BOART LONGYEAR™

ANNUAL REPORT 2018

CONTENTS

CORPORATE GOVERNANCE STATEMENT

Our Corporate Governance Statement may be found at www.boartlongyear.com/corporate-governance

WHO WE ARE

Established in 1890, Boart Longyear is the world's leading provider of drilling services, drilling equipment and performance tooling for mining and drilling companies. It also has a substantial presence in aftermarket parts and service, energy, mine de-watering, oil sands exploration, production drilling, and down-hole instrumentation.

The Global Drilling Services division operates for a diverse mining customer base spanning a wide range of commodities, including copper, gold, nickel, zinc, uranium, and other metals and minerals.

The Global Products division designs, manufactures and sells drilling equipment, performance tooling, down-hole instrumentation and parts and services.

Our customers rely on our unique ability to develop, field test and deliver any combination of drilling consumables, capital equipment and expertise worldwide.

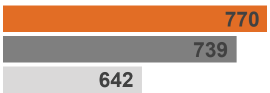
*EBITDA, Adjusted EBITDA and Adjusted EBIT are non IFRS measures and are used internally by management to assess the performance of the business.

Cash from Operations excludes interest and tax.

2018 OVERVIEW

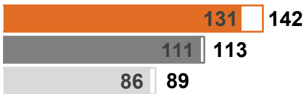
2018 2017 2016

Revenue
US$770m



Adjusted Gross Margin
US$142m

Gross Margin US$131m



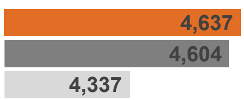
Adjusted EBITDA
US$81m

EBITDA US$54m

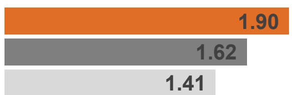
Net Profit After Tax
US$-44m

Cash from Operations
US$24m

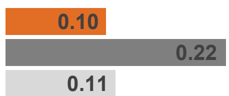
Number of Employees
4,637



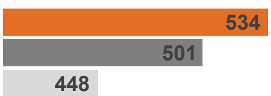
Safety
TCIR 1.90



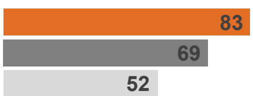
Safety
LTIR 0.10



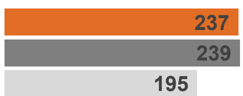
Drilling Services Revenue
US$534m



Drilling Services EBITDA
US$83m

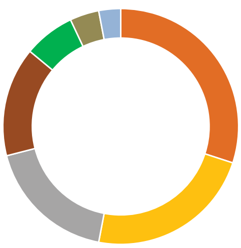


Products Revenue
US$237m



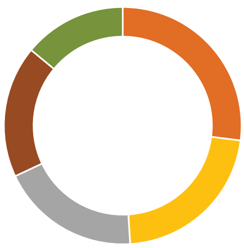
Products EBITDA
US$31m

Company Revenue (Products and Services)



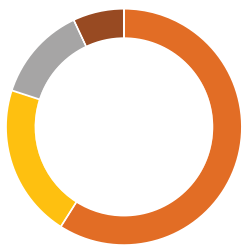
Surface Coring	30%
Performance Tooling	23%
Rotary/RC	18%
Underground Coring	15%
Drilling Equipment	7%
Production Drilling	4%
Other	3%

Company Revenue by Region (Products and Services)



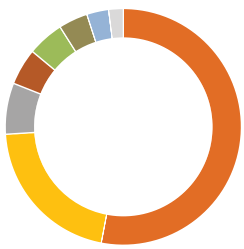
USA	27%
Asia Pacific	22%
Canada	19%
EMEA	18%
Latin America	14%

Drilling Services Revenue by Stage



Development (Near Mine/Brownfield)	59%
Production (In-Pit)	21%
Exploration (Greenfield)	13%
Non-Mining	7%

Drilling Services Revenue by Commodity



Gold	53%
Copper	21%
Non-Mining Water	7%
Nickel	5%
Energy	5%
Other Metals	4%
Iron	3%
Other	2%

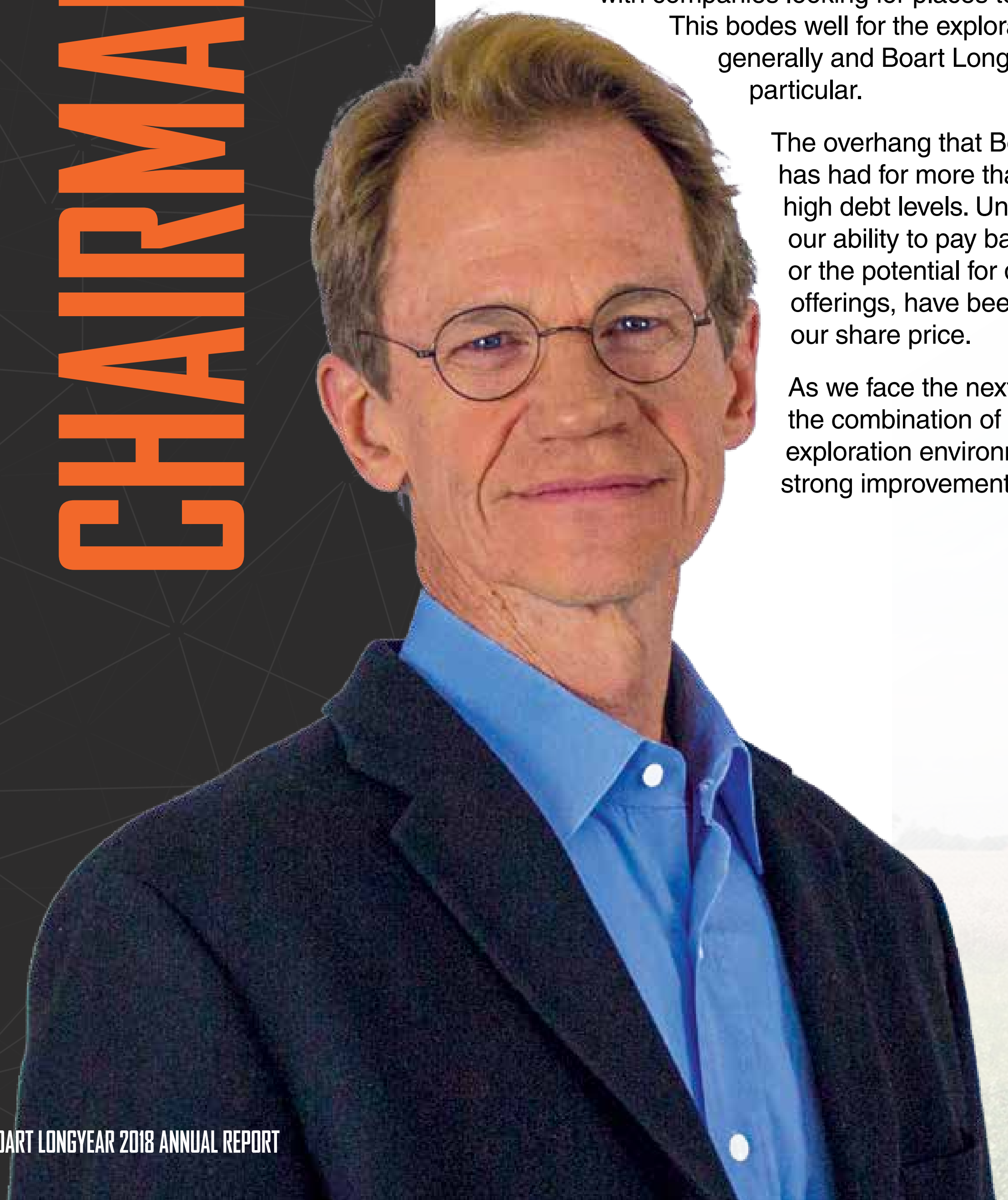
CHAIRMAN'S REPORT

Dear Shareholders,

Your Board is pleased to share with you Boart Longyear's financial results for 2018. The company's profitability increased by 87% over 2017 and Jeff Olsen, Boart Longyear's CEO, will fill you in on the details in his report.

2018 began with great promise with prices for gold, copper, and iron ore increasing and giving a renewed confidence in the mining industry. However, the second half of the year saw the increase in global trade instability including the introduction of new tariffs, and a general increase in the cost of raw materials.

Despite the uncertainty created by tariffs, our expectation is that the short- and medium-term business environment is going to be good for Boart Longyear. A five-year deficit in drilling left mining companies with insufficient reserves. This played a major factor in the recent round of gold company mergers. Mining balance sheets are also in good shape, with companies looking for places to put cash. This bodes well for the exploration business generally and Boart Longyear in particular.



The overhang that Boart Longyear has had for more than five years is high debt levels. Uncertainty about our ability to pay back these debts, or the potential for dilutive equity offerings, have been detrimental to our share price.

As we face the next few years, the combination of a good exploration environment and the strong improvement in results that




management is delivering, provides a path to address our debt. We are now cash positive and both our revenues and our margins are steadily improving. As these results, and the ones to come, show that we will have the liquidity to strengthen our balance sheet, this should flow through to a strengthening market of our share price.

We have also had good news on the technology front. For several years we have talked about Geologic Data Services ("GDS") providing an ability to expand our business by delivering valuable data (assays, logging, orientation, etc). We have introduced several tools which have been well accepted by our customers, including a true "superstar" product – TruScan™. This tool provides immediate, on-site assay of drill core and is progressively moving into assaying chips from production drill holes. This is a new business for us, and we now have 12 TruScan units built and operational. Demand is high, the business is high margin, and we are adding more TruScan units as fast as we can. Our expectation is that the GDS results will start to materially impact financial results in the next 12-18 months.

The good results we achieved this year were helped by stability in both management and the board. I continue to work with an experienced and excellent board of directors including Jeff Olsen (CEO), Kyle Cruz, Jason Ireland, James Kern, Gretchen McClain, Rob Smith, Richard Wallman, and Eric Waxman, and a strong Boart Longyear management team who are all committed to increasing value in your investment.

Yours sincerely,

Marcus Randolph
Chairman

Dear Shareholders,

I'm pleased to report to you on our 2018 full-year results. Our management team and employees are proud of our significantly improved financial and operating performance during 2018.

To highlight some of our achievements, I'd like to start first with safety. In 2018, we had the fewest number of lost time incidents for the company, resulting in a Lost-Time Incident Rate (LTIR) of 0.10 per 200,000 man work hours. This is really world class and is a factor often considered by mining companies when they choose service providers, so our safe track record continues to open doors.

Increased volume coupled with improving our operating performance and continued focus on cost-saving initiatives have resulted in significantly increased profitability. Profitability (adjusted EBITDA) improved by US$38 million, which was an increase of 87% over 2017, and made for stronger volumes up 12.5% (adjusted for exited countries). Operating cash flow improved tremendously and was up US$58 million. Global exploration budgets still remain below 2014 levels, giving good reason to believe in continued improvement in the market.

We are focused on operating efficiencies, with labor costs decreasing 2% as a percentage of revenue, despite increasing wages. We were also able to reduce inventory more than 5% and our global facility footprint decreased by 30%. While we will continue to watch cash, it is evident that the hard work is paying off.

Watching the leading indicators in our industry, we continue to see gold as the commodity which drives approximately 50% of investment in exploration activities.* Recent news of large mergers and acquisitions in the gold sector continue to open up drilling opportunities as these companies look to improve the value of their investments and replenish reserves. Copper is improving, and so are most of the base metals commodities, representing opportunities for Boart Longyear to both provide expert services and state-of-the-art products.

Although we are recognised as an industry leader, we know we need to continue innovating in a changing market. With an eye keenly focused on exploration potential, Boart Longyear continued to invest in advanced drilling techniques in 2018. As a priority we are providing new products and services that deliver time-sensitive and critical geological information to assist mining companies with their exploration

CEO'S REPORT

decisions. Our Geological Data Services (GDS) technologies, which include TruCore™, TruShot™, and TruScan™, were rolled out to more locations with wider acceptance in 2018 and enabled revenues to double over the year.

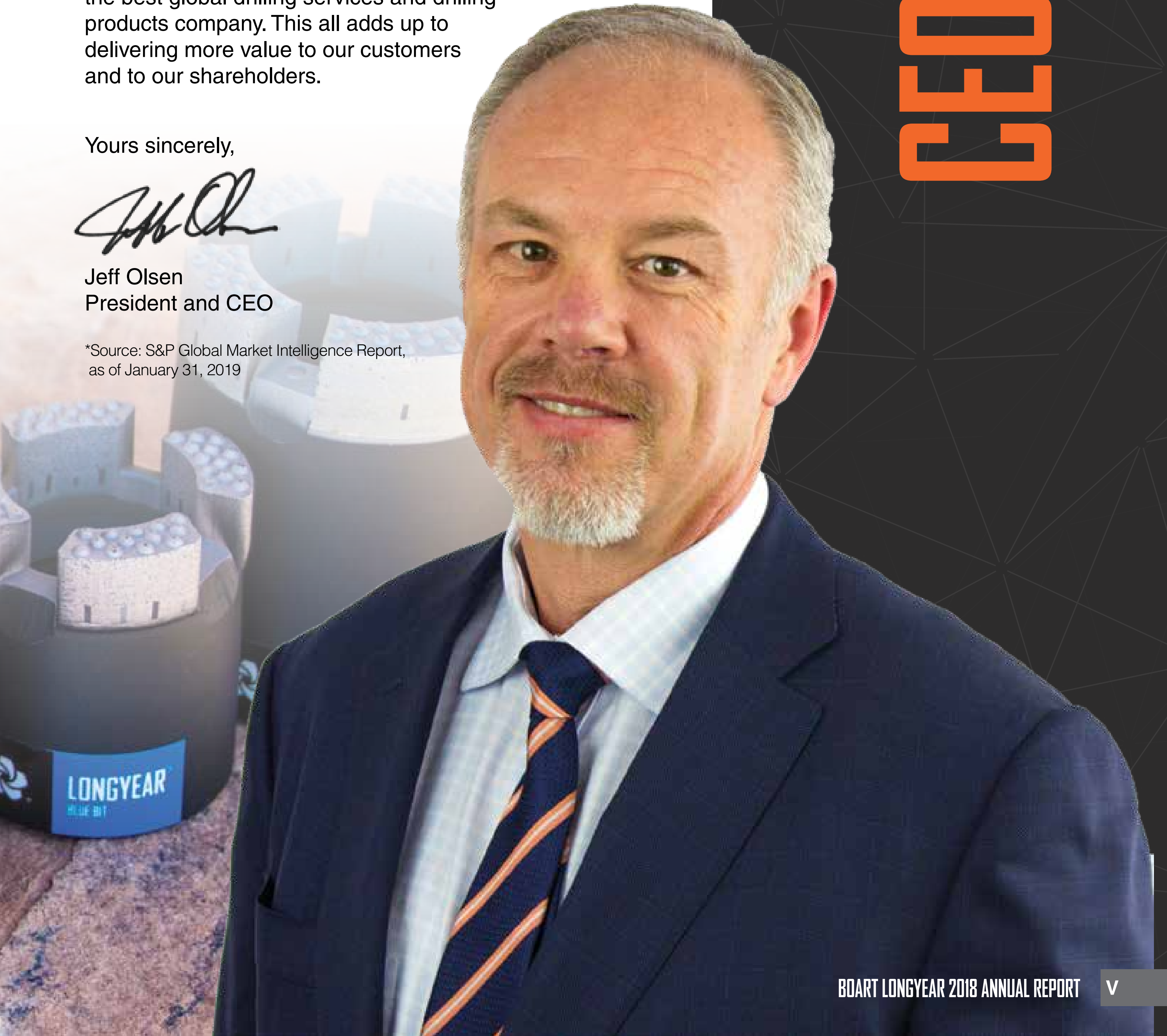
We have also seen more product sales success in 2018, since introducing the full-line of Longyear™ diamond coring bits. Reports of successful field experiences from our own drilling services teams and customers helped drive Longyear bit sales up 70% in 2018.

Our executive team, board, and employees are are committed to keeping the momentum going for 2019 by taking advantage of the growth potential in exploration. The results were good for 2018, but we still have a ways to go. We have redefined our Company's strategy to be the drilling partner who builds our customers' orebody knowledge, while continuing to be the best global drilling services and drilling products company. This all adds up to delivering more value to our customers and to our shareholders.

Yours sincerely,

Jeff Olsen
President and CEO

*Source: S&P Global Market Intelligence Report, as of January 31, 2019



FINANCIAL REPORT

BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728
ANNUAL FINANCIAL REPORT
YEAR ENDED 31 DECEMBER 2018

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DIRECTORS' REPORT

The Directors present their report together with the financial report of Boart Longyear Limited (the "Parent") and its controlled entities (collectively the "Company") for the financial year ended 31 December 2018 (the "financial year") and the Independent Auditor's Report thereon.

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

DIRECTORS

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

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

For a summary of experience and qualifications for each Director, see the Board of Directors section on page 33 of this Report.

COMPANY SECRETARIES
Robert Closner
Philip Mackey

PRINCIPAL ACTIVITIES

Boart Longyear is the global leading integrated provider of drilling services, drilling equipment and performance tooling for mining and mineral drilling companies. The Company offers a comprehensive portfolio of technologically advanced and innovative drilling services and products. The Company operates through two divisions -- "Global Drilling Services" and "Global Products" -- and believes that its market-leading positions in the mineral drilling industry are driven by a variety of factors, including the performance, expertise, reliability and high safety standards of Global Drilling Services, the technological innovation, engineering excellence and global manufacturing capabilities of Global Products and the Company's vertically integrated business model. These factors, combined with the Company's global footprint, have allowed the Company to establish and maintain long-standing relationships with a diverse and blue-chip customer base worldwide that includes many of the world's leading mining companies. With more than 129 years of drilling expertise, the Company believes its insignia and brand represent the gold standard in the global mineral drilling industry.

(1) James Kern served as an alternate, non-executive director on behalf of Lawrence First from 29 September 2017 to 20 February 2018 at which time Mr. First resigned from the Board and Mr. Kern was appointed to fill the vacated Board position.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the second half of 2018 the Company completed a transaction to increase its position to a majority stake (51.7%) in Globaltech Corporation Pty Ltd. Boart Longyear and acted on its rights to convert debt to equity to increase the total ownership position.

The continued investment in Globaltech builds upon the in-house knowledge tied to electronic instrumentation and data collection in the mineral exploration and mining industry. This is an intentional decision to further support the Company's Geological Data Services strategy that is fully focused on developing digital technologies and services and delivering resource-defining information for mining clients.

EVENTS SUBSEQUENT TO REPORTING DATE

No subsequent events.

DIVIDENDS

No dividends have been paid during the financial year.

REVIEW OF OPERATIONS [1]

1. Safety Performance, Market Conditions and Strategies

1.1 Overview

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

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

Our operating and commercial priorities include solidifying our competitive advantages with sustained investments in safety performance, productivity enhancements and operating improvements in our Global Drilling Services division, while remaining focused on the needs of our customer base. Similarly, technology and product innovation are central to the strength and future growth of our Global Products division, and we continue to pursue incremental product improvements that customers will need at any point in the mining cycle. Our successes include the LF160 surface coring drill paired with our Freedom Loader which has set a new benchmark in productivity and hands-free rod handling. Launched in the second half of 2017, our patented Longyear™ coloured diamond bits continue to show improved productivity by lasting longer and cutting faster. Commercial launch of the new XQ™ coring rod continues globally, featuring a greater depth capacity than the RQ™ rod, and faster, easier joint make/breaks for higher productivity. TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey instrument, the second in a future suite of tools, was launched in the first half of 2018 and we are now using our TruScan™ geological sample field screening technology at mine sites with several mining customers. These instruments are part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

Our capital structure exposes us to a variety of market, operational and liquidity risks. As at 31 December 2018 cash flows from operating activities was $3.7 million. This represents an improvement of $57.7 million over 2017 cash flows from operating activities of negative $54.0 million. This significant improvement was achieved through continued discipline on cost control and capital management, focused cost reductions, productivity enhancements and working capital management.

1.2 Safety Performance

Boart Longyear strives to continuously improve safety performance each year. The Company is driving culture and consistency across the globe though new systems and programs designed to focus on the Company's critical risks, the simplification of field standards, and through system based critical control verification audits.

For the year ending 31 December 2018, the Company performance on key indicators includes a Total Case Incident Rate (TCIR) of 1.90 and Lost Time Injury Rate (LTIR) of 0.10, compared to corresponding rates of 1.62 and 0.22 in 2017. Both TCIR and LTIR are rates calculated based on 200,000 hours worked. During this period, our employees experienced 5 injuries resulting in lost work time, the lowest number of lost time injuries in the past 12 years. The Company's TCIR increase from 2018 reflects, in part, the increase in exposure in drilling services activity and the deployment of increasing numbers of new employees into the operations. The majority of recordable injuries are low severity, including muscle pulls, muscle strains, and abrasions.

The continued improvements made this year are primarily due to the focus shift from lagging indicators to proactive leading indicator programs. Boart Longyear's key leading indicator programs focused on management interactions and hazard identification, new and existing employee training, non-conformance corrective action monitoring, and vehicle driver performance – monitored with a fleet of In-Vehicle Monitoring Systems (IVMS). The 2019 KPI programs now includes Critical Risk Management. These programs are measured and reviewed monthly by Boart Longyear's Executive Committee who drive overall performance. These systems reflect our ongoing priority to identify and mitigate significant and critical risks.

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

1.3 Impact of Market Conditions

Market conditions in 2018 have continued to improve with the mining companies looking for opportunities to invest to replenish their depleted ore reserves. Mining companies continue to project increasing exploration and drilling activity over the coming periods however we do see them continue to tightly control their exploration, development and capital expenditures.
During 2018, drill rig utilisation improved slightly across the global operations. The Company continues to improve on terms and conditions in each contract as they mature. Increasing demand for our goods and services has allowed the Company to make small improvements on pricing conditions.

We added new exploration drill rigs to the drilling services fleet around the world to meet the demand of expanding exploration budgets and we continue to evaluate opportunities where we can help our customers meet their exploration goals, utilising the latest technology improvements that support both safety and productivity enhancements.

As a result of improving market conditions and continued focus on cost control and productivity improvements, the Company reported a statutory loss for the period ended 31 December 2018 of $43.5 million, which was a significant improvement over the prior year (2017: $150.0 million loss).

Objectives and Strategies

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

We are committed to driving long-term shareholder value by executing on several initiatives to improve our commercial practices in both our divisions and safety, productivity and profitability in our Global Drilling Services division, including through:

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

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

Ultimately, our goal is to help our customers build their ore body knowledge. Through our focus on operational excellence, we will address the risks and challenges of the mining industry cycle while also preserving the significant upside that we may realise in our operations as market conditions improve, combined with a significantly improved cost structure and operating performance. We are also capitalising on longer-term growth opportunities through investment in technologies that will broaden our customer offerings.

2 Financial and Operating Highlights

	For the year ended 31 December			
	2018 US$ Millions	2017 US$ Millions	$ Change	% Change
Key financial data				
Revenue	770.2	739.1	31.1	4.2%
NPAT(1)	(43.5)	(150.0)	106.5	71.0%
EBITDA(2)	54.1	(36.6)	90.7	247.8%
Adjusted EBITDA(2)	80.6	43.1	37.5	87.0%
Operating profit (loss)	17.6	(87.7)	105.3	120.1%
Profit (loss) from Trading Activities (3)	54.8	10.0	44.8	448.0%
Cash generated (used) in operations	24.1	(40.4)	64.5	159.7%
Net cash flows generated (used) in operating activities	3.7	(54.0)	57.7	106.9%
Capital expenditures (accrual)	40.9	30.4	10.5	34.5%
Capital expenditures (cash)	39.1	28.4	10.7	37.7%
Weighted Average number of ordinary shares	26,290.8	9,225.9	17,064.9	185.0%
Earnings per share (basic and diluted)	(0.2) cents	(1.6) cents	1.4 cents	98.9%
Average BLY rig utilisation	46%	43%	3%	7.0%
Average Fleet size	676	720	(44)	-6.1%

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

3 Discussion and Analysis of Operational Results and the Income Statement

3.1 Revenue

Revenue for the year ended 31 December 2018 of $770.2 million increased by 4.2%, or $31.1 million, compared to revenue for the prior year ended 31 December 2017 of $739.1 million.

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

Revenue during 2018, was higher as a result of higher volumes due to strengthening sentiment in the mining industry, resulting in improved spending on exploration and development when compared to the same period in 2017.

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

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

	For the year ended 31 December					
	2018			2017		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	770.2	-	770.2	739.1	-	739.1
Cost of goods sold	(639.1)	11.2	(627.9)	(628.5)	2.7	(625.8)
Gross margin	131.1	11.2	142.3	110.6	2.7	113.3
Other income	10.4	-	10.4	6.6	-	6.6
General and administrative expenses	(80.6)	14.5	(66.1)	(152.9)	76.5	(76.4)
Sales and marketing expenses	(22.1)	0.8	(21.3)	(27.4)	0.5	(26.9)
Significant items	-	(26.5)	(26.5)	-	(79.7)	(79.7)
Other expenses	(21.2)	-	(21.2)	(24.7)	-	(24.7)
Operating profit (loss)	17.6	-	17.6	(87.8)	-	(87.8)

Gross margin in 2018 improved to 18.5% compared to 15.3% in 2017. The higher margin is related to cost savings from key improvement initiatives as well as improved margins on fixed costs relative to stronger sales volumes.

The total of other income, general and administrative expenses (“G&A”), sales and marketing expenses (“S&M”) and other expenses (adjusted for significant items) of $98.2 million in 2018 was 19.0% less than 2017 of $121.3 million. The lower cost structure is driven by lower G&A and sales and marketing expenses as a result of continued emphasis on cost savings and delivery of key value initiatives.

3.3 Significant Items

During the years ended 31 December 2018 and 2017, the Company incurred the following restructuring expense, recapitalisation costs and impairment charges:

	For the year ended 31 December	
	2018	2017
US$ Millions	**US$ Millions**	**US$ Millions**
EBITDA(1)	**54.1**	**(36.6)**
Recapitalisation costs	-	50.5
Impairments		
Property, plant and equipment	0.1	0.1
Inventories	10.9	-
Employee and related costs	2.6	15.1
Other restructuring expenses	12.9	14.0
Other non-recurring items	-	-
Tax effect of significant items	-	-
Total of significant and non-recurring items	26.5	79.7
Adjusted EBITDA(1)	**80.6**	**43.1**

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

4 Discussion and Analysis of Cash Flow

	For the year ended 31 December			
	2018 US$ Millions	2017 US$ Millions	$ Change	% Change
Cash provided by (used in) operations	24.1	(40.4)	64.5	159.7%
Net cash flows provided by (used in) operating activities	3.7	(54.0)	57.7	106.9%
Net cash flows used in investing activities	(25.4)	(15.4)	(10.0)	-64.9%
Net cash flows provided by financing activities	11.6	46.4	(34.8)	-75.0%

4.1 Cash Flow used in Operating Activities

Cash flow from operating activities for the year ended 31 December 2018 was $3.7 million, which is an improvement of $57.7 million compared to 2017 of negative $54.0 million. The primary reason for the improvement is related to cash generated from higher EBITDA.

We have invested $32.5 million in capital equipment and research and development to support existing operations during 2018, which is higher than the comparable prior period (2017: $25.5 million). Of the 2018 amount, approximately $24.8 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment, $0.6 million was spent on product development activities, including engineering and patent maintenance, and $7.1 million was invested in Globaltech research and development following our acquisition of the company. The 2018 capital expenditures have been partially offset by proceeds from the sale of property, plant and equipment of $13.7 million (2017: $13.8 million).

The decrease in cash flows provided by financing activities is primarily due to generating higher operating cash flows.

5 Discussion of the Balance Sheet

The net liabilities of the Company increased by $55.9 million, to negative $314.9 million as at 31 December 2018, compared to negative $259.0 million as at 31 December 2017. This increase results primarily from higher long-term debt arising from accrued interest, partially offset by lower accounts payable.

Total assets of $637.2 million were $35.9 million lower than 2017 of $673.1 million primarily as a result of lower accounts receivable and inventory as continued emphasis was placed on improving working capital metrics.

Total liabilities increased by $19.9 million to $952.0 million compared to $932.1 million in 2017. This is primarily driven by accreted interest for the period, partly offset by lower current tax liabilities as a result of the partial resolution of the Canada Revenue Agency reassessments for the tax years 2007-2012.

Liquidity and Debt Facilities

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

Description	Principal Outstanding as at 31 December 2018 (millions)	Accreted Interest as at 31 December 2018 (millions)	Interest Rate	Scheduled Maturity	Security
Senior Secured Notes	$217.0	$36.6	12%[2]	December 2022	Second lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the Term Loan B and Senior Secured Notes guarantors that are not ABL or Backstop ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and the other Term Loan B and Senior Secured Notes guarantors that are also ABL or Backstop ABL guarantors, and a first lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the Term Loan B and Senior Secured Notes issuer and other guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Term Loan – Tranche B	$159.9	Nil	10%[3]	December 2022	Same as Senior Secured Notes
ABL	$30.0 [1]	Nil	Variable[4]	23 July 2020	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the Non-Working Capital Assets of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property), and in any case excluding assets of BLY IP, Inc., Boart Longyear Suisse Sarl and Boart Longyear S.A.C.
Term Loan – Tranche A	$132.6	Nil	10%[3]	December 2022	First lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL or Backstop ABL guarantors, a second lien on the Working Capital Assets of the Term Loan A issuer and the other Term Loan A guarantors that are also ABL and Backstop ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property (in any case, excluding assets of BLY IP, Inc.)
Backstop ABL	$45.0	$6.7	11%[5]	23 October 2020[5]	Same as ABL but including any real property required to be pledged as security for the Senior Secured Notes
Senior Unsecured Notes	$88.9	$1.8	1.5%[6]	December 2022	Unsecured

(1) $5.9 million in letters of credit were issued in addition to the $30.0 million borrowings that were outstanding.
(2) Interest rate payable-in kind at an interest rate of 12% per annum at the Company's election until December 2018 and thereafter in cash at a reduced interest rate of 10% per annum.
(3) Interest is 10% payable-in-kind through December 2018 and 8% payable in-kind thereafter.
(4) Based on LIBOR + margin (grid-based margin is currently 3.25%).
(5) Interest is payable-in-kind at 11% at Company's election or 10% Cash. Maturity Date is 23 October 2020 or 90 days after the ABL due date.
(6) Interest is 1.5% payable-in-kind at Company's election until maturity.

6 Review of Segment Operations

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

	Segment Revenue				Segment Profit	
	2018 US$ Millions		2017 US$ Millions		2018 US$ Millions	2017 US$ Millions
Global Drilling Services		533.6		500.6	57.1	36.4
Global Products revenue						
Products third party revenue	236.6		238.5			
Products inter-segment revenue [1]	56.0		54.5			
Total Global Products		292.6		293.0	23.5	2.8
Less Global Product sales to Global Drilling Services		(56.0)		(54.5)		
Total third party revenue		770.2		739.1		
Total segment profit					80.6	39.2

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

6.1 Review of Segment Operations - Global Drilling Services

	For the year ended 31 December			
	2018	2017		
	US$ Millions	US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	533.6	500.6	33.0	6.6%
COGS				
Materials/labor/overhead/other	423.9	398.4	25.5	6.4%
Depreciation and amortisation	23.6	30.2	(6.6)	-21.9%
Total COGS	447.5	428.6	18.9	4.4%
COGS as a % of Revenue	*83.9%*	*85.6%*	*-1.7%*	*-2.0%*
Contribution margin $	77.6	62.8	14.8	23.6%
Contribution margin %	14.5%	12.5%	2.0%	16.0%
Business unit SG&A	8.6	9.3	(0.7)	-7.5%
Allocated SG&A	17.3	21.1	(3.8)	-18.0%
EBITDA	82.9	69.1	13.8	20.0%
Capital spend (accrual)	27.9	20.8	7.1	34.1%
Other Metrics				
Average # of Operating Drill Rigs	310	308	2	0.6%
Average # of Drill rigs	676	720	(44)	-6.1%
# of Employees at period-end	3,406	3,320	86	2.6%

Safety

The Global Drilling Services division's Total Case Incident Rate (TCIR) for 2018 was 2.04, compared to 1.96 for the comparable period in 2017. The Lost-Time Incident Rate (LTIR) for 2018 was 0.09, compared to 0.28 for the comparable period in 2017. We continue to push our key safety initiatives, which include better analysis of high-potential near miss incidents and significant injuries; applying corrective actions more globally; increasing management safety interactions at operating locations; increasing supervisory competencies through training; reinforcing hazard assessments; and increasing drill rig inspection frequency.

Revenue

Global Drilling Services' revenue in 2018 was $533.6 million, up 6.6% from $500.6 million in 2017. The revenue increase was driven primarily by volume, but price did play a role in the increase. Volume increases were driven by Surface Coring and Underground Coring work in the Australia, EMEA, and LAM. Price increases are averaging approximately 1.9% as a percentage of year-over-year revenue.

Approximately 88% of Global Drilling Services' revenue for 2018 was derived from major mining companies, including Barrick, BHP, Freeport-McMoRan, Goldcorp, Newmont and Rio Tinto. Our top 10 Global Drilling Services customers represented approximately 65% of the division's revenue for the first half of 2018, with no single contract contributing more than 10% of our consolidated revenue.

Margins

With Revenues increasing from $500.6 million in 2017 to $533.6 million in 2018, a 6.6% increase, Global Drilling Services also achieved an increase in Contribution Margin. The 2018 Contribution Margin was $77.6 million compared to $62.8 million in 2017, an increase of 23.6%. Throughout 2018 the business continued to focus on improving meters per shift, non-billable hours and revenue per shift while reducing variable and fixed costs to maintain a flat cost structure from a percent of revenue perspective.

6.2 Review of Segment Operations - Global Products

	For the year ended 31 December			
	2018 US$ Millions	2017 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	236.6	238.5	(1.9)	-0.8%
COGS				
Materials/labor/overhead/other	175.4	189.8	(14.4)	-7.6%
Inventory obsolescence	0.3	1.4	(1.1)	-78.6%
Depreciation and amortisation	4.7	6.1	(1.4)	-23.0%
Total COGS	180.4	197.3	(16.9)	-8.6%
COGS as a % of Revenue	*76.2%*	*82.7%*	*-6.5%*	-7.9%
Contribution margin $	39.3	20.5	18.8	91.7%
Contribution margin %	16.6%	8.6%	8.0%	93.0%
Business unit SG&A	16.9	21.3	(4.4)	-20.7%
Allocated SG&A	14.3	16.0	(1.7)	-10.6%
EBITDA	30.7	11.3	19.4	171.7%
Capital Spend (accrual basis)	1.0	1.1	(0.1)	-9.1%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	27.7	25.9	1.7	6.6%
Inventories [1]	165.4	174.4	(9.0)	-5.2%
# of Employees	927	976	(49)	-5.0%

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

Safety

In 2018, the Total Case Incident Rate (“TCIR”) for the Global Products segment was 1.60 recordable incidents per 200,000 hours worked compared to 1.16 in 2017. The Lost-Time Incident Rate (“LTIR”) was 0.40, compared to 0.0 for 2017. As with the Global Drilling Services division, these results reflect the Company’s continued focus on programs to reinforce hazard recognition and consistently apply the Company’s EHS management system across all operations. With the release of the Company’s updated EHS management system, redefined and expanded EHS standards will continue to drive continuous improvement with a streamlined and comprehensive approach to best practices in safety.

Revenue

The year ended 31 December 2018 revenue of $236.6 million was aligned with 2017 revenue of $238.5 million for the Global Products division. Revenues generated from coring tools and drill rigs remained strong in 2018 relative to the prior period.

Margins

Although revenue for Global Products was relatively flat compared to 2017, EBITDA for the year ended 31 December 2018 increased by $19.4 million or 171.7%. The increase in EBITDA was primarily driven by flow through of disciplined cost control in both variable and fixed SG&A. We continue to operate our manufacturing facilities at lean levels, only producing what is required to meet market demand.

Backlog

At 31 December 2018, Global Products had a backlog of product orders valued at $30.0 million. This compares to $33.5 million at 31 December 2017. Average backlog during the second half of 2018 was $25.4 million compared to $29.8 million during the first half of 2018. The decrease in our backlog – which we define as product orders we believe to be firm – was driven by decrease in demand for capital equipment and consumables. It should be noted that an order shipped within the same month the order is received does not show up in backlog. Also, there is no certainty that orders in our backlog will result in actual sales at the times or in the amounts ordered.

Intellectual Property

We rely on a combination of patents, trademarks, trade secrets and similar intellectual property rights to protect the proprietary technology and other intellectual property that are instrumental to our Global Products business. As at 31 December 2018, we had 418 issued patents, 579 registered trademarks, 182 pending patent applications and 28 pending trademark applications. One of the most significant products for which we have obtained patent protection during 2018 is our XQ™ wireline coring rod. The XQ™ wireline coring rods feature self-aligning double start threads, rod joints that engage smoothly without wedging or jamming, and exclusive heat treatments to provide stronger, longer lasting rods. We do not consider our Global Products business, or our business as a whole, to be materially dependent upon any particular patent, trademark, trade secret or other intellectual property.

Research and Development

Our Global Products division employs engineers and technicians to develop, design and test new and improved products. We work closely with our customers, as well as our Global Drilling Services division, to identify opportunities and develop technical solutions for issues that arise on site. We believe that sharing best practices amongst our divisions accelerates innovation and increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from our Global Drilling Services network. New product development efforts remain focused on product changes that continue to drive increased safety and productivity, so customers see real added value regardless of the business environment. Our recent successes include the LF160 surface coring drill paired with our Freedom Loader which has set a new benchmark in productivity and hands-free rod handling. Launched in the second half of 2017, our patented Longyear™ coloured diamond bits continue to show improved productivity by lasting longer and cutting faster. Commercial launch of the new XQ™ coring rod continues globally, featuring a greater depth capacity than the RQ™ rod, and faster, easier joint make/breaks for higher productivity.

Under our Geological Data Services business, TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey technology, the second in a future suite of tools, was launched in 2018 and is available globally. Our Truscan™ matrix calibrated XRF and photo sample scanning technology is currently being used at several locations around Australia with long term 24/7 utilisation producing results that are being used for real time decision making by the mining client. Truscan™ continues to spread its footprint globally with additional units being deployed within Australia as well as North and South America.

Truscan™ was the winner of the South Australia Governments “Excellence in Innovation – Productivity Improvement” in November 2018. New features utilising artificial intelligence and machine learning continue to be integrated in to Truscan™ ensuring it is well differentiated in the market.

These technologies are part of our strategy to provide subsurface resource defining information to mining companies, which is now even further enhanced through the acquisition of Globaltech in the second half of 2018.

Inventories

Cash continued to be generated from inventory in 2018 due to continued management of demand in our supply chain organisation and continuous efforts to reduce excess inventory. There was a significant push to scrap product that cannot be utilised in the business. The Supply Chain teams scrapped $15.5 million of product that will result in decreased operating expenses. We also generated $3.9 million of cash related to third-party sales and consumption in our Global Drilling Services division. As a result of efforts to generate cash and scrap old product, days on hand improved by 16 days in 2018. There will be ongoing focus in 2019 to increase inventory turnover to support the business with less inventory requirements.

7. Outlook

7.1 Our 2019 Priorities

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

Four areas of focus for 2018 that will benefit our safety in 2019 are (1) the implementation of the BLY Integrated Training System (BITS); (2) implementation of simplified EHS Field Standards setting company expectations; (3) the implementation and refocus on our global Field Level Risk Assessment (FLRA) process; and (4) EHS Lead Indicator KPI's which will include: Critical Risk Management – Critical Control Verifications, BITS assigned training modules, In-Vehicle Monitoring System utilization, and Corrective Action closure metrics.

Expand our mining and minerals drilling customer base by focusing on efficiency and productivity.
We remain focused on providing our customers with a full range of drilling services offerings. Our commitment is underpinned by initiatives to improve the efficiency and productivity with which we deliver services and information to our customers, combined with enhancements of our commercial practices and capabilities to ensure alignment with our customers' most important needs. Specifically, our goal is to increase our business with our existing customers and find new ways to partner with existing and potential customers to grow our business.

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

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

Improve cash generation in 2019, with the goal to continue to be cash positive, through careful management of liquidity and costs. Ongoing improvement in cash generation in 2019 is a primary goal for the business, which we intend to achieve through continued disciplined expense and capital management, opportunistic cost reductions and productivity enhancements. We will continue to drive business initiatives focused on improving our fixed and variable cost structures in keys areas of the business and we expect these benefits to improve liquidity in 2019 and beyond. Furthermore, we will continue to focus on process improvements, streamlined working capital management and structural changes to improve customer support and responsiveness and drive long-term efficiencies by embedding a cash return on investment metric throughout the organisation.

7.2 Outlook and Future Developments

We are not providing an outlook for 2019 revenue or EBITDA. However, increased drilling activity, in combination with our productivity and commercial initiatives are making a positive impact as demonstrated by the improved underlying 2018 results. We anticipate seeing ongoing gains from those identified initiatives which we continue to actively manage.

The mining industry is cyclical and 2018 continued to show signs of marking a return to the longer-term growth outlook for the industry, underpinned by:

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

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

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

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

7.3 Key Risks

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

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

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

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

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

Risks Related to Liquidity and Indebtedness. At 31 December 2018, our net debt was $682.6 million, with $721.5 million in gross debt and $38.9 million of cash on hand. The Company also has an additional $14.1 million of liquidity available through the Asset-Based Loan ("ABL") facility. The instruments comprising the Company's debt and their terms are set out in detail in Note 21 of the financial statements.

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

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

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

7.4 Forward Looking Statements

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

REMUNERATION REPORT

This remuneration report has been prepared in accordance with section 300A of the Australian Corporations Act 2001 and summarises the arrangements in place for the remuneration of directors, Key Management Personnel (“KMP”) and other employees of Boart Longyear for the period from 1 January 2018 to 31 December 2018.

Changes in 2018

In late 2018 the Company announced that Brendan Ryan would transition to the role of Chief Business Development Officer. Additionally, Miguel Desdin was identified to replace Mr Ryan as Chief Financial Officer. This change was carefully designed to support the key strategic, financial, growth and human resources objectives of the Company.

1. 2018 REMUNERATION OVERVIEW

Four principles guide our decisions about executive remuneration at Boart Longyear:

- Fairness: provide a fair level of reward to all employees.
- Transparency: build a culture of achievement by transparent lines between reward and performance.
- Alignment: promote mutually beneficial outcomes by aligning employee, customer and shareholder interests.
- The Boart Longyear Culture: drive leadership performance and behaviors that create a culture that promotes safety, diversity and employee satisfaction.

This Report sets out the remuneration arrangements in place for the Key Management Personnel (“KMP”) of the Company for the purposes of the Corporations Act and the Accounting Standards, being those persons who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Non-Executive Directors.

1.2 DIRECTORS AND SENIOR EXECUTIVES

Directors and senior executives who were KMP during the year ended 31 December 2018 were:

Directors	Position	Senior Executives	Position
Marcus Randolph	Executive Chairman	Jeffrey Olsen	Executive Director and Chief Executive Officer
Kyle Cruz	Non-executive Director	Robert Closner	Vice President, General Counsel & Company Secretary
Lawrence First	Non-executive Director	Miguel Desdin	Chief Financial Officer (appointed effective January 2019)
Jason Ireland	Non-executive Director	Denis Despres	Chief Operating Officer
James Kern	Non-executive Director	Kari Plaster	Chief Human Resources Officer
Gretchen McClain	Non-executive Director	Brendan Ryan	Chief Business Development Officer
Jeffrey Olsen	Executive Director		
Robert Smith	Non-executive Director		
Richard Wallman	Non-executive Director		
Eric Waxman	Non-executive Director		

1.3 REMUNERATION OUTCOMES

The actual remuneration earned by executives is set out below. This information is considered to be relevant as it provides shareholders with a view of the remuneration actually paid to executives for performance for the year ended 31 December 2018. This differs from the remuneration details prepared in accordance with statutory obligations and accounting standards, which are reported on page 28 of this Report. The remuneration calculations reported there are based on the Accounting Standards principle of “accrual accounting” and, consequently do not necessarily reflect the amount of compensation an executive actually realised in a particular year.

Compensation represents base salary and benefits such as US 401(k) retirement plan, Company matching and/or profit sharing contributions, car allowance, and tax preparation service reimbursement. STI represents the cash paid in respect of the executive’s Short Term Incentive (“STI”) award earned for the prior year’s performance but paid in the current reporting year and Other represents sign-on bonuses granted in 2016 - 2017 and paid in 2018.

Sr. Executive Remuneration US$	Compensation	STI[1]	LTI (cash)[2]	Other[3]	Total
Jeffrey Olsen	625,962	312,120	-	36,955	975,037
Brendan Ryan	400,000	131,090	-	27,050	558,140
Robert Closner	240,941	38,772	-	20,543	300,256
Kari Plaster	271,154	10,046	-	46,526	327,726
Denis Despres	400,000	128,593	66,667	128,945	724,205

(1) Represents the cash paid in respect of the executive's STI earned for the prior year's performance, but paid in the current reporting year. For further details of the STI plan, see section 3.2.

(2) In 2016 Mr Despres was awarded a one-time, share award of $200,000 to be paid in equal installments of one-third on each anniversary of his hire date (1 September 2016) beginning with the first anniversary and ending on the third. In 2018 he received the second installment of $66,667. Mr Despres opted to receive cash instead of Company shares.

(3) Represents benefits such as US 401(k) retirement plan, car allowance and tax preparation service reimbursement. Also includes sign-on bonuses and other bonuses granted and paid in 2018, including the second of three installments of Mr Despres' sign on bonus.

1.4 EXECUTIVE REMUNERATION STRATEGY

The Board recognizes that appropriate remuneration for BLY executives and other employees is inextricably linked to the attraction, development, performance and retention of top-level talent and human capital. Given the current economic climate and the ongoing skills shortage, it is essential that adequate measures are in place to attract and retain the required skills. In order to meet the strategic objectives of a high-performance organization, the remuneration philosophy is positioned to reward strong performance and to maintain that performance over time.

The primary objectives of Boart Longyear's policy are to:

- attract, motivate, reward and retain key talent;
- promote the organization's strategic objectives, within its risk appetite;
- promote positive outcomes across the geographies where we operate;
- promote an ethical culture and behaviour that are consistent with values and which encourage responsible corporate citizenship.

2. REMUNERATION FRAMEWORK AND STRATEGY

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

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

Attraction and Retention	Best Practice	Fairness and Alignment	Pay for Performance
▪ Accurate and up-to-date market information and information on trends is a crucial factor in determining the quantum of the remuneration packages. ▪ Remuneration levels are competitive with similar roles in the markets in which the Company competes for talent. ▪ Fixed and at risk remuneration is appropriately industry and market competitive. ▪ Long-term incentive compensation provides for meaningful retention. ▪ The long-term incentive component is delivered to Directors and Executives through the Management Incentive Plan.	▪ Reward packages and practices reflect local and international best practice, where appropriate and practical. ▪ There is a significant amount of total executive remuneration which is at risk and dependent upon achieving challenging key business objectives. ▪ Performance management assists in indicating the overall total rewards for each ExCo member. ▪ Compensation is relevant and meaningful to the Executive receiving it.	▪ RemCo regularly performs executive compensation benchmarking utilising independent compensation consultants. ▪ Reward measures for executives are aligned with, linked to and influenced by the interests and strategies of BLY and its shareholders. ▪ The aspiration is that our remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels are transparent. ▪ Clawback: where performance achievements are subsequently found to have been misstated, provisions are made for redress.	▪ The framework encourages consistency, but allows for differentiation where it is fair, rational and explainable. ▪ Incentive based compensation is designed to reward executives for delivered performance against important Company, safety, financial and strategic objectives. ▪ Incentive plans utilise an appropriate mix of challenging performance measures designed to deliver value to executives when performance is achieved over short and longer terms. ▪ Incentive based compensation provides for upside potential with strong performance.

2.1 HOW REMUNERATION DECISIONS ARE MADE

Board Responsibility

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

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

The Remuneration Committee (RemCo) 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. RemCo also seeks to ensure that the Company's remuneration programs and strategies will attract and retain high-calibre Directors, executives and employees and will motivate them to maximise the Company's long-term business and create value for shareholders and support the Company's remuneration related principles.

The Remuneration Committee's responsibilities include:

- review of strategic objectives;
- reviewing, monitoring and overseeing the implementation of the executive remuneration policy;
- reviewing all aspects of remuneration of the CEO and the proposed remuneration of other Key Management Personnel (KMP), including any proposed change to the terms of their employment and any proposed termination payments;
- reviewing executive incentive plans, including equity-based plans and including consideration of performance thresholds and regulatory and market requirements;
- developing performance thresholds for the CEO and reviewing proposed performance thresholds for other KMP;
- reviewing and approving performance achievement relative to executive incentive plans;
- overseeing strategies for recruitment, retention and succession planning for Directors and key executive positions; and
- reviewing the composition of the Board and monitoring the performance of the Board and the Directors.

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

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

Use of Remuneration Consultants and/or External Advisors

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

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

In 2018, the Committee relied on the external review of Mercer subject matter experts as well as key Centerbridge Partners in the creation and administration of the new Management Incentive Plan (MIP). In addition, the Committee continued to rely on the independent market review of KMP compensation obtained from Mercer Consulting.

2.2 REMUNERATION COMPENSATION STRATEGY

There are several components of an executive's total compensation opportunity: fixed compensation, short and long-term incentives as well as non-monetary benefits.

Fixed Remuneration: guaranteed package delivered as a cash salary and mix of compulsory and discretionary benefits reflects market-relatedness in conjunction with the individual's background, competence and potential.

- Provides a predictable base level of compensation commensurate with the executive's scope of responsibilities, leadership skills, values, performance and contribution to the Company.

- Generally targeted to be near the median of the competitive talent market using external benchmarking data. Since the majority of the Company's executives (and all of the executive KMP) are located in the US, the competitive talent market is determined to be the US market.

- Variability around the median is based on the experience, performance, skills, position, business unit size and/or complexity and unique market considerations, where necessary.

Short Term Incentive Program: creates a high-performance culture by providing a cash bonus annually. This is determined based on role and responsibility as well as achievement against predetermined performance hurdles for business and personal goals.

- This component of compensation is “at-risk” and earned when certain performance metrics are achieved.
- Key performance metrics are determined annually, in alignment with the Company’s business strategy. They include some measure of the following (or related) metrics: free cash flow, adjusted EBITDA, safety performance, and individual strategic goals.
- These metrics were designed to reflect corporate as well as business unit level performance. This helps to ensure rewards are relevant and affordable as well as reflective of performance. The metrics weight performance in areas which build and promote collaboration and ensure alignment to strategy and shareholder interests.
- Individual strategic goals can include financial, operational, strategic or project based targets. Examples include items such as, milestone achievement, revenue growth, cost control goals, cash flow generation, geographic expansion, and productivity programs.
- The STI is awarded in cash and will either be paid all at once, or in a staggered fashion, dependent on key business factors at the discretion of the Board.

Long Term Incentive Program: based on the individual’s performance and value to the business. It is achieved through achievement and alignment with shareholder interests. See section 3.3 of the Remuneration report for more information.

- This component of compensation is “at-risk” and earned only if challenging performance metrics are achieved and/or continued service requirements are met over a multi-year performance period.
- In January of 2018, the long-term incentive plan design changed where LTIP was replaced with another Management Incentive Plan. This plan is driven by Total Enterprise Value (TEV). The plan creates value for participants when specific criteria are reached for performance as well as time vesting. The MIP enables cash and/or share releases to participants as and when its shareholders monetise their shareholdings at various volumes.
- The LTI is awarded in cash or shares, at the discretion of the Board.

Other Benefits (Monetary and Non-monetary): provided to ensure executive compensation remains relevant and Executives are well cared for.

Non-monetary Benefits include: meaningful work, access to continuous learning and professional growth, recognition and appreciation, career advancement and in some cases flex schedules and/or tele-commuting.

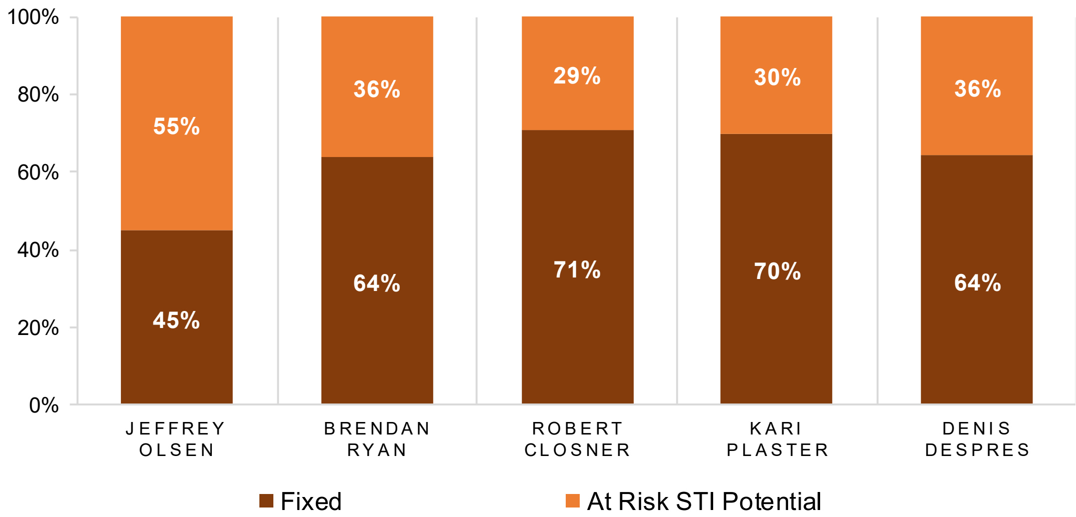
Additional Monetary Benefits include: various types of insurance: D&O, life, and regionally based health and welfare insurance for employee and family members; as well as vehicle allowances and/or other regionally based perks.

3. COMPONENTS OF EXECUTIVE REMUNERATION

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

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

The relevant proportion of fixed to at-risk components for senior executive remuneration during 2018 are shown below. The table illustrates the annualised remuneration mix for executive KMP, including annualised fixed salary, target STI (assuming that 100% of target bonus performance is achieved).



3.1 FIXED REMUNERATION

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

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

3.2 SUMMARY OF THE SHORT-TERM INCENTIVE PROGRAM

The Short-Term Incentive program, or Corporate Bonus Plan ("CBP"), provides certain employees with the potential to receive an annual bonus if the Company meets annual financial and safety objectives, which are reviewed and approved by the Remuneration Committee.

Potential target incentives under the CBP range between 10% and 100% of an employee's base salary depending on the employee's role. The actual bonus that an employee will receive under the CBP (if any) will vary depending on the Company's and the individual's performance against established annual objectives and targets, as detailed more fully below.

There are four key Company performance components (1) free cash flow; (2) adjusted EBITDA; (3) Safety and (4) Individual component for the CBP. Each component has a threshold performance level; a target level of performance, and a maximum stretch level of performance whereby superior results can earn up to 200% of that component of the bonus. All bonuses awarded under the CBP are paid in cash.

The CBP performance components for 2018 and their relative weighting are:

(1) Corporate Financial Target - Free Cash Flow (FCF) - 30% of the Company's CBP Metrics opportunity is linked to the Company's FCF performance. For the purposes of calculating FCF, the statutory FCF is adjusted to eliminate the

impact of items such as cash restructuring costs, pension plan pre-funding, interest and income tax receipts or payments, acquisition or disposals of subsidiaries, and cash flows from financing activities, including, but not limited to, proceeds from equity raisings and borrowings.

The free cash flow metric was selected to ensure proper alignment and focus on the critical need to generate cash to fund ongoing operations and reduce debt.

(2) Corporate Financial Target – Adjusted EBITDA - 50% of the Company's CBP Metrics opportunity is linked to the Company's Adjusted EBITDA performance. For the purposes of calculating Adjusted EBITDA, Statutory EBITDA plus Significant Items = Adjusted EBITDA.

(3) Corporate Non-Financial Target - Safety - 20% of the Company's CBP Metrics opportunity is dependent upon the Company's overall safety performance.

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

For 2018, the Board agreed, on the recommendation of its Audit, Safety and Risk Committee to use total case incident rates (TCIR), lost time incident rates (LTIR), Critical Risk Incident Rate and leading indicators as the measurements of safety performance for the CBP.

(4) Individual Strategic Objectives - 100% of the Individual Strategic Objective CBP opportunity is dependent upon performance against strategic objectives relevant to the employee's operational or functional responsibility. Examples of strategic objectives may include: operational or functional cost targets, geographic or targeted market segment or customer growth, new product introductions, leadership, talent retention and development and specific project or initiative progress, etc. Individual objectives carry individual proportions of 100%.

Strategic objectives are utilised to reinforce continued focus on critical initiatives and operational or functional priorities that have a positive impact on current and/or future business performance. Strategic objectives should be pursued regardless of the business or market pressures impacting the overall corporate financial performance. Stretch performance on strategic objectives can be achieved to a maximum of 200% of the weighting of this component. Depending on the nature of the objective, stretch performance can be defined when the objective is approved at the beginning of the year, or in some circumstances be determined by the CEO and approved by the Board at the end of the year. The Board has discretion to modify the amount of the strategic objective award up or down as appropriate

3.3 SUMMARY OF THE LONG-TERM INCENTIVE PROGRAM

On 31 December 2017 the Long Term Incentive Plan (LTIP) and Retention Incentive Grant Agreement (RIGA) programs ceased. Retention based awards, under LTIP, were calculated on a pro-rata basis as of 31 December 2017 and will be paid on the original payment date as per the award agreement. Performance based awards and stock option plans, under the LTIP, were cancelled as of 31 December 2017.

Effective 1 January 2018 the Board approved a resolution to introduce a new long term incentive plan, the Management Incentive Plan ("MIP").

The MIP is a long-term incentive plan, which is similar in design to a stock option plan, and consistent with many incentive plans in private equity, in that it allows participants to share in the gain of Boart Longyear's value over time. The MIP was created to give senior leaders an opportunity to share in the growth and value of Boart Longyear's business success.

The executives eligible to participate in the MIP are senior management and corporate executives, including the KMP. The percentage of the MIP payouts vary depending on the participant's position, skills and contributions to the Company. The percentage amounts are generally based on market averages for comparable roles at similar-sized companies.

There are both time and performance vesting hurdles in the MIP.

The time vesting portion of the MIP represents 33.3% of the plan and is spread over a 5-year time window.

The performance vesting portion of the MIP represents 66.7% of the plan and is based on Boart Longyear's gain in Total Enterprise Value (TEV), above a baseline of $650 million.

The MIP includes a two-tiered performance vesting criteria; one set at $900 million TEV, representing 33.3% of the award and the other set at $1.1 billion TEV, which represents the final 33.3% of the award.

Performance vesting is based on a trigger events aligned with sale of ownership at certain predetermined levels. Upon these trigger events, TEV will be measured and if the criteria are met, business leaders will be paid a percentage of the value accretion, based on their MIP allocation.

There has been no trigger event with respect to performance vesting criteria, so no accrual has been recorded for 2018.

The MIP will be paid in either cash or shares at the discretion of the Board.

3.4 EXECUTIVE REMUNERATION CLAWBACK POLICY

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

4. PERFORMANCE AND RISK ALIGNMENT

Below is a summary of our year on year operating performance which underpins our compensation program.
Net debt excludes the impact of recapitalization transactions, letters of credit, CRA & IRS obligations, strategic asset acquisitions and disposals, equity raise, and potential asset backed loans. Dividends per share are calculated as basic EPS divided by closing share price.

Financial Year	Closing Share Price $A	Dividend p/share US$	EPS %	Revenue US$ millions	Adj. EBITDA [1] US$ millions	ROE	Net Debt US$ millions
2018	0.01	-	(23.5%)	770	81	(15.3%)	683
2017	0.01	-	(205.1%)	739	43	(50.3%)	599
2016	0.13	-	(179.4%)	642	32	(60.6%)	681
2015	0.06	-	(822.4%)	735	0	(596.1%)	586
2014	0.17	-	(510.9%)	867	31	(133.4%)	551

(1) Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before signficant and other non-recurring items.

4.1 PERFORMANCE AGAINST SHORT AND LONG-TERM INCENTIVE MEASURES

A combination of financial and non-financial measures is used to measure performance for STI awards. Business and individual performance against those measures was measured on a weighted average basis. The average proportion of STI awarded, 2014 through 2018 is below:

	2014	2015	2016	2017	2018
% of target STI awarded	122%	114%	90%	53%	103%

STI earned during the year ended 31 December 2018:

STI Earned in 2018	STI Earned US$	Target STI US$	STI Earned as % of Target	% of STI Forfeited	STI as % of Max STI [1]	% of Max STI Forfeited
Jeffrey Olsen	767,981	675,000	114%	0%	57%	43%
Brendan Ryan	226,320	240,000	94%	6%	47%	53%
Robert Closner	99,187	100,800	98%	2%	49%	51%
Kari Plaster	135,546	116,000	117%	0%	58%	42%
Denis Despres	295,200	240,000	123%	0%	62%	39%

(1) The maximum potential award assuming superior performance against all CBP metrics is 200% of target STI.

4.2 EMPLOYEE AND DIRECTOR TRADING IN COMPANY SECURITIES

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

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

5. EXECUTIVE REMUNERATION IN DETAIL

Details of each senior executive's remuneration during the years ended 31 December 2018 and 2017 are set out in the table below. The remuneration calculations reported in this table are based on the Accounting Standards principle of "accrual accounting" and, consequently do not necessarily reflect the amount of compensation an executive actually realised in a particular year. It should be noted that Mr Rasetti, Mr Baker and Mr Irwin are not included in the table below because they ceased employment in 2017. Details of their remuneration is available in the 2017 annual report.

	Cash-based compensation							Non-cash-based compensation			
	Short term benefits [1]			Post-employment benefits		Other long-term benefits		Share-based compensation [2]			
	Compensation US$	Annual bonus [3] US$	Other [4] US$	Super-annuation benefits [5] US$	Other US$	Retention Cash Rights US$	Perform-ance Cash Rights US$	Options US$	Rights US$	Share-based %	Total US$
Jeffrey Olsen											
2018	625,962	767,981	28,705	8,250	-	-	-	-	-	-	1,430,898
2017	586,154	312,120	25,480	8,100	-	62,500	38,250	122,468	31,688	13.0%	1,186,760
Brendan Ryan											
2018	400,000	226,320	20,800	6,250	-	-	-	-	-	-	653,370
2017	400,000	131,090	51,459	8,100	-	-	-	-	65,001	9.9%	655,651
Robert Closner											
2018	240,941	99,187	20,543	-	-	-	-	-	-	-	360,671
2017	186,800	40,584	24,237	-	-	10,088	-	-	37,753	12.6%	299,462
Kari Plaster											
2018	271,154	135,546	40,800	5,726	-	-	-	-	-	-	453,226
2017	41,538	10,046	3,200	312	-	-	-	-	-	-	55,096
Denis Despres											
2018	400,000	295,200	122,695	6,250	-	66,667	-	-	-	-	890,812
2017	400,000	128,593	22,778	8,100	-	66,667	-	-	143,333	18.6%	769,471

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

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

(3) The 2018 amount represents cash STI payments earned by the executive during the year ended 31 December 2018, which are expected to be paid in 2019 and were approved by the Board in February 2019. The 2017 amount represents cash STI payments earned by the executive during the year ended 31 December 2017, which were paid in July 2018.

(4) Includes sign-on bonuses, automotive allowances, and reimbursements of financial and tax preparation assistance.

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

5.1 SERVICE CONTRACTS AND TERMINATION PROVISIONS

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

The executive employment contracts listed above contain a twelve-month non-competition and non-solicitation covenant in the Company's favour. The Company may, at its option, extend the term of the covenants upon an executive's termination of employment for up to an additional twelve months in exchange for monthly payments of the executive's base salary for the term of the extension.

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

In March 2016, the Board approved special strategic retention awards to certain key employees that include the KMP. All awards granted were reduced on a pro-rata basis due to the new MIP plan implemented in 2018. These awards were granted in the form of cash retention and will vest on the third anniversary of the award. Mr Olsen's and Mr Closner's awards of $550,685 and $77,054, respectively, will vest in March 2019. If the senior executive is terminated for reasons other than for cause, the award will be prorated (with a minimum of one third the original award value) and remain outstanding and payable on the original vesting date.

Furthermore, in 2018, the Board approved a one-time additional bonus incentive for certain members of senior leadership. The performance bonus is payable upon the Company achieving metrics for the fiscal year ending 2020 which are materially above budget. In the event the Company achieves the performance targets, eligible participants will receive a one-time $200,000 cash payment which would become payable in 2021.All KMP with the exception of the CEO are eligible to participate in this bonus plan.

5.3 SHARE HOLDINGS

Shareholdings as at the end of the financial year and activity during the financial year, are as follows:

	Balance 1 January	Granted as remuneration	Received on exercise of options/rights	Net other change during year	Balance 31 December	Balance held nominally
2018						
Marcus Randolph	10,328,767	-	-	-	10,328,767	-
Kyle Cruz	-	-	-	-	-	-
Jason Ireland	-	-	-	-	-	-
Lawrence First	-	-	-	-	-	-
James Kern	-	-	-	-	-	-
Gretchen McClain	1,966,062	-	-	-	1,966,062	-
Robert Smith	-	-	-	-	-	-
Richard Wallman	-	6,420,233	-	3,200,000	9,620,233	-
Eric Waxman	-	-	-	-	-	-
Jeffrey Olsen	520,871	-	-	-	520,871	-
Brendan Ryan	-	-	-	-	-	-
Robert Closner	86,285	-	-	-	86,285	-
Kari Plaster	-	-	-	-	-	-
Denis Despres	-	-	-	-	-	-

5.4 CASH RIGHTS

Cash rights as at the end of the financial year, and activity during the year, are as follows:

Name	Grant date	Vesting date	Held at the beginning of the financial year	Number of Cash Rights granted as remuneration	Number of Cash Rights vested	Value of Cash Rights vested US$	Number of Cash Rights forfeited	Value of Cash Rights forfeited US$	Held at the end of the financial year
Jeffrey Olsen	1-Mar-16	1-Mar-19	550,685	-	-	-	-	-	550,685
	15-Mar-17	15-Mar-20	132,755	-	-	-	-	-	132,755
Brendan Ryan	15-Mar-17	15-Mar-20	66,378	-	-	-	-	-	66,378
Robert Closner	1-Mar-16	1-Mar-19	77,054	-	-	-	-	-	77,054
	15-Mar-17	15-Mar-20	7,965	-	-	-	-	-	7,965
Denis Despres	1-Sep-16	1-Sep-18	100,000	-	100,000	-	-	-	-
	1-Sep-16	1-Sep-19	100,000	-	-	-	-	-	100,000
	15-Mar-17	15-Mar-20	66,378	-	-	-	-	-	66,378

Robert Closner holds 126,530 retention share rights as of 31 December 2018. The rights were granted on 1 July 2015 and vest on 15 March 2019.

Jeffrey Olsen holds 324,204 options which are vested and exercisable as of 31 December 2018. The options vested on 1 April 2017 and will expire on 1 April 2024. The exercise price of each option is AUD $0.32.

6. NON-EXECUTIVE DIRECTORS' FEE STRUCTURE

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

The fees are determined within a maximum aggregate fee pool that is approved by shareholders. The approved fee pool limit is US$2.0 million, which aside from changing the currency exchange rate at the 2015 general meeting has not changed in quantum since the Company's initial public offering in 2007. During the financial year, US$1.0 million of the pool was utilised for non-executive Director fees, being approximately 50% of the fee pool limit.
No shares rights or options vested or were awarded as remuneration in 2018.

6.1 COMPONENTS OF NON-EXECUTIVE DIRECTOR REMUNERATION

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

6.2 REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of non-executive Directors' remuneration for the year ended 31 December 2018 and 2017 are set out in the table below.

Non Executive Directors Remuneration US$	Fees (Including committee fees)	Superannuation Contributions	Shares	Total
Marcus Randolph				
2018	481,879	1,277	-	483,156
2017	538,906	8,100	166,664	713,670
Jason Ireland				
2018	149,671	-	-	149,671
2017	51,710	-	-	51,710
James Kern				
2018	167,500	-	-	167,500
2017	41,875	-	-	41,875
Gretchen McClain				
2018	186,667	-	-	186,667
2017	138,958	-	-	138,958
Robert Smith				
2018	149,725	-	-	149,725
2017	51,710	-	-	51,710
Richard Wallman				
2018	157,500	-	17,500	175,000
2017	57,083	-	-	57,083

Mr Cruz, Mr First and Mr Waxman are not included in the table above as they are employees of Centerbridge, Ascribe Capital and Ares Management, respectively, and therefore did not receive Director fees.

Mr Randolph's remuneration includes director fees of $300,000 and cash salary of $181,879 in 2018. In 2017, he received director fees of $133,336, cash salary of $360,570 and a performance bonus of $45,000.

Ms McClain was appointed the Lead Independent Director in February 2018. She received an additional $5,000 in committee fees for the appointment. As of 31 December 2018, she had received $4,167 of this fee.

Mr Wallman elected to receive $17,500 of his fees in shares under the NED plan.

As noted in the 2017 annual report, Bret Clayton, Jonathan Lewinsohn, Jeffrey Long, Rex McLennan, Deborah O'Toole, Matthew Sheahan and Conor Tochilin resigned from the Board in 2017. Their executive remuneration is available in the 2017 annual report.

Board of Directors

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

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

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

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

Kyle Cruz
Kyle Cruz was appointed a Director of the Company on 1 September 2017. He is a member of the Remuneration and Nominations Committee. Mr Cruz is a Senior Managing Director at Centerbridge Partners, L.P., the Company's largest shareholder and investor. Prior to joining Centerbridge in 2007, he served as Vice President at Diamond Castle Holdings, a private equity firm founded by former senior professionals of DLJ Merchant Banking (DLJMB).
Previously, he worked as an Associate at DLJMB and J.W. Childs Associates, a Boston-based private equity firm. He began his career as an analyst in the Mergers and Acquisitions department of Goldman Sachs.

Mr Cruz holds a B.B.A from the University of Michigan with high distinction, and a Master's in Business Administration from the Wharton School of the University of Pennsylvania, with honors.

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

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

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

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

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

Gretchen McClain
Gretchen W. McClain was appointed a Director of the Company on 15 November 2015. She is the Chairperson of the Remuneration and Nominations Committee and is also a member of the Audit, Safety & Risk Committee. She was appointed the lead Independent Director in February 2018. Ms McClain has more than 25 years of global experience in both Fortune 500 corporations and government service, including serving as founding CEO of an S&P 500 global water technology company,

Xylem Inc., and NASA's Chief Director of the International Space Station. Ms. McClain brings extensive business, developmental, strategic and technical expertise having served a broad industrial market. In 2018 Utah Business recognised her as one of their outstanding director nominees.

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

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

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

Mr Olsen holds a Bachelors of Arts degree from the University of Utah and a Master of Business Administration from the Simon School of Business at the University of Rochester.

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

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

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

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

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

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

Company Secretaries

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

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

DIRECTORS' MEETINGS

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

	Board of Directors		Remuneration Committee		Audit, Safety & Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Kyle Cruz	5	5	6	6		
Jason Ireland	5	5	6	6		
James Kern	5	5			4	4
Gretchen McClain	5	5	6	6	4	4
Marcus Randolph	5	5				
Robert Smith	5	5			4	4
Richard Wallman	5	4			4	4
Eric Waxman	5	5	6	6		
Jeffrey Olsen	5	5				

DIRECTORS' SHAREHOLDINGS

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

	Fully paid ordinary shares	Rights offering ordinary shares	Rights and options	Total
Marcus Randolph	10,328,767	-	-	10,328,767
Kyle Cruz	-	-	-	-
Lawrence First	-	-	-	-
Jason Ireland	-	-	-	-
James Kern	-	-	-	-
Gretchen McClain	1,966,062	-	-	1,966,062
Jeffrey Olsen	520,871	-	-	520,871
Robert Smith	-	-	-	-
Richard Wallman	9,620,233	-	-	9,620,233
Eric Waxman	-	-	-	-

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

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

At the Annual General Meeting of Shareholders held in May 2018, Shareholders approved a non-executive director share purchase plan (the "Plan") which allows current and future Non-Executive Directors to elect to receive up to 100% of their director fees in shares in the Company in lieu of cash payments. The election of Non-Executive Directors to receive all or a portion of their compensation in shares of the Company in lieu of cash pursuant to the plan does not result in any additional remuneration for the Non-Executive Directors. It is merely a mechanism for the Non-Executive Directors to elect to invest some of the fees to which they are otherwise entitled in the Company.

Under the terms of the Plan, if a Director elects to participate in the Plan, NED Shares are issued quarterly (or at other intervals in compliance with insider trading laws and the requirements of the Company's Securities Trading Policy) at predetermined dates throughout the year. Following issue, Non-Executive Directors are not able to deal in the shares for a 12 month period. After this period, they will be free to deal in the shares subject to the Company's Securities Trading Policy and any minimum shareholding requirements adopted by the Board.

The number of NED Shares to be allocated to Non-Executive Directors who elect to participate in the Plan each quarter is calculated by dividing the amount of director's fees which the relevant Non-Executive Director has elected to contribute to the Plan by the arithmetic average of the daily volume weighted average sale price of the Company's shares sold on ASX on the ordinary course of trading during the five trading days preceding the issue date of the shares.

During 2018 Mr. Richard Wallman participated in the plan and elected to receive $17,500 of his director compensation paid in shares (6,420,233 shares).

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

DIRECTORS' AND OFFICERS' INTERESTS IN CONTRACTS

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

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

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

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

EXECTUVE MANAGEMENT TEAM

Jeffrey Olsen
Mr Olsen's experience and qualifications are summarised on page 34.

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

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

Brendan Ryan
Brendan Ryan was appointed Chief Financial Officer on 6 September 2016 and late 2018 was appointed Chief Business Development Officer. Mr Ryan's experience includes over 24 years within the mining industry, spent predominantly with Rio Tinto and Shell / Anglo Coal, working in a variety of key commercial and operating roles. Prior to a year working with Private Equity, Mr Ryan held the role of Global Head of Business Evaluation for Rio Tinto in London where he was accountable for managing the group capital planning and allocation process. Earlier roles during his 13 years with Rio Tinto included Head of Business Development for the Rio Tinto Copper & Diamonds Group in London, VP Projects & Expansion at Kennecott Utah Copper in Salt Lake City, as well as other Business Evaluation and Business Analysis roles in London and Australia.

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

Robert Closner
Mr Closner's experience and qualifications are summarised on pages 35.

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

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

Miguel Desdin
Miguel Desdin was appointed Chief Financial Officer in January 2019. He relocated from Houston, Texas where he worked for seven years as CFO and Senior Vice President of TPC Group, a two-billion dollar chemical company. During his tenure, he helped transition and position the company to take advantage of the cyclical recovery during a downturn in commodity prices. This included serving as interim CEO during the latter part of 2015. Miguel's career has led him through several key executive and financial roles within the industrial chemicals and related industries including working for Furmanite Corporation, Celanese Corporation, Great Lakes Chemical Corporation, and AlliedSignal, Inc. He earned his MBA in Finance from the Wharton School at the University of Pennsylvania, and a Bachelor of Science in Industrial and Systems Engineering from the University of Florida.

AUDITOR

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 41 of this report.

NON-AUDIT SERVICES

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

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

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

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

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

PROCEEDINGS ON BEHALF OF COMPANY

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

ROUNDING OF AMOUNTS

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

REMUNERATION

The Remuneration Report is included beginning at page 19 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Marcus Randolph
Chairman

26 February 2019

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Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

26 February 2019

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 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A Richards

A T Richards
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Boart Longyear Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

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Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Liquidity As at 31 December 2018, the Group has net liabilities of $314.9 million and net current assets of $134.0 million. The Group continues to manage its liquidity closely as disclosed in Note 1 to the financial statements. This requires the achievement of budgets and cash flow forecasts, which include assumptions about those future cash flows and the forecast results, which are inherently uncertain.	Our audit procedures included, but were not limited to: • Assessing the process undertaken by management to develop the budget and cash flow forecasts for the 15 month period ending 31 March 2020 ('FY19/FY20') • Evaluating the key assumptions underlying the FY18/FY19 budget • Assessing the quantum and timing of forecast cash flows in the FY18/FY19 cashflow forecast • Performing sensitivity analysis on the forecast cash flows, with reference to available cash balances and forecast cash flows from operating activities • Evaluating performance in the period from year end to the audit opinion date against the FY18/FY19 budget • Assessing the appropriateness of the disclosures included in Note 1 to the financial statements.
Taxation The Group operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including application of transfer pricing rules, indirect taxes, and transaction-related tax matters as disclosed in Notes 11 and 27. As at 31 December 2018, the Group has recorded an income tax benefit of $7.5 million, current and non-current tax receivables of $0.3 million and $16.3 million, net current tax payables of $54.6 million and net deferred tax assets of $3.2 million and has disclosed its assessment of tax-related contingent liabilities in Notes 11 and 27.	Our procedures performed in conjunction with relevant tax specialists, included but were not limited to: • Obtaining an understanding of the process that management has taken to determine the taxation balances recognised in the financial statements • Assessing the appropriateness of the treatment of selected specific transactions in the Group's tax expense calculations • Evaluating the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future taxable income to support the recognition of deferred income tax assets with reference to forecast taxable income

As disclosed in Note 11, the Group is under a tax audit in Canada. The above matters give rise to complexity and uncertainty in respect of the determination of income taxes, deferred income tax assets as well as the consideration of contingent liabilities associated with tax years open to audit. This requires significant judgement in estimating tax exposures and/or contingent liabilities.	• Evaluating the consistency of the forecast used by management to derive forecast taxable income to support the recognition of deferred tax assets against the forecast used for assessing the carrying value of intangible assets and property, plant and equipment • Challenging and evaluating management's assessment of uncertain tax positions including contingent liabilities and conclusions on complex tax arrangements through enquiries of the Group Taxation department, obtaining and considering the Group's correspondence with local tax authorities and advice received from third parties • Assessing the appropriateness of the Group's Note disclosures regarding current and deferred taxes, uncertain tax positions and tax-related contingencies in the financial statements.

Other Information

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

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

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

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

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

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

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

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

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

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

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

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

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

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

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

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

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 39 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Boart Longyear Limited, for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A Richards

A T Richards
Partner
Chartered Accountants
Perth, 26 February 2019

DIRECTORS' DECLARATION

The Directors declare that:

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

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

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

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

The Directors draw the reader's attention to Note 1 on page 53 concerning the going concern basis of preparation of the financial report.

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

On behalf of the Directors

Marcus Randolph
Chairman

26 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Continuing operations			
Revenue	**3**	770,167	739,063
Cost of goods sold		(639,100) [1]	(628,461) [1]
Gross margin		131,067	110,602
Other income	**4**	10,360	6,637
General and administrative expenses		(80,634) [1]	(152,858) [1]
Sales and marketing expenses		(22,138) [1]	(27,449) [1]
Other expenses	**4**	(21,080)	(24,679)
Operating profit / (loss)		17,575	(87,747)
Interest income	**5**	889	1,783
Finance costs	**5**	(69,482)	(57,155)
Loss before taxation		(51,018)	(143,119)
Income tax benefit / (expense)	**11**	7,495	(6,925)
Loss for the year attributable to equity holders of the parent		(43,523)	(150,044)
Loss per share:			
Basic loss per share	**12**	(0.2) cents	(1.6) cents
Other comprehensive loss			
Loss for the year attributable to equity holders of the parent		(43,523)	(150,044)
Items that may be reclassified subsequently to profit or loss			
Exchange gain (loss) arising on translation of foreign operations		(15,121)	18,543
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain related to defined benefit plans	**23**	414	7,791
Income tax on income and expense recognised directly through equity		(104)	(752)
Other comprehensive loss for the year, net of tax		(14,811)	25,582
Total comprehensive loss for the year attributed to equity holders of the parent		(58,334)	(124,462)

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

See accompanying Notes to the Consolidated Financial Statements included on pages 52 to 104.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2018

	Note	2018 US$'000	2017 US$'000
Current assets			
Cash and cash equivalents	**31**	38,942	43,758
Trade and other receivables	**13**	119,582	131,861
Inventories	**14**	165,410	174,375
Current tax receivable	**11**	268	1,657
Prepaid expenses and other assets		12,813	13,749
		337,015	365,400
Asset classified as held for sale	**16**	467	530
Total current assets		337,482	365,930
Non-current assets			
Property, plant and equipment	**17**	114,098	118,130
Goodwill	**18**	103,859	101,196
Other intangible assets	**19**	37,763	34,109
Deferred tax assets	**11**	20,709	20,597
Non-current tax receivable	**11**	16,284	18,033
Other assets		6,975	15,134
Total non-current assets		299,688	307,199
Total assets		637,170	673,129
Current liabilities			
Trade and other payables	**20**	111,198	138,248
Provisions	**22**	19,891	19,451
Current tax payable	**11**	71,194	99,590
Loans and borrowings	**21**	1,183	794
Total current liabilities		203,466	258,083
Non-current liabilities			
Loans and borrowings	**21**	720,268	641,884
Deferred tax liabilities	**11**	17,502	13,439
Provisions	**22**	10,792	18,720
Total non-current liabilities		748,562	674,043
Total liabilities		952,028	932,126
Net liabilities		**(314,858)**	**(258,997)**
Equity			
Issued capital	**24**	1,468,776	1,468,758
Reserves		(116,231)	(101,135)
Other equity		(137,182)	(137,182)
Accumulated losses		(1,532,651)	(1,489,438)
Total deficiency in equity		(317,288)	(258,997)
Non-controlling interest		2,430	-
Total equity		**(314,858)**	**(258,997)**

See accompanying Notes to the Consolidated Financial Statements included on pages 52 to 104.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Other [1] equity US$'000	Accumulated losses US$'000	Total attributable to owners of the parent US$'000	Non Controlling Interest US$'000	Total equity US$'000
Balance at 1 January 2017	1,263,798	(130,661)	12,975	(137,182)	(1,346,433)	(337,503)	-	(337,503)
Loss for the period	-	-	-	-	(150,044)	(150,044)	-	(150,044)
Other comprehensive gain for the period - net of tax	-	18,543	-	-	7,039	25,582	-	25,582
Total other comprehensive loss	-	18,543	-	-	(143,005)	(124,462)	-	(124,462)
Shares issued	200,464	-	-	-	-	200,464	-	200,464
Shares issued to directors	485	-	(438)	-	-	47	-	47
Vesting of LTIP rights, restricted shares	1,642	-	(1,642)	-	-	-	-	-
Cancellation of LTIP share rights	2,369	-	(2,369)	-	-	-	-	-
Share-based compensation	-	-	2,457	-	-	2,457	-	2,457
Balance at 31 December 2017	**1,468,758**	**(112,118)**	**10,983**	**(137,182)**	**(1,489,438)**	**(258,997)**	**-**	**(258,997)**
Balance at 1 January 2018	1,468,758	(112,118)	10,983	(137,182)	(1,489,438)	(258,997)	-	(258,997)
Loss for the period	-	-	-	-	(43,523)	(43,523)	-	(43,523)
Other comprehensive loss for the period - net of tax	-	(15,121)	-	-	310	(14,811)	-	(14,811)
Total other comprehensive loss	-	(15,121)	-	-	(43,213)	(58,334)	-	(58,334)
Shares issued	18	-	-	-	-	18	-	18
Non-controlling interest	-	-	-	-	-	-	2,430	2,430
Share-based compensation	-	-	25	-	-	25	-	25
Balance at 31 December 2018	**1,468,776**	**(127,239)**	**11,008**	**(137,182)**	**(1,532,651)**	**(317,288)**	**2,430**	**(314,858)**

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

See accompanying Notes to the Consolidated Financial Statements included on pages 52 to 104.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from operating activities			
Loss for the year		(43,523)	(150,044)
Adjustments provided by operating activities:			
Income tax (benefit)/expense recognised in profit		(7,495)	6,925
Finance costs recognised in profit	**5**	69,482	57,155
Depreciation and amortisation	**6**	36,587	51,108
Interest income recognised in profit	**5**	(889)	(1,783)
Gain on sale or disposal of non-current assets	**6**	(7,794)	(4,385)
Other non-cash items		(17,135)	(15,235)
Shares issued to directors		18	485
Impairment of current and non-current assets		11,493	2,175
Non-cash foreign exchange (gain)/loss		2,062	(4,162)
Equity-settled share-based payments	**6b, 10**	25	2,457
Long-term compensation - cash rights	**6b**	-	2,178
Changes in net assets and liabilities, net of effects from acquisition and disposal of business:			
(Increase) decrease in assets:			
Trade and other receivables		3,037	(19,041)
Inventories		4,023	12,672
Other assets		(980)	(2,680)
(Decrease) increase in liabilities:			
Trade and other payables		(18,944)	18,323
Provisions		(5,818)	3,444
Cash (used in) provided by operations		24,149	(40,408)
Interest paid		(6,095)	(7,384)
Interest received	**5**	889	1,783
Income taxes paid		(15,231)	(8,006)
Net cash flows generated/used in operating activities		**3,712**	**(54,015)**

See accompanying Notes to the Consolidated Financial Statements included on pages 52 to 104.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(37,095)	(25,501)
Proceeds from sale of property, plant and equipment		13,738	13,791
Intangible costs paid		(2,016)	(2,850)
Investment in unaffiliated companies		-	(859)
Net cash flows used in investing activities		**(25,373)**	**(15,419)**
Cash flows from financing activities			
Proceeds from issuance of shares		-	4,464
Payments for debt issuance costs		-	(2,550)
Proceeds from borrowings		16,964	96,071
Repayment of borrowings		(5,345)	(51,594)
Net cash flows provided by financing activities		**11,619**	**46,391**
Net decrease in cash and cash equivalents		(10,042)	(23,043)
Cash and cash equivalents at the beginning of the year		43,758	59,343
Effects of exchange rate changes on the balance of cash held in foreign currencies		5,226	7,458
Cash and cash equivalents at the end of the year	**31**	**38,942**	**43,758**

See accompanying Notes to the Consolidated Financial Statements included on pages 52 to 104.

1. GENERAL INFORMATION

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

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

Registered office	Principal place of business
26 Butler Boulevard	2455 South 3600 West
Burbridge Business Park	Salt Lake City, Utah 84119
Adelaide Airport, SA 5650	United States of America
Tel: +61 (8) 8375 8375	Tel: +1 (801) 972 6430

Basis of Preparation

This financial report is a general purpose financial report which:

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

- is presented in United States dollars, which is Boart Longyear Limited's functional and presentation currency. All values have been rounded to the nearest thousand dollars (US'000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191. The financial statements were authorised for issue by the Directors on 26 February 2019;

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

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

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

- adopted AASB 15 *Revenue from Contracts from Customers* and AASB 9 *Financial Instruments*. The accounting policies been updated for changes resulting from the adoption of those tow standards. Refer to Note 33 for further details on the changes in accounting policies.

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

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

1. GENERAL INFORMATION (CONTINUED)

Going Concern

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

At 31 December 2018, the Company has net liabilities of $314.9 million (2017: net liabilities of $259.0 million). The increase in net liabilities is mainly a result of accreted interest on long-term debt. At 31 December 2018 the Company has net current assets of $134.0 million (2017: $107.8 million as at 31 December).

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

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

Market risk
The Company experienced significant declines in financial performance through mid-2016, as a result of declining demand for, and global oversupply of, the Company's services and products. This decline was driven by the global contraction in exploration and development spending across the commodities sector and by mining customers in particular. We have seen an improvement in the market through 2017 and into 2018; however, despite recent improvements in the market, and increasing revenues, mineral exploration, production and development activities and contract pricing could remain at depressed levels for an extended period of time or decline, resulting in adverse effects on the Company's operating results, liquidity and financial condition.

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

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

Other key assumptions
The cash flow forecasts also include a number of other key assumptions, in particular:
- assumptions relating to the timing and outcome of the tax audits detailed in Note 11 of the financial statements,
- that the US dollar remains consistent with current levels, particularly in relation to the Australian and Canadian dollars.

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

1. GENERAL INFORMATION (CONTINUED)

Key Judgements and Estimates

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

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

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

Note 1	Going Concern
Note 11	Income Tax
Note 18	Goodwill and Other Asset Impairment Considerations
Note 27	Contingent Liabilities

Foreign Currency

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

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

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

Other Accounting Policies

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

2. SEGMENT REPORTING

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

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

Segment revenue and results

	Segment Revenue				Segment Profit	
	2018		2017		2018	2017
	US$'000		US$'000		US$'000	US$'000
Global Drilling Services		533,606		500,583	57,137	36,395
Global Products revenue						
Products third party revenue	236,561		238,480			
Products inter-segment revenue [1]	56,021		54,507			
Total Global Products		292,582		292,987	23,493	2,803
Less Global Product sales to Global Drilling Services		(56,021)		(54,507)		
Total third party revenue		770,167		739,063		
Total segment profit					80,630	39,198
Unallocated costs [2]					(36,554)	(47,259)
Significant items					(26,501)	(79,686)
Finance costs					(69,482)	(57,155)
Interest income					889	1,783
Loss before taxation					(51,018)	(143,119)

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

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

Other segment information

	Depreciation and amortisation of segment assets		Additions to non-current assets [2]	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Global Drilling Services	25,768	32,663	27,932	20,805
Global Products	7,175	8,599	3,013	3,904
Total of all segments	32,943	41,262	30,945	24,709
Unallocated [1]	3,644	9,846	10,427	5,657
Total	36,587	51,108	41,372	30,366

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

2. SEGMENT REPORTING (CONTINUED)

Geographic information

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

	Revenue from external customers		Non-current assets [1]	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
North America	353,206	338,818	201,767	210,440
Asia Pacific	169,031	156,502	39,922	45,476
Latin America	110,066	108,627	18,349	23,054
EMEA	137,864	135,116	18,941	7,632
Total	770,167	739,063	278,979	286,602

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

3. REVENUE

Boart Longyear operates two different business units throughout various geographical locations – Global Drilling Services and Global Drilling Products.

Global Drilling Services

The Company performs various types of drilling services within the mining and minerals industry. Contracts entered into can cover services which involve different processes and continuous drilling services activities in a sequential set of mobilisation, drilling, and demobilisation activities which are invoiced to the customer as those activities progress. These processes and activities are highly inter-related and the Company provides a significant service of integration of such activities. Where this is the case, these activities and processes are accounted for as one performance obligation.

Revenue from services rendered is recognised in the statement of profit and loss and other comprehensive income over time. Boart Longyear has a contractual right to consideration from a customer for an amount that corresponds directly with the value to the customer of the performance completed to date (for example, number of meters drilled). As a result, Boart Longyear applies the practical expedient under AASB15.B16 to recognise revenue at the amount which it has the right to invoice.

Customers are invoiced on a fortnightly basis and revenue is recognised in the accounting period in which the right to invoice is obtained. Payment is received following invoice according to standard payment terms, which are generally between 30 to 60 days. There are no significant financing components. Most drilling services contracts do not include variable payment terms. Where variable payment terms exist these are usually in the form of penalties for late completion. Variable consideration is only recognised to the extent that it is considered highly probable that such amounts will not reverse in the future and is estimated using the expected value approach.

Global Drilling Products

The Company manufactures, distributes and sells equipment that is necessary for the mining and mineral industry. Sales orders are completed across multiple geographies for products, such as large drill rigs and drilling components such as bits and coring rods. Each product promised to the customer is distinct under the contract according to AASB15.27 and gives rise to a separate performance obligation. Revenue is recognised when control of the products has transferred to the customer. Transfer of control happens at the point the products are delivered to the customer for drilling rigs and at the point the products are shipped to the customer's specific location for drilling components. The transaction price is allocated to each product on stand-alone basis.
Payment is received following invoice according to standard payment terms, which are generally between 30 to 60 days. There are no significant financing components and there is no significant reversal of variable consideration expected at the point of revenue recognition.

The components of revenue are as follows:

	2018 US$'000	2017 US$'000
Revenue from the rendering of services	533,606	500,583
Revenue from the sale of goods	236,561	238,480
	770,167	739,063

There were no customer(s) that contributed 10% or more to the Company's revenue in 2018 and 2017.

4. OTHER INCOME / EXPENSE

The components of other income are as follows:

	2018 US$'000	2017 US$'000
Gain on disposal of property, plant and equipment	7,794	4,385
Gain on disposal of scrap	326	805
Other	2,240	1,447
	10,360	6,637

The components of other expense are as follows:

	2018 US$'000	2017 US$'000
Amortisation of intangible assets	4,216	10,657
VAT write-off	2,938	3,323
Loss on foreign currency exchange differences	11,615	6,564
Impairment of fixed assets	79	1,936
Environmental fees	24	1,179
Other	2,208	1,020
Total other expenses	21,080	24,679

5. INTEREST INCOME / FINANCE COSTS

Interest income is as follows:

	2018 US$'000	2017 US$'000
Interest income:		
Bank deposits	889	1,783

Finance costs are as follows:

	2018 US$'000	2017 US$'000
Finance costs:		
Interest on loans and bank overdrafts	67,432	52,243
Amortisation of debt issuance costs	1,902	2,012
Interest on obligations under finance leases	148	60
Total finance costs	69,482	54,315
Finance costs due to debt repayment:		
Write-off of debt issuance costs	-	2,840
	-	2,840
Total finance costs	69,482	57,155

6. LOSS FOR THE YEAR

Loss for the year includes the following:

(a) Gains and losses

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

	2018 US$'000	2017 US$'000
Gain on disposal of property, plant and equipment	7,794	4,385
Net foreign exchange losses	(11,615)	(6,564)
Bad debt expense, net of reversals	(228)	(1,343)

(b) Employee benefits expenses

	2018 US$'000	2017 US$'000
Salaries and wages	(244,925)	(244,119)
Post-employment benefits:		
Defined contribution plans	(6,411)	(5,751)
Defined benefit plans	(1,507)	(1,902)
Long-term incentive plans:		
Equity-settled share-based payments	(25)	(2,457)
Cash rights compensation	-	(2,178)
Termination benefits	(3,164)	(11,625)
Other employee benefits [1]	(66,944)	(69,827)
	(322,976)	(337,859)

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

(c) Other

	2018 US$'000	2017 US$'000
Depreciation of non-current assets	(31,129)	(39,236)
Amortisation of non-current assets	(5,446)	(11,872)
Operating lease rental expense	(25,696)	(15,753)

7. SIGNIFICANT ITEMS

During 2018, the Company continued to reduce operating costs through a series of restructuring activities. The Company's restructuring efforts included:

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

The Company has incurred costs related to cost-reduction plans. These costs include employee separations, exiting leased facilities, impairments of plant and equipment and inventories, and professional fees related to resizing the business.

Significant items for the years ended 31 December 2018 and 2017 are, as follows:

	2018 US$'000	2017 US$'000
Recapitalisation costs [1]	-	50,471
Impairments:		
Equipment	44	136
Intangible assets	-	26
Inventories	10,941	-
Employee and related costs [2]	2,601	15,116
Other restructuring costs [3]	12,915	12,175
Onerous leases	-	1,762
	26,501	79,686
Net of tax [4]	26,099	78,931

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

Classification of significant items on the income statement for the years ended 31 December 2018 and 2017 are, as follows:

	2018 US$'000	2017 US$'000
General and administrative expenses	14,493	76,511
Cost of goods sold	11,242	2,669
Research and development	266	189
Sales and marketing expenses	500	317
	26,501	79,686

Significant items for the years ended 31 December 2018 and 2017 by business segment are, as follows:

	2018 US$'000	2017 US$'000
Global Drilling Services[1]	8,566	6,320
Global Products	10,513	5,316
Unallocated[2]	7,422	68,050
	26,501	79,686

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

8. REMUNERATION OF AUDITORS

	2018 US$'000	2017 US$'000
Company auditor's remuneration		
Audit and review of the financial report:		
Auditor of the parent entity	835	974
Related practices of the parent entity auditor	757	927
	1,592	1,901
Non-audit services:		
Tax Compliance	429	449
Tax Services	427	308
	856	757
Total remuneration to Company auditor	2,448	2,658
Remuneration to other accounting firms		
Audit services	264	229
Non-audit services:		
Tax services	2,326	2,116
Professional services	1,944	-
Global mobility	101	196
Accounting and payroll services	402	363
Other	292	105
Total remuneration to other accounting firms	5,329	3,009

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

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

9. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2018 US$'000	2017 US$'000
Short-term employee benefits	4,989	4,892
Post-employment benefits	28	65
Other long-term benefits	67	430
Share-based payments	18	1,899
	5,101	7,286

10. EMPLOYEE LONG TERM INCENTIVE PAYMENTS

On 31 December 2017 the Long Term Incentive Plan (LTIP) and Retention Incentive Grant Agreement (RIGA) programs ceased. Retention based awards, under LTIP, were calculated on a pro-rata basis as of 31 December 2017 and will be paid on the original payment date as per the award agreement. Performance based awards and stock option plans, under the LTIP, were cancelled as of 31 December 2017.

Effective 1 January 2018 the Board approved a resolution to introduce a long-term incentive plan, the Management Incentive Plan (“MIP”).

The MIP is a long-term incentive plan, which is similar in design to a stock option plan, and consistent with many incentive plans in private equity, in that it allows participants to share in the gain of Boart Longyear’s value over time. The MIP was created to give senior leaders an opportunity to share in the growth and value of Boart Longyear’s business success.

The executives eligible to participate in the MIP are senior management and corporate executives, including the KMP. The percentage of the MIP payouts vary depending on the participant’s position, skills and contributions to the Company. The percentage amounts are generally based on market averages for comparable roles at similar-sized companies.

There are both time and performance vesting hurdles in the MIP. The time vesting portion of the MIP represents 33.3% of the plan and is spread over a 5-year time window.

The performance portion of the MIP is based on Boart Longyear’s gain in Total Enterprise Value (TEV), which has been set at a baseline of $650 million.

The MIP has two performance vesting criteria; one set at $900M TEV, representing 33.3% of the award and the other set at $1.1B TEV, which represents the final 33.3% of the award.

Upon sale of ownership at certain predetermined levels, TEV will be measured and if the critieria are met, business leaders will be paid a percentage of the value based on their MIP allocation.

No trigger event took place in 2018, so no amount was recorded in the financial statements at 31 December 2018.

The MIP will be paid in either cash or shares at the discretion of the Board.

11. INCOME TAXES

Income Taxes

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

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

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

Current and deferred taxation

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

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

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

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

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

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

United States of America Tax Cuts and Jobs Act

In the United States, the Tax Cuts and Jobs Act (the Tax Act) was signed into law on 22 December 2017. The Tax Act changed many aspects of U.S. corporate income taxation and included a reduction of the corporate income tax rate from 35% to 21%, and an imposition of a tax on deemed repatriated earnings of foreign subsidiaries. The Company recognized the tax effects of the Tax Act in the year ended December 31, 2017 and recorded a $5.0 million tax benefit relating primarily to the remeasurement of deferred tax items to the 21% tax rate.

11. INCOME TAXES (CONTINUED)

Tax consolidation

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

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

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

(a) **Income tax (benefit)/expense is comprised of:**

	2018 US$'000	2017 US$'000
Income tax (benefit)/expense:		
Current tax (benefit)/expense	(5,585)	13,199
Adjustments recognised in the current year in relation to the current tax of prior years	(1,920)	664
Deferred tax (benefit)/expense	10	(6,938)
	(7,495)	6,925

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

	2018	2017
Loss before taxation	(51,018)	(143,119)
Income tax benefit calculated at Australian rate of 30%	(15,305)	(42,936)
Impact of Non-Australia Tax Rates	(2,292)	3,313
Change In Deferred taxes as result US Tax Law Change [1]	-	(5,020)
Net non-deductible/non-assessable items other	13,166	7,817
Net Unrecognised tax losses and tax credits for the current year [2]	23,452	46,596
Recognition of deferred tax assets arising in prior years	(6,168)	(3,648)
Other [3]	(18,428)	139
	(5,575)	6,261
(Over) / under provision from prior years	(1,920)	664
Income tax (benefit)/expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(7,495)	6,925

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

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

(3) The majority of this adjustment relates to effectively settling a portion of the disputes in the Canada Revenue Agency tax audit for tax years 2007-2012 (See the Canadian income tax audits section on page 68).

11. INCOME TAXES (CONTINUED)

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

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

	2018 US$'000	2017 US$'000
Deferred tax recognised in equity:		
Actuarial movements on defined benefit plans	(104)	(752)

(d) Tax assets and liabilities

	2018 US$'000	2017 US$'000
Tax assets:		
Income tax receivable attributable to:		
Parent	(97,271)	(91,015)
Other entities in the tax consolidated group	97,271	91,015
Other entities	16,552	19,690
	16,552 [1]	19,690
Current tax liabilities:		
Income tax payable attributable to:		
Parent	1,398	-
Entities other than parent and entities in the consolidated group	69,796	99,590
	71,194	99,590

(e) Deferred tax balances

	2018 US$'000	2017 US$'000
Deferred tax comprises:		
Temporary differences	(5,122)	(1,248)
Unused tax losses and credits	8,329	8,406
	3,207	7,158

(1) The income tax receivable for 2018 is $16.6 million (2017: $19.7 million) of which $0.3 million is classified as current tax receivable and $16.3 million is classified as non-current tax receivable (2017: $1.7 million and $18.0 million respectively).

11. INCOME TAXES (CONTINUED)

2018	Opening balance US$'000	Recognised in income US$'000	FX differences US$'000	Acquired/ disposed US$'000	Recognised in equity US$'000	Closing balance US$'000
Deferred tax assets (liabilities) temporary differences						
Property, plant and equipment	3,568	941	(422)	-	-	4,087
Provisions	3,326	(188)	(394)	-	-	2,744
Doubtful debts	64	(40)	(8)	-	-	16
Other intangible assets	(13,885)	(228)	-	(2,358)	-	(16,471)
Accrued liabilities	3,314	(458)	(392)	-	-	2,464
Pension	(441)	147	52		(104)	(346)
Inventories	1,940	267	(230)	-	-	1,977
Unrealised foreign exchange	171	(446)	-	-	-	(275)
Other	695	72	(85)	-	-	682
	(1,248)	67	(1,479)	(2,358)	(104)	(5,122)
Unused tax losses and credits:						
Tax losses	8,406	(77)	-		-	8,329
	7,158	(10)	(1,479)	(2,358)	(104)	3,207

Presented in the statement of financial position as follows:	
Deferred tax asset	20,709
Deferred tax liability	(17,502)
	3,207

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

11. INCOME TAXES (CONTINUED)

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

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

Unrecognised deferred tax assets	2018 US$'000	2017 US$'000
Tax benefit of unused losses [1]	221,355	228,309
Unused tax credits [2]	16,698	23,089
Tax benefit of temporary differences	63,415	62,633
	301,468	314,031

(1) $93,066 of the tax benefit of unused losses expire within 3-20 years and $128,289 related to tax losses that do not expire.

(2) All of the unused tax credits expire within 1-10 years.

11. INCOME TAXES (CONTINUED)

Canadian income tax audits

As previously disclosed by the Company, the Canada Revenue Agency ("CRA")'s audit division made a reassessment which would have resulted in tax, penalties and interest payable as of 31 December 2017 of C$109.4 million for the 2007 through 2012 tax years. The Company has filed applications under the mutual agreement procedures ("MAP") of Canada's tax treaties with the jurisdictions of residence of various relevant foreign affiliates, for relief from double taxation arising as a result of international reassessments. These procedures have been completed and agreed with the U.S. and Australia. The CRA chose to withdraw its adjustments from all other treaty partner jurisdictions except Switzerland, which is underway. As a result of the settlements achieved on domestic issues and in the MAP process, the remaining unsettled tax, penalties and interest could result in a maximum remaining assessment of C$29 million. After the application of tax credits and payments, the maximum future cash outlay could be C$15 million for the remaining unsettled issues. The Company continues negotiation with the CRA in the appeals process but it is not possible to predict the outcome with any certainty at this time.

The Company has also been reassessed for domestic adjustments for 2013 through 2014 tax years but international issues have not yet been reassessed. The Company appealed these domestic reassessments of C$3.3 million by filing Notices of Objection with the CRA, and certain provincial tax authorities. The Company plans to vigorously dispute these reassessments.

12. LOSS PER SHARE

	2018 US cents per share	2017 US cents per share
Basic loss per share	(0.2)	(1.6)

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

	2018 US$'000	2017 US$'000
Loss used in the calculation of basic EPS	(43,523)	(150,044)

13. TRADE AND OTHER RECEIVABLES

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

	2018 US$'000	2017 US$'000
Trade receivables	109,195	123,554
Loss allowance	(1,391)	(1,844)
Goods and services tax receivable	7,056	8,229
Other receivables	4,722	1,922
	119,582	131,861

The ageing of trade receivables is detailed below:

	2018 US$'000	2017 US$'000
Current	89,315	90,156
Past due 0 - 30 days	13,106	18,963
Past due 31 - 60 days	2,166	6,338
Past due 61-90 days	1,243	3,338
Past due 90 days	3,365	4,759
	109,195	123,554

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable.

The Company's policy requires customers to pay the Company in accordance with agreed payment terms. The Company's settlement terms are generally 30 to 60 days from date of invoice. All credit and recovery risk associated with trade receivables has been provided for in the statement of financial position. Trade receivables have been aged according to their original due date in the above ageing analysis. No interest is charged on trade receivables.

Credit risk management

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

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

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No derivative financial instruments were entered into during 2018 or 2017.

14. INVENTORIES

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

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

14. INVENTORIES (CONTINUED)

	2018 US$'000	2017 US$'000
Raw materials	30,836	28,023
Work in progress	5,488	3,265
Finished products	129,086	143,087
	165,410	174,375

The Company did not record any additional provisions against inventory for the years ended 31 December 2018 and 2017. Obsolescence provisions were $18.7 million and $25.0 million as at 31 December 2018 and 2017, respectively.

15. FINANCIAL RISK MANAGEMENT

Capital risk management

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

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

Significant accounting policies

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

Credit risk management

The Company reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced. 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.

Of the outstanding loans and borrowings, Centerbridge Partners, L.P. accounted for $292.5 million of Term Loans outstanding. Centerbridge Partner, L.P., Ares Management L.P. and Ascribe Capital hold $20.6 million of the backstop ABL with $3.1 million of accreted interest. There are no significant concentrations of credit risk. The carrying amount reflected above represents the Company’s maximum exposure to credit risk for trade and other receivables.

Financial risk management objectives

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

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

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

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

Foreign currency risk management

Company subsidiaries undertake certain transactions denominated in currencies other than their functional currency, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The Company did not utilise any derivative instruments during the years ended 31 December 2018 or 2017.

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

	Assets		Liabilities	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Australian Dollar	170,842	94,116	55,519	163,003
Canadian Dollar	269	190	22,933	27,577
Euro	27,593	30,454	158,496	146,070
US Dollar	143,756	131,041	153,168	336,060

Foreign currency sensitivity

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

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

	10% decrease in AUD		10% decrease in CAD	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Net profit	(8,689)	(1,247)	1,273	1,557
Net assets	(10,485)	6,264	2,059	2,483

	10% decrease in EUR		10% decrease in USD	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Net profit	4,692	3,919	(5,818)	9,035
Net assets	9,186	7,886	856	18,638

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

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Forward foreign exchange contracts

There were no open forward foreign currency contracts as at 31 December 2018 or 2017.

Interest rate risk management

Most of the Company's loan portfolio is at fixed interest rates, as such it has less exposure to variable interest rates than fixed interest rates.

Liquidity risk management

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

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

Liquidity risk

The following tables reflect the expected maturities of non-derivative financial liabilities as at 31 December 2018 and 2017. These are based on the undiscounted expected cash flows of financial liabilities based on the maturity profile per the loan agreement. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount on the balance sheet.

	Weighted average effective interest rate %	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 to 5 years US$'000	Adjustment US$'000	Total US$'000
31 December 2018							
Non-interest bearing payables	-	93,091	18,107	-	-	-	111,198
Variable interest rate instruments	5.7%	142	283	1,274	31,008	(2,654)	30,053
Fixed interest rate instruments	8.1%	-	-	-	916,232	(227,760)	688,472
Financial Lease	7.1%	98	196	884	3,765		4,943
		93,331	18,586	2,158	951,005	(230,414)	834,666
31 December 2017							
Non-interest bearing payables	-	93,196	45,052	-	-	-	138,248
Variable interest rate instruments	5.1%	73	146	656	18,376	(2,240)	17,011
Fixed interest rate instruments	8.9%	-	-	-	930,935	(304,421)	626,514
Financial Lease	4.6%	66	132	595	1,877		2,670
		93,335	45,330	1,251	951,188	(306,661)	784,443

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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

	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	Total US$'000
2018				
Non-interest bearing receivables	62,535	48,778	8,269	119,582
Cash	38,942	-	-	38,942
	101,477	48,778	8,269	158,524
2017				
Non-interest bearing receivables	61,399	60,582	9,880	131,861
Cash	43,758	-	-	43,758
	105,157	60,582	9,880	175,619

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

Fair value of financial instruments

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

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

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

16. ASSETS CLASSIFIED AS HELD FOR SALE

Based on current market conditions and future outlook, the Company has classified certain property, plant and equipment assets in the amount of $467 thousand as held for sale as at 31 December 2018 (31 December 2017: $530 thousand). These assets consist primarily of excess rigs and ancillary equipment. The opportunity for a gain by the disposition of these targeted assets allows the Company to rationalise its assets, raise capital and eliminate ongoing costs associated with maintaining these assets.

17. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset, including the costs of materials and direct labour and other costs directly attributable to bringing the asset to a working condition for the intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets.

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

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

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

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

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

Leased assets

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

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

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

Operating lease payments are recognised as expenses on a straight-line basis over the lease terms. See Note 26 for more information.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and Buildings US$'000	Plant and Equipment US$'000	Construction in Progress US$'000	Total US$'000
Balance at 1 January 2017	47,344	608,668	9,573	665,585
Additions	34	797	26,684	27,515
Disposal	(3,022)	(63,956)	-	(66,978)
Transfers from assets held for sale	-	-	-	-
Transfer from CIP	562	18,063	(18,625)	-
Transfer from intangible assets	-	723	-	723
Currency movements	2,755	31,541	581	34,877
Balance at 31 December 2017	47,673	595,836	18,213	661,722
Additions	8	1,260	38,088	39,356
Disposal	(2,067)	(51,227)	-	(53,294)
Transfers from assets held for sale	-	-	-	-
Transfer from CIP	5,754	39,084	(44,838)	-
Transfer from intangible assets	-	-	-	-
Currency movements	(2,365)	(35,373)	1,453	(36,285)
Balance at 31 December 2018	49,003	549,580	12,916	611,499
Accumulated depreciation and impairment:				
Balance at 1 January 2017	(15,143)	(522,782)	-	(537,925)
Depreciation	(1,723)	(37,513)	-	(39,236)
Impairment	(196)	(1,875)	-	(2,071)
Disposal	1,854	61,111	-	62,965
Currency movements	(1,292)	(26,033)	-	(27,325)
Balance at 31 December 2017	(16,500)	(527,092)	-	(543,592)
Depreciation	(1,965)	(29,164)	-	(31,129)
Impairment	-	(123)	-	(123)
Disposal	1,310	46,040	-	47,350
Transfers from assets held for sale	-	-	-	-
Currency movements	1,403	28,690	-	30,093
Balance at 31 December 2018	(15,752)	(481,649)	-	(497,401)
Net book value at 31 December 2017	**31,173**	**68,744**	**18,213**	**118,130**
Net book value at 31 December 2018	**33,251**	**67,931**	**12,916**	**114,098**

Property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. Assets are first considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or salability within a reasonable timeframe. As a result of this exercise, the Company recorded an impairment loss at 31 December 2018 and 31 December 2017 of $123 thousand and $2.1 million, respectively on property, plant and equipment.

18. GOODWILL AND OTHER ASSET IMPAIRMENT CONSIDERATIONS

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

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

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

Goodwill, intangible assets and property, plant and equipment

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

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

Goodwill by cash-generating units

	Note	US$'000
Gross carrying amount:		
Balance at 1 January 2017		100,036
Currency movements		1,160
Balance at 31 December 2017		101,196
Balance at 1 January 2018		101,196
Acquisiton of business	**34**	3,940
Currency movements		(1,277)
Balance at 31 December 2018		103,859

The carrying amount of goodwill of $103.9 million as at 31 December 2018 and $101.2 million as at 31 December 2017 was in the North America Drilling Services CGU. The additions of $3.9 million are related to the acquisition of Globaltech. See Note 34 for more information.

18. GOODWILL AND OTHER ASSET IMPAIRMENT CONSIDERATIONS (CONTINUED)

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:

Goodwill by cash-generating units

	2018 US$'000	**2017 US$'000**
North America Drilling Services	99,919	101,196
Asia Pacific - Globaltech	3,940	-
	103,859	101,196

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

Goodwill impairment by cash-generating units

Goodwill and intangible assets in the EMEA, Latin America and Asia Pacific Drilling Services CGUs have been fully impaired. For the North America Drilling Services CGU, the Company performed a goodwill impairment test at 31 December 2018 and the recoverable amount for the North America Drilling Services CGU exceeded the goodwill carrying amount. Goodwill arising from the acquisition of Globaltech in Asia Pacific was also tested for impairment and the recoverable amount exceeded the Globaltech carrying amount. Consequently, no goodwill impairments were recorded for the year ended 31 December 2018.

Key assumptions

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

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

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

18. GOODWILL AND OTHER ASSET IMPAIRMENT CONSIDERATIONS (CONTINUED)

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

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

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

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

Discount rate and terminal growth rate
A global discount rate of 11.5% is used and adjusted on a case-by-case basis for regional variations in the required equity rate of return. Based on information published by Bloomberg, the adjusted post-tax discount rate for the North American region is 11.0% and the terminal growth rate of 3.0% does not exceed the long-term average growth rate for the industry.

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

19. OTHER INTANGIBLE ASSETS

Trademarks and trade names

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

Contractual customer relationships

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

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

Patents

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

Research and development costs

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

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

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

19. OTHER INTANGIBLE ASSETS (CONTINUED)

	Note	Trademarks US$'000	Patents US$'000	Customer relationships and other US$'000	Software US$'000	Develop-ment assets US$'000	Total US$'000
Gross carrying amount:							
Balance at 1 January 2017		4,293	7,137	46,529	89,111	45,745	192,815
Additions		33	961	-	12	1,844	2,850
Disposals		(1,266)	(1)	(5,321)	(2)	(1)	(6,591)
Transfer to PP&E		-	-	-	-	(723)	(723)
Currency movements		-	-	1,752	20	(23)	1,749
Balance at 31 December 2017		3,060	8,097	42,960	89,141	46,842	190,100
Balance at 1 January 2018		3,060	8,097	42,960	89,141	46,842	190,100
Additions		27	815	-	-	1,174	2,016
Acquisition of business	**34**	1	353	-	-	7,436	7,790
Disposals		-	(52)	-	(12)	-	(64)
Currency movements		-	(7)	(2,206)	(29)	(244)	(2,486)
Balance at 31 December 2018		3,088	9,206	40,754	89,100	55,208	197,356
Accumulated amortisation:							
Balance at 1 January 2017		(1,270)	(1,513)	(39,076)	(76,846)	(30,190)	(148,895)
Amortisation for the period		-	(471)	(1,622)	(8,568)	(1,211)	(11,872)
Disposals		1,270	-	5,321	-	-	6,591
Impairment for the period		-	-	-	-	(104)	(104)
Currency movements		-	-	(1,712)	(18)	19	(1,711)
Balance at 31 December 2017		-	(1,984)	(37,089)	(85,432)	(31,486)	(155,991)
Balance at 1 January 2018		-	(1,984)	(37,089)	(85,432)	(31,486)	(155,991)
Amortisation for the period		-	(388)	(1,124)	(2,693)	(1,241)	(5,446)
Disposals		-	-	-	28	-	28
Impairment for the period		-	-	-	(18)	(410)	(428)
Currency movements		-	-	2,195	23	26	2,244
Balance at 31 December 2018		-	(2,372)	(36,018)	(88,092)	(33,111)	(159,593)
Net book value at 31 December 2017		3,060	6,113	5,871	3,709	15,356	34,109
Net book value at 31 December 2018		3,088	6,834	4,736	1,008	22,097	37,763

Other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. As a result of the Company's review of specific intangible assets, the Company recorded an impairment loss at 31 December 2018 and 31 December 2017 of $428 thousand and $104 thousand, respectively.

The Company has reassessed the carrying value of certain development assets relating to its Global Products business. The 31 December 2018 review did not lead to an impairment for that period.

The Company recognised $6.6 million of research and development expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 (2017: $8.1 million).

20. TRADE AND OTHER PAYABLES

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

	2018 US$'000	2017 US$'000
Current		
Trade payables	52,685	65,486
Accrued payroll and benefits	23,834	26,759
Accrued recapitalision costs	-	9,898
Goods and services tax payable	17,788	13,229
Accrued interest	192	1,051
Accrued legal and environmental	4,405	5,625
Professional fees	4,583	4,535
Accrued drilling costs	2,572	2,484
Other sundry payables and accruals	5,139	9,181
	111,198	138,248

No interest is charged on the trade payables for this period. Thereafter, various percentages of interest may be charged on the outstanding balance based on the terms of the specific contracts. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

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

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

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

21. LOANS AND BORROWINGS

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

	2018 US$'000	2017 US$'000
Unsecured - at amortised cost		
Non-current		
Senior notes	88,882	88,882
Accreted interest	1,791	444
Secured - at amortised cost		
Current		
Finance lease liabilities	1,183	794
Non-current		
Senior notes	217,035	217,035
Term loans	292,441	190,000
Accreted interest	43,317	85,153
Revolver bank loans	75,054	62,011
Debt issuance costs	(1,017)	(1,917)
Original issue discount	(1,000)	(1,600)
Finance lease liabilities	3,765	1,876
	721,451	642,678
Disclosed in the financial statements as:		
Current borrowings	1,183	794
Non-current borrowings	720,268	641,884
	721,451	642,678
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	1,183	794
Between 1 and 2 years	83,020	657
Between 2 and 3 years	1,100	64,255
Between 3 and 4 years	637,555	562
More than 4 years	610	579,927
	723,468	646,195
Original issue discount	(1,000)	(1,600)
Debt issuance costs	(1,017)	(1,917)
	721,451	642,678

21. LOANS AND BORROWINGS (CONTINUED)

Senior notes

Senior Unsecured Notes
The Company has $88.9 million of senior unsecured notes outstanding as at 31 December 2018 and 2017. These notes carry an interest rate of 1.5%, per annum, which is payable-in-kind (i.e. non cash) until maturity in December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

Senior Secured Notes
The Company has $217.0 million of senior secured notes outstanding as at 31 December 2018 and 2017. These notes carry an interest rate of 12% per annum which is payable-in-kind at the Company's election until December 2018 and thereafter in cash at the reduced interest rate of 10% per annum with a scheduled maturity date of December 2022. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts.

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

Revolver Bank Loans

ABL	31 December 2018 US$m	31 December 2017 US$m
Available facility	50.0	40.0
Drawn (i)	30.0	17.0
Letters of credit (ii)	5.9	13.0
Availability block	-	5.0
Undrawn (iii)	14.1	5.0
	50.0	**40.0**

(i) The Company has an asset based revolving bank facility with capacity of $50.0 million of which $30.0 million (31 December 2017: $17.0 million) was drawn.

(ii) As at 31 December 2018 $5.9 million (31 December 2017: $13.0 million) of outstanding letters of credit were drawn under the facility.

(iii) Of the undrawn amount $7.5 million is subject to springing dominion as of a date of determination if Undrawn Availability shall be less than or equal to $7.5 million as of the last day of any month.

Interest on drawn amounts and letters of credit are based on a base rate plus margin (30 day USD LIBOR plus 3.25%).

The facility is secured by a first lien on the accounts receivable, inventories, deposit accounts and cash ("working capital assets") of the ABL borrower and guarantors, and a third lien over substantially all of the other tangible and intangible assets ("non-working capital assets") of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property).

Scheduled maturity date of the facility is July 2020. As at 30 June 2018 the Company was in compliance with all of its debt covenants.

21. LOANS AND BORROWINGS (CONTINUED)

Backstop ABL
The term loan facility has an interest rate of 11% per annum payable-in kind or 10% per annum payable in cash at the option of the borrower. It is secured by substantially the same collateral as the ABL credit facility and contains a maturity of October 2020. As at 31 December 2018 and 2017 the amount outstanding under this facility was $45.0 million.

As at 31 December 2018 the Company was in compliance with all of its debt covenants.

Term Loans

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

Since inception, interest of $47.6 million and $34.8 million had accreted for Tranche A and Tranche B loans, respectively. On 31 December 2018, the issuer of these loans was changed from Boart Longyear Management Pty. Ltd. to BL Capital Management LLC and the accreted interest to 31 December 2018 was capitalised to the principal balance. No changes to interest rates or maturity dates were made.

Tranche A
As at 31 December 2018 and 2017 the amount outstanding was $132.6 and $85.0 million, respectively. This tranche contains a maturity of December 2022 and is non-callable for the first 4 years. It is secured by a first lien on the Working Capital Assets of the Term Loan A guarantors that are not ABL guarantors, a second lien on the Working Capital assets of the Term Loan A issuer and the Term Loan A guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan A issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

Tranche B
As at 31 December 2018 and 2017 the amount outstanding under Tranche B was $159.9m and $105.0 million, respectively. This tranche contains a maturity of December 2022 and is non-callable for the life of the loan. It is secured by a second lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and the Term Loan B and Senior Secured Notes guarantors that are also ABL guarantors, and a first lien on substantially all of the Non-Working Capital Assets of the Term Loan B and Senior Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

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

21. LOANS AND BORROWINGS (CONTINUED)

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

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

22. PROVISIONS

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

Employee benefits

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

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

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

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

Warranties

The Company provides statutory product warranties through its contracts with customers and does not offer the option to purchase warranties separately.

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

Onerous contracts

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

The following table reflects the provision balances:

	2018 US$'000	2017 US$'000
Current		
Employee benefits	11,561	8,995
Restructuring and termination costs	6,054	7,644
Warranty	1,268	1,299
Onerous leases	1,008	1,513
	19,891	19,451
Non-current		
Employee benefits	1,291	4,607
Pension and post-retirement benefits (Note 23)	8,682	12,601
Onerous leases	819	1,512
	10,792	18,720
	30,683	38,171

23. PENSION AND POST-RETIREMENT BENEFITS

Defined contribution pension plans and post-retirement benefits

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

Defined contribution plans

Pension costs represent actual contributions paid or payable by the Company to the various plans. At 31 December 2018, and 2017, there were no significant outstanding/prepaid contributions. Company contributions to these plans were $6.0 million and $5.8 million for the years ended 31 December 2018 and 2017, respectively.

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

Defined Benefit Pension Plans

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

The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Company's defined benefit obligations. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and related changes in actuarial assumptions are charged or credited to retained earnings.

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

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

Full actuarial valuations of the defined benefit pension plans were performed as at various dates and updated to 31 December 2018 by qualified independent actuaries. The estimated market value of the assets of the funded pension plans was $193.5 million and $211.1 million at 31 December 2018, and 2017, respectively. The market value of assets was used to determine the funding level of the plans. The market value of the assets of the funded plans was sufficient to cover 90% in 2018 and 2017, of the benefits that had accrued to participants after allowing for expected increases in future earnings and pensions. Entities within the Company are paying contributions as required by statutory requirements and in accordance with local actuarial advice.

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

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

23. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

Defined Benefit Pension Plans (Continued)

Company contributions to these plans were $6.0 million and $5.8 million during the years ended 31 December 2018 and 2017, respectively. Contributions in 2019 are expected to be $6.5 million.

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

	2018		2017	
	North America	Europe	North America	Europe
Discount rates	4.3%	1.8%	3.5%	1.6%
Expected Average Rate Increases:				
Salaries	3.5%	3.0%	3.5%	3.0%
Pensions in payment	-	1.5%	-	1.5%
Healthcare costs (initial)	5.0%	-	5.0%	-
Healthcare costs (ultimate)	5.0%	-	5.0%	-

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

	2018			2017		
	Pension Plan US$'000	Post-retirement medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement medical Plan US$'000	Total US$'000
Current service cost	1,083	-	1,083	1,226	-	1,226
Net interest expense	411	12	424	665	11	676
Past service cost	-	-	-	-	-	-
Total charge to profit and loss account	1,494	12	1,507	1,891	11	1,902

For the financial years ended 31 December 2018 and 2017, charges of approximately $1.3 million and $1.6 million, respectively, have been included in cost of goods sold and the remainder in general and administrative or sales and marketing expenses.

23. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2018			2017		
	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	223,271	417	223,688	207,653	324	207,977
Current service cost	1,083	-	1,083	1,226	-	1,226
Interest cost	6,243	13	6,256	6,487	11	6,498
Actuarial gains arising from demographic assumptions	231	-	231	(1,197)	-	(1,197)
Actuarial losses arising from financial assumptions	(7,803)	(5)	(7,808)	3,983	115	4,098
Assets distributed on settlements			-	-	-	-
Past service cost	-	-	-	-	-	-
Exchange differences on foreign plans	(10,388)	(31)	(10,419)	15,910	28	15,938
Benefits paid	(10,752)	(55)	(10,807)	(10,791)	(61)	(10,852)
Federal subsidy on benefits paid			-	-	-	-
Closing defined benefit obligation	201,885	339	202,224	223,271	417	223,688

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

	2018			2017		
	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	211,087	-	211,087	185,542		185,542
Expected return on plan assets	5,911	-	5,911	5,823	-	5,823
Actuarial gains arising from financial assumptions	(6,910)	-	(6,910)	10,536	-	10,536
Administrative expenses paid from the trust	(1,045)	-	(1,045)	(1,141)	-	(1,141)
Exchange differences on foreign plans	(10,647)	-	(10,647)	15,341	-	15,341
Contributions from the employer	5,898	55	5,953	5,777	61	5,838
Distribution of assets from settled plan	-	-	-	-		-
Contributions from plan participants	-	-	-	-		-
Benefits paid	(10,752)	(55)	(10,807)	(10,791)	(61)	(10,852)
Closing fair value of plan assets	193,542	-	193,542	211,087	-	211,087

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

	2018 US$'000	2017 US$'000
One percentage point increase		
Effect on the aggregate of the service cost and interest cost	-	-
Effect on accumulated post-employment benefit obligation	1	2
One percentage point decrease		
Effect on the aggregate of the service cost and interest cost	-	-
Effect on accumulated post-employment benefit obligation	(1)	(2)

24. ISSUED CAPITAL

	2018		2017	
	Shares '000	US$'000	Shares '000	US$'000
Ordinary shares				
Share capital				
Ordinary shares, fully paid	26,296,215	1,463,185	26,289,795	1,463,167
Movements in ordinary shares				
Balance at beginning of year	26,289,795	1,463,167	940,585	1,204,291
Non-controlling interest	-	-		
Issued to Directors	6,420	18	12,758	485
Issued under the recapitalisation	-	-	24,895,916	194,873
Conversion of perferred shares	-	-	434,002	59,507
Vesting of LTIP rights	-	-	6,534	1,642
Cancellation of LTIP rights	-	-	-	2,369
Balance at end of the year	26,296,215	1,463,185	26,289,795	1,463,167
Total shares outstanding	26,296,215	1,463,185	26,289,795	1,463,167
Shares held in trust	-	-	-	-
Balance at end of the year	26,296,215	1,463,185	26,289,795	1,463,167

	2018		2017	
	Shares '000	US$'000	Shares '000	US$'000
Convertible Preference shares				
Preferred shares, fully paid	-	-	434,002	59,507
Conversion of perferred shares	-	-	(434,002)	(59,507)
Balance at end of the year	-	-	-	-

	2018		2017	
	Warrants '000	US$'000	Warrants '000	US$'000
Issued Warrants				
Warrants issued but not exercised	731,082	5,591	731,082	5,591
Balance at end of the year	731,082	5,591	731,082	5,591
Total ordinary, convertible preference shares and warrants		1,468,776		1,468,758

Transaction costs on the issue of equity instruments

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

25. DIVIDENDS

No dividend has been determined for any of the half-years ended 30 June 2018, 31 December 2018, 30 June 2017 or 31 December 2017.

There are no franking credits available for the years ended 31 December 2018 or 2017.

26. COMMITMENTS FOR EXPENDITURE

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

	2018 US$'000	2017 US$'000
Capital commitments		
Purchase commitments for capital expenditures	3,560	3,298

Non-cancellable future operating lease commitments as at 31 December 2018 and 2017 consist of the following:

	31 December 2018		31 December 2017	
	Land and buildings US$'000	Plant and equipment US$'000	Land and buildings US$'000	Plant and equipment US$'000
Payments due within:				
1 year	2,101	445	8,908	719
2 to 5 years	11,686	10,525	8,711	1,256
After 5 years	19,732	198	22,242	334
	33,519	11,168	39,861	2,309

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

1 – 20 years for land and buildings with an average lease term of five years
1 – 5 years for machinery and equipment with an average lease term of two years
1 – 5 years for all other property with an average lease term of four years

The Company's property operating leases generally contain escalation clauses, which are fixed increases generally between 2% and 8%, or increase subject to a national index. The Company does not have any significant purchase options.

Contingent rental payments exist for certain pieces of equipment and are not significant compared with total rental payments. These are based on excess wear and tear and excess use. See Note 33 for more information.

27. CONTINGENT LIABILITIES

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

Letters of credit

Standby letters of credit primarily issued in support of commitments or other obligations as at 31 December 2018 are as follows:

Subsidiary	Purpose	Expiration Date	Amount US $'000
Australia	Secure credit facility	May 2019	352
Australia	Secure a facility rental	August 2019	523
Australia	Secure a facility rental	September 2019	558
United States	Secure workers compensation program	January 2019	100
United States	Secure a performance bond	June 2019	606
United States	Secure insurance program	August 2019	1,050
United States	Secure DS bonding program	January 2019	2,670
			5,859

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

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

	2018 US$'000	2017 US$'000
Less than 1 year	5,859	12,993

Guarantees

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

Legal contingencies

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

Tax and customs audits

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

27. CONTINGENT LIABILITIES (CONTINUED)

Other contingencies

Other contingent liabilities as at 31 December 2018 and 2017 consist of the following:

	2018 US$'000	2017 US$'000
Contingent liabilities		
Guarantees/counter-guarantees to outside parties	2,079	2,717

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

	Maximum credit risk	
Financial assets and other credit exposure	**2018 US$'000**	**2017 US$'000**
Performance guarantees provided, including letters of credit	7,938	15,710

28. PARENT ENTITY DISCLOSURES

Financial position

	2018 US$'000	2017 US$'000
Assets		
Current assets	15,087	485,469
Non-current assets	491,119	-
Total assets	506,206	485,469
Liabilities		
Current liabilities	58,639	64,525
Non-current liabilities	389,343	310,491
Total liabilities	447,982	375,016
Net Assets	58,224	110,453
Equity		
Issued capital	3,219,236	3,219,218
Reserves	9,538	4,523
Accumulated losses	(3,170,550)	(3,113,288)
Total equity	58,224	110,453

Financial performance

	2018 US$'000	2017 US$'000
Loss for the year	(37,441)	(51,368)
Other comprehensive income	-	-
Total comprehensive loss	(37,441)	(51,368)

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

Other guarantees are described in Note 27.

Contractual obligations

As at 31 December 2018 and 2017, Boart Longyear Limited did not have any contractual obligations.

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

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

29. COMPANY SUBSIDIARIES

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

Subsidiaries	Country of incorporation	Business	31 Dec 2018	31 Dec 2017
A.C.N. 066 301 531 Pty Ltd[1]	Australia	Dormant	-	100
Aqua Drilling & Grouting Pty Ltd.[1]	Australia	Dormant	-	100
BL Capital Management LLC[3]	USA	Holding Company	100	-
BL DDL Holdings Pty Ltd	Australia	Holding Company	100	100
BL DDL II Holdings Pty Ltd	Australia	Holding Company	100	100
BL DDL NY Holdings Inc.[1]	USA	Holding Company	-	100
BLI Zambia Ltd.	Zambia	Drilling Services	100	100
BLY Cote d'Ivoire S.A.	Ivory Coast	Drilling Services	100	100
BLY EMEA UK Holdings Ltd.	United Kingdom	Holding Company	100	100
BLY Gabon S.A.	Gabon	Drilling Services	100	100
BLY Ghana Limited	Ghana	Drilling Services	100	100
BLY Guinea S.A.[2]	Guinea	Dormant	100	100
BLY IP Inc.	USA	Holding Company	100	100
BLY Madagascar S.A.[2]	Madagascar	Dormant	100	100
BLY Mali S.A.	Mali	Drilling Services	100	100
BLY Senegal S.A.	Senegal	Drilling Services	100	100
BLY Sierra Leone Ltd.	Sierra Leone	Drilling Services	100	100
BLY US Holdings Inc.[3]	USA	Holding Company	100	-
Boart Longyear (Cambodia) Ltd.[2]	Cambodia	Dormant	100	100
Boart Longyear (DRC) S.A.	Dem. Rep. of Congo	Drilling Services	100	100
Boart Longyear (NZ) Limited	New Zealand	Drilling Services	100	100
Boart Longyear (Vic) No. 1 Pty Ltd	Australia	Holding Company	100	100
Boart Longyear (Vic) No. 2 Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Alberta Limited	Canada	Holding Company	100	100
Boart Longyear Argentina S.A.	Argentina	Drilling Services	100	100
Boart Longyear Australia Holdings Pty Limited	Australia	Holding Company	100	100
Boart Longyear Australia Pty Ltd	Australia	Drilling Services	100	100
Boart Longyear Burkina Faso Sarl[2]	Burkina Faso	Drilling Services	100	100
Boart Longyear B.V.	Netherlands	Drilling Products	100	100
Boart Longyear Canada	Canada	Drilling Products and Services	100	100
Boart Longyear Chile Limitada	Chile	Drilling Products and Services	100	100
Boart Longyear Colombia S.A.S.[2]	Colombia	Dormant	100	100
Boart Longyear Company	USA	Drilling Products and Services	100	100
Boart Longyear Consolidated Holdings, Inc.	USA	Holding Company	100	100
Boart Longyear de Mexico, S.A. de C.V.	Mexico	Drilling Services	100	100
BLY Drilling Services and Products Mexico, S.A. de C.V.[2]	Mexico	Dormant	100	100
Boart Longyear Drilling Products (Wuxi) Co., Ltd.	China	Drilling Products and Services	100	100
Boart Longyear Drilling Services KZ LLP	Kazakhstan	Drilling Services	100	100
Boart Longyear Eritrea Ltd.	Eritrea	Drilling Services	100	100
Boart Longyear Global Holdco, Inc	USA	Holding Company	100	100
Boart Longyear GmbH & Co., KG	Germany	Drilling Products and Services	100	100
Boart Longyear Holdings (Thailand) Co., Ltd.	Thailand	Drilling Services	100	100
Boart Longyear International B.V.	Netherlands	Holding Company	100	100
Boart Longyear International Holdings, Inc.	USA	Holding Company	100	100
Boart Longyear Investments Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Liberia Corporation	Liberia	Drilling Services	100	100
Boart Longyear Limitada	Brazil	Drilling Products	100	100
Boart Longyear Limited	Ireland	Drilling Products	100	100
Boart Longyear Limited[2]	Thailand	Drilling Services	100	100

29. COMPANY SUBSIDIARIES (CONTINUED)

Subsidiaries	Country of incorporation	Business	31 Dec 2018	31 Dec 2017
Boart Longyear LLC	Russia Federation	Drilling Products	100	100
Boart Longyear Management Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Manufacturing Canada Ltd.	Canada	Drilling Products	100	100
Boart Longyear Manufacturing and Distribution Inc.	USA	Drilling Products	100	100
Boart Longyear Netherlands BV	Netherlands	Holding Company	100	100
Boart Longyear Poland Spolka Z.o.o.	Poland	Drilling Products and Services	100	100
Boart Longyear Products KZ LLP	Kazakhstan	Drilling Products	100	100
Boart Longyear RUS	Russia Federation	Drilling Services	100	100
Boart Longyear S.A.C.	Peru	Drilling Products and Services	100	100
Boart Longyear Saudi Arabia LLC[2]	Saudi Arabia	Dormant	100	100
Boart Longyear Sole Co., Limited	Laos	Drilling Services	100	100
Boart Longyear Suisse Sàrl	Switzerland	Holding Company	100	100
Boart Longyear Ventures Inc.	Canada	Holding Company	100	100
Boart Longyear Vermogensverwaltung GmbH	Germany	Holding Company	100	100
Boart Longyear Zambia Limited	Zambia	Drilling Products	100	100
Cooperatief Longyear Holdings UA	Netherlands	Holding Company	100	100
Dongray Industrial Limited[2]	United Kingdom	Dormant	100	100
Drillcorp Pty Ltd[2]	Australia	Dormant	100	100
Geoserv Pesquisas Geologicas S.A.	Brazil	Drilling Services	100	100
Globaltech Corporation Pty Ltd[4]	Australia	Holding Company	52	-
Grimwood Davies Pty Ltd[1]	Australia	Dormant	-	100
Inavel S.A.	Uruguay	Drilling Services	100	100
Longyear Canada, ULC	Canada	Drilling Products	100	100
Longyear Global Holdings, Inc.	USA	Holding Company	100	100
Longyear Holdings New Zealand, Ltd[2]	New Zealand	Dormant	100	100
Longyear Holdings, Inc.	USA	Holding Company	100	100
Longyear South Africa (Pty) Ltd	South Africa	Drilling Products and Services	100	100
Longyear TM, Inc.	USA	Holding Company	100	100
North West Drilling Pty Limited	Australia	Dormant	100	100
P.T. Boart Longyear	Indonesia	Drilling Services	100	100
Patagonia Drill Mining Services S.A.	Argentina	Drilling Services	100	100
Prosonic Corporation[1]	USA	Dormant	-	100
Resources Services Holdco, Inc	USA	Holding Company	100	100
Votraint No. 1609 Pty Ltd	Australia	Drilling Services	100	100

(1) This entity was merged or dissolved in 2018
(2) This entity is currently in liquidation status
(3) This entity was formed in 2018
(4) Boart Longyear became a majority shareholder in 2018

30. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

(i) Key management personnel compensation

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

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

None.

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

	Balances at	Interest expense for the financial year ended
	31 Dec 2018	31 Dec 2018
	US$'000	US$'000
Centerbridge		
Term Loan A	132,597	14,010
Term Loan B	159,845	16,860
Backstop ABL	14,239	1,491
Senior Secured Notes	21,612	1,353
Ascribe		
Backstop ABL	4,994	523
Senior Secured Notes	59,853	6,584
Unsecured Notes	41,258	613

31. CASH AND CASH EQUIVALENTS

Included in the cash balance at 31 December 2018 is $1.6 million of restricted cash and at 31 December 2017 $5.8 million of restricted cash. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to the Company's ABL facility as well as restrictions to secure facility leases.

32. NON-CASH TRANSACTIONS

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

- $65.6 million of non-cash interest expense;
- $292.4 million Term Loan A and B changed issuers within the Group.

33. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

Standards and Interpretations issued and effective

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15 'Revenue from Contracts with Customers'	1 January 2018	31 December 2018
AASB 9 'Financial Instruments'	1 January 2018	31 December 2018

AASB 15 – Revenue from Contracts with Customers

In the current year, the Company has applied AASB 15 *Revenue from Contracts with Customers* (as amended in April 2016) which has come into effect 1 January 2018. AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer.

The Company adopted AASB 15 using the modified transition approach to implementation, which allows any transition adjustments to be recognised in retained earnings at 1 January 2018. The comparative financial statements are not restated. AASB 15 was only applied to contracts that were not completed at 1 January 2018.

There have been no material adjustments made to the financial statements on adoption of AASB 15, and therefore, there are no adjustments to retained earnings at 1 January 2018.

See Note 3 *Revenue* for further information.

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

AASB 9 – Financial Instruments

In the current year, the Company has applied AASB 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other AASB Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives. Additionally, the Company adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018 and to the comparative period.

AASB 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

The Company has applied AASB 9 in accordance with the transition provisions set out in AASB 9 and has concluded that there are no material adjustments to the financial statements.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of AASB 9) is 1 January 2018. Accordingly, the Company has applied the requirements of AASB 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. There were no restatements to comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018.

All recognised financial assets that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset;
- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of

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

AASB 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- financial assets classified as held-to-maturity and loans and receivables under AASB 39 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

None of the other reclassifications of financial assets have had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires the Company to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;

(2) Lease receivables;

(3) Trade receivables and contract assets; and

(4) Financial guarantee contracts to which the impairment requirements of AASB 9 apply.

In particular, AASB 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The result of the assessment is as follows:

Items existing as at 1 Jan 2018 that are subject to the impairment provisions of AASB 9	**Note**	**Credit risk attributes at 1 Jan 2017 and 1 Jan 2018**
Trade and other receivables	**13**	The Company applies the simplified approach and recogonises lifetime ECL for these assets. No impairment on finance lease due to existence of collateral.
Cash and bank balances	**21**	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

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

Standards and Interpretations issued not yet effective

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

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	31 December 2019
Intrepretation 23 'Uncertainty over Income Tax Treatments'	1 January 2019	31 December 2019

AASB 16 – Leases

General impact of application of IFRS 16 Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Company will be 1 January 2019.

The Company has chosen the modified retrospective application of AASB 16 in accordance with AASB 16:C8(a). Consequently, the Company will not restate the comparative information.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Company will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Company has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

Impact on Lessee Accounting

Operating leases

AASB 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Company will:

a) Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

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

Lease incentives (e.g. rent-free period) will be recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognize a lease expense on a straight-line basis as permitted by AASB 16.

As at 31 December 2018, the Company has non-cancellable operating lease commitments of $44.7 million. A preliminary assessment indicates that $10.7 million of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Company will recognize a right-of-use asset and a corresponding lease liability of $32.4 million in respect of all these leases. The impact on profit or loss is to decrease rent expenses by $12.2 million, to increase depreciation by $9.6 million, and to increase interest expense by $2.4 million. The provision for onerous lease contracts which was required under AASB 117 of $0.3 million will be derecognized.

Under AASB 117, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under AASB 16 would be to reduce the cash generated by operating activities by $3.7 million and to increase net cash used in financing activities by the same amount.

The Company will make use of the practical expedient to not separate non-lease and lease components (AASB16.15).

Finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. On initial application, the Company will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Company's finance leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognized in the Company's consolidated financial statements.

Impact on Lessor Accounting

Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117).

Because of this change the Company will reclassify certain of its sublease agreements as finance leases. As required by AASB 9, an allowance for expected credit losses will be recognized on the finance lease receivables. The leased assets will be derecognized, and finance lease asset receivables recognized. This change in accounting will change the timing of recognition of the related revenue (recognized in finance income).

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

Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's consolidated financial statements.

34. ACQUISITION OF OPERATIONS

On 1 July 2018 the Boart Longyear Company acquired an additional 11.9% of the issued share capital of Globaltech Corporation Pty Ltd ("Globaltech"), increasing its shareholding to 51.7% and obtaining control of Globaltech. The direct parent entity of Globaltech is Votraint No. 1609 Pty Ltd ("Votraint"). The goodwill arising on the acquisition of Globaltech is related to the designing, development and manufacturing of electronic instrumentation for drilling operations for the mining industry.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Fair Value US$'000
Financial assets	1,813
Property, plant and equipment	277
Research & development assets	7,436
Current Tax Payable	(922)
Deferred Tax Liability	(2,358)
Financial liabilities	(785)
Total identifiable assets	**5,461**
Goodwill	3,940
Total Assets	**9,401**
Boart Longyear 51.7% share	4,860
Satisfied by:	
Converting loans and accrued interest to ordinary shares of GlobalTech	4,860
Total consideration transferred	**4,860**

The fair value of the financial assets includes trade receivables with a fair value of $1.0 million.

The goodwill of $3.9 million arising from the acquisition consists of the excess of the total consideration transferred and Votraint's share (51.7%) of the fair value of Globaltech's net assets at acquisition date.

The non-controlling interest (48.3%) recognised at the acquisition date was measured by reference to the non-controlling share of the fair value of the net assets of Globaltech at acquisition date and amounted to $2.4 million.

35. SUBSEQUENT EVENTS

None.

Additional Information as at 18 March 2019

Substantial shareholders
The substantial shareholders as disclosed to the Company in substantial holders' notices are:

Holder	Number of Ordinary Shares in which relevant interest held
Centerbridge Partners group of Companies (as set out in Form 604: Notice of change of interests of substantial holder lodged 17 October 2017)	13,368,237,284
Ascribe group of Companies (as set out in Form 604: Notice of change of interests of substantial holder lodged 27 September 2017)	5,497,572,395
Ares Management group of Companies (as set out in Form 604: Notice of change of interests of substantial holder lodged 28 February 2018)	2,235,152,952

(a) Ordinary share capital.
There are 26,296,215,464 fully paid ordinary shares on issue, held by 4,307 individual shareholders. Each ordinary shareholder present at a general meeting (whether in person or by proxy or representative) is entitled to one vote on a show of hands or, on a poll, one vote for each fully paid ordinary share held.

(b) Share rights and share options
There are 27,828,976 unquoted share options held by 15 individual option holders. The share options do not carry rights to vote.

There are 602,739,409 quoted share options that are publically traded on the ASX under reference "BLYO". The share options do not carry rights to vote.

Distribution of holders of equity securities

Range	Holders - Fully Paid Ordinary Shares
1 to 1,000	483
1,001 to 5,000	389
5,001 to 10,000	177
10,001 to 100,000	1,025
100,001 and over	2,233
Total	**4,307**

The number of security investors holding less than a marketable parcel of 125,000 securities ($0.004 on 19/03/2019) is 2,241 and they hold 80,396,288 securities.

Additional Information as at 18 March 2019

TOP 20 HOLDERS

No.	Holder	Fully Paid Ordinary Shares	Percent of Issued Capital Held
1	CCP II DUTCH ACQUISITION - E2, B.V.	8,863,453,789	33.71
2	ASCRIBE II INVESTMENTS LLC	5,490,395,109	20.88
3	CCP CREDIT SC II DUTCH ACQUISITION - E, B.V.	4,040,281,889	15.36
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,873,674,540	10.93
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	783,575,974	2.98
6	CITICORP NOMINEES PTY LIMITED	742,816,403	2.82
7	MERRILL LYNCH (AUSTRALIA) NOMINEES LIMITED	356,874,677	1.36
8	CS THIRD NOMINEES PTY LIMITED	167,711,045	0.64
9	MS LINLIN LI	115,000,000	0.44
10	KEONG LIM PTY LIMITED	77,418,211	0.29
11	MR JZHONG-WEI MIAO	65,500,000	0.25
12	E-TECH CAPITAL PTY LTD	65,000,000	0.25
13	RUSSELL INVESTMENTS	60,733,162	0.23
14	MR JIMMY YIP	54,549,202	0.21
15	MR CHRISTOPHER STUART KING	52,500,000	0.20
16	MR GRAHAM JOHN ALMOND	51,000,000	0.19
17	RIADIS HOLDINGS PTY LTD	50,000,000	0.19
18	LEKON GLOBAL PTY LTD	49,500,000	0.19
19	TWYNAM AGRICULTURAL GROUP PTY LTD	36,000,000	0.14
20	MR SUNDER RAJ ESWARA + MRS KALAVATHY SUNDER RAJ	30,099,999	0.11
	TOTAL FOR TOP 20	**24,026,084,000**	**91.37**

CORPORATE INFORMATION

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Listing
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BOART LONGYEAR™