External Audit Policy

1. Introduction

This policy provides guidance on the application of the ASX – Principles of Good Corporate Governance and Best Practice Recommendations in relation to the provision of external audit services for the Boart Longyear group of companies (***Group***). This policy should be read in conjunction with the Audit, Compliance and Risk Committee Charter that outlines the responsibilities of the Audit, Compliance and Risk Committee in relation to the provision of audit services.

2. Application

This policy applies to the audit of all entities in the Group.

3. Definitions

3.1 Audit Independence

Independence requires a freedom from bias, personal interest, prior commitment to an interest, or susceptibility to undue influence or pressure, any of which could lead to a belief that the audit opinion was determined other than by reference to the facts of the audit alone.

4. Policy

External audit is one form of assurance obtained by the board to ensure annual accounts are free from material misstatement. This policy outlines the factors which should be considered by the Audit, Compliance and Risk Committee in relation to the external audit function:

(a) Proposed fees and engagement of external auditors;

(b) Auditor independence;

(c) Scope of external audit; and

(d) External audit plan.

4.2 Performance of external auditors

The Audit, Compliance and Risk Committee, in accordance with its charter, review the performance of the external auditor on an annual basis. In reviewing the performance of the external auditors, the Committee will focus on quality and rigour of the audit; quality of service provided; the audit firm's internal quality control procedures; relationship with the internal auditor and the company; and independence of the auditor.

Where the performance of the external auditor is assessed as being unsatisfactory, the Audit, Compliance and Risk Committee will consider an appropriate course of action, which may include: (i) discussion with the external audit firm to resolve performance issues; (ii) replacement of members within the external audit team; (iii) commencement of a competitive tender process to select a new service provider. The Audit, Compliance and Risk Committee will make a recommendation to the Board as to the appropriate course.

4.3 Auditor independence

The external auditor must be independent, as defined in the Statement of Auditing Practices:

(a) actual independence is the achievement of actual freedom from bias, personal interest, prior commitment to an interest, or susceptibility to undue influence or pressure; and

(b) perceived independence is the belief of financial report users that actual independence has been achieved.

The Audit, Compliance and Risk Committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the Group or any other entity that may impair the external auditor's judgment or independence in respect of the Group. Furthermore, the Audit, Compliance and Risk Committee will request an annual confirmation of independence from the external auditor.

To ensure that the auditors maintain their independence there are strict controls in place in relation to non-audit work performed by the external auditors. That is, any non-audit assignments performed by the external auditors for the Group will require the prior approval of the Audit, Compliance and Risk Committee.

As part of the independence process the Audit, Compliance and Risk Committee will require the rotation of the audit signing partner and the independent review partner every five years.

4.4 External audit scope and materiality

The external audit aims to provide reasonable assurance that the consolidated financial report of Boart Longyear and its controlled entities is free from material error. The external auditor must use their understanding of Boart Longyear and the major processes by which it conducts its business to identify and address any key business and financial statement risk areas.

Each year a materiality level which determines the scope of external audit procedures, is communicated by the external auditors to the Audit, Compliance and Risk Committee. This figure is intended to serve as a threshold for considering the individual and cumulative effect of potential adjustments and accounting issues. Materiality is used to assist in determining when the external auditors would expect to involve the Audit, Compliance and Risk Committee, should it become necessary, in order to resolve an audit or accounting issue. It also affects the extent to which the external auditors perform detailed procedures on smaller account balances in the financial records. As a matter of course, all audit differences in excess of a set limit each year are to be brought to the attention of management for further consideration and action as appropriate. The external auditors will communicate to the Audit, Compliance and Risk Committee any of these audit differences that are not adjusted by management before the close of the accounts.

4.5 External audit plan

Each year as part of the external audit assignment the external auditors, after discussions with management, will issue an external audit plan for review and discussion with the Audit, Compliance and Risk Committee. The audit plan should outline the standard combination of control and substantive based procedures to be completed. The plan should also include additional audit procedures, based on the external auditor's analysis and understanding of developments during recent months, which require additional emphasis during the audit.

On completion of the audit the Group will require from the auditors a Closing Report, a statement of independence and an audit opinion. The first of these reports, the Closing Report, will confirm the auditor's findings and is to be addressed to the Audit, Compliance and Risk Committee. The statement of independence will be provided to the Audit, Compliance and Risk Committee, while the audit opinion is required for inclusion in the Group's published accounts.