos	Drilling Services	100	100
Boart Longyear Limited	Thailand	Drilling Services	100	100
Boart Longyear LLC	Russia Federation	Drilling Services	100	-
Boart Longyear Ltd	Ghana	Dormant	100	100
Boart Longyear Management Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Netherlands BV	Norway	Holding Company	100	100
Boart Longyear Nevada	USA	Drilling Services	100	-
Boart Longyear Poland Spolka Z.o.o.	Poland	Drilling Products and Services	100	100
Boart Longyear RUS	Russia Federation	Drilling Services	100	100

29. COMPANY SUBSIDIARIES (CONTINUED)

Subsidiaries	Country of Incorporation	Business	31 December 2008	31 December 2007
Boart Longyear S.A.	Chile	Tools, Equipment and Drilling Services	100	100
Boart Longyear S.a.r.l. (ii)	France	Holding Company	100	100
Boart Longyear SAC	Peru	Drilling Products and Services	100	100
Boart Longyear Vermogensverwaltung GmbH	Germany	Dormant	100	100
Boart Longyear Zambia Ltd.	Zambia	Drilling Services	100	100
Britton Hermanos Perforaciones de Mexico, S.A. C.V	Mexico	Drilling Services	100	-
Connors Argentina SA	Argentina	Drilling Services	100	100
Connors SA	Chile	Drilling Services	100	100
Cooperatief Longyear Holdings UA	Holland	Holding Company	100	100
Drillcorp Pty Ltd	Australia	Drilling Services	100	100
Geoserv Pesquisas Geologicas S.A.	Brazil	Drilling Services	100	100
Geoverse, Inc. (i)	USA	Holding Company	100	100
Grimwood Davies Pty Ltd	Australia	Drilling Services	100	100
Inavel S.A.	Uruguay	Drilling Services	100	100
J&T Servicios, S.C.	Mexico	Drilling Services	100	-
Longyear Calulo Holdings BV	Holland	Drilling Services	100	100
Longyear Canada, ULC	Canada	Tools and Equipment Services	100	100
Longyear Global Holdings, Inc.	USA	Holding Company	100	100
Longyear Holdings New Zealand, Ltd.	New Zealand	Holding Company	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	Drilling Services	100	100
P.T. Boart Longyear	Indonesia	Drilling Services	100	100
Patagonia Drill Inversiones Mineras S.A.	Chile	Drilling Services	100	100
Patagonia Drill Mining Services S.A.	Argentina	Drilling Services	100	100
Portezuelo S.A.	Paraguay	Drilling Services	100	100
Professional Sonic Drillers (Pty) Limited T/A Prosonic	South Africa	Drilling Services	100	-
Prosonic Corporation	USA	Drilling Services	100	100
Prosonic Deutschland GmbH	Germany	Drilling Services	100	100
Prosonic International, Inc.	USA	Drilling Services	100	100
Rentas de Exploracion I Limitada	Chile	Holding Company	100	100
Rentas de Exploracion II Limitada	Chile	Holding Company	100	100
Rentas de Exploracion III Limitada	Chile	Holding Company	100	100
Resources Services Holdco, Inc	USA	Holding Company	100	100
Votraint No. 1609 Pty Ltd	Australia	Drilling Services	100	100
Discontinued Subsidiaries				
Boart (UK) Limited	United Kingdom	Dormant	-	100
Boart Longyear AS	Norway	Drilling Products	-	100
Boart Longyear Limited	United Kingdom	Dormant	-	100
Boart Longyear SA	Spain	Drilling Products and Services	-	100
Dongray Industrial Limited	United Kingdom	Dormant	-	100

(i) This entity merged with Prosonic Corporation on 17 January 2008.
(ii) This entity changed its name from Prosonic France SARL.

30. ACQUISITION OF OPERATIONS

During the financial year ended 31 December 2008 the Boart Longyear Group acquired the following entities:

On 25 February 2008, the Boart Longyear Group acquired 100% of the issued share capital of Britton Brothers Diamond Drilling (Britton Brothers). Britton Brothers is a provider of uranium and minerals exploration drilling services located in Canada and Mexico. The goodwill arising on the acquisition of Britton Brothers is attributable to the position it occupies as a leading exploratory driller in Canada and Mexico, which provides the Boart Longyear Group the opportunity to expand both its mineral and energy footprints in Canada and Mexico and neighbouring countries through leveraging Boart Longyear's global infrastructure and resources.

On 5 May 2008, the Boart Longyear Group acquired 100% of the issued share capital of Aqua Drilling & Grouting Pty Limited ("Aqua"). Aqua is a Melbourne-based drilling services company specialising in environmental drilling, geotechnical drilling, water drilling and related services. Accounting for this acquisition has been determined provisionally at 31 December 2008. The goodwill arising on the acquisition of Aqua is attributable to its position as one of the leading environmental and infrastructure drilling companies in Eastern Australia and its experienced management and operational teams.

On 01 July 2008, the Boart Longyear Group acquired the business of Westrod Engineering. Westrod Engineering is a Western Australia-based manufacturer of reverse circulation ("RC") consumables including rods, subs and swivels for minerals drilling. Accounting for this acquisition has been determined provisionally at 31 December 2008. The goodwill arising on the acquisition of Westrod Engineering is attributable to the ability to expand into the RC drilling market. The introduction of the RC product range into Boart Longyear will be an excellent complement to our growing RC drilling services business. Combined with recent RC-related acquisitions such as KWL and Grimwood Davies, this acquisition expands our RC offering by making Boart Longyear the only company that manufactures and distributes RC products and also does RC contract drilling; all on a global scale.

On 16 September 2008, the Boart Longyear Group acquired certain assets of Eklund Drilling Company, Inc. (Eklund). Eklund is located in the United States with headquarters in Elko, Nevada. Eklund specialises in reverse circulation drilling. Accounting for this acquisition has been determined provisionally at 31 December 2008. The goodwill arising on the acquisition of Eklund is attributable to its position in global reverse circulation drilling which provides the Boart Longyear Group the opportunity to expand its reach into a key reverse circulation market and the opportunity to expand its global footprint.

Patagonia Drilling, which was purchased on 31 December 2007, was accounted for provisionally at 31 December 2007 and was finalised during the financial year ended 31 December 2008. This resulted in adjustments to the initial book values that decreased the net assets purchased by $7,290,000 million, primarily as the result of the recognition of provisions for taxes payable, other contingencies and debt balances. In addition, this was offset by fair value adjustments amounting to $3,332,000 which had not been determined at 31 December 2007.

All of these acquisitions were accounted for as purchase transactions and the consolidated profit and loss amounts includes the operations of the acquisitions from the date of acquisition through 31 December 2008.

The net profit contributed by these acquisitions in the period between the dates of acquisition and the reporting date were approximately $5,325,000. Had the acquisitions been completed on 1 January 2008, total consolidated revenue for the period would have been $1,892,250,000 and consolidated profit for the period would have been $168,180,000.

30. ACQUISITION OF OPERATIONS (CONTINUED)

The net assets acquired for all other business combinations, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination US$'000	Fair value adjustments US$'000	Fair value US$'000
Net assets acquired			
Cash and cash equivalents	2,811	-	2,811
Trade and other receivables	9,884	-	9,884
Inventories	974	-	974
Prepaid expenses	245	-	245
Intangible assets	-	34,646	34,646
Property, plant and equipment	18,055	19,544	37,599
Trade and other payables	(6,772)	-	(6,772)
Deferred tax liabilities	(97)	(2,052)	(2,149)
	25,100	52,138	77,238
Goodwill arising on the acquisition			**65,577**
Total consideration			142,815
Net cash outflow arising on acquisition:			
Total Consideration			(142,815)
Cash and cash equivalents acquired			2,811
			(140,004)

30. ACQUISITION OF OPERATIONS (CONTINUED)

During the financial year ended 31 December 2007 the Boart Longyear Group acquired the following entities:

On 10 January 2007, the Boart Longyear Group acquired certain assets of KWL Drillrig Engineering Pty Limited ("KWL"). KWL is located in Australia and its principal activity is designing and manufacturing reverse circulation rigs for use in the mining industry. The goodwill arising on the acquisition of KWL is attributable to the capability it provides the Boart Longyear Group to manufacture reverse circulation rigs and allow the Boart Longyear Group to expand the capacity of the reverse circulation operations in Western Australia.

On 23 January 2007, the Boart Longyear Group acquired 100% of issued share capital of Grimwood Davies Pty Limited. Grimwood Davies Pty Limited's principal activity is providing reverse circulation exploration drilling services, primarily in Western Australia. The goodwill arising on the acquisition of Grimwood Davies Pty Limited is attributable to the position it occupies as a significant reverse circulation driller in Western Australia, which provides the Boart Longyear Group with a tremendous opportunity to expand these services with other key accounts of the Boart Longyear Group, building on Boart Longyear Group's already significant reverse circulation drilling services presence in Western Australia.

On 31 January 2007, the Boart Longyear Group acquired 100% of the issued share capital of Connors S.A. ("Connors Chile") and Connors Argentina S.A. ("Connors Argentina"). Connors Chile is a mineral exploration drilling service provider in Chile operating with 25 rigs in both the underground and surface markets. Connors Argentina is a mineral exploration drilling service provider in the Argentine market operating with 9 rigs. The goodwill arising on the acquisition of Connors Chile is attributable to the entry it provides the Boart Longyear Group into the Chilean underground market and the opportunity to consolidate the Boart Longyear Group's operation in Chile into Connors Chile. The goodwill arising on the acquisition of Connors Argentina is attributable to the entry it provides the Boart Longyear Group into the Argentine surface exploration market, and is an excellent opportunity for the Boart Longyear Group to expand theses services and further penetrate the Argentine exploration market.

On 31 December 2007, the Boart Longyear Group acquired 100% of the issued share capital of Patagonia Drilling. Patagonia Drilling is a minerals exploration services provider in the Latin America region operating 13 rigs. The goodwill arising on the acquisition of Patagonia Drilling is attributable to the experienced labour force, the position of the company in the Argentine reverse circulation drilling segment and the benefit of combining business with the Boart Longyear Argentine operations. Reverse circulation drilling has higher barriers to entry than conventional diamond drilling. The capital costs are greater and this method of drilling requires a unique skill set of the drillers

All of these acquisitions were accounted for as purchase transactions and the consolidated profit and loss amounts includes the operations of the acquisitions from the date of acquisition through 31 December 2007.

The net profit contributed by these acquisitions in the period between the dates of acquisition and the reporting date were approximately $9,414,000. Had the acquisitions been completed on 1 January 2007, total consolidated revenue for the period would have been $1,591,000,000 and consolidated profit for the period would have been $82,672,000.

30. ACQUISITION OF OPERATIONS (CONTINUED)

The net assets acquired and the total cost of the acquisitions during 2007 are as follows:

	Acquiree's carrying amount before business combination US$'000	Fair value adjustments US$'000	Fair value US$'000
Net assets acquired			
Cash and cash equivalents	4,563	-	4,563
Trade and other receivables	10,128	-	10,128
Inventories	4,713	-	4,713
Other assets	1,817	-	1,817
Intangible assets	-	12,223	12,223
Property, plant and equipment	14,022	7,068	21,090
Trade and other payables	(12,507)	-	(12,507)
Other liabilities	(4,230)	-	(4,230)
Deferred tax liabilities	(520)	(4,593)	(5,113)
Finance lease	(2,930)	-	(2,930)
	15,056	14,698	29,754
Goodwill arising on the acquisition			**65,052**
Total consideration			94,806
Net cash outflow arising on acquisition:			
Total consideration			(94,806)
Deferred consideration			387
Cash and cash equivalents acquired			4,563
			(89,856)

31. DISPOSAL OF OPERATIONS

During the financial years ended 31 December 2008 and 2007 the Boart Longyear Group disposed of the following operations:

MCE South Africa

On 17 March 2008, the Boart Longyear Group announced the sale of its mining capital equipment ("MCE") business in South Africa for total proceeds of $16,972,000. The disposal is consistent with the Boart Longyear Group's long-term policy to focus its activities on higher return, core business opportunities. The MCE South Africa business was not considered a core business and earned lower returns than the core business lines.

The MCE South Africa net assets disposed of are as follows:

	2008
Net assets disposed:	**US$'000**
Current assets:	
Trade and other receivables	5,518
Inventories	6,811
Prepaid expenses	306
Total current assets	12,635
Noncurrent assets:	
Property, plant and equipment	425
Total non-current assets	425
Trade and other payables	(5,808)
Provisions	(287)
Net assets disposed	6,965
Disposal costs	597
Gain on disposal	9,410
Total proceeds	16,972
Net cash disposed	(597)
Net cash inflow from disposal of MCE South Africa	16,375

Diamond Wire

On 2 September 2008, the Group sold its diamond wire business in South Africa for total proceeds of $2,536,000. The disposal is consistent with the Group's long-term policy to focus its activities on higher return, core business opportunities. The diamond wire business was not considered a core business and earned lower returns than the core business lines.

Residential Water

On 31 December 2008, the Group sold its residential water business in the United States of America for total proceeds of $831,000. The disposal is consistent with the Group's long-term policy to focus its activities on higher return, core business opportunities. The residential water business was not considered a core business and earned lower returns than the core business lines.

MCE Australia

On 1 August 2007, the Group completed the sale of the mining capital equipment ("MCE") business in Australia for total proceeds of $10,053,000. The disposal is consistent with the Group's long-term policy to focus its activities on higher return, core business opportunities. The MCE Australia business was not considered a core business and earned lower returns than the core business lines.

32. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

	Consolidated		Parent	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
Cash and cash equivalents	50,603	87,548	108	1,087

(b) Business acquired

During the financial year ended 31 December 2008, the Group acquired four businesses. The net cash outflow for acquisitions was $140,004,000. Refer to Note 30 for further details. In addition, there was a working capital adjustment that resulted in a refund of $1,578,000 related to a 2007 acquisition.

During the financial year ended 31 December 2007, the Group acquired four businesses. The net cash outflow for acquisitions was $91,469,000. Refer to Note 30 for further details. In addition, there was a final payment of $38,364,000 related to a 2006 acquisition.

(c) Business disposed

During the financial year ended 31 December 2008, the Group disposed of its MCE South Africa, Diamond Wire, and Residential Water businesses. During the financial year ended 31 December 2007, the Group disposed of its MCE Australia, Diamond Blades, Interfels, Zimbabwe and Calulo Drilling Pty Ltd businesses. Details of the disposal are as follows:

	Consolidated	
	2008	2007
	US$'000	US$'000
Book value of net assets sold		
Trade and other receivables	5,803	9,331
Inventories	8,276	3,558
Property, plant and equipment	2,450	69
Prepaid expenses	306	-
Trade and other payables	(6,342)	(6,123)
Net assets disposed	10,493	6,835
Disposal costs	715	194
Gain on disposal	9,131	3,218
Total proceeds	20,339	10,247
Net cash disposed and disposal costs	(715)	(194)
Net cash inflow on disposal	19,624	10,053

32. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(d) Non-cash flow items

	Consolidated		Parent	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Change in purchases of property, plant and equipment in trade and other payables	7,873	4,711	-	-

33. SHARE-BASED PAYMENTS

The Group has established a Long-term Incentive Plan ("LTIP") to assist in retaining key employees and encouraging a superior performance on a sustained basis. The incentive provided under the LTIP is an annual grant of two tranches of performance rights that will vest based on the satisfaction of both performance-based and time-based conditions. Vested rights will convert to ordinary fully paid shares on a one-for-one basis.

Under the terms of the LTIP, the first tranche of rights vests upon the achievement of the cumulative EPS targets set by the Board. The Board will set a minimum and maximum EPS target for each financial year during the three-year vesting period. Vesting will be determined by the Group's performance against cumulative EPS targets for the relevant three-year period. Partial vesting occurs on a pro-rata basis if the cumulative three-year minimum EPS target is surpassed. Full vesting occurs only if the Group's EPS target meets or exceeds the maximum cumulative EPS target for the three-year period. Participants must also remain employed during the EPS period. The second tranche of rights vests upon continuous employment with the Group from the grant date until the third anniversary of the grant date. The Company may acquire shares underlying the grants which will be held in trust. The participant will receive dividends paid on those shares from the time of acquisition until vesting.

The share-based expense associated with the LTIP grants recorded during the years ended 31 December 2008 and 2007 was $1,555,000 and $139,000, respectively.

During the year, the CEO announced his retirement and his successor was granted 2,500,000 options as part of his employment agreement. The share-based expense recorded during the year ended 31 December 2008 was $354,000.

In addition, prior to the IPO, there were 643,240 restricted shares granted to Board members in consideration of services performed. The share-based expense recorded during the years ended 31 December 2008 and 2007 was $315,000 and $231,000, respectively.

The following table shows the share-based payment arrangements that were in existence at 31 December 2008:

Series	Number	Grant Date	Vesting Date	Fair Value at Grant Date
(1) Issued 12 April 2007	610,777	12-Apr-07	12-Apr-10	1.53
(2) Issued 17 September 2007	432,000	17-Sep-07	1-Jul-10	1.81
(3) Issued 11 April 2008	3,548,310	11-Apr-08	11-Apr-11	1.77
(4) Issued 28 April 2008	1,000,000	28-Apr-08	1-Jan-13	0.69
(5) Issued 28 April 2008	1,500,000	28-Apr-08	1-Jan-14	1.45
(6) Issued 26 June 2008	476,762	26-Jun-08	11-Apr-11	2.10
(7) Issued 23 July 2008	138,000	23-Jul-08	23-Jul-11	2.05
(8) Issued 23 October 2008	587,500	23-Oct-08	23-Oct-11	0.40

The fair value of the rights was determined using the Black-Scholes option pricing model using the following inputs:

	Grant date share price	Expected volatility	Life of rights	Dividend yield	Risk-free interest rate
Series 1	1.53	35.95%	36 months	0.00%	6.42%
Series 2	1.81	35.95%	33.5 months	0.00%	6.16%
Series 3	1.77	49.62%	36 months	0.00%	5.43%
Series 4	1.63	49.86%	56 months	0.86%	5.58%
Series 5	1.63	49.86%	68 months	0.86%	5.58%
Series 6	2.10	50.34%	34 months	0.00%	5.67%
Series 7	2.05	50.62%	36 months	0.00%	5.81%
Series 8	0.40	56.68%	36 months	0.00%	6.11%

33. SHARE-BASED PAYMENTS (CONTINUED)

The following reconciles the outstanding restricted shares, LTIP rights and share options at the beginning and end of the financial year:

	Consolidated			
	2008		2007	
	Number of restricted shares, rights and options '000	Weighted average exercise price US$	Number of restricted shares, rights and options '000	Weighted average exercise price US$
Balance at beginning of financial year	1,249	0.00	7	384.94
Granted during the financial year	7,436	0.28	1,249	0.00
Forfeited during the financial year	(359)	0.00	-	0.00
Exercised during the financial year	(32)	0.00	(7)	(384.94)
Expired during the financial year	-	-	-	0.00
Balance at end of the financial year	8,294	0.25	1,249	0.00
Exercisable at end of the financial year	-	-	-	-

34. KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel

The directors and other members of key management personnel of the Group during the year were:

- Graham Bradley (Chairman, non-executive director)
- Bruce Brook (Non-executive director)
- David McLemore (Non-executive director)
- Peter St George (Non-executive director)
- David Grzelak (Non-executive director) appointed 13 November 2008
- Geoff Handley (Non-executive director) resigned 15 November 2008
- Paul Brunner (Chief Executive Officer and Executive Director) resigned 31 December 2008
- Craig Kipp (Chief Operating Officer) (Executive Director) appointed 28 June 2008 (Chief Executive Officer) appointed 1 January 2009
- Joseph Ragan III (Chief Financial Officer) commenced employment 29 September 2008
- Brad Baker (Senior Vice President, Human Resources) commenced employment 2 June 2008
- Fabrizio Rasetti (Senior Vice President, General Counsel and Secretary)
- Scott Alexander (Vice President of Global Drilling Services)
- Michael Birch (Vice President of Global Products)
- Patrick Johnson (Senior Vice President, Human Resources) resigned 6 June 2008
- Terrance Dolan (Senior Vice President, Business Development and Marketing) resigned 31 October 2008

34. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

The aggregate compensation made to key management personnel of the Parent and Group is set out below.

	Consolidated		Parent	
	2008 US$	2007 US$	2008 US$	2007 US$
Short-term employee benefits	6,158,031	5,879,673	3,459,451	3,349,351
Post-employment benefits	155,004	116,795	239,955	263,520
Other long-term benefits	153,000	188,000	-	-
Termination benefits	45,000	684,647	-	-
Share-based payment	1,148,217	268,511	920,367	230,511
	7,659,252	7,137,626	4,619,773	3,843,382

35. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 34 to the financial statements.

(ii) Other transactions with key management personnel of the Group.

Details of other transactions with key management personnel are disclosed in Note 33 of the financial statements.

(iii) Key management personnel equity holdings

Details of key management personnel equity holdings are disclosed below.

	Balance 1 January No.	Net change during year No.	Balance 31 December No.	Balance held nominally No.
2008				
Graham Bradley	2,383,782	226,473	2,610,255	-
Bruce Brook	154,053	350,000	504,053	-
Geoff Handley	86,486	24,512	110,998	-
David McLemore	808,609	350,000	1,158,609	-
Peter St. George	289,188	230,000	519,188	-
David Grzelak	-	10,000	10,000	-
Paul Brunner	16,869,839	3,175,161	20,045,000	-
Scott Alexander	588,918	-	588,918	-
Michael Birch	664,596	-	664,596	-
Patrick Johnson	1,430,973	(1,430,973)	-	-
Craig Kipp	10,214,626	(5,000,000)	5,214,626	-
Fabrizio Rasetti	984,121	82,000	1,066,121	-

35. RELATED PARTY TRANSACTIONS (CONTINUED)

	Balance 1 January No.	Issued during year No.	Balance 31 December No.
2007			
Graham Bradley	-	2,383,782	2,383,782
Bruce Brook	-	154,053	154,053
Geoff Handley	-	86,486	86,486
David McLemore	-	808,609	808,609
Peter St. George	-	289,188	289,188
Paul Brunner	-	16,869,839	16,869,839
Scott Alexander	-	588,918	588,918
Michael Birch	-	664,596	664,596
Patrick Johnson	-	1,430,973	1,430,973
Craig Kipp	-	10,214,626	10,214,626
Holm Oostveen	-	1,070,744	1,070,744
Fabrizio Rasetti	-	984,121	984,121
Ron Sellwood	-	5,522,683	5,522,683

Rights, Options and Shares Granted as Compensation to Key Management Personnel

<u>Rights and Shares</u>

Details of the rights under the LTIP and restricted shares that were granted as compensation to the KMP during the reporting period, and details of those that were exercised, vested, or lapsed during the financial year are as follows:

Name	Held at the beginning of the Financial Year No.	Granted as Remun-eration No.	Vested during the year No.	Forfeited during the year No.	Held at the end of the Financial Year No.	Vested and Exercisable as at 31 December 2008 No.
Graham Bradley	491,891	-	-	-	491,891	-
Bruce Brook	45,945	-	-	-	45,945	-
Geoff Handley	32,432	-	(32,432)	-	-	-
David McLemore	-	-	-	-	-	-
Peter St George	72,972	-	-	-	72,972	-
Scott Alexander	-	85,000 [1]	-	-	85,000	-
Michael Birch	-	200,000 [2]	-	-	200,000	-
Craig Kipp	-	494,710 [1]	-	-	494,710	-
Joseph Ragan III	-	300,000 [4]	-	-	300,000	-
Fabrizio Rasetti	-	178,500 [1]	-	-	178,500	-
Brad Baker	-	150,000 [3]	-	-	150,000	-
Terrance Dolan	174,000	-	-	(174,000)	-	-

(1) The fair value of the rights at the grant date is the closing price on the 11 April 2008 date of grant (US$1.77), the rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.
(2) The fair value of the rights at the grant date is the closing price on the 11 April 2008 and 26 June 2008 date of grant (US$1.77 and US$2.10, respectively). The rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.
(3) The fair value of the rights at the grant date is the closing price on the 26 June 2008 date of grant (US$2.10). The rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.
(4) The fair value of the rights at the grant date is the closing price on the 23 October 2008 date of grant (US$0.40). The rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

The rights under the LTIP and the restricted shares were provided at no cost to the recipient.

Mr. Handley's restricted shares were vested by the Board upon his resignation.

The rights under the LTIP granted to Mr. Dolan were forfeited upon his resignation.

Options

During the year, Mr. Brunner announced his retirement and Mr. Kipp signed an employment agreement which allowed for the issuance of two tranches of share options. The first tranche of 1,000,000 options vests on 1 January 2013 and has an exercise price of A$1.95 per option and a fair value on the grant date of US$0.69 per option. The second tranche of 1,500,000 options vests on 1 January 2014 and has an exercise price of A$0.21 and a fair value on the grant date of US$1.45 per option. Vesting for both tranches of options is conditioned on Mr. Kipp's employment with the Company on the relevant vesting date, although vesting may accelerate upon certain events such as a change in control. Both tranches of options expire on 31 December 2015.

Except as described above, no options or other rights over shares in the Company have been granted to KMP during or since the end of the financial year.

During the reporting period, no shares were issued on the exercise of options or rights previously granted as compensation.

Analysis of Movements in Rights, Options and Shares

The movement during the reporting period, by value of the relevant rights, options and shares in the Company held by KMP is detailed below:

Name	Entitlement to rights granted in year US$	Share options granted in year US$	Exercised in year US$	Forfeited in year US$	Total rights value in year US$	Total option value in year US$
Craig Kipp	875,637	2,864,367	-	-	875,637	2,864,367
Brad Baker	265,500	-	-	-	265,500	-
Fabrizio Rasetti	315,945	-	-	-	315,945	-
Scott Alexander	150,450	-	-	-	150,450	-
Michael Birch	383,535	-	-	-	383,535	-
Joseph Ragan III	120,000	-	-	-	120,000	-
Geoff Handley	-	-	49,621	-	-	-
Terrance Dolan	-	-	-	314,940	-	-

(b) Transactions with related parties

Transactions with other related parties consist of the following:

	Consolidated 2008 US$	Consolidated 2007 US$
Fees paid to certain shareholders and their representatives	-	67,354,405
Consulting fees paid to a director	34,264	-

36. REMUNERATION OF AUDITORS

	Consolidated		Parent	
	2008 US$	2007 US$	2008 US$	2007 US$
Audit or review of the financial report				
Auditor of the parent entity	1,283,000	1,137,000	20,000	20,000
Related practice of the parent entity auditor	2,375,000	5,753,000	-	-
	3,658,000	6,890,000	20,000	20,000
Non-audit services				
Tax services	746,000	1,397,000	-	-
Review of tax returns	590,000	421,000	130,000	11,000
Due diligence and other non-audit services	10,000	738,000	-	-
	1,346,000	2,556,000	130,000	11,000

The auditor of Boart Longyear Limited is Deloitte Touche Tohmatsu.

37. SUBSEQUENT EVENTS

The directors have not become aware of any matter or circumstance that has arisen since 31 December 2008 that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of the consolidated entity in subsequent years.

SUPPLEMENTARY INFORMATION

Additional stock exchange information as at 17 March 2009.

Number of holders of equity securities

(a) Ordinary share capital

1,502,845,513 fully paid ordinary shares are held by 16,674 individual shareholders.
All issued ordinary shares carry one vote per share, however partly paid shares do not carry the rights to dividends.

(b) Share rights and share options

5,158,583 share rights are held in trust for 133 individual shareholders.
2,500,000 share options are held by one individual shareholder.

Distribution of holders of equity securities

	Fully paid ordinary shares	Share rights	Share options
1-1000	1,307	-	-
1,001-5000	5,177	-	-
5,001-10,000	3,570	-	-
10,001-100,000	6,003	122	-
100,001 and over	617	11	1
	16,674	133	1

SUPPLEMENTARY INFORMATION (CONTINUED)

Substantial shareholders

	Fully paid ordinary shares	Percent of Issued Capital
Ordinary shareholders	Number	Percent
HSBC Custody Nominees (Australia) Limited	260,084,259	17.3%
National Nominees Limited	186,479,628	12.4%
J P Morgan Nominees Australia Limited	149,449,295	9.9%
Citicorp Nominees Pty Limited	138,468,043	9.2%
RBC Dexia Investor Services Australia Nominees Pty Limited	114,468,276	7.6%
ANZ Nominees Limited	76,299,515	5.1%
Citicorp Nominees Pty Limited	49,728,290	3.3%
Comsec Nominees Pty Limited	12,510,234	0.8%
Cogent Nominees Pty Limited	10,090,190	0.7%
Citicorp Nominees Pty Limited	9,000,000	0.6%
RBC Dexia Investor Services Australia Nominees Pty Limited	7,726,428	0.5%
Queensland Investment Corporation	6,379,206	0.4%
Amp Life Limited	6,345,547	0.4%
Citicorp Nominees Pty Limited	5,881,388	0.4%
Elise Nominees Pty Limited	5,099,000	0.3%
Brispot Nominees Pty Ltd	4,994,692	0.3%
Fortis Clearing Nominees P/L	4,961,995	0.3%
Citicorp Nominees Pty Limited	4,957,200	0.3%
Bond Street Custodians Limited	4,869,001	0.3%
UBS Wealth Management Australia Nominees Pty Ltd	4,549,877	0.3%
	1,062,342,064	70.7%

CORPORATE INFORMATION

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Auditors

Deloitte Touche Tohmatsu

Company Secretaries

Fabrizio Rasetti
Paul Blewett

Stockholder Enquiries

Boart Longyear
Investor Relations
10808 South Riverfront Parkway
South Jordan, Utah 84095
Australia: +61 8 8375 8300
Others: +1 801 952 8513
email: ir@boartlongyear.com

Listing

Boart Longyear is listed on the Australian Securities Exchange under the symbol “BLY”

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Tel: +61 2 8280 7111

Annual Meeting

The second Annual General Meeting of Shareholders of Boart Longyear Limited will be held at the Museum of Sydney, located at the corner of Bridge and Phillip Streets, Sydney NSW 2000 on Monday, 11 May 2009, commencing at 10:00 a.m. (Sydney time).

Website

www.boartlongyear.com

Forward-Looking Statements

Statements in this report that are not historical are forward-looking statements. These statements are based on management’s current belief and their expectations. The forward-looking statements in this report are subject to uncertainty and changes in circumstances and involve risks and uncertainties that may affect our operations, markets, products, services, prices and other factors as discussed in our filings with the Australian Securities Exchange. Significant risks and uncertainties may relate to, but are not limited to, financial, economic, competitive, environmental, political, legal, regulatory and technological factors. In addition, completion of transactions of the type described in this report are subject to a number of uncertainties and to negotiation and execution of definitive agreements among the parties and closing will be subject to approvals and other customary conditions. Accordingly, there can be no assurance that the transactions will be completed or that our expectations will be realised. We assume no obligations to provide revision to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

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BOART LONGYEAR

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