BOART LONGYEAR™

Annual Report 2015

Circa 1900: E J. Longyear drillers at work.

CELEBRAT

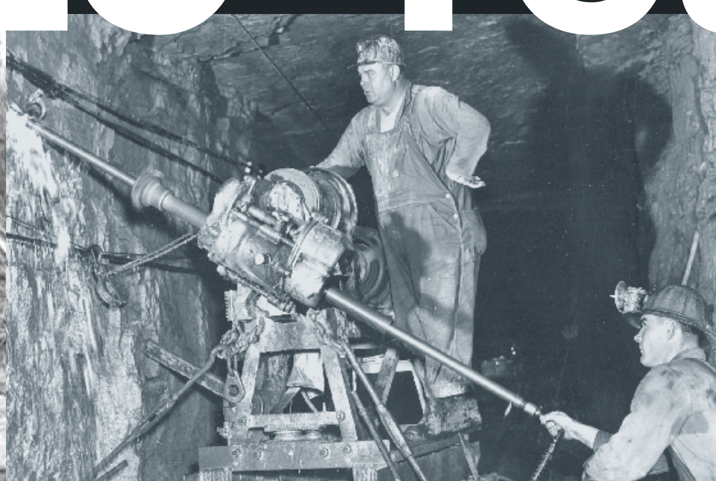
Boart Longyear Limited ABN 49 123 052 728

ING

Boart Longyear's 125th anniversary is dedicated to all the people who built – and continue to build and support – this fine company.

We have had the privilege of driving the growth and success of the drilling industry for more than 125 years. We remain driven by the challenge of finding ways to contribute to the success of our customers, some of whom we have supported for nearly a century, and to lead our industry into its next century of innovation and safety improvements. As we celebrate our past, we are moving confidently toward the future.

125 Years



Top Row L-R The Q® Wireline System invented in 1953. An E J. Longyear driller at work circa 1900.
Bottom Row L-R Canadian Longyear Ltd. circa 1930. Drillers at work in the field circa 1900. Underground drillers at work circa 1900. Cuba in 1912, E J. Longyear's first international job.

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Corporate Governance Statement

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

Financial Calendar

2015 Final Results	29 February 2016
Annual General Meeting	24 May 2016
2016 Half Year End	30 June 2016
2016 Interim Results	22 August 2016
2016 Year End	31 December 2016

Annual General Meeting

The Annual General Meeting of Boart Longyear will be held at:

Adelaide Convention Centre
– Riverbank Room 6,
North Terrace, Adelaide 5000,
South Australia.

Commencing 11.00am (Adelaide time) on Tuesday, 24 May 2016.

Who we are

Celebrating our 125th anniversary in 2015, Boart Longyear is the world's leading provider of drilling services, drilling equipment and performance tooling for mining and drilling companies globally. We also have a substantial presence in aftermarket parts and service, energy, mine de-watering, oil sands exploration and production drilling.

Our Drilling Services division operates in over 30 countries for a diverse mining customer base spanning a wide range of commodities including copper, gold, nickel, zinc, uranium and other metals and minerals. Our Products division designs, manufactures and sells drilling equipment, performance tooling and aftermarket parts and services to customers in over 100 countries. Our customers rely on our unique ability to develop, field test and deliver any combination of drilling consumables, capital equipment and expertise directly to any corner of the world.

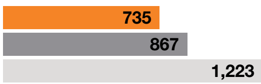
*EBITDA, Adjusted EBITDA, Adjusted EBIT and Adjusted NPAT are non-IFRS measures and are used internally by management to assess the performance of the business. These adjusted figures have been derived from the Company's financial statements by adding back significant items and other non-recurring items.

Cash from Operations: excludes interest and tax.

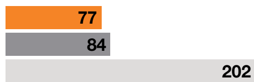
2015 OVERVIEW

2015 2014 2013

Revenue
US$735m

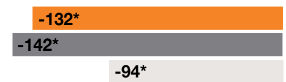


Adjusted Gross Margin
US$77m



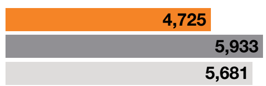
Adjusted EBITDA
US$0m

Adjusted Net Profit After Tax
US$-132m

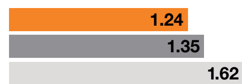


Cash from Operations (after interest and tax)
US$-55m

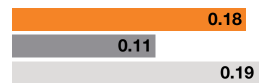
Number of Employees
4,725



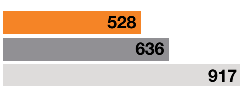
Safety (per 200,000 hours)
TCIR 1.24



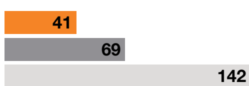
LTIR 0.18



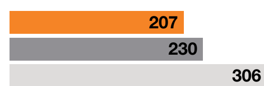
Drilling Services Revenue
US$528m



EBITDA
US$41m

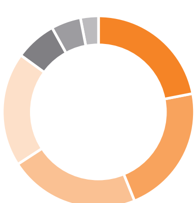


Products Revenue
US$207m



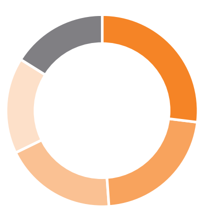
EBITDA
US$14m

Company Revenue (Products and Services)



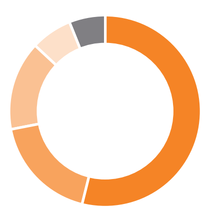
Performance Tooling	22%
Surface Coring	22%
Rotary/RC	22%
Underground Coring	19%
Drilling Equipment	7%
Other	5%
Production Drilling	3%

Company Revenue by Region (Products and Services)



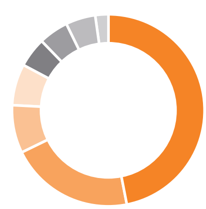
USA	27%
Asia Pacific	22%
Canada	19%
EMEA	16%
Latin America	16%

Drilling Services Revenue by Stage



Development (Near Mine/Brownfield)	54%
Production (In-Pit)	18%
Water Services	15%
Exploration (Greenfield)	7%
Non-Mining	6%

Drilling Services Revenue by Commodity



Gold	47%
Copper	21%
Energy	8%
Other	7%
Other Metals	5%
Non-Mining Water	5%
Nickel	5%
Iron	2%

CHAIRMAN'S REPORT

I am proud to have been the Chairman of Boart Longyear during its 125th anniversary. The celebrations that went along with this event were a strong reminder of the drilling excellence and innovative technology that have made us the industry leader that we are today.

Dear Shareholders

I am proud to have been the Chairman of Boart Longyear during its 125th anniversary. The celebrations that went along with this event were a strong reminder of the drilling excellence and innovative technology that have made us the industry leader that we are today.

Regarding our results, 2015 was a year of two halves. During the first half we completed the recapitalization with Centerbridge Partners. This was a comprehensive restructure that included $225 million in new loan financing and approximately $127 million of new equity capital. As important as the new funds were, the restructure also included a substantial easing of our debt covenants as well as deferring principal and interest payments on the new debt until 2018. As a result, we emerged with a strong cash balance and good liquidity but retained high debt levels.

The most important outcome of the restructuring was it allowed us to move from worrying about financing to focusing on running the world's leading drilling services and drilling products company. This increased focus on operations during the second half of the year has been highly successful, and we expect to realize further improvements throughout the coming year.

1. In August we began an initiative to improve our drilling performance. We are already seeing measurably improved meters (and revenue) per drill shift, less downtime and more satisfied customers.
2. Our current S, G & A charges are down $25 million per year from the run rate of one year ago.
3. We have increased our focus on the commercial side of our drilling services business, including the creation of a vice president position that reports directly to the CEO. We are having early wins through sharper bidding and more balanced contract structures.
4. We continued to liberate cash through tight controls on capital spending as well as reductions in inventory.

These changes improved cash from operations in the second half of the year to $30 million, $27 million better than the same period the prior year. The startling part of this change was that it occurred when our revenue declined by $97 million versus the equivalent period in the prior year. Effectively, we are doing very well at managing what we can control but the market for our business is very tough.

Since peaking at $21.5 billion in 2012, total non-ferrous mineral exploration expenditures have fallen steadily to approximately $10 billion in 2015. This drop in exploration spend has largely tracked the decline in mineral prices. Particularly in copper and iron ore, price declines accelerated in 2015.

Mineral prices and exploration spending have always been cyclical. At Boart Longyear, we cannot change our pricing environment. What we can do, however, is lead the industry in drilling productivity, safety, and our ability to complete the tough holes.

The other area where we can lead the industry is in innovation. The last major change in drilling technology was the introduction (by Boart Longyear) of wireline drilling in 1953. The value of core drilling has never been the hole; it is the information that the hole and drill core can provide. In this area we are seeing dramatic changes in surveying, geophysics, logging and assaying. Your company is committed to quickly leading the industry in developing site-based and down-the-hole tools that can produce results instantaneously and by our drill crews without the need for specialised technicians, additional people or off-site work. We started this process with the launch of the TruCore™ core orientation tool, and will be introducing TruShot™, our down-the-hole survey tool, in 2016 with further new product introductions to follow.

I am also very pleased with the changes that have occurred in our senior management team. Jeff Olsen was promoted from CFO to CEO with effect from March 1, 2016. Jeff earned this promotion through the excellent work he did on the recapitalisation as well as the strong role he has had in improving drilling productivity and upgrading our commercial processes. I am delighted to have him by my side. Jeff's team has been assisted by the addition of Mark Irwin as vice president of commercial for Drilling Services.

Bringing in new people does mean we have to say goodbye to old friends. Barbara Jeremiah retired as Chair in February and Richard O'Brian retired as CEO in September. I thank them both for their services and commitment to Boart Longyear.

At the Board level, we have also had rejuvenation. Bret Clayton, Jeff Long, Gretchen McClain and Deborah O'Toole all joined the Board during the year. They bring a mix of operating, financial, commercial and engineering talent and experience that benefits the Board and management and they will be excellent representatives for our shareholders.

Finally, I thank our employees. Our gains in productivity and our cost cutting exercises have meant that every one of them has had to work harder and more effectively. They stepped up and I am proud of every one of them.

Looking forward, I am optimistic that things are going to get better. My expectation is that we are going to continue to improve our speed and capability in drilling services and that our new products, especially in data services, are going to move us into new and more profitable areas.

We will eventually see a recovery in minerals exploration. My commitment to our shareholders is that when that happens we will be ready to capitalise on it with highly productive, innovative and technically capable drilling services and products.

Yours sincerely,

Marcus Randolph
Chairman

Our people celebrating our 125-year anniversary across the world.

1. Wuxi, China. **2.** Jakarta, Indonesia. **3.** North Bay, Canada. **4.** Belo-Horizonte, Brazil. **5.** Adelaide, Australia.

CEO'S REPORT

We are energised by a renewed vigour and discipline and a commitment to deliver value to you. As we celebrated our long and successful past in 2015, we are now more than ever moving confidently toward the future.

Dear Shareholders

Let me begin by saying that it is an honour to be appointed President and CEO of your Company and a privilege to lead an organisation with such a long and proud history. We have a global workforce of dedicated and highly professional people and a large and loyal customer base, including some who have relied on us for a century or more. I am mindful of the challenges ahead of us but I am also excited about the significant growth opportunities Boart Longyear can achieve by continuing to execute on the operational improvement and product innovation initiatives outlined in the Chairman's Report. I assure you that my team and I will give 100% to ensure we deliver long-term value to you, our shareholders. That we celebrated our 125th anniversary in 2015 is proof of our tenacity and resilience. We see the challenges of our markets as opportunities to improve and transform our business.

In 2015, Boart Longyear's safety performance was solid, including the achievement of our lowest ever recorded TCIR (Total Case Incident Rate). During 2015, we completed the recapitalisation of our balance sheet by partnering with Centerbridge, and we continued to make progress on costs in both the overhead and operational areas of our business.

We substantially improved cash generation in the second half of 2015 versus the same period in 2014 and believe that there is room for further improvement in 2016. Our debt levels are still too high, although we now have a more favourable structure to aid our overall strategy. Our vision and mission are to lead the next generation of innovation in the drilling industry. We are focused on the short-term demands of our business, but we have not lost sight of the future.

As part of Boart Longyear's executive leadership team for the past two years, I have been intimately involved in designing and implementing the initiatives to improve our business. Those initiatives are delivering benefits, and I am dedicated to their continuation and success.

The Chairman's Report has covered many of the achievements of 2015, so I would like to outline the clear and simple priorities that we have put in place for 2016. I am personally committed to each of these five priorities.

1. Safety and Integrity

Safety and integrity must always be cornerstone values for Boart Longyear's employees. Over the years, we have invested significantly in resources, education and programs to support and enforce these values, but our commitment is to develop a culture where these values are intrinsic to our workforce and all employees recognise their personal accountability to have the dual objectives of safety and integrity guide their actions every day.

2. Customer

Being closer to our customers and understanding their current and longer-term needs are critical to our success. We are investing in increased resources and improved commercial processes to better listen to our customers and offer them better service, value and innovation. We are driven by the desire to find more ways to help our customers continuously decrease costs, increase productivity and improve safety. For them, attaining these goals can be the difference between success and failure, and we are dedicated to their success.

3. People

To help drive our productivity initiatives we need to continue to enhance the skills of our people and drive a mindset of continuous improvement in productivity and efficiency. We are aligning incentives to our business priorities. We will celebrate our wins but will also ensure we learn from our mistakes.

4. Productivity and Efficiency

Our productivity and efficiency initiatives are well underway, and significant achievements were made in this area in 2015. We are confident much more can be achieved and believe that with continuous improvement, we can further drive costs down and improve our service delivery.

Boart Longyear remains unique as the only global drilling services provider with a significant global drilling products business. Harnessing the potential synergies of these businesses through more effective support and collaboration can be one of the Company's unrivaled competitive advantages and we intend to fully capitalise on that advantage. Our best days are ahead of us, and we are determined to deliver positive results for you.

5. Cash

Cash generation is critical to our ability to ride out the current resources downturn. As we highlighted in our 2015 results presentation, we have reduced our overall expenditure profile by about $1.3 billion since 2012. Ongoing efforts to simplify our operating model and reduce our cost base will result in a more efficient and more flexible business. These improvements will better position Boart Longyear to succeed in all market conditions and phases of the commodities cycle.

We are energised by a renewed vigour and discipline and a commitment to deliver value to you. As we celebrated our long and successful past in 2015, we are now more than ever moving confidently toward the future.

Yours sincerely,

Jeff Olsen
President and CEO

OUR 125-YEAR HISTORY

Little did Edmund J. Longyear know in 1890 when he sank his first diamond drill hole on the Minnesota Mesabi Range that he was starting something that 125 years later would end up being the world's leading provider of drilling services, drilling equipment and performance tooling for mining and drilling companies globally. Boart Longyear has a rich 125-year history that has withstood the ups and downs of the mining cycles.

1890

Founding Year

Edmund J. Longyear, a mining engineer from the first graduating class at the Michigan Mining School, drills the first diamond core hole in the Mesabi Iron Range in northern Minnesota. Shortly thereafter, he forms a contract diamond drilling company to serve the rapidly growing U.S. iron ore mining and steel industry.

1891

First Drilling Contract

On May 19th, 1891, Edmund J. Longyear and Mallmann Iron Mining Company entered into the Company's first ever drilling services contract. That historic drill site is maintained to this day and is frequented by visitors to the Hoyt Lakes region.

1903

Longyear & Hodge Begin to Manufacture Drill Rigs

Longyear and John E. Hodge form a manufacturing partnership called Longyear & Hodge, expanding their business to include contract drilling, shaft-sinking, mineral ventures and related consulting work.

1910–1930

Growth and International Expansion

The company expands rapidly in the U.S. and begins drilling for copper in Cuba – its first international project.

1924

Robert Longyear Takes Charge

E J.'s son becomes president of E J. Longyear Company, preserving the chain of family ownership and management that would continue for another 40 years.

1928

E J. Longyear Company Performs Drilling for the Iconic Golden Gate Bridge

E J. Longyear Company drillers were contracted to determine the nature of rock formations that would bear the weight of the proposed structure, unlike any other bridge to date in the world. Longyear was paid $15,000 for its complicated drilling. The bridge, completed in May 1937, cost $35,000,000.

1953

Longyear Revolutionises Drilling with the Q® Wireline System

Growth in the '50s fueled new technology, and in 1953, Longyear patented the world's first wireline core retrieval system. The Q® Wireline System revolutionised the diamond drilling industry by increasing productivity and making tripping core from the bottom of the hole safer. The advantages of the genuine Q® system quickly generated industry-wide adoption, securing the company's place in the history of drilling technology.

1980s

Revolutionary Bit Design

In the 1980s, the company secured a reliable source of high-performance synthetic diamonds which triggered the development of a revolutionary bit design – the impregnated diamond bit. With decades of powder metallurgy experience behind them, Longyear engineers developed a new design that could drill further and faster than surface-set bits and cut through much harder material.

1995

The Company Changes its name to Boart Longyear

After more than 30 years of Anglo American ownership, Boart Longyear was considered a non-core asset for the Johannesburg based mining company.

2006

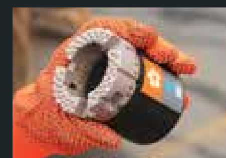
Second Largest IPO in ASX History

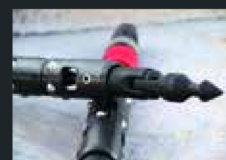
In October 2006, Advent sold Boart Longyear to Macquarie Bank and in April 2007, Macquarie took the company public in an AUD$2.3 billion IPO on the Australian Securities Exchange.

2006–2012

Boart Longyear Continues to Manufacture Products to Improve Productivity and Enhance Safety

- Heli-portable LF™130F surface drill rig with integrated rod handling: a rig for the most remote jobs that provides the latest in safety technology.
- Roller Latch™ underground head assembly for increased safety in underground coring applications.
- Patented bit technologies that increase productivity and life.
- The Drill Control Interface (DCi) provides drillers with a fully electronic interface to safely and efficiently operate underground drilling equipment, away from moving parts and hydraulic hoses.





2014

Edmund J. Longyear Inducted into the International Mining Technology Hall of Fame

Edmund J. Longyear's contribution to exploration and drilling technology is written into history almost 125 years since he drilled that first diamond core hole in the Mesabi Iron Range in northern Minnesota.

2015

Boart Longyear Celebrates 125 Years

Boart Longyear's 125th Anniversary during 2015 was dedicated to the people who built – and continue to build – this fine Company.

FINANCIAL REPORT

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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 2015 (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	Interim CEO and Executive Chairman (from 1 September 2015). Previously Non-Executive Chairman (appointed effective 23 February 2015)
Bret Clayton	Non-executive Director (appointed effective 23 February 2015)
Peter Day	Non-executive Director
Jonathan Lewinsohn	Non-executive Director
Jeffrey Long	Non-executive Director (appointed effective 1 October 2015)
Gretchen McClain	Non-executive Director (appointed effective 15 November 2015)
Rex McLennan	Non-executive Director and Senior Independent Director
Deborah O'Toole	Non-executive Director (appointed effective 1 October 2015)

On 29 February 2016, the Company announced that Jeffrey Olsen was appointed to the Board effective 1 March 2016 in conjunction with his appointment as President and Chief Executive Officer.

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

Directors	Position
Barbara Jeremiah	Non-executive Director (retired 25 February 2015)
Bruce Brook	Non-executive Director (retired 30 June 2015)
Roy Franklin	Non-executive Director (retired 25 February 2015)
Tanya Fratto	Non-executive Director (retired 26 May 2015)
David McLemore	Non-executive Director (retired 26 May 2015)
Conor Tochilin	Non-executive Director (retired 1 October 2015)

For a summary of experience and qualifications for each Director, see the Board of Directors section on page 71 of this Report.

COMPANY SECRETARIES

- Fabrizio Rasetti
- Philip Mackey (appointed effective 29 January 2016)

PRINCIPAL ACTIVITIES

Boart Longyear is the world's leading integrated provider of drilling services, drilling equipment and performance tooling for mining and mineral drilling companies globally. 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, in combination with the Company's global footprint, have allowed the Company to establish and maintain long-standing relationships with a diverse and blue-chip customer base worldwide that includes many of the world's leading mining companies. With more than 125 years of drilling expertise, the Company believes its insignia and brand represent the gold standard in the global mineral drilling industry.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 27 January 2015, the Company finalised the series of recapitalisation transactions with Centerbridge Partners, L.P. that were announced in October 2014. The recapitalisation transactions involved the entry into new term loans between the Company and Centerbridge Partners, L.P. ("Centerbridge"), equity placements to Centerbridge, an equal-access rights offering made available to shareholders, an off-market share buy-back available to shareholders on a pro-rata basis, and a bond equitisation of Centerbridge's holding in Boart Longyear's Senior Unsecured notes. The recapitalisation transactions represented a solution to the Company's previously announced process to identify strategic alternatives to address refinancing and liquidity risks, as they eliminated the potential risk of default from expected covenant breaches of the Company's former revolving credit facility and were expected to stabilise the Company's balance sheet during the mining industry's cyclical downturn. The following recapitalisation transactions were executed and recorded in the Company's financial statements:

- ***Term Loans:*** In October and November 2014, the Company received $225.0 million of term loans that accrete interest at a rate of 12% per annum and does not require financial maintenance covenants. The proceeds of the term loans were used to refinance the Company's prior revolving credit facility, of which $30.0 million was drawn at the time of repayment, and to repurchase $105.0 million of the Company's existing 10.0% Senior Secured Notes.
- ***Equity Placements:*** The Company issued two equity placements directly to Centerbridge totaling approximately $27.2 million, the first in October 2014 and the second in December 2014.
- ***Rights Offering:*** In January 2015, the Company completed a pro-rata traditional renounceable rights offering and received additional proceeds of A$106.2 million.
- ***Share Buyback –*** In January 2015, the Company acquired approximately 7.5 million fully paid ordinary shares at A$0.165 per share pursuant to the off-market buyback, canceled the shares and subsequently sold an equivalent number of new shares to Centerbridge for the same price per share.
- ***Equitisation of Debt –*** The Company completed a $16.0 million equitisation of its 7.0% Senior Unsecured Notes, held by Centerbridge, its affiliates and related funds through the issuance of approximately 102.8 million shares.

Following the completion of the recapitalisation transactions, Centerbridge's holding in the Company increased to 49.9% of the Company's voting shares, or approximately 464.5 million shares, and an additional 434.0 million in non-voting convertible preference shares.

As a result of the recapitalisation transactions, the Company incurred approximately $45.5 million of transaction related costs during 2014 and an additional $577 thousand during 2015. These costs have been recorded in sales, general and administrative ("SG&A") costs for the respective years.

On 24 August 2015, the Board announced that Mr Richard O'Brien would be stepping down as the Company's President and Chief Executive Officer ("CEO") and that Mr Marcus Randolph, the Chairman of the Board of Directors, would be assuming Mr O'Brien's executive duties on an interim basis. Mr Randolph has served as the Company's Interim CEO and Executive Chairman since 1 September 2015 while the Board of Directors considered candidates to assume the duties of the Company's President and CEO on a permanent basis. The Board announced on 29 February 2016 that Jeffrey Olsen, the Company's Chief Financial Officer, will become the Company's President and Chief Executive Officer effective 1 March 2016.

EVENTS SUBSEQUENT TO REPORTING DATE

On 29 February 2016, Jeffrey Olsen, the Company's Chief Financial Officer, was announced as the Company's new President and Chief Executive Officer effective 1 March 2016. With Mr Olsen's appointment, Mr Randolph relinquishes his duties as Boart Longyear's Interim CEO and the associated day-to-day operating responsibilities. Mr Randolph will remain as the Company's Executive Chairman for the foreseeable future to assist with Mr Olsen's assumption of his new duties. The Company will undertake a search for a chief financial officer to succeed Mr Olsen. In the meantime, Mark Hauber, the Company's Vice President, Corporate Financial Planning and Analysis and Drilling Services Finance, will serve as Interim CFO. Mr Olsen's biography may be found on page 76 of this report).

DIVIDENDS

No dividends have been paid during the financial year.

No dividend was determined for either of the half-years ended 30 June 2015 or 31 December 2015.

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, reliability and high safety standards of Global Drilling Services, the technological innovation, engineering excellence and global manufacturing capabilities of Global Products and our Company's vertically integrated business model.

We remain focused on our customer base with detailed marketing and investment plans to identify and secure additional customer opportunities. Further, while maintaining a primary focus on safety and a disciplined approach to capital expenditures, we continue to invest in productivity enhancements and operating improvements in our Global Drilling Services division while also pursuing improved project margins through reducing administrative costs. New product development efforts in our Global Products division remain concentrated for the time being, on incremental product improvements that customers will need at any point in the mining cycle and responding to the increasing demand for information by our customers. In the full-year period 2015, we launched four new products – the LS250™ Mini Sonic drill rig, a reverse circulation hammer, a new forged sonic drill rod, and the TruCore core orientation tool.

1.2 Safety Performance

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

In 2015, the Company reported good safety performance, with a Total Case Incident Rate ("TCIR") of 1.24 and Lost-Time Injury Rate ("LTIR") of 0.18, compared to corresponding rates of 1.35 and 0.11 for 2014. (Both TCIR and LTIR are rates calculated based on 200,000 hours worked.) While Company performance continues to be solid, including the achievement of the lowest TCIR in the Company's recorded history, we remain committed to providing our employees and customers with an injury-free workplace and industry-leading safety performance. In 2015, our employees experienced 76 injuries that required some medical treatment and 11 injuries that resulted in lost work time. We believe that significant improvements in our safety record are a moral imperative and are possible, and we are pursuing such improvements through initiatives focused upon critical risk management, risk-focused field leadership and employee-centric safety messaging initiatives.

1.3 Impact of Market Conditions

2015 continued to be a difficult period for the mineral drilling industry and the Company, as most of the world's mining companies continued to tightly control their exploration, development and capital expenditures during the period and to seek savings from their suppliers.

During 2015, drill rig utilisation remained at historical lows and weak pricing due to the global oversupply of drilling capacity continued to adversely impact the Company's financial performance.

As a result of challenging market conditions as well as asset impairments, a detrimental tax rate, ongoing finance costs, and unfavourable currency movements, the Company reported a statutory loss for the 2015 financial year of $326.3 million, which was an improvement of $6.4 million compared to the prior year (2014: $332.7 million loss). Adjusted net loss after tax for the year (adding back the significant and non-recurring items) was $132.2 million, compared to an adjusted net loss after tax for 2014 of $141.8 million, a decrease in loss of $9.6 million. See reconciliation in Section 7 'Non-IFRS Financial Information'.

(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.

1.4 Objectives and Strategies

We continue to prioritise cash generation and net debt reduction to deleverage the business over time and position it with a more efficient operating platform in all phases of the mining industry's cycles. Key elements of this strategy include achieving and maintaining sustainable EBITDA-to-revenue margins, improving returns on capital through disciplined variable and fixed cost management and capital spending programs, and rigorous focus in working capital particularly inventory and accounts receivable.

In addition to reducing our absolute level of debt, over time, we are committed to driving long-term shareholder value by executing on several initiatives to improve our commercial practices and increase 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

Ultimately, our goal is operational excellence to preserve liquidity and reduce our overall net debt profile to weather the current mining industry cycle while also preserving for our equity holders the significant upside that we may realise in our operations when market conditions change and our operating leverage improves as a result of our significantly improved cost structure and operating performance.

2. Financial and Operating Highlights

	For the year ended 31 December			
	2015	2014		
	US$ Millions	US$ Millions	$ Change	% Change
Key financial data				
Revenue	735.2	866.6	(131.4)	-15.2%
NPAT(1)	(326.3)	(332.7)	6.4	1.9%
Adjusted NPAT(1)	(132.2)	(141.8)	9.6	6.8%
EBITDA (2)	(115.3)	(82.6)	(32.7)	-39.6%
Adjusted EBITDA (2)	(0.1)	31.4	(31.5)	-100.3%
Operating Loss	(199.2)	(185.0)	(14.2)	-7.7%
Loss from Trading Activities (3)	(45.8)	(47.9)	2.1	4.4%
Cash generated from operations	11.4	54.6	(43.2)	-79.1%
Net cash flow s used in operating activities	(54.9)	(11.3)	(43.6)	-385.8%
Capital expenditures (accrual)	20.4	25.2	(4.8)	-19.0%
Capital expenditures (cash)	24.5	18.2	6.3	34.8%
Weighted Average number of ordinary shares	905.5	469.7	435.8	92.8%
Earnings per share (basic)	(36.0) cents	(70.8) cents	34.8 cents	49.2%
Earnings per share (diluted)	(36.0) cents	(70.8) cents	34.8 cents	49.2%
Average BLY rig utilisation	36%	37%	-1%	-2.7%
Average Fleet size	921	948	(27)	-2.8%

(1) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and before significant and other non-recurring items'. See reconciliation in section 7 'Non-IFRS Financial Information'.

(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 7 'Non-IFRS Financial Information'.

(3) 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 of $735.2 million was $131.4 million, or 15.2%, lower than revenue for 2014 (2014: $866.6 million). Global Drilling Services' average operating utilisation rates (defined as the number of rigs that have generated revenue through normal operations during the course of a week divided by the total rig count) for the first and second halves of 2015 was 37% and 35%, respectively (2014: 36% and 39%). Global Products' sales of drilling equipment in 2015 totaled $48.1 million (2014: $47.3 million), and sales of performance tooling fell to $159.2 million in 2015 (2014: $183.1million).

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. Such activities in turn are driven by several factors, including anticipated future demand for commodities, the outlook for current and projected supply and available mine productive capacity, the level of mining exploration capital and development-related expenditures and availability of financing for, and the political and social risks around, mining development. Price within our Global Drilling Services division continues to be unfavourable when compared to 2014 as a result of lower demand and continued over supply, but did not worsen throughout the course of the year

In addition to pricing pressure, revenues for the year ended 31 December 2015, were lower as a result of mining industry spending on exploration and development, which continued to decline, and unfavourable foreign currency impacts.

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.

Pro forma Income Statement

	For the year ended 31 December					
	2015			2014		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	735.2	-	735.2	866.6	-	866.6
Cost of goods sold	(734.8)	76.2	(658.6)	(822.9)	40.2	(782.7)
Gross margin	0.4	76.2	76.6	43.7	40.2	83.9
Other income	2.2	-	2.2	7.6	-	7.6
General and administrative expenses	(119.1)	21.1	(98.0)	(176.2)	71.1	(105.1)
Sales and marketing expenses	(25.2)	0.7	(24.5)	(29.4)	2.7	(26.7)
Significant items	-	(98.0)	(98.0)	-	(114.0)	(114.0)
Other expenses	(57.5)	-	(57.5)	(30.7)	-	(30.7)
Operating loss	(199.2)	-	(199.2)	(185.0)	-	(185.0)

Total adjusted Cost of Goods Sold ("COGS"), adjusted Sales and Marketing expenses ("S&M") and adjusted General and Administrative expenses ("G&A") for the Company for the year ended 31 December 2015 were $781.1 million, compared to $914.5 million in 2014, a decrease of $133.4 million, or 14.6%.

Total adjusted COGS for the year ended 31 December 2015 was $658.6 million, representing a decrease of 15.9% compared to adjusted COGS of $782.7 million for 2014. COGS as a percentage of revenue decreased as we continue to focus on cost control. In addition, depreciation expense has decreased due to a lower base of assets to depreciate.

Sales and Marketing Expense

	For the year ended 31 December			
	2015 US$ Millions	2014 US$ Millions	$ Change	% Change
Total Adjusted Sales and Marketing Expenses	**24.5**	**26.7**	**(2.2)**	**-8.2%**
Adjusted S&M as a % of Revenue	*3.3%*	*3.1%*		*6.5%*

Total adjusted S&M expenses for 2015 of $24.5 million decreased 8.2%, or $2.2 million, from the same period of 2014 (2014: $26.7 million). Although, adjusted S&M expenses decreased during 2015 as a result of cost reduction actions, there was an increase of $1.2 million in bad debt expense during 2015 which is partly what contributed to adjusted S&M expenses increasing as a percentage of revenue.

General and Administrative Expense

	For the year ended 31 December			
	2015 US$ Millions	2014 US$ Millions	$ Change	% Change
Adjusted General and Administrative Expenses				
Compensation and benefits expense	54.5	59.6	(5.1)	-8.6%
Occupancy costs	15.0	15.7	(0.7)	-4.5%
Professional fees	12.1	16.3	(4.2)	-25.8%
Travel and transportation	3.8	4.4	(0.6)	-13.6%
Other	12.6	9.1	3.5	38.5%
Adjusted Total General and Administrative Expenses	**98.0**	**105.1**	**(7.1)**	**-6.8%**
Adjusted G&A as a % of Revenue	*13.3%*	*12.1%*		*9.9%*

Total adjusted G&A expenses for 2015 were $98.0 million, representing a decrease of 6.8%, or $7.1 million, compared to $105.1 million for the same period of 2014. Although adjusted G&A expenses decreased due to aggressive cost reduction actions taken from 2012 and continuing throughout 2013, 2014 and 2015, as a percentage of revenue they have increased slightly due to lower revenues and the fixed nature of certain expenses.

In response to weakening industry conditions, the Company has taken a series of initiatives to reset its cost base and to reduce its overall expenditure profile. The initiatives have included the removal of certain operating expenses, SG&A expense, other overhead-related expense and capital expenditures. From 2012 to 2015, the Company estimates that it has reduced its overall expenditure profile by approximately $1.3 billion.

In 2015, the Company undertook further cost reduction actions which should result in annualised SG&A cash savings of approximately $25 million.

	For the year ended 31 December			
	2015	2014	2013	2012
Employee headcount reduction				
Sales, marketing, general and administrative	794	866	902	1,249
% reduction from prior year	*-8.3%*	*-4.0%*	*-27.8%*	*-14.0%*
% reduction from 2011	*-45.3%*			

	For the year ended 31 December			
	2015	2014	2013	2012
Adjusted sales, marketing, general and administrative expenses reduction				
Sales, marketing, general and administrative (US$ millions)	122.5	131.8	161.0	251.2
% reduction from prior year	*-7.1%*	*-18.1%*	*-35.3%*	*-1.6%*
% reduction from 2011	*-52.0%*			

Despite the significant cost actions occurring over the last 30 months, the Company and its employees remain committed to driving more sustainable efficiencies across our business platform, while still delivering safe, reliable and productive drilling services and innovative products to customers.

3.3 Significant Items

During 2015 and 2014, the Company incurred significant expenses related to its restructuring and recapitalisation activities, as well as impairments of inventories, property, plant and equipment and intangible assets related to the current market conditions. We are showing these items separately in order to present the results of the underlying business adjusted for these significant items.

	For the year ended 31 December		
	2015 US$ Millions	2014 US$ Millions	$ Change
Significant items			
Recapitalisation costs	0.6	45.5	(44.9)
Impairments			
Property, plant and equipment	36.8	46.1	(9.3)
Intangible assets	0.6	1.6	(1.0)
Inventories	34.5	0.7	33.8
Employee and related costs [1]	16.0	12.5	3.5
Other restructuring expenses	9.5	7.6	1.9
Total significant items	98.0	114.0	(16.0)
Net of tax	89.6	80.2	9.4

(1) Employee and related costs include separation costs, retention and other employee-related costs.

Significant items decreased to $98.0 million during 2015 (2014: $114.0 million), of which $36.8 million related to impairment charges in the carrying value of certain plant and equipment following reviews of asset carrying values (2014: $46.1 million) and $34.5 million related to the write-down of inventory to net realisable value as the market continues to be weak and the Company restructures and withdraws operations in certain jurisdictions (2014: $0.7 million).

3.4 Other Income/Expenses

Other income decreased to $2.2 million during the year ended 31 December 2015 (2014: $7.6 million) mainly due to a $3.1 million gain on a litigation settlement recorded in 2014, which did not recur in 2015.

Other expenses, principally amortisation of intangible assets and net losses on foreign currency exchange, VAT-related items and a loss on liquidation of a subsidiary, increased $26.8 million to $57.5 million during 2015 (2014: $30.7 million). The loss on foreign currency exchange increased to $17.0 million during 2015 due to strengthening of the US dollar and increased volatility of certain currencies. The Company continues to actively review its exposure to foreign currency exchange risk, which may include the use of forward exchange contracts or currency options. However, for the years ended 31 December 2015 and 2014, the Company did not employ such methods to manage its currency exposures since most of the Company's currency risk relates to intercompany transactions.

3.5 Income Tax Expense

Income Tax Expense on the pre-tax loss of $267.9 million for 2015 was $58.3 million. This tax expense can be attributed to several factors including:

- the non-recognition of certain current period losses;
- the de-recognition of deferred tax assets recognised in prior periods as a result of the Company reducing its forecast earnings and restructuring or withdrawing from operations in certain jurisdictions due to continuing adverse business conditions; and
- the impact of different tax rates and results in the jurisdictions in which the Company operates.

3.6 Earnings (Losses)

NPAT for the Company for the year ended 31 December 2015 was negative $326.3 million (2014: NPAT of negative $332.7 million), and EBITDA for the year was a loss of $115.3 million (2014: $82.6 million EBITDA loss). Both results were driven by operating losses in Global Drilling Services as well as significant restructuring expenses, recapitalisation costs and impairment charges.

Adjusted NPAT for 2015 was a loss of $132.2 million (2014: adjusted loss $141.8 million), and adjusted EBITDA decreased by $31.5 million to an adjusted EBITDA loss of $100 thousand for 2015 (2014: $31.4 million). See reconciliation in Section 7 'Non-IFRS Financial Information'.

4 Discussion and Analysis of Cash Flow

	For the year ended 31 December			
	2015	2014		
	US$ Millions	US$ Millions	$ Change	% Change
Cash generated from operations	11.4	54.6	(43.2)	-79.1%
Net cash flows used in operating activities	(54.9)	(11.3)	(43.6)	-385.8%
Net cash flows used in investing activities	(25.0)	(12.0)	(13.0)	-108.3%
Net cash flows provided by financing activities	47.1	143.9	(96.8)	-67.3%

4.1 Cash Flow used in Operating Activities

Cash flows used in operating activities for 2015 were $54.9 million, a deterioration of $43.6 million from the prior year (2014: cash used in operating activities $11.3 million). The decrease in 2015 was mainly due to:

- an improvement of $6.4 million in the loss for the year;
- a decrease in cash generated from trade and other receivables balances of $36.6 million as compared to prior year;
- a decrease in cash generated from the sale of inventory from the prior year of $19.5 million;
- cash used from decreasing trade and other payables of $4.9 million, as compared to cash provided from increasing trade and other payables of $11.1 million during 2014, which represents a $16.0 million reduction in cash;
- a decrease in interest paid during the year of $13.3 million; and
- an increase in cash taxes paid during the year of $12.2 million.

4.2 Cash Flow from Investing Activities

	For the year ended 31 December			
	2015	2014		
	US$ Millions	US$ Millions	$ Change	% Change
Purchase of property, plant and equipment	(21.8)	(13.8)	(8.0)	-58.0%
Proceeds from sale of property, plant and equipment	2.4	6.2	(3.8)	-61.3%
Intangible costs paid	(2.8)	(4.4)	1.6	36.4%
Investment in unaffiliated companies	(2.9)	-	(2.9)	-100.0%
Total net cash flows used in investing activities	(25.0)	(12.0)	(13.0)	-108.3%

The Company continued to invest in capital equipment to support existing operations, which resulted in capital expenditures of $21.8 million, up 58% on the prior year (2014: $13.8 million). Of the 2015 amount, $14.8 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment. $2.8 million was spent on product development activities, including engineering and patent maintenance. The remaining amount related to miscellaneous expenditures. The Company initiatives to conserve cash during the year included prudent and judicious control over capital expenditures.

Intangible costs paid relate to payments for patents, both to apply for new patents and to maintain existing patents, trademarks, software and costs incurred for development activities.

4.3 Cash flows from Financing Activities

In October 2014 the Company announced a recapitalisation transaction led by Centerbridge, which successfully completed its strategic review of recapitalisation options. As part of the recapitalisation, the Company was able to substantially improve its liquidity through equity raisings and debt refinancing.

Equity Raisings

The Company raised $27.2 million in new equity through a series of equity transactions prior to 31 December 2014 including an initial equity placement and a conditional placement to Centerbridge. In January 2015, the Company raised an additional $83.7 million through a renounceable rights offer to shareholders that was underwritten by Centerbridge. While non-cash, a further $16.0 million of equity was raised in January 2015 via equitisation of $16.0 million of 7.0% Senior Unsecured Notes held by Centerbridge. See Note 22 for additional discussion.

Debt Refinancing

The recapitalisation provided $225.0 million of new term loans that accrete (i.e., accumulate and compound) interest and does not require financial maintenance covenants. Structured as Term Loan-Tranche A and Term Loan-Tranche B, the new loans carry an interest rate of 12.0% per annum. The Term Loans have provided incremental liquidity as a result of accretive interest and full access to funds in the form of cash on the Company's balance sheet.

On 1 June 2015, the Company entered into a $40.0 million asset-based loan facility ("ABL"). Simultaneous with this transaction, the Company retired $35.0 million principal amount of its Term Loan -Tranche A (and thereby reduced the total principal amount of the Term Loans from $225.0 million to $190.0 million). The ABL facility, which is currently undrawn, provides for a commitment of up to $40.0 million in revolving borrowings and other extensions of credit, such as for letters of credit, at a more favourable interest rate than for the Term Loans.

5 Discussion of the Balance Sheet

	For the year ended 31 December			
	2015	2014		
	US$ Millions	US$ Millions	$ Change	% Change
Cash and cash equivalents	113.4	168.8	(55.4)	-32.8%
Trade and other receivables	110.1	137.4	(27.3)	-19.9%
Inventories	166.3	241.3	(75.0)	-31.1%
Prepaid expenses and other assets	16.4	18.7	(2.3)	-12.3%
Property, plant and equipment	176.5	279.3	(102.8)	-36.8%
Goodwill	99.7	102.5	(2.8)	-2.7%
Other intangible assets	54.4	77.3	(22.9)	-29.6%
Tax assets	41.9	97.6	(55.7)	-57.1%
Other assets	13.2	17.5	(4.3)	-24.6%
Total Assets	**791.9**	**1,140.4**	**(348.5)**	**-30.6%**
Trade and other payables	145.0	167.0	(22.0)	-13.2%
Provisions	44.5	68.9	(24.4)	-35.4%
Tax liabilities	92.8	118.0	(25.2)	-21.4%
Loans and borrowings	689.8	716.3	(26.5)	-3.7%
Total Liabilities	**972.1**	**1,070.2**	**(98.1)**	**-9.2%**
Issued capital	1,262.4	1,159.1	103.3	8.9%
Reserves	(120.8)	(82.8)	(38.0)	-45.9%
Other equity	(137.2)	(137.2)	-	0.0%
Accumulated losses	(1,184.6)	(868.9)	(315.7)	-36.3%
Total (Deficiency in Equity) Equity	**(180.2)**	**70.2**	**(250.4)**	**-356.7%**

The net assets of the Company decreased by $250.4 million, to negative $180.2 million, as at 31 December 2015, compared to $70.2 million as at 31 December 2014. Some of the major drivers of this decrease were reductions of inventories, impairments of property, plant and equipment, depreciation expense, amortization of intangibles, the write-off of deferred tax assets and unfavourable foreign currency movements. The Company continues to actively manage net working capital in relation to the current business cycle. In sustained periods of reduced global drill rig utilisation, inventory reductions are more difficult to achieve through business activity, and the Company must evaluate inventory monthly to determine the appropriate accounting reserves for slow-moving and obsolete inventory. When the markets the Company serves begin to improve, it is likely that net working capital levels will increase as the Company increases inventory and generates additional receivables.

Cash and cash equivalents decreased by $55.4 million, or 32.8%, to $113.4 million as at 31 December 2015 (2014: $168.8 million). $35.0 million of this change was due to partial repayment of Senior Secured Notes.

Trade and other receivables decreased by $27.3 million, or 19.9% to $110.1 million as at 31 December 2015 (2014: $137.4 million) reflecting decreased revenues and increased focus on cash collections by all divisions. Days Sales Outstanding ("DSO") at 31 December 2015 remained flat from the prior year at 53 days, despite a very challenging collections environment.

This result was achieved through intense focus on collections as well as continued emphasis on prompt customer billing by our Global Drilling Services division.

Inventories decreased by $75.0 million, or 31.1 %, to $166.3 million as at 31 December 2015 (2014: $241.3 million). Of the decrease, $34.5 million relates to write-downs of inventories to net realisable value as the market continues to be weak and the Company withdraws from operations in certain jurisdictions, $21.2 million related to third party sales and Global Drilling Services consumption, $19.3 million of foreign currency exchange and other non-cash changes.

Other assets consist of current prepayments and deposits and VAT/GST receivables.

The net value of property, plant and equipment decreased by $102.8 million to $176.5 million as at 31 December 2015 (2014: $279.3 million) mainly due to asset impairment charges of $36.8 million, depreciation expense of $66.2 million, foreign currency exchange losses of $23.1 million, partially offset by additions of $18.4 million.

Goodwill remained relatively stable at $99.7 million as at 31 December 2015 compared to 2014 (2014: $102.5 million)

Other intangible assets decreased by $22.9 million, or 29.6%, to $54.4 million as at 31 December 2015 (2014: $77.3 million) mainly due to amortisation for the year of $17.7 million and impairments of $571 thousand, which were partially offset by trademark, patent, software and development asset additions of $2.0 million and foreign currency exchange impacts.

Tax assets decreased by $55.7 million, or 57.1%, to $41.9 million as at 31 December 2015 (2014: $97.6 million) mainly due to the write down of deferred tax assets as a result of adverse business conditions resulting in the Company reducing its forecast earnings at 31 December 2015 and restructuring or withdrawing from operations in certain jurisdictions.

Trade and other payables decreased by $22.0 million, or 13.2% as at 31 December 2015 to $145.0 million (2014: $167.0 million). The average credit period on purchases of certain goods decreased by 3 days to 31 days. Trade payables represent 14.9% of the Company's total liabilities. The reduction in trade and other payables was driven by the lower level of manufacturing activity and continued focus on cost control as well as the accrued recapitalisation costs of $18.1 million at 31 December 2014 that were paid during 2015.

Provisions of $44.5 million as at 31 December 2015 decreased by 35.4%, or $24.4 million, compared to the prior year (2014: $68.9 million), and represent 4.6% of total Company liabilities. The decrease is mainly due to gains during 2015 on the defined benefit plans.

Borrowings of $689.8 million representing 71.0% of the Company's liabilities decreased by $26.5 million during the year ended 31 December 2015 (2014: $716.3 million). The Company's net debt (gross debt less cash and cash equivalents) increased by $28.8 million, to $576.4 million, as at 31 December 2015 (2014: $547.6 million). The decrease was a result of the $35.0 million partial repayment of Senior Secured Notes and the equitisation of $16.0 million of Senior Unsecured Notes, partially offset by accreted interest on the Term Loans of $23.7 million.

Liquidity and Debt Facilities

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

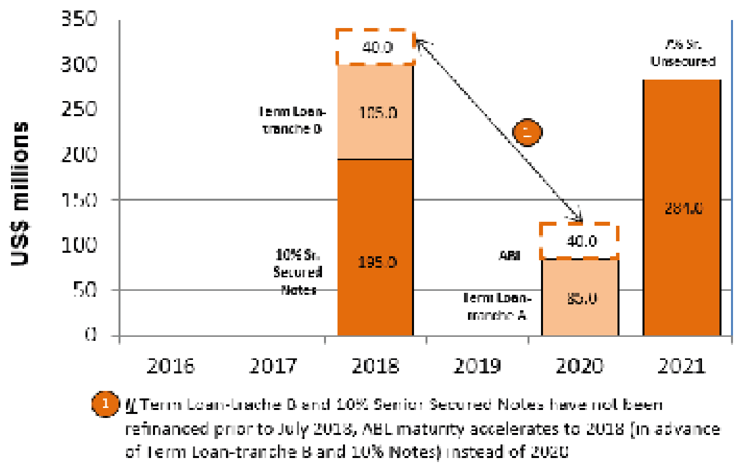
Description	Principal Outstanding as at 31 December 2015 (millions)	Accreted Interest as at 31 December 2015 (millions)	Interest Rate	Scheduled Maturity	Security
Senior Secured Notes	$195.0		10%	1 October 2018	Second lien on the accounts receivable, inventories, deposit accounts and cash ("Working Capital Assets") of the Term Loan B and 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% 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 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.
Term Loan – tranche B	$105.0	$14.4	12%[2]	1 October 2018	Same as Senior Secured Notes
ABL	$0.0[1]		Variable[3]	29 May 2020[4]	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the other tangible and intangible assets ("Non-Working Capital Assets") of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property).
Term Loan – tranche A	$85.0	$13.9	12%[2]	22 October 2020	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.
Senior unsecured Notes	$284.0		7%	1 April 2021	Unsecured

(1) No drawn borrowings were outstanding; however, $12.0 million in note 28 of the financial statements in letters of credit were issued.
(2) Interest rate may be reduced to 11% if the Company's trailing 12 month adjusted EBITDA is greater than $200 million.
(3) Based on LIBOR + margin (grid-based margin is currently 3.5%).
(4) If Term Loan-tranche B and Senior Secured Notes have not been refinanced prior to July 2018, maturity accelerates to 1 July 2018.

Effective 27 January 2015, $16.0 million principal amount of the Company's Senior Unsecured Notes held by Centerbridge, and its affiliates and related funds were equitised as part of the recapitalisation.

Effective 1 June 2015, the Company entered into a $40.0 million asset-based loan facility (ABL). Simultaneous with this transaction, the Company retired $35.0 million principal amount of its Term Loan-tranche A. The ABL facility provides for a commitment of up to $40.0 million in revolving borrowings and other extensions of credit such as for letters of credit. This facility is a secured loan with a first-priority lien on the issuer's and guarantors' accounts receivable, inventories, and cash. Scheduled maturity is the earliest of (i) 90 days prior to maturity of Existing Senior Secured Notes (or any Indebtedness refinancing the security) (ii) 90 days prior to maturity of Term Loan A (or any Indebtedness refinancing the security) (iii) 90 days prior to maturity of Term Loan B (or any Indebtedness refinancing the maturity of the security) and (iv) 29 May 2020. Pricing the facility is based on LIBOR, plus a grid- based spread, currently 3.5%. The facility does not include ongoing financial maintenance covenants. Restrictions under the facility currently exist that limit maximum borrowings to $35.0 million and require $5.0 million in cash to be held in a restricted account with the lender. These restrictions are lifted once the Company satisfies a 1.0x fixed charge coverage test for four consecutive quarters related to the restricted borrowings and two consecutive quarters as it relates to the restricted cash.

The following table shows the outstanding debt with maturities.



During the year, the Company debt ratings were upgraded by Standard and Poor's Rating Services. The corporate credit rating with Standard and Poor's was revised to CCC+ from CCC, with issue level ratings revised to B from B- and to CCC+ from CCC for the Company's Senior Secured Notes and Senior Unsecured Notes, respectively. The corporate family rating with Moody's Investor Services remained unchanged during 2015 at Caa1, with issue level ratings also unchanged at B3 and Caa2 for the Company's Senior Secured Notes and Senior Unsecured Notes, respectively.

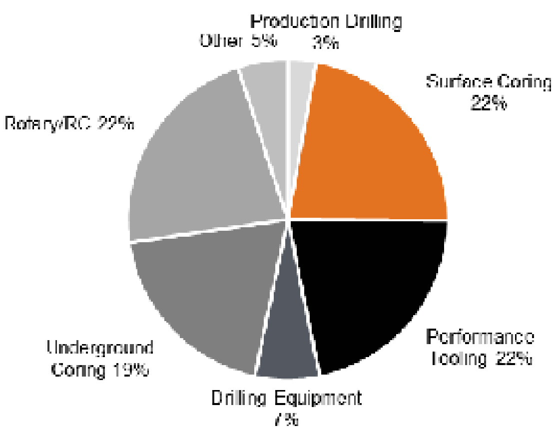
6 Review of Segment Operations

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

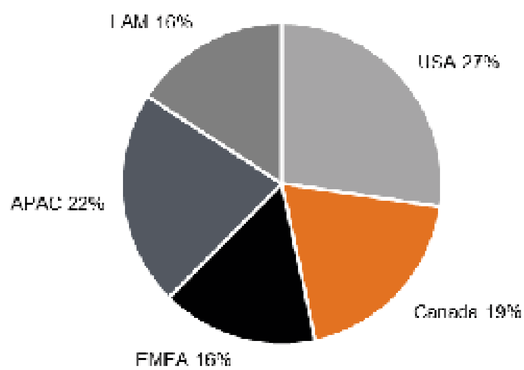
	Segment Revenue				Segment Profit	
	2015 US$ Millions		2014 US$ Millions		2015 US$ Millions	2014 US$ Millions
Drilling Services		527.9		636.1	(2.6)	(2.9)
Global Products revenue						
Products third party revenue	207.3		230.4			
Products inter-segment revenue [1]	52.5		72.4			
Total Global Products		259.8		302.8	5.6	4.3
Less Global Product sales to Global Drilling Services		(52.5)		(72.4)		
Total third party revenue		735.2		866.5		
Total segment profit					3.0	1.4

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

Revenue by Type [1]



Revenue by Geography [1]



(1) Based on percentages of total Company revenue for the year ended 31 December 2015.

6.1 Review of Segment Operations - Global Drilling Services

	For the year ended 31 December			
	2015	2014		
	US$ Millions	US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	527.9	636.1	(108.2)	-17.0%
COGS				
Materials/labor/overhead/other	438.1	527.0	(88.9)	-16.9%
Depreciation and amortisation	54.5	69.9	(15.4)	-22.0%
Total COGS	492.6	596.9	(104.3)	-17.5%
COGS as a % of Revenue	*93.3%*	*93.8%*	*-0.5%*	*-0.5%*
Contribution margin $	23.3	25.5	(2.2)	-8.6%
Contribution margin %	4.4%	4.0%	0.4%	10.0%
Business unit SG&A	12.0	13.8	(1.8)	-13.0%
Allocated SG&A	26.0	28.3	(2.3)	-8.1%
EBITDA	40.9	68.6	(27.7)	-40.4%
Capital spend (accrual)	14.6	16.3	(1.7)	-10.4%
Other Metrics				
Average # of Operating Drill Rigs	331	354	(23)	-6.5%
Average # of Drill rigs	921	948	(27)	-2.8%
# of Employees at year-end	3,127	4,172	(1,045)	-25.0%

Safety

The Global Drilling Services division's Total Case Incident Rate (TCIR) for 2015 was 1.32, compared to 1.51 for full-year 2014. Its Lost-Time Incident Rate (LTIR) for 2015 was 0.21, compared to 0.14 for 2014. These results reinforce our determination to improve the management and mitigation of critical safety risks through a variety of initiatives and processes, including the following:

- Better reporting and analysis of high-potential near-miss incidents and significant injuries and ensuring that corrective actions from those incidents are applied globally;
- increasing management's safety interactions at drill sites and other operating locations;
- increasing supervisory competencies through training;
- reinforcing hazard assessments for non-standardised tasks; and
- increasing drill rig inspection frequency; and creating an environment where employees are empowered to stop work or take other actions to assure their own safety as well as that of their fellow workers.

Key Safety Metrics

	2015	2014	2013
TCIR	1.32	1.51	1.79
LTIR	0.21	0.14	0.21

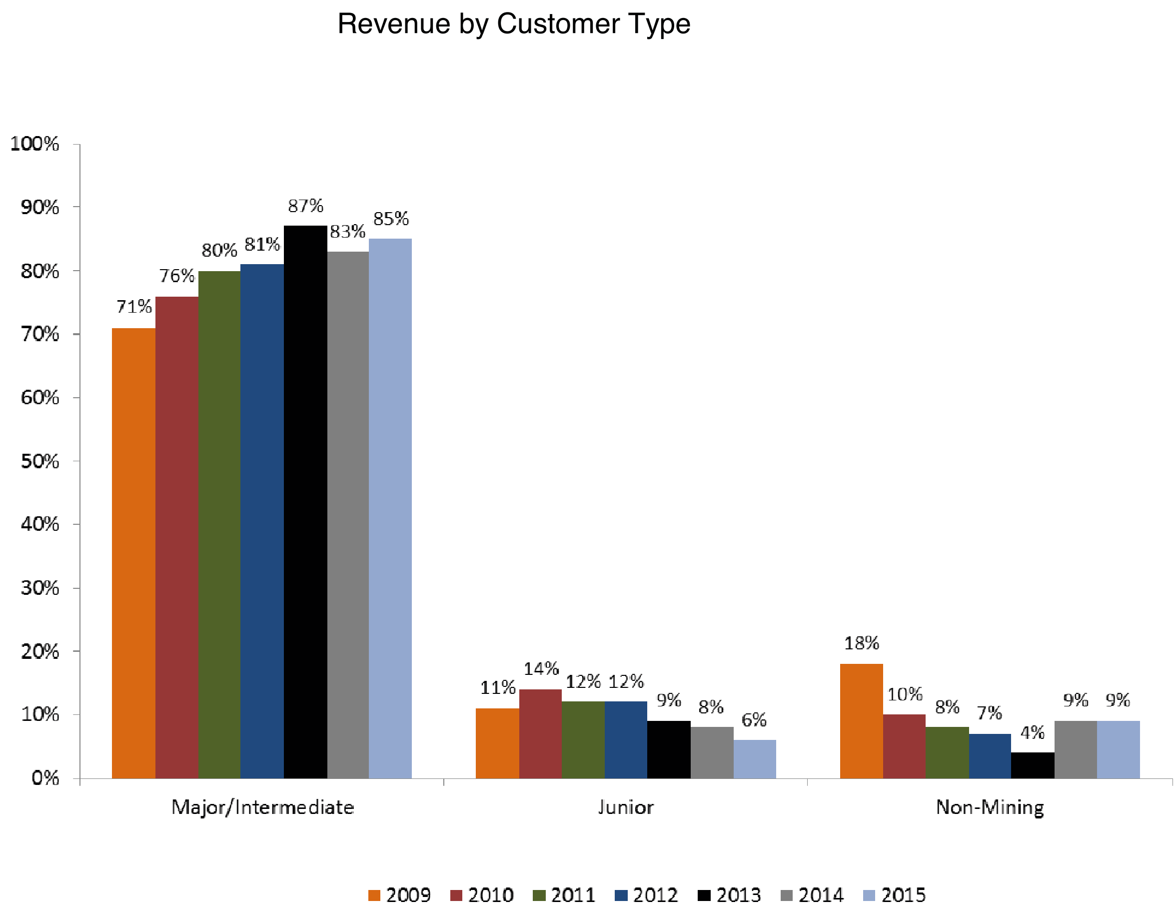
Rig fleet

Our drill rig fleet, consisting of 912 rigs as at 31 December 2015, is the largest fleet operated by a mineral drilling services company in the world. Our drill rig packages range from small underground packages costing approximately $500 thousand to large diameter rotary packages that cost in excess of $4.0 million. The operational life of a drill rig varies greatly. Underground rigs are depreciated over a five-year period, whereas surface core rigs are depreciated over 10 years and rotary rigs over 12 years, or their estimated useful life.

Revenue

Consistent with the second-half of 2013 and full-year 2014, mining industry spending on exploration and development declined in 2015 and, as a result, Global Drilling Services' revenue in 2015 was $527.9 million, down 17% from $636.1 million in 2014. The year-over-year revenue decrease was driven by a combination of volume, price and changes in foreign exchange rates. Volume decreases resulted in $40.0 million of the year-over-year decrease and was driven largely by reduced spending by major mining customers on exploration projects. The strengthening of the US Dollar, our reporting currency, against key trading currencies, primarily the Canadian and Australian dollar, resulted in a $36.5 million reduction in year-over-year revenues. Lastly, price decreases averaging 5% as a percentage of revenue reduced year-over-year revenue by a further $31.7 million. Revenue for the second half of 2015 was $246.7 million, compared to $281.2 million in the first half of 2015, a decrease of 12.3%. The half year over half year decrease in revenue can be attributed to some customers expending their drilling budgets in the first half of 2015 with no additional budget dollars being allocated to drilling in the second half of the year, a softening of gold prices in the second half of 2015 and a strengthening of the US Dollar against foreign currencies resulting in reduced revenues due to translation.

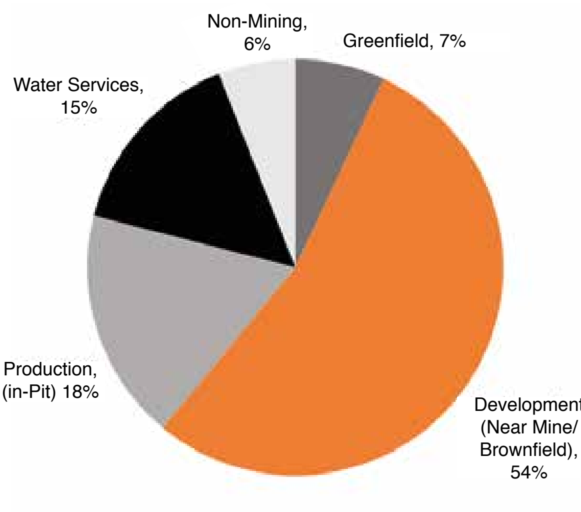
Approximately 85% of Global Drilling Services' revenue for the year ended 31 December 2015 was derived from major mining companies, including Barrick Gold Corporation, BHP Billiton Limited, Freeport-McMoRan, GoldCorp, Newmont Mining and Rio Tinto. Our top 10 Global Drilling Services customers represented approximately 62% of Global Drilling Services' revenue for the year ended 31 December 2015, with no contract contributing more than 4% of our consolidated revenue. No other customer contributed 10% or more to the Company's revenue in either 2015 or 2014. We believe this diversified revenue base provides greater revenue stability.



Revenue by Drill Type

Revenues from drilling disciplines closely tied to mine production proved more stable in 2015 than those linked to green field exploration. In particular, our underground coring and percussive drilling operations, while not immune to reductions, collectively experienced only a 9% reduction in overall revenue. Drilling disciplines more closely tied to green field exploration, such as surface coring and rotary drilling experienced more significant declines in 2015 and drove the majority of the volume reductions experience in the business. Rotary revenues for 2015 were $70.6 million as compared to 2014 revenues of $109.4 million, a decrease of 35.5%. Surface coring revenues for 2015 were $165.6 million as compared to 2014 revenues of $202.4 million, a decrease of 18.2%. Water well drilling continued to be relatively strong, experiencing only an 8% decline, due to continued strategic diversification into agricultural and municipal well drilling.

Revenue by Stage [1]



(1) Based on percentages of total Company revenue for the year ended 31 December 2015

Revenue by Drill Type [1]

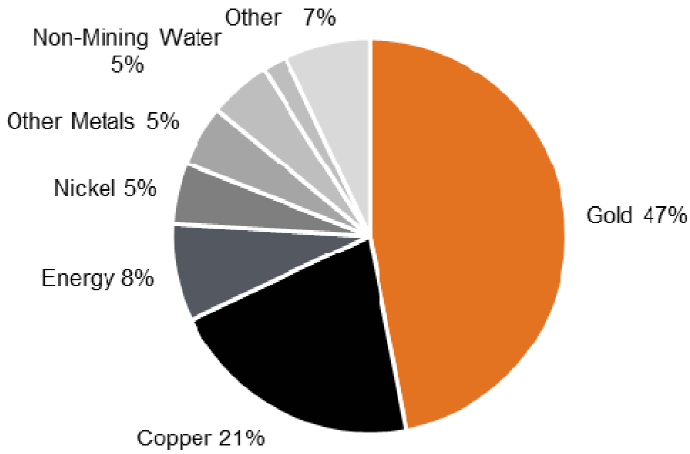
	2015		2014		2013	
	US$ Millions	**% of Total**	**US$ Millions**	**% of Total**	**US$ Millions**	**% of Total**
Surface Coring	165.6	31.4%	202.4	31.8%	341.5	37.2%
UG Coring	142.8	27.0%	154.8	24.3%	188	20.5%
Water Well	90.2	17.1%	98.5	15.5%	133.2	14.5%
Rotary	70.6	13.4%	109.4	17.2%	129.2	14.1%
Percussive	39.9	7.6%	45.4	7.1%	63.5	6.9%
Sonic	18.8	3.5%	25.6	4.1%	61.9	6.8%
Grand Total	**527.9**		**636.1**		**917.3**	

(1) Total Global Drilling Services revenue as reported in 2013, includes revenues from the E&I environmental business of $29.6 million. The E&I business was sold in 2013.

Revenue by commodity

Gold and copper continue to be the primary commodities our customers were spending their exploration budgets on in 2015 representing 47.4% and 21.0% of revenue, respectively. Reductions in commodity prices have negatively impacted our revenues, as mining customers have elected to reduce exploration budgets in response to a lower pricing environment. In particular, Global Drilling Services' revenue associated with gold has decreased to $250.1 million for 2015, compared to $285.7 million for the year ended 2014, a decrease of 12.5%. For the same time periods, revenue associated with copper has decreased by 8.3%.

Revenue by Commodity [1]



(1) Based on percentages of total Company revenue for the year ended 31 December 2015

Revenue by Commodity [1]

	2015		2014		2013	
	US$ Millions	**% of Total**	**US$ Millions**	**% of Total**	**US$ Millions**	**% of Total**
Gold	250.1	47.4%	285.7	44.9%	354.9	38.7%
Copper	110.8	21.0%	120.8	19.0%	197.6	21.5%
Energy	44.1	8.4%	56.3	8.9%	60.5	6.6%
Iron	9.2	1.7%	39.9	6.3%	105.9	11.5%
Water Services	33.9	6.4%	42.9	6.7%	42.2	4.6%
Nickel	26.9	5.1%	26.8	4.2%	60.1	6.6%
Environmental	1.5	0.3%	8.3	1.3%	26.9	2.9%
Other Metals	51.4	9.7%	55.4	8.7%	69.2	7.6%
Grand Total	**527.9**		**636.1**		**917.3**	

(1) Total Global Drilling Services revenue as reported in 2013, includes revenues from the E&I environmental business of $29.6 million. The E&I business was sold in 2013.

Margins

Global Drilling Services' EBITDA for 2015 was $40.9 million, down 40.4% from $68.6 million in 2014. The primary drivers for the decrease in EBITDA were price reductions, which had a negative $31.7 million impact and foreign exchange, which had a negative $5.4 million impact. These negative impacts were offset by $17.3 million of productivity improvements and cost savings initiatives delivered upon in 2015.

6.2 Review of Segment Operations - Global Products

	For the year ended 31 December			
	2015	2014		
	US$ Millions	US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	207.3	230.4	(23.1)	-10.0%
COGS				
Materials/labor/overhead/other	159.1	175.6	(16.5)	-9.4%
Inventory obsolescence	(1.0)	0.3	(1.3)	-433.3%
Depreciation and amortisation	7.9	10.0	(2.1)	-21.0%
Total COGS	166.0	185.9	(19.9)	-10.7%
COGS as a % of Revenue	*80.1%*	*80.7%*	*-0.6%*	*-0.7%*
Contribution margin $	19.9	18.1	1.8	9.9%
Contribution margin %	9.6%	7.9%	1.7%	21.5%
Business unit SG&A	21.4	24.5	(3.1)	-12.7%
Allocated SG&A	14.3	15.7	(1.4)	-8.9%
EBITDA	14.5	14.0	0.5	3.6%
Capital Spend (accrual basis)	2.5	3.0	(0.5)	-16.7%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	16.8	17.9	(1.1)	-6.1%
Inventories [1]	166.3	241.3	(75.0)	-31.1%
# of Employees	1,258	1,393	(135)	-9.7%

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

Safety

In 2015, the Total Case Incident Rate (TCIR) for the Global Products segment was 1.05 recordable incidents per 200,000 hours worked and the Lost-Time Incident Rate (LTIR) was 0.09 lost-time injuries per 200,000 hours worked. To improve on these results, our focus areas in our manufacturing operations 2016 will be on risk identification and sharing best practices, particularly between our factories in Eiterfeld, Germany, and Wroclaw, Poland, in relation to forklift operations, load shifting and other highly manual tasks. In our Supply Chain organisation, our efforts in 2016 will remain centered on traffic management planning, overhead load-shifting and placement and pallet racking use and maintenance.

Revenue

The year ended 31 December 2015 was another difficult year for the Global Products division. Revenue for the year was $207.3 million, down 10.0% from $230.4 million in 2014. The primary driver of the decrease was unfavourable currency translation as the US dollar strengthened significantly against most other major currencies. Price was relatively flat year-over-year and volume was up slightly net of currency movements. We expect to see a relatively flat environment in the near-term.

Of Global Products' revenue for the year ended 31 December 2015, approximately 76.8% was comprised of performance tooling components, and the remaining 23.2% was comprised of drilling equipment and spares. Through a worldwide network of over 100 sales and customer service representatives, we primarily sell our products to drilling services contractors. No external Global Products customer represented more than 2% of consolidated revenue for the year. Global Products also provides many of the products necessary for our Global Drilling Services division.

Margins

Although revenue was down 10.0% year-over-year, EBITDA for Global Products was up 3.6%. This result was achieved through disciplined cost control, as evidenced by an 11.2% decrease in SG&A costs. We also saw improved fixed cost leverage at our manufacturing facilities as production levels increased marginally compared to the prior year. As a result of the large reduction in inventories over the past three years, we have started producing key products which have benefited the segment's margins as manufacturing recoveries improve.

Backlog

At 31 December 2015, Global Products had a backlog of product orders valued at $12.9 million. This compares to $18.2 million at 30 June 2015 and $19.5 million at 31 December 2014. Average backlog during the second-half of 2015 was $15.0 million, compared to $18.6 million during the first-half of the year. A key driver for the decrease in our backlog – which we define as product orders we believe to be firm - is unfavourable currency translation. There is no certainty that backlog orders will result in actual sales at the times or in the amounts ordered because our customers generally can cancel their orders without penalty (with some exceptions on capital equipment orders).

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 2015, we had 411 issued patents, 641 registered trademarks, 293 pending patent applications and 30 pending trademark applications. One of the most significant patents is for our RQ™ coring rod. The RQ™ patented thread design withstands greater stress than all previously available coring rod designs, enabling drilling of substantially deeper holes. 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 issues and develop technical solutions. We believe that sharing field data, challenges, safety requirements and best practices, accelerates innovation that also increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from our Global Drilling Services network around the world. In 2015, we launched 4 new products and we continue to invest in our new product pipeline. New product development efforts remain focused on incremental product changes that customers will pay for regardless of the business environment. We also continue to make progress against our strategy of developing a market leading geological data services business.

Inventories

Inventory levels in 2015 continued to reduce due in part, to controls to carefully manage demand with our suppliers and manufacturing facilities. We reduced inventory by $75.0 million during the year, of which $21.1 million was related to third party sales and consumption by our Global Drilling Services division, $34.5 million relates to write-downs of inventories to net realisable value as the market continues to be weak and the Company withdraws from operations in certain jurisdictions, and $19.4 million was attributable to foreign currency and other non-cash changes. Global Drilling Services continues to consume their products at a slow pace due to low rig utilisation in their fleet, and we may incur future costs related to moving inventory from certain underperforming projects or territories to other projects or territories to speed consumption and delay manufacturing-related costs.

Non-IFRS Financial Information

	For the year ended 31 December			
	2015	2015	2014	2014
US$ Millions	**US$ Millions**	**US$ Millions**	**US$ Millions**	**US$ Millions**
EBITDA(1)	**(115.3)**		**(82.6)**	
NPAT(2)		**(326.3)**		**(332.7)**
Recapitalisation costs	0.6	0.6	45.5	45.5
Impairments				
Property, plant and equipment	36.8	36.8	46.1	46.1
Intangible assets	0.6	0.6	1.6	1.6
Inventories	34.5	34.5	0.7	0.7
Employee and related costs	16.0	16.0	12.5	12.5
Other restructuring expenses	9.5	9.5	7.6	7.6
Other non-recurring items	17.2	17.2	-	-
Tax effect of items and other tax w rite offs(3)	-	78.9	-	76.9
Total of significant and non-recurring items	115.2	194.1	114.0	190.9
Adjusted EBITDA(1)	**(0.1)**		**31.4**	
Adjusted NPAT(2)		**(132.2)**		**(141.8)**

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

(2) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and before significant and other non-recurring items'.

(3) Includes tax expense on derecognition of deferred tax assets and unrecognised tax losses of $107.6 million.

8. Outlook

8.1 Our 2016 Priorities

Our key priorities for 2016 are to:

- continue to eliminate job related injuries by maintaining and enhancing our culture around safety and compliance;
- expand our mining and minerals drilling customer base by focusing on efficiency and productivity and enhancing our business development capabilities and processes;
- effectively manage customer relationships, pricing and contract terms;
- create new products and respond to new Global Drilling Services customers within a constrained capital budget;
- preserve liquidity and efficiently manage costs, including capital; and
- strengthen our financial position by reducing net debt over time

Continue to eliminate job related injuries 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 eliminating job-related injuries and providing a safe work environment for every employee. We adhere to high safety standards, continually seeking ways to maintain and enhance the safety of our Global Drilling Services and Global Products businesses and ensuring that, when injuries or 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.

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 backed by more than 125 years of experience and innovation. Our commitment is underpinned by initiatives to improve the efficiency and productivity with which we deliver services and information to our customers and enhancements of our commercial practices and capabilities to ensure alignment with our customers' most important needs. Ultimately, our goal is to be the driller of choice for our clients, particularly at their 'flagship' projects, which tend to be less volatile, higher volume, and involve longer-term contracts, and thereby allow us to leverage costs and develop site-specific expertise that brings value both to the customer and to Boart Longyear.

Effectively manage customer relationships, pricing and contract terms. Our Global Drilling Services business has implemented a rigorous internal process for evaluating the performance of all projects on an ongoing basis and developing corrective actions on a case-by-case basis at underperforming sites. Such corrective actions may include operational improvements, amendment of contract terms with our clients or, in some cases, termination of unprofitable work. We also are focused on establishing a standardised process for reviewing and establishing contacts. As each project must succeed on its own merits, we consider the active management of pricing and contract terms to be key tools in achieving this objective and ensure our contracts reflect the full value delivered by Global Drilling Services and create lasting customer relationships.

Create new products and respond to new Global Drilling Service's customers within a constrained capital budget. We will continue to pursue disciplined investments in our business to drive returns and to actively manage our rig fleet and capitalise on investments made in all areas of the business during the past few years. Because we have spent in excess of $600 million in capital expenditures from 2010 through 2012 (including approximately $430 million for drilling rigs and support equipment), we believe future capital expenditures are likely to be more in line with recent years until rig utilisation rates increase materially. This level of capital expenditure will allow us to focus on high-value opportunities in which we can leverage distinctive competencies, such as for mine water services, or on market segments that are more resilient in industry contractions, such as underground drilling services and products. We also will continue to explore entry into geographies with favorable risk/return metrics, on strategic technologies and high value-added and more profitable activities.

Preserve liquidity and efficiently manage our variable and fixed costs, including capital. Our goal is to achieve a cost structure that allows us to operate our business with significant flexibility in response to the market environment. In 2015, we commenced business initiatives focused on improving our fixed and variable cost structures in five keys areas of the business to improve liquidity in 2016 and beyond. A comprehensive review of our Supply Chain and corporate overhead costs to optimise organisational efficiency was completed in December 2015, and we expect to realise the cash benefit of this initiative throughout 2016 and subsequent years. Our Global Drilling Services business commenced a review to optimise manufacturing and administrative programs in order to improve our operating efficiency. We continue to focus on process improvements and structural changes to improve customer support and responsiveness and drive long-term efficiencies. Furthermore, we are improving working capital management and product delivery through the consolidation of the supply chain organisations in our Global Products and Global Drilling Services divisions. Our objective is to continue to seek growth opportunities in our core markets while positioning our business at the top end of our peer group for profitability and cash generation.

Strengthen our financial position by reducing net debt over time –The Company entered the most recent cyclical downturn with too much debt and, as our revenue and EBITDA profiles have decreased over the last several years, our overall net debt position remains too high. Accordingly, our top priorities support cash generation and preservation to reduce net debt as much as possible.

8.2 Outlook and Future Developments

The Company is not providing an outlook for 2016 revenue or EBITDA. While 2015 continued to be a difficult year for the resources sector, the Company's productivity and cost cutting initiatives are making a positive impact as significant improvements in results were achieved in the second half of 2015. We expect to continue to see gains in both of these areas going forward.

The mining industry is cyclical. Notwithstanding current sector challenges, the longer-term outlook for the mining industry is expected to remain attractive and to be underpinned by:

- continued industrialisation and urbanisation of developing economies, which are expected to support structural increases in demand for minerals and metals; and
- although volatile, continued high commodity prices relative to price levels over the past decade.

As a result, we believe natural resources companies will be compelled to produce throughout the cycle and supplement and replace their reserves over time, driving exploration, development and capital spending. As the leading drilling services provider globally with the world's largest drilling fleet we continue to drive operational improvements, technological innovation and engineering excellence in both Global Drilling Services and Global Products. We believe we will benefit from increased market opportunities.

We remain focused on our core mining markets and intend to continue to invest in high-potential organic growth opportunities in those markets in a selective and disciplined manner. Examples of such opportunities include ongoing expansion of the Company's mine and agriculture water drilling services activities, as well as developing the next generation of consumable products, rod-handling solutions for the entire range of drilling rigs the Company offers and other products that enhance safety and productivity. In addition, the Company continues to pursue operational enhancements to improve operating margins, cash generation and debt reduction.

Further information about likely developments in the operations of the Company in 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.

8.3 Key Risks

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

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

We seek to mitigate the risk associated with volatility and weak demand conditions in our core mining markets by pursuing business development opportunities in other markets, such as agricultural and municipal water drilling in our Global Drilling Services business and infrastructure and geotechnical applications for our Global Products business. In addition, as previously outlined, our business priorities for 2015 and 2016 include ongoing initiatives to gain market share in our core markets and expand our mining industry customer base by improving the efficiency and productivity with which we deliver services and information to our customers and making additional investments in our commercial organisation to augment our business development efforts and improve commercial practices for better alignment with our customers' most important 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 through our contracting practices to minimise the financial cost associated with the termination or suspension of customer contracts or orders but often are limited by industry practice as to the degree to which we can allocate termination risks and obligations to our customers.

The Company has implemented significant cost savings and efficiencies during the course of the ongoing industry downturn but believes its future operating results, financial condition and competiveness, particularly in its Global Drilling Services division, in part depend on its ability to sustain previously implemented reductions and realise cost savings from ongoing and future cost-reduction and efficiency 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 Indebtedness. At 31 December 2015, our net debt was $576.4 million, with $689.8 million in gross debt and $113.4 million of cash on hand and availability through our asset-based lending (“ABL”) facility. The instruments comprising the Company’s debt and their terms are set out in detail in note 22 of the financial statements.

Based on the Company’s capital structure and the terms of our debt facilities, our ability to secure additional capital in the future, to the extent it becomes necessary to do so, is uncertain at present. Accordingly, our ability to fund operations and make further investments in the business may depend on the adequacy of current sources of liquidity to meet such needs until market conditions improve or additional operating improvements can be achieved to improve cash generated by our operations. In addition, certain of the Company’s debt instruments bear maturities beginning in October 2018. Our ability to refinance or renew our debt when it becomes due depends on our ability to generate cash flow and, potentially, other circumstances, such as existing market conditions at the time of refinancing. Given the lack of clarity around the short-term outlook for the Company’s markets, our top corporate priorities, which are directly linked to management incentive compensation, largely are directed at cash preservation in order to preserve our existing sources of liquidity and ensure they are adequate to sustain the business for the foreseeable future.

Tax Risk. As previously disclosed and further detailed in note 13 of the financial statements, the Company is contesting a series of tax audits performed by the Canada Revenue Agency (“CRA”). We also are responding to audits that are underway or anticipated to be performed by the CRA. The resolution of existing and potential assessments by Canadian tax authorities may adversely affect our liquidity. While the timing and resolution of the Company’s appeals of the CRA’s assessments are uncertain, we are pursuing strategies to mitigate the risks of an adverse outcome with the assistance of our external legal and tax experts.

The recent closure of our centralised operating structure based in Switzerland and the establishment of a master distributor entity based in the United States could result in audits or assessments in many of the jurisdictions in which we operate and could lead to a higher effective tax rate and tax payments. Assessments related to these issues may adversely affect our liquidity in the event we are required to pay assessments, or post security to maintain challenges to such assessments. In making the decision to move to the master distributor entity, management and our external advisors carefully evaluated the operational requirements of the business, future tax risk and potential forecast scenarios and considered that the US-based master distributor structure effectively balances business objectives and tax risks inherent in any reorganisation.

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.

8.4 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.

9 Quarterly Income Statement and Related Information

	Quarters ended 2015				Quarters ended 2014				Quarters ended 2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Company												
Revenue (US$ millions)	160.9	186.8	200.3	187.2	205.8	239.3	224.1	197.4	224.5	279.5	348.7	370.2
EBITDA (US$ millions)	(75.2)	(0.7)	(25.2)	(14.2)	(61.9)	12.3	(31.1)	(1.9)	(100.8)	(1.2)	(269.7)	34.6
Adjusted EBITDA (US$ millions)	(4.9)	3.1	11.2	(9.5)	(3.2)	15.9	14.9	3.8	8.0	18.8	40.1	40.3
Operating Loss	(90.4)	(24.8)	(44.6)	(39.4)	(83.3)	(15.7)	(56.6)	(29.4)	(130.8)	(30.4)	(304.3)	(2.2)
(Loss) Profit from Trading Activities	(10.3)	(7.7)	(3.6)	(24.2)	(14.3)	(6.2)	(4.1)	(23.3)	(19.3)	(4.9)	16.4	7.9
Net cash flows (used in) provided by operating activities	28.2	2.0	(10.2)	(74.9)	(6.8)	10.1	(8.3)	(6.3)	4.1	36.1	17.8	(46.5)
Net Debt (US$ millions)	576.4	554.6	556.1	538.1	547.6	550.9	555.8	544.4	526.4	523.0	563.8	571.3
Adjusted SG&A (US$ millions)	5.0	37.9	40.0	39.5	31.6	32.7	34.6	32.7	35.0	40.0	39.2	46.8
# of employees	4,725	5,089	5,151	5,537	5,933	5,972	5,871	5,593	5,681	6,020	7,270	8,283
Global Drilling Services												
Revenue (US$ millions)	111.3	135.4	145.1	136.1	151.8	176.0	168.7	139.6	163.4	216.3	265.3	272.3
EBITDA (US$ millions)	3.0	15.8	18.1	4.0	9.1	22.9	25.4	11.2	15.5	42.7	42.6	41.1
Average rig utilisation	33%	37%	38%	35%	38%	40%	39%	32%	31%	37%	43%	39%
Average # of drill rigs (with E&I)	914	917	921	933	944	953	945	950	1,031	1,037	1,139	1,146
Average # of drill rigs (without E&I)	914	917	921	933	944	953	945	950	1,031	1,037	1,037	1,044
# of employees	3,127	3,420	3,478	3,833	4,172	4,208	4,130	3,874	4,338	4,737	5,859	6,749
Global Products												
Revenue (US$ millions)	49.6	51.4	55.2	51.1	53.9	63.3	55.4	57.8	61.1	63.2	83.3	97.9
EBITDA (US$ millions)	4.0	3.4	4.5	2.6	1.2	7.0	5.0	0.8	2.6	(8.2)	8.7	13.0
Average backlog (US$ millions)	13.3	16.7	18.4	18.9	19.3	20.3	16.9	15.2	19.4	19.8	31.5	43.3
# of employees [1]	1,258	1,314	1,321	1,338	1,393	1,407	1,382	1,363	910	899	990	1,103

(1) Increase in 2014 Global Products employees is due to the consolidation of maintenance and supply chain operations into the Global Products division at the end of 2013.

REMUNERATION REPORT

This remuneration report sets out Boart Longyear's remuneration policies and practices, the rationale underlying them and their outcomes for the year ended 31 December 2015 in accordance with the requirements of the Corporations Act 2001 (Commonwealth)(the Act) and its regulations. This information has been audited as required by Section 308(3C) of the Act.

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

- the overall objective of attracting, retaining, aligning and motivating management in order to achieve the highest levels of performance from them for the benefit of all shareholders;
- high standards of fairness, transparency and sound corporate governance principles; and
- the particular business environment in which Boart Longyear operates, recognising that:
    - the Company's business is global and the senior executive team is based primarily outside of Australia and is recruited internationally;
    - the markets in which the Company operates can have strong cyclical characteristics, that place equal performance pressures on management in an upswing as in down cycles; and
    - importantly, the Company is incorporated and listed in Australia and complies with local corporate regulatory requirements and practices.

Changes in 2015

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

1. **Change in CEO** – In August 2015, the Board announced that Richard O'Brien would be stepping down as the Company's President and Chief Executive Officer. Marcus Randolph, the Company's Chairman, became Executive Chairman and CEO on an interim basis while a CEO search is conducted. Mr O'Brien's employment continued with the Company until 31 October 2015 on a transitional basis. The Board considered both internal as well as external candidates in the search for a new CEO, which concluded on 29 February 2016 with the announcement of Jeffrey Olsen as the Company's next President and Chief Executive Officer. The Company will undertake a search for a chief financial officer to succeed Mr Olsen. In the meantime, Mark Hauber, the Company's Vice President, Corporate Financial Planning and Analysis and Drilling Services Finance, will serve as Interim CFO.

2. **Change in Short Term Incentive Plan (STI) payout formula -** The Board modified the STI Plan in 2014 to focus on cash flow generation to fund ongoing business cash needs. This strategic focus was deemed critical to maintaining business operations and funding cash requirements for other priorities. Another modification to the STI Plan in 2015 is the requirement that the Company's free cash flow performance metric must be met as a condition precedent to payment of any amount for the achievement of management strategic objectives. For 2015, the minimum Company threshold for free cash flow was defined as meeting 30% of the free cash flow operating plan.

3. **Changes in Long Term Incentive (LTI) –** The Board adopted an LTI structure providing performance-based options rather than share rights. The LTI performance metric was changed in 2015 from net debt and total shareholder return (TSR) measures to share price appreciation. Given the challenging business environment faced by the Company, the highly leveraged capital structure and the investment made by Centerbridge and other shareholders as part of the recapitalisation that was completed in January 2015, the Board believes a focus on share price appreciation appropriately aligns management equity incentives to the interests of the Company's shareholders.

4. **Change in Non-Executive Director (NED) Remuneration Structure** – At the Company's 2015 general meeting, shareholders approved a change to the remuneration structure for the Company's NEDs to further improve alignment with shareholders and preserve cash. Effective 1 July 2015, Directors were required to receive 50% of their annual base fees in ordinary shares of Company shares. The Directors are not able to trade the shares, net of sales to cover income taxes, for a period of twelve months following their allocation.

The Company continues to monitor its remuneration plans and arrangements to ensure they remain appropriate for executives, Directors and shareholders and could determine to modify the arrangements at some time during 2016. If so, details will be provided in the 2016 remuneration report.

2015 business impacts on incentives

The year ended 31 December 2015 was another difficult year for the resources sector, the third consecutive year of lower activity. The sector's difficulties were particularly acute for mining services and support companies like Boart Longyear, which tend to experience greater demand volatility than other industry participants. Lower demand in the Company's key markets and lower pricing, primarily within the Company's drilling services division, have resulted in a year-over-year decrease in revenue of $131.4 million, or 15.2%, although negative NPAT improved during the year from a loss of $332.7 million in 2014 to a loss of $326.3 million in 2015. Company results were heavily impacted by unfavourable movements in foreign currency translation. Revenue was reduced by $74.4 million and EBITDA was reduced by $7.3 million due to foreign exchange. The negative impact to EBITDA was partially offset by favourable currency translation on SG&A costs. Compared to the company's operating plan, revenue was below plan by $65.0 million (below plan by $37.6 million net of foreign exchange). Adjusted EBITDA was below plan by $10.8 million (below plan by $7.8 million net of foreign exchange).

The management team continued to respond to the on-going depressed market conditions by eliminating over $129 million in expenditures from the organisation (on top of the $329 million eliminated during 2014 and $807 million in 2013). In addition to the aggressive cost reduction efforts, the Company also continued to increase its focus on net cash generation, primarily through expense, capital spending and working capital reductions. Free cash flow (defined for the purposes of Short Term Incentive (STI) calculations in section 3 of the report) for the business was $32.0 million. Generating this level of cash flow on significantly reduced revenue helped maximise liquidity in the face of difficult and unprecedented market conditions. As a result of cash generation and overall safety performance exceeding expected results, short-term incentive achievement for the Company's executive KMP in 2015 was on average 113%.

Driven by the extended adverse market forces, the performance-based LTI awards granted in 2012, which were subject to a three-year return on equity performance hurdle, did not vest in 2015 and were forfeited. Similarly, the performance rights awarded in 2013 and which were also subject to a three-year return on equity performance hurdle, will not vest and will be forfeited in 2016. The retention rights granted in 2012, representing 50% of the long-term incentive award to the Company's executive KMP and which were not subject to a performance hurdle, vested in 2015, as detailed in table 1.3.

Chief Executive Officer Transition

Richard O'Brien's employment with the Company terminated effective 31 October 2015, and the Company's Chairman, Marcus Randolph, was appointed Executive Chairman and Interim Chief Executive Officer on a temporary basis until a permanent replacement is appointed by the Board. Mr Randolph has served as the Company's Chairman since February 2015 and has more than 35 years in the mining industry in a range of global, senior executive roles. As disclosed on 24 November 2015, in addition to his Director fees as disclosed in section 6 of this report, and in light of the substantial additional demands of serving as Interim CEO, the Board approved additional compensation for Mr Randolph of US$50,000 per month. Mr Randolph is also eligible to receive, subject to meeting certain objectives determined by the Board, a performance bonus amount of up to US$500,000 on an annualised basis, which, if achieved, would be pro-rated based on the period of his performance of executive duties, including supporting a new CEO with the assumption of his duties. The Board will assess Mr Randolph's performance on objectives that include, but are not limited to, the successful selection, hiring and on-boarding of the Company's new CEO, achieving established targets of EBITDA performance, achieving targeted reductions in sales, general and administrative expenses and establishing an effective commercial strategy. These measures have been chosen because they reflect the importance of ensuring continuity of leadership as the Company responds to ongoing market challenges and the key operational priorities while Mr Randolph carries out his additional management responsibilities.

Mr Randolph also will be eligible to participate in the Company's medical and retirement plans on the same basis as other employees during his tenure as Interim CEO.

These arrangements are effective from 1 September 2015 and will continue through 30 June 2016.

Consistent with Mr O'Brien's employment agreement approved by shareholders at the 2013 Annual General Meeting, Mr O'Brien became entitled to the following termination benefits upon his termination:

- severance payments equal to twelve months of his base salary;
- pro-rata payment of his 2015 annual bonus under the Company's Corporate Bonus Plan through his termination date, subject to achievement of specified corporate and personal goals;
- a waiver of medical premiums for twelve months;
- accelerated vesting on a pro-rata basis of retention rights granted under the LTI Plan;
- eligibility for pro-rata performance rights granted under the LTI Plan to vest in accordance with established performance conditions at the normal testing date; and
- accelerated vesting of all options granted before 2015.

Mr O'Brien also received reimbursement for relocation moving expenses of US$3,087. The Board determined that Mr O'Brien would have achieved his personal strategic goals under the Corporate Bonus Plan at 100% of target. No tax gross-up payment will be made in association with the termination benefits Mr O'Brien will receive.

The expense of these termination benefits and equity awards has been brought forward as required under applicable accounting standards and fully expensed in the 2015 financial statements. The extent to which Mr O'Brien receives any value from unvested LTI performance rights for which he remains eligible depends upon the Company's achievement of the established performance metrics during the relevant performance period for those awards.

In exchange for these termination benefits, Mr O'Brien is subject to non-competition and non-solicitation covenants for twelve months from the date of his termination, as well as other obligations.

Report Structure

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

Section		Description of content
1	**2015 remuneration overview**	• Outlines the Company's remuneration practices and explains how executive remuneration is structured to support the Company's strategic objectives. • Sets out the Directors and senior executives who are covered by this Report. • Details the actual remuneration earned by the CEO and other senior executives during the year ended 31 December 2015.
2	**Remuneration framework and strategy**	• Sets out the Company's remuneration governance framework and explains how the Board and its Remuneration and Nominations Committee make remuneration decisions, including the use of external remuneration consultants. • Outlines the Company's remuneration strategy.
3	**Components of executive remuneration**	• Provides a breakdown of the various components of executive remuneration. • Details the components of executive remuneration that are fixed and therefore not "at-risk." • Outlines the key features of the short-term incentive plan that applies to the Company's executives. • Outlines the key features of the long-term incentive plan and option plan that apply to the Company's executives.
4	**Performance and risk alignment**	• Explains how executive remuneration is aligned with performance and outlines short-term and long-term performance indicators and outcomes. • Explains how executive remuneration is structured to encourage behaviour that supports long-term financial soundness and the Company's risk management framework.
5	**Executive remuneration in detail**	• Sets out the total remuneration provided to executives (calculated pursuant to the accounting standards) during the years ended 31 December 2015 and 2014. • Provides details of the rights granted to executives during the year ended 31 December 2015 under the long-term incentive plan. • Summarises the key terms of executive service contracts (including termination entitlements).
6	**Non-executive Director arrangements**	• Explains the Non-executive Directors' (NED) remuneration structure, including the basis on which NED remuneration is set and the components. • Outlines key features of the NED Share Acquisition Plan. • Sets out the NEDs' remuneration during the years ended 31 December 2015 and 2014.

1. 2015 REMUNERATION OVERVIEW

1.1. EXECUTIVE REMUNERATION STRATEGY

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

Attract, Retain and Reward Top Talented Executives	Appropriate Mix of Fixed and "At Risk" Remuneration	Total Remuneration is reasonable and aligned with Shareholder Interests	Alignment between Total Compensation and Delivered Performance
• Remuneration levels are competitive with similar roles in markets in which the Company competes for talent. • Incentive-based compensation provides for upside potential with superior performance. • Long-term incentive compensation provides for a meaningful retention.	• There is a significant amount of total executive remuneration which is at risk and dependent upon achieving challenging performance metrics. • Fixed remuneration is appropriately market competitive and consistently higher performing executives are rewarded through higher base compensation.	• The Remuneration Committee regularly performs executive compensation benchmarking utilising independent compensation consultants. • The long-term incentive component of remuneration is primarily delivered through equity share rights linked to the Company's ordinary shares. • Executives and Directors cannot hedge equity share rights that are unvested or subject to restrictions.	• Incentive-based compensation is designed to reward executives for delivered performance against important Company financial and strategic objectives. • Incentive plans utilise an appropriate mix of challenging performance measures designed to only deliver value to executives if target performance is achieved over both the short and long terms.

1.2. DIRECTORS AND SENIOR EXECUTIVES

This Report sets out the remuneration arrangements in place for the key management personnel ("KMP") of the Company for the purposes of the Corporations Act and the Accounting Standards, being those persons who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Non-executive Directors. The KMP for the year ended 31 December 2015 are listed in Table 1.2 below. Unless otherwise indicated, the individuals below were KMP for the entire financial year.

Table 1.2: Directors and senior executives who were KMP during the year ended 31 December 2015

Directors	Position
Marcus Randolph	Interim CEO and Executive Chairman (from 1 September 2015). Previously Non-Executive Chairman (appointed effective 23 February 2015)
Bret Clayton	Non-executive Director (appointed effective 23 February 2015)
Peter Day	Non-executive Director
Jonathan Lewinsohn	Non-executive Director
Jeffrey Long	Non-executive Director (appointed effective 1 October 2015)
Gretchen McClain	Non-executive Director (appointed effective 15 November 2015)
Rex McLennan	Non-executive Director and Senior Independent Director
Deborah O'Toole	Non-executive Director (appointed effective 1 October 2015)

Senior executives	Position
Richard O'Brien	Chief Executive Officer (terminated employment effective 31 October 2015)
Jeffrey Olsen	Chief Financial Officer
Fabrizio Rasetti	Senior Vice President, General Counsel and Secretary
Brad Baker	Senior Vice President, Human Resources
Terry Kirkey	Vice President, Drilling Services Operations (promoted effective 1 September 2015, previously Regional General Manager for the Americas)
Alan Sides	Senior Vice President, Global Drilling Services operations (terminated employment effective 31 July 2015)
Kent Hoots	Senior Vice President, Global Products

Others who held office as Directors during the year ended 31 December 2015 were:

Directors	Position
Barbara Jeremiah	Non-executive Director (retired 25 February 2015)
Bruce Brook	Non-executive Director (retired 30 June 2015)
Roy Franklin	Non-executive Director (retired 25 February 2015)
Tanya Fratto	Non-executive Director (retired 26 May 2015)
David McLemore	Non-executive Director (retired 26 May 2015)
Conor Tochilin	Non-executive Director (retired 1 October 2015)

1.3. REMUNERATION OUTCOMES

Actual remuneration

Details of CEO and other senior executive remuneration for the year ended 31 December 2015, prepared in accordance with statutory obligations and accounting standards, are contained in Table 5.1 of this Report. The remuneration calculations in Table 5.1 are based on the Accounting Standards principle of "accrual accounting" and, consequently do not necessarily reflect the amount of compensation an executive actually realised in a particular year. To supplement the required disclosure we have included table 1.3, below, which shows the actual compensation realised by the senior executives who were KMP at the end of 2015. Table 1.3 illustrates how the Company's remuneration strategy for senior executives translates into practice. It is important to note that the STI and LTI amounts are amounts earned on performance during the prior plan year(s) and vested and/or paid in the current year.

Table 1.3: Actual remuneration received by senior executives who were KMP on 31 December 2015

	Base salary US$	STI [1] US$	LTI [2] US$	LTI (cash) US$	Other [3] US$	Total US$
Jeffrey Olsen	400,000	348,200	-	-	36,550	784,750
Fabrizio Rasetti	416,000	277,806	10,505	-	40,245	744,556
Brad Baker	324,450	204,873	8,754	-	40,985	579,062
Terry Kirkey [4]	291,231	72,178	-	42,011	26,808	432,228
Kent Hoots	340,725	215,949	6,420	-	41,362	604,455

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

(2) Represents the value of share rights vested during the year ended 31 December 2015 (based on the market value of shares at the vesting date: A$0.22 on 15 March 2015). Share Rights granted under the Company's LTI Plan and options granted under the Company's option plan during other grant years that have not reached their respective vesting dates do not appear in this table, as they do not vest until the conclusion of the performance period and/or continued service requirement. For further details of the LTI Plan and option plans, see section 3.4 of this Report.

(3) Represents benefits such as US 401(k) retirement plan, Company matching and/or profit sharing contributions, car allowance and tax preparation service reimbursement.

(4) Mr Kirkey was promoted and became a KMP effective 1 September 2015. His actual base salary reported above represents the combined total amount associated with his former position from January through August and his current position from September through December.

2. REMUNERATION FRAMEWORK AND STRATEGY

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

2.1. HOW REMUNERATION DECISIONS ARE MADE

Board responsibility

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

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

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

The Remuneration Committee's responsibilities include:

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

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

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

Use of remuneration consultants and external advisers

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

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

In 2015, the Committee engaged Willis Towers Watson as an independent compensation advisor to the Board. The Committee selected Willis Towers Watson because it has a well-established and extensive executive compensation practice and has extensive experience with clients in the mining and natural resources industries. The Board also engaged Mercer Consulting to work with management and Centerbridge to provide recommendations to the Board for a new LTI plan design that aligns with the interests of investors after the completion of the Company's recapitalisation in January 2015. The Board also requested Mercer to provide an independent review of market remuneration for each KMP, as well as other key senior executives.

During 2015, Willis Towers Watson and Mercer Consulting each made remuneration recommendations, as defined in the *Corporations Act*, with respect to the components of the remuneration package for the Company's Board of Directors and the KMP, respectively. The Board is satisfied that the remuneration recommendations were free of undue influence by the KMP to whom the recommendations relate in light of the arrangements explained above.

The amounts paid to Willis Towers Watson and Mercer Consulting for remuneration recommendations made during 2015 were US$21,400 and US$91,000 respectively.

The table below sets out details of the remuneration consultants (and other external advisers) engaged to assist with compensation issues and a summary of the services they provided during the year ended 31 December 2015.

Table 2.1: Remuneration consultant and other external adviser arrangements

Remuneration consultant	Nature of services provided
Willis Towers Watson	The Committee engaged Willis Towers Watson to assist with establishing the remuneration package for the Non-executive Directors.
Mercer Consulting	The Committee engaged Mercer Consulting to assist with design changes to the 2015 LTI Plan and to provide an independent market analysis on remuneration for the KMP and other senior executives of the Company.
Other external advisers	**Nature of services provided**
Herbert Smith Freehills	Provided regular independent advice and counsel on various legal and governance standards related to executive remuneration.

2.2. REMUNERATION POLICY AND STRATEGY

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

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

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

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

The Company and the Remuneration Committee regularly review all elements of the remuneration program to ensure that it remains appropriate to business strategy, is competitive and is consistent with relevant contemporary market practice. The remuneration initiatives introduced in 2015, which were designed to assist the Company achieve key goals during a very challenging time, demonstrate this.

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

Fixed Remuneration	**Short-term Incentive (Corporate Bonus Plan)**	**Long-term Incentive**
• Provides a predictable base level of compensation commensurate with the executive's scope of responsibilities, leadership skills, values, performance and contribution to the Company. • Generally targeted to be near the median of the competitive talent market using external benchmarking data. Since the majority of the Company's executives (and all of the executive KMP) are located in the US, the competitive talent market is determined to be the US market. • Variability around the median is based on the experience, performance, skills, position, business unit size and/or complexity and unique market considerations, where necessary.	• This component of compensation is "at-risk" and earned only if challenging performance metrics are achieved. • Key performance metrics for 2015 include free cash flow, safety performance, and individual strategic goals. • These metrics were designed to weight performance on free cash flow and safety to overall Company performance in order to promote collaboration and to align with shareholder interests. • Individual strategic goals can include financial and/or strategic targets for a business unit or function. Examples include business unit growth, cost control goals, cash flow generation, geographic expansion, and productivity programs. • The metrics used for the CBP are reviewed annually to ensure that they continue to support the Company's business strategy. • The STI is awarded in cash.	• This component of compensation is "at-risk" and earned only if challenging performance metrics are achieved and/or continued service requirements are met over a multi-year performance period. • The Board selected share price appreciation targets as the key measure for performance-based long-term incentive awards in 2015. In addition, the use of share rights, which had been granted in recent years, were replaced with the use of performance-based options. The hurdle used for the LTI is reviewed annually to achieve outcomes deemed important at that time by the Board. • The share price appreciation targets used in 2015 included a minimum threshold performance, below which no value is achieved. The performance target was established based on the offer price for the recapitalisation rights issue. • The combination of using performance-based options and share price appreciation provides a strong link to shareholder value. • The LTI is awarded in equity and/or cash.

3. COMPONENTS OF EXECUTIVE REMUNERATION

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

3.1. REMUNERATION MIX

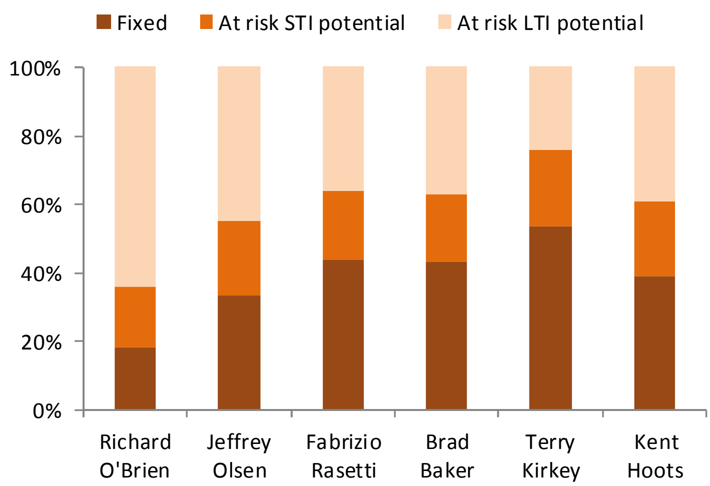
Total remuneration for the CEO and senior executives is made up of fixed remuneration (consisting primarily of base salary and superannuation contributions (or the foreign equivalent, such as the United States' 401(k) payments) and variable "at-risk" remuneration. The variable remuneration has two "at-risk"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

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

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

The relevant proportion of fixed to at-risk components for senior executive remuneration during 2015 are shown below in table 3.1. It illustrates the annualised remuneration mix for executive KMP, including annualised fixed salary, target STI (assuming performance metrics are achieved such that 100% of target bonus is earned) and LTI at the fair value at the date of grant (assuming 100% performance and vesting requirements are achieved). The Board decided, after discussions with Centerbridge and other significant investors, that aligning executives with the recapitalisation offer price paid by subscribers to the January 2015 rights offer would provide equivalent potential rewards to executives and shareholders. In light of this decision, the LTI component was increased for 2015 only (with corresponding decreases in subsequent years). See section 3.4, Long-term Incentive, for further information.

Table 3.1: Remuneration mix



3.2. FIXED REMUNERATION

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

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

3.3. SHORT-TERM INCENTIVE

Table 3.3: Summary of the Short Term Incentive program

What is the STI program?	The Short Term Incentive program, or Corporate Bonus Plan ("CBP"), provides certain employees with the potential to receive an annual bonus if the Company meets annual financial and safety objectives established by the Board and participants satisfy specific annual objectives and targets that are pre-determined by the CEO and/or Board. Potential incentives under the CBP range between 10% and 200% of an employee's base salary depending on the employee's role. The actual bonus that an employee will receive under the CBP (if any) will vary depending on the Company's and the individual's performance against established annual objectives and targets, as detailed more fully below.
Who participates in the STI program?	133 senior employees, including the senior executive KMP, participated in the CBP in 2015.
Why does the Board consider the STI program an appropriate incentive?	The CBP and the performance conditions set under the CBP have been designed to: • focus eligible employees on maximising Company performance in key financial, safety and operational targets; • align individual efforts with Company and shareholder interests; and • reward for superior individual and Company performance. By putting a significant proportion of senior executive remuneration at-risk under the CBP against challenging targets, the CBP aligns executive interests with the Company's financial and safety performance and with the operational and/or functional objectives of their relevant business unit or function.
What are the performance conditions?	There are three key performance components to the CBP that were used in 2015. Each component has a threshold performance below which no bonus is earned for that component; a target level of performance where 100% of the bonus can be earned; and a maximum stretch level of performance whereby superior results can earn up to 200% of that component of the bonus. The Company's annual financial target for the purposes of the CBP is reviewed by the Remuneration Committee and approved by the Board. The Remuneration Committee's philosophy in setting financial targets is to establish threshold targets that represent the desired minimum outcome for each goal (below which no bonus is payable for that goal) and stretch targets that can only be met by the achievement of excellent outcomes for each goal. The financial metrics used for the CBP are reviewed annually. The Remuneration Committee also reviews and approves the non-financial targets for senior executives (including the CEO). The three performance components for 2015 and their relative weighting are: (1) <u>Corporate Financial Target - Free Cash Flow (FCF)</u> - 60% of a participant's CBP opportunity is linked to the Company's FCF performance. For participants in Drilling Services and Products, 30% is based on their specific business unit performance and 30% on overall Company performance. For the purposes of calculating FCF, the statutory FCF is adjusted to eliminate the impact of items such as cash restructuring costs, pension plan pre-funding, interest and income tax receipts or payments, acquisition or disposals of subsidiaries, and cash flows from financing activities, including, but not limited to, proceeds from equity raisings and borrowings. The free cash flow metric was selected to ensure proper alignment and focus on the critical need to generate cash to fund ongoing operations and reduce debt.

For 2015, the Board approved the following performance payout matrix for the CBP Free Cash Flow component:

Free Cash Flow		
FCF US$'000	% of Budget	Payout %
≥ 43,868	≥ 150%	200%
29,245	100%	100%
≤ $8,773	≤ 30%	0%

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

(2) Strategic Objectives - 25% of a participant's CBP opportunity is dependent upon performance against strategic objectives relevant to the employee's business unit or functional responsibility. Examples of strategic objectives may include: business unit or functional cost targets, geographic or targeted market segment or customer growth, new product introductions, leadership, talent retention and development, specific project or initiative progress, etc.

Strategic objectives are utilised to reinforce continued focus on critical initiatives and business unit or functional priorities that have a positive impact on current 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% (i.e. 50%) of the weighting of this component. Depending on the nature of the objective, stretch performance can be defined when the objective is approved at the beginning of the year, or in some circumstances be determined by the CEO and approved by the Board at the end of the year. The Board has discretion to modify the amount of the strategic objective award up or down as appropriate.

In 2015, to further emphasise FCF generation during the year, the Board added an additional condition that at least 30% of the Company's FCF target must be achieved in order to pay any bonus under a participant's individual Strategic Objectives component.

(3) Safety - 15% of a participant's CBP 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 2015, the Board agreed, on the recommendation of its Environmental, Health and Safety Committee, to total case incident rates (TCIR), lost time incident rates (LTIR), and significant near-miss closure rates (a new leading indicator metric targeting prompt remediation of significant hazards) as the measurements of safety performance to be incorporated into the CBP with the following performance payout targets:

Safety TCIR	Near Miss Closure Days	Safety LTIR	Payout %
1.70	105	0.20	50%
1.25	75	0.13	100%
1.01	45	0.06	200%

	The payout is linear between levels for each safety metric, and each metric is weighted equally at 5% of the CBP. In addition to the operation of the CBP, as set out above, the Board retains discretion to administer the CBP, including adjusting the bonus any participant receives. For example, if a participant fails to adhere to corporate leadership values, such as legal compliance, the Board may reduce the participant's annual bonus by up to 100%.
How are the performance conditions measured?	Performance is assessed against the relevant targets annually based on the Company's fiscal year. The final determination of the Company's financial performance is determined after reviewing the Company's audited financial results for the relevant period. Financial metrics are assessed quantitatively against pre-determined targets. Where possible, non-financial targets are also assessed quantitatively, or otherwise, they are assessed by periodic qualitative performance appraisal. The Remuneration Committee recommends the amount of bonus to be paid to the CEO for Board approval. For senior executives, the Remuneration Committee will evaluate and approve recommendations from the CEO.
Sample calculation	Following is an example of how a bonus would be calculated, assuming the following: • Employee earns $150,000 with a 40% target bonus amount • Corporate Free Cash Flow of (80% achievement) • Safety and strategic objectives achievement both at target performance Free Cash Flow of 80% = 71% component payout (per Free Cash Flow table above) Safety performance at target = 100% component payout Strategic Objectives at target = 100% component payout Calculation: Step 1: Determine component subtotal Free Cash Flow = (71% x 60% weighting) = 43% + Safety performance = (100% x 15% weighting) = 15% + Strategic objectives = (100% x 25% weighting) = 25% = Subtotal achievement = 83% Step 2: Calculate Bonus $150,000 x 40% Target Bonus x 83% Bonus achievement = $49,800 Bonus
In what form is the STI delivered?	All bonuses awarded under the CBP are paid as a cash bonus.
What STI awards did senior executives earn in 2015?	Bonuses earned by the executive KMP under the CBP for the year ended 31 December 2015 are set out in Table 4.1.3 in section 4.1 of this Report. The bonuses will be paid in or after March 2016.
What if a senior executive ceases employment?	A senior executive's entitlement to a CBP payment ceases on the date that they cease employment, unless the Board determines otherwise. However, where a senior executive's employment ceases for reasons other than for cause or good reason, any earned bonus will be pro-rated and paid for the amount of time actually worked during the plan year.

3.4. Long-term incentives

Table 3.4: Summary of the Long-term Incentive

What is the purpose of the LTI?	The Company's LTI arrangements are designed to: • align senior executive rewards with shareholder value; • assist in retaining key executives; • encourage superior performance on a sustained basis; and • provide executives with an opportunity to share in the growth and value of the Company by tying the LTI component of senior executive remuneration to equity awards that rise and fall in value in line with the Company's share price.
Who participates in the LTI?	The executives eligible to participate in the LTI are senior management and corporate executives, including the KMP. The target value of annual LTI grants varies depending on the participant's position, skills and contributions to the Company. The target amounts are generally based on market averages for comparable roles at similar-sized companies. The Company made grants to approximately 75 participants during the year ended 31 December 2015. See Section 4.1 for details on LTI awards made to KMP.
What proportion of total remuneration does the LTI program represent?	Senior executives are typically offered grants that represent approximately 39% - 44% (59% for the CEO) of their total remuneration (on an annualised basis). However, those senior executives and other LTI Plan participants derive no actual value from their LTI grants unless applicable performance hurdles and/or service conditions are satisfied. In 2015, a change was made to the program for the CEO, the senior executives reporting to him and other company vice-presidents. Specifically, the Board decided to make a one-time increase to the value of the LTI grant for 2015, equal to 200% of the executive's typical annual grant value, and reduce subsequent grants in 2016, 2017 and 2018 to 67% of the typical annual grant value. This change was made to more strongly align senior management with investors who participated in the Centerbridge-led recapitalisation.
How is reward delivered under the LTI?	Under the LTIP Rules and the Option Plan Rules, the Board has flexibility to offer different types of incentives (e.g., Share Rights, Cash Rights, Options, or a combination of the three) as an executive's LTI award. The composition of the grants from year-to-year will depend on what, in the Board's view, will best incentivise and reward executives, having regard to the Company's circumstances. An Option is an entitlement to purchase a share at a pre-determined share price set at the grant date. A Share Right is an entitlement to receive a fully-paid ordinary share in the Company, and a Cash Right is an entitlement to receive a cash bonus up to a set maximum. Although the Board may elect to grant Cash Rights for any reason, they have typically been used to supplement Share Rights in order to limit share dilution when the stock price is low at the time of the award. The 2015 LTI Plan awards to the CEO, his direct reports and other Company vice-presidents was solely comprised of performance-based Options. The Board considered this to be appropriate for 2015, as it most effectively achieved three key objectives: aligning executives' interests with shareholders who subscribed to the recapitalisation; motivating executives to focus on sustained share price growth over the longer term; and retaining key executive talent, which is critical to the Company's long term success. The performance-based Options were granted on terms and conditions determined by the Board, including vesting conditions linked to service and share price appreciation over a specified period (in this case four years).
Do participants pay for Options?	Options are offered at a pre-determined share price, which the recipient must pay in order to exercise the Option award after it vests. At the time the participant exercises the Option, the participant may pay the exercise price of the Options by making a payment to the Company, executing a cashless (broker-assisted) exercise that complies with applicable laws, authorising the withholding by the Company of an equivalent number of Shares otherwise deliverable to the participant pursuant to the Option, or by a combination of the foregoing.

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

The Company may acquire shares underlying the Share Rights that it has granted under the LTIP, and the price paid by the Company will be the prevailing market price of the shares at the time of acquisition. The acquired shares will be held in trust. For Share Rights granted beginning in 2012, all dividends paid on unvested Share Rights will be held in trust and payable when the underlying Share Right vests.

Company employees are not entitled to trade or hedge their unvested Rights or Options.</td></tr>
<tr><td>What are the vesting conditions?</td><td>For the 2015 LTI grant to KMP and certain other senior executives, the vesting conditions are as follows:
<table>
<tr><th>LTI Incentive</th><th>Percentage of grant</th><th>Vesting condition</th><th>Partial vesting</th></tr>
<tr><td>Performance Options (granted to the CEO, his direct reports and other Company vice-presidents)</td><td>100%</td><td>Satisfaction of share price appreciation condition within five years of the grant date, as tested at each of three testing dates.
PLUS
Continued employment by the recipient as of the relevant testing date.</td><td>Vesting may occur on a pro-rata basis according to the conditions set out below.</td></tr>
</table>
</td></tr>
</table>

How is the Share Price Appreciation hurdle measured for Options granted to the CEO, his direct reports and other vice-presidents?

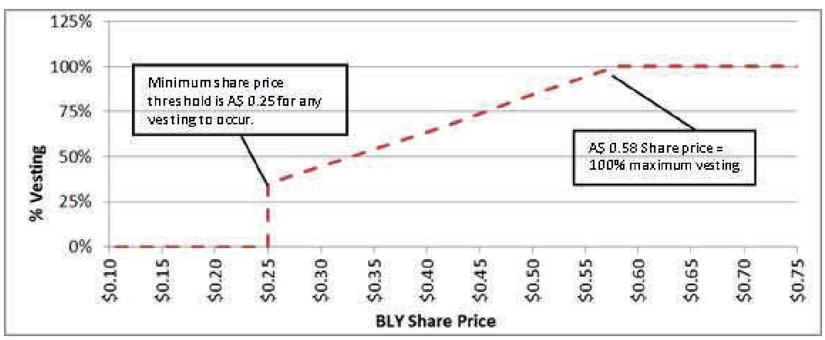
Share Price Appreciation is defined as the volume-weighted average share price of the highest 60 out of 90 trading days during each testing period.

All or a portion of the Options will vest and become exercisable on 14 March 2018, 14 March 2019, and/or 14 March 2020 (each a **Testing Date**) depending on the sustained share price achieved during each testing period. On each Testing Date, the Board will determine the highest 60-day volume-weighted average share price of the Company's shares on the ASX during any 90-day trading period commencing (i) in the case of the first Testing Date, on or after 15 March 2015, or (ii) in the case of the second or third Testing Date, on or after the most recent Testing Date, and the portion of the performance Option that shall be vested and exercisable in the aggregate on such testing date, if any, shall be determined pursuant to the following table:

Highest 60-Day VWAP	Percent of Option Vested
<A$0.25	0%
A$0.25	35%
A$0.58 or higher	100%

Straight-line vesting occurs between A$0.25 and A$0.58.

The diagram below further illustrates how the vesting schedule operates.



For example, assume that as of the first Testing Date 40% of the Options vested and became exercisable. If, as of the second Testing Date, the average share price is A$0.41, an additional 26.5% of the Options will vest and become exercisable, such that the 66.5% of the Options will have vested. No reduction in share price following any testing date shall affect any previously vested portion of the Options.

Notwithstanding the above, no more than 75% of the Options shall vest on the first Testing Date (even if, based on the share price achieved, a larger percentage would have vested in accordance with the table above). Any portion of the Options above 75% that would have otherwise vested at the first Testing Date but for the immediately preceding sentence shall, subject to the cessation of employment treatment outlined below, vest on the second testing date without regard to any decrease in share price following the first testing date.

Any portion of the Options that has not become vested and exercisable as of the third Testing Date shall expire on 15 March 2020.

Why have the performance hurdles been chosen?	In 2015, the Board chose, based on consultation with Centerbridge and other significant shareholders as well as independent consultation with Mercer Consulting and Willis Towers Watson to use a Share Price Appreciation performance hurdle for performance-based Options and Share Rights. This structure is strongly aligned to Company and shareholder interests. The hurdle used for the LTI will be reviewed annually in light of market conditions and to ensure that it continues to encourage executives to achieve outcomes that reflect the actual long term needs and goals of the business.
What if a senior executive ceases employment?	A senior executive's unvested LTI awards will generally lapse on the date the executive ceases employment, unless the Board determines otherwise. However, where a senior executive's employment ceases due to death or total and permanent disability, all unvested awards will vest. Also, unless the Board determines otherwise, where a senior executive's employment ceases by reason of "Special Circumstances" (which includes redundancy, retirement or other circumstances which are considered by the Board to be extraordinary): • where there is no performance condition attached to an Option or Right (i.e. it is an Option, Retention Share Right or Retention Cash Right), any applicable time-based condition will be waived and the number of Options, Retention Share Rights and/ or Retention Cash Rights that vest will be pro-rated according to the extent of the retention period actually worked; and • where there is a performance condition attached to an Option or Right (i.e. it is a performance-based Option, Performance Share Right or Performance Cash Right), there will be no accelerated vesting of the performance-based Options or Rights and instead, the performance-based Options or Rights will remain "on foot" and be tested in the ordinary course and against the applicable performance condition. However, the number of performance-based Options or Rights that vest will be pro-rated over the period of time actually worked during the continued service period.
What happens in the event of a change of control?	In the event of a takeover or change of control of the Company, any unvested Options will vest and any outstanding Rights may vest at the Board's discretion.
What Options or Rights were granted in 2015?	Rights and Options granted during the year ended 31 December 2015 are set out in Table 5.2 of this Report.

3.5 Executive Remuneration Clawback Policy

Effective with remuneration granted, paid or credited after 31 December 2013, the Board has implemented an incentive compensation clawback policy applicable to current and former senior executives, including the KMP listed in this report, as well as any other management of the Company who participated in the Company's incentive compensation plans. The policy is applicable to incentive compensation including bonuses, awards or grants of cash or equity under any of the Company's short or long-term incentive or bonus plans where bonuses, awards or grants are based in whole or in part on the achievement of financial results. If the Board determines that a covered employee was overpaid as a result of his or her fraud or willful misconduct that requires a restatement of the reported financial results, the Board may seek to recover the amount of the overpayment by a repayment or through a reduction or cancellation of outstanding future bonus or awards. The Board can make determinations of overpayment at any time through the third fiscal year following the year for which the inaccurate performance criteria were measured.

3.6 Option Plans

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

During 2015 shareholders approved that 75,909,098 options be issued to members of management (including shareholder approval of 33,061,438 to the CEO) with an exercise price of A$0.199. The combined fair value of all options awarded was approximately $5.31 million.

Details of options that have been granted to senior executives can be found in Table 4.1.8.

4. PERFORMANCE AND RISK ALIGNMENT

4.1. PERFORMANCE ALIGNMENT

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

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

Table 4.1.1: Year-on-year performance

	Share performance			Earnings performance				
Financial year	**Closing share price A$**	**Dividend p/share US$ [1]**	**EPS % [2]**	**Revenue US$ millions**	**EBITDA US$ millions**	**NPAT US$ millions**	**ROE**	**Net Debt millions [3]**
2015	0.06	-	(822.4%)	735	(115)	(326)	(596.1%)	586
2014	0.17	-	(510.9%)	867	(83)	(333)	(133.4%)	551
2013	0.38	0.01	(403.7%)	1,223	(337)	(620)	(79.3%)	n/a
2012	1.88	0.12	7.7%	2,012	254	68	6.0%	n/a
2011 [4]	2.78	0.08	13.0%	2,020	356	160	14.6%	n/a

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

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

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

(4) The closing share price for 2010 was A$4.56.

Short-term performance indicators and outcomes

Overall, STI awarded to KMP in 2015 was 113% on average (down from 122% in 2014). This result was due to strong performance against the safety and personal strategic objectives and over performance against the corporate financial target components of the Corporate Bonus Plan in 2015. Additional details on actual performance for each of the bonus plan components follow.

In addition, the Board placed an overarching criteria on the STI plan that stipulated that the Company must achieve a minimum of 30% of the overall Company Free Cash Flow target in order to pay any bonus (other than safety) and the Board is satisfied that this requirement has been met.

Performance against 2015 financial target

For 2015, the Remuneration Committee specifically recommended, and the Board approved, the following performance payout matrix for the Free Cash Flow component:

Free Cash Flow		
FCF US$'000	% of Budget	Payout %
≥ 43,868	≥ 150%	200%
29,245	100%	100%
≤ $8,773	≤ 30%	0%

Actual corporate free cash flow generation for the year was $32.0 million, which resulted in a 113% payout of the targeted amount.

Performance against 2015 non-financial targets

The Company exceeded its performance on its targeted overall Safety metrics with actual TCIR performance of 1.24, LTIR of 0.18, and 47 days for Near Miss Closure, representing 104%, 61%, and 193% achievement, respectively. Senior Executives delivered solid overall performance against the strategic objectives during a particularly challenging year. The Company understands the desire for transparency of specific targets that are represented in the strategic objectives portion of the STI plan. Given the Company's size and position in the industry, it believes disclosing certain detailed financial or strategic performance targets would put it at a competitive disadvantage due to commercial sensitivities. However, in 2015 the Board established several specific strategic and operational objectives that included, but were not limited to:

- Delivering business performance in excess of the 2015 Operating Plan by:
  - taking tangible steps to simplify our business;
  - reducing SG&A and Overhead costs in 2015;
  - improving EBITDA, SG&A, Overhead and net cash flow (while acknowledging the impacts of industry cycles on those measures);
- Increasing the commercial capabilities of the Company, particularly in our Drilling Services business;
- Continuing to build upon 2014 actions taken to increase the commercial focus and effectiveness of the Drilling Service business;
- Generating incremental net margin dollars by focusing the organisation on productivity, efficiency and cost effectiveness; and
- Releasing of selected new products in 2015 calendar year on-time and on-budget.

These objectives applied to other senior executives as they relate to their business, function or region.

The Board was satisfied that the progress made on these strategic initiatives for the KMP were achieved at the targeted performance established for the year. For the senior executives the strategic objective component averaged 26.5% for the group which also reflected the Board's recognition of the contributions, in varying amounts by executive, to the success of the operating and strategic objectives above.

Table 4.1.2: Average proportion of STI awarded, 2011 through 2015

	2011	2012	2013	2014	2015
% of target STI awarded [1]	97%	72%	40%	122%	113% [2]

(1) Weighted average for senior executives.

(2) Not including Mr Kirkey who was on his former bonus plan through 2015.

Table 4.1.3: STI earned during the year ended 31 December 2015

As described earlier in this report, for 2015 the Company's performance on the free cash flow metric, representing 60% of the total, achieved above target performance at 113% of the bonus. Company performance on the safety metrics, representing 15% of the total, achieved above target performance at 18.0%. Performance on strategic objectives, which represent 25% of the total, were on average achieved at 26.5%

	STI earned US$	Target STI [1] US$	STI earned as % of target STI	% of target STI forfeited	STI as % of maximum STI [2]	% of maximum STI forfeited [2]
Richard O'Brien [3]	712,312	622,650	114%	0%	57%	43%
Jeffrey Olsen	338,520	280,000	121%	0%	60%	40%
Fabrizio Rasetti	237,952	208,000	114%	0%	57%	43%
Brad Baker	185,585	162,225	114%	0%	57%	43%
Terry Kirkey [4]	284,698	132,000	216%	0%	72%	28%
Kent Hoots	212,408	204,435	104%	0%	52%	48%
Alan Sides [5]	135,621	136,166	100%	0%	50%	50%

(1) The target potential value of the 2015 STI awards for the CEO and senior executives (who receive STI awards wholly in cash) is the amount disclosed. A minimum level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI for all participants in 2015 was nil.

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

(3) Mr O'Brien's employment with the Company terminated on 31 October 2015 and he was eligible to receive a prorated STI bonus. Pursuant to his separation agreement, his prorated amount assumed achievement of individual strategic performance at target.

(4) Prior to his promotion to a KMP, Mr Kirkey was a participant in a separate bonus plan for the Drilling Services business unit that measured cash generation and safety performance against targets specific for his geographic areas of responsibility. In 2015, he achieved superior performance relative to his cash generation targets and achieved just above target performance for his safety metrics. Mr Kirkey's maximum STI in this plan was 300%. He remained on this plan through 31 December 2015 and has moved to the Corporate Bonus Plan beginning in 2016.

(5) Mr Sides' employment with the Company terminated on 31 July 2015 and he was eligible to receive a prorated STI bonus. Pursuant to his separation agreement, his prorated amount assumed achievement of individual strategic performance at target.

Long-term performance indicators and outcomes

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

Table 4.1.4 shows the actual ROE performance achieved during each of the three years applicable to the 2013 performance awards, as well as the actual three-year average ROE. Based on the actual performance over the period, and pursuant to the performance requirement outlined in Table 3.4, 0% (nil) of the award will be eligible to vest, even if the executive satisfies the continued service requirement, which in all cases will not occur prior to March 2016. The vesting dates for all outstanding awards are shown in Table 4.1.6 below.

Table 4.1.4: Cumulative ROE performance for 2013 grants of performance-based LTI awards

	ROE Performance
2013	(79.3%)
2014	(133.4%)
2015	(596.1%)
3-year Average	(269.6%)
% of Award Earned	0.0%

Table 4.1.5 shows the actual Net Debt performance achieved in 2015 applicable to the 2014 performance awards. The actual cumulative Net Debt and resulting percentage of award eligible to vest will be calculated at the close of 2016 for a March 2017 vest date.

Table 4.1.5: Cumulative performance for 2014 grants of performance-based LTI awards

	Targets				
	Threshold	Target	Maximum	Actual Net Debt[1]	Net Debt Performance
2014	554,500	542,676	530,852	550,758	66%
2015	602,200	573,500	544,800	586,272	78%
2016[2]	TBD	TBD	TBD	TBD	TBD
Cummulative Performance	TBD	TBD	TBD	TBD	TBD
% of Award Earned	TBD	TBD	TBD	TBD	TBD

(1) Excludes impact of recapitalisation transaction, letters of credit, CRA & IRS obligations, strategic asset acquisitions & disposals, equity raise, potential asset backed loans, etc.;
(2) Net Debt targets for 2016 will be determined by the Board at the beginning of the plan year.

The vested Share Rights listed in Table 4.1.6 below include the Retention Share Rights and Performance Share Rights that were granted in 2012 and vested in 2015. The Performance Share Rights were subject to the performance period ended 31 December 2014 and achieved 0% (nil) of the target award amount (as detailed in last year's remuneration report).

Table 4.1.6: Movement in Share Rights during the year ended 31 December 2015

Name	Grant date	FMV at Grant Date US$	Vesting date	Held at the beginning of the financial year	Number of Share Rights granted as remuneration	Number of Share Rights vested	Value of Share Rights vested US$ [1]	Number of Share Rights forfeited [2]	Held at the end of the financial year
Richard O'Brien	15-Mar-14	0.25	15-Mar-17	4,863,060	-	1,761,401	125,669 [3]	2,220,958 [3]	880,701
Jeffrey Olsen	1-Apr-14	0.27	1-Apr-17	972,612	-	-	-	-	972,612
Fabrizio Rasetti	15-Mar-12	4.50	15-Mar-15	90,000	-	45,000	7,385	45,000	-
	15-Mar-13	1.39	15-Mar-16	238,550	-	-	-	-	238,550
	15-Mar-14	0.25	15-Mar-17	972,612	-	-	-	-	972,612
Brad Baker	15-Mar-12	4.50	15-Mar-15	75,000	-	37,500	6,155	37,500	-
	15-Mar-13	1.39	15-Mar-16	180,238	-	-	-	-	180,238
	15-Mar-14	0.25	15-Mar-17	729,459	-	-	-	-	729,459
Terry Kirkey	1-Jun-13	0.67	1-Jun-16	61,500	-	-	-	-	61,500
	15-Mar-14	1.39	15-Mar-17	240,420	-	-	-	-	240,420
Kent Hoots	15-Mar-12	4.50	15-Mar-15	55,000	-	27,500	4,513	27,500	-
	15-Mar-13	1.39	15-Mar-16	265,056	-	-	-	-	265,056
	15-Mar-14	0.25	15-Mar-17	778,092	-	-	-	-	778,092
Alan Sides	15-Mar-12	4.50	15-Mar-15	70,000		35,000	26,717	35,000	-
	15-Mar-13	1.39	15-Mar-16	318,066		126,130	91,979 [4]	65,806 [4]	126,130
	15-Mar-14	0.25	15-Mar-17	972,612		298,528	217,699 [4]	524,820 [4]	149,264

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

(2) A portion of the 2012 outstanding grants relate to performance Share Rights that were forfeited due to performance targets not being reached.

(3) Mr O'Brien's employment terminated on 31 October 2015, at which time he received a pro-rata vesting of 1,761,401 outstanding Retention Share Rights upon his termination date. The balance of 1,480,639 outstanding Retention Share Rights were forfeited. In addition, Mr O'Brien's outstanding Performance Share Rights were also pro-rated upon his termination date, resulting in the forfeiture of 740,319 Performance Rights. The balance of 880,701 Performance Rights remain on foot and are subject to meeting the performance condition.

(4) Mr Sides' employment terminated on 31 July 2015, at which time he received a pro-rata vesting of 424,658 outstanding Retention Share Rights upon his termination date. The balance of 382,783 outstanding Retention Share Rights were forfeited. In addition, Mr, Sides' outstanding Performance Share Rights were also pro-rated upon his termination date, resulting in the forfeiture of 207,843 Performance Rights. The balance of 275,394 Performance Rights remain on foot and remain subject to meeting the performance condition.

The Cash Rights listed in Table 4.1.7 below include the Retention Cash Rights and Performance Cash Rights that were granted in 2014 and vest in 2014 through 2017.

Table 4.1.7: Movement in Cash Rights during the year ended 31 December 2015

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	Held at the end of the financial year
Richard O'Brien [1]	31-Jan-14	1-Apr-15	833,333	-	833,333	833,333	-	-
	31-Jan-14	1-Apr-16	833,334	-	-	-	-	833,334
	15-Mar-14	15-Mar-17	625,000	-	169,783	169,783 [2]	285,435 [2]	169,782
Jeffrey Olsen	1-Apr-14	1-Apr-17	125,000	-	-	-	-	125,000
Fabrizio Rasetti	1-Mar-14	1-Mar-16	624,000	-	-	-	-	624,000
	15-Mar-14	15-Mar-17	125,000	-	-	-	-	125,000
Brad Baker	1-Mar-14	1-Mar-16	487,000	-	-	-	-	487,000
	15-Mar-14	15-Mar-17	93,750	-	-	-	-	93,750
Terry Kirkey	15-Mar-14	15-Mar-17	30,000	-	-	-	-	30,000
Kent Hoots	1-Mar-14	1-Mar-16	511,000	-	-	-	-	511,000
	15-Mar-14	15-Mar-17	100,000	-	-	-	-	100,000
Alan Sides	1-Mar-14	1-Mar-16	586,000	-	-	-	-	586,000
	15-Mar-14	15-Mar-17	125,000	-	28,775	28,775 [3]	67,450 [3]	28,775

(1) As disclosed in 2014 the Board approved a special one-off strategic retention award to Mr O'Brien in 2014 of $5 million. The award was in the form of a cash retention award divided into three equal tranches due to vest on the date of the 2014 AGM, 1 April 2015 and 1 April 2016, respectively. The Board received shareholder approval at the 2014 AGM to convert half of the retention grant into options in order to strengthen the alignment with shareholders

(2) Mr O'Brien's employment terminated on 31 October 2015 at which time he received a pro-rata vesting of 169,783 outstanding Retention Cash Rights upon his termination date. The balance of 142,717 outstanding Retention Cash Rights were forfeited. In addition, Mr O'Brien's outstanding Performance Cash Rights were also pro-rated upon his termination date resulting in the forfeiture of 142,718 Performance Rights. The balance of 169,782 Performance Rights remain on foot and are subject to meeting the performance condition.

(3) Mr Sides' employment terminated on 31 July 2015 at which time he received a pro-rata vesting of 28,775 outstanding Retention Cash Rights upon his termination date. The balance of 33,725 outstanding Retention Cash Rights were forfeited. In addition, Mr, Sides' outstanding Performance Cash Rights were also pro-rated upon his termination date resulting in the forfeiture of 33,725 Performance Cash Rights. The balance of 28,775 Performance Cash Rights remain on foot and remain subject to meeting the performance condition.

Table 4.1.8: Movement in options during the year ended 31 December 2015

Name	Effective grant date	Vesting date	Held at the beginning of the financial year	Number of options granted as remuneration	Number of options vested [1]	Value of options vested US$	Exercise price per option [2] A$	Number of options forfeited	Held at the end of the financial year	Vested and exercisable as at 31 Dec 2015
Richard O'Brien [3]	15-Mar-14	15-Mar-17	1,621,020	-	1,621,020	372,835	0.32	-	1,621,020	1,621,020
	19-May-14	19-May-14	3,034,753	-	-	-	0.19	-	3,034,753 [4]	3,034,753
	19-May-14	1-Apr-15	3,034,753	-	3,034,753	576,603	0.19	-	3,034,753	3,034,753
	19-May-14	1-Apr-16	3,034,752	-	3,034,752	576,603	0.19	-	3,034,752	3,034,752
	1-Jul-15	15-Mar-20	-	33,061,438	-	-	0.20	30,066,041	2,995,397	-
Jeffrey Olsen	1-Apr-14	1-Apr-17	324,204	-	-	-	0.32	-	324,204	-
	1-Jul-15	15-Mar-20	-	8,265,360	-	-	0.20	-	8,265,360	-
Fabrizio Rasetti	15-Mar-14	15-Mar-17	324,204	-	-	-	0.32	-	324,204	-
	1-Jul-15	15-Mar-20	-	5,289,830	-	-	0.20	-	5,289,830	-
Brad Baker	15-Mar-14	15-Mar-17	243,153	-	-	-	0.32	-	243,153	-
	1-Jul-15	15-Mar-20	-	4,297,990	-	-	0.20	-	4,297,990	-
Terry Kirkey	15-Mar-14	15-Mar-17	80,140	-	-	-	0.32	-	80,140	-
	1-Jul-15	15-Mar-20	-	1,983,690	-	-	0.20	-	1,983,690	-
Kent Hoots	15-Mar-14	15-Mar-17	259,364	-	-	-	0.32	-	259,364	-
	1-Jul-15	15-Mar-20	-	5,289,830	-	-	0.20	-	5,289,830	-
Alan Sides	15-Mar-10	15-Mar-13	25,000	-	-	-	3.20	-	- [5]	-
	15-Mar-14	15-Mar-17	324,204	-	324,204	74,567	0.32	-	324,204	324,204

(1) Mr O'Brien and Mr Sides' options that were granted prior to 2015 were vested in full upon termination of employment. Options granted in 2015 were pro-rated from the date of grant to date of termination and the portion that was not forfeited remain on foot and subject to continuing performance conditions.
(2) The option exercise price was determined using a 10-day VWAP following the Board approval of the option grant and for Mr O'Brien, the 10-day VWAP following shareholder approval at the AGM held on 19 May 2014.
(3) As disclosed in 2014 the Board approved a special one-off strategic retention award to Mr O'Brien in 2014 of $5 million. The award was in the form of a cash retention award divided into three equal tranches due to vest on the date of the 2014 AGM, 1 April 2015 and 1 April 2016, respectively. The Board received shareholder approval at the 2014 AGM to convert half of the retention grant into options in order to strengthen the alignment with shareholder. Options vested in 2014 but are still outstanding as they have not expired as of 31 December 2015.
(4) Options vesting in 2014, but are still outstanding as they have not expired as of 31 December 2015.
(5) Mr Sides options expired during 2015.

The Board desired not to accelerate the vesting of outstanding Options in connection with the 2015 recapitalisation and reached an agreement with participants that accelerated vesting of Options granted prior to the recapitalisation should only occur if a participant is terminated for reasons other than cause during the 24 month period following the date of the completion of the recapitalisation (27 January 2015).

4.2. RISK ALIGNMENT

4.2.1 Employee and Director Trading in Company Securities

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

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

5. EXECUTIVE REMUNERATION IN DETAIL

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

5.1. TOTAL REMUNERATION

Details of each senior executive's remuneration during the years ended 31 December 2015 and 2014 (calculated in accordance with applicable accounting standards) are set out in Table 5.1.

Table 5.1: Senior executive remuneration

	Cash-based compensation									Non-cash-based compensation			
	Short term benefits [1]			Post-employment benefits		Other long-term benefits		Termination Benefits [2]		Share-based compensation [3]			
	Cash salary US$	Annual bonus [4] US$	Other [5] US$	Super-annuation benefits [6] US$	Other [7] US$	Retention Cash Rights US$	Perform-ance Cash Rights US$	Termination US$	Other US$	Options US$	Rights US$	Share-based %	Total US$
Richard O'Brien [8]													
2015	634,615	712,312	21,560	7,950	-	746,700	86,810	750,000	43,269	807,800	337,726	27.6%	4,148,743
2014	750,000	900,000	25,480	7,800	7,800	1,923,083	82,972	-	-	1,277,469	322,799	30.2%	5,297,403
Jeffrey Olsen													
2015	400,000	338,520	20,800	7,950	-	20,814	20,814	-	-	118,624	87,534	20.3%	1,015,056
2014	298,462	348,200	15,520	7,257	7,800	15,625	15,625	-	-	20,263	65,652	10.8%	794,405
Fabrizio Rasetti													
2015	416,000	237,952	27,458	7,950	-	332,388	20,815	-	-	83,364	149,387	18.3%	1,275,314
2014	416,000	277,806	23,800	7,800	7,800	263,594 [10]	16,594	-	-	19,798	197,716	17.7%	1,230,908
Brad Baker													
2015	324,450	185,585	27,704	7,950	-	258,778	15,611	-	-	66,187	113,486	18.0%	999,751
2014	324,450	204,873	23,800	7,800	7,800	205,217 [10]	12,446	-	-	14,849	155,338	17.8%	956,573
Terry Kirkey [9]													
2015	23,077	-	1,206	-	-	4,995	4,995	-	-	28,130	26,902	61.6%	89,305
2014	-	-	-	-	-	-	-			-	-	-	-
Kent Hoots													
2015	340,725	212,408	27,423	7,950	-	271,801	16,651	-	-	78,416	134,050	19.5%	1,089,424
2014	340,725	215,949	23,800	7,800	7,800	215,547 [10]	13,276	-	-	15,839	161,706	17.7%	1,002,442
Alan Sides													
2015	232,934	135,621	14,705	7,950	-	304,780	12,181	447,473	21,039	54,769	101,042	11.7%	1,332,493
2014	390,728	254,390	20,800	7,800	7,800	248,552 [10]	16,594	-	-	19,798	199,629	18.8%	1,166,091

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

(2) Includes the 2015 accounting expenses representing the expensing of Mr O'Brien's termination payments and the value of the waiver of medical premiums for 12 months from the date of termination. The amount in "Other" represents the payments for accrued and unused vacation for 2015.

(3) In accordance with the requirements of the Australian Accounting Standards Board, remuneration includes a portion of the historical fair value of equity compensation recognised over the respective vesting period (i.e. Rights awarded under the LTIP and options awarded under the Option Plan(s)). The fair value of equity instruments is determined as at the grant date and is recognised over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of options at the date of their grant has been determined in accordance with AASB 2 applying Black-Scholes and Brownian Motion valuation methods. The assumptions underpinning these valuations are set out in Note 12 to the financial statements.

(4) The 2015 amount represents cash STI payments earned by the executive during the year ended 31 December 2015, which are expected to be paid in March 2016 and were approved by the Board on 25 February 2016. The 2014 amount represents cash STI payments earned by the executive during the year ended 31 December 2014, which were paid on 6 March 2015.

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

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

(7) Amount includes 401(k) discretionary contributions made by the employing entity in the United States, however, in 2015 no discretionary contribution was made to KMP.

(8) Mr O'Brien's 2015 LTI Rights were reduced due to his termination from the Company on 31 October 2015.

(9) Mr Kirkey was not considered a KMP until his promotion on 1 September 2015, his remuneration reported above only includes remuneration received commencing his promotion. Mr Kirkey's bonus was based on his prior non-KMP role and therefore, not included in this report.

(10) 2014 amounts reflect the expense associated with the special one-time strategic retention awards made in 2014.

5.2. RIGHTS AND OPTIONS GRANTED

As detailed in section 3.4 above, LTI awards to KMP members during the year ended 31 December 2015 were delivered as options only.

Table 5.2.1: Options granted during the year ended 31 December 2015 table:

	Options				
Name	Number of options granted [1]	Future years payable	Exercise price per option A$	Fair value per option [2] US$	Maximum value of grant [3] US$
Richard O'Brien [4]	33,061,438	5 yrs	0.20	0.07	2,314,301
Jeffrey Olsen	8,265,360	5 yrs	0.20	0.07	578,575
Fabrizio Rasetti	5,289,830	5 yrs	0.20	0.07	370,288
Brad Baker	4,297,990	5 yrs	0.20	0.07	300,859
Terry Kirkey	1,983,690	5 yrs	0.20	0.07	138,858
Kent Hoots	5,289,830	5 yrs	0.20	0.07	370,288

(1) For Mr O'Brien, the number of Options granted was approved by shareholders at the 2015 AGM on 26 May 2015.

(2) The fair value was calculated as at the grant approval date of 1 July 2015. An explanation of the pricing model used to calculate these values is set out in Note 12 to the financial statements.

(3) The maximum fair value of the grant is based on the fair value per instrument and full vesting. The minimum value of the grant is nil.

(4) Mr O'Brien's employment was terminated on 31 October 2015, at which time 30,066,071 Options were forfeited.

5.3. SHARE HOLDINGS

Shares

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

	Balance 1 January	Granted as remuneration	Received on exercise of options/rights	Net other change during year	Balance 31 December	Balance held nominally
2015						
Marcus Randolph	-	1,992,875	-	350,000	2,342,875	-
Bret Clayton	-	478,294	-	300,000	778,294	-
Peter Day	175,000	253,497	-	296,465	724,962	-
Jonathan Lewinsohn	-	-	-	-	-	-
Jeffrey Long	-	185,418	-	-	185,418	-
Gretchen McClain	-	46,355	-	-	46,355	-
Rex McLennan	100,000	478,294	-	95,400	673,694	-
Deborah O'Toole	-	98,272	-	-	98,272	-
Jeffrey Olsen	135,000	-	-	-	135,000	-
Fabrizio Rasetti	234,971	-	-	29,138	264,109	-
Brad Baker	116,056	-	-	24,249	140,305	-
Terry Kirkey	12,100	-	-	-	12,100	-
Kent Hoots	53,910	-	-	17,730	71,640	-

Share holdings activity during the financial year for Directors and KMP who were retired or terminated prior to 31 December 2015, were as follows:

	Balance 1 January	Granted as remuneration	Received on exercise of options/rights	Net change during year	Balance as of retirement date	Balance held nominally
2015						
Richard O'Brien	300,000	-	1,134,688	293,940	1,728,628	-
Alan Sides	88,439	-	281,082	-	369,521	-
Barbara Jeremiah	455,000	-	-	-	455,000	-
Bruce Brook	220,000	-	-	215,559	435,559	-
Roy Franklin	300,000	-	-	293,940	593,940	-
Tanya Fratto	120,000	-	-	-	120,000	-
David McLemore	1,155,861	-	-	1,132,512	2,288,373	-
Conor Tochilin	-	-	-	-	-	-

5.4 SERVICE CONTRACTS AND TERMINATION PROVISIONS

Name and position held at the end of the financial year	Duration of contract	Notice period by Company	Notice period by executive	Termination payments (where these are in addition to statutory entitlements)
Jeffrey Olsen Chief Financial Officer –(refer below)	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
Fabrizio Rasetti Senior Vice President, General Counsel and Secretary	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
Brad Baker Senior Vice President, Human Resources	No fixed term	None required	90 days	For termination with cause, statutory entitlements only For termination without cause: • 12 months' salary • Pro-rata bonus to termination date • Waiver of medical insurance premiums for 12 months
Kent Hoots Senior Vice President, Global Products and Supply Chain	No fixed term	None required	90 days	For termination with cause, statutory entitlement only For termination without cause: • 12 months' salary • Pro-rata bonus to termination date • Waiver of medical insurance premiums for 12 months
Terry Kirkey Vice President, Drilling Services Operations	No fixed term	None Required	None Required	For termination with cause, statutory entitlement only. For termination without cause, 52 weeks base salary

Mr Olsen has been appointed President and Chief Executive Officer effective 1 March 2016. The termination provisions of his contract in such capacity are unchanged from those referenced above, except his notice period to the Company for a voluntary termination of his employment is 180 days.

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

6. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

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

6.1. NON-EXECUTIVE DIRECTORS' FEE STRUCTURE

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

The fees are determined within a maximum aggregate fee pool that is approved by shareholders. At the 2015 general meeting, shareholders approved changing the currency of the fee pool from Australian dollars to US dollars. This change was initiated to align the currency of the fee pool with the currency in which all NED are paid, and to eliminate the variability of the fee pool due to movement in the AU/US exchange rate. The approved fee pool limit is US$2.0 million, which aside from the currency exchange rate has not changed in quantum since the Company's initial public offering in 2007. During the financial year, US$1.3 million of the pool was utilised for non-executive Director fees, being approximately 65% of the fee pool limit.

In 2015, the Board retained Willis Towers Watson to provide an independent review of NED remuneration with the aim of ensuring an appropriate balance existed between North American and Australian Director pay practices. As a result of this analysis, the Board determined not to change base fees, but did elect to end the temporary fee reduction by restoring the Committee fee back to $15,000 per annum and the Chairman's base fees back to $300,000 per annum effective 1 May 2015. In addition, as noted at the beginning of this Report, effective 1 July 2015, NEDs will now be required to receive 50% of their annual base fees in ordinary shares of Company stock. This change further strengthens the alignment of NED remuneration with shareholder interests and is more competitive with North American pay practices by including company stock as a component of the NED fee structure. The share issue occurs every three months beginning September 2015 by taking 50% of the base fees earned in US dollars, converting it to Australian dollars using the exchange rate on issue date and then dividing it by the volume weighted average price of the shares traded on the ASX in the first five days after each relevant fee period. The shares are then issued and deposited into each NED personal brokerage account. As described in Section 6.2 below, the Directors are not able to trade the shares, net of sales to cover income taxes, for a period of twelve months from when they are allocated.

In recognition of the additional responsibilities the Chairman is being asked by the Board and the Company's majority shareholder, Centerbridge, to carry out as part of his duties, the Board approved a special exertion fee of $200,000 per annum in addition to his base fees. As with the base fee, the special exertion fee will also be paid 50% in cash and 50% in ordinary shares. The special exertion fee will be considered and reviewed annually.

Mr Randolph was appointed Executive Chairman and Interim Chief Executive Officer of the Company effective 1 September 2015, contemporaneous with the cessation of Mr O'Brien's employment, and will serve in that capacity until a new chief executive officer is appointed. Mr Randolph's remuneration for these duties was explained in detail at the beginning of this Report. In addition, Mr McLennan has been appointed as Senior Independent Director during this period while Mr Randolph is required to perform his executive duties. Mr McLennan will receive and additional US$1,000 per month for the duration of this appointment.

Table 6.1: Components of Non-executive Director Remuneration

Component	**Explanation**
Board fees	Current base fees per annum are: • US$120,000 for non-executive Directors other than the Board Chairman; and • US$300,000 for the Board Chairman • 50% of the base fees above are paid in the form of ordinary shares of the Company
Committee fees	Current committee fees for non-executive Directors (other than the Board Chairman) are: • US$15,000 annually for committee members; and • US$30,000 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.
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.

6.2 NON-EXECUTIVE SHAREHOLDING GUIDELINE

In 2015, the Board implemented a shareholding guideline requiring non-executive Directors to be paid 50% of their base fees in Company shares and hold these shares for a minimum of one year.

6.3. NON-EXECUTIVE DIRECTOR SHARE ACQUISITION PLAN

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

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

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

No shares were purchased under this plan during the year ended 31 December 2015.

6.4. DETAILS OF REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of non-executive Directors' remuneration for the year ended 31 December 2015 and 2014 are set out in the table below.
Table 6.4: Non-executive Director Remuneration

	Fees (incl. committee fees) [1] US$	Superannuation contributions [2] US$	Shares US$	Total US$
Marcus Randolph [3,7]				
2015	274,685	-	104,166	378,851
2014	-	-	-	-
Bret Clayton [3]				
2015	95,994	-	25,000	120,994
2014	-	-	-	-
Peter Day				
2015	117,580	11,170	25,000	153,750
2014	104,893	9,857	-	114,750
Jonathan Lewinsohn [5]				
2015	-	-	-	-
2014	-	-	-	-
Jeffrey Long [3]				
2015	16,792	-	10,000	26,792
2014	-	-	-	-
Gretchen McClain [3]				
2015	9,583	-	2,500	12,083
2014	-	-	-	-
Rex McLennan				
2015	128,828	-	25,000	153,828
2014	145,893	-	-	145,893
Deborah O'Toole [3]				
2015	15,335	1,457	10,000	26,792
2014	-	-	-	-
Barbara Jeremiah [4]				
2015	110,887	-	-	110,887
2014	285,417	-	-	285,417
Bruce Brook [4]				
2015	69,635	6,615	-	76,250
2014	141,140	13,235	-	154,375
Roy Franklin [4]				
2015	63,750	-	-	63,750
2014	160,625	-	-	160,625
Tanya Fratto [4]				
2015	64,032	-	-	64,032
2014	154,375	-	-	154,375
David McLemore [4]				
2015	51,935	-	-	51,935
2014	136,875	-	-	136,875
Conor Tochilin [4, 6]				
2015	-	-	-	-
2014	-	-	-	-

(1) Please refer to Table 6.1 above for details of the annual non-executive Director base fees and committee fees.
(2) Includes compulsory superannuation guarantee payments to Australian-resident Directors which are deducted from their base and additional committee fees.
(3) Appointed to Board during 2015. For further details see table 1.2.

(4) Retired from the Board during 2015. For further details see table 1.2.
(5) Mr Lewinsohn is an employee of Centerbridge and receives no Director fees.
(6) Mr Tochilin is an employee of Centerbridge and receives no Director fees. Mr. Tochilin retired from the Board 1 October 2015.
(7) In addition to Mr Randolph's director fees listed above, in consideration for acting as Interim CEO and Executive Chair, he also received a cash salary of US$196,666 and superannuation benefits of US$1,400. Mr Randolph's total remuneration including his director fees and his Interim CEO fees was US$576,917.

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 and became the interim CEO and Executive Chair on 1 September 2015. Mr Randolph has served more than 35 years in the mining industry in a variety of global, senior executive roles. Most recently, he was Chief Executive of BHP Billiton's Ferrous and Coal business from July 2007 to September 2013, located in Melbourne, and was a member of BHP's Group Management Committee.

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

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

Bret Clayton

Bret Clayton was appointed a Director of the Company on 23 February 2015. Mr Clayton joins us after a distinguished career at Rio Tinto, where he worked for 20 years and served on the Executive Committee for seven years. He joined Rio Tinto in 1994 and held a series of management positions, including Chief Executive of Rio Tinto's global Copper and Diamonds groups, president and Chief Executive Officer of Rio Tinto Energy America (now Cloud Peak Energy) and Chief Financial Officer of Rio Tinto Iron Ore. He also served as the Group Executive for Business Support and Operations, which included Rio Tinto's global exploration, procurement, information systems, shared services, internal audit, risk management and economics groups.

Prior to joining Rio Tinto, Mr Clayton worked for PricewaterhouseCoopers for nine years, providing auditing and consulting services to the mining industry. Mr Clayton also has served as a non-executive Director for several for-profit and non-profit entities, including Praxair, Constellium Holdco B.V. and Ivanhoe Mines Limited (now Turquoise Hills Resources).

Mr Clayton was a member of the U. S. American Institute of Certified Public Accountants from 1987 through 1996, and holds a Bachelor of Arts Degree in Accounting from the University of Utah. He also attended the International Executive Management Program of INSEAD in Fontainebleau, France.

Peter Day

Peter Day was appointed a Director of the Company on 25 February 2014. He is a member of the Audit, Compliance and Risk and Remuneration Committees.

Mr Day currently serves as a non-executive Director of, Alumina Limited, Ansell Limited and SAI Global Limited.

Mr Day was formerly a Chairman and Director of Orbital Corporation Limited, a Director of Federation Centres Limited. He was Chief Financial Officer for Amcor Limited for seven years and has also held senior executive positions with Bonlac Foods, the Australian Securities and Investments Commission, Rio Tinto, CRA and Comalco. He has a background in finance and general management across diverse industries.

Mr Day received his LL.B (hons.) from the Queen Victoria University of Manchester (UK) and MBA from Monash University (Australia). He also holds FCPA, FCA and FAICD designations.

Jonathan Lewinsohn

Jonathan Lewinsohn was appointed a Director of the Company on 23 October 2014. Mr Lewinsohn is a Partner at Centerbridge Partners, LP., a major shareholder in the Company that manages approximately $25 billion of assets with a focus on credit, special situations, and private equity.

Prior to joining Centerbridge Partners, L.P., Mr Lewinsohn was Head of Research and a permanent member of the Investment Committee at Anchorage Capital Group. He was previously a law clerk to Judge Richard A. Posner of the US Court of Appeals and began his career at Morgan Stanley in the Mergers & Acquisitions Group.

Mr Lewinsohn received his J.D. from Yale Law School, where he was an editor of the Yale Law Journal, and his BA, summa cum laude, from Cornell University's College of Arts and Sciences as a Merrill Presidential Scholar. He is a Term Member of the Council on Foreign Relations and a member of Economic Club of New York. He previously served on the board of Martinrea-Honsel BV.

Jeffrey Long

Jeffrey Long was appointed a Director of the Company on 1 October 2015. He brings a wealth of operational experience to the Board. He currently serves as Chief Executive Officer of Penhall Company, a Centerbridge Partners portfolio company and North America's largest provider of concrete cutting, coring and removal services. He also was employed by Centerbridge Partners as Senior Managing Director from 2010 to 2015, where he focused on improving portfolio company operations. Prior to joining Centerbridge, Mr Long was a Managing Director at Vestar Capital Partners from 2005 to 2010 and a Principal at McKinsey and Company from 1993 to 2005, where he similarly focused on assisting companies in a diverse range of industries drive operational improvements.

A graduate of the United States Military Academy at West Point, Mr Long also served as a Cavalry Officer in the US Army for fourteen years. He holds Masters degrees from Harvard University's John F. Kennedy School of Government and the US Army's Command and General Staff College.

Gretchen McClain

Gretchen W. McClain was appointed a Director of the Company on 15 November 2015. She has more than 25 years of global experience in both Fortune 500 corporations and government service, including serving as founding CEO of an S&P 500 global water technology company, Xylem Inc., and NASA's Chief Director of the International Space Station. Ms McClain brings extensive business, developmental, strategic and technical expertise. Her distinctive leadership approach – focused on helping companies break down internal barriers to identify new ways to create value and integrate technologies – enables organisations to unlock growth and gain critical competitive advantage.

Ms McClain is actively involved in advocating for, and shaping the debate within, the technology, water and environmental spheres. She serves as a member of United Technologies Corporation (UTC) Innovation Advisory Council; University of Utah College of Engineering National Advisory Council; the Environment and Water Technologies International Advisory Panel (EWT IAP) for Singapore's Public Utilities Board (PUB); and the America's Water Steering committee at the Columbia Water Center, part of the Earth Institute at Columbia University.

She graduated from the University of Utah with a Bachelor of Science in Mechanical Engineering and received the University's prestigious Founders Award in 2015.

Rex McLennan

Rex McLennan was appointed a Director of the Company on 24 August 2013. He served as Chairman of the Finance Committee and also is a member of the Audit, Compliance & Risk Committee and Environmental, Health and Safety Committee. Mr McLennan was appointed the Board's Senior Independent Director effective 1 September 2015 upon Mr Randolph's assumption of duties as the Company's Executive Chairman.

Mr McLennan currently serves on the Board of Endeavour Silver Corp. (TSX, NYSE) and is Chairman of its Audit Committee. He most recently served as Chief Financial Officer for Viterra, Inc., a leading global agricultural products company primarily involved in the distribution, marketing and processing of grain and oilseeds, which was acquired by Glencore International in December 2012. He has held finance roles in the resources and other industries, including serving as Executive Vice President and Chief Financial Officer for Placer Dome, Inc. prior to its acquisition by Barrick Gold Company, and the Vancouver Organising Committee (VANOC) for the 2010 Olympic Winter Games. He also has significant experience in the energy resources industry, having held progressive leadership roles earlier in his career at Imperial Oil Limited, Exxon's Canadian public oil company.

Mr McLennan received his Master of Business Administration from McGill University in Finance/Accounting, and a Bachelor of Science in Mathematics/Economics from the University of British Columbia. He is also a member of the Institute of Corporate Directors (Canada) and received his ICD.D designation in June 2013 having completed all of the institution's certification requirements.

Deborah O'Toole

Deborah O'Toole was appointed a Director of the Company on 1 October 2015. She brings hands-on experience with major business transformations to the Board in addition to significant business development and financial skills. She served as the Chief Financial Officer and Executive Vice President of Aurizon Holdings Limited (QR Limited) from 2007 through 2012. Prior to that time, she was at Queensland Cotton Holdings from 2003 to 2005, where she held roles as Chief Financial Officer and Head of the Business Development Unit. Ms. O'Toole also has nearly twenty years of experience in the mining industry, having held a number of senior management positions with MIM Holdings, including as its Chief Financial Officer, from 1982 through 2001.

Ms O'Toole currently is an independent Non-Executive Director at Credit Union Australia Limited and Sims Metal Management Limited. She has held several other independent Directorships during her career and is a Member of the Australian Institute of Company Directors. She holds a Bachelor of Laws from the University of Queensland and was admitted as a Solicitor of the Supreme Court of Queensland in 1981.

COMPANY SECRETARIES

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

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

	Board of Directors		Remuneration Committee		Audit, Compliance & Risk Committee		Environment, Health & Safety Committee		Board Status Change
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	During 2015
Bret Clayton	5	5	4	4	2	2	3	3	Appointed 25 February
Bruce Brook	3	3			2	2			Retired 30 June
Peter Day	6	6	6	6	4	4			
Roy Franklin	2	2	2	2					Retired 25 February
Tanya Fratto	3	2	3	2			2	2	Retired 26 May
Barbara Jeremiah	2	2							Retired 25 February
Jonathan Lewinsohn	6	6							
Jeffrey Long	1	1							Appointed 1 October
David McLemore	3	2			1	1			Retired 26 May
Gretchen McClain	1	1							Appointed 15 November
Rex McLennan	6	6			4	4	5	5	
Richard O'Brien	5	5							Retired 31 October
Deborah O'Toole	1	1							Appointed 1 October
Marcus Randolph	5	5							Appointed 25 February
Conor Tochilin	5	5	2	2			2	2	Retired 1 October

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 [1]	Rights and options	Total
Marcus Randolph	2,342,875	-	-	2,342,875
Bret Clayton	778,294	-	-	778,294
Peter Day	553,497	171,465	-	724,962
Jonathan Lewinsohn	-	-	-	-
Jeffrey Long	185,418	-	-	185,418
Gretchen McClain	46,355	-	-	46,355
Rex McLennan	578,294	95,400 [2]	-	673,694
Deborah O'Toole	98,272	-	-	98,272

(1) Rights offering ordinary shares represent shares taken up as part of the recapitalisation transaction rights offering finalised on 27 January 2015.
(2) Mr McLennan was unable to acquire shares through the rights offering due to technical problems with the execution of his purchase of rights. Accordingly, he received clearance to purchase an equivalent number of shares on market at the time of the rights offering.

In August 2011, the Board adopted a non-executive Director shareholding guideline, which recommends that non-executive Directors acquire and hold at least 30,000 Company shares within five years of their appointment. The target share amount was established to be roughly equivalent to one year's Directors' fees and was based on the value of the Company shares at the time. The target shareholding amount may be adjusted from time to time to track movements in the Company's share price.

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

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

Shares and rights over shares 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. During 2014, new options were granted to Mr O'Brien as part of a special one-off strategic award and new options were also granted to senior executives as part of the Company's long-term incentives for the year, as outlined more fully in the Remuneration Report. No shares or interests have been issued during the financial year as a result of the exercise of options.

DIRECTORS' AND OFFICERS' INTERESTS IN CONTRACTS

Except as noted herein, no contracts involving Directors' or officers' interests existed during, or were entered into, since the end of the financial year other than the transactions detailed in Note 31 to the financial statements.

INDEMNIFICATION OF DIRECTORS AND OFFICERS AND AUDITORS

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

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

EXECUTIVE MANAGEMENT TEAM

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

M. Bradley Baker

M. Bradley Baker was appointed Senior Vice President, Human Resources in 2008. Prior to joining Boart Longyear he worked for Milacron Inc. in Cincinnati, Ohio for 17 years in a variety of operational, divisional and global human resources roles including: Vice President of Human Resources, Director of Human Resources, North America, Director of Human Resources for the Plastics Technologies Group and leading the human resources and leadership integration of multiple acquisitions including the Michigan-based consumable tooling manufacturer, Valenite Inc.

Mr Baker received his Bachelor of Science in Business Administration from Bowling Green State University and his Master of Business Administration from Xavier University.

Kent Hoots

Kent Hoots was appointed Senior Vice President of Global Products in January 2013 in addition to his responsibilities of Global Supply Chain and IT, which he took over in July of 2012. He joined Boart Longyear in April 2007 as Vice President – Asia Pacific located in Adelaide, Australia. Prior to joining Boart Longyear, Mr Hoots was employed by General Electric for over 20 years where he held various positions of increasing responsibility in both the Aviation and Energy divisions including Sourcing Director for GE's Power Generation Operations, Asia Sourcing Director, Customer Quality Leader for GE Energy, and Quality Director for GE Energy's European Operations. In addition, he has held several international positions including assignments in Dubai, United Arab Emirates, Belfort, France and Shanghai, China.

Mr Hoots is a graduate of GE's Manufacturing Management Program and received his Bachelors of Science in Industrial Engineering from North Carolina State University and his Master's degree in Mechanical Engineering from the University of Cincinnati.

Terry Kirkey

Mr. Kirkey was appointed Vice President, Global Operations – Drilling Services in September 2015. Mr. Kirkey has over 35 years in the mining industry with extensive global experience in operations, commercial and P&L in both the mining and exploration businesses. After starting as a driller in 1988, Mr. Kirkey has progressed through several General Management and Regional Management roles for Boart Longyear's Drilling Services across the Americas and EMEA.

Terry has a Graduate Diploma in Management and a Bachelor's Degree in Business Administration from Athabasca University.

Jeffrey Olsen

Jeffrey Olsen joined Boart Longyear and was appointed Chief Financial Officer on 1 April 2014. Prior to Boart Longyear, he worked for Rio Tinto for 18 years in a variety of locations and roles. Most recently, he was the Chief Commercial Officer for Rio Tinto Iron & Titanium in London. Prior roles at Rio Tinto included Chief Financial Officer roles for Rio Tinto Minerals in Denver, Colorado, and Rio Tinto Borax in Los Angeles, California. Mr. Olsen's earlier roles at Rio Tinto include Manager of Rio Tinto's Financial Planning and Analysis Group and Financial Executive for Rio Tinto's global Copper Group. Earlier in his career, Mr. Olsen worked in various financial roles for General Chemical Corporation and Xerox Corporation.

Mr. Olsen received his Bachelor of Arts degree in International Politics from the University of Utah, and his Master of Business Administration from the University of Rochester.

Mr Olsen was appointed on 29 February 2016 as the Company's President and Chief Executive Officer effective 1 March 2016.

Fabrizio Rasetti

Mr Rasetti's experience and qualifications are summarised above on page 73.

AUDITOR

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 79 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 10 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, Compliance & 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 10 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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and the Financial Report are presented in US dollars and have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

REMUNERATION

The Remuneration Report is included beginning at page 38 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Marcus Randolph
Chairman

29 February 2016

Deloitte.

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

29 February 2016

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 2015, 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

Andrew Griffiths

A V Griffiths
Partner

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

Report on the Financial Report

We have audited the accompanying financial report of Boart Longyear Limited, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 82 to 142.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Boart Longyear Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Boart Longyear Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 38 to 70 of the directors' report for the year ended 31 December 2015. 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.

Opinion

In our opinion the Remuneration Report of Boart Longyear Limited for the year ended 31 December 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 29 February 2016

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 2 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.

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

M Randolph

Marcus Randolph
Chairman

29 February 2016

	Note	2015 US$'000	2014 US$'000
Continuing operations			
Revenue	**5**	735,158	866,588
Cost of goods sold		(734,760) [1]	(822,919) [1]
Gross margin		398	43,669
Other income	**6**	2,150	7,565
General and administrative expenses		(119,055) [1]	(176,182) [1]
Sales and marketing expenses		(25,223) [1]	(29,353) [1]
Other expenses	**6**	(57,501)	(30,728)
Operating loss		(199,231)	(185,029)
Interest income	**7**	4,059	5,487
Finance costs	**7**	(72,769)	(72,158)
Loss before taxation		(267,941)	(251,700)
Income tax expense	**13**	(58,336)	(81,018)
Loss for the year attributable to equity holders of the parent		(326,277)	(332,718)
Loss per share:			
Basic loss per share	**14**	(36.0) cents	(70.8) cents
Diluted loss per share	**14**	(36.0) cents	(70.8) cents
Other comprehensive loss			
Loss for the year attributable to equity holders of the parent		(326,277)	(332,718)
Items that may be reclassified subsequently to profit or loss			
Exchange loss arising on translation of foreign operations		(44,476)	(46,826)
Reclassification adjustments relating to foreign operations liquidated during the year		6,250	-
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain (loss) related to defined benefit plans	**24**	10,956	(14,280)
Income (tax) benefit on income and expense recognised directly through equity		(429)	4,038
Other comprehensive loss for the year, net of tax		(27,699)	(57,068)
Total comprehensive loss for the year attributed to equity holders of the parent		(353,976)	(389,786)

(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 9. In addition, certain expenses have been reclassified as discussed in note 3. The prior year comparative has been amended to be consistent with the current year presentation.

See accompanying Notes to the Consolidated Financial Statements included on pages 88 to 142

Consolidated Statement of Financial Position

	Note	2015 US$'000	2014 US$'000
Current assets			
Cash and cash equivalents	**32**	113,357	168,784
Trade and other receivables	**15**	110,055	137,442
Inventories	**16**	166,258	241,260
Current tax receivable	**13**	6,617	15,446
Prepaid expenses and other assets		16,368	18,723
Total current assets		412,655	581,655
Non-current assets			
Property, plant and equipment	**18**	176,475	279,306
Goodwill	**19**	99,658	102,471
Other intangible assets	**20**	54,404	77,268
Deferred tax assets	**13**	21,033	68,427
Non-current tax receivable	**13**	14,208	13,710
Other assets		13,464	17,530
Total non-current assets		379,242	558,712
Total assets		791,897	1,140,367
Current liabilities			
Trade and other payables	**21**	145,041	167,024
Provisions	**23**	19,518	23,941
Current tax payable	**13**	77,964	100,223
Loans and borrowings	**22**	51	-
Total current liabilities		242,574	291,188
Non-current liabilities			
Loans and borrowings	**22**	689,732	716,344
Deferred tax liabilities	**13**	14,818	17,715
Provisions	**23**	24,972	44,903
Total non-current liabilities		729,522	778,962
Total liabilities		972,096	1,070,150
Net (liabilities) / assets		**(180,199)**	**70,217**
Equity			
Issued capital	**25**	1,262,431	1,159,069
Reserves		(120,813)	(82,785)
Other equity		(137,182)	(137,182)
Accumulated losses		(1,184,635)	(868,885)
Total (deficiency in equity) / equity		**(180,199)**	**70,217**

See accompanying Notes to the Consolidated Financial Statements included on pages 88 to 142

Consolidated Statement of Changes in Equity

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Other equity US$'000	Accumulated losses US$'000	Total attributable to owners of the parent US$'000
Balance at 1 January 2014	1,129,014	(45,973)	8,661	(137,182)	(525,925)	428,595
Loss for the period	-	-	-	-	(332,718)	(332,718)
Other comprehensive loss for the period - net of tax	-	(46,826)	-	-	(10,242)	(57,068)
Total other comprehensive loss	-	(46,826)	-	-	(342,960)	(389,786)
Issued under recapitalisation program	27,158	-	-	-	-	27,158
Vesting of LTIP rights, restricted shares	2,897	-	(2,897)	-	-	-
Share-based compensation	-	-	4,250	-	-	4,250
Balance at 31 December 2014	**1,159,069**	**(92,799)**	**10,014**	**(137,182)**	**(868,885)**	**70,217**
Balance at 1 January 2015	1,159,069	(92,799)	10,014	(137,182)	(868,885)	70,217
Loss for the period	-	-	-	-	(326,277)	(326,277)
Other comprehensive loss for the period - net of tax	-	(38,226)	-	-	10,527	(27,699)
Total other comprehensive loss	-	(38,226)	-	-	(315,750)	(353,976)
Issued under recapitalisation program	99,732	-	-	-	-	99,732
Vesting of LTIP rights, restricted shares	3,816	-	(3,816)	-	-	-
Purchase of shares for LTIP	(186)	-	-	-	-	(186)
Share-based compensation	-	-	4,014	-	-	4,014
Balance at 31 December 2015	**1,262,431**	**(131,025)**	**10,212**	**(137,182)**	**(1,184,635)**	**(180,199)**

See accompanying Notes to the Consolidated Financial Statements included on pages 88 to 142

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Cash flows from operating activities			
Loss for the year		(326,277)	(332,718)
Adjustments provided by operating activities:			
Income tax expense recognised in profit		58,336	81,018
Finance costs recognised in profit	**7**	72,769	72,158
Depreciation and amortisation	**8**	83,911	102,398
Interest income recognised in profit	**7**	(4,059)	(5,487)
Gain on sale or disposal of non-current assets	**8**	(1,302)	(1,716)
Other non-cash items		7,890	-
Impairment of current and non-current assets		71,845	48,491
Non-cash foreign exchange loss		21,347	5,626
Equity-settled share-based payments	**8b, 12**	4,014	4,250
Long-term compensation - cash rights	**8b**	3,223	4,535
Changes in net assets and liabilities, net of effects from acquisition and disposal of business:			
(Increase) decrease in assets:			
Trade and other receivables		7,754	44,385
Inventories		21,163	40,677
Other assets		6,242	(3,353)
(Decrease) increase in liabilities:			
Trade and other payables		(4,876)	11,054
Provisions		(10,618)	(16,688)
Cash provided by operations		11,362	54,630
Interest paid		(47,413)	(60,696)
Interest received	**7**	4,059	5,487
Income taxes paid		(22,858)	(10,674)
Net cash flows used in operating activities		**(54,850)**	**(11,253)**

See accompanying Notes to the Consolidated Financial Statements included on pages 88 to 142

	2015 US$'000	2014 US$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,758)	(13,827)
Proceeds from sale of property, plant and equipment	2,401	6,192
Intangible costs paid	(2,771)	(4,395)
Investment in unaffiliated companies	(2,902)	-
Net cash flows used in investing activities	**(25,030)**	**(12,030)**
Cash flows from financing activities		
Proceeds from issuance of shares [1]	83,732	27,158
Payments for share purchases for LTIP	(186)	-
Payments for debt issuance costs	(1,437)	(3,208)
Proceeds from borrowings	-	281,000
Repayment of borrowings	(35,000)	(161,090)
Net cash flows provided by financing activities	**47,109**	**143,860**
Net (decrease) increase in cash and cash equivalents	(32,771)	120,577
Cash and cash equivalents at the beginning of the year	168,784	59,053
Effects of exchange rate changes on the balance of cash held in foreign currencies	(22,656)	(10,846)
Cash and cash equivalents at the end of the year	**113,357**	**168,784**

(1) Non-cash financing activity – The Company completed an equitisation of $16.0 million of senior unsecured notes held by Centerbridge Partners, LP., and its affiliates through the issuance of approximately 102.8 million shares.

See accompanying Notes to the Consolidated Financial Statements included on pages 88 to 142

1. ABOUT THIS REPORT

The content and format of the financial statements has been stream-lined to present the financial information in a more meaningful manner to security holders. Each note sets out the accounting policies applied in producing the results along with any key judgements and estimates used. The purpose of the revised format is to provide readers with a clearer understanding of what the key drivers are of financial performance for Boart Longyear Limited.

2. 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	2640 West 1700 South
Burbridge Business Park	Salt Lake City, Utah 84104
Adelaide Airport, SA 5650	United States of America
Tel: +61 (8) 8375 8375	Tel: +1 (801) 972 6430

Basis of Preparation

This financial report is a general purpose financial report which:

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

- is presented in United States dollars, which is Boart Longyear Limited's functional and presentation currency. All values have been rounded to the nearest thousand dollars (US'000) unless otherwise stated, in accordance with ASIC class order 98/100. The financial statements were authorised for issue by the Directors on 29 February 2016;

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

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

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

- adopts all new and revised accounting standards and interpretations issued by the AASB that are relevant to the Company. The accounting policies and methods of computation are the same as those in the prior annual financial report. Comparative figures have been adjusted to conform to the changes in presentation in the current reporting period, where necessary; and

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

2. GENERAL INFORMATION (CONTINUED)

Basis of Preparation (Continued)

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

Going Concern

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

At 31 December 2015, the Company has net liabilities of $180.2 million (2014: net assets of $70.3 million). The decrease in net assets is mainly as a result of a loss after income tax of $326.3 million and the impact of foreign currency translation differences ($27.7 million) offset by equity raised as part of the recapitalisation transactions ($99.7 million). At 31 December 2015, the Company has net current assets of $170.1 million (2014: $290.5 million).

In preparing the financial report, the Directors have made an assessment of the ability of the Parent and Company to continue as going concerns. The Parent and Company's ability to meet their ongoing operational and financing obligations requires the Parent and Company to achieve forecast cash flows, including the ability to sustain previously implemented cost reductions and realise cost savings from ongoing and future cost-reduction and efficiency initiatives.

The Company has prepared detailed cash flow forecasts which incorporate the financial impact of continued actions to address the challenges facing the consolidated entity (refer below). 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. 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.

<u>Market Risk</u>
The Company has experienced significant declines in financial performance as a result of declining demand for, and global oversupply of, the Company's services and products due to the global contraction in exploration and development spending in the commodities sector and by mining customers. Mineral exploration, production and development activities and contract pricing could remain at depressed levels for an extended period of time or decline even further than assumed in the cash flow forecasts, resulting in adverse effects on the Parent's and Company's operating results, liquidity and financial condition.

<u>Operational Risk</u>
In response to the ongoing effects of the industry downturn, the Company has implemented significant cost savings and efficiency 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 sustain previously implemented reductions and realise cost savings from both the ongoing and future cost-reduction and efficiency initiatives.

<u>Other key assumptions</u>
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 13 of the financial statements, and
- that the US dollar remains consistent with current levels, particularly in relation to the Australian and Canadian dollars.

Given the above, the Directors have considered a number of scenarios in forming their view that, in the event that assumptions vary from those forecast, the Parent and Company have options available to meet their financial obligations. These options include asset sales and additional cost reduction actions that have been identified, but not yet pursued.

2. GENERAL INFORMATION (CONTINUED)

Going Concern (Continued)

There is a risk that the Parent and Company will not achieve their forecast cash flows or realise sufficient cash from alternative options available to the Parent and Company. Certain of the Company's debt facilities, as set out in note 22 of this financial report, mature in late 2018. The Company's ability to refinance or renew this debt when it becomes due will depend on a number of circumstances, including the Company's ability to generate cash flows and its success in managing the risks identified above as well as prevailing market conditions at that time. Management and the Directors will continue to monitor these risks and mitigation plans which, in the Directors' opinion, are not considered to be significant.

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

Key Judgements and Estimates

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

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

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

Note 2	Going Concern
Note 13	Income Tax
Note 16	Inventories
Note 18	Property, Plant and Equipment
Note 19	Goodwill
Note 28	Contingent liabilities

2. GENERAL INFORMATION (CONTINUED)

Foreign Currency

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

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

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

Other accounting policies

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

3. RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations or the Statement of Financial Position.

Over the past 3 years, the Company has engaged in significant restructuring activities which changed how the business is managed in many areas. During 2015, the Company performed a review of the categorisation of certain expenses in order to determine which expenses were a direct cost of selling our products and/or services and should be included in Cost of Goods Sold instead of Sales and Marketing Expenses or General and Administrative Expenses. The conclusion was made that there were certain costs that were more appropriately classified as Costs of Good Sold expenses. These included certain costs associated with the Global Products Division manufacturing and distribution functions and certain costs with direct association with operational functions of the Global Services Division. This change in classification does not affect previously reported cash flows from operating activities or cash flows from investing or financing activities in the Consolidated Statements of Cash Flows. The change in classification also does not affect the previously reported Statement of Financial Position.

The table below shows the impact of this reclassification on the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	For the year ended 31 December				
	2015				
	Before Adjustment	Reclass Amounts	Total Pre-Significant Items	Significant Items	Adjusted Balance
Continuing operations					
Revenue	735,158	-	735,158	-	735,158
Cost of goods sold	(626,513)	(32,044)	(658,557)	(76,203)	(734,760)
Gross margin	108,645	(32,044)	76,601	(76,203)	398
Other income	2,150	-	2,150	-	2,150
General and administrative expense	(117,939)	19,992	(97,947)	(21,108)	(119,055)
Sales and marketing expenses	(36,546)	12,052	(24,494)	(729)	(25,223)
Significant items	(98,040)	-	(98,040)	98,040	-
Other expenses	(57,501)	-	(57,501)	-	(57,501)
Operating loss	(199,231)	-	(199,231)	-	(199,231)

	For the year ended 31 December				
	2014				
	As Reported	Reclass Amounts	Total Pre-Significant Items	Significant Items	Adjusted Balance
Continuing operations					
Revenue	866,588	-	866,588	-	866,588
Cost of goods sold	(750,115)	(32,640)	(782,755)	(40,164)	(822,919)
Gross margin	116,473	(32,640)	83,833	(40,164)	43,669
Other income	7,565	-	7,565	-	7,565
General and administrative expense	(124,281)	19,163	(105,118)	(71,064)	(176,182)
Sales and marketing expenses	(40,053)	13,477	(26,576)	(2,777)	(29,353)
Significant items	(114,005)	-	(114,005)	114,005	-
Other expenses	(30,728)	-	(30,728)	-	(30,728)
Operating loss	(185,029)	-	(185,029)	-	(185,029)

4. SEGMENT REPORTING

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is aggregated 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	
	2015 US$'000		2014 US$'000		2015 US$'000	2014 US$'000
Drilling Services		527,880		636,142	(2,648)	(2,907)
Global Products revenue						
Products third party revenue	207,278		230,446			
Products inter-segment revenue [1]	52,533		72,390			
Total Global Products		259,811		302,836	5,593	4,322
Less Global Product sales to Global Drilling Services		(52,533)		(72,390)		
Total third party revenue		735,158		866,588		
Total segment profit					2,945	1,415
Unallocated costs [2]					(104,136)	(72,439)
Significant items					(98,040)	(114,005)
Finance costs					(72,769)	(72,158)
Interest income					4,059	5,487
Loss before taxation					(267,941)	(251,700)

(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]	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Global Drilling Services	58,044	74,176	14,613	16,421
Global Products	9,337	11,505	3,778	6,506
Total of all segments	67,381	85,681	18,391	22,927
Unallocated [1]	16,530	16,717	1,962	2,240
Total	83,911	102,398	20,353	25,167

(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.

4. 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]	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
North America	343,363	378,608	237,512	279,939
Asia Pacific	159,765	225,777	69,522	119,749
Latin America	116,238	111,865	39,267	48,251
EMEA	115,792	150,338	11,908	42,346
Total	735,158	866,588	358,209	490,285

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

5. REVENUE

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

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

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

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

The components of revenue are as follows:

	2015 US$'000	2014 US$'000
Revenue from the rendering of services	527,880	636,142
Revenue from the sale of goods	207,278	230,446
	735,158	866,588

Included in revenues arising from rendering of services are revenues of $77.4 million which arose from sales to the Company's largest customer (2014: $141.8 million from largest two customers). No other customer(s) contributed 10% or more to the Company's revenue in either 2015 or 2014.

6. OTHER INCOME / EXPENSE

The components of other income are as follows:

	2015 US$'000	2014 US$'000
Gain on disposal of property, plant and equipment	1,302	1,716
Scrap sales	377	528
Litigation settlement	-	3,050
Other	471	2,271
	2,150	7,565

The components of other expense are as follows:

	2015 US$'000	2014 US$'000
Loss on foreign currency exchange differences	17,004	5,758
Amortisation of intangible assets	16,644	16,785
VAT and customs settlement	6,381	-
Loss on liquidation of a subsidiary	6,250	-
VAT write-off	4,835	4,478
Drilling services rework	3,096	-
Environmental fees	1,458	-
Other	1,833	3,707
Total other expenses	57,501	30,728

7. INTEREST INCOME / FINANCE COSTS

Interest income is as follows:

	2015 US$'000	2014 US$'000
Interest income:		
Bank deposits	4,059	4,850
Other	-	637
Total interest income	4,059	5,487

Finance costs are as follows:

	2015 US$'000	2014 US$'000
Finance costs:		
Interest on loans and bank overdrafts	70,822	62,658
Amortisation of debt issuance costs	1,947	3,416
Interest on obligations under finance leases	-	8
Total finance costs	72,769	66,082
Finance costs due to debt repayment:		
Write-off of debt issuance costs	-	6,076
	-	6,076
Total finance costs	72,769	72,158

8. 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):

	2015 US$'000	2014 US$'000
Gain on disposal of property, plant and equipment	1,302	1,716
Loss on liquidation of subsidiary	(6,250)	-
Net foreign exchange losses	(17,004)	(5,758)
Net (expense) reversal of bad debt	(1,875)	(1,497)

(b) Employee benefits expenses

	2015 US$'000	2014 US$'000
Salaries and wages	(271,062)	(311,570)
Post-employment benefits:		
Defined contribution plans	(7,684)	(12,228)
Defined benefit plans	(2,344)	(1,825)
Long-term incentive plans:		
Equity-settled share-based payments	(4,014)	(4,250)
Cash rights compensation	(3,223)	(4,535)
Termination benefits	(12,919)	(9,234)
Other employee benefits [1]	(76,463)	(87,881)
	(377,709)	(431,523)

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

(c) Other

	2015 US$'000	2014 US$'000
Depreciation of non-current assets	(66,227)	(84,581)
Amortisation of non-current assets	(17,684)	(17,817)
Operating lease rental expense	(21,770)	(24,687)

9. SIGNIFICANT ITEMS

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

9. SIGNIFICANT ITEMS (CONTINUED)

During 2015, the Company reduced operating costs through a series of restructuring activities. The Company's restructuring efforts included:

- Re-examining our global operating model and underlying support costs;
- completing the consolidation of certain financial services functions and further utilisation of our two shared services operations to consolidate other sales, general and administrative functions;
- exiting certain loss-making drilling services project or territories;
- focusing on operational efficiencies and productivity at the drill rig level; and
- leveraging the supply chain function across the business.

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

In addition, due to the deterioration in the Company's revenues and profitability as well as a forecast global slowdown in the demand for drilling services and products, the Company reassessed the carrying value of certain assets, including goodwill, intangibles, plant and equipment and inventories, resulting in additional impairment charges and provisions. A description of the impairment process is provided below.

Significant items for the years ended 31 December 2015 and 2014 are, as follows:

	Note	2015 US$'000	2014 US$'000
Recapitalisation costs [1]		577	45,521
Impairments:			
Equipment	**18**	36,806	45,975
Intangible asset	**20**	571	1,647
Inventories	**16**	34,468	687
Land & buildings	**18**	-	112
Employee and related costs [2]		15,980	12,491
Other restructuring costs		7,857	6,778
Onerous leases		1,781	794
		98,040	114,005
Net of tax [3]		89,625	80,236

(1) In February 2014, the Company commenced strategic review process and ultimately entered into a recapitalisation transaction with Centerbridge Partners, LP., in order to provide a more sustainable capital structure and secure additional liquidity to weather the current mining business cycle. This review process and transaction incurred significant costs, which are presented separately.
(2) Employee and related costs include separation costs, retention and other employee-related costs.
(3) The tax effect was calculated using applicable local country tax rates before application of excess of net operating losses.

Classification of significant items on the income statement for the years ended 31 December 2015 and 2014 are, as follows:

	2015 US$'000	2014 US$'000
General and administrative expenses	21,108	71,064
Cost of goods sold	76,203	40,164
Research and development	585	1,562
Sales and marketing expenses	144	1,215
	98,040	114,005

9. SIGNIFICANT ITEMS (CONTINUED)

Significant items for the years ended 31 December 2015 and 2014 by business segment are, as follows:

	2015 US$'000	2014 US$'000
Global Drilling Services[1]	61,803	57,217
Global Products[2]	26,844	2,072
Unallocated	9,393	54,716
	98,040	114,005

(1) Includes equipment impairment of $36.8 million.
(2) Includes intangible asset impairment of $571 thousand.

Impairment Process

Non-financial assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

In performing its impairment analysis the Company takes the following approach:

- Assets are first considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe.

- The Company also assesses the recoverability of its assets collectively across cash generating units ("CGUs"), where assets are not fully covered by the individual analysis above. In assessing the appropriate CGUs to test the Company takes the following approach:

    - Whilst not operating its full asset pool on an individual country basis, where goodwill exists the Company assesses the recoverability of goodwill within the region in which the original acquisition generating the goodwill was incurred;

    - For the Global Drilling Services segment, as the Company operates the business on a regional basis and the primary assets being rigs and associated equipment and inventory, are considered to be mobile between countries within a region, the Company assesses for impairment at a regional CGU level.

As a result of this process, the Company recorded impairment charges of $36.8 million against property, plant and equipment. These impairments were mainly as a result of the impairment assessment of the Asia Pacific, Latin America and EMEA Drilling Services CGU's. None of the CGU's include goodwill and, therefore, the impairment was allocated to property, plant and equipment.

9. SIGNIFICANT ITEMS (CONTINUED)

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 nine-year period, which approximates the length of a typical mining business cycle based on historical industry experience, with a terminal value. 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.

As noted above cash flow projections are based on the Company's expected performance over a nine-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 and that we are currently at or near the bottom of the current cycle.

In considering the appropriateness of the assumptions used in the value in use analysis, the Company has considered the fact that the implied enterprise value implicit in its market capitalisation is below its internal models. This factor is one of many indicators of impairment that the Company has considered.

Revenue
The growth rates applied to revenue through the mining-cycle are based on the compound average growth rate for the various cash-generating units being tested for impairment over the mining cycle from the mid-point of the cycle (which is set based on historical experience), and do not exceed the historical rates of inflation in the regions where the Company does business.

Expenses
In determining gross margin and SG&A expenses management has used historical performance trends, overlaying the impacts of recent programs and other initiatives 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
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 rates ranged from 10.9% to 23.8%, as shown in the table below.

Other economic factors
The assumed growth rates are based on the compound average growth rate for the various CGU's being tested for impairment over the mining cycle from the mid-point of the cycle. The growth rates do not exceed the historical rates of inflation in the countries where the Company does business and have been sourced from Bloomberg forecasts.

	Discount Rate	Growth Rate
Global	11.5%	3.0%
North America	10.9%	2.2%
Asia Pacific	12.0%	3.3%
Latin America	14.8%	8.0%
EMEA	23.8%	7.7%

9. SIGNIFICANT ITEMS (CONTINUED)

Key Assumptions (continued)

Other economic factors (continued)

Sensitivity analyses were performed to determine whether carrying values are supported by different assumptions. Key variables of the sensitivity analysis include:

- near term and terminal growth rates; and
- inflation assumptions.

Each of these variables in the analysis has been examined at levels above and below expected values. The expected values are based on forecast inflation rates for each respective region with a global rate assumed at 3% based on historic inflation trends. In the sensitivity analysis, we assumed a longer recovery than in the base case by keeping the growth rate at budget for 2016 and at 0% for the subsequent two years.

This decreased the mid-point of the cycle, in addition, the growth rate in the terminal value was assumed to be equal to the rate of inflation. Under this sensitivity scenario there would be additional impairments as follows:

	US$'000
North America	42,000
Asia Pacific	17,000
Latin America	9,000

If the terminal growth rate is reduced by 1%, there would be additional impairments as follows:

	US$'000
North America	8,000
Asia Pacific	1,000
Latin America	1,000

10. REMUNERATION OF AUDITORS

	2015 US$'000	2014 US$'000
Company auditor's remuneration		
Audit and review of the financial report:		
Auditor of the parent entity	1,191	1,347
Related practices of the parent entity auditor	1,240	1,024
	2,431	2,371
Non-audit services:		
Review of tax returns	462	631
Tax services	1,176	644
Other non-audit services	74	42
	1,712	1,317
Total remuneration to Company auditor	4,143	3,688
Remuneration to other accounting firms		
Audit services	292	415
Non-audit services:		
Tax services	2,053	2,491
Global mobility	12	1,386
Internal audit	15	284
Accounting and payroll services	934	175
Other	297	168
Total remuneration to other accounting firms	3,603	4,919

Boart Longyear Limited's auditor 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 Board and its Audit, Compliance & 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 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.

11. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2015 US$	2014 US$
Short-term employee benefits	5,354,090	6,127,126
Post-employment benefits	66,942	116,149
Other long-term benefits	2,118,133	3,029,125
Termination benefits	1,261,781	-
Share-based payments	2,389,083	2,470,856
	11,190,029	11,743,256

12. SHARE-BASED PAYMENTS

Share-based Payment Accounting Policies

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. For stock options, fair value is measured by use of a Black-Scholes-Merton model and Brownian Motion model. Both models require the input of highly subjective assumptions.

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

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

When determining expense related to long-term incentive plans, the Company considers the probability of shares vesting due to the achievement of performance metrics established by the Board of Directors related to long-term incentives that includes performance vesting conditions. The Company also estimates the portion of share and Cash Rights that will ultimately be forfeited. A forfeiture rate over the vesting period has been estimated, based upon extrapolation of historic forfeiture rates.

LTIP Share Rights and Cash Rights

The Company provides long term equity incentives to assist in retaining key employees and encouraging superior performance on a sustained basis. Annual long term incentive grants have generally been made through the Company's Long-term Incentive Plan ("LTIP"), which allows for annual grants of share rights to management that will vest based on the satisfaction of either time-based conditions or both performance-based and time-based conditions. Vested share rights convert to ordinary fully paid shares on a one-for-one basis.

The Board has flexibility to offer different types of incentives (e.g., Share Rights, Cash Rights, Options, or a combination of the three) for an executive's long-term incentive award. The composition of the grants from year-to-year will depend on what, in the Board's view, will best incentivise and reward executives, having regard to the Company's circumstances. An Option is an entitlement to purchase a share at a pre-determined share price set at the grant date. A Share Right is an entitlement to receive a fully-paid ordinary share in the Company, and a Cash Right is an entitlement to receive a cash bonus up to a set maximum. Although the Board may elect to grant Cash Rights for any reason, they have typically been used to supplement Share Rights in order to limit share dilution when the stock price is low at the time of the award.

Under the terms of the LTIP, Performance Share Rights vest upon the achievement of performance targets set by the Board. Retention Share Rights granted vest upon continuous employment with the Company from the grant date until the third anniversary of the grant date.

Awards granted to management KMP in 2012 and 2013 included Performance Share Rights that would vest based on three-year average Return-on- Equity ("ROE") targets set by the Board. Achievement for Performance-based Share Rights under the 2012 LTIP grants, which reached the end of the performance measurement period in March 2015, was 0%, as the Company did not meet the minimum ROE performance criterion for those grants. Achievement for Performance-based Share Rights under 2013 LTIP grants will likewise be 0% when the end of the performance measurement period will be reached in March 2016.

12. SHARE-BASED PAYMENTS (CONTINUED)

LTIP Share Rights and Cash Rights (continued)

Awards granted to KMP for 2014 comprised a combination of options under the Company's Option Plan and Share Rights and Cash Rights under the LTIP. The performance criterion for the 2014 LTIP Performance Share Rights is based on the achievement of three-year cumulative net debt reduction targets in addition to total shareholder return targets set by the Board. Vesting occurs on a linear basis beginning at 50% of a participant's grant once minimum "threshold" performance objectives are met, and vesting up to 150% of a participant's target grant amount is possible if the Company's actual results exceed the targets established for the three-year period. Participants must also remain continuously employed with the Company during the performance period.

The total share-based expense associated with Share Rights granted under the LTIP for the years ended 31 December 2015 and 2014 was $2.6 million and $2.8 million, respectively.

The following table reflects the Share Rights arrangements that were in existence at 31 December 2015:

Series - Share Rights	Number	Effective grant date	Vesting date	Fair value at grant date US$
1 - Issued 15 March 2013	1,921,972	15-Mar-13	15-Mar-16	1.39
2 - Issued 1 June 2013	221,500	1-Jun-13	1-Jun-16	0.67
3 - Issued 15 March 2014	9,974,745	15-Mar-14	15-Mar-17	0.25
4 - Issued 15 April 2014	972,612	1-Apr-14	1-Apr-17	0.27
5 - Issued 1 July 2015	14,947,503	1-Jul-15	15-Mar-19	0.25

The following reconciles the outstanding Share Rights at the beginning and end of the year:

Share rights	2015 Number of rights '000	2014 Number of rights '000
Balance at beginning of year	22,141	10,101
Granted	18,290	19,454
Forfeited	(8,443)	(6,631)
Vested	(3,950)	(783)
Balance at end of year	28,038	22,141

The following Share Rights vested during 2015:

	Vest date range			Fair value at vest date range A$	
Grant date	Start	End	Number of shares	Low	High
15-Mar-12	15-Mar-15	15-Mar-15	571,330	0.22	0.22
15-Mar-13	8-Jun-15	15-Dec-15	320,918	0.06	0.16
1-Jun-13	1-Jun-15	1-Jun-15	50,000	0.17	0.17
1-Jun-13	23-Oct-15	31-Dec-15	33,166	0.06	0.11
15-Mar-14	8-Jun-15	31-Oct-15	2,807,504	0.06	0.12
1-Jul-15	14-Oct-15	31-Dec-15	167,503	0.06	0.11

LTIP Share Options

The Board has, on certain occasions, granted Share Options to certain senior management members in order to attract, retain and properly incentivise those individuals.

During 2014, new Options were granted to Mr O'Brien as part of a special one-off strategic award and new options were granted to senior executives as part of the long-term incentive plan.

12. SHARE-BASED PAYMENTS (CONTINUED)

LTIP Share Options (continued)

The 2015 LTI Plan awards to the KMP was solely comprised of performance-based Options. The performance-based Options were granted on terms and conditions determined by the Board, including vesting conditions linked to service and share price appreciation over a four-year period. Additional information concerning the terms of the 2015 long-term incentive awards to KMP may be found in the Remuneration Report.

345,000 Options granted in June 2009 vested in accordance with their terms and expired in June 2014. 25,000 Options granted in March 2010 vested in accordance with their term and expired in March 2015. 3,304,753 Options granted in May 2014 vested in accordance with their term on April 2015. In addition, 4,979,976 Options vested early due to employee terminations in 2015. Terminations also resulted in forfeitures of 30,408,995 Options.

The share-based expense associated with Share Options for the years ended 31 December 2015 and 2014 was $1.4 million and $1.5 million, respectively. No shares or interests have been issued during the 2015 or 2014 financial years as a result of the exercise of options.

The following table reflects the Options arrangements that were in existence at 31 December 2015:

Series - Options	Number	Effective grant date	Vesting date	Fair value at grant date US$
1 - Issued 15 March 2014	3,594,925	15-Mar-14	15-Mar-17	0.23
2 - Issued 1 April 2014	324,204	1-Apr-14	1-Apr-17	0.25
3 - Issued 19 May 2014	3,034,753	19-May-14	19-May-14	0.19
4 - Issued 19 May 2014	3,034,753	19-May-14	1-Apr-15	0.19
5 - Issued 19 May 2014	3,034,752	19-May-14	1-Apr-16	0.19
6 - Issued 1 July 2015	45,843,028	1-Jul-15	15-Mar-20	0.07

The fair values of the Series 1-5 Options grants were determined using the Black-Scholes option pricing model using the following inputs:

	Grant date share price US$	Expected volatility	Life of rights	Dividend yield	Risk-free interest rate
Series 1	0.25	115.00%	120 months	0.00%	0.74%
Series 2	0.27	114.00%	120 months	0.00%	0.91%
Series 3	0.21	114.00%	120 months	0.00%	0.01%
Series 4	0.21	114.00%	120 months	0.00%	0.09%
Series 5	0.21	114.00%	120 months	0.00%	0.36%

The fair values of the Series 6 Options grants were determined using the Brownian Motion option pricing model using the following inputs:

		Vesting Schedule		Discount Rates	
	Grant date share price US$	min	max	5-year treasury	4-year treasury
Series 6	0.10	0.25	0.58	1.60%	1.40%

12. SHARE-BASED PAYMENTS (CONTINUED)

LTIP Share Options (continued)

The following reconciles the outstanding options at the beginning and end of the year:

Options	2015 Number of options '000	2015 Weighted average exercise price US$	2014 Number of options '000	2014 Weighted average exercise price US$
Balance at beginning of year	13,391	0.18	342	2.43
Granted	75,909	0.15	13,366	0.24
Forfeited	(30,409)	0.15	(317)	2.39
Expired during the financial year	(25)	2.93	-	-
Balance at end of year	58,866	0.17	13,391	0.18
Exercisable at end of year	58,866	0.17	13,391	0.18

13. 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.

13. INCOME TAXES (CONTINUED)

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.

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.

13. INCOME TAXES (CONTINUED)

Income tax expense is as follows:

	2015 US$'000	2014 US$'000
Income tax expense:		
Current tax expense	13,263	21,517
Adjustments recognised in the current year in relation to the current tax of prior years	2,151	(3)
Deferred tax expense	42,922	59,504
	58,336	81,018

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

	2015 US$'000	2014 US$'000
Loss before taxation	(267,941)	(251,700)
Income tax benefit calculated at Australian rate of 30%	(80,383)	(75,510)
Impact of higher rate tax countries	3,549	4,040
Impact of lower rate tax countries	13,977	30,659
Net non-deductible/non-assessable items other	(1,030)	617
Unrecognised tax losses [1]	59,672	42,423
Profit/Losses subject to double taxation in the US	3,118	(4,310)
Withholding tax net of foreign tax credit	4,796	3,339
Derecognition of net prior year deferred tax assets [1]	47,894	68,218
Other	4,592	11,545
	56,185	81,021
Under (over) provision from prior years	2,151	(3)
Income tax expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	58,336	81,018

(1) Due to the group being in a tax loss position in many jurisdictions during the current financial year the Company has not recognised current period losses and has derecognised a number of losses and deferred tax assets recognised in prior periods.

13. INCOME TAXES (CONTINUED)

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

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

	2015 US$'000	2014 US$'000
Deferred tax recognised in equity:		
Actuarial movements on defined benefit plans	(429)	4,038

(c) Tax assets and liabilities

	2015	2014
Tax assets:		
Income tax receivable attributable to:		
Parent	(55,696)	(78,248)
Other entities in the tax consolidated group	55,696	78,519
Other entities	20,825	28,885
	20,825 [1]	29,156
Current tax liabilities:		
Income tax payable attributable to:		
Parent	(56)	-
Entities other than parent and entities in the consolidated group	78,020	100,223
	77,964	100,223

(d) Deferred tax balances

	2015	2014
Deferred tax comprises:		
Temporary differences	2,109	37,078
Unused tax losses and credits	4,106	13,634
	6,215	50,712

(1) The income tax receivable for 2015 is $20.8 million (2014: $29.2 million) of which $6.6 million is classified as current tax receivable and $14.2 million is classified as non-current tax receivable (2014: $15.4 million and $13.7 million respectively).

13. INCOME TAXES (CONTINUED)

2015	Opening balance US$'000	Recognised in income US$'000	FX differences US$'000	Recognised in equity US$'000	Closing balance US$'000
Deferred tax assets (liabilities) temporary differences					
Property, plant and equipment	22,308	(16,870)	(671)	-	4,767
Provisions	11,689	(2,701)	(351)	-	8,637
Doubtful debts	256	(218)	(8)	-	30
Other intangible assets	(16,568)	824	498	-	(15,246)
Accrued liabilities	1,101	(12)	(33)	-	1,056
Pension	1,157	(614)	(35)	(429)	79
Inventories	14,123	(9,970)	(425)	-	3,728
Investments in subsidiaries	(1,500)	-	-	-	(1,500)
Unrealised foreign exchange	464	(1,274)	-	-	(810)
Other	4,048	(2,559)	(121)	-	1,368
	37,078	(33,394)	(1,146)	(429)	2,109
Unused tax losses and credits:					
Tax losses	-	4,106	-		4,106
Foreign tax credits	13,634	(13,634)	-		-
	50,712	(42,922)	(1,146)	(429)	6,215

Presented in the statement of financial position as follows:	
Deferred tax asset	21,033
Deferred tax liability	(14,818)
	6,215

Deferred tax assets from prior years have been de-recognised in the current period due to changes in forecast earnings in some jurisdictions and changes in intercompany -pricing arrangements. Where deferred tax assets have been recognised, it is considered probable that the Company will generate sufficient future taxable income to utilise the assets.

13. INCOME TAXES (CONTINUED)

2014	Opening balance US$'000	Recognised in income US$'000	FX differences US$'000	Recognised in equity US$'000	Closing balance US$'000
Deferred tax assets (liabilities) temporary differences					
Property, plant and equipment	34,902	(11,308)	(1,286)	-	22,308
Provisions	16,080	(3,799)	(592)	-	11,689
Doubtful debts	275	(9)	(10)	-	256
Other intangible assets	(15,606)	(1,537)	575	-	(16,568)
Share-issue expenses	1	(1)	-	-	-
Accrued liabilities	1,407	(254)	(52)	-	1,101
Pension	4,122	(6,851)	(152)	4,038	1,157
Inventories	33,645	(18,283)	(1,239)	-	14,123
Investments in subsidiaries	(1,500)	-	-	-	(1,500)
Unrealised foreign exchange	17,521	(17,057)	-	-	464
Other	3,452	726	(130)	-	4,048
	94,299	(58,373)	(2,886)	4,038	37,078
Unused tax losses and credits:					
Foreign tax credits	14,765	(1,131)	-		13,634
	109,064	(59,504)	(2,886)	4,038	50,712

Presented in the statement of financial position as follows:	
Deferred tax asset	68,427
Deferred tax liability	(17,715)
	50,712

Unrecognised deferred tax assets	2015 US$'000	2014 US$'000
Tax losses - revenue	175,153	130,050
Unused tax credits	56,422	50,236
Temporary differences	106,025	114,394
	337,600	294,680

13. INCOME TAXES (CONTINUED)

Canadian Income Tax Audits

The Company's Canadian income tax returns for the tax years 2007-2012 have been reassessed by the Canada Revenue Agency ("CRA"). These reassessments are being appealed through a multi-national dispute resolution process, known as "competent authority" to prevent the double-taxation of income assessed by multiple jurisdictions. The assessment for the 2007 through 2009 tax years, if upheld, would result in federal and provincial tax liabilities, including interest, of approximately C$56.0 million.

The CRA issued a reassessment for the 2010 through 2012 tax years on 18 December 2015, and the Company is preparing an appeal. The Company projects that the reassessment, if upheld, could result in federal and provincial tax liabilities, including interest and penalties, of up to approximately C$55.0 million.

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

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

United States Income Tax Audit

The Company's United States income taxes for the 2010 and 2011 tax years have been subject to review by US Internal Revenue Service (IRS). The Company has reached conceptual agreement, subject to finalisation, with the IRS to settle disputes related to the 2010 through 2011 tax years on a favourable basis and expects to receive assessments before the end of March 2016. The assessments will reduce income tax credits and loss carryforwards.

14. LOSS PER SHARE

	2015 US cents per share	2014 US cents per share
Basic loss per share	(36.0)	(70.8)
Diluted loss per share	(36.0)	(70.8)

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

	2015 US$'000	2014 US$'000
Loss used in the calculation of basic EPS	(326,277)	(332,718)

	2015 '000	2014 '000
Weighted average number of ordinary shares for the purposes of basic loss per share	905,490	469,663

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

	2015 US$'000	2014 US$'000
Loss used in the calculation of diluted EPS	(326,277)	(332,718)

	2015 '000	2014 '000
Weighted average number of ordinary shares used in the calculation of diluted EPS	905,490	469,663

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

	2015 '000	2014 '000
Shares deemed to be issued for no consideration in respect of LTIP share rights	6,617	2,865

15. 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.

	2015 US$'000	2014 US$'000
Trade receivables	96,771	122,391
Allowance for doubtful accounts	(2,482)	(2,313)
Goods and services tax receivable	13,997	13,831
Other receivables	1,769	3,533
	110,055	137,442

The ageing of trade receivables is detailed below:

	2015 US$'000	2014 US$'000
Current	69,364	90,637
Past due 0 - 30 days	15,577	16,415
Past due 31 - 60 days	4,134	5,912
Past due 61-90 days	3,952	5,545
Past due 90 days	3,744	3,882
	96,771	122,391

The average credit period on sales of goods is 53 days as at 31 December 2015, and 31 December 2014. No interest is charged on trade receivables.

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

Credit risk management

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

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

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No derivative financial instruments were entered into during 2015 or 2014.

16. 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. During the current financial year the Company recorded an impairment of inventory to bring the remaining inventory down to management's estimate of net realisable value. See Note 9 for details relating to the expenses arising as a result of the inventory impairment process.

16. INVENTORIES (CONTINUED)

	2015 US$'000	2014 US$'000
Raw materials	33,987	31,092
Work in progress	3,717	2,416
Finished products	128,554	207,752
	166,258	241,260

The Company recorded additional provisions against inventory of $34.5 million and $687 thousand for the years ended 31 December 2015 and 2014, respectively. Obsolescence provisions were $111.2 million and $102.6 million as at 31 December 2015 and 2014, respectively.

17. 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 22, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves, and accumulated losses/retained earnings.

Significant accounting policies

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

Of the outstanding loans and borrowings, Centerbridge Partners, L.P. accounted for $190.0 million of Term Loans outstanding and accreted interest of $28.4 million. There are no significant concentrations of credit risk. The carrying amount reflected above represents the Company's maximum exposure to credit risk for trade and other receivables.

Financial assets

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

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

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

Financial risk management objectives

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

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. The use of financial derivatives is governed by the Company's policies approved by the Board, which provide written principles on foreign exchange risk and interest rate risk. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

17. 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.

The Company did not utilise any derivative instruments during the years ended 31 December 2015 or 2014.

Foreign currency risk management

Company subsidiaries undertake certain transactions denominated in currencies other than their functional currency, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters, which may include utilising forward foreign exchange contracts as well as options in addition to non-derivative strategies.

The 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	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Australian Dollar	412,346	488,274	26,491	47,350
Canadian Dollar	1,429	331	58,518	78,179
Euro	9,380	608	109,413	81,318
US Dollar	159,249	269,993	591,635	624,879

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	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Net profit	(2,181)	(5,675)	2,329	4,077
Net assets	(37,069)	(40,208)	4,308	6,447

	10% decrease in EUR		10% decrease in USD	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Net profit	5,810	3,557	6,913	4,059
Net assets	8,801	7,142	39,308	32,262

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency sensitivity (continued)

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.

Forward foreign exchange contracts

There were no open forward foreign currency contracts as at 31 December 2015 or 2014.

Interest rate risk management

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

Liquidity risk management

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

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

Liquidity risk

The following tables reflect the expected maturities of non-derivative financial liabilities as at 31 December 2015. These are based on the undiscounted expected cash flows of financial liabilities based on the maturity profile per the loan agreement. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount on the balance sheet.

	Weighted average effective interest rate %	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	5+ years US$'000	Adjust-ment US$'000	Total US$'000
31 December 2015								
Non-interest bearing payables	-	119,883	25,158	-	-	-	-	145,041
Fixed interest rate instruments	9.4%	-	-	39,380	481,134	482,181	(305,334)	697,361
Financial Lease	4.7%			13	38	206		257
		119,883	25,158	39,393	481,172	482,387	(305,334)	842,659
31 December 2014								
Non-interest bearing payables		124,209	42,815	-	-	-	-	167,024
Fixed interest rate instruments	9.4%	-	-	40,500	504,031	584,356	(404,198)	724,690
		124,209	42,815	40,500	504,031	584,356	(404,198)	891,714

17. 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
2015				
Non-interest bearing receivables	53,563	41,065	15,427	110,055
Cash	113,357	-	-	113,357
	166,920	41,065	15,427	223,412
2014				
Non-interest bearing receivables	68,854	52,788	15,800	137,442
Cash	168,784	-	-	168,784
	237,638	52,788	15,800	306,226

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

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, except for the Company's senior secured notes that are trading below their carrying value.

18. 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.

18. 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 2014	67,050	882,160	46,551	995,761
Additions	133	4,885	14,686	19,704
Disposal	(331)	(29,012)	-	(29,343)
Transfer to/from CIP	1,905	30,924	(32,829)	-
Transfer from intangible assets	-	542	(384)	158
Currency movements	(2,946)	(57,884)	(2,840)	(63,670)
Balance at 1 January 2015	65,811	831,615	25,184	922,610
Additions	442	202	17,748	18,392
Disposal	(1,279)	(82,437)	-	(83,716)
Transfer to/from CIP	777	29,854	(30,631)	-
Transfer from intangible assets	-	5,711	326	6,037
Currency movements	(4,121)	(73,823)	(1,462)	(79,406)
Balance at 31 December 2015	61,630	711,122	11,165	783,917
Accumulated depreciation and impairment:				
Balance at 1 January 2014	(20,882)	(566,568)	-	(587,450)
Depreciation	(2,632)	(81,949)	-	(84,581)
Impairment	(112)	(45,975)	-	(46,087)
Disposal	317	24,550	-	24,867
Currency movements	1,340	48,607	-	49,947
Balance at 1 January 2015	(21,969)	(621,335)	-	(643,304)
Depreciation	(2,376)	(63,851)	-	(66,227)
Impairment	-	(36,806)	-	(36,806)
Disposal	1,230	81,387	-	82,617
Currency movements	2,133	54,145	-	56,278
Balance at 31 December 2015	(20,982)	(586,460)	-	(607,442)
Net book value at 31 December 2014	**43,842**	**210,280**	**25,184**	**279,306**
Net book value at 31 December 2015	**40,648**	**124,662**	**11,165**	**176,475**

Property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. Due to the decline in demand for our drilling services and low rig utilisation rates, the Company reviewed specific assets for impairment. As a result of this exercise, the Company recorded an impairment loss at 31 December 2015 and 31 December 2014 of $1.3 million and $4.9 million respectively on property, plant and equipment. The Company also assesses the recoverability of its assets across CGU's. As a result of this process, the Company recorded additional impairment losses of $35.5 million and $41.2 million at 31 December 2015 and 31 December 2014, respectively. See Note 9 for details of other assumptions used as part of this impairment testing.

19. GOODWILL

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 decline in demand for our drilling services and low 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.

See Note 9 for details relating to expenses arising as a result of the impairment process and a description of the key assumptions made.

	US$'000
Gross carrying amount:	
Balance at 1 January 2014	103,974
Currency movements	(1,503)
Balance at 31 December 2014	102,471
Balance at 1 January 2015	102,471
Currency movements	(2,813)
Balance at 31 December 2015	99,658

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in cash-generating units that are significant individually or in aggregate. All of the carrying amount of goodwill is included in the North America Drilling Services CGU.

The carrying amount of goodwill is tested for impairment annually at 31 October and whenever there is an indicator that the asset may be impaired. If goodwill is impaired, it is written down to its recoverable amount. Due to potential indicators of impairment at both the 30 June 2015 and 31 December 2015 reporting periods, the company performed impairment testing at those dates.

Based on the impairment testing performed during 2015, the recoverable amount from the North America Drilling Services CGU exceeded the goodwill carrying amount. Consequently, no impairments were recorded in 2015. There could be potential impairments under certain changes in key assumptions, as described further in Note 9.

20. 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.

20. OTHER INTANGIBLE ASSETS (CONTINUED)

	Trademarks US$'000	Patents US$'000	Customer relationships and other US$'000	Software US$'000	Development assets US$'000	Total US$'000
Gross carrying amount:						
Balance at 1 January 2014	4,147	7,311	52,885	86,256	46,910	197,509
Additions	77	1,100	-	1,072	3,214	5,463
Disposals	-	(2,692)	(306)	-	-	(2,998)
Transfer to PP&E	-	-	-	-	(158)	(158)
Currency movements	-	5	(2,501)	(21)	(344)	(2,861)
Balance at 31 December 2014	4,224	5,724	50,078	87,307	49,622	196,955
Balance at 1 January 2015	4,224	5,724	50,078	87,307	49,622	196,955
Additions	29	1,186	-	87	659	1,961
Disposals	-	(660)	-	-	(70)	(730)
Transfer to PP&E	-	-	-	-	(6,037)	(6,037)
Currency movements	-	-	(3,403)	77	(234)	(3,560)
Balance at 31 December 2015	4,253	6,250	46,675	87,471	43,940	188,589
Accumulated amortisation:						
Balance at 1 January 2014	(1,270)	(1,790)	(39,954)	(36,809)	(25,658)	(105,481)
Amortisation for the period	-	(303)	(1,730)	(14,754)	(1,030)	(17,817)
Disposals	-	2,692	306	-	-	2,998
Impairment for the period	-	(1,338)	(89)	-	(290)	(1,717)
Currency movements	-	2	2,291	19	18	2,330
Balance at 31 December 2014	(1,270)	(737)	(39,176)	(51,544)	(26,960)	(119,687)
Balance at 1 January 2015	(1,270)	(737)	(39,176)	(51,544)	(26,960)	(119,687)
Amortisation for the period	-	(378)	(1,634)	(14,632)	(1,040)	(17,684)
Disposals	-	661	-	-	-	661
Impairment for the period	-	(571)	-	-	-	(571)
Currency movements	-	-	3,105	(8)	(1)	3,096
Balance at 31 December 2015	(1,270)	(1,025)	(37,705)	(66,184)	(28,001)	(134,185)
Net book value at 31 December 2014	2,954	4,987	10,902	35,763	22,662	77,268
Net book value at 31 December 2015	2,983	5,225	8,970	21,287	15,939	54,404

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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, an impairment of $571 thousand was recorded at 31 December 2015. Based upon the impairment analysis performed at 31 December 2014 the Company recognised an intangible asset impairment loss of $1.7 million for the year ended 31 December 2014 due to the most recent financial performance of various cash-generating units as well as the expected financial performance of the business at that time. In its impairment assessment, the Company assumes the recoverable amount based on a value-in-use calculation. Cash flow projections are based on the Company's three-year strategic plan and financial forecasts over a nine-year period, which approximates the length of a typical business cycle based on historical industry experience, with a terminal value. See Note 9 for details of other assumptions used as part of this impairment testing.

The Company has reassessed the carrying value of certain development assets relating to its Global Products business. The 31 December 2015 review did not lead to an impairment for that period.

The Company recognised $7.8 million of research and development expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 (2014: $8.1 million).

21. 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.

	2015 US$'000	2014 US$'000
Current		
Trade payables	59,475	68,648
Accrued payroll and benefits	30,383	31,188
Accrued recapitalision costs	-	18,144
Goods and services tax payable	15,452	13,342
Accrued interest	10,106	10,371
Accrued legal and environmental	5,988	6,023
Professional fees	5,507	5,350
Accrued drilling costs	3,211	3,443
Other sundry payables and accruals	14,919	10,515
	145,041	167,024

The average credit period on purchases of certain goods is 31 days (2014: 34 days). No interest is charged on the trade payables for this period. Thereafter, various percentages of interest may be charged on the outstanding balance based on the terms of the specific contracts. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

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

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

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

22. 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.

	2015 US$'000	2014 US$'000
Unsecured - at amortised cost		
Non-current		
Senior notes	284,000	300,000
Debt issuance costs	(3,055)	(3,637)
Secured - at amortised cost		
Current		
Finance lease liabilities	51	-
Non-current		
Senior notes	195,000	195,000
Term loans	190,000	225,000
Accreted interest	28,361	4,690
Debt issuance costs	(4,780)	(4,709)
Finance lease liabilities	206	-
	689,783	716,344
Disclosed in the financial statements as:		
Current borrowings	51	-
Non-current borrowings	689,732	716,344
	689,783	716,344
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	51	-
Between 1 and 2 years	51	-
Between 2 and 3 years	314,494	-
Between 3 and 4 years	51	300,000
More than 4 years	382,971	424,690
	697,618	724,690
Debt issuance costs	(7,835)	(8,346)
	689,783	716,344

22. LOANS AND BORROWINGS (CONTINUED)

Senior notes

Senior Unsecured Notes
The Company has $284.0 million of senior unsecured notes outstanding at 31 December 2015 and $300.0 million outstanding at 31 December 2014. These notes carry an interest rate of 7% with a scheduled maturity date of 1 April 2021. 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.

On 27 January 2015, the Company completed an equitisation of $16.0 million of the Senior Unsecured Notes held by Centerbridge Partners, L.P., and its affiliates through the issuance of approximately 102.8 million shares.

Senior Secured Notes
The Company has $195.0 million of senior secured notes outstanding at 31 December 2015 and 2014. These notes carry an interest rate of 10% with a scheduled maturity date of 1 October 2018. 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.

On 7 November 2014, the Company used proceeds from tranche B of its new term loan to repay $105.0 million of the Senior Secured Notes in addition to paying $8.4 million and $1.0 million for a bond premium and accrued interest on the tendered notes.

Bank Credit Facility

On 1 June 2015 the Company entered into an asset-based, revolving bank credit facility (the “ABL”) that provides up to $40.0 million of capacity for loans or other purposes such as letters of credit. As of 31 December 2015 there was no drawdown under this facility; however, there were outstanding letters of credit totalling $11.4 million that reduced the amount available to draw under the ABL commitments. Interest rates on usage/drawings (we pay this on letters of credit which are not “borrowings”) are based on a base rate plus an applicable margin. The base rate is generally based on 30-day USD LIBOR, while the margin is determined based on the Company’s leverage according to a pricing grid. As of 31 December 2015 the applicable margin was 3.5% for LIBOR-based loans.

The ABL facility is secured by a first lien on the accounts receivable, inventories, deposit accounts and cash (“Working Capital Assets”) of the ABL borrower and guarantors and a third lien on substantially all of the other tangible and intangible assets (“Non-Working Capital Assets”) of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property). Provisions in the facility currently restrict availability by $5.0 million until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for four consecutive quarters. Provisions also require that $5.0 million of cash be held in a restricted bank account with the lender until the Company maintains an unadjusted fixed charge coverage ratio of at least 1.0:1.0 for two consecutive quarters, at which time the restricted cash shall be released. Following release of the restricted cash, but only to the extent that less than $7.5 million of excess availability exists under the facility, the facility triggers a requirement to maintain an unadjusted fixed charge coverage ratio of not less than 1.1:1.0. Scheduled maturity is the earliest of (i) 90 days prior to maturity of senior secured notes (or any Indebtedness refinancing the security) (ii) 90 days prior to maturity of tranche A of the term loan (or any Indebtedness refinancing the security) (iii) 90 days prior to maturity of tranche B of the term loan (or any Indebtedness refinancing the maturity of the security) and (iv) 29 May 2020. Guarantors for the term loans are Boart Longyear Limited, Boart Longyear Canada, Boart Longyear Australia Pty Ltd, and Boart Longyear Company with the Issuer being Boart Longyear Managagement Pty Ltd.

22. LOANS AND BORROWINGS (CONTINUED)

Term Loans

As part of the Company recapitalisation in October 2014, the Company entered into a Term Loan facility with Centerbridge Partners, L.P. Structured as Tranche A and Tranche B loans, the Term Loan has an interest rate of 12% per annum, which would be reduced to 11% per annum if the Company's trailing 12 month adjusted EBITDA is greater than $200.0 million. The Term Loan tranches are structured to accrete interest, which is payable to the term loan lender, Centerbridge Partners, L.P., a related party, and which is guaranteed by an unrestricted subsidiary funded with intangible assets not to exceed $44.0 million.

Tranche A
This tranche, issued on 22 October 2014 in the amount of $120.0 million was used to repay the Company's previous bank credit facility. Upon closing of the new ABL revolving credit facility on 1 June 2015, $35.0 million of tranche A was repaid resulting in an outstanding principal balance of $85.0 million as of 31 December 2015. This Tranche contains a maturity of 22 October 2020 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
This tranche, in the amount of $105.0 million was issued on 7 November 2014 and used to retire $105.0 million of the Company's senior secured notes. As of 31 December, 2015 the amount outstanding under Tranche B was $105.0 million. This Tranche contains a maturity of 1 October, 2018 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 10% Secured Notes guarantors that are not ABL guarantors, a third lien on the Working Capital Assets of the Term Loan B and 10% Secured Notes issuer and the Term Loan B and 10% 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 10% Secured Notes issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

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

The Company's ABL Term Loans and senior notes does not require maintenance or testing of financial covenant ratios.

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

The Company's ABL includes a covenant that is triggered following release of the restricted cash, but only to the extent that less than $7.5 million of excess availability exists under the facility. If triggered, the Company is required to maintain an unadjusted fixed charge coverage ratio of not less than 1.1:1.0.

As at 31 December 2015 the Company was in compliance will all of its debt covenants.

22. LOANS AND BORROWINGS (CONTINUED)

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

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

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

23. PROVISIONS

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

Employee benefits

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

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

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

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

Warranties

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

Onerous contracts

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

23. PROVISIONS (CONTINUED)

The following table reflects the provision balances:

	2015 US$'000	2014 US$'000
Current		
Employee benefits	13,868	11,084
Restructuring and termination costs	3,403	8,790
Warranty	319	190
Onerous leases	1,928	3,877
	19,518	23,941
Non-current		
Employee benefits	2,040	5,425
Pension and post-retirement benefits (Note 24)	21,315	38,329
Onerous leases	1,617	1,149
	24,972	44,903
	44,490	68,844

24. 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.

Post-retirement medical commitments

The post-retirement medical arrangements provide health benefits to retired employees and certain dependents. Eligibility for coverage is dependent upon certain criteria. Historically, most of these plans were unfunded and had been provided for by the Company. In August 2013, the Company made the decision to terminate the US retiree medical program. Effective 1 January 2014 retiree medical coverage is no longer offered to newly retiring US employees. Effective 1 March 2014 retirees and dependents over age 65 lost retiree medical coverage. The Company has partnered with a Willis Towers Watson company, Extend Health, to provide benefit advisory services to Medicare-eligible retirees who desire replacement coverage on the open market. Effective 31 December 2014 retirees and dependents under age 65 lost retiree medical coverage. They were eligible to transition to the US federal healthcare exchange for medical insurance.

Defined contribution plans

Pension costs represent actual contributions paid or payable by the Company to the various plans. At 31 December 2015, and 2014, there were no significant outstanding/prepaid contributions. Company contributions to these plans were $7.7 million and $12.2 million for the years ended 31 December 2015 and 2014, 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.

24. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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 2015 by qualified independent actuaries. The estimated market value of the assets of the funded pension plans was $180.5 million and $200.4 million at 31 December 2015, and 2014, 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 2015 and 84% in 2014, 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.

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

Company contributions to these plans were $7.0 million and $7.9 million during the years ended 31 December 2015 and 2014, respectively. Contributions in 2016 are expected to be $7.0 million.

24. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2015		2014	
	North America	Europe	North America	Europe
Discount rates	4.3%	2.2%	3.9%	1.8%
Expected Average Rate Increases:				
Salaries	3.5%	3.5%	3.5%	4.0%
Pensions in payment	-	1.6%	-	1.6%
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:

	2015			2014		
	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	1,372	-	1,372	1,022	-	1,022
Net interest expense	1,006	15	1,021	1,062	16	1,078
Past service cost	(49)	-	(49)	(275)	-	(275)
Total charge to profit and loss account	2,329	15	2,344	1,809	16	1,825

For the financial years ended 31 December 2015 and 2014, charges of approximately $1.8 million and $1.4 million, respectively, have been included in cost of goods sold and the remainder in general and administrative or sales and marketing expenses.

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

	2015			2014		
	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	238,258	476	238,734	226,364	857	227,221
Current service cost	1,372	-	1,372	1,022	-	1,022
Interest cost	7,115	15	7,130	9,132	16	9,148
Contributions from plan participants	-	-	-	-	174	174
Actuarial (gains) losses arising from demographic assumptions	(4,192)	-	(4,192)	3,737	18	3,755
Actuarial (gains) losses arising from financial assumptions	(6,507)	-	(6,507)	27,553	9	27,562
Past service cost	(49)	-	(49)	(275)	-	(275)
Exchange differences on foreign plans	(23,465)	(73)	(23,538)	(17,588)	(37)	(17,625)
Benefits paid	(11,044)	(62)	(11,106)	(11,687)	(707)	(12,394)
Federal subsidy on benefits paid	-	-	-	-	146	146
Closing defined benefit obligation	201,488	356	201,844	238,258	476	238,734

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

	2015			2014		
	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	200,405	-	200,405	194,937	-	194,937
Expected return on plan assets	6,108	-	6,108	8,070	-	8,070
Actuarial gains arising from financial assumptions	257	-	257	17,037	-	17,037
Administrative expenses paid from the trust	(1,024)	-	(1,024)	(803)	-	(803)
Exchange differences on foreign plans	(21,157)	-	(21,157)	(15,082)	-	(15,082)
Contributions from the employer	6,984	62	7,046	7,933	533	8,466
Contributions from plan participants	-	-	-	-	174	174
Benefits paid	(11,044)	(62)	(11,106)	(11,687)	(707)	(12,394)
Closing fair value of plan assets	180,529	-	180,529	200,405	-	200,405

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

	2015 US$'000	2014 US$'000
One percentage point increase		
Effect on the aggregate of the service cost and interest cost	-	-
Effect on accumulated post-employment benefit obligation	8	10
One percentage point decrease		
Effect on the aggregate of the service cost and interest cost	-	-
Effect on accumulated post-employment benefit obligation	(8)	(10)

25. ISSUED CAPITAL

	2015		2014	
	Shares '000	US$'000	Shares '000	US$'000
Ordinary shares				
Share capital				
Ordinary shares, fully paid	929,062	1,202,924	634,065	1,159,069
Movements in ordinary shares				
Balance at beginning of year	634,065	1,159,069	456,955	1,129,014
Issued under capital raising program	293,374	40,225	176,327	27,158
Vesting of LTIP rights, restricted shares	3,950	3,816	783	2,897
Purchase of shares for LTIP	(2,327)	(186)	-	-
Balance at end of the year	929,062	1,202,924	634,065	1,159,069
Total shares outstanding	930,865	1,204,355	637,491	1,175,946
Shares held in trust	(1,803)	(1,431)	(3,426)	(16,877)
Balance at end of the year	929,062	1,202,924	634,065	1,159,069

	2015		2014	
	Shares '000	US$'000	Shares '000	US$'000
Convertible Preference shares				
Share capital				
Preferred shares, fully paid	434,002	59,507 [1]	-	-
Balance at end of the year	434,002	59,507	-	-
Total ordinary and convertible preference shares		1,262,431		1,159,069

(1) Issued under capital raising program. Centerbridge Partners, L.P. received, in lieu of any ordinary shares it would have otherwise received, 434,002 non-voting preference shares that are convertible into ordinary shares at the ratio of one-to-one (subject to customary adjustments). Centerbridge may not convert the preference shares to the extent the conversion would result in Centerbridge beneficially acquiring in excess of 49.9% of the voting power of the Company's voting stock.

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.

26. DIVIDENDS

No dividend has been determined for any of the half-years ended 30 June 2015, 31 December 2015, 30 June 2014 or 31 December 2014.

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

	2015 US$'000	2014 US$'000
Adjusted combined franking balance	-	842

27. COMMITMENTS FOR EXPENDITURE

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

	2015 US$'000	2014 US$'000
Capital commitments		
Purchase commitments for capital expenditures	1,398	155

Non-cancellable future operating lease commitments as at 31 December 2015 and 2014 consist of the following:

	31 December 2015		31 December 2014	
	Land and buildings US$'000	Plant and equipment US$'000	Land and buildings US$'000	Plant and equipment US$'000
Payments due within:				
1 year	8,283	1,773	6,327	3,544
2 to 5 years	14,550	314	21,026	729
After 5 years	1,476	-	4,249	95
	24,309	2,087	31,602	4,368

Description of operating leases

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

- 1 – 20 years for land and buildings with an average lease term of six years
- 1 – 7 years for machinery and equipment with an average lease term of five years
- 1 – 7 years for all other property with an average lease term of five years

The Company's property operating leases generally contain escalation clauses, which are fixed increases generally between 3% and 9%, 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.

28. 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.

28. CONTINGENT LIABILITIES (CONTINUED)

Letters of credit

Standby letters of credit primarily issued in support of commitments or other obligations as at 31 December 2015 are as follows:

Subsidiary	Purpose	Expiration Date	Amount US $'000
Australia	Secure a facility rental	October 2016	512
Australia	Secure a facility rental	August 2016	79
United States	Secure workers compensation program	January 2016	405
United States	Secure a performance bond	June 2016	11,000
			11,996

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 5.

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

	2015 US$'000	2014 US$'000
Less than 1 year	11,996	2,377
1 to 3 years	-	604
	11,996	2,981

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 22.

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 13.

The Zambian Revenue Authority (ZRA) completed a customs clearance audit in January 2013 and issued a proposed assessment (assessment) of approximately $9,900,000 against Boart Longyear International Zambia Limited, a fully owned subsidiary of the Company. The Company reached agreement with the ZRA in October 2015 to resolve the audit on a favorable basis consistent with its established reserves for the matter. All amounts owing were paid by the Company during the 2015 financial year and the audit has been closed.

28. CONTINGENT LIABILITIES (CONTINUED)

Other contingencies

Other contingent liabilities as at 31 December 2015 and 2014 consist of the following:

	2015 US$'000	2014 US$'000
Contingent liabilities		
Guarantees/counter-guarantees to outside parties	3,939	23,398

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 17.

	Maximum credit risk	
Financial assets and other credit exposure	**2015 US$'000**	**2014 US$'000**
Performance guarantees provided, including letters of credit	15,935	26,379

29. PARENT ENTITY DISCLOSURES

Financial position

	2015 US$'000	2014 US$'000
Assets		
Current assets	360,993	479,785
Non-current assets	-	10,507
Total assets	360,993	490,292
Liabilities		
Current liabilities	81,046	201,991
Non-current liabilities	127,373	3,010
Total liabilities	208,419	205,001
Net Assets	152,574	285,291
Equity		
Issued capital	3,015,332	2,915,600
Reserves	8,571	3,859
Accumulated losses	(2,871,329)	(2,634,168)
Total equity	152,574	285,291

Financial performance

	2015 US$'000	2014 US$'000
Loss for the year	(237,161)	(586,735)
Total comprehensive loss	(237,161)	(586,735)

During the year ended 31 December 2015, Boart Longyear Limited recorded a provision against intercompany accounts of $307.8 million (2014: $586.7 million). This provision has no impact on the consolidated financial statements.

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

Other guarantees are described in Note 28.

Contingent liabilities

As at 31 December 2015 and 2014, Boart Longyear Limited did not have any contingent liabilities.

Contractual obligations

As at 31 December 2015 and 2014, 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 2009. See Note 13. Other guarantees are described in Note 28.

30. COMPANY SUBSIDIARIES

Business combinations

Business combinations are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, consideration for acquisitions includes assets or liabilities resulting from contingent consideration arrangements, measured at the acquisition-date fair value. Subsequent changes in such fair values are adjusted against the costs of the acquisitions where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair values of contingent consideration classified as assets or liabilities are recognised in the statement of comprehensive income as incurred. Changes in the fair values of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits', respectively;
- liabilities or equity instruments related to the replacement by the Company of an acquiree's share-based payment awards are measured in accordance with AASB 2 'Share-based Payment'; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as at the acquisition date, and is subject to a maximum of one year.

30. COMPANY SUBSIDIARIES (CONTINUED)

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

Subsidiaries	Country of incorporation	Business	31 Dec 2015	31 Dec 2014
A.C.N. 066 301 531 Pty Ltd[2]	Australia	Dormant	100	100
Aqua Drilling & Grouting Pty Ltd.[2]	Australia	Dormant	100	100
BLI Zambia Ltd.	Zambia	Drilling Services	100	100
BLY Cote d'Ivoire S.A.	Ivory Coast	Drilling Services	100	100
BLY Drilling Private Limited Company[1]	Ethiopia	Dormant	-	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.	Guinea	Drilling Services	100	100
BLY IP Inc.	USA	Holding Company	100	-
BLY Madagascar S.A.	Madagascar	Drilling Services	100	100
BLY Mali S.A.	Mali	Drilling Services	100	100
BLY Mexico Servicios S.A. de C.V.[2]	Mexico	Dormant	100	100
BLY Senegal S.A.	Senegal	Drilling Services	100	100
BLY Sierra Leone Ltd.	Sierra Leone	Drilling Services	100	100
Boart Longyear (Cambodia) Ltd.	Cambodia	Drilling Services	100	100
Boart Longyear (D.R.C.) S.A.	Dem. Rep. of Congo	Drilling Services	100	100
Boart Longyear (Holdings) Ltd.[2]	United Kingdom	Dormant	100	100
Boart Longyear (Hong Kong) Limited[2]	Hong Kong	Dormant	100	100
Boart Longyear (NZ) Limited	New Zealand	Drilling Services	100	100
Boart Longyear (Vic) No. 1 Pty Ltd	Australia	Holding Company	100	100
Boart Longyear (Vic) No. 2 Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Alberta Limited	Canada	Holding Company	100	100
Boart Longyear Argentina S.A.	Argentina	Drilling Services	100	100
Boart Longyear Australia Holdings Pty Limited	Australia	Holding Company	100	100
Boart Longyear Australia Pty Ltd	Australia	Drilling Services	100	100
Boart Longyear Bermuda Limited	Bermuda	Holding Company	100	100
Boart Longyear Burkina Faso Sarl	Burkina Faso	Drilling Services	100	100
Boart Longyear B.V.	Netherlands	Drilling Products	100	100
Boart Longyear Canada	Canada	Drilling Products and Services	100	100
Boart Longyear Chile Limitada	Chile	Drilling Products and Services	100	100
Boart Longyear Colombia S.A.S.	Colombia	Drilling Services	100	100
Boart Longyear Comercializadora Limitada	Chile	Drilling Products	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 EMEA Cooperatief U.A.[1]	Netherlands	Holding Company	-	100
Boart Longyear Eritrea Ltd.	Eritrea	Drilling Services	100	100
Boart Longyear Global Holdco, Inc	USA	Holding Company	100	100
Boart Longyear GmbH & Co., KG	Germany	Drilling Products and Services	100	100
Boart Longyear Holdings (Thailand) Co., Ltd.	Thailand	Drilling Services	100	100
Boart Longyear International B.V.	Netherlands	Holding Company	100	100
Boart Longyear International Holdings, Inc.	USA	Holding Company	100	100
Boart Longyear Investments Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Liberia Corporation	Liberia	Drilling Services	100	100
Boart Longyear Limitada	Brazil	Drilling Products	100	100
Boart Longyear Limited	Ireland	Drilling Products	100	100
Boart Longyear Limited	Thailand	Drilling Services	100	100

Subsidiaries	Country of incorporation	Business	31 Dec 2015	31 Dec 2014
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.[3]	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	Saudi Arabia	Drilling Services	100	100
Boart Longyear Sole Co., Limited	Laos	Drilling Services	100	100
Boart Longyear Suisse Sàrl	Switzerland	Holding Company	100	100
Boart Longyear Ventures Inc.	Canada	Holding Company	100	-
Boart Longyear Vermogensverwaltung GmbH	Germany	Dormant	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	Australia	Drilling Services	100	100
Geoserv Pesquisas Geologicas S.A.	Brazil	Drilling Services	100	100
Grimwood Davies Pty Ltd	Australia	Drilling Services	100	100
Inavel S.A.	Uruguay	Drilling Services	100	100
J&T Servicios, S.C.[2]	Mexico	Dormant	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[2]	Australia	Dormant	100	100
P.T. Boart Longyear	Indonesia	Drilling Services	100	100
Patagonia Drill Mining Services S.A.	Argentina	Drilling Services	100	100
Portezuelo S.A.	Paraguay	Drilling Services	100	100
Prosonic Corporation[2]	USA	Dormant	100	100
Prosonic International, Inc.[1]	USA	Drilling Services	-	100
Resources Services Holdco, Inc	USA	Holding Company	100	100
Votraint No. 1609 Pty Ltd	Australia	Drilling Services	100	100

(1) This entity was merged, liquidated or dissolved in 2015
(2) This entity is currently in liquidation status
(3) Entity name change from Boart Longyear Manufacturing USA Inc.

31. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 11.

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

None.

Transactions with related parties

As a result of the recapitalisation transaction, the Company reimbursed Centerbridge Partners, L.P. $12.6 million in fees incurred as a result of the equitisation transaction for the years ended 31 December 2014. No amounts were paid to Centerbridge Partners, L.P. during the year ended 31 December 2015.

32. CASH AND CASH EQUIVALENTS

Included in the cash balance at 31 December 2015, is $7.0 million of restricted cash. At 31 December 2014, $13.8 million was considered 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.

33. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

Standards and Interpretations issued not yet effective

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
- AASB 9 'Financial instruments', and the relevant amending standards	1 January 2018	31 December 2018
- AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 "Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018 [1]	31 December 2018
- IFRS 16 'Leases'	1 January 2019	31 December 2019

The potential impact of the initial application of the Standards above is yet to be determined.

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

The following standards are not expected to have a significant impact on the consolidated financial statements:

- Amendments to IAS 7 'Statement of Cash Flows – Improvements to disclosure'

34. SUBSEQUENT EVENTS

On 29 February 2016, Jeffrey Olsen, the Company's Chief Financial Officer, was announced as the Company's new President and Chief Executive Officer effective 1 March 2016. With Mr Olsen's appointment, Mr Randolph relinquishes his duties as Boart Longyear's Interim CEO and the associated day-to-day operating responsibilities. Mr Randolph will remain as the Company's Executive Chairman for the foreseeable future to assist with Mr Olsen's assumption of his new duties. The Company will undertake a search for a chief financial officer to succeed Mr Olsen. In the meantime, Mark Hauber, the Company's Vice President, Corporate Financial Planning and Analysis and Drilling Services Finance, will serve as Interim CFO.

The Company has not become aware of any other matter or circumstance that has arisen since 31 December 2015 that has affected or may affect the operations of the consolidated entity or the results of those operations, or the state of the consolidated entity in subsequent years.

ADDITIONAL INFORMATION as at 23 March 2016.

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 Change in Substantial Holding Notice lodged 29 January 2015)	464,501,606

(a) Ordinary share capital

There are 936,624,742 fully paid ordinary shares on issue, held by 7,532 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 58,182,460 share options held by 19 individual option holders. Options do not carry rights to vote.

(c) Preference Shares

There are 434,001,968 preference shares on issue, held by Centerbridge Partners through CCP II DUTCH ACQUISITION- E2 B.V. The preference shares do not carry rights to vote.

Distribution of holders of equity securities

Range	Holders – Fully Paid Ordinary Shares
1 to 1,000	1,260
1,001 to 5,000	1,976
5,001 to 10,000	1,612
10,001 to 100,000	1,940
100,001 and Over	744
Total	**7,532**

The number of security investors holding less than a marketable parcel of 5,102 securities ($0.098 on 23/03/2016) is 3,264 and they hold 7,137,315 securities.

TOP 20 HOLDERS

No.	Holder	Fully Paid Ordinary Shares	Percent of Issued Capital Held
1	CCP II DUTCH ACQUISITION – E2, B.V.	245,589,162	26.22
2	CCP CREDIT SC II DUTCH ACQUISITION – E, B.V.	160,242,553	17.11
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	121,960,586	13.02
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	70,340,346	7.51
5	CITICORP NOMINEES PTY LIMITED	67,001,648	7.15
6	SNOWSIDE PTY LTD	18,960,439	2.02
7	NATIONAL NOMINEES LIMITED	13,723,224	1.47
8	PACIFIC CUSTODIANS PTY LTD	8,715,057	0.93
9	MR ANTHONY MAURICI	7,812,742	0.83
10	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,101,010	0.65
11	DARRELL JAMES PTY LTD	5,473,000	0.58
12	PACIFIC CUSTODIANS PTY LIMITED	3,105,019	0.33
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	2,333,568	0.25
14	WARATAH CAPITAL PARTNERS PTY LIMITED	2,200,000	0.23
15	VFG ASSET MANAGEMENT PTY LTD	2,144,038	0.23
16	KEONG LIM PTY LIMITED	2,136,741	0.23
17	GREEN JADE INVESTMENTS PTY LTD	1,750,000	0.19
18	MS YING GE	1,700,000	0.18
18	MR BRIAN JAMES SHIMMEN	1,700,000	0.18
19	PACIFIC CUSTODIANS PTY LTD	1,587,521	0.17
20	HENDO FAMILY SUPERANNUATION PTY LTD	1,382,781	0.15
	TOTAL FOR TOP 20	**745,959,435**	**79.64**

CORPORATE INFORMATION

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Auditors
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Company Secretaries
Fabrizio Rasetti
Phil Mackey

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Listing
Boart Longyear is listed on the Australian Securities Exchange under the symbol 'BLY'

Share Registry
Link Market Services Limited
Level 12, 680 George Street
Sydney, New South Wales 2000

Tel: +61 1800 781 633

Annual Meeting
The Annual General Meeting of Boart Longyear will be held at:

11.00am (Adelaide time)
on Tuesday, 24 May 2016
in the Riverbank Room 6
Adelaide Convention Centre
North Terrace
Adelaide, South Australia 5000
Australia

Website
www.boartlongyear.com

www.precinct.com.au

www.boartlongyear.com