BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

ANNUAL FINANCIAL REPORT

YEAR ENDED 31 DECEMBER 2016

CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the financial report of Boart Longyear Limited (the "Parent") and its controlled entities (collectively the "Company") for the financial year ended 31 December 2016 (financial year) and the Independent Auditor's Report thereon.

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

DIRECTORS

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

Directors	Position
Marcus Randolph	Executive Chairman
Bret Clayton	Non-executive Director
Peter Day	Non-executive Director
Jonathan Lewinsohn	Non-executive Director (resigned from the Board effective 20 January 2017)
Jeffrey Long	Non-executive Director
Gretchen McClain	Non-executive Director
Rex McLennan	Non-executive Director and Senior Independent Director
Jeffrey Olsen	Executive Director (appointed effective 1 March 2016)
Deborah O'Toole	Non-executive Director
Conor Tochilin	Non-executive Director (appointed effective 20 January 2017)

For a summary of experience and qualifications for each Director, see the Board of Directors section on page 56 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 29 February 2016, Jeffrey Olsen, the Company's Chief Financial Officer ("CFO"), was announced as the Company's new President and Chief Executive Officer ("CEO") effective 1 March 2016. With Mr Olsen's appointment, Marcus Randolph relinquished his duties as Boart Longyear's Interim CEO and the associated day-to-day operating responsibilities. Mr Randolph remains the Company's Executive Chairman at the request of the Board of Directors to assist with Mr Olsen's assumption of his new duties.

On 12 August 2016, the Company announced several executive appointments to strengthen its senior management team. Brendan Ryan was announced as the Company's Chief Financial Officer, and Denis Despres was appointed to the newly created role of Chief Operating Officer. Messrs Ryan and Despres commenced employment with the Company on 6 September 2016 and 1 September 2016, respectively. In addition, the Company announced the departure of Mr Kent Hoots, Senior VP, Global Products.

EVENTS SUBSEQUENT TO REPORTING DATE

On 5 January 2017, the Company entered into a $20 million delayed draw term loan ("DDTL") with Centerbridge Partners L.P. The DDTL has been established to provide additional financial resources to support ongoing restructuring discussions with the Company's lenders as well as to provide additional working capital in the first quarter of 2017. The Company drew the available $20 million balance on 13 February 2017.

The material terms of the DDTL are, as follows:

- Commitment of $20 million in aggregate principal amount;
- Secured by $50 million of collateral in the form of certain of the Company's drilling rigs in the United States, Canada and Australia;
- Maturity date of 31 December 2020;
- Interest Rate of 12% per annum payable in kind or 10% payable in cash at the Company's option, in each case payable quarterly in arrears; and
- Other customary terms and conditions, including customary covenants and events of default that are substantially the same as those in the Centerbridge Term Loans A and B.

In conjunction with the execution of the DDTL, the Company and Centerbridge have also modified certain terms of Term Loans A and B, which were entered into as part of the Centerbridge-led recapitalisation in 2015, as follows:

- The maturity dates for Term Loans A and B have been amended from 1 October 2020 and 1 October 2018, respectively, to 3 January 2021
- The interest rate for both Terms Loans A and B has been amended from 12% per annum payable in kind to either 12% payable in kind or 10% payable in cash at the Company's option;
- The period for the make-whole obligations under Term Loans A and B has been extended to 3 January 2021;
- The Company must at all times maintain at least 90% of all its US, Canada and Australia tangible assets, including the collateral for the DDTL, as collateral supporting Term Loans A and B.

DIVIDENDS

No dividends have been paid during the financial year.

No dividend was determined for either of the half-years ended 30 June 2016 or 31 December 2016.

REVIEW OF OPERATIONS [1]

1. Safety Performance, Market Conditions and Strategies

1.1 Overview

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

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

Our operating and commercial priorities include solidifying our competitive advantages with sustained investments in safety performance, productivity enhancements and operating improvements in our Global Drilling Services division, while remaining focused on the needs of our customer base. Similarly, technology and product innovation are central to the strength and future growth of our Global Products division, and we continue to pursue incremental product improvements that customers will need at any point in the mining cycle. During 2016, the Global Products division launched seven new products and continues to invest in its new product pipeline. A key launch was the LF™160 surface coring drill rig with a hands free rod loader. This rig package brings a combination of features that delivers best-in-class safety and productivity to the drill site. We continued to roll out TruCore™ in Latin America. This is the first in a range of instrumentation tools that provides accurate core orientation measurements, which represents the first step in implementing our strategy to be the global leader in providing subsurface resource information to our mining customers through our Geological Data Services business.

Our capital structure exposes us to a variety of market, operational and liquidity risks. To address these risks, we are focused on addressing our capital structure, including debt maturities in October 2018 and our high levels of debt relative to current market conditions. We also have established being cash positive in 2017 as a primary goal for the business, which we intend to achieve through continued disciplined expense and capital management, opportunistic cost reductions and productivity enhancements.

1.2 Safety Performance

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

In 2016, the Company reported good safety performance, with a Total Case Incident Rate ("TCIR") of 1.41 and Lost-Time Injury Rate ("LTIR") of 0.11, compared to corresponding rates of 1.24 and 0.18 for 2015. (Both TCIR and LTIR are rates calculated based on 200,000 hours worked.) While Company performance continues to be solid, we are committed to providing our employees and customers with an injury-free workplace and industry-leading safety performance. During this half-year period, our employees experienced 69 injuries that required some medical treatment and six injuries that resulted in lost work time. We believe that significant improvements in our safety record are a moral imperative, and we are pursuing improvements through initiatives focused upon critical risk management, risk-focused field leadership, industry-leading training and competency verification and employee-centric safety messaging initiatives.

1.3 Impact of Market Conditions

Market conditions in 2016 have continued to be defined by weak demand and oversupply in our core mineral drilling industry, as most of the world's mining companies continued to tightly control their exploration, development and capital expenditures and to seek savings from their suppliers.

During 2016, drill rig utilisation remained at historical lows and pricing conditions for our goods and services continued to be weak and adversely impact the Company's financial performance.

(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.

As a result of challenging market conditions as well as significant ongoing finance costs, the Company reported a statutory loss for the 2016 financial year of $156.8 million, which was an improvement of $169.5 million compared to the prior year (2015: $326.3 million loss). Adjusted net loss after tax for the year (adding back significant items and other non-recurring items) was $108.4 million, compared to an adjusted net loss after tax for 2015 of $132.2 million, a decrease in loss of $23.8 million. See reconciliation in Section 7 'Non-IFRS Financial Information'.

Objectives and Strategies

We continue to prioritise cash generation and positioning the business 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.

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

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

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

In our Global Products division, we are focused on improving our commercial practices and product development to more closely align with customer priorities, product innovation and technology and manufacturing leadership and delivering more cost-effective products offering improved productivity and safety.

Ultimately, our goal is operational excellence to help us address the risks and challenges of the current mining industry cycle while also preserving 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. We also are capitalising on longer-term growth opportunities through investment in technologies that will broaden our customer offerings.

2 Financial and Operating Highlights

	For the year ended 31 December			
	2016	2015		
	US$ Millions	US$ Millions	$ Change	% Change
Key financial data				
Revenue	642.4	735.2	(92.8)	-12.6%
NPAT[(1)]	(156.8)	(326.3)	169.5	51.9%
Adjusted NPAT[(1)]	(108.4)	(132.2)	23.8	18.0%
EBITDA[(2)]	1.6	(115.3)	116.9	101.4%
Adjusted EBITDA[(2)]	32.0	(0.1)	32.1	32100.0%
Operating Loss	(60.8)	(199.2)	138.4	69.5%
Loss from Trading Activities [(3)]	(23.9)	(45.8)	21.9	47.8%
Cash (used in) generated from operations	(1.4)	11.4	(12.8)	-112.3%
Net cash flows used in operating activities	(50.4)	(54.9)	4.5	8.2%
Capital expenditures (accrual)	20.4	20.4	-	0.0%
Capital expenditures (cash)	22.4	24.5	(2.1)	-8.6%
Weighted Average number of ordinary shares	935.6	905.5	30.1	3.3%
Earnings per share (basic and diluted)	(16.8) cents	(36.0) cents	19.2 cents	53.3%
Average BLY rig utilisation	32%	36%	-4%	-11.1%
Average Fleet size	889	921	(32)	-3.5%

(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 ended 31 December 2016 of $642.4 million decreased by 12.6%, or $92.8 million, compared to revenue for the prior year ended 31 December 2015 of $735.2 million.

A majority of the revenue for both Global Drilling Services and Global Products is derived from providing drilling services and products to the mining industry and is dependent on mineral exploration, development and production activities. Those activities are driven by several factors, including anticipated future demand for commodities, the outlook for supply and mine productive capacity, the level of mining exploration and development capital and the availability of financing for, and the political and social risks around, mining development.

Revenue during 2016, was lower as a result of lower volumes due to weaker sentiment in the mining industry, resulting in reduced spending on exploration and development, as well as unfavourable foreign currency impacts when compared to the same period in 2015. We are still challenged by the negative impact of price on revenue but it is less in 2016 than in 2015.

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

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

	For the year ended 31 December					
	2016			2015		
	As Reported	Significant Items	Adjusted Balance	As Reported	Significant Items	Adjusted Balance
Continuing operations						
Revenue	642.4	-	642.4	735.2	-	735.2
Cost of goods sold	(556.6)	3.0	(553.6)	(734.8)	76.2	(658.6)
Gross margin	85.8	3.0	88.8	0.4	76.2	76.6
Other income	8.9	-	8.9	2.2	-	2.2
General and administrative expenses	(108.8)	22.1	(86.7)	(119.1)	21.1	(98.0)
Sales and marketing expenses	(28.4)	2.4	(26.0)	(25.2)	0.7	(24.5)
Significant items	-	(27.5)	(27.5)	-	(98.0)	(98.0)
Other expenses	(18.3)	-	(18.3)	(57.5)	-	(57.5)
Operating loss	(60.8)	-	(60.8)	(199.2)	-	(199.2)

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 2016 were $666.3 million, compared to $781.1 million in 2015, a decrease of $114.8 million, or 14.7%.

Total adjusted COGS for the year ended 31 December 2016 was $553.6 million, representing a decrease of 15.7% compared to COGS of $658.6 million for 2015. Adjusted COGS as a percentage of revenue decreased at a greater percentage than the decrease in revenue when compared to the prior year. This decrease is due to the cost reduction actions that have been implemented over the past several years.

Total adjusted S&M expenses for the year ended 31 December 2016 of $26.0 million increased by 6.1%, or $1.5 million, from the prior year (2015: $24.5 million for the comparable period). Adjusted S&M expenses increased as a percentage of revenue during 2016 compared to the prior year.

Total adjusted G&A expenses for the Company for the year ended 31 December 2016 were $86.7 million, representing a decrease of 11.5%, or $11.3 million (2015: $98.0 million for the prior year). Adjusted G&A expenses remained fairly consistent as a percentage of revenue year over year. The Company continues to reduce costs wherever possible. The majority of the decrease in G&A expenses relates to decreases headcount and travel expenses during the year.

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 2016, the Company estimates that it has reduced its overall expenditure profile by approximately $1.4 billion.

3.3 Significant Items

During the years ended 31 December 2016 and 2015, the Company incurred the following restructuring expense, recapitalisation costs and impairment charges related to current market conditions and cost reductions:

	For the year ended 31 December		
	2016	**2015**	**$**
	US$ Millions	**US$ Millions**	**Change**
Significant items			
Recapitalisation costs	7.5	0.6	6.9
Impairments			
Equipment	0.9	36.8	(35.9)
Intangible assets	1.0	0.6	0.4
Inventories	-	34.5	(34.5)
Employee and related costs [1]	8.0	16.0	(8.0)
Other restructuring costs	10.1	9.5	0.6
Total significant items	27.5	98.0	(70.5)
Net of tax	27.2	89.6	(62.4)

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

Significant items decreased to $27.5 million during the year ended 31 December 2016 (2015: $98.0 million), mainly related to the absence of significant impairment charges being recorded in respect of property, plant and equipment and inventories in the current year compared to the prior year, in which a total of $71.3 million of impairments were recorded.

3.4 Other Income/Expenses

Other income increased to $8.9 million during the year ended 31 December 2016 (2015: $2.2 million) primarily due to gains on disposals of surplus property and drilling equipment as well as foreign currency exchange gains. Based on current market conditions and future outlook, in 2015 the Company commenced a project to sell certain excess rigs and ancillary equipment that are underutilised. The opportunity for a gain by the disposition of these targeted assets allows the Company to rationalise its assets, raise capital and reduce ongoing maintenance costs. These asset rationalisation initiatives are expected to continue through 2017 and accordingly, there are $5.9 million of assets classified as Held for Sale.

Other expenses, principally amortisation of intangible and VAT-related items, decreased $39.2 million to $18.3 million during the year ended 31 December 2016 (2015: $57.5 million). The significant decrease relates to the following: in the prior year there was a significant foreign currency loss ($17.0 million) compared to a gain in the current year; there were VAT and customs settlements ($6.4 million) that did not repeat in the current year; a loss on liquidation of a subsidiary of $6.3 million that was a one-time charge and other miscellaneous items that did not recur during 2016. During the year ended 31 December 2016 the US dollar weakened against other currencies and the Company experienced a gain on foreign currency. We actively review our exposure to foreign currency exchange risk. Options to mitigate this risk may include the use of forward exchange contracts or currency options, but we did not employ these methods to manage currency exposures during the years ended 31 December 2016 and 2015 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 $131.0 million for the year ended 31 December 2016 was $25.8 million (2015: $58.3 million for the comparable period) reflecting a negative tax rate of 19.7%. This tax rate can largely be attributed to several factors including:

- the impact of different tax rates and results in the jurisdictions in which the Company operates;
- the non-recognition of the tax benefits associated with certain current period losses; and
- non-deductible finance costs

3.6 Earnings (Losses)

NPAT for the Company was negative $156.8 million for the year ended 31 December 2016 (2015: NPAT of negative $326.3 million for the comparable period). EBITDA for the year ended 31 December 2016 was $1.6 million (2015: $115.3 million EBITDA loss for the comparable period). The increase in EBITDA is mainly due to better operating results, a decrease in other expenses and a decrease in restructuring expenses in 2016 as well as reduced impairment charges being recorded in the current year.

Adjusted NPAT for the period ended 31 December 2016 was a loss of $108.4 million (2015: adjusted loss $132.2 million for the comparable period) and adjusted EBITDA increased by $32.1 million to $32.0 million for the year ended 31 December 2016 (2015: loss of $100 thousand for the comparable period). See reconciliation in Section 7 'Non-IFRS Financial Information'.

4 Discussion and Analysis of Cash Flow

	For the year ended 31 December			
	2016	2015		
	US$ Millions	US$ Millions	$ Change	% Change
Cash (used in) generated from operations	(1.4)	11.4	(12.8)	-112.3%
Net cash flows used in operating activities	(50.4)	(54.9)	4.5	8.2%
Net cash flows used in investing activities	(7.9)	(25.0)	17.1	68.4%
Net cash flows provided by financing activities	17.5	47.1	(29.6)	-62.8%

4.1 Cash Flow used in Operating Activities

Cash flow from operating activities for the year ended 31 December 2016 was negative $50.4 million, an improvement of $4.5 million from the comparable period (2015: negative $54.9 million). The improvement in 2016 was mainly due to a decrease in cash taxes paid during the year of $16.7 million, partially offset by a reduction in cash generated from working capital release in 2016 as compared to 2015.

We have invested $19.2 million in capital equipment to support existing operations during 2016, which is consistent with the comparable prior period (2015: $21.8 million). Of the 2016 amount, $13.2 million was spent on sustainment activities relating to refurbishing current rigs and other support equipment, $3.0 million was spent on product development activities, including engineering and patent maintenance and the remaining amount related to miscellaneous expenditures. 2016 capital expenditures have been partially offset by proceeds from the sale of property, plant and equipment of $16.4 million (2015: $2.4 million). Our initiatives to conserve cash during the year have included prudent and judicious control over capital expenditures.

The decrease in cash flows provided by financing activities is a direct result of the initiatives to preserve liquidity and efficiently manage costs.

5 Discussion of the Balance Sheet

The net assets of the Company decreased by $157.3 million, to negative $337.5 million as at 31 December 2016, compared to negative $180.2 million as at 31 December 2015. This decrease results from the use of cash to sustain business operations, decreases in property, plant and equipment due to depreciation and disposals and decreases in trade payables, accrued payroll and benefits and accrued goods and services tax due to decreased business.

We continue to actively manage net working capital in relation to the current business cycle. In sustained periods of reduced global drill rig utilisation, inventory levels do not shrink as quickly as demand and the Company must evaluate inventory monthly to determine appropriate accounting reserves for slow-moving and obsolete inventory. When the Company's markets begin to improve, it is likely that net working capital levels will increase as we increase inventory and the Company generates additional receivables.

Cash and cash equivalents decreased by $54.1 million, or 47.6%, to $59.3 million as at 31 December 2016 (2015: $113.4 million as at 31 December). The decrease was due to cash used in operating activities of the Company.

Trade and other receivables decreased by $2.2 million, or 2.0%, to $107.9 million as at 31 December 2016 (2015: $110.1 million as at 31 December). Days Sales Outstanding ("DSO") at 31 December 2016 remained consistent with the same period in 2015 at 53 days. This result was achieved through intense focus on collections and continued emphasis on prompt customer billing by our Global Drilling Services division.

Inventories remained relatively consistent at $165.0 million as at 31 December 2016 (2015: $166.3 million as at 31 December). The net decrease was due to $21.4 million related to third party sales and Global Drilling Services consumption, offset by an increase of $1.3 million related to foreign currency exchange differences and $17.4 million related to other non-cash items.

The net value of property, plant and equipment decreased by $48.8 million or 27.7% to $127.7 million as at 31 December 2016 (2015: $176.5 million as at 31 December), which was mainly due to depreciation expenses of $48.6 million, disposals of $12.6 million, a transfer of $5.9 million of assets to assets held for sale, a transfer of $1.5 million to other intangibles and an impairment of $878 thousand, partially offset by foreign currency movements of $3.1 million and current year additions ($17.5 million).

Tax assets remained fairly consistent at $42.9 million as at 31 December 2016 (2015: $41.9 million as at 31 December) as we continue to hold valuation allowances against our deferred tax assets as a result of adverse business conditions reflected in the Company's medium term earnings forecast.

Trade and other payables decreased by $18.4 million, or 12.7%, to $126.6 million as at 31 December 2016 (2015: $145.0 million as at 31 December). The average credit period on purchases of certain goods increased by 6 days to 37 days. Trade payables represent 12.5% 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.

Provisions of $39.0 million as at 31 December 2016 decreased by 12.4%, or $5.5 million (2015: $44.5 million as at 31 December), and represent 3.8% of total Company liabilities. The decrease is mainly due to decreases in employee benefits as the number of employees has decreased and restructuring and termination costs. There was a slight offsetting increase in defined benefit plan liabilities. Although we have experienced increases in pension plan assets due to market appreciation, the decrease in discount rates resulted in a larger offsetting increase in projected liabilities.

Borrowings of $735.1 million, representing 72.6% of the Company's liabilities, increased by $45.3 million during the year ended 31 December 2016 (2015: $689.8 million as at 31 December). The Company's net debt (gross debt less cash and cash equivalents) increased by $99.4 million, to $675.8 million, as at 31 December 2016 (2015: $576.4 million as at 31 December). The largest contributors to the need for cash and therefore the increase in the borrowings were the cash interest payments ($45.3 million) and capital expenditure ($22.4 million). The borrowings also increased due to the interest that accretes on the term loans ($25.4 million).

Liquidity and Debt Facilities

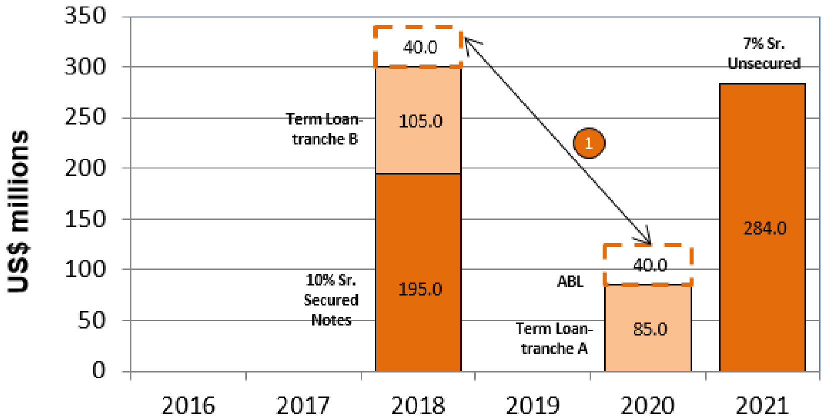
The Company's debt is comprised of the following instruments:

Description	Principal Outstanding as at 31 December 2016 (millions)	Accreted Interest as at 31 December 2016 (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	$28.4	12%[2]	1 October 2018[5]	Same as Senior Secured Notes[5]
ABL	$17.6 [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	$25.4	12%[2]	22 October 2020[5]	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.[5]
Senior Unsecured Notes	$284.0		7%	1 April 2021	Unsecured

(1) $11.9 million in letters of credit were issued in addition to the $17.6 million borrowings that were outstanding.
(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.
(5) The Company entered into a $20 million credit facility with Centerbridge Partners L.P. in January 2017, subsequent to the date of the financial statements. The Company and Centerbridge also modified certain terms of Term Loans A and B. See additional disclosure in Note 33.

The Company's 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 the maturity of Existing Senior Secured Notes (or any Indebtedness refinancing the security) (ii) 90 days prior to the maturity of Term Loan A (or any Indebtedness refinancing the security) (iii) 90 days prior to the maturity of Term Loan B (or any Indebtedness refinancing the maturity of the security) or (iv) 29 May 2020. Pricing for the facility is based on LIBOR plus a grid- based spread, which spread currently is 3.5%. The facility does not include ongoing financial maintenance covenants. Certain restrictions under the facility currently limit maximum borrowings to $35.0 million and require $5.0 million in cash to be held in a restricted account with the lender. These restrictions will be lifted if the Company satisfies a 1.0x 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.



1 *If* Term Loan-trache B and 10% Senior Secured Notes have not been refinanced prior to July 2018, ABL maturity accelerates to 2018 (in advance of Term Loan-tranche B and 10% Notes) instead of 2020

The Company's debt ratings were subject to review by S&P Global ("S&P") on two separate occasions since the release of the Company's most recent half-year report, once on 21 December 2016 and once on 13 February 2017. As a result of the reviews, the following actions were taken: as follows:

- Corporate credit rating lowered to "CCC+",
- Rating outlook remained at "Negative",
- Ratings on senior secured notes and senior unsecured notes lowered to "CCC" and "CC", respectively,
- Recovery ratings on senior secured notes and senior unsecured notes lowered to "2" and "5", respectively.

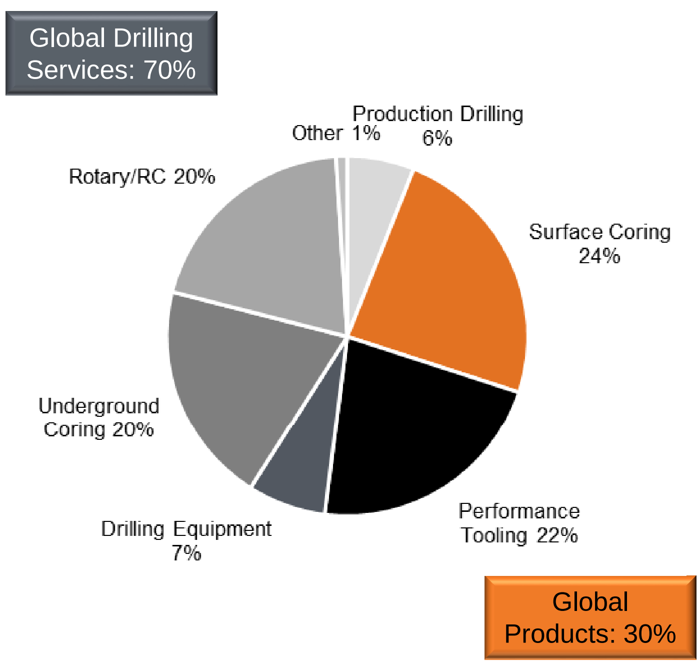
6 Review of Segment Operations

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

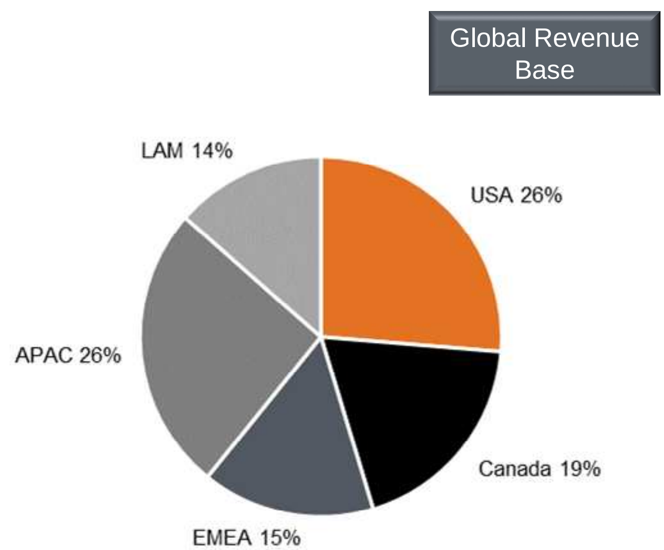
	Segment Revenue				Segment Profit	
	2016 US$ Millions		2015 US$ Millions		2016 US$ Millions	2015 US$ Millions
Drilling Services		447.7		527.9	10.7	(2.6)
Global Products revenue						
Products third party revenue	194.7		207.3			
Products inter-segment revenue (1)	57.7		52.5			
Total Global Products		252.4		259.8	4.2	5.6
Less Global Products sales to Global Drilling Services		(57.7)		(52.5)		
Total third party revenue		642.4		735.2		
Total segment profit					14.9	3.0

(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 2016.

6.1 Review of Segment Operations - Global Drilling Services

	For the year ended 31 December			
	2016 US$ Millions	2015 US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	447.7	527.9	(80.2)	-15.2%
COGS				
Materials/labor/overhead/other	363.0	438.1	(75.1)	-17.1%
Depreciation and amortisation	38.3	54.5	(16.2)	-29.7%
Total COGS	401.3	492.6	(91.3)	-18.5%
COGS as a % of Revenue	*89.6%*	*93.3%*	*-3.7%*	*-4.0%*
Contribution margin $	35.6	23.3	12.3	52.8%
Contribution margin %	8.0%	4.4%	3.6%	81.8%
Business unit SG&A	10.7	12.0	(1.3)	-10.8%
Allocated SG&A	21.3	26.0	(4.7)	-18.1%
EBITDA	51.6	40.9	10.7	26.2%
Capital spend (accrual)	15.0	14.6	0.4	2.7%
Other Metrics				
Average # of Operating Drill Rigs	287	331	(44)	-13.3%
Average # of Drill rigs	889	921	(32)	-3.5%
# of Employees at period-end	3,011	3,127	(116)	-3.7%

Safety

The Global Drilling Services division's Total Case Incident Rate (TCIR) for the year ended 31 December 2016 was 1.43, compared to 1.32 for 2015. Its Lost-Time Incident Rate (LTIR) for 2016 was 0.10, compared to 0.21 for 2015. Although the beginning of 2016 was challenging for Global Drilling Services in terms of TCIR performance, strong safety performance in recent months have continued the trend over several years of improving safety performance. We believe this trend supports the effectiveness of the divisions safety initiatives, which include better analysis of high-potential near miss incidents and significant injuries; applying corrective actions more globally; increasing management safety interactions at operating locations; increasing supervisory competencies through training; reinforcing hazard assessments; and increasing drill rig inspection frequency.

Key Safety Metrics

	2016		2015	
	First Half	Full Year	First Half	Full Year
TCIR	1.41	1.43	1.17	1.32
LTIR	0.10	0.10	0.16	0.21

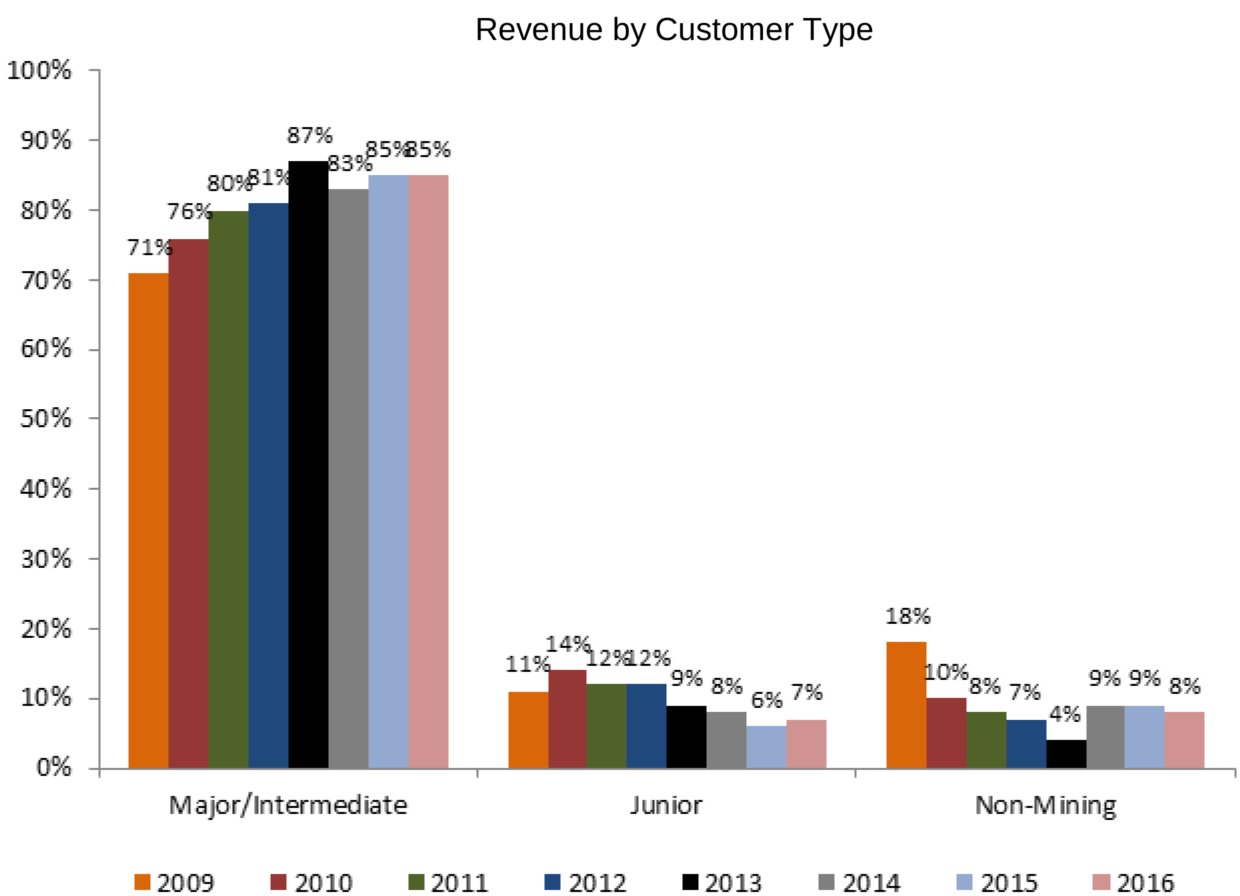
Rig fleet

Our Global Drilling Services division's rig fleet, consisting of 879 rigs as at 31 December 2016, 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 recent trends, mining industry spending on exploration and development and non-mining services declined in 2016 and, as a result, Global Drilling Services' revenue in 2016 was $447.7 million, down 15.2% from $527.9 million in 2015. The year-over-year revenue decrease was driven by a combination of volume reduction, price and changes in foreign exchange rates. Volume decreases can be attributed primarily to the reduction of agricultural drilling in the US, underground drilling in Canada, and drilling reductions in Latin America, and resulted in $59.6 million of the year-over-year decrease. The stronger US Dollar against foreign currencies as compared to the prior year resulted in reduced revenues due to translation, primarily the Canadian and Australian dollar, resulted in a $10.1 million reduction in year-over-year revenues. Price decreases in Asia Pacific and Africa drilling operations averaging 2.0% as a percentage of revenue reduced year-over-year revenue by a further $10.5 million.

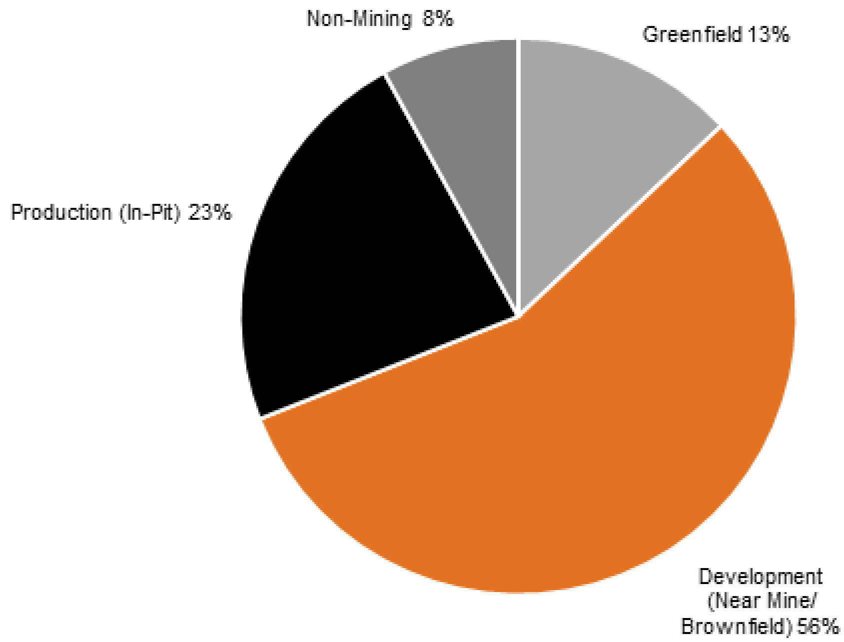
Approximately 85% of Global Drilling Services' revenue for 2016 was derived from major mining companies, including Barrick, BHP Billiton, Randgold, Goldcorp, Newmont and Rio Tinto. Our top 10 Global Drilling Services customers represented approximately 60% of the division's revenue for 2016, with no contract contributing more than 2.0% of our consolidated revenue. The Company has one customer that contributed 12.3% of the Company's revenue in 2016. There was no single customer that contributed more than 10% of the Company's revenue in 2015. We believe this diversified revenue base provides greater revenue stability.



Revenue by Drill Type

While the percent distribution of revenue by mine stage and drill type remained relatively stable, each drilling discipline experienced reductions in overall revenue. Drilling disciplines more closely tied to brown field surface exploration and production had a lower reduction compared to other drilling disciplines. Surface coring revenues for 2016 were $153.5 million as compared to 2015 with revenues of $165.6 million, a decrease of 7.3%. The percussive drilling operations ended 2016 with revenues of $34.7 million compared to $39.9 million in 2015, a decrease of 13.0%. Water Drilling revenues for 2016 were $68.1 million as compared to the same period in 2015 with revenues of $90.2 million, a decrease of 24.5%. The reduction in Water Well drilling in 2016 was due to reduction of water services in agricultural and municipal markets in the United States.

Revenue by Stage [(1)]



(1) Based on percentages of total Company revenue for 2016

Revenue by Drill Type [(1)]

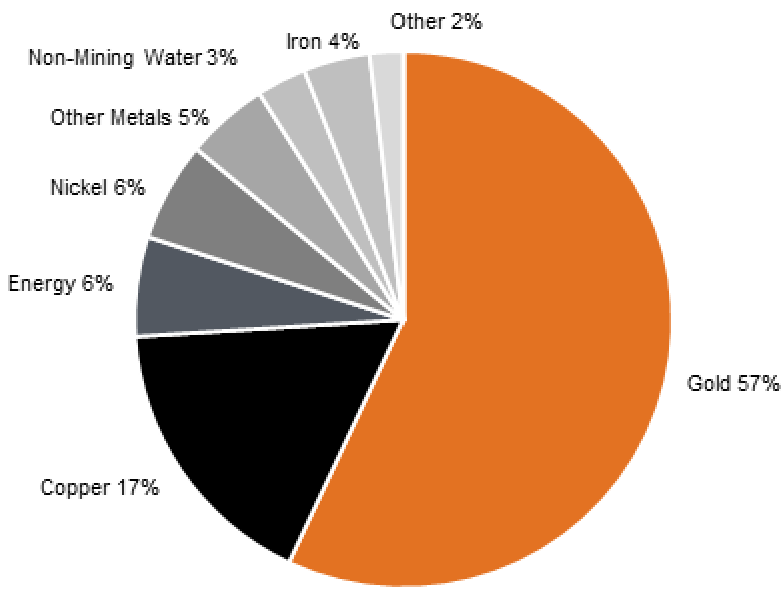
	2016		2015		2014	
	US$ Millions	% of Total	US$ Millions	% of Total	US$ Millions	% of Total
Surface Coring	153.5	34.3%	165.6	31.4%	202.4	31.8%
UG Coring	117.9	26.3%	142.8	27.0%	154.8	24.3%
Rotary	62.9	14.0%	70.6	13.4%	109.4	17.2%
Water Well	68.1	15.2%	90.2	17.1%	98.5	15.5%
Percussive	34.7	7.8%	39.9	7.6%	45.4	7.1%
Sonic	10.6	2.4%	18.8	3.5%	25.6	4.0%
Grand Total	**447.7**		**527.9**		**636.1**	

(1) Based on percentages of total Company revenue for 2016

Revenue by Commodity

Gold and copper continue to be the primary commodities on which our customers were spending their exploration budgets in 2016 representing 57.5% and 16.5% of revenue, respectively. Reductions in commodity prices have negatively impacted our revenues, as mining customers elected to reduce exploration budgets in response to poor sentiment as a result of decreases in prices for many commodities at the start of 2016. In particular, Global Drilling Services' revenue associated with copper decreased to $74.0 million for the year ended 31 December 2016, compared to $110.8 million for 2015, a decrease of 33.2%. For the same time periods, revenue associated with gold increased by 2.9%.

Revenue by Commodity (1)



(1) Based on percentages of total Global Drilling Services revenue for the year ended 31 December 2016

Revenue by Commodity

	2016		2015		2014	
	US$ Millions	**% of Total**	**US$ Millions**	**% of Total**	**US$ Millions**	**% of Total**
Gold	257.5	57.5%	250.1	47.4%	285.7	44.9%
Copper	74.1	16.6%	110.8	21.0%	120.8	19.0%
Energy	26.1	5.8%	44.1	8.4%	56.3	8.9%
Iron	18.4	4.1%	9.2	1.7%	39.9	6.3%
Water Services	15.5	3.5%	33.9	6.4%	42.9	6.7%
Nickel	27.1	6.1%	26.9	5.1%	26.8	4.2%
Other	8.2	1.8%	1.5	0.3%	8.3	1.3%
Other Metals	20.8	4.6%	51.4	9.7%	55.4	8.7%
Grand Total	**447.7**		**527.9**		**636.1**	

Margins

Despite challenges resulting from weak demand and a 15.2% reduction in revenue comparing 2016 to 2015, Global Drilling Services in 2016 achieved $35.6 million in Contribution Margin compared to $23.3 million in 2015, an increase of 52.8%. The primary drivers for the increase in Contribution Margin were the cost control initiatives undertaken by the business and the productivity and commercial improvements commenced in the second half of 2015. In 2016, the business improved in meters per shift, non-billable hours and revenue per shift while reducing variable and fixed cost to maintain a flat cost structure from a percent of revenue perspective.

EBITDA in 2016 was $51.6 million, up 26.2% from $40.9 million in 2015. The largest improvement was seen in our Africa and Asia Pacific operations. EBITDA in Africa and Asia Pacific drilling services increased $16.3 million in 2016 compared to a loss of $3.5 million for the same period in 2015. The turning point for the region was a cost restructure that started in 2015. Other regions of the Global Drilling Services business have had varied EBITDA results, but we continue to focus on the cost structure of all our operations and on driving continued improvement in productivity and commercial practices.

6.2 Review of Segment Operations - Global Products

	For the year ended 31 December			
	2016	2015		
	US$ Millions	US$ Millions	$ Change	% Change
Financial Information				
Third party revenue	194.7	207.3	(12.6)	-6.1%
COGS				
Materials/labor/overhead/other	152.4	159.1	(6.7)	-4.2%
Inventory obsolescence	(6.9)	(1.0)	(5.9)	590.0%
Depreciation and amortisation	6.7	7.9	(1.2)	-15.2%
Total COGS	152.2	166.0	(13.8)	-8.3%
COGS as a % of Revenue	*78.2%*	*80.1%*	*-1.9%*	*-2.4%*
Contribution margin $	22.6	19.9	2.7	13.6%
Contribution margin %	11.6%	9.6%	2.0%	20.8%
Business unit SG&A	20.0	21.4	(1.4)	-6.5%
Allocated SG&A	17.0	14.3	2.7	18.9%
EBITDA	13.4	14.5	(1.1)	-7.6%
Capital Spend (accrual basis)	1.9	2.5	(0.6)	-24.0%
Other Metrics				
Manufacturing plants	6	6	-	0.0%
Average backlog	14.6	16.8	(2.2)	-13.1%
Inventories [1]	165.0	166.3	(1.3)	-0.8%
# of Employees	1,001	1,258	(257)	-20.4%

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

Safety

In 2016, the Total Case Incident Rate (TCIR) for the Global Products segment was 1.46 recordable incidents per 200,000 hours worked and the Lost-Time Incident Rate (LTIR) was 0.19. As with the Global Drilling Services division, these results reflect the Company's continued focus on programs to reinforce hazard recognition and consistently apply the Company's EHS management system across all operations. With the release of the Company's updated EHS management system, redefined and expanded EHS standards will continue to drive continuous improvement with a streamlined and comprehensive approach to best practices in safety.

Revenue

The year ended 31 December 2016 was another challenging period for the Global Products division. Revenue for the year was $194.7 million, down 6.1% from $207.3 million in 2015. The primary driver of the decrease was unfavourable currency translations. Although the US dollar has weakened against most other major currencies during 2016, it is still stronger than it was in 2015 on average. There were also moderate decreases in price and volume that contributed to the decline in revenue.

Of Global Products' revenue for the year ended 31 December 2016, approximately 77% was comprised of performance tooling components, and the remaining 23% was comprised of drilling equipment and spares. We have a global network of over 100 sales and customer service representatives marketing our products to drilling contractors, mining companies, and distributors. Our customer base is diversified with no external Global Products customer representing more than 2% of consolidated revenue for the year. Global Products continues to provide many of the products necessary for our Global Drilling Services division.

Margins

EBITDA for the year ended 31 December 2016 was down 7.6% when compared to 2015, which was driven by the decrease in revenue. We continue to be disciplined in our cost control, as evidenced by a 6.5% decrease in Business SG&A costs. In addition, we continue to operate our manufacturing facilities at lean levels, only producing what is needed to support a lower level of sales.

Backlog

At 31 December 2016, Global Products had a backlog of product orders valued at $19.0 million. This compares to $12.9 million at 31 December 2015. Average backlog during the second half of 2016 was $16.0 million compared to $13.1 million during the first half of 2016. So while the backlog is increasing, there is no certainty that orders will always 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 2016, we had 451 issued patents, 629 registered trademarks, 302 pending patent applications and 28 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 opportunities and develop technical solutions for issues that arise on site. We believe that sharing field data, challenges, safety requirements and best practices accelerates innovation and increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new products are subjected to extensive testing in various environments, again with assistance from our Global Drilling Services network around the world. During 2016, we launched seven new products and we continue to invest in our new product pipeline. New product development efforts remain focused on incremental product changes that increase productivity so customers are willing to pay for them regardless of the business environment. We have also launched TruCore™, the first in a range of instrumentation tools that provides accurate core orientation measurements. This is part of our strategy to be the global technology leader in providing subsurface resource information to mining companies through our Geological Data Services business.

Inventories

Cash continued to be generated from inventory in 2016 due to careful management of demand in our supply chain organisation and continuous efforts to reduce excess inventory. While we generated $21.4 million related to third-party sales and consumption in our Global Drilling Services division, this was partially offset by an increase of $1.3 million related to foreign currency translation and $17.4 million related to a net increase in other non-cash items.

7. Non-IFRS Financial Information

	For the year ended 31 December			
	2016	2016	2015	2015
US$ Millions	**US$ Millions**	**US$ Millions**	**US$ Millions**	**US$ Millions**
EBITDA(1)	**1.6**		**(115.3)**	
NPAT(2)		**(156.8)**		**(326.3)**
Recapitalisation costs	7.5	7.5	0.6	0.6
Impairments				
Equipment	0.9	0.9	36.8	36.8
Intangible assets	1.0	1.0	0.6	0.6
Inventories	-	-	34.5	34.5
Employee and related costs	8.0	8.0	16.0	16.0
Other restructuring costs	10.1	10.1	9.5	9.5
Other non-recurring items	2.9	2.9	17.2	17.2
Tax effect of items and other tax write offs(3)	-	18.0	-	78.9
Total of significant and non-recurring items	30.4	48.4	115.2	194.1
Adjusted EBITDA(1)	**32.0**		**(0.1)**	
Adjusted NPAT(2)		**(108.4)**		**(132.2)**

(1) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before significant and other non-recurring items'.
(2) NPAT is 'Net profit after tax'. Adjusted NPAT is 'Net profit after tax and before significant and other non-recurring items'.
(3) Includes tax expense on derecognition of deferred tax assets and unrecognised tax losses of $43.5 million.

8. Outlook

8.1 Our 2017 Priorities

Our key priorities for 2017 are to:

- continue to eliminate job related injuries and significant safety risks 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 commercial practices and processes;
- effectively manage customer relationships, pricing and contract terms;
- create new products and respond to new Global Drilling Services customers while judiciously managing capital; and
- improve cash generation, with the goal to become cash positive, through disciplined management of liquidity and costs.

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

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

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

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

Improve cash generation in 2017, with the goal to become cash positive, through careful management of liquidity and costs. We have established being cash positive in 2017 as a primary goal for the business, which we intend to achieve through continued disciplined expense and capital management, opportunistic cost reductions and productivity enhancements. In 2016, we continued to drive business initiatives focused on improving our fixed and variable cost structures in five keys areas of the business and we expect these benefits to improve liquidity in 2017 and beyond. Furthermore, we will continue to focus on process improvements, streamlined working capital management and structural changes to improve customer support and responsiveness and drive long-term efficiencies throughout 2017.

8.2 Outlook and Future Developments

We are not providing an outlook for 2017 revenue or EBITDA. Our productivity and commercial improvement initiatives are making a positive impact as significant improvements in results have been achieved in 2016. 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, improving commodity prices and customer margins relative to those over the past few years.

As a result, we believe natural resources companies will remain motivated to produce throughout the cycle and both supplement and replace their depleted reserves and resources over time, driving exploration, development and capital spending. As the leading drilling services provider in the mineral industry globally with the world's largest drilling fleet, we continue to drive operational improvements and technological innovation which we believe will benefit the business through increased market opportunities.

We remain focused on our core mining markets and intend to continue to invest in promising organic growth opportunities in in a selective and disciplined manner. Examples of such opportunities include developing the next generation of consumable products, rod-handling solutions for the entire range of drilling rigs the Company offers, providing subsurface resource information to our mining customers through our Geological Data Services business and other products and services that enhance safety and productivity. In addition, we continue to pursue operational enhancements to deliver more value to our customers and improve operating margins, cash generation and debt reduction.

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

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 market, health and safety, environment, finance, legal compliance, and reputation. We also identify and track appropriate mitigation actions for identified risks. A range of material risks have been identified, as follows, that could adversely affect the Company. These risks are not listed in order of significance. Nor are they all-encompassing. Rather, they reflect the most significant risks identified at a whole-of-entity or consolidated level.

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

We seek to mitigate the risk associated with volatility and weak demand conditions in our core mining markets by pursuing business development opportunities in other markets, such as infrastructure and geotechnical applications for our Global Products business, and new technologies for our markets, such as our Geological Data Services business. In addition, as previously outlined, our business priorities for 2017 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' needs.

Operational Risks. The majority of our drilling contracts are either short-term or may be cancelled upon short notice by our customers, and our products backlog is subject to cancellation. We seek to strengthen customer relationships and lessen retention risks through improved commercial practices and ongoing initiatives targeted at strengthening our operational and safety performance. Also we pursue 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.

We have implemented significant cost savings, productivity improvements and efficiencies during the course of the ongoing industry downturn but our future operating results, financial condition and competiveness depend on our ability to sustain previously implemented reductions and realise additional savings and improvements from ongoing and future productivity 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 Liquidity and Indebtedness. At 31 December 2016, our net debt was $675.8 million, with $735.1 million in gross debt and $59.3 million of cash on hand and availability through our Asset-Based Loan ("ABL") facility. The instruments comprising the Company's debt and their terms are set out in detail in Note 21 of the financial statements.

As announced in August 2016, the Company has been pursuing a restructuring of its capital structure with the assistance of financial and legal advisors. The primary objectives of the restructuring include reducing financial debt, securing additional liquidity to sustain the Company and extending maturities on existing debt to facilitate an eventual refinancing. Achieving these objectives, will likely require existing debt holders to convert all or part of their debt to equity, which will be highly dilutive to existing shareholders.

The restructuring process is ongoing and our ability to achieve the objectives of the restructuring is uncertain at present. Accordingly, our ability to fund operations and make further investments in the business will depend on the outcome of the restructuring process. It will also depend on the adequacy of sources of liquidity both prior to and after the completion of a restructuring, as well as whether market conditions improve or additional operating improvements can be achieved to improve cash generated by our operations. 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 largely are directed at successfully completing the restructuring of our capital structure and realising operational and commercial improvements to achieve cash-positive operations in 2017.

The annual financial report has been prepared on a going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business. As a result of the risks and uncertainties described in Note 1 of the financial statements, the Directors believe at the date of signing the financial statements, there is material uncertainty about the ability of the Company to continue as a going concern in the future and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and in the amounts stated in the financial statements. Subject to these uncertainties, the Directors reaffirm that current and expected operating cash flow, cash on hand and available drawings under the Company's asset-based loan facility provide sufficient liquidity to meet debts as and when they fall due.

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

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 2016				Quarters ended 2015				Quarters ended 2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Company												
Revenue (US$ millions)	156.9	175.0	168.7	141.8	160.9	186.8	200.3	187.2	205.8	239.3	224.1	197.4
EBITDA (US$ millions)	(15.3)	13.8	15.5	(12.4)	(75.2)	(0.7)	(25.2)	(14.2)	(61.9)	12.3	(31.1)	(1.9)
Adjusted EBITDA (US$ millions)	1.3	17.2	19.8	(6.3)	(4.9)	3.1	11.2	(9.5)	(3.2)	15.9	14.9	3.8
Operating Loss	(25.5)	(5.5)	3.4	(33.2)	(90.4)	(24.8)	(44.6)	(39.4)	(83.3)	(15.7)	(56.6)	(29.4)
(Loss) Profit from Trading Activities	(7.7)	(0.8)	7.8	(23.2)	(10.3)	(7.7)	(3.6)	(24.2)	(14.3)	(6.2)	(4.1)	(23.3)
Net cash flows (used in) provided by operating activities	5.5	16.6	(22.5)	(50.0)	28.2	2.0	(10.2)	(74.9)	(6.8)	10.1	(8.3)	(6.3)
Net Debt (US$ millions)	675.8	674.3	670.1	639.6	576.4	554.6	556.1	538.1	547.6	550.9	555.8	544.4
Adjusted SG&A (US$ millions)	28.7	28.1	28.9	27.0	28.3	31.0	32.5	30.6	31.6	32.7	34.6	32.7
# of employees	4,337	4,626	4,629	4,611	4,725	5,089	5,151	5,537	5,933	5,972	5,871	5,593
Global Drilling Services												
Revenue (US$ millions)	104.5	123.7	122.2	97.3	111.3	135.4	145.1	136.1	151.8	176.0	168.7	139.6
EBITDA (US$ millions)	8.2	20.0	21.5	1.9	3.0	15.8	18.1	4.0	9.1	22.9	25.4	11.2
Average rig utilisation	32%	35%	34%	28%	33%	37%	38%	35%	38%	40%	39%	32%
Average # of drill rigs	878	878	889	911	914	917	921	933	944	953	945	950
# of employees	3,011	3,307	3,349	3,300	3,127	3,420	3,478	3,833	4,172	4,208	4,130	3,874
Global Products												
Revenue (US$ millions)	52.4	51.3	46.5	44.5	49.6	51.4	55.2	51.1	53.9	63.3	55.4	57.8
EBITDA (US$ millions)	2.1	5.2	4.3	1.8	4.0	3.4	4.5	2.6	1.2	7.0	5.0	0.8
Average backlog (US$ millions)	19.3	12.8	11.3	14.9	13.3	16.7	18.4	18.9	19.3	20.3	16.9	15.2
# of employees [1]	1,001	988	960	974	1,258	1,314	1,321	1,338	1,393	1,407	1,382	1,363

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 2016 in accordance with the requirements of the Corporations Act 2001 (Commonwealth)(the Act) and its regulations. This information has been audited as required by Section 308(3C) of the Act.

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

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

Changes in 2016

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

1. **Change in CEO** – In February 2016, the Board appointed Mr Jeff Olsen (who was previously the Company's Chief Financial Officer since 2014) as the Company's new President and Chief Executive Officer and a member of the Board of Directors. The remuneration arrangements for Mr Olsen were disclosed to shareholders in March and are also set out in the Remuneration Report. In light of his industry knowledge and relationships, the Board requested that Mr Randolph, who was serving as Executive Chairman and Interim CEO, continue in his role of Executive Chairman to mentor, develop and assist Mr Olsen with his transition. These duties would be regularly reviewed by the Board but are expected to continue for up to two years through 30 June 2018 before reverting back to a Non-Executive Chairman role.

2. **Other Changes in Executive Leadership –** In September 2016, the Company announced it was changing its organisation structure from alignment along separate business lines to a more integrated functional structure. This structure resulted in the creation of the positions of Chief Operating Officer (COO) and Chief Commercial Officer (CCO) each reporting to Mr Olsen. Mr Denis Despres joined the Company as its COO and Mr Mark Irwin (who was previously serving as the VP, Commercial and Marketing, Drilling Services) was appointed to the position of CCO. In addition, on 6 September 2016 Mr Brendan Ryan joined the Company as Chief Financial Officer.

3. **Changes in Long Term Incentive (LTI) –** The Board added an earnings target for LTI performance in addition to share price appreciation targets for 2016 LTI awards. The Board believes that adding this second LTI metric (each weighted as 50% of the total) provides a balanced long-term focus on both share price appreciation and continued improvement of the underlying operational and financial performance of the Company. Given the on-going challenging business environment faced by the Company, the highly leveraged capital structure and the investment made by our shareholders, the Board believes a balanced focus on share price appreciation and earnings improvement appropriately aligns management equity incentives to the interests of the Company's shareholders.

The Company continuously monitors its remuneration plans and arrangements to ensure they remain appropriate for executives, Directors and shareholders. Any changes to remuneration arrangements will be detailed in the 2017 Remuneration Report.

2016 business impacts on incentives

The year ended 31 December 2016 was another difficult year for the resources sector, the fourth 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, challenges related to foreign currency exchange, and lower pricing resulted in a year-over-year decrease in revenue of $92.8 million, or 12.6%. Despite revenue coming in $92.8 million below the prior year, EBITDA improved by $116.9 million and NPAT improved by $169.5 million compared to 2015. Similarly, adjusted EBITDA improved by $32.1 million and adjusted NPAT improved by $23.8 million.

During 2016, the management team continued to respond to the on-going depressed market conditions by eliminating over $119 million in expenditures from the organisation (on top of $129 million eliminated in 2015, $329 million in 2014, and $807 million in 2013). The Company continued its focus on net cash generation, primarily through increased productivity as part of the Hard Work Cycle initiative, reductions in operating expenses, and improvements in working capital management. Because of these efforts, the management team was able to minimise the impacts of a continued depressed market. Free cash flow (defined for the purposes of Short Term Incentive (STI) calculations in section 3 of the report) for the business was approximately 37% of target at $12.3 million. Despite facing continued difficult market conditions in 2016 that challenged EBITDA, the company remains focused and vigilant in generating and preserving cash. As a result of the under-achievement for cash generation, individual results at or slightly above target performance and overall safety performance exceeding expected results, short-term incentive achievement for the Company's executive KMP in 2016 was on average 90%.

Driven by the extended adverse market forces, the performance-based LTI awards granted in 2013, which were subject to a three-year return on equity performance hurdle, did not vest in 2016 and were forfeited. The retention rights granted in 2013, 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 2016, as detailed in table 1.3.

Chief Executive Officer Transition

The Company's Chairman, Mr Marcus Randolph, served as Executive Chairman and Interim Chief Executive Officer until Mr Jeff Olsen was appointed by the Board as President and CEO and an Executive Director of the Board on 1 March 2016. Mr Olsen's appointment followed a thorough search by the Board of both internal and external candidates and his selection was based on his breadth of experience, mix of financial and commercial skills and strong understanding of the Company and its markets. The Board observed Mr Olsen's skills and leadership through his involvement in Company priorities and the operational and commercial improvement initiatives the Company is currently undertaking. As mentioned above, the Board requested Mr Randolph continue in his capacity as Executive Chairman of Boart Longyear to assist Mr Olsen with on-boarding of his new duties and in executing the Company's strategy on 1 March 2016.

Report Structure

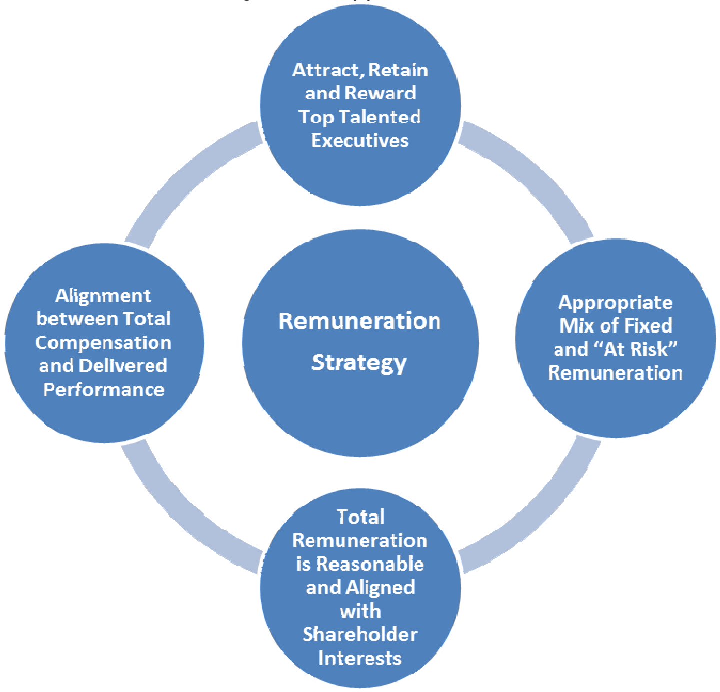
This Remuneration Report ("Report") is presented in six sections, as follows:

Section		Description of content
1	**2016 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 2016.
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 2016 and 2015. • Provides details of the rights granted to executives during the year ended 31 December 2016 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 2016 and 2015.

1. 2016 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. • In some circumstances the Board may also elect to provide long-term incentives in the form of cash.	• Incentive-based compensation is designed to reward executives for delivered performance against important Company 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 2016 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 2016

Directors	Position
Marcus Randolph	Executive Chairman (also served as Interim CEO until 1 March 2016)
Bret Clayton	Non-executive Director
Peter Day	Non-executive Director
Jonathan Lewinsohn	Non-executive Director
Jeffrey Long	Non-executive Director
Gretchen McClain	Non-executive Director
Rex McLennan	Non-executive Director and Senior Independent Director
Deborah O'Toole	Non-executive Director

Senior executives	Position
Jeffrey Olsen	Chief Executive Officer (appointed effective 1 March 2016)
Brendan Ryan	Chief Financial Officer (appointed effective 6 September 2016)
Fabrizio Rasetti	Senior Vice President, General Counsel and Secretary
Brad Baker	Senior Vice President, Human Resources
Denis Despres	Chief Operating Officer (appointed effective 1 September 2016)
Kent Hoots	Senior Vice President, Global Products (ceased employment effective 1 October 2016)
Mark Irwin	Chief Commercial Officer (appointed effective 18 January 2016)
Terry Kirkey	Vice President, Drilling Services Operations (KMP through 31 August 2016)

Changes to KMP after the 31 December 2016:

1) Jonathan Lewinsohn resigned from the Board effective 20 January 2017
2) Conor Tochilin was appointed as a non-executive Director effective 20 January 2017

1.3. REMUNERATION OUTCOMES

Actual remuneration

Details of CEO and other senior executive remuneration for the year ended 31 December 2016, 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 2016. 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 2016

	Base salary US$	STI [1] US$	LTI [2] US$	LTI (cash) [3] US$	Other [4] US$	Total US$
Jeffrey Olsen	536,154	338,520	-	-	32,710	907,384
Brendan Ryan [5]	121,539	-	-	-	7,935	129,474
Fabrizio Rasetti	416,000	237,952	9,131	624,000	32,410	1,319,493
Brad Baker	324,450	185,585	6,899	487,000	31,903	1,035,837
Denis Despres [6]	126,154	-	-	-	7,714	133,868
Mark Irwin [7]	341,732	-	-	-	65,321	407,054

(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 2016 (based on the market value of shares at the vesting date: A$0.10 on 15 March 2016). 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 the payment associated with the special one-time strategic retention award made in 2014 to a group of senior executives and which vested in 2016.

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

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

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

(7) Mr Irwin was hired on 18 January 2016, as such, his actual remuneration received reflects a partial year of earnings from his date of hire.

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 2016, the Committee did not obtain any remuneration recommendations from remuneration consultants during the year and continued to rely on the independent market review of KMP compensation obtained from Mercer Consulting in 2015 to guide its remuneration decisions throughout 2016.

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 2016, 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 2016 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, operational and/or strategic targets. Examples include revenue 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 two metrics as the key measures of performance-based long-term incentive awards in 2016. Performance share rights are measured against share price appreciation over a three year period and performance cash rights are measured against an EBITDA target established for 2018. The hurdles used for the LTI are reviewed annually to achieve outcomes deemed important at that time by the Board. • The LTI performance criteria used in 2016 included a minimum threshold performance, below which no value is achieved. • The Board believes the 2016 LTI performance criteria provides an appropriate balance for long term shareholder return and underlying financial performance of the company. • 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

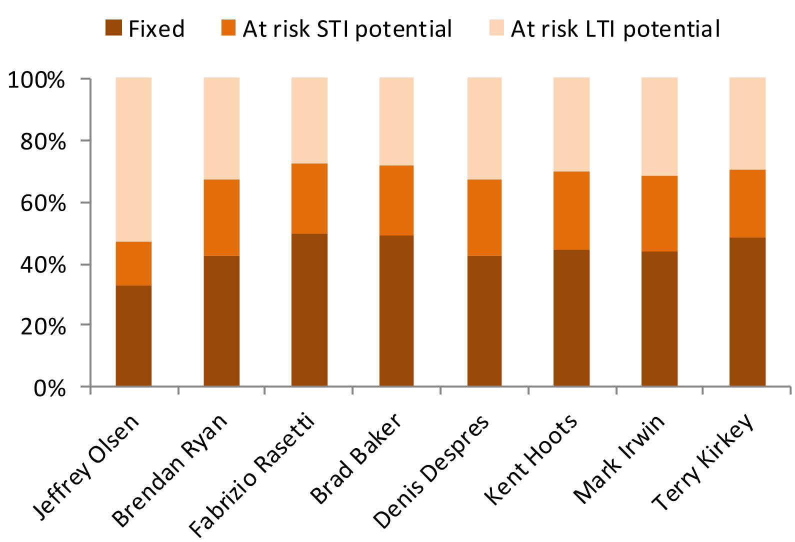
Total remuneration for the CEO and senior executives is made up of fixed remuneration (consisting primarily of base salary and superannuation contributions (or the foreign equivalent, such as the United States' 401(k) payments) and variable "at-risk" remuneration. The variable remuneration has two "at-risk"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

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

The relevant proportion of fixed to at-risk components for senior executive remuneration during 2016 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). 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 target incentives under the CBP range between 10% and 100% of an employee's base salary depending on the employee's role. The actual bonus that an employee will receive under the CBP (if any) will vary depending on the Company's and the individual's performance against established annual objectives and targets, as detailed more fully below.
Who participates in the STI program?	101 senior employees, including the senior executive KMP, participated in the CBP in 2016.
Why does the Board consider the STI program an appropriate incentive?	The CBP and the performance conditions set under the CBP have been designed to: • focus eligible employees on maximising Company performance in key financial, safety and operational targets; • align individual efforts with Company and shareholder interests; and • reward for superior individual and Company performance. By putting a significant proportion of senior executive remuneration at-risk against challenging targets, the CBP aligns executive interests with the Company's financial and safety performance and with the relevant operational and/or functional objectives.
What are the performance conditions?	There are three key performance components to the CBP that were used in 2016. 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 2016 and their relative weighting are: (1) <u>Corporate Financial Target - Free Cash Flow (FCF)</u> - 40% of a participant's CBP opportunity is linked to the Company's FCF performance. For the purposes of calculating FCF, the statutory FCF is adjusted to eliminate the impact of items such as cash restructuring costs, pension plan pre-funding, interest and income tax receipts or payments, acquisition or disposals of subsidiaries, and cash flows from financing activities, including, but not limited to, proceeds from equity raisings and borrowings. The free cash flow metric was selected to ensure proper alignment and focus on the critical need to generate cash to fund ongoing operations and reduce debt. For 2016, the Board approved the following performance payout matrix for the CBP Free Cash Flow component:

Free Cash Flow		
FCF US$'000	% of Budget	Payout %
≥ 66,004	≥ 200%	200%
33,002	100%	100%
< 8,251	0%	0%

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

(2) Strategic Objectives - 40% of a participant's CBP opportunity is dependent upon performance against strategic objectives relevant to the employee's operational or functional responsibility. Examples of strategic objectives may include: operational or functional cost targets, geographic or targeted market segment or customer growth, new product introductions, leadership, talent retention and development, specific project or initiative progress, etc.

Strategic objectives are utilised to reinforce continued focus on critical initiatives and operational or functional priorities that have a positive impact on current and/or future business performance. Strategic objectives should be pursued regardless of the business or market pressures impacting the overall corporate financial performance. Stretch performance on strategic objectives can be achieved to a maximum of 200% of the weighting of this component (i.e. up to 80% of a participant's annual target bonus). Depending on the nature of the objective, stretch performance can be defined when the objective is approved at the beginning of the year, or in some circumstances be determined by the CEO and approved by the Board at the end of the year. The Board has discretion to modify the amount of the strategic objective award up or down as appropriate.

(3) Safety - 20% 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 2016, the Board agreed, on the recommendation of its Environmental, Health and Safety Committee, to total case incident rates (TCIR), severity, and significant near-miss closure rates 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 Severity	Payout %
1.70	90	3.46	50%
1.24	47	2.89	100%
1.01	30	1.66	200%

The payout is linear between levels for each safety metric, and TCIR and severity are weighted equally at 5% and near-miss closure is weighted at 10% of the CBP. In order to receive any accelerated payout above target, the lost time incident rate must be at or below 0.20.

	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% = 80% 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 = (80% x 40% weighting) = 32% + Safety performance = (100% x 20% weighting) = 20% + Strategic objectives = (100% x 40% weighting) = 40% = Subtotal achievement = 92% Step 2: Calculate Bonus $150,000 x 40% Target Bonus x 92% Bonus achievement = $55,200 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 2016?	Bonuses earned by the executive KMP under the CBP for the year ended 31 December 2016 are set out in Table 4.1.3 in section 4.1 of this Report. The bonuses will be paid in or after March 2017.
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 80 participants during the year ended 31 December 2016. 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 25% - 35% (53% 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.
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 2016 LTI Plan awards to the CEO, his direct reports and other Company vice-presidents were comprised of a combination of performance-based Share and Cash Rights. The Board considered this to be appropriate for 2016 as it most effectively achieved three key objectives: aligning executives' interests with shareholders; motivating executives to focus on sustained share price growth and certain earnings targets over the longer term; and retaining key executive talent, which is critical to the Company's long term success. The performance-based Rights were granted on terms and conditions determined by the Board, including vesting conditions linked to service, share price appreciation, and earnings achievement over a specified period (in this case three years).
Do participants pay for Options?	When Options are granted, they are offered at a pre-determined share price, which the recipient must pay in order to exercise the Option award after it vests. At the time the participant exercises the Option, the participant may pay the exercise price of the Options by making a payment to the Company, executing a cashless (broker-assisted) exercise that complies with applicable laws, authorising the withholding by the Company of an equivalent number of Shares otherwise deliverable to the participant pursuant to the Option, or by a combination of the foregoing.

<table>
<tr><td>Do participants pay for Share Rights or Cash Rights?</td><td>Share Rights and Cash Rights are offered at no cost to the LTIP participants, and no amount is payable to the Company by the participant if they vest.</td></tr>
<tr><td>What rights are attached to the Options or Share Rights?</td><td> Options and Share Rights do not carry voting rights. Shares allocated upon vesting of Share Rights or the exercise of Options will carry the same rights as other ordinary shares. The Company may acquire shares underlying the Share Rights that it has granted under the LTIP, and the price paid by the Company will be the prevailing market price of the shares at the time of acquisition. The acquired shares will be held in trust. All dividends paid on unvested Share Rights will be held in trust and payable when the underlying Share Right vests. Company employees are not entitled to trade or hedge their unvested Rights or Options. </td></tr>
<tr><td>What are the vesting conditions?</td><td> For the 2016 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 Share Rights (granted to the CEO, his direct reports and other Company vice-presidents)</td><td>50%</td><td> Satisfaction of share price appreciation targets within three years of the grant date. PLUS Continued employment by the recipient as of the relevant testing date. </td><td>Vesting may occur on a pro-rata basis according to the conditions set out below.</td></tr>
<tr><td>Performance Cash Rights (granted to the CEO, his direct reports and other Company vice-presidents)</td><td>50%</td><td> Satisfaction of earnings targets achieved in the 2018 plan year. 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 are the Performance Rights measured for awards granted to the CEO, his direct reports and other vice-presidents?	Performance Share Rights: The Share Price Appreciation target is defined as the growth in the volume-weighted average share price (VWAP) from 1 January to 31 January 2016 relative to the VWAP from 1 January to 31 January 2019. The 2019 VWAP must be greater than or equal to a 15% compounded growth rate of the VWAP price of the 2016 measurement period. Any CAGR achievement below 15% will result in no Share Rights vesting. Performance Cash Rights: The earnings target is defined as earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted to exclude impairments, restructuring and other non-recurring items. The Board has established a minimum target adjusted EBITDA performance for the 2018 fiscal year that must be achieved for any Cash Rights to vest. Due to market sensitivity, the adjusted EBITDA targets will be communicated in the Remuneration Report for the period following the close of the 2018 plan year.
Why have the performance hurdles been chosen?	The Board believes that a combination of share price appreciation and earnings targets as the LTI metrics (each weighted as 50% of the total) provide a balanced long-term focus on both absolute shareholder returns and continued improvement of the underlying operational and financial performance of the Company. Given the challenging business environment in which the Company is currently operating, the highly leveraged capital structure and the investment made by our shareholders, the Board believes a balanced focus appropriately aligns management equity incentives to the interests of the Company's shareholders. The hurdle(s) 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 2016?	Rights and Options granted during the year ended 31 December 2016 are set out in Table 5.2 of this Report.

3.5 Executive Remuneration Clawback Policy

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

3.6 Option Plans

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

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

Details of options that have been granted to senior executives can be found in Table 4.1.7.

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]
2016	0.13	-	(384.4%)	642	1,653	(157)	(60.6%)	681
2015	0.06	-	(822.4%)	735	(115)	(326)	(596.1%)	586
2014	0.17	-	(510.9%)	867	(83)	(333)	(133.4%)	551
2013	0.38	0.01	(403.7%)	1,223	(337)	(620)	(79.3%)	n/a
2012	1.88	0.12	7.7%	2,012	254	68	6.0%	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 2011 was A$2.78

Short-term performance indicators and outcomes

Overall, STI earned and awarded to KMP in 2016 was 89% on average (down from 114% in 2015). This result was due to strong performance against the safety and personal strategic objectives and under-performance against the corporate financial target component of the Corporate Bonus Plan in 2016. Additional details on actual performance for each of the bonus plan components follow.

Performance against 2016 financial target

For 2016, 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 %**
≥ 66,004	≥ 200%	200%
33,002	100%	100%
< 8,251	0%	0%

Actual corporate free cash flow generation for the year was $12.3 million, which resulted in a 37% payout of the targeted amount.

Performance against 2016 non-financial targets

The Company exceeded its performance on its targeted overall Safety metrics with actual TCIR performance of 1.41, Severity Rate of 2.28, and 28 days for Near Miss Closure, representing 81.5%, 149.6%, and 200% 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 2016 the Board established several specific strategic and operational objectives that included, but were not limited to:

- Delivering 2016 business performance in a difficult market environment by:
    - driving cost and efficiency improvements in corporate, business and functional areas;
    - reducing SG&A and Overhead costs in 2016;
    - improving cash management and working capital;
    - delivering targeted savings on drilling services efficiency and commercial initiatives;
- Executing on a revised organisational structure to improve commercial, functional and operational alignment;
- Defining key customer strategic alliance plans and measurably improve customer relationships and benefits by increasing the commercial capabilities of the Company, particularly in our Drilling Services business;
- Achieving an improved safety culture through:
    - improved awareness across the entire organisation;
    - focusing on the THINK process;
    - increased transparency in reporting; and
    - increased use of engineering solutions to make our equipment safer.

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

The Board was satisfied that the progress made on these strategic initiatives for the KMP were achieved at or slightly higher than the targeted performance established for the year. For the senior executives the strategic objective component averaged 43% (out of a target of 40%) for the group which also reflected the Board's recognition of the contributions, in varying amounts by executives, to the success of the operating and strategic objectives above.

Table 4.1.2: Average proportion of STI awarded, 2012 through 2016.

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

(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 2016

As described earlier in this report, for 2016 the Company's performance on the free cash flow metric, representing 40% of the total, achieved below target performance at 15% of the bonus. Company performance on the safety metrics, representing 20% of the total, achieved above target performance at 31.5%. Performance on strategic objectives, which represent 40% of the total, were on average achieved at 43%.

	STI earned US$	Target STI [1] US$	STI earned as % of target STI	% of target STI forfeited	STI as % of maximum STI [2]	% of maximum STI forfeited [2]
Jeffrey Olsen	554,400	600,000	92%	8%	46%	54%
Brendan Ryan [3]	70,430	76,271	92%	8%	46%	54%
Fabrizio Rasetti	183,872	208,000	88%	12%	44%	56%
Brad Baker	140,162	162,225	86%	14%	43%	57%
Denis Despres [3]	72,320	80,000	90%	10%	45%	55%
Kent Hoots [4]	133,078	154,206	86%	14%	43%	57%
Mark Irwin [3]	192,880	214,549	90%	10%	45%	55%
Terry Kirkey [5]	145,200	165,000	88%	12%	44%	56%

(1) The target potential value of the 2016 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 2016 was nil.
(2) The maximum potential award assuming superior performance against all CBP metrics is 200% of target STI.
(3) Mr Ryan, Despres and Irwin's target and earned bonuses were each calculated on their annualised base salary prorated from their date of hire in 2016.
(4) Mr Hoots' employment with the Company terminated on 1 October 2016 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.
(5) Mr Kirkey was a KMP 1 January through 31 August 2016, however the bonus reflected in table 4.1.3 represents his target and earned bonus for the entire year.

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 Net Debt performance achieved in each of 2014, 2015 and 2016 applicable to the 2014 performance awards. The final actual cumulative Net Debt and resulting percentage of award is eligible to vest after satisfying the continued employment condition on 15 March 2017.

Table 4.1.4: 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	687,289	654,537	621,885	681,044	60%
Cumulative Performance	1,843,989	1,770,713	1,697,537	1,818,074	68%
% of Award Earned	50%	100%	150%	68%	68%

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

The vested Share Rights listed in Table 4.1.5 below include the Retention Share Rights and Performance Share Rights that were granted in 2013 and vested in 2016. The Performance Share Rights were subject to the performance period ended 31 December 2015 and achieved 0% (nil) of the target award amount (as detailed in last year's remuneration report).

Table 4.1.5: Movement in Share Rights during the year ended 31 December 2016

Name	Grant date	FMV at Grant Date US$	Vesting date	Held at the beginning of the financial year	Number of Share Rights granted as remuneration	Number of Share Rights vested	Value of Share Rights vested US$ [1]	Number of Share Rights forfeited [2]	Held at the end of the financial year
Jeffrey Olsen	1-Apr-14	0.27	1-Apr-17	972,612	-	-	-	-	972,612
	15-Mar-16	0.05	15-Mar-19	-	8,362,602	-	-	-	8,362,602
Brendan Ryan	6-Sep-16	0.08	6-Sep-19	-	3,900,000 [3]	-	-	-	3,900,000
Fabrizio Rasetti	15-Mar-13	1.39	15-Mar-16	238,550	-	119,275	9,943	119,275	-
	15-Mar-14	0.25	15-Mar-17	972,612	-	-	-	-	972,612
	15-Mar-16	0.05	15-Mar-19	-	2,241,177	-	-	-	2,241,177
Brad Baker	15-Mar-13	1.39	15-Mar-16	180,238	-	90,119	7,513	90,119	-
	15-Mar-14	0.25	15-Mar-17	729,459	-	-	-	-	729,459
	15-Mar-16	0.05	15-Mar-19	-	1,820,957	-	-	-	1,820,957
Denis Despres[4]	1-Sep-16	0.08	1-Sep-19	-	2,600,000	-	-	-	2,600,000
Kent Hoots	15-Mar-13	1.39	15-Mar-16	265,056	-	132,528	11,048	132,528	-
	15-Mar-14	0.25	15-Mar-17	778,092	-	440,245	48,254 [5]	117,724 [5]	220,123
	15-Mar-16	0.05	15-Mar-19	-	2,241,177	-	- [5]	1,832,386 [5]	408,791
Mark Irwin	15-Mar-16	0.05	15-Mar-19	-	1,961,030	-	-	-	1,961,030
Terry Kirkey	1-Jun-13	0.67	1-Jun-16	61,500	-	30,750	2,236	30,750	-
	15-Mar-14	0.25	15-Mar-17	240,420	-	-	-	-	240,420
	15-Mar-16	0.05	15-Mar-19	-	1,961,030	-	-	-	1,961,030

(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 2013 outstanding grants relate to performance Share Rights that were forfeited due to performance targets not being reached.

(3) Mr Ryan was granted 3,900,000 Performance Share Rights. 2,600,000 Performance Share Rights represent his 2016 LTI award and 1,300,000 Performance Share Rights represent a one-time new hire sign-on award. Both the LTI portion and the sign-on portion are subject to the same performance and vesting conditions as the LTI awards granted to all other executives.

(4) In addition to the 2,600,000 Performance Share Rights granted to Mr Despres as part of his 2016 LTI award, Mr Depres was granted a sign-on share award of $200 thousand that will be paid in equal installments of one-third on each anniversary of his hire date (1 September 2016) beginning with the first anniversary and ending on the third. The shares will be calculated by dividing one third of the share award by the 5-day volume weighted average share price for the five trading days immediately preceding and including the relevant anniversary date. The actual number of shares cannot be determined until the calculation is performed upon each of the three installment vesting dates. There are no performance conditions on these amounts and so long as Mr Despres does not voluntarily resign prior to a vesting date, that installment of the award will vest.

(5) Mr Hoots' employment terminated on 1 October 2016, at which time he received a pro-rata vesting of 440,245 outstanding Retention Share Rights upon his termination date. The balance of 78,483 outstanding Retention Share Rights were forfeited. In addition, Mr Hoots' outstanding Performance Share Rights were also pro-rated upon his termination date, resulting in the forfeiture of 1,871,627 Performance Rights. The balance of 628,914 Performance Rights remain on foot and remain subject to meeting the performance condition.

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

Table 4.1.6: Movement in Cash Rights during the year ended 31 December 2016

Name	Grant date	Vesting date	Held at the beginning of the financial year	Number of Cash Rights granted as remuneration	Number of Special Retention Rights granted	Number of Cash Rights vested	Value of Cash Rights vested US$	Number of Cash Rights forfeited	Value of Cash Rights forfeited US$	Held at the end of the financial year
Jeffrey Olsen	1-Apr-14	1-Apr-17	125,000	-	-	-	-	-	-	125,000
	15-Mar-16	15-Mar-19	-	500,000	-	-	-	-	-	500,000
	1-Mar-16	1-Mar-19	-	-	900,000 [2]	-	-	-	-	900,000
Brendan Ryan	6-Sep-16	6-Sep-19	-	200,000	-	-	-	-	-	200,000
Fabrizio Rasetti	1-Mar-14	1-Mar-16	624,000	-	-	624,000 [2]	624,000	-	-	-
	15-Mar-14	15-Mar-17	125,000	-	-	-	-	-	-	125,000
	15-Mar-16	15-Mar-19	-	134,000	-	-	-	-	-	134,000
	1-Mar-16	1-Mar-19	-	-	624,000 [2]	-	-	-	-	624,000
Brad Baker	1-Mar-14	1-Mar-16	487,000	-	-	487,000 [2]	487,000	-	-	-
	15-Mar-14	15-Mar-17	93,750	-	-	-	-	-	-	93,750
	15-Mar-16	15-Mar-19	-	108,875	-	-	-	-	-	108,875
	1-Mar-16	1-Mar-19	-	-	487,000 [2]	-	-	-	-	487,000
Denis Despres [1]	1-Sep-16	1-Sep-17	-	100,000	-	-	-	-	-	100,000
	1-Sep-16	1-Sep-18	-	100,000	-	-	-	-	-	100,000
	1-Sep-16	1-Sep-19	-	100,000	-	-	-	-	-	100,000
	1-Sep-16	1-Sep-19	-	200,000	-	-	-	-	-	200,000
Kent Hoots	1-Mar-14	1-Mar-16	511,000	-	-	511,000 [2]	511,000	-	-	-
	15-Mar-14	15-Mar-17	100,000	-	-	42,435 [3]	42,435	15,130 [3]	15,130	42,435
	15-Mar-16	15-Mar-19	-	134,000	-	-	-	109,545 [3]	109,545	24,455
	1-Mar-16	1-Mar-19	-	-	511,000 [2]	-	-	340,633 [3]	340,633	170,367
Mark Irwin	15-Mar-16	15-Mar-19	-	117,250	-		-	-	-	117,250
	1-Mar-16	1-Mar-19	-	-	525,000 [2]	-	-	-	-	525,000
Terry Kirkey	15-Mar-14	15-Mar-17	30,000	-	-	-	-	-	-	30,000
	15-Mar-16	15-Mar-19	-	117,250		-	-	-	-	117,250
	1-Mar-16	1-Mar-19	-	-	495,000 [2]	-	-	-	-	495,000

(1) Mr Depres received a one-time new hire sign-on award of $300 thousand that will be paid in equal instalments of one-third each on the anniversary of his hire date (1 September 2016) beginning with the first anniversary and ending on the third. There are no performance conditions on these amounts and so long as Mr Despres does not voluntarily resign prior to a vesting date, that installment of the award will vest.

(2) Represents the special strategic retention awards granted in 2014 (vesting in 2016) and granted in 2016 which will vest in 2019.

(3) Mr Hoots' employment terminated on 1 October 2016 at which time he received a pro-rata vesting of 42,435 outstanding Retention Cash Rights upon his termination date. The balance of 7,565 outstanding Retention Cash Rights were forfeited. He also received a pro-rata portion of his Special Retention Rights which will remain outstanding until the scheduled vesting date in March 2019. The amount of 340,633 Special Retention Rights were forfeited. In addition, Mr Hoots' outstanding Performance Cash Rights were also pro-rated upon his termination date resulting in the forfeiture of 117,110 Performance Rights. The balance of 66,890 Performance Rights remain on foot and are subject to meeting the performance conditions.

Table 4.1.7: Movement in options during the year ended 31 December 2016

Name	Effective grant date	Vesting date	Held at the beginning of the financial year	Number of options granted as remuneration	Number of options vested	Exercise price per option A$	Number of options forfeited	Held at the end of the financial year	Vested and exercisable as at 31 Dec 2016
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	-
Kent Hoots	15-Mar-14	15-Mar-17	259,364	-	259,364	0.32	-	259,364	259,364
	1-Jul-15	15-Mar-20	5,289,830	-	-	0.20	3,651,570 [1]	1,638,260	-
Mark Irwin	18-Jan-16	15-Mar-20	-	1,000,000	-	0.20	-	1,000,000	-
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	-
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	-

(1) Mr Hoots' employment terminated on 1 October 2016. Options granted on 15 March 2014 were vested in full and became exercisable upon his date of termination. Options granted in 2015 were pro-rated from the date of the grant and the portion that was not forfeited remain on foot and subject to continuing performance conditions.

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 2016 and 2015 (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 US$	Retention Cash Rights US$	Perform-ance Cash Rights US$	Termination US$	Other US$	Options US$	Rights US$	Share-based %	Total US$
Jeffrey Olsen													
2016	536,154 [11]	554,400	24,760	7,950	-	270,814 [12]	152,759	-	-	142,733	197,875	18.0%	1,887,444
2015	400,000	338,520	20,800	7,950	-	20,814	20,814	-	-	118,624	87,534	20.3%	1,015,056
Brendan Ryan [7]													
2016	121,539	70,430	6,320	1,615	-	-	19,444	-	-	-	18,958	8.0%	238,306
Fabrizio Rasetti													
2016	416,000	183,872	24,460	7,950	-	259,574 [12]	56,175	-	-	98,914	122,135	18.9%	1,169,081
2015	416,000	237,952	27,458	7,950	-	332,388 [12]	20,815	-	-	83,364	149,387	18.3%	1,275,314
Brad Baker													
2016	324,450	140,162	25,150	6,754	-	201,950 [12]	44,341	-	-	78,814	93,514	18.8%	915,135
2015	324,450	185,585	27,704	7,950	-	258,778 [12]	15,611	-	-	66,187	113,486	18.0%	999,751
Denis Despres [8]													
2016	126,154	72,320	6,560	1,154	-	61,111	22,222	-	-	-	55,185	16.0%	344,706
Kent Hoots													
2016	262,096	133,078	25,246	7,950	-	233,516 [12]	52,013	309,750	11,794	2,349	55,641	5.3%	1,093,434
2015	340,725	212,408	27,423	7,950	-	271,801 [12]	16,651	-	-	78,416	134,050	19.5%	1,089,424
Mark Irwin [9]													
2016	341,732	192,880	57,371	7,950	-	145,833 [12]	30,941	-	-	16,042	25,875	5.1%	818,624
Terry Kirkey [10]													
2016	330,000	145,200	16,900	7,731	-	142,495 [12]	35,937	-	-	33,916	48,771	10.9%	760,950
2015	23,077	-	1,206	-	-	4,995	4,995	-	-	28,130	26,902	61.6%	89,305

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

(2) Includes the 2016 accounting expenses representing Mr Hoots' 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 2016.

(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 10 to the financial statements.

(4) The 2016 amount represents cash STI payments earned by the executive during the year ended 31 December 2016, which are expected to be paid in March 2017 and were approved by the Board on 23 February 2017. The 2015 amount represents cash STI payments earned by the executive during the year ended 31 December 2015, which were paid on 4 March 2016.

(5) Includes automotive allowances, reimbursements of financial and tax preparation assistance, relocation expenses, 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) Mr Ryan was hired on 6 September 2016, as such, his actual remuneration received reflects a partial year of earnings from his date of hire.

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

(9) Mr Irwin was hired on 18 January 2016, as such, his actual remuneration received reflects a partial year of earnings from his date of hire.

(10) Mr Kirkey was considered a KMP until 31 August 2016, however, his remuneration reported above for 2016 includes remuneration received during the entire year. In 2015, Mr Kirkey was not considered a KMP until his promotion on 1 September 2015, his 2015 remuneration reported above only includes remuneration received commencing on the date of his promotion. Mr Kirkey's 2015 bonus was based on his prior non-KMP role and therefore, not included in 2015 remuneration.

(11) Mr Olsen's cash salary reflects a voluntary reduction of 10% in his base pay effective 11 July 2016 and expected to end no later than 1 July 2017. Any earned bonus will be calculated on his unreduced base salary of $600 thousand per annum.

(12) Amounts reflect a portion of the expense associated with the special strategic retention awards granted in 2014 (vesting and paid in 2016) and granted in 2016 which will vest and be paid in 2019.

5.2. RIGHTS AND OPTIONS GRANTED

Table 5.2: Options granted during the year ended 31 December 2016 table:

	Options				
Name	Number of options granted	Future years payable	Exercise price per option A$	Fair value per option [2] US$	Maximum value of grant [3] US$
Mark Irwin	1,000,000	5 yrs	0.20	0.07	70,000

(1) As part of his new hire offer, Mr Irwin received 1,000,000 Options pursuant to the terms of the 2015 Option Plan.

Table 5.2.1: Rights granted during the year ended 31 December 2016 table:

Name	Number of Rights granted[1]	Future years payable[2]	Fair value per Right [3] US$	Maximum value of grant [4] US$	Number of LTI Rights granted[1]	Number of Special Retention Rights granted[8]	Future years payable[2]	Maximum value of grant [4] US$
Jeffrey Olsen	8,362,602	3 yrs	0.05	489,212	500,000	900,000	3 yrs	1,400,000
Brendan Ryan	3,900,000 [5]	3 yrs	0.08	365,040	200,000	-	3 yrs	200,000
Fabrizio Rasetti	2,241,177	3 yrs	0.05	131,109	134,000	624,000	3 yrs	758,000
Brad Baker	1,820,957	3 yrs	0.05	106,526	108,875	487,000	3 yrs	595,875
Denis Despres	2,600,000 [6]	1-3 yrs	0.08	243,360	500,000 [7]	-	1-3 yrs	500,000
Kent Hoots	2,241,177	3 yrs	0.05	131,109	134,000	511,000	3 yrs	645,000
Mark Irwin	1,961,030	3 yrs	0.05	114,720	117,250	525,000	3 yrs	642,250
Terry Kirkey	1,961,030	3 yrs	0.05	114,720	117,250	495,000	3 yrs	612,250

(1) The grants to senior executives for 2016 and were made on 15 March 2016 or applicable hire date (6 September 2016 for Mr Ryan and 1 September 2016 for Mr Despres). Any Rights that do not vest on the vesting date will be forfeited. Rights vest on 15 March 2019 subject to performance conditions over the period from 1 January 2016 to 31 December 2018.

(2) Performance Rights vest on 15 March 2019 (6 September 2019 for Mr Ryan and 1 September 2019 for Mr Despres) subject to performance conditions over the period from 1 January 2016 to 31 December 2018, as described in table 3.4.The maximum fair value of the grant is based on the fair value per the instrument and full achievement of the performance conditions. The minimum total value of the grant, if the applicable performance conditions are not met, is nil. Also includes automotive allowances.

(3) The fair value was calculated as at the grant date of 15 March 2016 for all except Mr Ryan and Mr Despres which were calculated on their hire dates, 6 September 2016 and 1 September 2016, respectively. Mr Ryan was granted 3,900,000 Performance Share Rights. 2,600,000 Performance Share Rights represent his 2016 LTI award and 1,300,000 Performance Share Rights represent a one-time new hire sign-on award. Both the LTI portion and the sign-on portion are subject to the same performance and vesting conditions as the LTI awards granted to all other executives.

(4) The maximum fair value of the grant is based on the fair value per the instrument and full achievement of the performance conditions. The minimum total value of the grant, if the applicable performance conditions are not met, is nil. In addition to the $200 thousand LTI Share Rights, Mr Despres also received a one-time new hire sign-on award of $300 thousand that will be paid in equal instalments of one-third each on the anniversary of his hire date (1 September 2016) beginning with the first anniversary and ending on the third. There are no performance conditions on these amounts and so long as Mr Despres does not voluntarily resign prior to a vesting date, that installment of the award will vest.

(5) Mr Ryan was granted 3,900,000 Performance Share Rights. 2,600,000 Performance Share Rights represent his 2016 LTI award and 1,300,000 Performance Share Rights represent a one-time new hire sign-on award. Both the LTI portion and the sign-on portion are subject to the same performance and vesting conditions as the LTI awards granted to all other executives.

(6) Mr Despres was granted 5,100,000 Share Rights, of which 2,600,000 are Performance Share Rights representing his 2016 LTI award and subject to the same performance and vesting conditions as the LTI awards granted to all other executives. The balance of 2,500,000 Share Rights is an estimated number of rights representing his sign-on share award of US$200 thousand that will be paid in equal installments of one-third on each anniversary of his hire date (1 September 2016) beginning with the first anniversary and ending on the third. The shares will be calculated by dividing one third of the share award by the 5-day volume weighted average share price for the five trading days immediately preceding and including the relevant anniversary date. The 2,500,000 Share Rights included in the total above is an estimate based on a share price of US$0.08 on his award grant date of 1 September 2016. The actual number of shares cannot be determined until the calculation is performed upon each of the three installment vesting dates. There are no performance conditions on these amounts and so long as Mr Despres does not voluntarily resign prior to a vesting date, that installment of the award will vest.

(7) In addition to the $200,000 LTI Cash Rights that are subject to the same performance and vesting conditions as the LTI awards granted to all other executives, Mr Despres also received a one-time new hire sign-on award of US$300,000 that will be paid in equal installments of one-third each on the anniversary of his hire date (1 September 2016) beginning with the first anniversary and ending on the third. There are no performance conditions on these amounts and so long as Mr Despres does not voluntarily resign prior to a vesting date, that installment of the award will vest and be payable.

(8) These amounts reflect the grant of a special strategic retention award issued during 2016 to certain key employees. There are no performance conditions on these amounts and so long as the KMP does not voluntarily resign prior to a vesting date, the award will vest. See further discussion in Section 5.5.

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
2016						
Marcus Randolph	2,342,875	3,207,481	-	-	5,550,356	-
Bret Clayton	778,294	769,797	-	-	1,548,091	-
Peter Day	724,962	883,903	-	-	1,608,865	-
Jonathan Lewinsohn	-	-	-	-	-	-
Jeffrey Long	185,418	769,797	-	-	955,215	-
Gretchen McClain	46,355	772,887	-	-	819,242	-
Rex McLennan	673,694	489,990	-	-	1,163,684	-
Deborah O'Toole	98,272	815,839	-	-	914,111	-
Jeffrey Olsen	135,000	-	-	-	135,000	-
Brendan Ryan	-	-	-	-	-	-
Fabrizio Rasetti	264,109	-	-	80,191	344,300	-
Brad Baker	140,305	-	-	60,491	200,796	-
Denis Despres	-	-	-	-	-	-
Mark Irwin	-	-	-	-	-	-

Share holdings activity during the financial year for KMP who were terminated or no longer KMP prior to 31 December 2016, were as follows:

	Balance 1 January	Granted as remuneration	Received on exercise of options/rights	Net other change during year	Balance as of retirement date	Balance held nominally
2016						
Kent Hoots[1]	71,640	-	-	386,330	457,970	-
Terry Kirkey [2]	12,100	-	-	19,817	31,917	-

(1) Mr Hoots' employment terminated on 1 October 2016.
(2) Mr Kirkey was no longer considered a KMP as at 31 August 2016.

5.4 SERVICE CONTRACTS AND TERMINATION PROVISIONS

Name and position held at the end of the financial year	Duration of contract	Notice period by Company	Notice period by executive	Termination payments (where these are in addition to statutory entitlements)
Jeffrey Olsen Chief Executive Officer	No fixed term	None required	180 days	For termination with cause, statutory entitlements only For termination without cause: • 12 months' salary • Pro-rata bonus to termination date • Waiver of medical insurance premiums for 12 months
Brendan Ryan Chief Financial Officer	No fixed term	None required	90 days	For termination with cause, statutory entitlements only For termination without cause: • 12 months' salary • Pro-rata bonus to termination date Waiver of medical insurance premiums for 12 months
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
Denis Despres Chief Operating Officer	No fixed term	None required	90 days	For termination with cause, statutory entitlements only For termination without cause: • 12 months' salary • Pro-rata bonus to termination date Waiver of medical insurance premiums for 12 months
Mark Irwin Chief Commercial Officer	No fixed term	None required	90 days	For termination with cause, statutory entitlements only For termination without cause: • 12 months' salary • Pro-rata bonus to termination date Waiver of medical insurance premiums for 12 months

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

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

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

Jeff Olsen	$900,000
Fabrizio Rasetti	$624,000
Kent Hoots(1)	$511,000
Brad Baker	$487,000
Mark Irwin	$525,000
Terry Kirkey	$495,000

(1) Mr Hoots' amount above was reduced to $170,367 as a result of his cessation of employment and will remain outstanding until the scheduled vesting date in March 2019.

6. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

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

6.1. NON-EXECUTIVE DIRECTORS' FEE STRUCTURE

Non-executive Directors (NED) are remunerated by a fixed annual base fee with additional fees paid for serving on Board committees. NED who are also employees of Centerbridge 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 66% 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. In addition, effective 1 July 2015, NEDs are required to receive 50% of their annual base fees in ordinary shares of Company stock. This change was made to further strengthen the alignment of NED remuneration with shareholder interests and be more competitive with North American pay practices by including company stock as a component of the NED fee structure. The share issue occurs every three months by taking 50% of the base fees earned in US dollars, converting it to Australian dollars using the exchange rate on issue date and then dividing it by the volume weighted average price of the shares traded on the ASX in the first five days after each relevant fee period. The shares are then issued and deposited into each NED personal brokerage account. As described in Section 6.2 below, the Directors are not able to trade the shares, net of sales to cover income taxes, for a period of twelve months from when they are allocated.

Mr Randolph was appointed Executive Chairman and Interim Chief Executive Officer of the Company effective 1 September 2015 and served in that capacity until Mr Olsen was appointed as the Company's CEO effective 1 March 2016. Mr Randolph's remuneration during the time he performed the Interim CEO duties included additional compensation of $50 thousand per month. Mr Randolph was also eligible to receive, subject to meeting certain objectives determined by the Board, a target performance bonus amount of $500 thousand. The Board assessed Mr Randolph's performance on objectives that included 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 (SG&A) expenses and establishing an effective commercial strategy. These measures were chosen because they reflected the importance of ensuring continuity of leadership and executing the key operational priorities as the Company responds to ongoing market challenges while Mr Randolph carried out his additional management responsibilities. In assessing his performance against the objectives, the Board recognised that Mr Randolph led a comprehensive and efficient CEO search, ensuring sufficient exposure of external and internal candidates to the Board of Directors and ensured no disruption in the management team during the process. Following the appointment of Mr Olsen as the Company's new CEO, Mr Randolph organised and assisted with his successful on-boarding. Mr Randolph drove EBITDA improvement efforts related to productivity, commercial improvements in the drilling services business and turning around poor performing commercial contracts. Although the continued decline in the market largely prevented EBITDA improving by a target of approximately $60 million, the results of the improvement programs contributed greatly towards offsetting the impact of the significant revenue decline. The SG&A expense reduction slightly exceeded the target of $15 million. Finally, the Board considered Mr Randolph's overall leadership to the executive team, providing a challenging results-driven, yet supportive environment in a time of significant change. The Board determined that Mr Randolph's performance related to the successful accomplishment of the objectives resulted in an overall achievement of the target of $500 thousand, which was paid in July 2016.

At the conclusion of his Interim CEO duties, the Board requested Mr Randolph continue in his capacity as Executive Chairman of Boart Longyear to assist Mr Olsen with on-boarding of his new duties and in executing the Company's strategy. The Board requested this commitment through June 2017 with a review of the need for up to an additional twelve months if mutually determined. In addition to his base Director fees as Chairman, Mr Randolph will receive compensation of $37.5 thousand per month in recognition of the on-going demands of the executive duties. Mr Randolph's total annualised compensation will be paid as $500 thousand in cash and $250 thousand in equity. Mr Randolph will not be eligible for a performance bonus in this capacity. Mr Randolph is not subject to any notice of termination requirements nor is he entitled to any termination payments.

Mr McLennan continues in his capacity as Senior Independent Director during this period while Mr Randolph is required to perform his executive duties. Mr McLennan receives an 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. During the term Mr Randolph serves as the Executive

	Chairman he is eligible to participate in the Company's medical and dental plans.
Post-employment benefits	Compulsory superannuation contributions for Australian-resident non-executive Directors are included in the base fee and additional committee fees set out above. Non-executive Directors do not receive any retirement benefits other than statutory superannuation contributions. During the term Mr Randolph serves as the Executive Chairman he is eligible to participate in the Company's 401(k) retirement plan, including receiving a 3% matching contribution by the Company up to a maximum of US$7,950.00 per annum.

6.2 NON-EXECUTIVE SHAREHOLDING GUIDELINE

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

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 2016.

6.4. DETAILS OF REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of non-executive Directors' remuneration for the year ended 31 December 2016 and 2015 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]				
2016	150,000	-	250,000	400,000
2015	274,685	-	104,166	378,851
Bret Clayton				
2016	105,000	-	60,000	165,000
2015	95,994	-	25,000	120,994
Peter Day				
2016	95,891	9,109	60,000	165,000
2015	117,580	11,170	25,000	153,750
Jonathan Lewinsohn [4]				
2016	-	-	-	-
2015	-	-	-	-
Jeffrey Long				
2016	75,000	-	60,000	135,000
2015	16,792	-	10,000	26,792
Gretchen McClain				
2016	75,000	-	60,000	135,000
2015	9,583	-	2,500	12,083
Rex McLennan				
2016	117,000	-	60,000	177,000
2015	128,828	-	25,000	153,828
Deborah O'Toole				
2016	68,493	6,507	60,000	135,000
2015	15,335	1,457	10,000	26,792

(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) 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$509,975, a performance bonus of US$500,000 and superannuation benefits of US$7,950. Mr Randolph's total remuneration including his director fees, Interim CEO and Executive Chairman fees and Interim CEO performance bonus was US$1,009,975. Effective 11 July 2016, Mr Randolph voluntarily reduced his remuneration for his executive duties by 10%. The voluntary reduction is expected to end no later than 1 July 2017.
(4) Mr Lewinsohn is an employee of Centerbridge and receives no Director fees.

BOARD OF DIRECTORS

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

Marcus Randolph

Marcus Randolph was appointed a Director of the Company and Chair on 23 February 2015. From 1 September 2015 through 29 February 2016 he held the positions of interim CEO and Executive Chair, and as of 1 March 2016 serves as Executive Chair. 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. He serves as Chair of the Audit, Compliance and Risk Committee and is a member of the Environmental Health and Safety Committee. 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 Committee and chairs the Remuneration Committee.

Mr Day currently serves as a non-executive Director of, Alumina Limited, Ansell Limited and Australian Office Fund.

Mr Day was formerly a Chairman and Director of Orbital Corporation Limited, a Director of Federation Centres Limited and SAI Global 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.

Jeffrey Long

Jeffrey Long was appointed a Director of the Company on 1 October 2015. He is a member of the Environmental Health and Safety Committee. 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 from 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 is a member of the Remuneration and Nominations Committee. She has more than 25 years of global experience in both Fortune 500 corporations and government service, including serving as founding CEO of an S&P 500 global water technology company, Xylem Inc., and NASA's Chief Director of the International Space Station. Ms. McClain brings extensive business, developmental, strategic and technical expertise having served a broad industrial market.

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

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

Rex McLennan

Rex McLennan was appointed a Director of the Company on 24 August 2013. He served as Chairman of the Finance Committee and currently chairs the Environmental, Health and Safety Committee. He is also a member of the Audit, Compliance & Risk 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 is a member of the Remuneration and Nominations Committee. 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, Sims Metal Management Limited and Asciano Rail Group of Companies in Australia. 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.

Conor Tochilin

Conor Tochilin was appointed a Director of the Company on 20 January 2017. Mr Tochilin is a Principal at Centerbridge Partners, L.P., a major shareholder in the Company. Centerbridge Partners, L.P. manages approximately $29 billion of assets with a focus on credit, special situations, and private equity. Prior to joining Centerbridge Partners, L.P., Mr Tochilin was an Associate at TPG-Axon Capital Management in New York and London and a Business Analyst in McKinsey's Corporate Finance Practice in New York.

Mr Tochilin holds an A.B. in Economics and Philosophy, magna cum laude, from Harvard College, where he was elected to Phi Beta Kappa, a J.D. from Harvard Law School, and an M.B.A. from Harvard Business School.

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		Health & Safety Committee		Restructuring Committee		Board Status Change
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	During 2016
Bret Clayton	9	8			4	4	5	5			
Peter Day	9	9	5	5	4	4					
Jonathan Lewinsohn	6	6									
Jeffrey Long	6	6					5	5			
Gretchen McClain	9	9	5	5							
Rex McLennan	9	9			4	4	5	5	16	16	
Deborah O'Toole	9	9	5	5					16	16	
Marcus Randolph	9	8							16	16	
Jeffrey Olsen	8	8									Appointed 1 March 2016

DIRECTORS' SHAREHOLDINGS

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

	Fully paid ordinary shares	Rights offering ordinary shares	Rights and options	Total
Marcus Randolph	5,550,356	-	-	5,550,356
Bret Clayton	1,548,091	-	-	1,548,091
Peter Day	1,608,865	-	-	1,608,865
Jonathan Lewinsohn	-	-	-	-
Jeffrey Long	955,215	-	-	955,215
Gretchen McClain	819,242	-	-	819,242
Rex McLennan	1,163,684	-	-	1,163,684
Deborah O'Toole	914,111	-	-	914,111

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. No shares or interests have been issued during the financial year as a result of the exercise of options.

DIRECTORS' AND OFFICERS' INTERESTS IN CONTRACTS

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

INDEMNIFICATION OF DIRECTORS AND OFFICERS AND AUDITORS

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

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

EXECUTIVE MANAGEMENT TEAM

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

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.

Denis Depres

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

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

Mark Irwin

Mark Irwin joined Boart Longyear in January 2016 as VP Drilling Services Commercial & Marketing, and in September 2016, became Chief Commercial Officer, assuming the global commercial and marketing responsibilities across Boart Longyear. Prior to joining Boart Longyear, Mr Irwin spent over 15 years working in the resources sector in mining services, in investment banking and 11 years for BHP Billiton. Roles. These roles included various global leadership roles in business development, operations, global procurement and strategy. In addition, he has also been CEO of two large Australian agricultural companies.

Mr Irwin has a Master's of Business Degree (MBA) and a Bachelors of Law degree (LLB).

Jeffrey Olsen

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

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

Fabrizio Rasetti

Mr Rasetti's experience and qualifications are summarised above on page 58.

Brendan Ryan

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

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

AUDITOR

AUDITOR'S INDEPENDENCE DECLARATION

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

NON-AUDIT SERVICES

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

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

The Company and its Audit, 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 8 to the financial statements, do not compromise the external auditor's independence.

PROCEEDINGS ON BEHALF OF COMPANY

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

ROUNDING OF AMOUNTS

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

REMUNERATION

The Remuneration Report is included beginning at page 26 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Marcus Randolph
Chairman

27 February 2017

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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

27 February 2017

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 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Disclaimer of Opinion

We were engaged to audit the financial report of Boart Longyear Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report. Accordingly, we do not express an opinion as to whether 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 Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

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

Basis for Disclaimer of Opinion

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $156.8 million during the financial year ended 31 December 2016 and, as of that date, the Group's total liabilities exceeded its total assets by $337.5 million.

As stated in Note 1, the Group's and Company's ability to meet their ongoing operational and financing obligations requires a successful conclusion to the ongoing restructuring discussions with the Company's lenders and achieving the forecast cash flows. This includes the ability to sustain previously implemented cost reductions and realise cost savings from both ongoing and future cost reduction and efficiency initiatives and actively managing cash flows, access additional short-term funding to manage cash flows and meet the cash interest payments due on 1 April 2017 and/or obtain agreement for the deferral of those cash interest payments.

These matters, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that cast significant doubt about the Group's and Company's ability to continue as going concerns and whether they will realise their assets and discharge their liabilities in the normal course of business.

We have been unable to obtain sufficient appropriate audit evidence as to the likelihood that a successful conclusion to the restructuring discussions as described in Note 1 will be achieved. Accordingly, we have been unable to conclude on the Group's and Company's ability to continue as going concerns for a period of at least twelve months from the date of this auditor's report.

Accordingly, in our opinion, the uncertainties are so material and pervasive that we are unable to express an opinion on the financial report as a whole.

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct and audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 55 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Boart Longyear Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants
Perth, 27 February 2017

DIRECTORS' DECLARATION

The Directors declare that:

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

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

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

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

The Directors draw the reader's attention to Note 1 on page 75 concerning the going concern basis of preparation of the financial report and potential impact of material uncertainties related to the Company's ability to achieve a successful conclusion to the ongoing restructuring discussions with the Company's lenders and the Company's forecast cash flows.

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

On behalf of the Directors

Marcus Randolph
Chairman

27 February 2017

	Note	2016 US$'000	2015 US$'000
Continuing operations			
Revenue	3	642,404	735,158
Cost of goods sold		(556,569) [1]	(734,760) [1]
Gross margin		85,835	398
Other income	4	8,939	2,150
General and administrative expenses		(108,842) [1]	(119,055) [1]
Sales and marketing expenses		(28,394) [1]	(25,223) [1]
Other expenses	4	(18,360)	(57,501)
Operating loss		(60,822)	(199,231)
Interest income	5	2,486	4,059
Finance costs	5	(72,713)	(72,769)
Loss before taxation		(131,049)	(267,941)
Income tax expense	11	(25,790)	(58,336)
Loss for the year attributable to equity holders of the parent		(156,839)	(326,277)
Loss per share:			
Basic loss per share	12	(16.8) cents	(36.0) cents
Diluted loss per share	12	(16.8) cents	(36.0) cents
Other comprehensive loss			
Loss for the year attributable to equity holders of the parent		(156,839)	(326,277)
Items that may be reclassified subsequently to profit or loss			
Exchange gain (loss) arising on translation of foreign operations		364	(44,476)
Reclassification adjustments relating to foreign operations liquidated during the year		-	6,250
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss) gain related to defined benefit plans	23	(6,075)	10,956
Income benefit (tax) on income and expense recognised directly through equity		1,116	(429)
Other comprehensive loss for the year, net of tax		(4,595)	(27,699)
Total comprehensive loss for the year attributed to equity holders of the parent		(161,434)	(353,976)

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

See accompanying Notes to the Consolidated Financial Statements included on pages 74 to 124

Consolidated Statement of Financial Position

As at 31 DECEMBER 2016

	Note	2016 US$'000	2015 US$'000
Current assets			
Cash and cash equivalents	31	59,343	113,357
Trade and other receivables	13	107,898	110,055
Inventories	14	165,020	166,258
Current tax receivable	11	4,399	6,617
Prepaid expenses and other assets		13,604	16,368
		350,264	412,655
Asset classified as held for sale	16	5,923	-
Total current assets		356,187	412,655
Non-current assets			
Property, plant and equipment	17	127,660	176,475
Goodwill	18	100,036	99,658
Other intangible assets	19	43,920	54,404
Deferred tax assets	11	19,465	21,033
Non-current tax receivable	11	19,035	14,208
Other assets		10,326	13,464
Total non-current assets		320,442	379,242
Total assets		676,629	791,897
Current liabilities			
Trade and other payables	20	126,589	145,041
Provisions	22	13,014	19,518
Current tax payable	11	94,577	77,964
Loans and borrowings	21	140	51
Total current liabilities		234,320	242,574
Non-current liabilities			
Loans and borrowings	21	734,987	689,732
Deferred tax liabilities	11	18,884	14,818
Provisions	22	25,941	24,972
Total non-current liabilities		779,812	729,522
Total liabilities		1,014,132	972,096
Net liabilities		**(337,503)**	**(180,199)**
Equity			
Issued capital	24	1,263,798	1,262,431
Reserves		(117,686)	(120,813)
Other equity		(137,182)	(137,182)
Accumulated losses		(1,346,433)	(1,184,635)
Total deficiency in equity		**(337,503)**	**(180,199)**

See accompanying Notes to the Consolidated Financial Statements included on pages 74 to 124

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2016

	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 2015	1,159,069	(92,799)	10,014	(137,182)	(868,885)	70,217
Loss for the period	-	-	-	-	(326,277)	(326,277)
Other comprehensive gain (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)**
Balance at 1 January 2016	1,262,431	(131,025)	10,212	(137,182)	(1,184,635)	(180,199)
Loss for the period	-	-	-	-	(156,839)	(156,839)
Other comprehensive loss for the period - net of tax	-	364	-	-	(4,959)	(4,595)
Total other comprehensive loss	-	364	-	-	(161,798)	(161,434)
Shares issued to directors	717	-	-	-	-	717
Vesting of LTIP rights, restricted shares	650	-	(650)	-	-	-
Share-based compensation	-	-	3,413	-	-	3,413
Balance at 31 December 2016	**1,263,798**	**(130,661)**	**12,975**	**(137,182)**	**(1,346,433)**	**(337,503)**

See accompanying Notes to the Consolidated Financial Statements included on pages 74 to 124

	Note	2016 US$'000	2015 US$'000
Cash flows from operating activities			
Loss for the year		(156,839)	(326,277)
Adjustments provided by operating activities:			
Income tax expense recognised in profit		25,790	58,336
Finance costs recognised in profit	**5**	72,713	72,769
Depreciation and amortisation	**6**	62,470	83,911
Interest income recognised in profit	**5**	(2,486)	(4,059)
Gain on sale or disposal of non-current assets	**6**	(3,807)	(1,302)
Other non-cash items		(18,829)	7,890
Shares issued to directors		717	-
Impairment of current and non-current assets		2,048	71,845
Non-cash foreign exchange loss		10,309	21,347
Equity-settled share-based payments	**6b, 10**	3,413	4,014
Long-term compensation - cash rights	**6b**	1,830	3,223
Changes in net assets and liabilities, net of effects from acquisition and disposal of business:			
(Increase) decrease in assets:			
Trade and other receivables		1,755	7,754
Inventories		21,372	21,163
Other assets		7,579	6,242
(Decrease) increase in liabilities:			
Trade and other payables		(16,469)	(4,876)
Provisions		(12,997)	(10,618)
Cash (used in) provided by operations		(1,431)	11,362
Interest paid		(45,296)	(47,413)
Interest received	**5**	2,486	4,059
Income taxes paid		(6,177)	(22,858)
Net cash flows used in operating activities		**(50,418)**	**(54,850)**

See accompanying Notes to the Consolidated Financial Statements included on pages 74 to 124

	2016 US$'000	2015 US$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,190)	(21,758)
Proceeds from sale of property, plant and equipment	16,410	2,401
Intangible costs paid	(3,173)	(2,771)
Investment in unaffiliated companies	(1,905)	(2,902)
Net cash flows used in investing activities	**(7,858)**	**(25,030)**
Cash flows from financing activities		
Proceeds from issuance of shares	-	83,732
Payments for share purchases for LTIP	-	(186)
Payments for debt issuance costs	(82)	(1,437)
Proceeds from borrowings	25,671	-
Repayment of borrowings	(8,105)	(35,000)
Net cash flows provided by financing activities	**17,484**	**47,109**
Net decrease in cash and cash equivalents	(40,792)	(32,771)
Cash and cash equivalents at the beginning of the year	113,357	168,784
Effects of exchange rate changes on the balance of cash held in foreign currencies	(13,222)	(22,656)
Cash and cash equivalents at the end of the year	**59,343**	**113,357**

See accompanying Notes to the Consolidated Financial Statements included on pages 74 to 124

1. GENERAL INFORMATION

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

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

Registered office
26 Butler Boulevard
Burbridge Business Park
Adelaide Airport, SA 5650
Tel: +61 (8) 8375 8375

Principal place of business
2640 West 1700 South
Salt Lake City, Utah 84104
United States of America
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 27 February 2017;

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

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

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

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

- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to Note 32 for further details.

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

1. GENERAL INFORMATION (CONTINUED)

Going Concern

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

At 31 December 2016, the Company has net liabilities of $337.5 million (2015: net liabilities of $180.2 million as at 31 December). The increase in net liabilities is mainly a result of a loss after income tax of $156.8 million. At 31 December 2016, the Company has net current assets of $121.9 million (2015: $170.1 million as at 31 December).

In preparing the financial report, the Directors have made an assessment of the ability of the Company to continue as a going concern. The Company's ability to meet its ongoing operational and financing obligations requires the Company to achieve:

- a successful conclusion to the ongoing restructuring discussions with the Company's lenders; and
- the Company's forecast cash flows which requires the ability to:
  - sustain previously implemented cost reductions and realise cost savings from ongoing and future cost-reduction and efficiency initiatives and actively managing cash flows;
  - access additional short-term funding to manage cash flows; and
  - meet the cash interest payments due on 1 April 2017 and/or obtain agreement for the deferral of the cash interest payments.

Restructuring discussions

The Company remains subject to liquidity and indebtedness risks and, accordingly, continues to work with certain of its lenders to address its capital structure. (Details of the Company's debt facilities are set out in Note 21 of the financial report.)

As announced on 5 January 2017, the Company secured a $20 million credit facility with Centerbridge Partners L.P, its largest debt and equity holder. The facility was established to provide additional financial resources to support ongoing restructuring discussions with the Company's lenders as well as to provide additional working capital in the first quarter of 2017 when the Company's working capital needs are typically at their seasonal peak due to the start-up of drilling projects globally.

The Company and its lenders continue to pursue an agreement on a holistic restructuring that provides a sustainable capital structure. The primary objectives of the process, which is incomplete and the outcome and timing of which remains uncertain, include the reduction of financial debt through the equitisation of debt, securing additional liquidity to sustain operations and extending debt maturities to facilitate an eventual refinancing. Achieving these objectives will likely require existing debt holders to convert all or part of their debt to equity, which will be highly dilutive to existing shareholders.

The Company's ability to successfully achieve the restructure will depend on a number of circumstances, including market conditions, the ongoing support of the Company's unsecured and secured lenders and, potentially, the approval of other stakeholders.

The Company has also received an indicative proposal for an additional short-term facility of $15 million from Centerbridge and certain of its bondholders to provide additional working capital for the Company. The Company and the relevant lenders are finalising the terms of the additional facility and expect to implement it imminently.

Cash flow Forecasts

The Company has prepared detailed cash flow forecasts which incorporate the financial impact of continued actions to address the challenges it faces (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 as well as continuing to evaluate risks and opportunities to this best estimate. Some of the key assumptions underpinning the cash flow forecasts and revenue projections are inherently uncertain and are subject to variation due to factors which are outside the control of the Company. The key assumptions are discussed below.

<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 Company's operating results, liquidity and financial condition.

1. GENERAL INFORMATION (CONTINUED)

Going Concern (continued)

Operational risk
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 maintain current volumes of work, sustain previously implemented reductions and realise cost savings from both the ongoing and future cost-reduction and efficiency initiatives.

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

- assumptions relating to the timing and outcome of the tax audits detailed in Note 11 of the financial statements,
- assumptions relating to the payment of interest due on 1 April 2017; and
- that the US dollar remains consistent with current levels, particularly in relation to the Australian and Canadian dollars.

There is a risk that the Company will not achieve a successful conclusion to the restructuring discussions or achieve its forecast cash flows.

Should the Company and Parent be unable to achieve these matters a material uncertainty would exist as to whether the Company and Parent will be able to continue as going concerns and therefore whether they will realise their assets and discharge their liabilities in the normal course of business.

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.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classifications of liabilities that might be necessary should the Company and Parent not continue as going concerns.

Key Judgements and Estimates

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

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

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

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

1. GENERAL INFORMATION (CONTINUED)

Foreign Currency

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

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

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

Other accounting policies

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

2. SEGMENT REPORTING

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

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

Segment revenue and results

	Segment Revenue				Segment Profit	
	2016 US$'000		2015 US$'000		2016 US$'000	2015 US$'000
Drilling Services		447,656		527,880	10,679	(2,648)
Global Products revenue						
Products third party revenue	194,748		207,278			
Products inter-segment revenue [1]	57,704		52,533			
Total Global Products		252,452		259,811	4,214	5,593
Less Global Product sales to Global Drilling Services		(57,704)		(52,533)		
Total third party revenue		642,404		735,158		
Total segment profit					14,893	2,945
Unallocated costs [2]					(48,230)	(104,136)
Significant items					(27,485)	(98,040)
Finance costs					(72,713)	(72,769)
Interest income					2,486	4,059
Loss before taxation					(131,049)	(267,941)

(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]	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Global Drilling Services	40,916	58,044	15,028	14,613
Global Products	9,271	9,337	1,980	3,778
Total of all segments	50,187	67,381	17,008	18,391
Unallocated [1]	12,283	16,530	3,459	1,962
Total	62,470	83,911	20,467	20,353

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

2. SEGMENT REPORTING (CONTINUED)

Geographic information

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

	Revenue from external customers		Non-current assets [1]	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
North America	297,309	343,363	218,460	237,512
Asia Pacific	157,299	159,765	56,188	69,522
Latin America	85,573	116,238	24,232	39,267
EMEA	102,223	115,792	2,097	11,908
Total	642,404	735,158	300,977	358,209

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

3. REVENUE

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

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

Revenue from services rendered is recognised in the statement of 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:

	2016 US$'000	2015 US$'000
Revenue from the rendering of services	447,656	527,880
Revenue from the sale of goods	194,748	207,278
	642,404	735,158

There were no customer(s) that contributed 10% or more to the Company's revenue in 2016. Included in revenues arising from rendering of services are revenues of $77.4 million which arose from sales to the Company's largest customer in 2015.

4. OTHER INCOME / EXPENSE

The components of other income are as follows:

	2016 US$'000	2015 US$'000
Gain on disposal of property, plant and equipment	3,807	1,302
Gain on foreign currency exchange differences	1,616	-
Gain on disposal of scrap	309	-
Other	3,207	848
	8,939	2,150

The components of other expense are as follows:

	2016 US$'000	2015 US$'000
Amortisation of intangible assets	12,745	16,644
VAT write-off	2,897	4,835
Drilling services rework	603	3,096
Loss on foreign currency exchange differences	-	17,004
VAT and customs settlement	-	6,381
Loss on liquidation of a subsidiary	-	6,250
Environmental fees	-	1,458
Other	2,115	1,833
Total other expenses	18,360	57,501

5. INTEREST INCOME / FINANCE COSTS

Interest income is as follows:

	2016 US$'000	2015 US$'000
Interest income:		
Bank deposits	2,486	4,059

Finance costs are as follows:

	2016 US$'000	2015 US$'000
Finance costs:		
Interest on loans and bank overdrafts	70,643	70,822
Amortisation of debt issuance costs	2,070	1,947
Total finance costs	72,713	72,769

6. LOSS FOR THE YEAR

Loss for the year includes the following:

(a) Gains and losses

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

	2016 US$'000	2015 US$'000
Gain on disposal of property, plant and equipment	3,807	1,302
Loss on liquidation of subsidiary	-	(6,250)
Net foreign exchange losses	1,616	(17,004)
Net (expense) reversal of bad debt	(181)	(1,875)

(b) Employee benefits expenses

	2016 US$'000	2015 US$'000
Salaries and wages	(240,094)	(271,062)
Post-employment benefits:		
Defined contribution plans	(6,497)	(7,684)
Defined benefit plans	(1,337)	(2,344)
Long-term incentive plans:		
Equity-settled share-based payments	(3,413)	(4,014)
Cash rights compensation	(1,830)	(3,223)
Termination benefits	(6,833)	(12,919)
Other employee benefits [1]	(66,540)	(76,463)
	(326,544)	(377,709)

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

(c) Other

	2016 US$'000	2015 US$'000
Depreciation of non-current assets	(48,558)	(66,227)
Amortisation of non-current assets	(13,912)	(17,684)
Operating lease rental expense	(18,180)	(21,770)

7. 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.

During 2016, the Company continued to reduce operating costs through a series of restructuring activities. The Company's restructuring efforts included:

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

The Company has incurred costs related to executing 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, intangible assets, plant and equipment and inventories, resulting in additional impairment charges and provisions in the prior period. A description of the impairment process is provided below.

Significant items for the years ended 31 December 2016 and 2015 are, as follows:

	Note	2016 US$'000	2015 US$'000
Recapitalisation costs		7,456	577
Impairments:			
Equipment	**17**	878	36,806
Intangible assets	**19**	1,012	571
Inventories	**14**	-	34,468
Employee and related costs [1]		8,008	15,980
Other restructuring costs		8,121	7,857
Onerous leases		2,010	1,781
		27,485	98,040
Net of tax [2]		27,189	89,625

(1) Employee and related costs include separation costs, retention and other employee-related costs.
(2) The tax effect was calculated using applicable local country tax rates before application of excess of net operating losses. The net operating losses were largely not benefitted.

Classification of significant items on the income statement for the years ended 31 December 2016 and 2015 are, as follows:

	2016 US$'000	2015 US$'000
General and administrative expenses	22,096	21,108
Cost of goods sold	3,015	76,203
Research and development	2,278	585
Sales and marketing expenses	96	144
	27,485	98,040

7. SIGNIFICANT ITEMS (CONTINUED)

Significant items for the years ended 31 December 2016 and 2015 by business segment are, as follows:

	2016 US$'000	2015 US$'000
Global Drilling Services [1]	11,209	61,803
Global Products [2]	2,397	26,844
Unallocated	13,879	9,393
	27,485	98,040

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

8. REMUNERATION OF AUDITORS

	2016 US$'000	2015 US$'000
Company auditor's remuneration		
Audit and review of the financial report:		
Auditor of the parent entity	1,031	1,191
Related practices of the parent entity auditor	1,136	1,240
	2,167	2,431
Non-audit services:		
Review of tax returns	489	462
Tax services	360	1,176
Other non-audit services	-	74
	849	1,712
Total remuneration to Company auditor	3,016	4,143
Remuneration to other accounting firms		
Audit services	184	292
Non-audit services:		
Tax services	2,362	2,053
Global mobility	342	12
Internal audit	-	15
Accounting and payroll services	280	934
Other	83	297
Total remuneration to other accounting firms	3,251	3,603

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.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2016 US$	2015 US$
Short-term employee benefits	4,823,617	5,354,090
Post-employment benefits	64,670	66,942
Other long-term benefits	1,729,127	2,118,133
Termination benefits	321,544	1,261,781
Share-based payments	1,600,722	2,389,083
	8,539,680	11,190,029

10. EMPLOYEE LONG TERM INCENTIVE PAYMENTS

Share-based Payment Accounting Policies

Equity-settled share-based payments with employees and others providing similar services in 2014 and prior years are measured at the fair value of the equity instrument at the grant date. For equity-settled share-based payments granted in 2015 and 2016, the fair value of the equity instrument is measured by the use of the Brownian Motion model. 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 in 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 2013 LTIP grants, which reached the end of the performance measurement period in March 2016, was 0%, as the Company did not meet the minimum ROE performance criterion for those grants.

10. EMPLOYEE LONG TERM INCENTIVE PAYMENTS (CONTINUED)

LTIP Share Rights and Cash Rights (continued)

Awards granted to management 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.

Awards granted to management for 2015 comprised of a combination of Options and Share Rights. The vesting of the Options and Share Rights are contingent upon share appreciation conditions set forth by the Board. Participants must remain continuously employed with the Company during the performance period. There were no Cash Rights issued in 2015.

The 2016 LTI Plan awards to management were solely comprised of performance-based Rights. The Board considered this to be appropriate for 2016 as it most effectively achieved three key objectives: aligning executives' interests with shareholders; motivating executives to focus on sustained share price growth and certain earnings targets over the longer term; and retaining key executive talent, which is critical to the Company's long term success. The performance-based Rights were granted on terms and conditions determined by the Board, including vesting conditions linked to service, share price appreciation, and earnings achievement over a specified period (in this case three years).

The total share-based expense associated with Share Rights granted under the LTIP for both years ended 31 December 2016 and 2015 was $2.6 million.

The following table reflects the Share Rights arrangements that were in existence at 31 December 2016:

Series - Share Rights	Number	Effective grant date	Vesting date	Fair value at grant date US$
1 - Issued 15 March 2014	8,308,106	15-Mar-14	15-Mar-17	0.25
2 - Issued 1 April 2014	972,612	1-Apr-14	1-Apr-17	0.27
3 - Issued 1 July 2015	12,455,879	1-Jul-15	15-Mar-19	0.25
4 - Issued 15 March 2016	43,981,341	15-Mar-16	15-Mar-19	0.05
5 - Issued 6 June 2016	2,035,756	6-Jun-16	6-Jun-19	0.05
6 - Issued 1 September 2016	2,600,000	1-Sep-16	1-Sep-19	0.08
7 - Issued 1 September 2016[1]	N/A	1-Sep-16	various	N/A
8 - Issued 6 September 2016	3,900,000	6-Sep-16	6-Sep-19	0.08

(1) These are shares issued to a member of management as part of his 2016 LTI award, he was granted a sign-on share award of $200 thousand that will be paid in equal installments of one-third on each anniversary of his hire date (1 September 2016) beginning with the first anniversary and ending on the third. The shares will be calculated by dividing one third of the share award by the 5-day volume weighted average share price for the five trading days immediately preceding and including the relevant anniversary date. The actual number of shares cannot be determined until the calculation is performed upon each of the three installment vesting dates. There are no performance conditions on these amounts and so long as he does not voluntarily resign prior to a vesting date, that installment of the award will vest.

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

Share rights	2016 Number of rights '000	2015 Number of rights '000
Balance at beginning of year	28,038	22,141
Granted	55,676	18,290
Forfeited	(7,251)	(8,443)
Vested	(2,209)	(3,950)
Balance at end of year	74,254	28,038

10. EMPLOYEE LONG TERM INCENTIVE PAYMENTS (CONTINUED)

LTIP Share Rights and Cash Rights (continued)

The following Share Rights vested during 2016:

	Vest date range			Fair value at vest date range A$	
Grant date	Start	End	Number of shares	Low	High
15-Mar-13	31-Jan-16	15-Mar-16	1,077,122	0.05	0.10
1-Jun-13	1-Jun-16	1-Jun-16	190,750	0.10	0.10
15-Mar-14	31-Jan-16	31-Dec-16	793,219	0.05	0.19
1-Jul-15	31-Jan-16	31-Dec-16	148,376	0.05	0.19

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.

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.

During 2016, 1,000,000 Options were granted to a member of management under the 2015 Option Plan.

25,000 Options granted in March 2010 vested in accordance with their term and expired in March 2015. 77,640 Options granted in March 2014 vested in 2015 due to an employee termination and expired in July 2016. 3,304,753 Options granted in May 2014 vested in accordance with their term on April 2015. In addition, 4,979,976 Options and 259,364 Options vested early due to employee terminations in 2015 and 2016, respectively. Terminations also resulted in forfeitures of 30,408,995 Options in 2015 and 3,651,570 Options in 2016.

The share-based expense associated with Share Options for the years ended 31 December 2016 and 2015 was $793 thousand and $1.4 million, respectively. No shares or interests have been issued during the 2016 or 2015 financial years as a result of the exercise of options.

The following table reflects the Options arrangements that were in existence at 31 December 2016:

Series - Options	Number	Effective grant date	Vesting date	Fair value at grant date US$
1 - Issued 15 March 2014	3,517,285	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	38,788,304	1-Jul-15	15-Mar-20	0.07
7 - Issued 18 January 2016	1,000,000	18-Jan-16	15-Mar-20	0.07

10. EMPLOYEE LONG TERM INCENTIVE PAYMENTS (CONTINUED)

LTIP Share Options (continued)

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%	120 months	0%	0.74%
Series 2	0.27	114%	120 months	0%	0.91%
Series 3	0.21	114%	120 months	0%	0.01%
Series 4	0.21	114%	120 months	0%	0.09%
Series 5	0.21	114%	120 months	0%	0.36%

The fair values of the Series 6-7 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%
Series 7	0.04	0.25	0.58	1.60%	1.40%

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

	2016		2015	
Options	Number of options '000	Weighted average exercise price US$	Number of options '000	Weighted average exercise price US$
Balance at beginning of year	58,866	0.17	13,391	0.18
Granted	1,000	0.14	75,909	0.15
Forfeited	(7,055)	0.15	(30,409)	0.15
Exercised	-	-	-	-
Expired during the financial year	(77)	0.29	(25)	2.93
Balance at end of year	52,734	0.17	58,866	0.17
Exercisable at end of year	52,734	0.17	58,866	0.17

11. INCOME TAXES

Income Taxes

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

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

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

Current and deferred taxation

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

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

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

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

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

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

11. INCOME TAXES (CONTINUED)

Tax consolidation

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

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

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

Income tax expense is as follows:

	2016 US$'000	2015 US$'000
Income tax expense:		
Current tax expense	13,217	13,263
Adjustments recognised in the current year in relation to the current tax of prior years	6,238	2,151
Deferred tax expense	6,335	42,922
	25,790	58,336

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

	2016 US$'000	2015 US$'000
Loss before taxation	(131,049)	(267,942)
Income tax benefit calculated at Australian rate of 30%	(39,315)	(80,383)
Impact of higher rate tax countries	(5)	3,549
Impact of lower rate tax countries	2,064	13,977
Net non-deductible/non-assessable items other	20,692	(1,030)
Unrecognised tax losses [1]	31,094	59,672
Profit/Losses subject to double taxation in the US	(4,947)	3,118
Withholding tax net of foreign tax credit	2,035	4,796
(Recognition) derecognition of net prior year deferred tax assets	(4,879)	47,894
Other	12,813	4,592
	19,552	56,185
Under provision from prior years	6,238	2,151
Income tax expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	25,790	58,336

(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.

11. 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:

	2016 US$'000	2015 US$'000
Deferred tax recognised in equity:		
Actuarial movements on defined benefit plans	1,116	(429)

(c) Tax assets and liabilities

	2016 US$'000	2015 US$'000
Tax assets:		
Income tax receivable attributable to:		
Parent	(80,971)	(55,696)
Other entities in the tax consolidated group	80,971	55,696
Other entities	23,434	20,825
	23,434 [1]	20,825 [1]
Current tax liabilities:		
Income tax payable attributable to:		
Parent	-	(56)
Entities other than parent and entities in the consolidated group	94,577	78,020
	94,577	77,964

(d) Deferred tax balances

	2016 US$'000	2015 US$'000
Deferred tax comprises:		
Temporary differences	(7,502)	2,109
Unused tax losses and credits	8,083	4,106
	581	6,215

(1) The income tax receivable for 2016 is $23.4 million (2015: $20.8 million) of which $4.4 million is classified as current tax receivable and $19.0 million is classified as non-current tax receivable (2015: $6.6 million and $14.2 million respectively).

11. INCOME TAXES (CONTINUED)

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

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

Where deferred tax assets have been recognised, it is considered probable that the Company will generate sufficient future taxable income to utilise the assets. The deferred tax on foreign tax credits are in relation to the US group that is currently profitable and expects future utilisation of foreign tax credits based on forecast taxable income in the next 5 years.

11. 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)	-	-	-
	13,634	(9,528)	-	-	4,106
	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

Unrecognised deferred tax assets	2016 US$'000	2015 US$'000
Tax losses - revenue	171,488	175,153
Unused tax credits	39,369	56,422
Temporary differences	126,105	106,025
	336,962	337,600

11. INCOME TAXES (CONTINUED)

Canadian income tax audits

The Company's Canadian income tax returns for the tax years 2007-2012 have been reassessed by the Canada Revenue Agency ("CRA"). These reassessments are being appealed through a multi-national dispute resolution process, known as "competent authority" to prevent the double-taxation of income assessed by multiple jurisdictions. The assessment for the 2007 through 2012 tax years, if upheld, would result in federal and provincial tax liabilities (including interest) of approximately C$109.6 million.

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

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

Other tax matters

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.

12. LOSS PER SHARE

	2016 US cents per share	2015 US cents per share
Basic loss per share	(16.8)	(36.0)
Diluted loss per share	(16.8)	(36.0)

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:

	2016 US$'000	2015 US$'000
Loss used in the calculation of basic EPS	(156,839)	(326,277)

	2016 '000	2015 '000
Weighted average number of ordinary shares for the purposes of basic loss per share	935,553	905,490

Diluted loss per share

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

	2016 US$'000	2015 US$'000
Loss used in the calculation of diluted EPS	(156,839)	(326,277)

	2016 '000	2015 '000
Weighted average number of ordinary shares used in the calculation of diluted EPS	935,553	905,490

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.

	2016 '000	2015 '000
Shares deemed to be issued for no consideration in respect of LTIP share rights	16,596	6,617

13. TRADE AND OTHER RECEIVABLES

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

	2016 US$'000	2015 US$'000
Trade receivables	94,220	96,771
Allowance for doubtful accounts	(1,278)	(2,482)
Goods and services tax receivable	13,194	13,997
Other receivables	1,762	1,769
	107,898	110,055

The ageing of trade receivables is detailed below:

	2016 US$'000	2015 US$'000
Current	68,591	69,364
Past due 0 - 30 days	14,682	15,577
Past due 31 - 60 days	4,134	4,134
Past due 61-90 days	3,259	3,952
Past due 90 days	3,554	3,744
	94,220	96,771

The average credit period on sales of goods is 53 days as at 31 December 2016, and 31 December 2015. 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 2016 or 2015.

14. INVENTORIES

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

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

14. INVENTORIES (CONTINUED)

	2016 US$'000	2015 US$'000
Raw materials	25,726	33,987
Work in progress	3,364	3,717
Finished products	135,930	128,554
	165,020	166,258

The Company did not record any additional provisions against inventory for the year ended 31 December 2016 but recorded an additional provision of $34.5 million for the year ended 31 December 2015. Obsolescence provisions were $36.9 million and $111.2 million as at 31 December 2016 and 2015, respectively.

15. FINANCIAL RISK MANAGEMENT

Capital risk management

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

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

Significant accounting policies

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

Of the outstanding loans and borrowings, Centerbridge Partners, L.P. accounted for $190.0 million of Term Loans outstanding and accreted interest of $53.8 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.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

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

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

The Company did not utilise any derivative instruments during the years ended 31 December 2016 or 2015.

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	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Australian Dollar	310,407	412,346	117,848	26,491
Canadian Dollar	1,032	1,429	43,048	58,518
Euro	23,218	9,380	114,206	109,413
US Dollar	167,783	159,249	593,271	591,635

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	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Net profit	(2,965)	(2,181)	1,616	2,329
Net assets	(19,538)	(37,069)	3,835	4,308

	10% decrease in EUR		10% decrease in USD	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Net profit	1,753	5,810	8,120	6,913
Net assets	5,566	8,801	38,681	39,308

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

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Forward foreign exchange contracts

There were no open forward foreign currency contracts as at 31 December 2016 or 2015.

Interest rate risk management

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

Liquidity risk management

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

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

Liquidity risk

The following tables reflect the expected maturities of non-derivative financial liabilities as at 31 December 2016 and 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 2016								
Non-interest bearing payables	-	91,064	35,525	-	-	-	-	126,589
Variable interest rate instruments	4.2%	61	122	548	19,328	-	(2,493)	17,566
Fixed interest rate instruments	9.5%	-	-	39,380	913,994	-	(230,595)	722,779
Financial Lease	4.7%	10	24	106	495	-	-	635
		91,135	35,671	40,034	933,817	-	(233,088)	867,569
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

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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

	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	Total US$'000
2016				
Non-interest bearing receivables	52,830	40,503	14,565	107,898
Cash	59,343	-	-	59,343
	112,173	40,503	14,565	167,241
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

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.

16. ASSETS CLASSIFIED AS HELD FOR SALE

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

17. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

Leased assets

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

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

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

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

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and Buildings US$'000	Plant and Equipment US$'000	Construction in Progress US$'000	Total US$'000
Balance at 1 January 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 1 January 2016	61,630	711,122	11,165	783,917
Additions	40	962	16,542	17,544
Disposal	(12,814)	(81,565)	-	(94,379)
Transfers to assets held for sale	-	(29,529)	-	(29,529)
Transfer from CIP	59	16,531	(16,590)	-
Transfer to intangible assets	-	-	(1,536)	(1,536)
Currency movements	(1,571)	(8,853)	(8)	(10,432)
Balance at 31 December 2016	47,344	608,668	9,573	665,585
Accumulated depreciation and impairment:				
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 1 January 2016	(20,982)	(586,460)	-	(607,442)
Depreciation	(2,106)	(46,452)	-	(48,558)
Reversal of/(impairment of)	167	(1,045)	-	(878)
Disposal	8,116	73,660	-	81,776
Transfer to held for sale	-	23,606	-	23,606
Currency movements	(338)	13,909	-	13,571
Balance at 31 December 2016	(15,143)	(522,782)	-	(537,925)
Net book value at 31 December 2015	**40,648**	**124,662**	**11,165**	**176,475**
Net book value at 31 December 2016	**32,201**	**85,886**	**9,573**	**127,660**

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 2016 and 31 December 2015 of $878 thousand and $1.3 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 no additional impairment losses at 31 December 31 2016 and $35.5 million at 31 December 2015. See Note 18 for details of other assumptions used as part of this impairment testing.

18. GOODWILL AND OTHER ASSET IMPAIRMENT CONSIDERATIONS

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

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

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

Goodwill, intangible assets and property, plant and equipment

The Company determines whether goodwill is impaired on an annual basis and assesses impairment of all other assets at each reporting date by evaluating whether indicators of impairment exist. This evaluation includes consideration of the market conditions specific to the industry in which the group operates, the 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 below 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 2015	102,471
Currency movements	(2,813)
Balance at 31 December 2015	99,658
Balance at 1 January 2016	99,658
Currency movements	378
Balance at 31 December 2016	100,036

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in cash-generating units that are significant individually or in aggregate. The carrying amount of goodwill of $100.0 million as at 31 December 2016 and $99.7 million as at 31 December 2015 was 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 2016 and 31 December 2016 reporting periods, the company performed impairment testing at those dates.

18. GOODWILL AND OTHER ASSET IMPAIRMENT CONSIDERATIONS (CONTINUED)

Goodwill impairment by cash-generating units

Goodwill and intangible assets in the EMEA, Latin America and Asia Pacific Drilling Services CGUs have been fully impaired. For the cash-generating units with remaining goodwill and intangible assets, being the North America Drilling Services CGU, the Company performed a goodwill impairment test at 31 December 2016 and the recoverable amount for the North America Drilling Services CGU exceeded the goodwill carrying amount. Consequently, no goodwill impairments were recorded for the year ended 31 December 2016.

Impairment Process

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 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 the impairment process set out above, the Company recorded an impairment charge of $279 thousand as at 31 December 2016 (2015: $36.8 million impairment charge for property, plant and equipment).

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.

18. GOODWILL AND OTHER ASSET IMPAIRMENT CONSIDERATIONS (CONTINUED)

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

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

Revenue – Global Products
Revenue for the Global Products CGU (manufacturing facilities) has been determined based on current production levels with revenue assumed to grow at 5% each year in the forecast period.

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

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

Discount rate and terminal growth rate
A global discount rate of 11.5% is used and adjusted on a case-by-case basis for regional variations in the required equity rate of return. Based on information published by Bloomberg, the adjusted post-tax discount rates ranged from 10.5% to 27.1%, as shown in the table below. The terminal growth rate does not exceed the long-term average growth rate for the industry.

	Post-Tax Discount Rate	Growth Rate
Global	11.5%	3.0%
North America	10.5%	2.2%
Asia Pacific	12.1%	2.8%
Latin America	12.8%	7.8%
EMEA	27.1%	7.2%

As part of our impairment analysis we have considered a number of different scenarios that consider the impact on the value-in-use calculations if key assumptions were to vary from those used in the calculations. Whilst a number of our scenarios did not show any impairment, if revenue and gross margins for each region and manufacturing facility do not improve as forecast in our impairment analysis due to lower than expected price and volume recovery [(1)] and the Company is unable to adjust its cost structure, there would be impairments as follows:

	US$'000
North America	15,168
Asia Pacific	16,890
Latin America	12,001
Plants	9,697

(1) For the purposes of our sensitivity analysis, we have assumed that revenue is on average 3.0% lower than forecast and gross margin is on average 5.0% lower than forecast.

19. OTHER INTANGIBLE ASSETS

Trademarks and trade names

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

Contractual customer relationships

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

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

Patents

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

Research and development costs

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

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

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

19. OTHER INTANGIBLE ASSETS (CONTINUED)

	Trademarks US$'000	Patents US$'000	Customer relationships and other US$'000	Software US$'000	Development assets US$'000	Total US$'000
Gross carrying amount:						
Balance at 1 January 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
Balance at 1 January 2016	4,253	6,250	46,675	87,471	43,940	188,589
Additions	40	891	-	1,626	362	2,919
Disposals	-	(4)	-	(5)	(164)	(173)
Transfer from PP&E	-	-	-	-	1,536	1,536
Currency movements	-	-	(146)	19	71	(56)
Balance at 31 December 2016	4,293	7,137	46,529	89,111	45,745	192,815
Accumulated amortisation:						
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)
Balance at 1 January 2016	(1,270)	(1,025)	(37,705)	(66,184)	(28,001)	(134,185)
Amortisation for the period	-	(488)	(1,609)	(10,653)	(1,162)	(13,912)
Disposals	-	-	-	-	143	143
Impairment for the period	-	-	-	-	(1,170)	(1,170)
Currency movements	-	-	238	(9)	-	229
Balance at 31 December 2016	(1,270)	(1,513)	(39,076)	(76,846)	(30,190)	(148,895)
Net book value at 31 December 2015	2,983	5,225	8,970	21,287	15,939	54,404
Net book value at 31 December 2016	3,023	5,624	7,453	12,265	15,555	43,920

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 $1.2 million was recorded at 31 December 2016. Based upon the impairment analysis performed at 31 December 2015 the Company recognised an intangible asset impairment loss of $571 thousand 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 18 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 2016 review did not lead to an impairment for that period.

The Company recognised $1.1 million of research and development expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 (2015: $7.8 million).

20. TRADE AND OTHER PAYABLES

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

	2016 US$'000	2015 US$'000
Current		
Trade payables	55,082	59,475
Accrued payroll and benefits	24,000	30,383
Accrued recapitalision costs	4,150	-
Goods and services tax payable	11,128	15,452
Accrued interest	10,036	10,106
Accrued legal and environmental	1,866	5,988
Professional fees	7,351	5,507
Accrued drilling costs	2,798	3,211
Other sundry payables and accruals	10,178	14,919
	126,589	145,041

The average credit period on purchases of certain goods is 37 days (2015: 31 days). No interest is charged on the trade payables for this period. Thereafter, various percentages of interest may be charged on the outstanding balance based on the terms of the specific contracts. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

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

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

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

21. LOANS AND BORROWINGS

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

	2016 US$'000	2015 US$'000
Unsecured - at amortised cost		
Non-current		
Senior notes	284,000	284,000
Debt issuance costs	(2,473)	(3,055)
Secured - at amortised cost		
Current		
Finance lease liabilities	140	51
Non-current		
Senior notes	195,000	195,000
Term loans	190,000	190,000
Accreted interest	53,779	28,361
Revolver bank loans	17,566	-
Debt issuance costs	(3,380)	(4,780)
Finance lease liabilities	495	206
	735,127	689,783
Disclosed in the financial statements as:		
Current borrowings	140	51
Non-current borrowings	734,987	689,732
	735,127	689,783
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	140	51
Between 1 and 2 years	328,576	51
Between 2 and 3 years	156	314,494
Between 3 and 4 years	128,068	51
More than 4 years	284,040	382,971
	740,980	697,618
Debt issuance costs	(5,853)	(7,835)
	735,127	689,783

21. LOANS AND BORROWINGS (CONTINUED)

Senior notes

Senior Unsecured Notes
The Company has $284.0 million of senior unsecured notes outstanding at 31 December 2016 and 31 December 2015. 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.

Senior Secured Notes
The Company has $195.0 million of senior secured notes outstanding at 31 December 2016 and 2015. 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.

Bank Credit Facility

The Company has 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 at 31 December 2016 there was $17.6 million outstanding under this facility. In addition, there were outstanding letters of credit totalling $11.9 million that reduced the amount available to draw under the ABL commitments. As at 31 December 2015 there was no drawdown under this facility; however, there were outstanding letters of credit totalling $11.4 million that reduced the amounts 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 at 31 December 2016 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 Management Pty Ltd.

Term Loans

The Company has a term loan facility which is 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
Upon obtaining the 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 at 31 December 2016. 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.

21. LOANS AND BORROWINGS (CONTINUED)

Tranche B
As at 31 December 2016 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 do not require maintenance or testing of financial covenant ratios.

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

The Company's ABL includes a covenant that 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 2016 the Company was in compliance will all of its debt covenants.

21. LOANS AND BORROWINGS (CONTINUED)

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

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

Description	Issuer/Borrower	Guarantors
Senior Secured Notes	Boart Longyear Management Pty Limited	*Australia:* Boart Longyear Australia Pty Limited, Boart Longyear Limited and Votraint No. 1609 Pty Limited *Canada:* Boart Longyear Canada, Boart Longyear Manufacturing Canada Ltd. And Longyear Canada ULC *Chile:* Boart Longyear Chile Limitada and Boart Longyear Commercializadora Limitada *Peru:* Boart Longyear S.A.C. *Switzerland:* Boart Longyear Suisse Sarl *United States:* Boart Longyear Company, Boart Longyear Manufacturing and Distribution Inc., Longyear Holdings, Inc. and Longyear TM, Inc.
Term Loan – tranche B[1]	Same as Senior Secured Notes	Same as Term Loan tranche A
ABL	Same as Senior Secured Notes	*Australia:* Boart Longyear Australia Pty Limited, Boart Longyear Limited *Canada:* Boart Longyear Canada *United States:* Boart Longyear Company
Term Loan – tranche A[1]	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

(1) The Company entered into a $20 million credit facility with Centerbridge Partners L.P. in January 2017, subsequent to the date of the financial statements. The Company and Centerbridge also modified certain terms of Term Loans A and B. See additional disclosure in Note 33.

22. PROVISIONS

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

Employee benefits

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

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

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

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

Warranties

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

Onerous contracts

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

The following table reflects the provision balances:

	2016 US$'000	2015 US$'000
Current		
Employee benefits	9,935	13,868
Restructuring and termination costs	590	3,403
Warranty	885	319
Onerous leases	1,604	1,928
	13,014	19,518
Non-current		
Employee benefits	1,559	2,040
Pension and post-retirement benefits (Note 23)	22,435	21,315
Onerous leases	1,947	1,617
	25,941	24,972
	38,955	44,490

23. PENSION AND POST-RETIREMENT BENEFITS

Defined contribution pension plans and post-retirement benefits

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

Defined contribution plans

Pension costs represent actual contributions paid or payable by the Company to the various plans. At 31 December 2016, and 2015, there were no significant outstanding/prepaid contributions. Company contributions to these plans were $6.5 million and $7.7 million for the years ended 31 December 2016 and 2015, respectively.

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

Defined Benefit Pension Plans

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

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

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

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

Full actuarial valuations of the defined benefit pension plans were performed as at various dates and updated to 31 December 2016 by qualified independent actuaries. The estimated market value of the assets of the funded pension plans was $185.5 million and $180.5 million at 31 December 2016, and 2015, 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 2016 and 2015, of the benefits that had accrued to participants after allowing for expected increases in future earnings and pensions. Entities within the Company are paying contributions as required by statutory requirements and in accordance with local actuarial advice.

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

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

23. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

Defined Benefit Pension Plans (Continued)

Company contributions to these plans were $6.8 million and $7.0 million during the years ended 31 December 2016 and 2015, respectively. Contributions in 2017 are expected to be $10.1 million.

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

	2016		2015	
	North America	Europe	North America	Europe
Discount rates	4.0%	1.4%	4.3%	2.2%
Expected Average Rate Increases:				
Salaries	3.5%	3.0%	3.5%	3.5%
Pensions in payment	-	1.5%	-	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:

	2016			2015		
	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	1,173	-	1,173	1,372	-	1,372
Net interest expense	669	13	682	1,006	15	1,021
Past service cost	(518)	-	(518)	(49)	-	(49)
Total charge to profit and loss account	1,324	13	1,337	2,329	15	2,344

For the financial years ended 31 December 2016 and 2015, charges of approximately $1.1 million and $1.8 million, respectively, have been included in cost of goods sold and the remainder in general and administrative or sales and marketing expenses.

23. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2016			2015		
	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	201,488	356	201,844	238,258	476	238,734
Current service cost	1,173	-	1,173	1,372	-	1,372
Interest cost	7,049	13	7,062	7,115	15	7,130
Actuarial gains arising from demographic assumptions	(802)	-	(802)	(4,192)	-	(4,192)
Actuarial losses (gains) arising from financial assumptions	10,925	5	- 10,930	(6,507)	-	(6,507)
Assets distributed on settlements	-	-	-	-	-	-
Past service cost	(518)	-	(518)	(49)	-	(49)
Exchange differences on foreign plans	(1,145)	10	(1,135)	(23,465)	(73)	(23,538)
Benefits paid	(10,517)	(60)	(10,577)	(11,044)	(62)	(11,106)
Closing defined benefit obligation	207,653	324	207,977	201,488	356	201,844

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

	2016			2015		
	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	180,529	-	180,529	200,405	-	200,405
Expected return on plan assets	6,380	-	6,380	6,108	-	6,108
Actuarial gains arising from financial assumptions	4,079	-	4,079	257	-	257
Administrative expenses paid from the trust	(1,028)	-	(1,028)	(1,024)	-	(1,024)
Exchange differences on foreign plans	(729)	-	(729)	(21,157)	-	(21,157)
Contributions from the employer	6,828	60	6,888	6,984	62	7,046
Benefits paid	(10,517)	(60)	(10,577)	(11,044)	(62)	(11,106)
Closing fair value of plan assets	185,542	-	185,542	180,529	-	180,529

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

	2016 US$'000	2015 US$'000
One percentage point increase		
Effect on the aggregate of the service cost and interest cost	-	-
Effect on accumulated post-employment benefit obligation	7	8
One percentage point decrease		
Effect on the aggregate of the service cost and interest cost	-	-
Effect on accumulated post-employment benefit obligation	(7)	(8)

24. ISSUED CAPITAL

	2016		2015	
	Shares '000	US$'000	Shares '000	US$'000
Ordinary shares				
Share capital				
Ordinary shares, fully paid	940,585	1,204,291	929,062	1,202,924
Movements in ordinary shares				
Balance at beginning of year	929,062	1,202,924	634,065	1,159,069
Issued to Directors	11,243	717	-	-
Issued under capital raising program[1]	-	-	293,374	40,225
Vesting of LTIP rights, restricted shares	2,209	650	3,950	3,816
Purchase of shares for LTIP	(1,929)	- [2]	(2,327)	(186)
Balance at end of the year	940,585	1,204,291	929,062	1,202,924
Total shares outstanding	942,108	1,204,622	930,865	1,204,355
Shares held in trust	(1,523)	(331)	(1,803)	(1,431)
Balance at end of the year	940,585	1,204,291	929,062	1,202,924

	2016		2015	
	Shares '000	US$'000	Shares '000	US$'000
Convertible Preference shares				
Share capital				
Preferred shares, fully paid	434,002	59,507	434,002	59,507
Balance at end of the year	434,002	59,507	434,002	59,507
Total ordinary and convertible preference shares		1,263,798		1,262,431

(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.

(2) The Company purchased 1,928,806 shares of the Company's stock with accumulated dividends held within the trust and accordingly, there is no cost associated with this purchase.

Transaction costs on the issue of equity instruments

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

25. DIVIDENDS

No dividend has been determined for any of the half-years ended 30 June 2016, 31 December 2016, 30 June 2015 or 31 December 2015.

There are no franking credits available for the years ended 31 December 2016 or 2015.

26. COMMITMENTS FOR EXPENDITURE

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

	2016 US$'000	2015 US$'000
Capital commitments		
Purchase commitments for capital expenditures	2,030	1,398

Non-cancellable future operating lease commitments as at 31 December 2016 and 2015 consist of the following:

	31 December 2016		31 December 2015	
	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	10,476	628	8,283	1,773
2 to 5 years	14,999	931	14,550	314
After 5 years	19,333	-	1,476	-
	44,808	1,559	24,309	2,087

Description of operating leases

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

- 1 – 30 years for land and buildings with an average lease term of 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.

27. CONTINGENT LIABILITIES

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

Letters of credit

Standby letters of credit primarily issued in support of commitments or other obligations as at 31 December 2016 are as follows:

Subsidiary	Purpose	Expiration Date	Amount US $'000
Australia	Secure a facility rental	September 2017	572
United States	Secure workers compensation program	January 2017	300
United States	Secure a performance bond	June 2017	11,000
			11,872

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

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

	2016 US$'000	2015 US$'000
Less than 1 year	11,872	11,996

Guarantees

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

Legal contingencies

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

Tax and customs audits

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

27. CONTINGENT LIABILITIES (CONTINUED)

Other contingencies

Other contingent liabilities as at 31 December 2016 and 2015 consist of the following:

	2016 US$'000	2015 US$'000
Contingent liabilities		
Guarantees/counter-guarantees to outside parties	4,495	3,939

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

	Maximum credit risk	
Financial assets and other credit exposure	**2016 US$'000**	**2015 US$'000**
Performance guarantees provided, including letters of credit	16,367	15,935

28. PARENT ENTITY DISCLOSURES

Financial position

	2016 US$'000	2015 US$'000
Assets		
Current assets	311,312	360,993
Non-current assets	-	-
Total assets	311,312	360,993
Liabilities		
Current liabilities	56,026	81,046
Non-current liabilities	254,515	127,373
Total liabilities	310,541	208,419
Net Assets	771	152,574
Equity		
Issued capital	3,015,893	3,015,332
Reserves	11,690	8,571
Accumulated losses	(3,026,812)	(2,871,329)
Total equity	771	152,574

Financial performance

	2016 US$'000	2015 US$'000
Loss for the year	(155,483)	(237,161)
Total comprehensive loss	(155,483)	(237,161)

During the years ended 31 December 2016 and 2015, Boart Longyear Limited recorded a provision against intercompany accounts of $253.1 million and $307.8 million, respectively. This provision has no impact on the consolidated financial statements.

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

Other guarantees are described in Note 27.

Contingent liabilities

As at 31 December 2016 and 2015, Boart Longyear Limited did not have any contingent liabilities.

Contractual obligations

As at 31 December 2016 and 2015, Boart Longyear Limited did not have any contractual obligations.

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

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

29. COMPANY SUBSIDIARIES

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

Subsidiaries	Country of incorporation	Business	31 Dec 2016	31 Dec 2015
A.C.N. 066 301 531 Pty Ltd[2]	Australia	Dormant	100	100
Aqua Drilling & Grouting Pty Ltd.[2]	Australia	Dormant	100	100
BL Canada DDL Inc.	Canada	Holding Company	100	-
BL Canada Holdings Inc.	Canada	Holding Company	100	-
BL DDL Holdings Pty Ltd	Australia	Holding Company	100	-
BL DDL II Holdings Pty Ltd	Australia	Holding Company	100	-
BL DDL US Holdings Inc.	USA	Holding Company	100	-
BLI Zambia Ltd.	Zambia	Drilling Services	100	100
BLY Cote d'Ivoire S.A.	Ivory Coast	Drilling Services	100	100
BLY EMEA UK Holdings Ltd.	United Kingdom	Holding Company	100	100
BLY Gabon S.A.	Gabon	Drilling Services	100	100
BLY Ghana Limited	Ghana	Drilling Services	100	100
BLY Guinea S.A.[2]	Guinea	Dormant	100	100
BLY IP Inc.	USA	Holding Company	100	100
BLY Madagascar S.A.	Madagascar	Drilling Services	100	100
BLY Mali S.A.	Mali	Drilling Services	100	100
BLY Mexico Servicios S.A. de C.V.[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.[1]	United Kingdom	Dormant	-	100
Boart Longyear (Hong Kong) Limited[1]	Hong Kong	Dormant	-	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[2]	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 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

29. COMPANY SUBSIDIARIES (CONTINUED)

Subsidiaries	Country of incorporation	Business	31 Dec 2016	31 Dec 2015
Boart Longyear Limitada	Brazil	Drilling Products	100	100
Boart Longyear Limited	Ireland	Drilling Products	100	100
Boart Longyear Limited	Thailand	Drilling Services	100	100
Boart Longyear LLC	Russia Federation	Drilling Products	100	100
Boart Longyear Management Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Manufacturing Canada Ltd.	Canada	Drilling Products	100	100
Boart Longyear Manufacturing and Distribution Inc.	USA	Drilling Products	100	100
Boart Longyear Netherlands BV	Netherlands	Holding Company	100	100
Boart Longyear Poland Spolka Z.o.o.	Poland	Drilling Products and Services	100	100
Boart Longyear Products KZ LLP	Kazakhstan	Drilling Products	100	100
Boart Longyear RUS	Russia Federation	Drilling Services	100	100
Boart Longyear S.A.C.	Peru	Drilling Products and Services	100	100
Boart Longyear Saudi Arabia LLC[2]	Saudi Arabia	Drilling Services	100	100
Boart Longyear Sole Co., Limited	Laos	Drilling Services	100	100
Boart Longyear Suisse Sàrl	Sw itzerland	Holding Company	100	100
Boart Longyear Ventures Inc.	Canada	Holding Company	100	100
Boart Longyear Vermogensverw altung GmbH	Germany	Holding Company	100	100
Boart Longyear Zambia Limited	Zambia	Drilling Products	100	100
Cooperatief Longyear Holdings UA	Netherlands	Holding Company	100	100
Dongray Industrial Limited [2]	United Kingdom	Dormant	100	100
Drillcorp Pty Ltd	Australia	Drilling Services	100	100
Geoserv Pesquisas Geologicas S.A.	Brazil	Drilling Services	100	100
Grimw ood Davies Pty Ltd	Australia	Drilling Services	100	100
Inavel S.A.	Uruguay	Drilling Services	100	100
J&T Servicios, S.C.[1]	Mexico	Dormant	-	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
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 2016.
(2) This entity is currently in liquidation status.

30. Related Party Transactions

Transactions with key management personnel

(i) Key management personnel compensation

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

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

None.

31. CASH AND CASH EQUIVALENTS

Included in the cash balance at 31 December 2016 is $6.9 million of restricted cash and at 31 December 2015 $7.0 million of restricted cash. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to the Company's ABL facility as well as restrictions to secure facility leases.

32. 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 (2014) 'Financial instruments', and the relevant amending standards	1 January 2018	31 December 2018
- AASB 15 'Revenue from Contracts with Customers' and the relevant amending standards	1 January 2018	31 December 2018
- AASB 16 'Leases'	1 January 2019	31 December 2019

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

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
- AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	31 December 2017
- AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	31 December 2017
- AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-Based Payment Transactions'	1 January 2018	31 December 2018

33. SUBSEQUENT EVENTS

On 5 January 2017, the Company entered into a $20 million delayed draw term loan ("DDTL") with Centerbridge Partners L.P. The DDTL has been established to provide additional financial resources to support ongoing restructuring discussions with the Company's lenders as well as to provide additional working capital in the first quarter of 2017. The Company drew the available $20 million balance on 13 February 2017.

The material terms of the DDTL are, as follows:

- Commitment of $20 million in aggregate principal amount;
- Secured by $50 million of collateral in the form of certain of the Company's drilling rigs in the United States, Canada and Australia;
- Maturity date of 31 December 2020;
- Interest Rate of 12% per annum payable in kind or 10% payable in cash at the Company's option, in each case payable quarterly in arrears; and
- Other customary terms and conditions, including customary covenants and events of default that are substantially the same as those in the Centerbridge Term Loans A and B.

In conjunction with the execution of the DDTL, the Company and Centerbridge have also modified certain terms of Term Loans A and B, which were entered into as part of the Centerbridge-led recapitalisation in 2015, as follows:

- The maturity dates for Term Loans A and B have been amended from 1 October 2020 and 1 October 2018, respectively, to 3 January 2021
- The interest rate for both Terms Loans A and B has been amended from 12% per annum payable in kind to either 12% payable in kind or 10% payable in cash at the Company's option;
- The period for the make-whole obligations under Term Loans A and B has been extended to 3 January 2021;
- The Company must at all times maintain at least 90% of all its US, Canada and Australia tangible assets, including the collateral for the DDTL, as collateral supporting Term Loans A and B.