

**ASX ANNOUNCEMENT (ASX:BLY)**

20 April 2022

ASX Markets Announcement Officer  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

**BY ELECTRONIC LODGEMENT****2021 ANNUAL REPORT**

Please find attached for release to the market, Boart Longyear Group Limited's 2021 Annual Report.

**Authorised for lodgement by:**

Nicholas R. Nash  
Company Secretary

**About Boart Longyear**

Established in 1890, Boart Longyear is in its 132nd year as the world's leading provider of drilling services, orebody-data-collection technology, and innovative, safe and productivity-driven drilling equipment. With its main focus in mining and exploration activities spanning a wide range of commodities, including copper, gold, nickel, zinc, uranium, and other metals and minerals, the company also holds a substantial presence in the energy, oil sands exploration, and environmental sectors.

The Global Drilling Services division operates for a diverse mining customer base with drilling methods including diamond coring exploration, reverse circulation, large diameter rotary, mine dewatering, water supply drilling, pump services, production, and sonic drilling services.

The Geological Data Services division utilises innovative scanning technology and down-hole instrumentation tools to capture detailed geological data from drilled core and chip samples. This valuable orebody knowledge gives mining companies the ability to make timely decisions for more efficient exploration activities.

The Global Products division offers sophisticated research and development and holds hundreds of patented designs to manufacture, market, and service reliable drill rigs, innovative drill string products, rugged performance tooling, durable drilling consumables, and quality parts for customers worldwide.

**ASX ANNOUNCEMENT (ASX:BLY)**

Boart Longyear is headquartered in Salt Lake City, Utah, USA, and listed on the Australian Securities Exchange in Sydney, Australia (ASX:BLY). More information about Boart Longyear can be found at [www.boartlongyear.com](http://www.boartlongyear.com). To get Boart Longyear news direct, follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

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# **BOART LONGYEAR<sup>TM</sup>** **ANNUAL REPORT 2021**

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## CORPORATE GOVERNANCE STATEMENT

Our Corporate Governance Statement may be found at [www.boartlongyear.com/corporate-governance](http://www.boartlongyear.com/corporate-governance)

## WHO WE ARE

Established in 1890, Boart Longyear is the world's leading provider of innovative drilling services, manufacturer of productivity-driven drilling equipment, and developer of orebody-data technology that is revolutionising the future of mineral development. With its rich heritage from 132 years of operations, the Company continues to build value for customers worldwide.

Drilling Services is the industry-leading global provider of drilling services to the mining sector as well as the world's largest, specialised, and diversified driller.

Global Products offers the most advanced technology tooling and drill rigs, specifically engineered for long life and high performance while boasting world-class safety features.

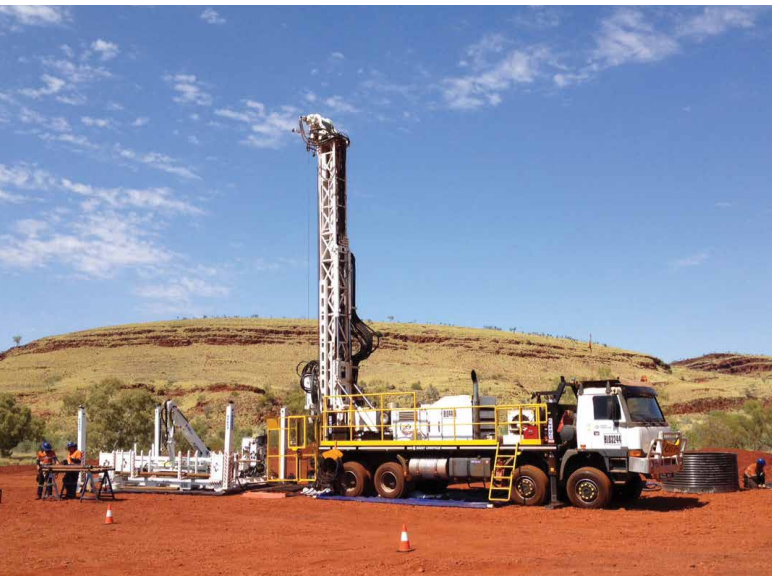
Geological Data Services (GDS) is redefining the future of mineral exploration by providing customers with secure, accurate geological data to confidently make critical development decisions faster and more cost effective on site.

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

Cash from Operations excludes interest and tax.



# THREE DIVISIONS DRIVING LONG-TERM GROWTH



## DRILLING SERVICES

- Industry-leading global provider of drilling services and largest, specialised and diversified driller
- Focused on copper, gold, nickel, lithium, zinc, and uranium
- Drilling methods include diamond coring exploration, reverse circulation, large diameter rotary, production, sonic, mine dewatering, water supply drilling, and pump services
- Operates in 17 countries with almost 4,050 employees who operate more than 310 rigs

## GLOBAL PRODUCTS

- Offers the most advanced technology tooling and drill rigs, specifically engineered for long life and high performance while boasting world-class safety features
- Manufactures drill rigs, drill string products, performance tooling, drilling consumables, and quality parts for customers worldwide
- Sells products in 91 countries, has almost 950 employees and six manufacturing sites around the globe



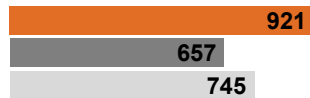
## GEOLOGICAL DATA SERVICES

- Revolutionising the future of mineral exploration through in-field disruptive technologies providing customers with the right insights at the right time in the right way so they can safely, rapidly and accurately make critical development decisions in a cost-effective manner
- Utilises innovative scanning technology and down-hole instrumentation tools to capture detailed geological data from drilled core and chip samples
- More than 65 employees worldwide

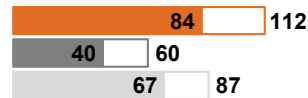
# 2021 OVERVIEW

2021 2020 2019  
\*US\$ in millions

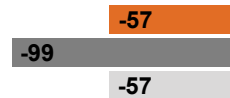
**Revenue**  
**\$921m**



**Adjusted EBITDA**  
**\$112m**  
EBITDA \$84m



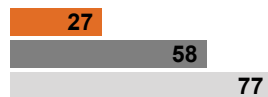
**Net Profit After Tax**  
**\$-57m**



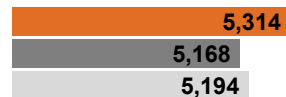
**Net Debt**  
**\$164m**



**Cash from Operations**  
**\$27m**



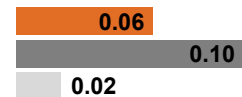
**Number of Employees**  
**5,314**



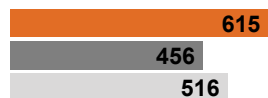
**Safety**  
**TCIR 1.31**



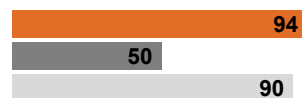
**Safety**  
**LTIR 0.06**



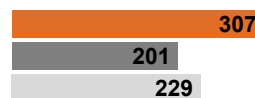
**Drilling Services Revenue**  
**\$615m**



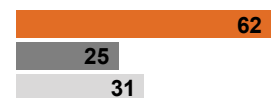
**Drilling Services EBITDA**  
**\$94m**



**Products\* Revenue**  
**\$307m**

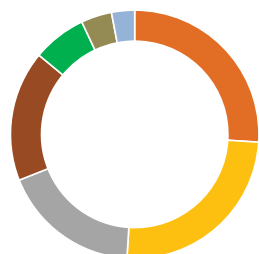


**Products EBITDA**  
**\$62m**



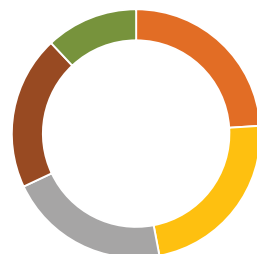
\*Includes GDS revenue

**Company Revenue (Products and Services)**



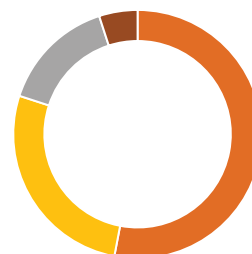
Performance Tooling	26%
Surface Coring	25%
Underground Coring	18%
Rotary/RC	17%
Drilling Equipment	7%
Production Drilling	4%
Other	3%

**Company Revenue by Region (Products and Services)**



USA	24%
Asia Pacific	23%
Canada	21%
EMEA	20%
Latin America	12%

**Drilling Services Revenue by Stage**



Development (Near Mine/Brownfield)	53%
Production (In-Pit)	27%
Exploration (Greenfield)	15%
Non-Mining	5%

**Products Revenue by Category**



Exploration Tooling	36%
Production Tooling	25%
Drilling Equipment	14%
Capital Spares	14%
E&I Tooling	11%

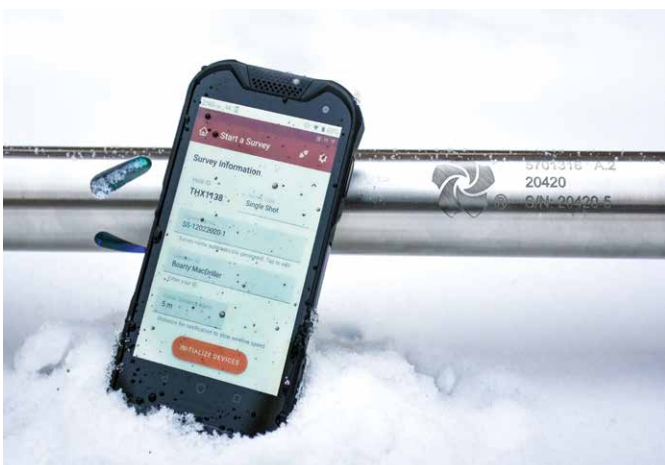


## MAKING SAFETY PERSONAL

Our goal is to add value with zero harm – leading our industry with our employees returning home safely each day and performing our work with minimal impact to our neighbours and the environment

## 130+ YEARS OF INNOVATION

We have a proud pioneering history based on more than 130 years of operations and innovations, which includes more than 400 patents and over 400 trademarks



## REVOLUTIONARY OREBODY TECHNOLOGY

We utilise innovative scanning technology and down-hole instrumentation tools to capture detailed geological data from drilled core and chip samples





**“ Boart Longyear is reinvigorated and ready to take advantage of the many opportunities presented by industry growth. ”**

Dear Shareholders,

It's an honour for me to be recently appointed chair of the board at Boart Longyear. Since joining the board two years ago, I have witnessed tremendous strides taken to successfully navigate the simultaneous challenges of robust growth, a global pandemic and recapitalisation. Boart Longyear is reinvigorated and ready to take advantage of the many opportunities presented by industry growth.

Exploration budgets are on the rise, something we expect to continue in 2022. This very positive news follows from high commodity prices, increasing demand for minerals, and improving operating conditions as pandemic restrictions ease. This is also contributing increasing funding into junior and intermediate exploration companies, further increasing demand for the quality services and dependable equipment that Boart Longyear brings to the industry.

The company's management team made great strides during 2021 to grow the business. Working with our respected lenders, we achieved overwhelming support and completed a comprehensive recapitalisation in September. Growing revenue, improved operating costs, lower interest expense, and a significantly delevered balance sheet all contribute to enhance the company's liquidity and place Boart Longyear in a much stronger position.

We are encouraged by the increased demand and stronger ore prices seen throughout last year with continuing





# CHAIRMAN'S REPORT

momentum in 2022. Boart Longyear's global footprint, experience, expertise, and cutting-edge products, place the company in a prime position to assist mining companies in their exploration and production activities.

The board works closely with Boart Longyear's management team to ensure continual investment in the development of innovative equipment and technology. We are also constantly looking for better ways of doing things while driving profitable revenue growth and improving stockholder value. Enhanced safety is always at the forefront of the company's efforts to make sure that our team always returns home safely.

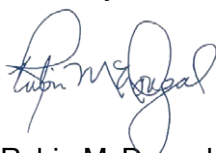
The exploration industry's acceptance and response to our company's Geological Data Services and instrumentation offerings is exciting. These innovative tools have proven their ability to change the way mining companies define and understand their ore bodies. Combined with the company's specialised and targeted drilling techniques and faster, longer-lasting drill rods and bits, geologists are able to quickly access accurate orebody data and provide precise recommendations to mining companies. The speedy capture and turnaround of essential

geological data lessens disturbance to the environment, increases exploration efficiencies, informs decisions, and reduces the costs of exploration operations.

We have also enhanced our environmental, social and governance (ESG) programs and are looking forward to issuing our first standalone ESG report shortly. Our ESG work is evolving, we have a positive story to tell and plan to continuously improve.

We are proud of what the company has accomplished this past year and are anticipating continued success for Boart Longyear for many years to come.

Sincerely,



Rubin McDougal  
Board Chair



# CEO'S REPORT

Dear Shareholders,

Boart Longyear reached a pivotal point in its history during 2021. Through the diligent efforts and support of our employees, partners, and shareholders, the company is now in a much stronger position for sustainable growth.

In September, approval of the recapitalisation process cleared the way for restructuring the company's US\$795 million of debt into 98.5% of our equity. With a substantially reduced net debt of US\$164 million at year's end, the company now enjoys a strong balance sheet and enhanced liquidity.

Additional advantages were gained with the completion of the re-domiciliation of Boart Longyear's legal entity to Canada. Now with a simplified corporate structure, this cost-saving move provides access to a broader investment pool and aligns with the increasingly North American shareholder base where our global headquarters are located.

And of utmost importance, we are proud of the exceptional safety performance we have achieved again over this last year. The company's Lost Time Incident Rate (LTIR) of 0.06 was the company's second lowest in history, which indicates our commitment to

ensuring our people are properly trained, remain safe and healthy, and are always protected.

Although the far-reaching impact of a global pandemic has presented challenges on many fronts, business operations have been performing well with growth in all parts of our business. Supply chain issues, labor shortages, and inflation have been challenging which required us to adjust for cost and wage increases while maintaining high customer satisfaction.

We've experienced renewed investment in the mining and exploration industries and greater demand for our products and services. The results are encouraging as we saw a 40% increase in revenues over the prior year, bringing the total revenue to US\$921 million in 2021.

By the fourth quarter of 2021, Drilling Services showed volumes approaching levels last seen in 2013 and ended the year with a 35% increase in revenue growth. The growing demand for drilling equipment grew Global Products revenues by 53%, which created a healthy average backlog of US\$66 million. Increased acceptance of Geological Data Services offerings grew revenues 85% over 2020 for TruCore™ and TruShot™ products, and 100% revenue gain for TruScan™ technology.



**" The business is strong and we are confident in the company's direction. "**



The company's reduced debt, encouraging revenues, and greater optimism in the industry due to higher demand and promising metals prices, have all placed Boart Longyear in a strong position to take advantage of market opportunities. At year end, our liquidity reached \$47 million comprised of cash balances totaling US\$26 million and a further US\$21 million available under the company's asset-backed loan facility. The company's financial stability supports future growth and has allowed us to invest US\$58 million into equipment and facility upgrades.

Completing 2021 with so many achievements has given us a better foundation upon which to build. Boart Longyear is well positioned as the most respected drilling company leader in the mining and exploration industries and provider of drilling products. Our new technologies are quickly gaining acceptance and will provide a new foundation for growth for Boart Longyear. We have a solid track record of safety; we have a global presence close to our customers; we have innovative products and equipment that are industry-leading; and we have top-notch service which helps customers meet and exceed their objectives.

The business is strong, and we are confident in the company's direction. With our global team of hard-working employees, we will continue to bring value to our customers and to our stakeholders for many years to come.

Yours sincerely,

A stylized handwritten signature in black ink.

Jeff Olsen  
President and CEO





# FINANCIAL REPORT

**BOART LONGYEAR GROUP LTD.**

A.R.B.N. 652 848 103  
ANNUAL FINANCIAL REPORT  
YEAR ENDED 31 DECEMBER 2021





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## DIRECTORS' REPORT

The Directors present their report together with the financial report of Boart Longyear Group Ltd. (the "Parent" or "Boart Longyear") and its controlled entities (collectively the "Company") for the financial year ended 31 December 2021 (the "financial year") and the Independent Auditor's Report thereon.

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

### DIRECTORS

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

<u>Directors</u>	<u>Position</u>
Rubin McDougal <sup>1</sup>	Non-Executive Chairman
Kevin McArthur <sup>2</sup>	Non-Executive Chairman
Tye Burt	Non-Executive Director
Lars Engström <sup>3</sup>	Non-Executive Director
Jason Ireland <sup>2</sup>	Non-Executive Director
James Kern <sup>2</sup>	Non-Executive Director
Paul McDonnell <sup>3</sup>	Non-Executive Director
Jeffrey Olsen	Executive Director
Thomas Schulz <sup>3</sup>	Non-Executive Director
Robert Smith <sup>2</sup>	Non-Executive Director
Conor Tochilin	Non-Executive Director
Bao Truong <sup>3</sup>	Non-Executive Director

- (1) Rubin McDougal was appointed Non-Executive Chairman of the Board effective 16 November 2021.  
 (2) Kevin McArthur, Jason Ireland, James Kern, and Robert Smith stepped down from the Board effective 16 November 2021.  
 (3) Lars Engström, Paul McDonnell, Thomas Schulz, and Bao Truong were appointed to the Board effective 16 November 2021.

For a summary of experience and qualifications for each Director, see the Board of Directors section on page 31 of this Report.

### COMPANY SECRETARIES

Alex Nikolic (appointed as interim secretary 5 November 2021)  
 Nora Pincus (through 5 November 2021)  
 Philip Mackey (through 10 December 2021)

### PRINCIPAL ACTIVITIES

Established in 1890, Boart Longyear is heading into its 132nd year as the world's leading integrated provider of drilling services, drilling equipment and performance tooling for mining and mineral drilling companies globally. With its main focus in mining and exploration activities spanning a wide range of commodities, including copper, gold, nickel, zinc, uranium, and other metals and minerals, the Company also holds a substantial presence in the energy, oil sands exploration, and environmental sectors.

The Global Drilling Services division operates for a diverse mining customer base with drilling methods including diamond coring exploration, reverse circulation, large diameter rotary, mine dewatering, water supply drilling, pump services, production, and sonic drilling services.

The Global Products division offers sophisticated research and development and holds hundreds of patented designs to manufacture, market, and service reliable drill rigs, innovative drill string products, rugged performance tooling, durable drilling consumables, and quality parts for customers worldwide.

The Geological Data Services business, included within our Global Products division, utilises innovative scanning technology and down-hole instrumentation tools to capture detailed geological data from drilled core and chip samples. This valuable orebody knowledge gives mining companies the ability to make timely decisions for more efficient exploration activities.

These strategic advantages, combined with the Company's global footprint, have allowed the Company to establish and maintain long-standing relationships with a diverse and blue-chip customer base worldwide that includes many of the world's leading mining companies. With more than 130 years of drilling expertise, the Company believes its  insignia and brand represent the gold standard in the global mineral drilling industry.



Boart Longyear is headquartered in Salt Lake City, Utah, USA, and listed on the Australian Securities Exchange in Sydney, Australia (ASX: BLY). More information about Boart Longyear can be found at [www.boartlongyear.com](http://www.boartlongyear.com). To get Boart Longyear news direct, follow us on Twitter, LinkedIn and Facebook.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

### **Recapitalisation and Re-domiciliation**

As announced to the Australian Securities Exchange Limited ("ASX") on 24 September 2021, Boart Longyear implemented a previously announced Creditors' Scheme ("Recapitalisation") that substantially reduced the Company's debt, strengthened its balance sheet, lowered interest expense, and enhanced the liquidity of the Company to support operations and future growth. Pursuant to the terms of the Recapitalisation, \$829.7 million of debt and accrued interest costs were cancelled in exchange for the Company's equity.

On 8 September 2021, the re-domiciliation of the Company to Canada was approved by the Company's shareholders. In accordance with the terms of the re-domiciliation, on 5 October 2021, Boart Longyear Group Ltd. acquired all the issued shares in Boart Longyear Limited from existing Boart Longyear Limited shareholders and subsequently listed on the ASX. For financial statement purposes, this transaction has been accounted for as a continuation of the existing business.

### **COVID-19**

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. During the second quarter of 2020, the Company's business was significantly impacted by the COVID-19 pandemic due to government-imposed measures to prevent or reduce its spread. As a result, beginning in March 2020, the Company implemented its business continuity plan to protect the health and well-being of employees while ensuring ongoing operations sustainability; transitioning of corporate and regional office staff to work from home; and ceasing all non-essential international and domestic travel.

For the year ended 31 December 2021, the Company has seen improvements to the business and a return to pre-COVID-19 activity. While the Company believes the worst of the impacts of COVID-19 on the business have been felt, there remains a level of uncertainty.

### **DIVIDENDS**

No dividends have been paid during the financial year.

## REVIEW OF OPERATIONS<sup>1</sup>

### 1. Safety Performance, Market Conditions and Strategies

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#### 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, which includes our Geological Data Services.

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.

The global reach and full breadth of drilling discipline offerings of our Global Drilling Services division has made it a leading drilling partner for many of the world's major mining companies and junior explorers alike. We complement over 130 years of drilling experience with rigorous safety and training programs to ensure that we continue to develop and retain safe, knowledgeable, and productive drilling teams. Through ongoing investment in our fleet, we deliver results with modern, safe, productive rigs that are suited to the specific environments and geographies in which we operate. While we maintain a base of operations in the majority of the world's most prospective jurisdictions, we remain committed to supporting our customers as they pursue exploration opportunities in new areas.

In the Global Products division, supply to our current customers, new customers and future growth are driven by strong brands, technical innovation, expertise, strong field support and value-added products to meet customers' varied drilling applications. Our engineering and product management teams pursue new products as well as continuous improvements to benefit both the mining and construction markets in applications including exploration, blast hole, and sonic drilling. Some recently introduced products continue to gain momentum globally. This includes the LF160 surface coring drill rig with added features in 2021 which, when paired with our hands-free Freedom Loader, sets a new benchmark in productivity and safety. Our patented Longyear™ diamond coring bits demonstrate increased productivity by drilling faster, lasting longer, or both. Also patented, the innovative XQ™ coring rod continues to expand in the market and demand is growing thanks to ease of use, unsurpassed depth capacity, and superior wear life. In percussive tooling for blast hole drilling applications, our line of DriftMaster™ drill rods is expanding both in product offering and customer adoption for underground mining applications.

In Geological Data Services, TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey instrument is the second offering in a future suite of tools and is expanding globally. We are using our TruScan™ geological sample field screening technology at several mine sites with several mining customers and the demand for this technology continues to grow as demand for digital technologies associated with logging and geochemistry grows from our mining customers. In 2021 we launched our TruSub™ drill rig performance monitoring technology. TruSub™ is a digital drill sub technology that fits between the drill head and drill rods. TruSub™ allows for direct digital measurement of key drilling parameters that can be viewed in real time at the drill site and in the cloud to drive drilling productivity for both the drilling contractor and the mining client. We are currently operating our TruSub™ technology at mine sites and will be further rolling out this technology with our Drilling Services division and third-party customers later this year. In the first half of 2022, we will be entering the gyro borehole survey space with our TruGyro technology. TruGyro offers significant advantages over other technologies in the market and should quickly gain market adoption in 2022. These instruments are part of our strategy to be the global technology leader in providing unified orebody knowledge to mining companies through our Geological Data Services business.

Our capital structure exposes us to a variety of market, operational and liquidity risks. As at 31 December 2021, cash flows from operating activities was \$3.2 million. This represents a decrease of \$46.2 million over 2020 cash flows from operating activities of \$49.4 million. This decrease is primarily due to increases in inventory caused by global supply chain challenges and restructuring fees related to the Recapitalisation offset by increased cash generated from higher revenues and earnings.

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

## 1.2 Safety Performance

Each year Boart Longyear strives to continuously improve safety performance. Health and Safety is a core company value at Boart Longyear along with Integrity, Customer Focus, and Teamwork which is not only expected from our employees, but also drives value for our customers and stakeholders. Through our company initiatives and robust safety programs, Boart Longyear builds trust with our employees, customers, and all stakeholders.

For the year ending 31 December 2021, the Company's world class performance on key indicators includes a Total Case Incident Rate ("TCIR") of 1.31 and Lost-Time Injury Rate ("LTIR") of 0.06. Both TCIR and LTIR rates are calculated based on 200,000 hours worked. During the year ending 31 December 2021, our employees experienced 82 injuries that required some medical treatment or job restriction; four of those injuries resulted in lost work time. The 2021 focus has been on leading indicators, critical control verifications and empowering employees to utilise our Environmental, Health, Safety and Training fundamentals.

## 1.3 Impact of Market Conditions

Global nonferrous exploration budgets grew 35% in 2021, to \$11.2 billion. The price of gold and base metals, which traditionally drive the bulk of exploration spend, remained at healthy, elevated levels throughout the year, contributing to a 2022 forecast of further, if moderated, 5% to 15% growth in global nonferrous exploration budgets, according to S&P Global Market Intelligence.

One of the primary drivers of demand for base metals has been the growing shift to "green" energy. This is particularly evident in the increasing market traction of electric vehicles ("EVs"), with nearly all major automobile manufacturers having, within the past year, announced plans for major investments in EV development, and racing to secure long-term supply contracts for the key metals required for EV production. This race for supply is seen in the price of lithium—a key EV battery metal—which rose 5x in the second half of the year, and is a harbinger of the growing demand for copper, nickel, and other key battery metals. Analysts are increasingly voicing the need for a significant and sustained increase in exploration spend in order to discover and develop the supply to meet this growing demand.

Boart Longyear prioritizes the health and safety of our employees, the employees of our customers, and of the members of the communities in which we work. Throughout the COVID-19 pandemic, we have actively engaged with each of these constituencies and implemented measures to safeguard their health. While the Company and its customers have largely adapted to operating safely in an environment of ongoing COVID-related risks, the uncertainty around the timing and location of outbreaks, and the restrictions imposed by various jurisdictions in an effort to manage such outbreaks, continues to create challenges to efficient operation. However, the Company continues to work closely with its employees and customers to ensure the safe continuity of operations to the degree possible at each site.



## 1.4 Objectives and Strategies

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

We are committed to driving long-term shareholder value by executing on several key initiatives to improve our commercial practices. In our Global Drilling Services division, we are committed to improving safety, productivity, and profitability through:

- Focusing on operational efficiencies and productivity across the organisation, particularly at the drill rig level;
- Optimising the commercial organisation to drive value through the contracting and pricing processes;
- Leveraging the supply chain function across the business; and
- Controlling selling, general and administrative ("SG&A") and other overhead related costs.

In the Global Products division, we continue to maintain our market leadership with the recent commercialisation of new products such as our LF160 surface coring drill with its added capabilities in 2021 with the Freedom loader, our patented Longyear™ diamond bits, DriftMaster™ drill rods for blast-hole applications, other new products in our Production Tooling product line and our XQ coring rods for exploration drilling. These newer products complement the well-respected lines of existing products that customers have come to rely on from Boart Longyear.

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

Ultimately, our goal is operational excellence to help us address the risks and challenges of the mining industry cycle while also preserving the significant upside that we may realise in our operations as market conditions change and our operating leverage improves as a result of our significantly improved cost structure and operating performance. We are also capitalising on longer-term growth opportunities through investment in technologies that will broaden our customer offerings.

## 2. Financial and Operating Highlights

	For the year ended 31 December			
	2021	2020		
	US\$ Millions	US\$ Millions		
	(except share data)	(except share data)	\$ Change	% Change
Key financial data				
Revenue	921.4	657.3	264.1	40.2 %
NPAT <sup>1</sup>	(57.4)	(98.8)	41.4	41.9 %
Non-IFRS EBITDA <sup>2</sup>	84.2	40.3	43.9	108.9 %
Non-IFRS Adjusted EBITDA <sup>2</sup>	112.0	60.1	51.9	86.4 %
Operating (loss) profit	35.7	(0.7)	36.4	5,200.0 %
Cash provided by operations	26.6	57.6	(31.0)	(53.8)%
Net cash flows generated operating activities	3.2	49.4	(46.2)	(93.5)%
Capital expenditures (accrual)	59.0	32.0	27.0	84.4 %
Capital expenditures (cash)	58.2	32.1	26.1	81.3 %
Weighted Average number of ordinary shares <sup>3</sup>	83.5	4.4	79.1	1,797.7 %
Loss per share (basic and diluted)	(68.7) cents	(2,245.2) cents	2,176.5 cents	96.9 %
Average BLY rig utilisation	48%	37%	11%	29.7 %
Average Fleet size	647	683	(36)	(5.3)%

(1) NPAT is 'Net profit after tax'.

(2) EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before major restructuring initiatives, impairments of assets, and other significant and non-recurring transactions outside the ordinary course of business'. These items are identified by management as not representing the underlying performance of the business. Adjusted EBITDA is not a comprehensive representation of all the significant transactions the Company recognised throughout the year. For example, it includes government aid received throughout the business for COVID-19 relief as well as gains from sales of assets. On the other hand, it excludes costs incurred to quarantine crews unable to work as a result of COVID-19, contract termination costs, legal fees, and indirect tax write-offs. Refer to 3.3 'Significant Items' on Page 10.

(3) On 23 September 2021, the Company completed a consolidation of issued capital on a basis that every 20 shares be consolidated into 1 share. The comparative information has been restated as a result of share consolidation as discussed in Note 2 and Note 12.

## 3. Discussion and Analysis of Operational Results and the Income Statement

### 3.1 Revenue

Revenue for the year ended 31 December 2021 of \$921.4 million increased by 40.2%, or \$264.1 million, compared to revenue for the prior year ended 31 December 2020 of \$657.3 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.

As exploration spend in the industry has continued to rise, the Company has witnessed very strong revenues during the year ended 31 December 2021. Some of those volume increases also stem from post-COVID returns to normalcy across the globe. The Company has seen a steady resumption of exploration activity as well as an increase in bidding activity. While constraints on cash and capex to support demand continue to be concerns, we remain confident in and vigilant of projections as we plan and bid for new contracts.

### 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					
	2021			2020		
	US\$ Millions			US\$ Millions		
	As reported	Significant items	Non-IFRS adjusted balance	As reported	Significant items	Non-IFRS adjusted balance
<b>Continuing operations</b>						
Revenue	921.4	—	921.4	657.3	—	657.3
Cost of goods sold	(747.6)	(0.1)	(747.7)	(559.8)	5.5	(554.3)
Gross margin	173.8	(0.1)	173.7	97.5	5.5	103.0
Other income	20.6	(15.4)	5.2	5.8	—	5.8
General and administrative expenses	(125.0)	42.6	(82.4)	(69.8)	5.5	(64.3)
Sales and marketing expenses	(20.6)	0.5	(20.1)	(17.0)	0.5	(16.5)
Significant items	—	(27.8)	(27.8)	—	(19.8)	(19.8)
Other expenses	(13.1)	0.2	(12.9)	(17.2)	8.3	(8.9)
Operating (loss) profit	35.7	—	35.7	(0.7)	—	(0.7)

Gross margin in 2021 increased to 18.9% compared to 15.7% in 2020. The improvements in gross margin were a result of increased demand as a result of industry exploration rising. The Company has also implemented strategic initiatives around pricing, capex, and hiring in order to sustain higher volumes, while also remaining vigilant of costs in raw materials and labour. The steps taken during 2021 by the Executive team have been measured to ensure that Boart Longyear will continue fulfilling customer needs and demands.

The total of other income, general and administrative expenses ("G&A"), sales and marketing expenses ("S&M") and other expenses (adjusted for significant items) of \$110.2 million in 2021 was 31.3% more than 2020 of \$83.9 million. The higher costs compared to 2020 is a result of increased selling, general and administrative ("SG&A") cost to meet higher activity levels as well as normalisation after the 2020 COVID response plan reduction.



### 3.3 Significant Items

During the years ended 31 December 2021 and 2020, the Company incurred the following restructuring expense, recapitalisation costs and impairment charges:

US\$ Millions	For the year ended 31 December	
	2021 US\$ Millions	2020 US\$ Millions
<b>Operating profit (loss)</b>	35.7	(0.7)
Depreciation Expense	43.0	37.6
Amortisation Expense	5.5	3.4
<b>Non-IFRS EBITDA <sup>1</sup></b>	84.2	40.3
Recapitalisation costs <sup>2</sup>	37.7	—
<b>Impairments</b>		
Property, plant and equipment	—	8.3
Intangible assets	0.5	0.5
Inventories	—	5.0
Employee and related costs	—	1.3
Other restructuring expenses	1.0	4.7
Fair value adjustment on warrant liabilities	(11.6)	—
Other non-recurring items	0.2	—
<b>Total of significant and non-recurring items</b>	27.8	19.8
<b>Non-IFRS Adjusted EBITDA <sup>1</sup></b>	<b>112.0</b>	<b>60.1</b>

- (1) Non-IFRS EBITDA is 'Earnings before interest, tax, depreciation and amortisation'. Non-IFRS Adjusted EBITDA is 'Earnings before interest, tax, depreciation and amortisation and before major restructuring initiatives, impairments of assets, and other significant and non-recurring transactions outside the ordinary course of business'. These items are identified by management as not representing the underlying performance of the business. Non-IFRS Adjusted EBITDA is not a comprehensive representation of all the significant transactions the Company recognised throughout the year. For example, it includes government aid received throughout the business for COVID-19 relief as well as gains from sales of assets. On the other hand, it excludes costs incurred to quarantine crews unable to work as a result of COVID-19, contract termination costs, legal fees, and indirect tax write-offs.

- (2) Recapitalization costs are shown net of a \$3.7 million restructuring gain recorded on the Recapitalization. See Note 2.

Significant items increased to \$27.8 million during the year ended 31 December 2021 (2020: \$19.8 million for the comparable period). Although no significant impairments charges were required through 31 December 2021 the increase is predominately due to Recapitalisation charges of \$41.4 million for advisory fees, legal fees, independent expert fees and other administrative fees associated with the Recapitalisation offset by the gain on the debt recapitalisation of \$3.7 million. See Note 2. Total significant items were partially offset by an \$11.6 million gain related to the fair value adjustment on warrant liabilities. See Note 25.

#### 4. Discussion and Analysis of Cash Flow

	For the year ended 31 December			
	2021	2020	\$ Change	% Change
	US\$ Millions	US\$ Millions		
Cash provided by operations	26.6	57.6	(31.0)	(53.8)%
Net cash flows provided by operating activities	3.2	49.4	(46.2)	(93.5)%
Net cash flows used in investing activities	(52.5)	(26.9)	(25.6)	(95.2)%
Net cash flows provided by (used in) financing activities	52.7	(18.9)	71.6	378.8 %

##### 4.1 Cash Flow Provided by Operating Activities

Cash flow from operating activities for the year ended 31 December 2021 was \$3.2 million, which is a decrease of \$46.2 million compared to 2020 of \$49.4 million. The primary reasons were increases in inventory due primarily to global supply chain challenges, increased receivable balances resulting from strong year-over-year sales, and restructuring fees related to the recapitalisation offset by increased cash generated from higher EBITDA and payables balances.

The Company invested \$58.2 million in capital equipment to support existing operations during 2021, which is more than the comparable prior period (2020: \$32.1 million). Of the 2021 amount, \$16.9 million was spent on new rig purchases, \$23.4 million was spent on refurbishing current rigs and other support equipment, and \$17.9 million was spent on product development activities, including Geological Data Services, engineering and patent maintenance. Capital expenditures in 2021 have been partially offset by proceeds from the sale of property, plant and equipment of \$5.7 million (2020: \$5.2 million). The Company continues to place significant emphasis around the capital allocation and approval process in order to meet demand.

The increase in cash flows provided by financing activities is primarily due to borrowings related to the recapitalisation and to facilitate increased revenues.

#### 5. Discussion of the Balance Sheet

The net liabilities of the Company decreased by \$739.9 million, to net assets of \$270.5 million as at 31 December 2021, compared to a net liability of \$469.4 million as at 31 December 2020. The change from net liabilities to net assets resulted primarily from the reduction in debt related to the Recapitalisation and an increase in accounts receivables and inventories.

Total assets of \$708.6 million were \$98.9 million higher than 2020 of \$609.6 million primarily as a result of the increase in accounts receivables, inventories and property, plant and equipment that resulted from improved market conditions.

Total liabilities decreased by \$640.9 million to \$438.1 million compared to \$1.1 billion in 2020. This is primarily driven by the reduction of debt related to the Recapitalisation partially offset by the addition of a new term loan.

## Liquidity and Debt Facilities

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

Description	Principal outstanding as at 31 December 2021 US\$ Millions	Original issue discount	Interest rate	Scheduled maturity	Security
ABL <sup>1,3</sup>	\$40.0	Nil	Variable <sup>2</sup>	12 May 2025	First lien on the Working Capital Assets of the ABL borrower and guarantors and a third lien on substantially all of the Non-Working Capital Assets of the ABL borrower and guarantors, including equipment, intellectual property and the capital stock of subsidiaries (but excluding real property), and in any case excluding assets of BLY IP, Inc., Boart Longyear Suisse Sarl and Boart Longyear S.A.C.
Exit Term Loan	\$115.0	\$(3.3)	11.0% <sup>4</sup>	08 September 2026	First lien on the Working Capital Assets of the Term Loan guarantors that are not ABL guarantors, a second lien on the Working Capital Assets of the Term Loan issuer and the other Term Loan guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property.

(1) Letters of credit of \$8.2 million were issued in addition to the \$40.0 million borrowings that were outstanding.

(2) Based on USD LIBOR + margin (grid-based margin is currently 3.25%).

(3) In 2021 the Company amended terms to provide the Company additional liquidity and extend maturities from July 2022 to May 2025.

(4) Based on USD LIBOR (1% LIBOR Floor) + margin (grid-based margin is currently 7.5%).

## 6. Review of Segment Operations

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

	Segment revenue		Segment profit	
	2021 US\$ Millions	2020 US\$ Millions	2021 US\$ Millions	2020 US\$ Millions
Global Drilling Services	614.8	456.3	60.6	8.5
Global Products revenue				
Global Products third party revenue	306.6	201.0		
Global Products inter-segment revenue <sup>1</sup>	73.7	56.4		
Total Global Products	380.3	257.4	54.6	16.4
Less Global Product sales to Global Drilling Services	(73.7)	(56.4)		
Total third party revenue	921.4	657.3		
Total segment profit			115.2	24.9

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

## 6.1 Review of Segment Operations - Global Drilling Services

	For the year ended 31 December			
	2021	2020		
	US\$ Millions	US\$ Millions	\$ Change	% Change
<b>Financial information</b>				
Third party revenue	614.8	456.3	158.5	34.7%
COGS				
Materials/labour/overhead/other	499.8	379.7	120.1	31.6%
Depreciation and amortisation	32.8	28.0	4.8	17.1%
Total COGS	532.6	407.7	124.9	30.6%
COGS as a % of Revenue	86.6%	89.3%	(2.7)%	(3.0)%
Contribution margin \$	73.0	41.7	31.3	75.1%
Contribution margin %	11.9%	9.1%	2.8%	30.8%
Business unit SG&A	9.2	6.9	2.3	33.3%
Allocated SG&A	13.8	12.1	1.7	14.0%
EBITDA	94.5	50.4	44.1	87.5%
<b>Other Metrics</b>				
Average # of Operating Drill Rigs	311	252	59	23.4%
Average # of Drill rigs	647	683	(36)	(5.3)%

### Safety

The Global Drilling Services division's TCIR for 2021 was 1.51, compared to 1.72 for the comparable period in 2020. The LTIR for 2021 was 0.08 compared to 0.08 for the comparable period in 2020. Given the large number of new employees hired and trained in 2021, we feel satisfied with the outcome of our safety statistics; although, we certainly recognise there is room to improve. We continue to focus on our key safety initiatives, which include critical control verifications, applying corrective actions globally, increasing employee competencies through training, reinforcing hazard assessments, and quality drill rig inspections.

### Revenue

Global Drilling Services' revenue in 2021 was \$614.8 million, an increase of 34.7% from \$456.3 million in 2020. The year-over-year revenue increase was driven primarily by COVID-19 impacts in 2020 as customers and governments restricted activities. Secondly, an increase in overall market demand and commodity prices has significantly increased year-over-year volume. Prices have also steadily increased throughout the year as we have seen inflation and wage pressure. Overall price increases for the year ended 31 December 2021 are up \$15.6 million compared to the year ended 31 December 2020.

Approximately 87% of Global Drilling Services' revenue for 2021 was derived from major mining companies, including Barrick, Newmont, Rio Tinto, Oz Minerals, AngloGold Ashanti, and Freeport. Our top ten Global Drilling Services customers represented approximately 56% of the division's revenue in 2021, with no single contract contributing more than 10% of our consolidated revenue.

### Margins

With revenues increasing from \$456.3 million in 2020 to \$614.8 million in 2021, Global Drilling Services also saw a corresponding increase in contribution margin. The 2021 contribution margin was \$73.0 million compared to \$41.7 million in 2020, an increase of \$31.3 million. The increase in margins is primarily attributable to the increase in revenue which flows through at the field gross margin rate. Minimal additions to overhead and support staff also allowed Global Drilling Services to leverage our fixed cost base on the increased volume.



## 6.2 Review of Segment Operations - Global Products

	For the year ended 31 December			
	2021	2020		
	US\$ Millions	US\$ Millions	\$ Change	% Change
<b>Financial information</b>				
Third party revenue	306.6	201.0	105.6	52.5%
COGS				
Materials/labour/overhead/other	208.8	148.9	59.9	40.2%
Inventory obsolescence	(0.2)	1.8	(2.0)	(111.1)%
Depreciation and amortisation	6.4	4.1	2.3	56.1%
Total COGS	215.0	154.8	60.2	38.9%
COGS as a % of Revenue	70.1%	77.0%	(6.9)%	(9.0)%
Contribution margin \$	70.3	32.7	37.6	115.0%
Contribution margin %	22.9%	16.3%	6.6%	40.5%
Business unit SG&A	21.3	16.7	4.6	27.5%
Allocated SG&A	15.7	12.6	3.1	24.6%
EBITDA	62.3	24.9	37.4	150.2%
<b>Other Metrics</b>				
Manufacturing plants	6	6	—	—
Average backlog	66.4	33.4	33.0	98.8 %
Inventories <sup>1</sup>	208.0	158.3	49.7	31.4 %

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

### Safety

In 2021, the TCIR for the Global Products, including manufacturing, and Geological Data Services combined segment was 0.35 recordable incidents per 200,000 hours worked compared to 1.00 in 2020. The LTIR was 0.00, compared to 0.14 for 2020. We continue to focus on programs to reinforce the Company's Environmental, Health, and Safety management system across all operations. Tracking and educating our employees on our proactive safety systems will drive continuous improvement.

### Revenue

Global Products revenue of \$306.6 million for the year ended 31 December 2021 is 52.5% higher than 2020 revenue of \$201.0 million. Revenues generated from mining and exploration tooling consumables, capital equipment, and production tooling were the main drivers contributing to stronger revenue in 2021 relative to the prior period.

### Margins

Global Products contribution margin of \$70.3 million for the year ended 31 December 2021 is 115.0% higher than 2020 contribution margin of \$32.7 million. Contribution margin as a percentage of revenue increased by 6.6% relative to the prior period. The increase in contribution margin is primarily driven by better plant utilisation from higher volumes, continued cost control measures, benefits recognised from manufacturing improvements along with a return to pre-COVID-19 activity and price increases implemented during the year to help offset significant increases in raw material costs.

### Backlog

At 31 December 2021, Global Products had a backlog of product orders valued at \$68.1 million. This compares to \$44.6 million at 31 December 2020. Average backlog during the 2021 was \$66.4 million compared to \$33.4 million during 2020. The increase in our backlog year over year, which we define as product orders we believe to be firm, was driven by an increase in demand for mining and exploration tooling consumables and capital equipment. It should be noted that an order shipped within the same month the order is received does not show up in backlog. Also, there is no certainty that orders in our backlog will result in actual sales at the times or in the amounts ordered.

## Intellectual Property

We rely on a combination of patents, trademarks, trade secrets and similar intellectual property rights to protect the proprietary technology and other intellectual property that are instrumental to our Global Products business. As at 31 December 2021, we had 447 issued patents, 411 registered trademarks, 138 pending patent applications and 21 pending trademark applications. We do not consider our Global Products business, or our business as a whole, to be materially dependent upon any particular patent, trademark, trade secret or other intellectual property.

## Research and Development

Our Global Products division employs engineers and technicians to develop, design and test new and improved products. We work closely with our customers, as well as our Global Drilling Services division, to identify opportunities and develop technical solutions for issues that arise on site. We believe that sharing best practices amongst our divisions accelerates innovation and increases safety and productivity in the field. This integrated business model provides us with an advantage in product development, and we believe it enables us to bring new technology to the market with speed and quality. Prior to their introduction, new exploration drilling products are subjected to extensive testing in various environments, again with assistance from our Global Drilling Services network. New product development efforts remain focused on product changes that continue to drive increased safety and productivity, so customers see real added value regardless of the business environment. Our recent successes include the LF160 surface coring drill with further advancements in 2021 paired with our Freedom Loader which has set a new benchmark in productivity and hands-free rod handling. Our patented Longyear™ coloured diamond bits continue to show improved productivity by lasting longer and cutting faster.

Under our Geological Data Services business, TruCore™ core orientation tools continue to expand geographically and are available globally. The TruShot™ magnetic survey technology is the second offering in a future suite of tools and is available globally and growing. In 2021 we launched our TruSub™ technology. TruSub™ is a digital drill sub technology that fits between the drill head and drill rods. TruSub™ allows for key drilling parameters to be digitally recorded directly and viewed in real time to drive drilling productivity. We are operating at mine sites with this technology and will be rolling this technology out further this year. We see value in this technology and will continue to develop in this space. We will be rolling out our TruGyro borehole survey technology in the first half of 2022. This technology offers significant advantages over any technology in this space and should rapidly gain market adoption.

Our TruScan™ matrix calibrated XRF and photo sample scanning technology is currently being used at several locations globally with long term 24/7 utilisation producing results that are being used for real time decision making by the mining client. TruScan™ continues to spread its footprint globally with additional units being deployed within Australia as well as North and South America. New features utilising artificial intelligence and machine learning continue to be integrated into TruScan™ ensuring it is well differentiated in the market.

## 7. Outlook

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### 7.1 Our 2022 Priorities

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

The areas of focus for safety for 2022 will be the continuous improvement of the EHS Team Leading Indicator KPIs which include: Critical Risk Management – Critical Control Verifications and Inspections, Boart Longyear Integrated Training System ("BITS") assigned training modules, In-Vehicle Monitoring System focused on Driver Behaviour Improvements, and Corrective Action closure metrics. A competency training program has been implemented focused on developing and documenting our entry level employee's abilities to perform tasks safely.

**Advancing our Environmental, Social and Governance ("ESG") programme further demonstrating our commitment to sustainability.** We have a growing ESG programme that is key to reinforcing our industry-leading position and building a sustainable future for the Company and our stakeholders. During 2022, we will continue operationalising our ESG programme enabling us to maximise the positive impact we have on our employees, customers, local communities, host governments, natural environments, and shareholders.

**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. Specifically, our goal is to increase our business with our existing customers and find new ways to partner with existing and potential new customers to grow our business.

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

**Create new products and respond to new opportunities within a constrained capital budget.** We will continue to pursue disciplined investments in our business to drive returns and capitalise on high-value opportunities in which we can leverage distinctive competencies. We will also 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 2022, with the goal to continue to be cash positive, through careful management of liquidity and costs.** Ongoing improvement in cash generation in 2022 is a primary goal for the business, which we intend to achieve through continued productivity enhancements, disciplined expense and capital management, and opportunistic cost reductions. We will continue to focus on process improvements, streamlined working capital management and structural changes to improve customer support and responsiveness and drive long-term efficiencies by embedding a cash return on investment metric throughout the organisation. Furthermore, we will continue to drive business initiatives focused on improving our fixed and variable cost structures in key areas of the business and we expect these benefits to improve liquidity in 2022 and beyond.

## 7.2 Outlook and Future Developments

We are not providing an outlook for 2022 revenue or EBITDA. However, a stronger industry outlook, in combination with our productivity and commercial initiatives are making a positive impact. We anticipate seeing ongoing gains from those identified initiatives which we continue to actively manage.

The mining industry is cyclical and 2021 showed encouraging signs pointing toward a period of sustained demand growth in commodities, underpinned by:

- Continuing trend towards green energy production and consumption, driving demand for key commodities like copper;
- Increased traction of electrification of the world's vehicle fleets;
- Continued industrialisation and urbanisation of developing economies, which are expected to support structural increases in demand for minerals and metals broadly in line with global GDP;
- Improving cash and balance sheet strength of our key customers;
- Reduced reserve to production ratios at many gold mines;
- Diminishing opportunities for major producers to replace reserves through acquisition; and
- Growing attractiveness of the commodities / mining sector as an investment asset class.

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

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

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

## 7.3 Key Risks

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

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

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

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

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

With regards to our Global Products division and Geological Services business, there is a risk that our intellectual property may be replicated or challenged, resulting in a potential loss of business.

**Risks Related to Liquidity and Indebtedness.** At 31 December 2021, our net debt was \$163.9 million, with \$189.4 million in gross debt and \$25.6 million of cash on hand. The Company also has an additional \$26.8 million of liquidity available through the Asset-Based Loan ("ABL") facility. The instruments comprising the Company's debt and their terms are set out in detail in Note 22 of the financial statements.

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

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

**Government and Regulatory Risk.** Changes in, or failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business could have a material adverse effect on our financial condition, liquidity, results of operations and cash flows. Our operations are subject to numerous laws, regulations and guidelines (including anti-bribery, tax, health and safety, human rights and modern slavery, 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.

**Climate Related Risks.** The potential impacts of climate change may affect the execution and performance of business strategies as well as the Company's ability to operate and provide goods and services globally. The Company is currently evaluating the potential impacts of climate change on our strategies, customers and markets in which we operate. However, an assessment of these impacts on global markets, regulatory policies, and technologies are not clear due to the wide range of issues and potential outcomes.

**Information and Technology Risk.** The legal, regulatory and contractual environment surrounding information security, privacy and fraud is constantly evolving and companies that collect and retain information are under increasing attack by cyber-criminals around the world. We are dependent on information technology networks and systems, including the Internet, to process, transmit and store electronic information and, in the normal course of our business, we collect and retain certain information, including financial information and personally identifiable information, from and pertaining to our customers, partners, vendors, and employees. The protection of data is important to us, and we have information security policies to protect our information and information systems. However, the policies and security measures that we put in place could prove to be inadequate and cannot guarantee security, and our information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents due to employee negligence, error, malfeasance, or other vulnerabilities. Cyber security attacks are increasingly sophisticated, change frequently, and often go undetected until after an attack has been launched. We may fail to identify these new and complex methods of attack or fail to invest sufficient resources in security measures. We have and will continue to experience cyber-attacks, and we cannot be certain that advances in cyber-capabilities or other developments will not compromise or breach the technology protecting our networks.



**Public Health Risk.** The Company's global operations, manufacturing facilities, employees, suppliers and customers have been and may continue to be impacted by COVID-19 related issues. As a result of the evolving nature of the COVID-19 pandemic, as at the date of these financial statements, the Company is not in a position to reasonably estimate the continued financial effects of the COVID-19 pandemic on the future performance and financial position of the Company.

#### **7.4 Forward Looking Statements**

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

## **REMUNERATION REPORT**

This Remuneration Report has been prepared voluntarily in accordance with section 300A of the Australian *Corporations Act 2001* (Cth), as the parent is not an Australian registered company, and summarises the arrangements in place for the remuneration of directors, Key Management Personnel ("KMP") and other employees of Boart Longyear for the period from 1 January 2021 to 31 December 2021.

### **Senior Management Changes in 2021**

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

During 2021, Patrick Nill, Vice President of Global Products, and Mike Ravello, Vice President of Geological Data Services, were appointed to the Executive Committee. The addition of these employees strengthens the Company's executive management team. Both Global Products and Geological Data Services groups are key engines for BLY's future growth.

In November of 2021, Nora Pincus, Chief Legal Office ceased employment with BLY. Consistent with Ms. Pincus' employment agreement, Ms. Pincus became entitled to the following benefits:

- Severance payments equal to twelve months of her base salary;
- Pro-rata payment of her 2021 short term incentive plan to her ceased employment date;
- Additional severance payments equal to two months of base salary; and
- Pro-rata cash payment of 2021 long-term incentive plan to her ceased employment date.

### **COVID-19 Impact on Compensation**

In 2020, in response to COVID-19 and its far-reaching economic consequences, Boart Longyear made changes to compensation levels as a means to preserve jobs and to conserve cash. As part of the cost reduction measures, the Board, CEO and all Group executives elected to temporarily reduce their cash remuneration by 75-100% collectively from April to June of 2020. Compensation for executives in 2021 appears higher on an average year-over-year basis due to the temporary remuneration reductions measures taken in 2020.

## **SENIOR MANAGEMENT REMUNERATION OVERVIEW**

This Report sets out the remuneration arrangements in place for the 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, controlling and overseeing the activities of the Company, directly or indirectly, including the Non-Executive Directors.

### **1. EXECUTIVE REMUNERATION - FRAMEWORK AND STRATEGY**

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

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

- Attract, motivate, reward and retain key talent;
- Reward achievement of the organisation's strategic objectives, within its risk appetite;
- Promote positive outcomes across the geographies where we operate; and
- Promote an ethical culture and behaviour that are consistent with Company values and which encourages responsible corporate citizenship.

## 1.1 REMUNERATION FRAMEWORK

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

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

Attraction and retention	Best practice	Fairness and alignment	Pay for performance
<ul style="list-style-type: none"> <li>Accurate and up-to-date market information and information on trends is a crucial factor in determining the quantum of the remuneration packages.</li> <li>Remuneration levels are competitive with similar roles in the markets in which the Company competes for talent.</li> <li>Fixed and at-risk remuneration is appropriately industry and market competitive.</li> <li>Long-term incentive compensation provides for meaningful retention.</li> </ul>	<ul style="list-style-type: none"> <li>Reward packages and practices reflect local and international best practice.</li> <li>There is a significant amount of total executive remuneration which is at-risk and dependent upon achieving challenging key business objectives and safety targets.</li> <li>Management assists in establishing the overall total reward metrics for each Executive Committee member.</li> <li>Compensation is relevant and meaningful to the executive receiving it.</li> <li>Benchmarked against relevant peer groups.</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration Committee regularly performs executive compensation benchmarking utilising independent compensation consultants.</li> <li>Reward measures for executives are aligned with, linked to and influenced by the interests and strategies of the Company and its shareholders.</li> <li>The aspiration is that our remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels are transparent.</li> <li>Where performance achievements are subsequently found to have been misstated, clawback provisions are made for redress.</li> </ul>	<ul style="list-style-type: none"> <li>The framework encourages consistency, and allows for differentiation where it is fair, rational and explainable.</li> <li>Incentive based compensation is designed to reward executives for delivered performance against important safety, financial and strategic objectives.</li> <li>Incentive plans utilise an appropriate mix of challenging performance measures designed to deliver value to executives when performance for the Company and individual is achieved over short and longer terms.</li> <li>Incentive based compensation provides for upside potential with strong performance.</li> </ul>

## 1.2 REMUNERATION STRATEGY

### Board Responsibility

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

### Remuneration Committee

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

The Remuneration Committee's responsibilities include:

- Developing and reviewing executive remuneration plans, including annual bonus plans and long-term incentive plans, including equity-based incentive plans;
- Establishing performance objectives for the CEO and his direct reports and reviewing performance against those objectives;
- 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](http://www.boartlongyear.com).

The Remuneration Committee members as at the date of this Report are Tye Burt, Chairman of the Committee, Paul McDonnell, and Conor Tochilin. The CEO, the Chief Human Resources Officer and other members of senior management attend meetings of the Remuneration Committee, as appropriate, to provide information necessary for the Remuneration Committee to discharge its duties. Individual executives do not attend or participate in discussions where recommendations regarding their own circumstances are determined.

### Use of Remuneration Consultants and/or External Advisors

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

The Remuneration 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 Remuneration Committee and management. The protocol was developed in compliance with the obligations under Part 2D.8 of the *Corporations Act 2001* (Cth) and ensures that the remuneration consultant remains free from any undue influence by any member of the KMP to whom the recommendations relate. Consultant remuneration recommendations are provided directly to the Remuneration Committee.

In 2021 and 2020, the Remuneration Committee relied on the external review of Insight software as subject matter experts as well as key Centerbridge Partners in the creation of the Long Term Incentive Plan. In addition, the Remuneration Committee continued to rely on the independent market review of KMP compensation obtained from Alvarez and Marsel Consulting. The Company also utilises Willis Tower Watson, Culpepper, World at Work, and PayScale for global rewards benchmarking, workforce metrics and analytics.

## 2. REMUNERATION COMPONENTS

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

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

- A predictable base level of compensation commensurate with the executive's scope of responsibilities, leadership skills, values, performance and contributions to the Company.
- Targets near the median of the competitive talent market using external benchmarking data. Since the Company's executives are located in the US, the competitive talent market is determined to be the US market with adjustments for industry and local factors.
- Variability around the median based on the experience, performance, skills, position, business unit size and/or complexity and unique market considerations, where necessary.

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

**Variable Remuneration:** Annual variable remuneration appraises each KMP's contribution toward the achievement of predetermined, specific and measurable targets. Variable remuneration is composed of both short-term and long-term incentive plans.



**Short-Term Incentive Program (“STIP”) or Corporate Bonus Plan (“CBP”):** supports a high-performance culture by providing certain employees with the potential to receive an annual bonus if the Company meets annual financial and safety objectives. This is determined based on role and responsibility as well as achievement against predetermined performance metrics for business and personal goals.

Performance metrics are designed to reflect corporate as well as business unit level and individual performance. This helps to ensure rewards are relevant and affordable as well as reflective of performance. The metrics weight performance in areas which build and promote safety and collaboration and ensure alignment to business strategy and shareholder interests.

Potential target incentives under the STIP 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. The CBP is awarded in cash and will be paid at the discretion of the Board depending on key business factors.

There are four key performance components: (1) cash return on investment; (2) adjusted EBITDA; (3) Safety; and (4) an individual component. Each component has a target level of performance and a maximum stretch level of performance whereby superior results can drive a pay-out up to 200% of that component of the bonus. All bonuses awarded under the CBP are paid in cash.

The CBP performance components for 2021 and their relative weighting are:

(1) Corporate Financial Target - Cash Return on Investment (“CRI”) - 20% of the Company’s CBP opportunity is linked to the Company’s CRI performance. For the purposes of calculating CRI, the last twelve month adjusted EBITDA is divided by Gross Fixed Assets plus net working capital (“NWC”). Gross Fixed Assets plus NWC is calculated by using fixed assets balance at the first of the year and then adding current year capital expenditures plus closing trade receivables and closing inventory. This amount is then reduced by current year sales of fixed assets and closing trade payables. The CRI metric was selected to ensure appropriate focus on the critical need to generate cash to fund ongoing operations and business re-investment as well as to reduce debt.

(2) Corporate Financial Target – Adjusted EBITDA - 60% of the Company’s CBP opportunity is linked to the Company’s Adjusted EBITDA performance. For the purposes of calculating Adjusted EBITDA, Statutory EBITDA plus significant items, impairment of assets and other significant non-restructuring transactions outside the ordinary course of business equals Adjusted EBITDA.

(3) Corporate Non-Financial Target - Safety - 20% of the Company’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 2021, the Board agreed on the recommendation of its Audit and Risk Committee to use TCIR, LTIR, Critical Risk Incident Rate and a set of leading indicators as the measurements of safety performance for the CBP.

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

Strategic objectives are utilised to reinforce continued focus on critical initiatives and operational or functional priorities that have a positive impact on current and/or future business performance. Stretch performance on strategic objectives can be achieved to a maximum of 200% of the weighting of this component. Depending on the nature of the objective, stretch performance can be defined when the objective is approved at the beginning of the year, or in some circumstances be determined by the CEO and approved by the Board at the end of the year. The Board has discretion to modify the amount of the strategic objective award up or down as appropriate. The STIP is awarded in cash and will either be paid all at once, or in a staggered fashion, dependent on key business factors at the discretion of the Board.

**Long-Term Incentive Program (“LTIP”):** In 2020, BLY shareholders adopted a Long-Term Equity Incentive Plan. The LTIP allows the Company’s Remuneration Committee to grant incentive performance stock units to senior leaders, or others, as appropriate. The LTIP awards are tied to performance measures established by the Remuneration Committee that management and senior leaders have to achieve to receive their awards. The LTIP will terminate 10 years after the 30 July 2020 Effective Date. Refer to Note 9 and below for additional information.

No shares or performance stock units were awarded under the LTIP in 2021; however, the Remuneration Committee approved and announced the 2021 LTIP Plan. The payment of this award may either be in cash shares at the discretion of the Remuneration Committee. The 2021 LTIP Plan is a two-year program that will be phased in over two cycles. The details of the 2021 LTIP Plan are outlined below:

- **Duration of 2021 LTIP Plan:** 1 January 2021 - 31 December 2022. Target Bonus: 35% of Base Pay
  - *Duration of Cycle One:* 1 January 2021 - 31 December 2021. Target Bonus: 17.5% of Base Pay
  - *Duration of Cycle Two:* 1 January 2022 - 31 December 2022.. Target Bonus: 17.5% of Base Pay
- **Date of Performance Criteria Being Set**
  - *Cycle One:* February 2021
  - *Cycle Two:* Early 2022
- **Cycle One Performance Criteria:** Achievement of Adjusted EBITDA of \$98.0 million
- **Payment Type:** Cash or shares at the discretion of the Remuneration Committee
- **Payment Curve:** Cycle One of the 2021 LTIP Plan was awarded using a payment curve with the following thresholds for minimum and over-achievement targets:
  - Minimum Achievement of \$73.0 million Adjusted EBITDA earns a 75% payout
  - Maximum Achievement of \$147.0 million Adjusted EBITDA earns a 150% payout

**Management Incentive Plan ("MIP"):** The MIP was implemented in January 2018 and cancelled in 2020 without any awards being granted under the plan.

**Other benefits (monetary and non-monetary):** provided to ensure executive compensation remains relevant and executives are compensated fairly.

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

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

### 3. REMUNERATION OUTCOMES

Directors and senior executives who were KMP during the year ended 31 December 2021 were:

Directors	Position	Senior Executives	Position
Kevin McArthur	Non-Executive Chairman (retired 16 Nov 2021)	Jeffrey Olsen	President and Chief Executive Officer
Rubin McDougal	Non-Executive Chairman (effective 16 Nov 2021)	Denis Despres	Chief Operating Officer
Tye Burt	Non-Executive Director	Miguel Desdin	Chief Financial Officer
Lars Engström	Non-Executive Director (effective 16 Nov 2021)	Nora Pincus	Chief Legal Officer, General Counsel & Company Secretary (ceased employment 5 November 2021)
Jason Ireland	Non-Executive Director (retired 16 Nov 2021)	Kari Plaster	Chief Human Resources Officer
James Kern	Non-Executive Director (retired 16 Nov 2021)	Patrick Nill	Vice President Global Products (effective 8 July 2021)
Paul McDonnell	Non-Executive Director (effective 16 Nov 2021)	Mike Ravella	Vice President Geological Data Services (effective 8 July 2021)
Jeffrey Olsen	Executive Director		
Thomas Schulz	Non-Executive Director (effective 16 Nov 2021)		
Robert Smith	Non-Executive Director (retired 16 Nov 2021)		
Conor Tochilin	Non-Executive Director		
Bao Truong	Non-Executive Director (effective 16 Nov 2021)		

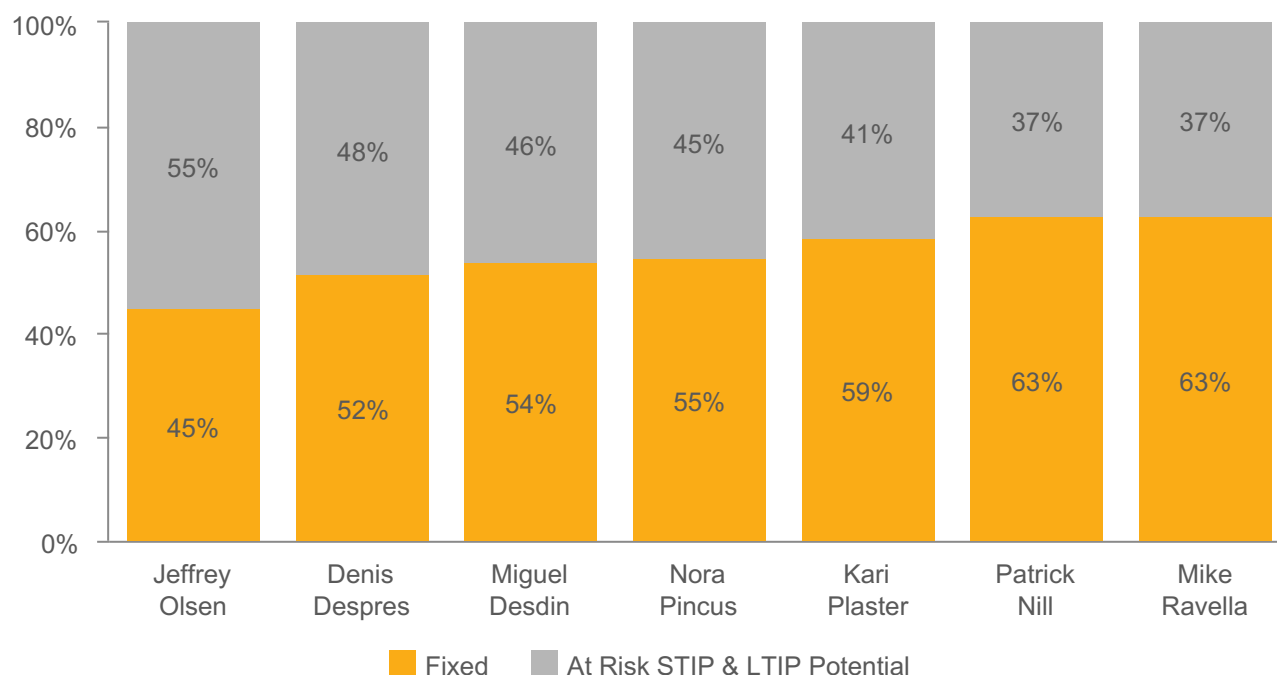
The table below summarises actual remuneration earned by senior executives who were KMP. This information is relevant as it provides shareholders with a view of the remuneration actually paid to executives for performance for the year ended 31 December 2021. This differs from the remuneration details prepared in accordance with statutory obligations and accounting standards, which are reported on page 25 this Report. The remuneration calculations reported there are based on the Accounting Standards principle of "accrual accounting" and, consequently do not necessarily reflect the amount of compensation an executive actually realised in a particular year.

Base salary compensation represents base salary. STIP represent the cash paid in respect of the executive's STIP award earned for the prior year's performance but paid in the current reporting year, Recapitalisation Award represents bonuses paid to certain Senior Executives upon completion of the approved comprehensive recapitalisation initiative, "Other" represents benefits such as US 401(k) retirement plan contributions, car allowances, relocation pay, severance pay, tax preparation service reimbursements, vaccine and patent bonuses, accrued and unused vacation as of the date of ceased employment, sign-on bonuses and other bonuses granted and paid in 2021.

Sr. Executive remuneration US\$	Base salary compensation	STIP <sup>1</sup>	Recapitalisation incentive <sup>2</sup>	Other	Total
Jeffrey Olsen	686,306	398,250	400,000	37,672	1,522,228
Denis Despres	412,500	206,500	150,000	31,843	800,843
Miguel Desdin	405,000	155,760	250,000	29,750	840,510
Nora Pincus <sup>3</sup>	256,731	32,450	250,000	180,185	719,366
Kari Plaster	297,250	70,493	150,000	28,184	545,927
Patrick Nill	271,062	57,872	42,600	26,707	398,241
Mike Ravella	262,692	66,080	41,250	19,926	389,948

- (1) Represents the cash paid in respect of the executive's STIP earned for the prior year's performance but paid in the current reporting year. For further details of the STIP, see section 3.2.
- (2) This incentive was awarded to members of leadership who played a significant role in the Recapitalisation and is included in Recapitalisation costs.
- (3) Ms. Pincus ceased employment as General Counsel & Company Secretary as of 5 November 2021. Included in the compensation above is a paid severance amount of \$101,538. Other includes the second instalment of Ms. Pincus' sign on bonus. Ms. Pincus was given a \$75,000 sign-on bonus to be paid in two instalments: one payment of \$30,000 was paid in 2020 and a second payment of \$45,000 was paid in 2021.

The relevant proportion of fixed to variable components for senior executive remuneration during 2021 are shown below. The table illustrates the annualised remuneration mix for executive KMP, including annualised fixed salary and approved target STIP and LTIP (assuming 100% of target bonus performance is achieved).



### 3.1 EXECUTIVE REMUNERATION IN DETAIL

Details of each senior executive's remuneration during the years ended 31 December 2021 and 2020 are set out in the table below. The remuneration calculations reported in this table are based on the Accounting Standards principle of "accrual accounting" and, consequently do not necessarily reflect the amount of compensation an executive actually received in cash or shares in a particular year.

Cash-based compensation							
	Short term benefits <sup>1</sup>			Post-employment benefits		Other long-term benefits	Termination benefits
	Compensation	STIP <sup>2</sup>	Other <sup>3</sup>	Super-annuation benefits <sup>4</sup>	Other	LTIP	Termination
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Jeffrey Olsen							
2021	686,306	1,296,945	428,972	8,700	—	135,252	—
2020	532,212	398,250	25,803	8,250	—	—	—
Denis Despres							
2021	412,500	529,421	173,143	8,700	—	80,149	—
2020	315,385	206,500	19,495	6,750	—	—	—
Miguel Desdin							
2021	405,000	468,195	271,050	8,700	—	80,149	—
2020	336,539	155,760	21,600	8,250	—	—	—
Nora Pincus <sup>5</sup>							
2021	256,731	206,250	312,600	8,431	—	48,105	388,385
2020	120,000	32,450	38,320	3,115	—	—	—
Kari Plaster							
2021	297,250	270,807	171,050	7,134	—	58,108	—
2020	243,990	70,493	21,739	5,392	—	—	—
Patrick Nill							
2021	271,062	202,617	62,078	7,229	—	51,721	—
Mike Ravella							
2021	262,692	192,423	52,476	8,700	—	50,093	—

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

(2) The 2021 amount represents cash STIP payments earned by the executive during the year ended 31 December 2021, which are expected to be paid in 2022 and were approved by the Board in February 2022. The 2021 amount represents cash STIP payments earned by the executive during the year ended 31 December 2020, which were paid in 2021.

(3) Includes recapitalisation bonus, sign-on bonuses, automotive allowances, relocation and reimbursements of financial and tax preparation assistance and other various given bonuses.

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

(5) Ms. Pincus ceased employment as General Counsel & Company Secretary as of 5 November 2021. Refer to page 19.

### 3.2 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 wilful misconduct that requires a restatement of the reported financial results, the Board may seek to recover the amount of the overpayment by a repayment or through a reduction or cancellation of outstanding future bonus or awards. The Board can make determinations of overpayment at any time through the third fiscal year following the year for which the inaccurate performance criteria were measured.



#### 4. PERFORMANCE AND RISK ALIGNMENT

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

Financial Year	Closing Share Price <sup>1</sup> A\$	Dividends per share US\$	EPS <sup>1</sup> US\$	Revenue US\$ Millions	Adj. EBITDA <sup>2</sup> US\$ Millions	CRI	ROE	Net Debt US\$ Millions
2021	2.47	—	(0.69)	921	112	12.6%	(57.7)%	164
2020	8.70	—	(22.45)	657	60	7.2%	(23.2)%	855
2019	32.60	—	(10.35)	745	87	10.2%	(16.1)%	781
2018	24.00	—	(9.93)	770	81	9.6%	(16.6)%	689
2017	60.00	—	(97.58)	739	43	4.8%	(50.6)%	600

- (1) On 30 October 2019 the Company completed a consolidation of the issued capital on a basis that every 300 shares be consolidated into 1 share. On 23 September 2021 the Company completed a consolidation on a basis that every 20 shares be consolidated into 1 share. Closing share price and EPS for each year has been adjusted for the 2019 and 2021 share consolidations.
- (2) Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, and before significant and other non-recurring items.

##### 4.1 PERFORMANCE AGAINST SHORT-TERM INCENTIVE MEASURES

As noted above, a combination of financial and non-financial metrics are used to measure performance for STIP awards. Business and individual performance against those metrics was measured on a weighted average basis. The average proportion of STIP awarded to KMPs, 2017 through 2021, is below:

	2017	2018	2019	2020	2021
% of target STI awarded	53%	103%	72%	65%	174%

STIP earned during the year ended 31 December 2021:

STIP Earned in 2021	STIP Earned as % of Target <sup>1</sup>	STIP Earned US\$	Target STIP US\$	% of STIP Forfeited	% of Max STI Forfeited <sup>2</sup>
Jeffrey Olsen	180%	1,296,945	720,225	0%	10%
Denis Despres	168%	529,421	315,000	0%	16%
Miguel Desdin	172%	468,195	273,000	0%	14%
Nora Pincus <sup>3</sup>	150%	206,250	165,000	0%	38%
Kari Plaster	170%	270,807	159,500	0%	15%
Patrick Nill	178%	202,617	113,600	0%	11%
Mike Ravella	175%	192,423	110,000	0%	13%

- (1) Calculated by multiplying the Individual Strategic Objective percentage achieved by the company-wide CBP performance payout of 171.5%.
- (2) The maximum potential award assuming superior performance against all CBP metrics is 200% of target STI.
- (3) Ms. Pincus' earned STIP was prorated from 1 January 2021 to the date of ceased employment of 5 November 2021.

##### 4.2 EMPLOYEE AND DIRECTOR TRADING IN COMPANY SECURITIES

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

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

## 5. SERVICE CONTRACTS AND TERMINATION PROVISIONS

Name and position held at the end of the financial year	Duration of contract	Notice period by Company	Notice period by executive	Termination payments (where these are in addition to statutory entitlements)
Chief Executive Officer	No fixed term	None required	180 days	For termination with cause, statutory entitlements only For termination without cause: <ul style="list-style-type: none"> <li>• 12 months' salary</li> <li>• Pro-rata bonus to termination date</li> <li>• Waiver of medical insurance premiums for 12 months</li> </ul>
Chief Legal Officer, General Counsel and Company Secretary	No fixed term	None required	90 days	For termination with cause, statutory entitlements only For termination without cause: <ul style="list-style-type: none"> <li>• 12 months' salary</li> <li>• Pro-rata bonus to termination date</li> <li>• Waiver of medical insurance premiums for 12 months</li> </ul>
Chief Financial Officer; Chief Human Resources Officer; Chief Operating Officer; Vice President Global Products; Vice President Geological Data Services	No fixed term	None required	90 days	For termination with cause, statutory entitlements only For termination without cause: <ul style="list-style-type: none"> <li>• 12 months' salary</li> <li>• Pro-rata bonus to termination date</li> <li>• Waiver of medical insurance premiums for 12 months</li> </ul>

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 at the time of termination for the term of the extension.

## 5.1 SHARE HOLDINGS

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

Name	Balance January 1, 2021	Granted as remuneration	Net other change during year	Consolidation of share capital <sup>1</sup>	Cessation as Executive & Non- Executive Director	Balance 31 December 2021	Balance held nominally
Rubin McDougal <sup>2</sup>	165,835	—	—	(157,543)	—	8,292	—
Kevin McArthur <sup>3</sup>	428,796	—	—	(407,356)	(21,440)	—	—
Tye Burt	260,851	—	—	(247,808)	—	13,043	—
Lars Engström <sup>4</sup>	—	—	—	—	—	—	—
Jason Ireland <sup>5</sup>	23,731	—	12,096	(22,544)	(13,283)	—	—
James Kern <sup>6</sup>	202,602	—	—	(192,471)	(10,131)	—	—
Paul McDonnell <sup>7</sup>	—	—	—	—	—	—	—
Thomas Schulz <sup>8</sup>	—	—	—	—	—	—	—
Robert Smith <sup>9</sup>	23,731	—	12,096	(22,544)	(13,283)	—	—
Conor Tochilin	—	—	—	—	—	—	—
Bao Truong <sup>10</sup>	—	—	—	—	—	—	—
Jeffrey Olsen	271,872	—	—	(258,300)	—	13,572	—
Denis Despres	65,778	—	—	(62,489)	—	3,289	—
Miguel Desdin	65,282	—	—	(62,017)	—	3,265	—
Nora Pincus <sup>11</sup>	—	—	—	—	—	—	—
Kari Plaster	10,425	—	—	(9,903)	—	522	—
Patrick Nill	26,380	—	—	(25,061)	—	1,319	—
Mike Ravella	218	—	—	(207)	—	11	—

(1) On 23 September 2021, the Company completed a consolidation of the issued capital on the basis that every 20 shares be consolidated into 1 share.

(2) Mr. McDougal appointed Chairman effective 16 November 2021

(3) Mr. McArthur retired 16 November 2021

(4) Mr. Engström appointed effective 16 November 2021

(5) Mr. Ireland retired 16 November 2021

(6) Mr. Kern retired 16 November 2021

(7) Mr. McDonnell appointed effective 16 November 2021

(8) Mr. Schulz appointed effective 16 November 2021

(9) Mr. Smith retired 16 November 2021

(10) Mr. Truong appointed effective 16 November 2021

(11) Ms. Pincus ceased employment effective 5 November 2021

## 5.2 OPTIONS

The options listed below vested on 1 April 2017 and expire on 1 April 2024.

Name	Effective grant date	Vesting date	Fair value per option at grant date US\$	Held at the beginning of the financial year	Number of options granted as remuneration	Consolidation of share capital <sup>1</sup>	Exercise price per option A\$	Number of options forfeited	Options held at the end of the financial year	Vested and exercisable as at 31 Dec 2021
Jeffrey Olsen	1-Apr-14	1-Apr-17	0.25	1,081	—	(1,026)	1,920.00	—	55	55

(1) On 23 September 2021, the Company completed a consolidation of the issued capital on the basis that every 20 shares be consolidated into 1 share.

## 6. NON-EXECUTIVE DIRECTORS' FEE STRUCTURE

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

The fees are determined within a maximum aggregate fee pool that is approved by shareholders. The approved fee pool limit is \$2.0 million, which aside from changing the currency exchange rate at the 2015 general meeting, has not changed in quantum since the Company's initial public offering in 2007. During the financial year, \$1.0 million of the pool was utilised for Non-Executive Director fees, being approximately 50% of the fee pool limit.

No share rights were awarded as remuneration in 2021.

## 6.1 COMPONENTS OF NON-EXECUTIVE DIRECTOR REMUNERATION

<b>Component</b>	<b>Explanation</b>
Board fees	<p>Current base fees per annum are:</p> <ul style="list-style-type: none"> <li>• US\$160,000 for Non-Executive Directors other than the Chairman of the Board and the resident Australian Directors;</li> <li>• US\$310,000 for the Board Chairman (paid in cash or shares); and</li> <li>• A\$200,000 for the resident Australian Directors.</li> </ul>
Committee fees	<p>Current committee fees for Non-Executive Directors (other than the Chairman of the Board) are:</p> <ul style="list-style-type: none"> <li>• US\$7,500 annually for committee members; and</li> <li>• US\$15,000 annually for committee chairs.</li> </ul> <p>Where the Board Chairman sits on a committee, he or she does not receive any additional fee.</p>
Other fees/ benefits	<p>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 Chairman of the Board also is entitled to reimbursement for office and secretarial support.</p> <p>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.</p> <p>Non-Executive Directors are not entitled to receive any performance-related remuneration, such as short-term or long-term incentives.</p>
Post-employment benefits	<p>Compulsory superannuation contributions for Australian-resident Non-Executive Directors are included in the base fee and additional committee fees set out above.</p> <p>Non-Executive Directors do not receive any retirement benefits other than statutory superannuation contributions.</p>



## 6.2 REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of Non-Executive Directors' remuneration for the year ended 31 December 2021 and 2020 are set out in the table below:

Non-Executive Directors remuneration US\$	Fees (Including committee fees) <sup>1</sup>	Shares	Total
Kevin McArthur <sup>2</sup>			
2021 (up to 16 November 2021)	275,000	—	275,000
2020	156,250	112,500	268,750
Rubin McDougal			
2021	197,507	—	197,507
2020	83,854	43,752	127,606
Tye Burt			
2021	182,500	—	182,500
2020	95,052	68,437	163,489
Lars Engström			
2021	30,417	—	30,417
Jason Ireland			
2021	138,446	—	138,446
2020	110,915	—	110,915
James Kern			
2021	153,542	—	153,542
2020	132,604	—	132,604
Paul McDonnell			
2021	30,417	—	30,417
Thomas Schulz			
2021	29,167	—	29,167
Robert Smith			
2021	138,808	—	138,808
2020	110,530	—	110,530
Richard Wallman			
2020 (up to February 2020)	29,167	—	29,167

Mr. Tochilin and Mr. Truong are not included in the table above as they are employees of Centerbridge Partners and therefore did not receive Director fees.

- (1) During 2020, all Non-Executive Directors agreed to receive no fees for the months of April and May and half of their fees for the month of June due to COVID-19. Fees paid in shares were not reduced during 2020.
- (2) Mr. McArthur retired from the Board effective 16 November 2021 and was paid \$275,000 in cash for his 2021 board fees. In 2020, Mr. McArthur accrued fees of \$150,000 to be paid in shares. In 2020, McArthur received shares for \$112,500 of those fees. The remaining \$37,500 were to be paid in shares when he left the Board (as determined by an agreement between Mr. McArthur and the Company). However, no shares were issued upon his retirement and the \$37,500 was paid in cash instead; therefore, his 2020 remuneration figures have been updated to reflect this change in payment methodology.

## **Board of Directors**

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

### **Rubin McDougal**

Mr. McDougal joined the Board of Directors on March 1, 2020, as Audit Committee Chair and was appointed Chair on November 16, 2021.

Mr. McDougal held senior executive experience across manufacturing, marketing and logistics industries in Asia, Europe and the Americas. McDougal was CFO of Great Wolf Resorts from 2018 to 2021. Prior experience includes roles as Chief Financial Officer of CEVA Logistics, then NYSE listed CNH Global NV, and Whirlpool Europe. He held diverse roles ranging from leading product development to heading up global business units. He is currently on the boards of Element Fleet Management and Speedcast, LLC.

Mr. McDougal holds a Master of Business Administration degree from Western Michigan University and a Bachelor of Arts degree from the University of Utah.

### **Tye Burt**

Mr. Burt joined the Company's Board on August 23, 2019 and serves as Chair of the Remuneration, Nomination and Human Resources Committee and is a member of the Audit and Risk Committee. His career includes more than 30 years' experience in the global mining and finance industries in both executive management roles and serving on several boards. From 2005 to 2012 Mr. Burt held the role of President and CEO of Kinross Gold Corporation. Prior to joining Kinross Gold, Mr. Burt held the position of Vice Chairman and Executive Director of Corporate Development at Barrick Gold Corporation. Other previous positions include: Chairman, Deutsche Bank Canada and Deutsche Bank Securities Canada; global managing Director, global metals and mining for Deutsche Bank AG; and Managing Director and Co-head of the global mining group at BMO Nesbitt Burns.

Mr. Burt is a graduate of Osgoode Hall Law School in Toronto and a member of the Law Society of Ontario. He holds a Bachelor of Arts from the University of Guelph. Mr. Burt has held several public and private company directorships and currently sits on the board of directors of ArcelorMittal.

### **Lars Engström**

Mr. Engström was appointed a Director of the Company on November 16, 2021 and serves as Chair of the Audit and Risk Committee and is a member of the Governance, Safety and Sustainability Committee. Mr. Engström has more than 30 years of senior management experience at leading Swedish mining and industrial companies. He is currently the Chairman of the Board of Botnia Exploration Holding AB and Örebro Hockey Club as well as a board member of Samhall AB, Normet Group Oy and Alcadon Group. From 2016 to 2019, Mr. Engström was the Head of Sandvik's Mining and Rock Technology business segment and Head of Mining business segment from 2015 to 2016. From 2014 to 2015, he served as the acting CEO and President of BE Group. In addition, from 2006 to 2014 Mr. Engström was the CEO and President of Munters AB. Prior to 2006, he held a number of leadership positions with Atlas Copco and Seco Tools.

Mr. Engström holds a Master of Science in Industrial Engineering and Management from the Linköping Institute of Technology and a Mechanical Engineering Degree from Rinmanskolan, Eskilstuna.

### **Paul McDonnell**

Mr. McDonnell was appointed Director of the Company's Board on November 17, 2021 and serves as Chair of the Governance, Safety and Sustainability Committee and is a member of the Remuneration, Nomination and Human Resources Committee.

Mr. McDonnell has over 25 years of experience in the Construction Equipment Rental Industry and is the Chief Executive Officer of Maxim Crane Works. He previously served as Executive Vice President and Chief Commercial Officer at United Rentals from 2019 to 2020. From 2018 to 2019, he was Executive Vice President, Sales and Specialty Operations and from 2016 to 2018 he was Senior Vice President Sales & Specialty Operations. From 2008 to 2016, Mr. McDonnell was Senior Vice President, Specialty Operations. His previous roles at United Rentals include Regional Vice President and District Manager. Mr. McDonnell joined United Rentals in 1999 through the acquisition of D&E Steel Plate Rental.

During his tenure at United Rentals, Mr. McDonnell led the growth of the Company's specialty segment to the largest network of its kind in the world.

### **Jeffrey Olsen**

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

#### **Thomas Schulz**

Mr. Schulz was appointed a Director of the Company on November 16, 2021, and is a member of the Audit and Risk and the Governance, Safety and Sustainability Committees. Mr. Schulz brings more than 30 years of mining and construction experience and a Ph.D in mining. From March 1st, 2022, Mr. Schulz will be Group Chief Executive Officer of BILFINGER SE (Germany). From 2013 to 2021, he has been Group Chief Executive Officer of FLSMIDTH (Denmark). Mr. Schulz brings more than 30 years of mining and construction experience and a Ph.D in mining. Since 2016 he is a Non-Executive Board Member of HYDRO A/S (Norway). From 2001 to 2012, Mr. Schulz held several leadership positions at SANDVIK (Sweden), including President - Construction, Senior Vice President, Chairman of SJL SHAN BAO (China), SRP AB (Sweden), Sandvik Extec (UK), Sandvik Fintec (UK), President - Construction Segment, Senior Vice President / Chairman of SRP AB (Sweden), Sandvik Extec (UK), Sandvik Fintec (UK). From 1998 to 2001, he was Business Area Manager, Department Crushing, Screening, Grinding, Pyro at Swedish manufacturer SVEDALA INDUSTRI (Sweden).

Mr. Schulz was awarded the Borchers Medal for extraordinary performance in Science from the Technical University of Aachen. He holds a Ph.D. in Mineral Mining and Quarrying and an Engineering Diploma in Mineral Processing from the Technical University of Aachen.

#### **Conor Tochilin**

Mr. Tochilin joined the Board of Directors of Boart Longyear on January 17, 2020 and is a member of the Remuneration, Nomination and Human Resources Committee. He is a Managing Director at Centerbridge Partners, L.P., the Company's largest shareholder and investor. Since joining Centerbridge in 2013, his focus has been on investments in the Industrial sector. His prior experience includes being an Associate at TPG-Axon Capital Management in New York and London, and a Business Analyst in McKinsey & Company's Corporate Finance Practice in New York.

Mr. Tochilin earned his Bachelor of Arts degree from Harvard College where he was elected to Phi Beta Kappa and graduated magna cum laude. He continued with his graduate studies and holds a Juris Doctor degree from Harvard Law School and an M.B.A. from Harvard Business School. Conor serves on the boards of American Bath Group, LLC, IPS Corporation, KIK Custom Products, Inc. (and affiliated entities) and Mauser Packaging Solutions (formerly known as Industrial Container Services).

#### **Bao Truong**

Mr. Truong joined the Company's Board on November 16, 2021 and is a member of the Audit and Risk Committee. Mr. Truong is a Senior Managing Director at Centerbridge Partners, L.P., Boart Longyear's largest shareholder and investor. He joined Centerbridge in 2010 and focuses on investments across a range of industries. From 2004 to 2010, Mr. Truong was a Managing Director and Partner in the credit business of Fortress Investment Group LLC where he was a Senior Member of the Corporate Securities Group that was engaged principally in public market investments across the corporate capital structure, with a focus on distressed and special situations. Previously, Mr. Truong was a member of the Distressed and High-Yield Research and Trading business of Lehman Brothers Inc. He serves on the Board of Directors of Ambrosia Holdings L.P. (the holding company of TriMark USA), BGI Inc., Genco Shipping and Trading Ltd., Penhall Holding Company, Seitel Inc., and Speedcast Parent L.P.

Mr. Truong holds a Master of Business Administration from Harvard Business School, a Bachelor of Science degree, magna cum laude, from the Wharton School of the University of Pennsylvania, and a Bachelor of Science degree, magna cum laude, from the University of Pennsylvania.

#### **Company Secretaries**

##### **Nora Pincus**

Ms. Pincus joined Boart Longyear as Chief Legal Officer, General Counsel and Company Secretary with effect from 13 August 2020. Ms. Pincus' employment with the Company ceased on 5 November 2021.

Ms. Pincus is an experienced corporate attorney whose practice prior to joining Boart Longyear focused on representing domestic and international mining and energy companies in operational matters, mergers and acquisitions, financings and capital market transactions. Prior to joining Boart Longyear, Ms. Pincus was a partner at the law firms Dorsey & Whitney and Parsons Behle and Latimer.

Ms. Pincus holds a Bachelor of Arts in history and economics from the University of Utah and a Juris Doctorate from the University of Denver. Ms. Pincus ceased employment on 5 November 2021 and was formally released from her role of Company Secretary.

##### **Alex Nikolic**

Mr. Nikolic was appointed interim Company Secretary on 5 November 2021. Alex is a partner with Fasken Martineau DuMoulin LLP. His law practice is focused on corporate and securities law. He regularly advises issuers, their boards or special committees, investment dealers, private equity and other investors in capital markets and mergers and acquisitions.

transactions. Frequently assisting clients on debt and equity financings, both domestic and cross border, Alex's M&A practice focuses on public market take-over bids and plans of arrangement as well as private M&A acquisitions and divestitures. He also provides advice on reorganizations and restructurings across a broad range of industries, as well as assisting with disclosure and governance matters, stock exchange requirements, corporate and other regulatory matters.

#### Philip Mackey

Mr. Mackey was appointed as a Company Secretary on 29 January 2016 which ceased on 10 December 2021 after the Company was redomiciled in Canada. Mr Mackey remains an Advisor to Boart Longyear to date. He has over three decades of company secretarial and commercial experience and is a member of the Company Matters' secretariat team. Previously, he served as Company Secretary of ASX & SGX dual listed Australand Group Limited and Deputy Company Secretary of AMP Limited. Mr. Mackey's commercial experience includes appointment as Chief Operating Officer (Specialised Funds) of Babcock & Brown and at Bressan Group. He is a Fellow of Governance Institute Australia and a Graduate Member of the Australian Institute of Company Directors.

#### DIRECTORS' MEETINGS

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

	Board of Directors		Remuneration, Nominations & Human Resource Committee		Audit & Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Tye Burt	12	12	5	5	5	5
Lars Engström <sup>1</sup>					5	1
Jason Ireland	12	12	5	5		
James Kern <sup>2</sup>	12	11			5	4
Kevin McArthur <sup>3</sup>	12	10				
Rubin McDougal <sup>4</sup>	12	11			5	4
Thomas Schulz <sup>5</sup>					5	1
Robert Smith <sup>6</sup>	12	12			5	4
Conor Tochilin	12	12	5	5		
Bao Truong <sup>7</sup>					5	1
Jeffrey Olsen	12	12				

(1) Mr. Engström appointed effective 16 November

(2) Mr. Kern retired 16 November 2021

(3) Mr. McArthur retired 16 November 2021

(4) Mr. McDougal was not a member of the Audit & Risk Committee for the December 2021 meeting

(5) Mr. Schulz appointed effective 16 November 2021 effective 16 November 2021

(6) Mr. Smith retired 16 November 2021

(7) Mr. Truong appointed effective 16 November 2021



## 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.

Name	Fully paid ordinary shares	Rights offering ordinary shares	Rights and options	Total
Rubin McDougal	8,292	—	—	8,292
Tye Burt	13,043	—	—	13,043
Lars Engström	—	—	—	—
Paul McDonnell	—	—	—	—
Thomas Schulz	—	—	—	—
Conor Tochilin	—	—	—	—
Bao Truong	—	—	—	—
Jeffrey Olsen	13,572	—	—	13,572
Denis Despres	3,289	—	—	3,289
Miguel Desdin	3,265	—	—	3,265
Kari Plaster	522	—	—	522
Patrick Nill	1,319	—	—	1,319
Mike Ravella	11	—	—	11

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

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

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

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

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

During 2020, Mr. McArthur, Mr. Burt and Mr. McDougal participated in the NED Share Plan and received \$112,500; \$68,437; and \$43,753 of their director compensation in shares, respectively.

Shares and rights granted to executives of the Company are included in the Remuneration Report. As of 31 December 2021, Mr. Olsen held 55 vested options. The options were granted on 1 April 2014 and vested on 1 April 2017. They have an exercise price of \$1,920 per option and expire on 1 April 2024. No shares or interests have been issued during the financial year as a result of the exercise of options.

## DIRECTORS' AND OFFICERS' INTERESTS IN CONTRACTS

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

## INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

The Directors and Officers of the Company are indemnified by the Company to the maximum extent permitted by law against liabilities incurred in their respective capacities as Directors or officers. In addition, during the financial year, the Company paid premiums in respect of contracts insuring the Directors and Officers of the Company and any related body against liabilities incurred by them to the extent permitted by the *Corporations Act 2001* (Cth). 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**

### **Jeffrey Olsen**

Jeffrey Olsen's experience and qualifications are summarised on page 31.

### **Miguel Desdin**

Miguel Desdin was appointed the Company's Chief Financial Officer in January 2019. Prior to joining Boart Longyear Mr. Desdin served seven years as CFO and Senior Vice President of TPC Group, a two-billion-dollar chemical company based in Houston, Texas where he also served as interim CEO. Previous to that, Mr. Desdin served as Senior Vice President and Chief Financial Officer of Furmanite Corporation, and Corporate Controller of Celanese Corporation. Mr. Desdin's career has led him through several key executive and financial roles within the industrial chemicals and related industries including working for Great Lakes Chemical Corporation and AlliedSignal, Inc. where he began his career in finance.

He earned his MBA in Finance from the Wharton School at the University of Pennsylvania, and a Bachelor of Science in Industrial and Systems Engineering from the University of Florida.

### **Denis Despres**

Denis Despres was appointed the Company's Chief Operating Officer on 1 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 re-joining 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.

### **Nora Pincus**

Nora Pincus' experience and qualifications are summarised on page 32.

### **Kari Plaster**

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

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

### **Pat Nill**

Pat Nill was appointed to the Executive Committee in June 2021. Pat joined the company as the Vice President of Global Products in January 2018. His career has led him through several key executive roles within mining products organizations. Prior to BLY, he worked at Dyno Nobel Inc. where he held several positions including VP New Product Management and Development, Global General Manager, Electronics, and General Manager of the Eastern Region. He has also previously held positions with DetNet International as Vice President of Sales and Marketing and The Ensign-Bickford Company as Director, Commercial Sales. Pat earned his Bachelor of Science degree in Business Administration from Rockhurst University.

### **Mike Ravella**

Mike Ravella was appointed to the Executive Committee in June 2021 and is the Vice President Geological Data Services (GDS). Mike began his career with BLY in March 2008 and held various positions with progressive responsibility in the company including Director of GDS, North American Regional Manager Aftermarket, Drilling Services Western Australia Base Metals Zone Manager, and E&I Northeast US Zone Manager. Prior to Boart Longyear, Mike was a contaminant hydrogeologist for ten years where he ran large dynamic site investigation drilling programs with real-time data.

Mr. Ravella earned his Master of Arts degree in Earth Sciences from Boston University and his Bachelor of Science degree in Geology from Keene State College.

## **AUDITOR**

### **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 39 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 Group Ltd. 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 & 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* (Cth) 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.

### **ROUNDING OF AMOUNTS**

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

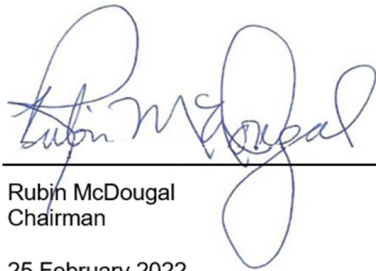


## REMUNERATION

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

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'Rubjn McDougal', is written over a horizontal line. The signature is stylized with large loops and a long tail.

Rubjn McDougal  
Chairman

25 February 2022

The Directors  
Boart Longyear Group Ltd  
333 Bay Street  
Suite 2400  
Toronto Ontario M5H 2T6  
CANADA

25 February 2022

Dear Directors

**Boart Longyear Group Ltd**

I am pleased to provide the following declaration of independence to the directors of Boart Longyear Group Ltd and its subsidiaries.

As lead audit partner for the audit of the financial report of Boart Longyear Group Ltd for the financial year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Australian Code of Ethics for Professional Accountants (including Independence Standards), issued by the Australian Professional and Ethical Standards Board (APES) in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A T Richards  
Partner  
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

## Independent Auditor's Report to the members of Boart Longyear Group Ltd

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial of Boart Longyear Group Ltd (the "Parent") and its subsidiaries (the "Company") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report gives a true and fair view, of the Company's financial position as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

#### Basis for Opinion

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

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

#### Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<b>Recapitalisation and Re-domiciliation</b>  On 23 September 2021, Boart Longyear Limited completed a Recapitalisation that substantially reduced the Company's debt in exchange for equity.  As set out in note 2 of the financial report all of the Term Loan A, Term Loan B, Senior Secured notes ("SSN"), Applicable Premium on the SSN, Senior Unsecured Notes ("SUN") and all accreted interest up to and including the date of conversion amounting to \$829.7 million was extinguished in	Our procedures performed included but were not limited to: <ul style="list-style-type: none"> <li>Evaluating management's accounting policy against the requirements of relevant accounting standards;</li> <li>Assessing the competence and objectivity of management's experts who prepared valuations which formed the basis of management's determination of the fair value of equity instruments issued;</li> </ul>

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<p>exchange for the issue of equity and warrants. Prior to the recapitalisation certain debt holders were also shareholders of the Company. Interpretation 19 'Extinguishing Financial liabilities with equity instruments' ("Int 19") does not apply to transactions where the creditor is also a direct or indirect shareholder and is acting in the capacity of shareholder. In the accounting for the recapitalisation judgement is required in determining whether such debt holders who were also shareholders were acting in their capacity as shareholders. Where such debt holders were considered to be acting in their capacity as shareholders no gain or loss was recognised in the profit and loss account on the extinguishment of the debt.</p> <p>Further, on applying Int 19 when debt is extinguished by debt holders who were not also shareholders in exchange for equity instruments the gain arising is determined by comparing the fair value of the equity instruments issued, comprising equity shares and warrant liabilities, to the carrying value of the debt. Determining the fair value of equity instruments when a quoted price in an active market is not considered to reflect fair value is complex.</p> <p>As disclosed in note 11 of the financial report the recapitalisation resulted in a number of considerations relevant to the tax treatment in the USA, Canada and Australia.</p> <p>Further, as disclosed in note 2 of the financial report on 5 October 2021, Boart Longyear Group Limited, a newly incorporated Canadian resident entity, acquired all the issued shares in Boart Longyear Limited from existing Boart Longyear Limited shareholders and subsequently listed on the ASX. The Company has accounted for the re-domiciliation as a group reorganisation in the form of the continuation of the existing group.</p> <p>Due to the complexity of the debt recapitalisation and re-domiciliation a significant level of judgement was required to determine the appropriate accounting and tax treatments applied in the preparation of the financial report.</p>	<ul style="list-style-type: none"> <li>• In conjunction with our valuation specialists, challenging the fair value of the equity instruments issued by: <ul style="list-style-type: none"> <li>◦ considering the valuation methodologies inputs and assumptions used to determine the appropriate fair value for equity instruments; and</li> <li>◦ reviewing other indicators of value including the market capitalisation of the Company and quoted market prices;</li> </ul> </li> <li>• In conjunction with our valuation specialists, evaluating management's valuation of the warrant liabilities on the date of issue and as at 31 December 2021;</li> <li>• Testing on a sample basis the transaction costs incurred as part of the debt recapitalisation;</li> <li>• In conjunction with our US, Canadian and Group tax specialists we: <ul style="list-style-type: none"> <li>◦ challenged management's assumptions of the deductibility of the transaction costs for tax purposes in the US, Canada and Australia;</li> <li>◦ evaluated the appropriateness of management's assessment that there were sufficient available losses to absorb any gain arising from the recapitalisation in the US and Australia.</li> </ul> </li> <li>• Challenging the appropriateness of the treatment of the re-domiciliation as a continuation of the existing group; and</li> <li>• Assessing the adequacy of the disclosures as set out in notes 2 and 11.</li> </ul>
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<p><b>Taxation</b></p> <p>The Company operates across a large number of jurisdictions, each with its own taxation regime and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including application of transfer pricing rules, indirect taxes, and transaction-related tax matters as disclosed in Notes 11, 23 and 30.</p> <p>As at 31 December 2021, the Company has recorded an income tax expense of \$4.3 million, current and non-current tax receivables of \$0.8 million and \$0.9 million and a net current tax payable of \$1.5 million, deferred tax assets of \$10.1 million, and deferred tax liabilities of \$21.1 million.</p> <p>In notes 11, 23 and 30, the Company has disclosed its assessment of tax-related contingent liabilities and that the Company is subject to certain tax audits that arise in the normal course of its business.</p> <p>As at 31 December 2021, the Company has recorded a provision for tax contingencies of \$46.3 million.</p> <p>Due to the number of jurisdictions and the complexity in tax laws in those jurisdictions significant judgment is required in estimating tax exposures and/or contingent liabilities</p>	<p>Our procedures performed in conjunction with internal tax specialists, included but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process and key controls that management have in place to determine the taxation balances;</li> <li>• Evaluating the appropriateness of the Company's tax expense calculations and the rationale on which deferred tax assets and liabilities were recognised;</li> <li>• Challenging and evaluating management's assessment of uncertain tax positions and conclusions on complex tax arrangements through enquiries of the Company's Taxation department, and obtaining and considering the Company's correspondence with local tax authorities;</li> <li>• Evaluating the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future taxable income to support the recognition of deferred income tax assets; and</li> <li>• Assessing the adequacy of the disclosures in notes 11, 23, and 30.</li> </ul>
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## Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Company's annual report for the year ended 31 December 2021, but does not include the financial report and our auditor's report thereon: 2021 Overview, the Chairman's report, the CEO report, and the Supplementary Information which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



When we read the 2021 Overview, the Chairman's report, the CEO report, and the Supplementary Information if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

## **Directors' Responsibilities for the Financial Report**

The directors of the Parent are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and for such internal control as directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

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

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Boart Longyear Group Ltd for the year ended 31 December 2021, has been prepared in accordance with section 300A of the *Corporation Act 2001*.

### *Responsibilities*

The directors of the Parent have voluntarily presented the Remuneration Report which has been prepared in accordance with the requirements of 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**



**A T Richards**

Partner

Chartered Accountants

Perth, 25 February 2022

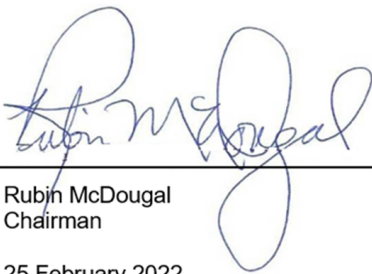
## **DIRECTORS' DECLARATION**

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.
- (e) there are reasonable grounds to believe that the Company and the group entities identified in Note 31 will be able to meet any obligation or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016-785.

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



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Ruben McDougal  
Chairman

25 February 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
<b>Continuing operations</b>			
Revenue	4	921,399	657,265
Cost of goods sold		(747,550)	(559,753)
Gross margin		173,849	97,512
Other income	5	20,608	5,821
General and administrative expenses		(125,023)	(69,847)
Sales and marketing expenses		(20,643)	(17,049)
Other expenses	5	(13,114)	(17,116)
Operating profit (loss)		35,677	(679)
Interest income	6	42	43
Finance costs	6	(88,828)	(92,877)
Loss before taxation		(53,109)	(93,513)
Income tax expense	11	(4,280)	(5,253)
<b>Loss for the year attributable to equity holders of the parent</b>		(57,389)	(98,766)
<b>Loss per share:</b>			
Basic and diluted loss per share	12	(68.7) cents	(2,245.2) cents <sup>1</sup>
<b>Other comprehensive loss</b>			
Loss for the year attributable to equity holders of the parent		(57,389)	(98,766)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange (loss) gain arising on translation of foreign operations		(4,612)	8,629
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain related to defined benefit plans	24	6,979	3,140
Loss on cash flow hedges recorded in equity		(1,548)	—
Income tax on income and expense recognised directly through equity	11	(151)	(861)
Other comprehensive gain for the year, net of tax		668	10,908
<b>Total comprehensive loss for the year attributed to equity holders of the parent</b>		(56,721)	(87,858)

(1) On 23 September 2021, the Company completed a consolidation of issued capital on a basis that every 20 shares be consolidated into 1 share. The comparative information has been restated as a result of share consolidation as discussed in Notes 2 and 12.

See accompanying Notes to the Consolidated Financial Statements included on pages 51 to 106.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
<b>Current assets</b>			
Cash and cash equivalents	35	25,579	23,513
Trade and other receivables	13	137,900	109,566
Inventories	14	207,962	158,327
Current tax receivable	11	824	499
Prepaid expenses and other assets		15,641	10,129
		<u>387,906</u>	<u>302,034</u>
Asset classified as held for sale	16	161	365
<b>Total current assets</b>		<u>388,067</u>	<u>302,399</u>
<b>Non-current assets</b>			
Property, plant and equipment	18	168,635	151,973
Goodwill	19	104,916	105,115
Other intangible assets	20	30,959	31,566
Deferred tax assets	11	10,139	13,252
Non-current tax receivable	11	912	1,567
Other assets		3,832	3,761
Defined benefit pension asset	24	1,117	—
<b>Total non-current assets</b>		<u>320,510</u>	<u>307,234</u>
<b>Total assets</b>		<u>708,577</u>	<u>609,633</u>
<b>Current liabilities</b>			
Trade and other payables <sup>1</sup>	21	137,996	96,507
Provisions <sup>1</sup>	23	21,600	21,693
Current tax payable <sup>1</sup>	11	1,506	1,946
Loans and borrowings	22	10,752	10,235
<b>Total current liabilities</b>		<u>171,854</u>	<u>130,381</u>
<b>Non-current liabilities</b>			
Loans and borrowings	22	178,694	868,331
Other financial liabilities	25, 26	20,900	—
Deferred tax liabilities	11	21,115	18,692
Provisions	23	45,532	61,625
<b>Total non-current liabilities</b>		<u>266,241</u>	<u>948,648</u>
<b>Total liabilities</b>		<u>438,095</u>	<u>1,079,029</u>
<b>Net assets (liabilities)</b>		<u>270,482</u>	<u>(469,396)</u>
<b>Equity</b>			
Issued capital	25	673,955	1,469,393
Reserves		(123,720)	(117,560)
Other equity		1,463,247	(128,790)
Accumulated losses		(1,742,950)	(1,692,944)
<b>Total equity</b>		<u>270,532</u>	<u>(469,901)</u>
Non-controlling interest		(50)	505
<b>Total equity</b>		<u>270,482</u>	<u>(469,396)</u>

(1) Prior year amounts were updated to align with current year classifications.

See accompanying Notes to the Consolidated Financial Statements included on pages 51 to 106.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Issued capital US\$'000	Foreign currency translation reserve US\$'000	Equity-settled compensation reserve US\$'000	Hedging reserve US\$'000	Other <sup>1</sup> equity US\$'000	Accumulated losses US\$'000	Total attributable to owners of the parent US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
Balance at 1 January 2020	1,468,776	(128,805)	11,008	—	(137,182)	(1,595,565)	(381,768)	(387)	(382,155)
Loss for the period	—	—	—	—	—	(98,766)	(98,766)	—	(98,766)
Other comprehensive gain for the period - net of tax	—	8,629	—	—	—	2,279	10,908	—	10,908
Total other comprehensive loss	—	8,629	—	—	—	(96,487)	(87,858)	—	(87,858)
Shares issued	332	—	—	—	—	—	332	—	332
Shares issued to directors	285	—	—	—	—	—	285	—	285
Expiration of unexercised equity-settled awards	—	—	(8,392)	—	8,392	—	—	—	—
Non-controlling interest	—	—	—	—	—	(892)	(892)	892	—
<b>Balance at 31 December 2020</b>	<b>1,469,393</b>	<b>(120,176)</b>	<b>2,616</b>	<b>—</b>	<b>(128,790)</b>	<b>(1,692,944)</b>	<b>(469,901)</b>	<b>505</b>	<b>(469,396)</b>
Balance at 1 January 2021	1,469,393	(120,176)	2,616	—	(128,790)	(1,692,944)	(469,901)	505	(469,396)
Loss for the period	—	—	—	—	—	(57,389)	(57,389)	—	(57,389)
Other comprehensive gain for the period - net of tax	—	(4,612)	—	(1,548)	—	6,828	668	—	668
Total other comprehensive loss	—	(4,612)	—	(1,548)	—	(50,561)	(56,721)	—	(56,721)
Shares issued	796,604	—	—	—	—	—	796,604	—	796,604
Re-domiciliation reserve adjustment <sup>2</sup>	(1,592,037)	—	—	—	1,592,037	—	—	—	—
Interest rate swap	—	—	—	—	—	—	—	—	—
Non-controlling interest	—	—	—	—	—	555	555	(555)	—
Share purchases	(5)	—	—	—	—	—	(5)	—	(5)
<b>Balance at 31 December 2021</b>	<b>673,955</b>	<b>(124,788)</b>	<b>2,616</b>	<b>(1,548)</b>	<b>1,463,247</b>	<b>(1,742,950)</b>	<b>270,532</b>	<b>(50)</b>	<b>270,482</b>

- (1) Other equity represents the Company's reorganisation reserve on creation of the Company in 2007, the expiration of unexercised equity-settled awards and the Company's reorganisation reserve on the Recapitalisation and re-domiciliation of the Company in 2021.
- (2) Refer to Note 2.

See accompanying Notes to the Consolidated Financial Statements included on pages 51 to 106.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended December 2021

	Note	2021 US\$'000	2020 US\$'000
<b>Cash flows from operating activities</b>			
Loss for the year		(57,389)	(98,766)
<i>Adjustments provided by operating activities:</i>			
Income tax expense recognised in profit		4,280	5,253
Finance costs recognised in profit	6	88,828	92,877
Depreciation and amortisation	7	48,551	40,964
Interest income recognised in profit	6	(42)	(43)
Gain on sale or disposal of non-current assets	7	(4,005)	(1,998)
Other non-cash items		(6,902)	12,545
Gain on fair value of warrant liabilities		(11,630)	—
Shares issued		—	285
Shares issued to directors		—	332
Impairment of current and non-current assets		424	8,825
Non-cash foreign exchange loss		8,246	1,550
<i>Changes in net assets and liabilities, net of effects from acquisition and disposal of business:</i>			
(Increase) decrease in assets:			
Trade and other receivables		(32,750)	5,291
Inventories		(50,161)	(3,757)
Other assets		(7,972)	59
(Decrease) increase in liabilities:			
Trade and other payables		44,359	(8,951)
Provisions		2,802	3,097
Cash provided by operations		26,639	57,563
Interest paid		(12,011)	(7,624)
Interest received	6	42	43
Income taxes paid		(11,463)	(603)
Net cash flows generated in operating activities		<u>3,207</u>	<u>49,379</u>

See accompanying Notes to the Consolidated Financial Statements included on pages 51 to 106.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended December 2021

	Note	2021 US\$'000	2020 US\$'000
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(51,717)	(25,127)
Proceeds from sale of property, plant and equipment		5,712	5,214
Intangible costs paid		(6,498)	(6,999)
Net cash flows used in investing activities		<b>(52,503)</b>	<b>(26,912)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issuance of shares <sup>1</sup>		1,578	—
Payments for share purchases		(5)	—
Payments for debt issuance costs		(4,375)	(153)
Proceeds from borrowings		263,311	62,521
Repayment of borrowings		(207,837)	(81,314)
Net cash flows provided by (used in) financing activities		<b>52,672</b>	<b>(18,946)</b>
Net increase in cash and cash equivalents		3,376	3,521
Cash and cash equivalents at the beginning of the year		23,513	20,240
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,310)	(248)
<b>Cash and cash equivalents at the end of the year</b>	<b>35</b>	<b>25,579</b>	<b>23,513</b>

(1) The Company was Recapitalized on 23 September 2021. See Note 2.

See accompanying Notes to the Consolidated Financial Statements included on pages 51 to 106.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 1. GENERAL INFORMATION

Boart Longyear Group Ltd. (the "Parent") is a public company listed on the Australian Securities Exchange Limited ("ASX") and is incorporated in Ontario, Canada. Boart Longyear Group Ltd. 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 Group Ltd. was inserted as the Parent entity during the year as part of the Company's re-domiciliation to Canada. Refer to Note 2. Boart Longyear Limited continues to be the ultimate controlling entity incorporated within Australia.

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

### Registered office

2442 South Sheridan Way  
Mississauga, Ontario  
Canada L5J 2M7  
Tel: +1 905 822 7922

### Principal place of business

2455 South 3600 West  
Salt Lake City, Utah 84119  
United States of America  
Tel: +1 (801) 972 6430

As Boart Longyear Group Ltd. is incorporated in Ontario, Canada, it is subject to certain Canadian securities laws, including applicable take-over bid rules under which any offer to acquire outstanding voting or equity securities of a class made to one or more persons, any of whom is in a Canadian jurisdiction where the securities subject to the bid, together with the offeror's securities (and those held by joint actors), constitute in aggregate 20% or more of the outstanding securities of the company at the time of the offer are required to extend the offer to all security holders who are in Canada. The takeover bid rules require, among other things, the equal treatment of all shareholders by the mailing of a takeover bid circular to all shareholders of the target company, minimum offer periods and prescribed disclosure requirements. There are certain exemptions from the Canadian take-over bid rules, including if among other things, less than 10% of the issued and outstanding shares are held by shareholders in Canada and the principal trading market for the shares is outside of Canada.

There are no restrictions imposed on a third party's acquisition of Boart Longyear Group Ltd.'s securities under the company's articles or by-laws.

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 (*Cth*) dealing with the acquisition of the Company's shares (including substantial holdings and takeovers).

### Basis of Preparation

This financial report is a general-purpose financial report which:

- has been prepared in accordance with the requirements of Australian Accounting Standards and of the Australian Corporations Act (*Cth*) 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 AASB. 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 Group Ltd.'s functional and presentation currency. All values have been rounded to the nearest thousand dollars (US\$000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191. The financial statements were authorised for issue by the Directors on 25 February 2022;
- 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 Group Ltd. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 1. GENERAL INFORMATION (CONTINUED)

- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to Note 37 for further details.

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

### Going Concern

The financial report has been prepared on the going concern basis which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors consider that current and expected liquidity from operating cashflow, cash on hand and available drawings under the Company's Asset Backed Revolver Bank Loan and Exit Term Loan will be adequate to enable the Company to meet its debts and obligations as and when they fall due for the twelve months from the date of issuance of this financial report.

### Impact of COVID-19

On 11 March 2020, the World Health Organization designated COVID-19 as a global pandemic. During the second quarter of 2020, the Company's business was significantly impacted by the COVID-19 pandemic due government-imposed measures to prevent or reduce its spread. As a result, beginning in March 2020, the Company implemented its business continuity plan to protect the health and well-being of employees while ensuring ongoing operations sustainability; transitioning of corporate and regional office staff to work from home; and ceasing all non-essential international and domestic travel.

During 2021, the Company has seen improvements to the business and a return to pre-COVID-19 activity. While the Company believes the worst of the impacts of COVID-19 on the business have been felt, there remains a level of uncertainty.

### Government Assistance

In response to the COVID-19 pandemic, many governments implemented legislation to help businesses experiencing financial difficulty stemming from the pandemic. Although the Company did not receive any significant subsidies in 2021, the Company was successful in securing a number of government relief packages in 2020 which improved liquidity and/or reduced operating expenses.

The Company recognised subsidies of \$6.7 million under the Canada Employee Wage Subsidy program to cover a portion of eligible employee wages in Canada for the year ended 31 December 2020. These subsidies were recognised as a deduction to employee salaries reducing the Company's operating loss in 2020.

The Company also received payroll tax relief deferrals of \$2.7 million for the year ended 31 December 2020 in the United States in accordance with the Coronavirus Aid, Relief, and Economic Security Act Employee Retention Payroll Tax Credit. Although the expense associated with the payroll taxes was recognised during 2020, the deferral of these payments improved the Company's cash flows provided by operations. The Company paid 50% of the deferred payroll taxes in 2021 and the remaining 50% of deferred payroll taxes will be paid in 2022.

### Deferred Rent and Rent Relief

To preserve cash and improve liquidity, the Company was able to successfully defer rent payments and/or receive rent abatements on several lease contracts. In 2020, the Company early adopted *COVID-19-Related Rent Concessions (Amendment to AASB 16)* that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient under AASB 16 *Leases*. Under this practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all of the following criteria are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- There is no substantive change to the other terms and conditions of the lease.

The impact of applying this practical expedient was immaterial to the Company's Consolidated Statement of Profit or Loss for the year ended 31 December 2021.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 1. GENERAL INFORMATION (CONTINUED)

### Key Judgements and Estimates

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

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

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

Note 2	Recapitalisation and Re-Domiciliation
Note 11	Income Taxes
Note 20	Other Intangible Assets
Note 23	Provisions
Note 28	Commitments for Expenditures
Note 30	Contingent Liabilities

### Foreign Currency

The Company's presentation currency is the US dollar. The financial statements of the Company and its subsidiaries have been translated into US dollars using the exchange rates at each balance sheet date for assets and liabilities and at 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 2. RECAPITALISATION AND RE-DOMICILIATION

### Implementation of the Creditors' Schemes

On 23 September 2021, Boart Longyear completed a Recapitalisation that substantially reduced the Company's debt, strengthened its balance sheet, lowered interest expense, and enhanced the liquidity of the Company to support operations and future growth. The following summarises the steps taken to implement the creditors' schemes and Recapitalisation transaction.

#### Share Consolidation

As part of the Recapitalisation transaction, the Company completed a share consolidation on the basis that every 20 shares be consolidated into 1 share. The share consolidation was applied to all issued capital comprising shares, warrants, and options. The share consolidation occurred prior to the implementation of the Recapitalisation so that all securities issued under the Recapitalisation were issued on a post-share consolidation basis.

The share consolidation had the following impact on issued capital at 23 September 2021:

	Issued Capital Outstanding		Exercise Price	
	Pre-Consolidation	Post Consolidation	Pre-Consolidation	Post Consolidation
<b>Issued Capital</b>				
Share capital, ordinary shares	88,511,580	4,425,590	N/A	N/A
Ordinary warrants	2,012,403	103,790	US \$1.80	US \$36.00
Class A warrants	282,784	14,141	US \$3.00	US \$60.00
Class B warrants	145,032	7,254	A \$6.30	A \$126.00
Options	43,158	2,166	US \$57.60 - \$96.00	US \$1,152.00 - \$1,920.00

As a result of the share consolidation, the weighted average number of shares outstanding has been adjusted proportionately as if the share consolidation had occurred at the start of the earliest period for which earnings per share information is presented. Refer to Note 12.

#### Issue of New Shares and Warrants

According to the terms of the Recapitalisation, \$829.7 million of debt and accrued interest costs were cancelled in exchange for the issue of the Company's equity and warrants. The cancelled debt and associated interest was owed to the holders of Term Loan A debt, Term Loan B debt, the Senior Secured Notes and the Senior Unsecured Notes. The obligations of Boart Longyear under the Term Loan A debt, Term Loan B debt, Senior Secured Notes and Senior Unsecured Notes has now been cancelled in exchange for the issue of:

- 290,613,743 ordinary shares in the Company; and
- 32,782,148 warrants to the Senior Unsecured Note holders.

The cancellation of this debt was accounted for as follows:

**Term Loan A and Term Loan B:** The holders of Term Loan A and Term Loan B were significant shareholders of the Company and were considered to be acting in their capacity as significant shareholders at the time the debt was extinguished; as a result, this transaction was outside the scope of AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* ("AASB 19"). When the cancellation of debt is outside the scope of AASB 19, judgement is required in determining the appropriate accounting treatment. The Company has developed an accounting policy to measure the share capital issued to existing, significant shareholders as part of the Recapitalisation by reference to the carrying amount of the debt extinguished. Therefore, the increase in equity for the shares issued was measured by reference to the \$364.2 million owed to the holders of Term Loan A and Term Loan B when the debt was cancelled and no gain or loss was recognised on the transaction.

**Senior Secured Notes:** The Senior Secured Notes were held by various stakeholders, some of whom were significant shareholders and some of whom were not. Of the \$371.1 million outstanding on the Senior Secured Notes, a balance of \$204.2 million was due to significant shareholders of the Company while the remaining \$166.9 million was due to non-shareholders. The increase in equity for the shares issued to extinguish the Senior Secured Notes held by significant shareholders was measured by reference to the carrying amount of the liability and no gain or loss was recognised on the cancellation of debt as the shareholders were considered to be acting in their capacity as shareholders on this transaction. Where shares were issued to extinguish the remaining \$166.9 million in debt held by non-shareholders, the shares issued were measured at their fair value on the date of issue and a \$1.4 million restructuring gain was recorded as other income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as the carrying value of the cancelled debt was higher than the fair value of the shares issued.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 2. RECAPITALISATION AND RE-DOMICILIATION (CONTINUED)

A share price of US\$2.27 (or A\$3.13) was used to fair value the shares issued to the non-shareholders which was lower than the A\$3.55 quoted share price on the date of the debt extinguishment. Due to the low trading volume of BLY shares, the market was considered inactive at the time of the Recapitalisation. Further, the share price hadn't had time to reflect fully the impact of the Recapitalisation on the Company.

The fair value of the equity issued to non-shareholders was estimated using an income approach and utilizing a discounted cash flow forecast model. The following were the key model inputs used in determining the fair value:

- Assumed after-tax discount rate of 10.5%;
- Assumed terminal period EBITDA margin of 14%; and
- Assumed two year projection period based on the Board approved budget and long range plans followed by a long-term terminal period due to the cyclical nature of the industry that market participants would consider when estimating projected cash flows.

An enterprise valuation was derived using the income approach model and the Company's net debt was deducted from the enterprise valuation to arrive at an overall equity value. A range of enterprise values was evaluated before concluding on an enterprise value that was most representative of the fair value given all the facts and circumstances.

*Senior Unsecured Notes:* Similar to the Senior Secured Notes, the Senior Unsecured notes were held by both significant shareholders and non-shareholders. In addition to receiving shares, the holders of the Senior Unsecured Notes also received share purchase warrants. These warrants have an exercise price of A\$2.79 and are exercisable through 23 September 2027. Holders of these warrants may elect a cashless exercise whereby the warrant holder is not required to pay the Company the exercise price of the warrant and instead will be issued a net number of shares that is variable based on the fair value of the Company's shares on the exercise date of the warrant. As a result, these warrants don't meet the fixed-for-fixed criteria for classification as equity and have therefore been classified as a liability in the Consolidated Statement of Financial Position. The warrants were valued using an option pricing model resulting in an initial liability being recognised for the warrants of \$31.1 million. Refer to Note 25 for the inputs used to determine the fair value of the warrants.

The fair value of the warrants was deducted from the \$94.5 million due to holders of the Senior Unsecured Notes resulting in a remaining \$59.6 million outstanding debt due to significant shareholders and \$3.8 million outstanding due to non-shareholders. The shares issued to the significant shareholders in exchange for cancelling the remaining debt were measured by reference to the \$59.6 million due to these shareholders and no gain or loss was recognised on the cancellation of this debt as it was determined the shareholders were acting in their capacity as shareholders. The shares issued to non-shareholders were measured at their fair value on the date of issue resulting in a \$2.3 million restructuring gain recorded as other income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as the carrying value of the cancelled debt was higher than the fair value of the shares issued.

The fair value of the shares issued to the non-shareholders of the Senior Unsecured Notes was determined using the same aforementioned approach used to determine the fair value of the shares issued to the non-shareholders of the Senior Secured notes.

### Exit Financing

Immediately after issuing the new shares and warrants to cancel the debt and accrued interest owned under Term Loan A, Term Loan B, the Senior Secured Notes and the Senior Secured Notes, the Company drew down on its five-year, \$115.0 million term loan facility with HPS Investment Partners, LLC, Blue Torch Capital LP and other financial institutions to fully repay:

- The incremental, short term credit facility of \$50.0 million entered into on 10 July 2021, with Corre Partners Management, First Pacific Advisors, Nut Tree Capital Management, and certain other financial institutions affiliated therewith; and
- The existing backstop ABL/Term Loan creditor facility with Centerbridge and others.

Refer to Note 22 for the key terms and conditions of the new Exit Term Loan.

### Creditor Share Purchase Plan

The Company issued 878,169 shares to participating shareholders under a Share Purchase Plan, raising \$1.6 million in the aggregate. Refer to Note 25.

### Selective Buy-Back and Cancellation of Shares under Selective Buy-Back

The Company accepted offers received from eligible shareholders under a Selective Buy-Back and repurchased 2,562 shares. The shares purchased under the Selective Buy-Back were cancelled on 24 September 2021. Refer to Note 25.

### Income Tax

The tax attributes of the Company were impacted by the Recapitalisation in Australia and the United States. These impacts can be found in Note 11.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 2. RECAPITALISATION AND RE-DOMICILIATION (CONTINUED)

### Re-domiciliation

On 8 September 2021, the Company's shareholders approved a re-domiciliation of the Company to Canada. In accordance with the terms of the re-domiciliation, on 5 October 2021, Boart Longyear Group Ltd., the new Canadian parent entity, acquired all the issued shares in the existing parent entity, Boart Longyear Limited, from existing Boart Longyear Limited shareholders on a one for one basis.

Apart from stating that a business combination has not occurred when a new entity is placed on top of an existing group by issuing shares to the existing shareholder, there is no specific guidance in AASB 3 *Business Combination* on this topic. As a result, the Company has developed an accounting policy to account for this transaction using the predecessor's carrying amounts at the date of the transaction. Therefore, the consolidated financial statements of Boart Longyear Group Ltd. are presented as a continuation of the existing group. Assets and liabilities are recognised at predecessor carrying values while share capital, including shares, options, and warrants, are recognised at fair value. As the re-domiciliation has been presented as a continuation of the Company, existing reserves from the predecessor parent entity have been brought forward. The \$1.6 billion difference between the share capital of Boart Longyear Group Ltd. and the reserves and net assets acquired at predecessor book value has been credited to Other equity in the Consolidated Statement of Changes in Equity.

In all, the Company incurred \$41.4 million in costs, recognized as general and administrative expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, during 31 December 2021 to fund the Recapitalisation transaction and re-domiciliation activities. These costs were partially offset by the above mentioned \$3.7 million restructuring gains recorded as other income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 3. 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 operating 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	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Global Drilling Services	614,840	456,267	60,552	8,511
Global Products revenue				
Products third party revenue	306,559	200,998		
Products inter-segment revenue <sup>1</sup>	73,671	56,407		
Total Global Products	380,230	257,405	54,577	16,381
Less Global Product sales to Global Drilling Services	(73,671)	(56,407)		
Total third party revenue	921,399	657,265		
Total segment profit			115,129	24,892
Unallocated costs <sup>2</sup>			(41,791)	(25,571)
Recapitalisation costs			(37,661)	—
Finance costs			(88,828)	(92,877)
Interest income			42	43
Loss before taxation			(53,109)	(93,513)

(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	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Global Drilling Services	34,995	30,593	48,248	26,016
Global Products	10,400	6,585	20,987	10,944
Total of all segments	45,395	37,178	69,235	36,960
Unallocated <sup>1</sup>	3,156	3,786	1,455	2,120
Total	48,551	40,964	70,690	39,080

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 3. 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 <sup>1</sup>	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
North America	417,961	291,489	207,205	198,323
Asia Pacific	216,022	170,548	53,007	50,775
Latin America	104,747	66,865	12,147	13,268
EMEA	182,669	128,363	36,895	31,616
Total	921,399	657,265	309,254	293,982

(1) Non-current assets excluding deferred tax assets and post-employment assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 4. REVENUE

Boart Longyear operates two different business units throughout various geographical locations – Global Drilling Services and Global Products, which includes our Geological Data Services.

### *Global Drilling Services*

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

Revenue from services rendered is recognised in the statement of profit and loss and other comprehensive income over time. Boart Longyear has a contractual right to consideration from a customer for an amount that corresponds directly with the value to the customer of the performance completed to date (for example, number of meters drilled). As a result, Boart Longyear applies the practical expedient under AASB 15.B16 to recognise revenue at the amount which it has the right to invoice.

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

### *Global Products*

The Company manufactures, distributes and sells equipment that is necessary for the mining and mineral industry. Sales orders are completed across multiple geographies for products, such as large drill rigs, and drilling components, such as bits and coring rods. Each product promised to the customer is distinct under the contract according to AASB 15.27 and gives rise to a separate performance obligation. Revenue is recognised when control of the products has transferred to the customer. Transfer of control generally happens at the point the products are delivered to the carrier for drilling rigs and components. The transaction price is allocated to each product on stand-alone basis.

Payment is received following invoice according to standard payment terms, which are generally between 30 to 60 days. There are no significant financing components and there is no significant reversal of variable consideration expected at the point of revenue recognition.

The components of revenue are as follows:

	<b>2021</b>	<b>2020</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Revenue from the rendering of services	614,840	456,267
Revenue from the sale of goods	306,559	200,998
	<b>921,399</b>	<b>657,265</b>

There was one customer that contributed 13% of the Company's revenue in 2021 and 12% in 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 5. OTHER INCOME / EXPENSE

The components of other income are as follows:

	2021 US\$'000	2020 US\$'000
Gain on disposal of property, plant and equipment	4,005	1,998
Gain on disposal of scrap	151	570
Gain on warrants revaluation	11,630	—
Gain on recapitalization	3,726	—
Other	1,096	3,253
Total other income	20,608	5,821

The components of other expense are as follows:

	2021 US\$'000	2020 US\$'000
Amortisation of intangible assets <sup>1</sup>	1,609	1,818
Value-added tax	—	280
Loss on foreign currency exchange	10,330	4,087
Impairment of Latin America property, plant and equipment <sup>2</sup>	—	6,807
Impairment of property, plant and equipment <sup>2</sup>	—	1,492
Other	1,175	2,632
Total other expenses	13,114	17,116

- (1) Total amortisation of intangible assets for the year is \$5.5 million, as presented in Note 20. Amortisation expense of \$3.9 million for development assets was recorded within research and development expenses, while \$1.6 million of amortisation was recorded within other expenses. In the year ended 31 December 2020 amortisation totalled \$3.4 million, while \$1.6 million was recorded in research and development, and \$1.8 million was recorded within other expenses.
- (2) No fixed asset impairments were recorded during the year ended 31 December 2021. Impairments of \$8.3 million in the year ended 31 December 2020 were recorded in other expenses. See Note 18.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 6. INTEREST INCOME / FINANCE COSTS

Interest income is as follows:

	<b>2021</b> <b>US\$'000</b>	<b>2020</b> <b>US\$'000</b>
Interest income:		
Bank deposits	42	43

Finance costs are as follows:

	<b>2021</b> <b>US\$'000</b>	<b>2020</b> <b>US\$'000</b>
Finance costs:		
Interest on loans and bank overdrafts	5,747	62,496
Interest on retired bank loans	43,488	—
Debt modification <sup>1</sup>	9,528	11,786
Applicable premium	23,558	13,745
Amortisation of debt issuance costs	604	1,148
Interest on lease liabilities	3,015	3,191
Other	2,888	511
Total finance costs	<u>88,828</u>	<u>92,877</u>

(1) See Note 22.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 7. 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):

	2021 US\$'000	2020 US\$'000
Gain on disposal of property, plant and equipment	4,005	1,998
Net foreign exchange losses	(10,330)	(4,087)
Fair value adjustment on warrant liabilities	(11,630)	—
Gain on recapitalization	3,726	—
Net change in expected credit loss	(596)	(564)

### (b) Employee benefits expenses

	2021 US\$'000	2020 US\$'000
Salaries and wages	(303,915)	(215,825)
Post-employment benefits:		
Defined contribution plans	(11,576)	(9,867)
Defined benefit plans	(1,444)	(1,374)
Termination benefits	(2,143)	(1,911)
Other employee benefits <sup>1</sup>	(69,495)	(56,635)
	<u>(388,573)</u>	<u>(285,612)</u>

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

### (c) Other

	2021 US\$'000	2020 US\$'000
Depreciation of non-current assets	(43,010)	(37,591)
Amortisation of non-current assets	(5,540)	(3,373)
Rental expense	(23,960)	(18,179)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 8. REMUNERATION OF AUDITORS

	2021 US\$'000	2020 US\$'000
<b>Company auditor's remuneration</b>		
Audit and review of the financial report:		
Auditor of the parent entity	912	783
Related practices of the parent entity auditor	793	710
	<u>1,705</u>	<u>1,493</u>
Non-audit services:		
Tax Consultation	349	44
Tax Compliance	228	199
Tax Audit Support	497	196
	<u>1,074</u>	<u>439</u>
Total remuneration to Company auditor	<u>2,779</u>	<u>1,932</u>

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

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

## 9. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2021 US\$'000	2020 US\$'000
Short-term employee benefits	8,405	3,536
Post-employment benefits	58	38
Other long-term benefits	504	—
Termination benefits	388	4
Share-based payments	—	224
Total key management personnel compensation	<u>9,355</u>	<u>3,802</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 10. EMPLOYEE LONG TERM INCENTIVE PAYMENTS

In 2020, BLY shareholders adopted a Long-Term Equity Incentive Plan ("LTIP"). The LTIP allows the Company's Remuneration Committee to grant incentive performance stock units to senior leaders, or others, as appropriate. The LTIP awards are tied to performance measures established by the Remuneration Committee that management and senior leaders have to achieve to receive their awards. The LTIP will terminate 10 years after the 30 July 2020 Effective Date.

No shares or performance stock units were awarded under the LTIP in 2021; however, the Remuneration Committee approved and announced the 2021 LTIP Plan. The 2021 LTIP Plan is a two-year program that will be phased in over two cycles. The details of the 2021 LTIP Plan are outlined below:

- **Duration of 2021 LTIP Plan:** 1 January 2021- 31 December 2022. Target Bonus: 35% of Base Pay
  - *Duration of Cycle One:* 1 January 2021 - 31 December 2022. Target Bonus: 17.5% of Base Pay
  - *Duration of Cycle Two:* 1 January 2022 - 31 December 2022. Target Bonus: 17.5% of Base Pay
- **Date of Performance Criteria Being Set**
  - *Cycle One:* February 2021
  - *Cycle Two:* Early 2022
- **Cycle One Performance Criteria:** Achievement of Adjusted EBITDA of \$98.0 million
- **Payment Type:** Cash or shares at the discretion of the Remuneration Committee
- **Payment Curve:** Cycle One of the 2021 LTIP Plan was awarded using a payment curve with the following thresholds for minimum and over-achievement targets:
  - Minimum Achievement of \$73.0 million Adjusted EBITDA earns a 75% payout
  - Maximum Achievement of \$147.0 million Adjusted EBITDA earns a 150% payout

The Company began recognising the expense associated with Cycle One of the 2021 LTIP Plan over a one-year service period from 1 January 2021 to 31 December 2021 at the time it was communicated to eligible employees and the Cycle One performance metrics were known. The expense was measured using a 'most likely amount' approach based on the Company's estimate of year-to-date Adjusted EBITDA.

Adjusted EBITDA for the year ended 31 December 2021 was \$112.0 resulting in an over-achievement for Cycle One of the 2021 LTIP Plan. As a result, the Company recognised an expense for the 2021 LTIP plan of \$2.0 million calculated using the salaries of the employees eligible for the plan and a percentage achievement of 114%. Cycle One of the 2021 LTIP Plan is scheduled to be paid to eligible employees in 2022 and has been accrued as an employee benefit at 31 December 2021.

## 11. INCOME TAXES

The Company is subject to income taxes in Canada and other jurisdictions around the world in which the Company operates. Significant judgment is required in determining the Company's 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 Statement of Financial Position. 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 Statement of Financial Position. 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 Statement of Profit or Loss and Other Comprehensive Income.

### Current and deferred taxation

Income tax expense includes current and deferred tax expense (benefit) and is recognised in Statement of Profit or Loss and Other Comprehensive Income except to the extent that amounts relate to items recognised directly in equity in which case the income tax expense (benefit) is also recognised in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 11. INCOME TAXES (CONTINUED)

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.

### Tax consolidation

The Parent Entity is taxed in Canada as a single entity. The Company includes tax consolidated groups for the entities incorporated in Australia and also in 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 groups have entered into tax-funding arrangements with their respective head entities. 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.

### Uncertain tax positions

The Company is subject to income taxes in Canada and other foreign jurisdictions and the calculation of the Company's tax charge involves a degree of estimation and judgement in respect to certain items. In addition, there are transactions and calculations relating to the ordinary course of business for which the ultimate tax determination is uncertain. As a result, a provision is recognised in accordance with IFRIC 23 *Uncertainty over income tax treatments* for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases, is based on specialist independent tax advice. Uncertain tax items for which a provision is made relate principally to the interpretation of tax legislation regarding arrangements entered into by the Company. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. Provisions for uncertain tax positions and tax contingencies are presented in Note 23.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 11. INCOME TAXES (CONTINUED)

### (a) Income tax expense is comprised of:

	2021 US\$'000	2020 US\$'000
<b>Income tax expense:</b>		
Current tax expense	2,626	1,187
Adjustments recognised in the current year in relation to the current tax of prior years	(3,430)	(49)
Deferred tax expense	5,084	4,115
	<u>4,280</u>	<u>5,253</u>

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

Loss before taxation	(53,109)	(93,513)
Income tax benefit calculated at Canada rate of 26.5% (prior year 30.0%)	(14,074)	(28,054)
Impact of non-Canada tax rates	(1,617)	2,390
Net non-deductible/non-assessable items	20,250	24,415
Net unrecognised tax losses and tax credits for the current year <sup>1</sup>	13,855	9,511
Recognition of deferred tax assets arising in prior years	(2,276)	(1,211)
Income tax impact of debt restructure	(3,712)	—
Other	(4,716)	(1,749)
	<u>7,710</u>	<u>5,302</u>
Over provision from prior years	(3,430)	(49)
Income tax expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	<u>4,280</u>	<u>5,253</u>

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

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

The following current and deferred amounts were charged directly through equity during the year:

	2021 US\$'000	2020 US\$'000
<b>Deferred tax recognised in equity:</b>		
Actuarial movements on defined benefit plans	(151)	(861)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 11. INCOME TAXES (CONTINUED)

### (d) Tax assets and liabilities:

	2021 US\$'000	2020 US\$'000
Tax assets:		
Income tax receivable attributable to:		
Parent	—	—
Other entities <sup>1</sup>	1,736	2,066
Total tax assets	1,736	2,066
Current tax liabilities:		
Income tax payable attributable to:		
Parent	—	—
Other entities <sup>2</sup>	1,506	1,946
Total current tax liabilities	1,506	1,946

(1) The income tax receivable for 2021 is \$1.7 million (2020: \$2.1 million) of which \$0.8 million is classified as current tax receivable and \$0.9 million is classified as non-current tax receivable (2020: \$0.5 and \$1.6 million respectively).

(2) Prior year balances were updated to align with current year classifications.

### (e) Deferred tax balances:

	2021 US\$'000	2020 US\$'000
Deferred tax comprises:		
Temporary differences	(19,011)	(17,426)
Unused tax losses and credits	8,035	11,986
Total deferred tax asset (liability)	(10,976)	(5,440)

### (f) Provision for tax contingencies:

	2021 US\$'000	2020 US\$'000
Provision for tax contingencies <sup>1, 2</sup>	46,284	57,254

(1) See Note 23.

(2) Prior year balances were updated to align with current year classifications.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 11. INCOME TAXES (CONTINUED)

2021	Opening balance US\$'000	Recognised in income US\$'000	Foreign exchange difference US\$'000	Acquired/ disposed US\$'000	Recognised in equity US\$'000	Closing balance US\$'000
<b>Deferred tax assets (liabilities) temporary differences</b>						
Property, plant and equipment	1,378	(114)	(162)	—	—	1,102
Provisions	778	(82)	(91)	—	—	605
Doubtful debts	176	(61)	(21)	—	—	94
Other intangible assets	(19,383)	(1,748)	—	—	—	(21,131)
Accrued liabilities	325	(26)	(38)	—	—	261
Pension	(2,450)	(1,045)	287	—	(151)	(3,359)
Inventories	1,826	773	(214)	—	—	2,385
Investments in subsidiaries	—	—	—	—	—	—
Unrealised foreign exchange	(608)	720	—	—	—	112
Other	532	450	(62)	—	—	920
	(17,426)	(1,133)	(301)	—	(151)	(19,011)
<b>Unused tax losses and credits:</b>						
Tax losses	11,986	(3,951)	—	—	—	8,035
	(5,440)	(5,084)	(301)	—	(151)	(10,976)
<b>Presented in the statement of financial position as follows:</b>						
Deferred tax asset						10,139
Deferred tax liability						(21,115)
						(10,976)

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 11. INCOME TAXES (CONTINUED)

2020	Opening balance US\$'000	Recognised in income US\$'000	Foreign exchange difference US\$'000	Acquired/ disposed US\$'000	Recognised in equity US\$'000	Closing balance US\$'000
<b>Deferred tax assets (liabilities) temporary differences</b>						
Property, plant and equipment	3,735	(2,043)	(314)	—	—	1,378
Provisions	660	174	(56)	—	—	778
Doubtful debts	—	176	—	—	—	176
Other intangible assets	(17,378)	(2,005)	—	—	—	(19,383)
Accrued liabilities	179	161	(15)	—	—	325
Pension	(1,546)	(173)	130	—	(861)	(2,450)
Inventories	2,117	(113)	(178)	—	—	1,826
Investments in subsidiaries	(240)	240	—	—	—	—
Unrealised foreign exchange	(1,163)	555	—	—	—	(608)
Other	345	215	(28)	—	—	532
	(13,291)	(2,813)	(461)	—	(861)	(17,426)
<b>Unused tax losses and credits:</b>						
Tax losses	13,288	(1,302)	—	—	—	11,986
	(3)	(4,115)	(461)	—	(861)	(5,440)

### Presented in the statement of financial position as follows:

Deferred tax asset	13,252
Deferred tax liability	(18,692)
	(5,440)

	2021 US\$'000	2020 US\$'000
Unrecognised deferred tax assets		
Tax benefit of unused losses <sup>1,4</sup>	212,615	279,420
Tax benefit of unused capital losses <sup>2</sup>	483,879	508,434
Unused tax credits <sup>3</sup>	7,921	13,842
Tax benefit of temporary differences	18,265	45,938
	722,680	847,634

- (1) \$50.7 million of the tax benefit of unused losses expire within 3-20 years and \$176.5 million related to tax losses that do not expire (2020: \$49.9 million and \$229.5 million respectively).
- (2) The tax basis was established with reference to historic 2007 initial public offering values. Capital losses can only be offset against capital gains in most jurisdictions.
- (3) All of the unused tax credits of \$7.9 million will expire within 1-10 years.
- (4) The estimated effect on unrecognised deferred tax assets as a result of the Recapitalisation was a reduction of \$31.2 million (\$16.5 million, United States, \$14.7 million, Australia).

### Recapitalisation

On 23 September 2021, the Company completed a Recapitalisation that substantially reduced the Company's debt (See Note 2). The United States and Australia were the two tax jurisdictions where tax impacts were identified. The Company performed a valuation and determined the amount of Cancellation of Debt Income ("CODI") in the United States and Commercial Debt Forgiveness ("CDF") in Australia. The Company will utilize unbenefited tax losses to offset the tax impacts identified. The initial estimate of the reduction in unbooked tax losses has been reflected in the numbers disclosed above.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 11. INCOME TAXES (CONTINUED)

### Canadian income tax audits

As previously disclosed by the Company, the Canada Revenue Agency ("CRA") has reassessed the Company's Canadian affiliates for tax years 2010 through 2016. These tax years remain in various stages of audit or appeal with the CRA. Tax years 2010-2014 are also proceeding under mutual agreement procedures, which are a negotiation between Canada and other countries on the allocation of taxable profits between Canada and these countries. The unsettled tax, penalties and interest for 2010-2014 could result in a maximum remaining reassessment of C\$51.2 million, with a net cash payment after prior payments and credits of C\$33.8 million. The unsettled tax, penalties and interest for 2015-2016 could result in a maximum remaining reassessment of C\$13.3 million. The Company is vigorously disputing these reassessments. Due to the uncertainty surrounding these audits, a provision for the estimated outcome has been recognised as a non-current provision. Refer to Note 23.

## 12. LOSS PER SHARE

	2021 US¢ per share	2020 US¢ per share
Basic and diluted loss per share <sup>1</sup>	(68.7)	(2,245.2)

### Basic and diluted loss per share

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

	2021 US\$'000	2020 US\$'000
Loss used in the calculation of basic and diluted loss per share	(57,389)	(98,766)

	2021 Shares '000	2020 Shares '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share <sup>1</sup>	83,487	4,399

- (1) On 23 September 2021, the Company completed a consolidation of issued capital on a basis that every 20 shares be consolidated into 1 share. The comparative information has been restated as a result of share consolidation as discussed in Note 1.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 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.

	2021 US\$'000	2020 US\$'000
Trade receivables	121,844	98,589
Loss allowance	(822)	(1,519)
Goods and services tax receivable	15,540	10,924
Other receivables	1,338	1,572
	<u>137,900</u>	<u>109,566</u>

The aging of trade receivables is detailed below:

	2021 US\$'000	2020 US\$'000
Current	112,796	93,676
Past due 0 - 30 days	5,384	1,787
Past due 31 - 60 days	2,347	819
Past due 61 - 90 days	368	602
Past due 90 days	949	1,705
	<u>121,844</u>	<u>98,589</u>

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company'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 aging analysis. No interest is charged on trade receivables.

#### Credit risk management

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

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

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 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.

	2021 US\$'000	2020 US\$'000
Raw materials	31,056	19,244
Work in progress	6,308	6,960
Finished products	170,598	132,123
	<u>207,962</u>	<u>158,327</u>

The allowance for excess or obsolete inventory was \$20.4 million and \$23.5 million as at 31 December 2021 and 2020, 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 22, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves, and accumulated losses/retained earnings.

### Significant accounting policies

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

### Credit risk management

The Company reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Of the outstanding loans and borrowings, Blue Torch Capital and HPS Investments Partners, LLC accounted for \$115.0 million of Term Loans outstanding. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 15. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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.

### Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

### Foreign currency risk management

Company subsidiaries undertake certain transactions denominated in currencies other than their functional currency, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The Company did not utilise any derivative instruments to reduce the risk of exposure from exchange rate fluctuations during the years ended 31 December 2021 or 2020.

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, as at 31 December are as follows:

	Assets		Liabilities	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Australian Dollar	145,786	95,684	87,602	95,895
Canadian Dollar	1,104	331	7,971	9,080
Euro	2,924	2,274	11,216	10,947
US Dollar	458,596	471,190	179,350	173,796

### 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	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Net profit	(1,165)	1,701	613	792
Net assets	(5,294)	18	613	792

	10% decrease in EUR		10% decrease in USD	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Net profit	933	766	7,500	5,845
Net assets	933	766	(25,386)	(27,036)

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 year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 15. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Forward foreign exchange contracts

There were no open forward foreign currency contracts as at 31 December 2021 or 2020.

### Interest rate risk management

The Company is exposed to interest rate risk as borrowed funds have floating interest rates. This risk is managed by the use of interest rate swap contracts. The Company regularly analyses its interest rate exposure, by taking into consideration forecast debt positions, refinancing, renewals of existing positions, alternative financing, hedging positions and the mix of fixed and floating interest rates. Refer to Note 26 for additional information on the Company's hedging strategy.

### 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 2021 or 2020. 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 future interest and principal cash flows; therefore, the balances may vary from the Consolidated Statement of Financial Position.

	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	Total US\$'000
<b>31 December 2021</b>							
Non-interest bearing payables	-	92,518	45,478	—	—	—	137,996
Variable interest rate instruments	7.2%	928	1,855	8,348	194,279	—	205,410
Fixed interest rate instruments	39.9%	7	14	61	155	—	237
Leases	7.5%	174	114	9,501	23,732	2,602	36,123
Equipment financing	9.5%	76	230	642	1,603	—	2,551
		93,703	47,691	18,552	219,769	2,602	382,317
<b>31 December 2020</b>							
Non-interest bearing payables <sup>1</sup>	-	67,391	29,116	—	—	—	96,507
Variable interest rate instruments	3.7%	71	143	642	23,407	—	24,263
Fixed interest rate instruments	10.0%	—	—	28,825	947,132	—	975,957
Leases	8.7%	216	23	9,128	21,632	5,622	36,621
Equipment financing	9.5%	69	137	657	2,549	—	3,412
		67,747	29,419	39,252	994,720	5,622	1,136,760

(1) Prior year amounts were updated to align with current year classifications.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 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	1 to 3 months	3 months to 1 year	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>2021</b>				
Non-interest bearing receivables	79,862	41,529	16,509	137,900
Cash	25,579	—	—	25,579
	<u>105,441</u>	<u>41,529</u>	<u>16,509</u>	<u>163,479</u>
<b>2020</b>				
Non-interest bearing receivables	59,300	38,545	11,721	109,566
Cash	23,513	—	—	23,513
	<u>82,813</u>	<u>38,545</u>	<u>11,721</u>	<u>133,079</u>

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.

## 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 \$0.2 million as held for sale as at 31 December 2021 (31 December 2020: \$0.4 million). 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 17. IMPAIRMENT OF ASSETS

The Company's property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed at each reporting date to determine whether there is an indication of potential impairment.

### Impairment by cash-generating units ("CGU")

Goodwill and intangible assets in the EMEA, Latin America and Asia Pacific Drilling Services CGUs have been fully impaired. For the North America Drilling Services CGU and Geological Data Services CGU, the Company performed a goodwill impairment test as at 31 December 2021 and 31 December 2020. The recoverable amount of the North America Drilling Services CGU exceeded its carrying amount by approximately 54.7% and 17.6%, respectively, resulting in no impairment to the North America Drilling Services CGU for the year ended 31 December 2021 and 31 December 2020. The recoverable amount for the Geological Data Services CGU exceeded the carrying amount by over 100% resulting in no impairment to the Geological Data Services CGU for the year ended 31 December 2021 and 31 December 2020. Consequently, no goodwill impairments were recorded for the year ended 31 December 2021 and 2020.

The key assumptions considered in these value-in-use models are included below.

*Revenue growth rate.* In determining the growth rates applied to revenue through the mining cycle, management considered the following taking into account the best available information given the current economic environment:

- Average revenue growth over previous mining cycles;
- Rates of inflation in the countries where the Company does business; and
- Price and volume expectations over the forecast period.

*Discount rate and terminal growth rate.* The Company used a post-tax discount rate of 10.5% for North America Drilling Service in 2021 and 25.0% for Geological Data Services CGU. The higher discount rate used for Geological Data Services is necessitated due to the risk and uncertainty of cash flows in this developing business. These rates reflect an underlying global discount rate of 11.5% adjusted for regional variations in the required equity rate of return. The terminal growth rate of 2.5% and 2.5% in North America and Geological Data Services, respectively, does not exceed the long-term average growth rate for the industry in these regions.

*Expenses.* In determining gross margin and SG&A expenses, management has considered the impacts of recent programs and other initiatives already taken within the business and similar future initiatives to reduce operational costs. The recoverable value assessment of the CGUs is based on gross margin increasing as a result of the reduction in costs and improved market conditions.

*Working capital and capital expenditures.* Working capital and capital expenditure assumptions are in line with historic trends given the level of utilisation and operating activity.

*Other economic factors.* As part of the impairment test, management considered several different scenarios that consider the impact on the value-in-use calculations if key assumptions were to vary from those used in the calculations. These change scenarios assessed the impact of a 20.0% decrease to revenue, a 10.0% increase to SG&A expense, a 2.0% reduction to gross margin and a 1.0% reduction to terminal growth rate assumptions. The recoverable amount of the North America Drilling Services CGU and Geological Data Services exceeds its carrying value under all change scenarios and each scenario would result in no further impairment of the CGU.

Each of the change scenarios tested assumes that a specific assumption moves in isolation while all other assumptions are held constant. A change in one of the aforementioned assumptions could be accompanied by a change in another assumption which may increase or decrease the net impact on the calculation.

During the year ended 31 December 2020, the Company identified the global economic impact of COVID-19 as a potential indicator of impairment. As a result, the Company recorded impairment charges of \$6.8 million against property, plant, and equipment in the Latin America Drilling Services CGU and recognised these impairment charges in other expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 18. PROPERTY, PLANT AND EQUIPMENT

The Company's assets are held in various geographical, political and physical environments across the world, therefore, the estimation of useful lives of assets is an area of 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. Leasehold improvement 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings US\$'000	Plant and equipment US\$'000	Right of use assets US\$'000	Construction in progress US\$'000	Total US\$'000
<b>Gross carrying amount:</b>					
<b>Balance at 1 January 2020</b>	50,597	642,321	46,232	23,325	762,475
Additions	—	1,207	7,118	23,734	32,059
Disposal	(5,908)	(41,220)	(23)	(376)	(47,527)
Asset classification transfer	1,135	1,843	(2,978)	—	—
Transfer from construction in progress	336	32,941	—	(33,277)	—
Currency movements	1,261	14,706	1,521	2,437	19,925
<b>Balance at 31 December 2020</b>	<b>47,421</b>	<b>651,798</b>	<b>51,870</b>	<b>15,843</b>	<b>766,932</b>
Additions	—	4,382	11,744	48,077	64,203
Disposal	(3,092)	(80,263)	(1,634)	—	(84,989)
Asset classification transfer	1,198	646	(2,029)	185	—
Transfer from construction in progress	1,013	40,893	—	(41,906)	—
Transfer from intangible assets	—	—	—	30	30
Currency movements	(532)	(29,870)	(1,083)	4,381	(27,104)
<b>Balance at 31 December 2021</b>	<b>46,008</b>	<b>587,586</b>	<b>58,868</b>	<b>26,610</b>	<b>719,072</b>
<b>Accumulated depreciation and impairment:</b>					
<b>Balance at 1 January 2020</b>	(29,627)	(557,184)	(10,627)	—	(597,438)
Depreciation	(2,672)	(25,635)	(9,284)	—	(37,591)
Impairment	(779)	(5,518)	(1,645)	(376)	(8,318)
Disposal	5,735	37,775	60	376	43,946
Asset classification transfer	(961)	(978)	1,939	—	—
Currency movements	(803)	(14,332)	(423)	—	(15,558)
<b>Balance at 31 December 2020</b>	<b>(29,107)</b>	<b>(565,872)</b>	<b>(19,980)</b>	<b>—</b>	<b>(614,959)</b>
Depreciation	(1,538)	(31,681)	(9,791)	—	(43,010)
Disposal	2,883	78,970	1,633	—	83,486
Asset classification transfer	(1,053)	(500)	1,553	—	—
Currency movements	258	23,265	523	—	24,046
<b>Balance at 31 December 2021</b>	<b>(28,557)</b>	<b>(495,818)</b>	<b>(26,062)</b>	<b>—</b>	<b>(550,437)</b>
<b>Net book value at 31 December 2020</b>	<b>18,314</b>	<b>85,926</b>	<b>31,890</b>	<b>15,843</b>	<b>151,973</b>
<b>Net book value at 31 December 2021</b>	<b>17,451</b>	<b>91,768</b>	<b>32,806</b>	<b>26,610</b>	<b>168,635</b>

Property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. Assets are first considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe. The revised carrying values are then included in the assessment of the recoverable value of the relevant cash generating unit to which the property, plant, and equipment relates. As a result of this exercise, the Company has determined that there were no impairment as at 31 December 2021. The Company recorded an impairment loss as at 31 December 2020 of \$8.3 million on property, plant, and equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 19. GOODWILL

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

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

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

### Goodwill, intangible assets and property, plant and equipment

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

	US\$'000
<b>Gross carrying amount:</b>	
Balance at 1 January 2020	104,458
Currency movements	657
<b>Balance at 31 December 2020</b>	<b>105,115</b>
Balance at 1 January 2021	105,115
Currency movements	(199)
<b>Balance at 31 December 2021</b>	<b>104,916</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 19. GOODWILL (CONTINUED)

### Allocation of goodwill to cash-generating units

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

### Goodwill by cash-generating units

	2021 US\$'000	2020 US\$'000
North America Drilling Services	100,869	100,862
Geological Data Services ("GDS")	4,047	4,253
Total Goodwill	104,916	105,115

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

## 20. OTHER INTANGIBLE ASSETS

### Trademarks and trade names

Trademarks and trade names recognised by the Company that are considered to have indefinite useful lives are not amortised. Each period, the useful life of each of these assets is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. 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 their expected useful lives 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 2 to 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 20. OTHER INTANGIBLE ASSETS (CONTINUED)

	Trademarks	Patents	Customer relationships and other	Software	Development assets	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Gross carrying amount:</b>						
Balance at 1 January 2020	1,947	9,928	40,863	89,477	45,062	187,277
Additions	—	748	—	66	6,207	7,021
Disposals	—	(143)	—	(323)	—	(466)
Currency movements	—	30	1,505	17	1,583	3,135
<b>Balance at 31 December 2020</b>	<b>1,947</b>	<b>10,563</b>	<b>42,368</b>	<b>89,237</b>	<b>52,852</b>	<b>196,967</b>
Balance at 1 January 2021	1,947	10,563	42,368	89,237	52,852	196,967
Additions	—	1,380	—	(236)	5,343	6,487
Disposals	—	(5,300)	(21,346)	(177)	(23,180)	(50,003)
Transfer from/(to) PP&E	—	—	—	—	(30)	(30)
Currency movements	—	(12)	361	2	(728)	(377)
<b>Balance at 31 December 2021</b>	<b>1,947</b>	<b>6,631</b>	<b>21,383</b>	<b>88,826</b>	<b>34,257</b>	<b>153,044</b>
<b>Accumulated amortisation and impairment:</b>						
Balance at 1 January 2020	—	(5,887)	(37,145)	(88,628)	(27,983)	(159,643)
Amortisation for the period	—	(415)	(1,019)	(384)	(1,555)	(3,373)
Disposals	—	—	—	323	17	340
Impairment for the period	—	(387)	—	—	(120)	(507)
Currency movements	—	—	(1,502)	(17)	(699)	(2,218)
<b>Balance at 31 December 2020</b>	<b>—</b>	<b>(6,689)</b>	<b>(39,666)</b>	<b>(88,706)</b>	<b>(30,340)</b>	<b>(165,401)</b>
Balance at 1 January 2021	—	(6,689)	(39,666)	(88,706)	(30,340)	(165,401)
Amortisation for the period	—	(578)	(1,019)	(12)	(3,931)	(5,540)
Disposals	—	5,300	21,346	177	23,180	50,003
Transfer (from)/to PP&E	—	(331)	—	—	—	(331)
Impairment for the period	—	(165)	—	—	(259)	(424)
Currency movements	—	(5)	(361)	(2)	(24)	(392)
<b>Balance at 31 December 2021</b>	<b>—</b>	<b>(2,468)</b>	<b>(19,700)</b>	<b>(88,543)</b>	<b>(11,374)</b>	<b>(122,085)</b>
<b>Net book value at 31 December 2020</b>	<b>1,947</b>	<b>3,874</b>	<b>2,702</b>	<b>531</b>	<b>22,512</b>	<b>31,566</b>
<b>Net book value at 31 December 2021</b>	<b>1,947</b>	<b>4,163</b>	<b>1,683</b>	<b>283</b>	<b>22,883</b>	<b>30,959</b>

Other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. As a result of the Company's review of specific intangible assets, the Company recorded an impairment loss as at 31 December 2021 and 31 December 2020 on trademarks, patents and development assets of \$0.4 million and \$0.5 million, respectively.

The Company recognised \$10.9 million of research and development expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 (2020: \$6.6 million).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 21. TRADE AND OTHER PAYABLES

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

	2021 US\$'000	2020 US\$'000
<b>Current</b>		
Trade payables	86,393	59,412
Accrued payroll and benefits	32,694	21,387
Goods and services tax payable <sup>1</sup>	5,166	5,938
Accrued interest	239	245
Accrued legal and environmental	1,538	637
Professional fees	3,747	3,100
Accrued drilling costs	3,210	2,502
Other sundry payables and accruals	5,009	3,286
	<u>137,996</u>	<u>96,507</u>

(1) Prior year amounts were updated to align with current year classifications.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 22. LOANS AND BORROWINGS

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

	Senior Secured Notes	Senior Unsecured Notes	Term Loan A	Term Loan B	ABL Backstop	ABL Revolver	Short term facility	Exit Term Loan	Bank loans	Equipment finance	Lease liabilities	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2020</b>	271,018	92,041	143,455	173,219	51,792	33,534	—	—	—	—	36,657	801,716
Debt Drawn	—	—	—	—	—	58,300	—	—	—	4,221	9,374	71,895
Capitalised interest	25,688	1,388	12,048	14,524	5,100	—	—	—	—	—	—	58,748
Debt modification	11,786	—	—	—	—	—	—	—	—	—	—	11,786
Applicable premium	13,745	—	—	—	—	—	—	—	—	—	—	13,745
Debt issuance costs	—	—	78	—	—	517	—	—	—	—	—	595
Debt Payments	—	—	—	—	—	(70,100)	—	—	—	(809)	(10,405)	(81,314)
Other	—	—	—	—	400	—	—	—	—	—	995	1,395
<b>Balance at 31 December 2020</b>	<b>322,237</b>	<b>93,429</b>	<b>155,581</b>	<b>187,743</b>	<b>57,292</b>	<b>22,251</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,412</b>	<b>36,621</b>	<b>878,566</b>
<b>Balance at 1 January 2021</b>	<b>322,237</b>	<b>93,429</b>	<b>155,581</b>	<b>187,743</b>	<b>57,292</b>	<b>22,251</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,412</b>	<b>36,621</b>	<b>878,566</b>
Debt Drawn	—	—	—	—	—	95,572	30,000	—	—	—	7,791	133,363
Debt issuance costs	—	—	—	—	—	(850)	—	—	—	—	—	(850)
Amortisation of debt issuance costs	—	—	157	—	—	364	—	—	—	—	—	521
Capitalised interest	15,756	1,037	9,390	11,318	4,852	—	1,135	—	—	—	—	43,488
Debt modification	9,528	—	—	—	—	—	—	—	—	—	—	9,528
Applicable premium	23,558	—	—	—	—	—	—	—	—	—	—	23,558
Debt Payments	—	—	—	—	(61,651)	(80,000)	(31,135)	—	—	(638)	(10,427)	(183,851)
Debt exchanged for equity with existing shareholders	(204,203)	(59,642)	(165,128)	(199,061)	—	—	—	—	—	—	—	(628,034)
Debt exchanged for equity at fair value	(166,876)	(3,816)	—	—	—	—	—	—	—	—	—	(170,692)
Debt exchanged for warrants	—	(31,008)	—	—	—	—	—	—	—	—	—	(31,008)
Other	—	—	—	—	(493)	—	—	—	—	—	(515)	(1,008)
<b>Balance at 23 September 2021</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>37,337</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,774</b>	<b>33,470</b>	<b>73,581</b>
Debt Drawn	—	—	—	—	—	22,500	—	115,000	239	—	5,598	143,337
Debt issuance costs	—	—	—	—	—	(75)	—	(3,450)	—	—	—	(3,525)
Amortisation of debt issuance costs	—	—	—	—	—	83	—	—	—	—	—	83
Debt Payments	—	—	—	—	—	(21,000)	—	—	—	(223)	(2,763)	(23,986)
Other	—	—	—	—	—	—	—	140	(2)	—	(182)	(44)
<b>Balance at 31 December 2021</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>38,845</b>	<b>—</b>	<b>111,690</b>	<b>237</b>	<b>2,551</b>	<b>36,123</b>	<b>189,446</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 22. LOANS AND BORROWINGS (CONTINUED)

A summary of the maturity of the Company's borrowings is as follows:

	2021 US\$'000	2020 US\$'000
Current borrowings	10,752	10,235
Non-current borrowings	178,694	868,331
	<u>189,446</u>	<u>878,566</u>
Less than 1 year	10,752	10,235
Between 1 and 2 years	9,190	848,112
Between 2 and 3 years	7,193	7,142
Between 3 and 4 years	44,361	5,213
More than 4 years	122,416	8,699
	<u>193,912</u>	<u>879,401</u>
Original issue discount	(3,310)	—
Debt issuance costs	(1,156)	(835)
	<u>189,446</u>	<u>878,566</u>

The following table provides a reconciliation of debt cash flows from financing activities to borrowings:

	2021 US\$'000	2020 US\$'000
Proceeds from borrowings	263,311	62,521
Capital lease additions	13,389	9,374
Total debt drawn	<u>276,700</u>	<u>71,895</u>
Repayment of borrowings	(207,837)	(81,314)
Debt exchanged for equity at book value	(628,034)	—
Debt exchanged for equity at fair value	(170,692)	—
Debt exchanged for warrants	(31,008)	—
Total debt payments	<u>(1,037,571)</u>	<u>(81,314)</u>

#### Revolver Bank Loans

The Company has an asset-based revolver bank loan with an available facility of \$90.0 million and \$75.0 million as of 31 December 2021 and 2020, respectively. Of this revolving bank loan \$40.0 million was drawn as at 31 December 2021 (\$23.0 million at 31 December 2020).

ABL	2021 US\$ Millions	2020 US\$ Millions
Available facility	90.0	75.0
Drawn	40.0	23.0
Letters of credit	8.2	5.8
Availability block	—	10.0
Borrowing base adjustment	15.0	10.0
Minimum liquidity	5.6	8.3
Undrawn	<u>21.2</u>	<u>17.9</u>
	<u>90.0</u>	<u>75.0</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 22. LOANS AND BORROWINGS (CONTINUED)

As at 31 December 2021, \$8.2 million (31 December 2020: \$5.8 million) of outstanding letters of credit were drawn under the facility. Interest on drawn amounts and letters of credit are based on a base rate plus margin (30-day USD LIBOR plus 3.5%). The Benchmark Replacement rate for LIBOR will bear interest at a floating rate equal to the LIBOR index (subject to customary Alternative Reference Rate Committee ("ARRC") benchmark replacement language, which, in any event, shall be an economically equivalent rate subject to the reasonable discretion of the lender).

Borrowing on this facility is also limited to the lower of the Lender's commitment or the borrowing base that supports the Asset Based Loan. This "borrowing base" is made up of eligible receivables and inventory. As of 31 December 2021, the borrowing base was \$75.0 million.

The facility contains a "Springing Dominion"/Minimum liquidity covenant that requires the Company to maintain on the last day of any month a certain percent of the lesser of the "borrowing base" or "facility capacity" (\$5.6 million at 31 December 2021) (see Note 35). If minimum availability at the end of each month is lower than this threshold, the agent can provide an activation notice that will allow them to access all funds deposited into "Blocked Bank Accounts." These funds will become the property of the agent and will be applied to outstanding advances.

In May 2021, the facility was amended to release an "availability block" of \$10.0 million allowing the Company to access this additional liquidity. This amendment also temporarily reduced the "Springing Dominion" (refer above) from 15% of the "borrowing base" to 7.5% through 30 September 2021 and 12.5% beginning 1 October 2021.

In December 2021, this facility was further amended to temporarily increase the available facility from \$75 million to \$90 million. This amendment also temporarily reduced the "Springing Dominion" from 12.5% (which has been effective from 1 October 2021) of the "borrowing base" to 7.5%. As at 31 December 2021 the minimum liquidity was \$5.6 million being 7.5% of the borrowing base of \$75 million. The increase in the facility size and the reduced "Springing Dominion" remain in effect through 30 June 2022.

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

The scheduled maturity date of the facility is 12 May 2025. As at 31 December 2021 the Company was in compliance with all of its debt covenants

### Exit Term Loan

In September 2021, the Company entered into a new Exit Term Loan in the amount of \$115.0 million. The interest rate on this facility is based on LIBOR, inclusive of a 1.0% floor, plus a variable margin ranging between 7.25% and 7.75%, for an all in rate as of December 31, 2021 of 8.5% and an effective interest rate of 9.72%. The benchmark replacement rate for LIBOR will bear interests at a floating rate equal to the LIBOR index (subject to customary ARRC benchmark replacement language, which, in any event, shall be an economically equivalent rate subject to the reasonable discretion of the lender). The exit term loan contains a maturity of 8 September 2026. It is secured by a first lien on the Working Capital Assets of the Term Loan guarantors that are not ABL guarantors, a second lien on the Working Capital Assets of the Term Loan issuer and the other Term Loan guarantors that are also ABL guarantors, and a second lien on substantially all of the Non-Working Capital Assets of the Term Loan issuer and guarantors, including equipment, intellectual property, the capital stock of subsidiaries and certain owned real property. As at 31 December 2021, the amount outstanding under this facility was \$115.0 million.

The Exit Term Loan contains a month end Minimum Liquidity covenant (\$25.0 million) and a Fixed Charge Coverage ratio of not less than 1.25 to 1.00 on the last day of each fiscal quarter. As at 31 December 2021, the Company was in compliance with all of its debt covenants.

The Company's Exit Term Loans and ABL require that obligors under the term loans must account for at least 60% of consolidated Group EBITDA and total Tangible Assets. This covenant is tested at each publicly released financial report.

The Group's position in relation to these metrics was as follows:

Metric	Target Range	2021	2020
% of Consolidated EBITDA	Equal or more than 60%	178.6%	112.1%
% of Consolidated Tangible Assets	Equal or more than 60%	67.9%	67.0%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 22. LOANS AND BORROWINGS (CONTINUED)

### Backstop ABL

As part of the Company's Recapitalisation in September 2021 (see Note 2), this loan was repaid in full with cash. As of 31 December 2021, there was no balance owing on this facility. The term loan facility carried interest at a rate of 11% per annum payable-in-kind or 10% per annum payable in cash at the option of the borrower. As at 31 December 2020, the amount outstanding under this facility was \$45.0 million.

### Senior Notes

#### Senior Unsecured Notes

As part of the Company's Recapitalisation in September 2021 (see Note 2), the Senior Unsecured Notes were exchanged for equity. As of 31 December 2021 there was no balance owing on these notes. The Company had \$88.9 million of senior unsecured notes outstanding as at 31 December 2020. These notes carried an interest rate of 1.5%, per annum, which was payable-in-kind (i.e. non-cash settlement of interest whereas interest is capitalized to the debt balance).

#### Senior Secured Notes

As part of the Company's Recapitalisation in September 2021 (see Note 2), the Senior Secured Notes were exchanged for equity. As of 31 December 2021, there was no balance owing on these notes. The Company had \$217.0 million of senior secured notes outstanding as at 31 December 2020. These notes carried an interest rate of 12% per annum which was payable-in-kind until 31 December 2018 and thereafter in cash at the reduced interest rate of 10% per annum. Consent was received in June 2020 to pay 30 June 2020 interest as payment-in-kind at 12% per annum and 31 December 2020 payment-in-kind per annum. Consent was received in June 2021 to pay 30 June 2021 interest as payment-in-kind at 14.5% per annum.

On 8 June 2021 and 19 June 2020, the Company received consent from the holders of the Senior Secured Notes and the ASX relief necessary to implement amendments to satisfy the interest payments due in respect of the notes on 30 June 2021 and due in respect of the notes on 30 June 2020 and 31 December 2020, respectively, by way of payment in-kind rather than by payment of cash (payable-in-kind Notes). As a result of these amendments, the Company recorded a modification loss of \$9.5 million and \$11.8 million within finance costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021 and 2020, respectively. These amendments were treated as a modification as the difference between the net present value of the cash flows under the amended Senior Secured Notes compared to the net present value of the cash flows under the original terms of the Senior Secured Notes was not considered "substantial" as defined by AASB 9 *Financial Instruments*. The debt modification loss, recorded to comply with AASB 9, is an adjustment to the amortised cost of the Senior Secured Notes. The adjustment equals the difference between the present value of the cash flows under the original terms and the most recent modified terms, discounted at the original effective interest rate.

The Senior Secured Notes included a premium, payable at the maturity of the notes due December 2022 (as well as in certain circumstances if the Senior Secured Notes are redeemed prior to maturity). The premium was expressed as a percentage of the principal redeemed or repaid and included payable-in-kind Interest. The premium percentage increased over time from 0.9% to 24.4% of the principal balance, depending on the timing of repayment. Together, the debt modification, stated terms, and the applicable premium resulted in an effective interest rate on the Senior Secured Notes of 14.4% per annum. The debt modification and applicable premium have been expensed to interest expense and are presented as part of the finance costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The final settlement of the debt in September 2021 included a premium paid at 17.7%.

### Term Loans

The Company had a term loan facility which was structured as Tranche A and Tranche B loans. As part of the Recapitalisation in September 2021 (see Note 2), all amounts owing on these loans were exchanged for equity. As at 31 December 2020, the amounts outstanding on Tranche A and Tranche B were \$132.5 million and \$159.9 million, respectively. The term loan tranches were payable to the term loan lender, Centerbridge Partners, L.P., a related party. Interest on Term Loans A and B was 8% payable-in-kind and maturity was December 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 22. LOANS AND BORROWINGS (CONTINUED)

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

Description	Issuer/Borrower	Guarantors
ABL	Boart Longyear Management Pty Limited	<p><i>Australia: Boart Longyear Australia Pty Limited, Boart Longyear Limited, Boart Longyear Investments Pty Limited and Votaint No. 1609 Pty Limited</i></p> <p><i>Canada: Boart Longyear Canada, Boart Longyear Manufacturing Canada Ltd. and Longyear Canada, ULC</i></p> <p><i>Chile: Boart Longyear Chile Limitada</i></p> <p><i>Peru: Boart Longyear S.A.C.</i></p> <p><i>Switzerland: Boart Longyear Suisse Sarl</i></p> <p><i>United States: Boart Longyear Company, Boart Longyear Manufacturing and Distribution Inc., BL Capital Management LLC, BLY US Holdings Inc., BLY IP Inc. and Longyear TM, Inc.</i></p>
Exit Term Loan	BLY US Holdings Inc.	<p><i>Australia: Boart Longyear Australia Pty Limited, Boart Longyear Limited, Boart Longyear Investments Pty Limited, Boart Longyear Management Pty Limited, and Votaint No. 1609 Pty Limited</i></p> <p><i>Canada: Boart Longyear Canada, Boart Longyear Manufacturing Canada Ltd. Longyear Canada, ULC, Boart Longyear I LP, Boart Longyear Ventures Inc. and Boart Longyear Alberta Limited</i></p> <p><i>Chile: Boart Longyear Chile Limitada</i></p> <p><i>Netherlands: Boart Longyear Netherlands B.V., Boart Longyear International B.V. and Cooperatief Longyear Holdings U.A.</i></p> <p><i>Peru: Boart Longyear S.A.C.</i></p> <p><i>Switzerland: Boart Longyear Suisse Sarl</i></p> <p><i>United States: Boart Longyear Company, Boart Longyear Manufacturing and Distribution Inc., BL Capital Management LLC, BLY IP Inc., Longyear TM, Inc., Longyear Global Holdings, Inc., and Boart Longyear Incorporated</i></p>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 23. PROVISIONS

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

### Employee benefits

Liabilities for employee benefits for wages, salaries, annual leave, long service leave, and sick leave represent present obligations resulting from employees' services provided and are calculated based on rates that the Company expects to pay as at the 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 short-term employee benefits 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 the reporting date.

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

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

### Warranties

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

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

### Legal contingencies

The Company has provided for certain legal contingencies to the extent they are probable to incur an outflow of economic benefits to require the settlement of related obligations. Legal contingencies of \$5.3 million are comprised of both legal and environmental costs, which were reclassified from Trade and Other Payables as at 31 December 2020. See Note 21.

The following table reflects the provision balances:

	2021 US\$'000	2020 US\$'000
<b>Current</b>		
Employee benefits	13,165	10,158
Restructuring and termination costs <sup>1</sup>	1,320	3,116
Warranty <sup>2</sup>	514	592
Provision for tax contingencies <sup>4</sup>	6,601	7,827
	<u>21,600</u>	<u>21,693</u>
<b>Non-current</b>		
Employee benefits	653	534
Provision for legal contingencies	5,196	5,333
Pension and post-retirement benefits <sup>3</sup>	—	6,331
Provision for tax contingencies <sup>4</sup>	39,683	49,427
	<u>45,532</u>	<u>61,625</u>
	<u>67,132</u>	<u>83,318</u>

- (1) The provision for restructuring and termination costs represent the present value of management's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits.
- (2) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's warranty program.
- (3) Full actuarial valuations of the defined benefit pension and post-retirement benefit plans are performed annually by qualified independent actuaries for the Company's 31 December year end closing. The zero pension provision amount as at 31 December 2021 is the result of the current-year, net pension asset. See Note 24.
- (4) Prior year amounts were updated to align with current year classifications.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 23. PROVISIONS (CONTINUED)

The following table reflects the provision rollforwards:

	Warranty US\$'000	Restructuring and termination US\$'000	Tax <sup>1</sup> US\$'000	Employee benefits US\$'000
<b>Balance at 1 January 2021</b>	592	3,116	57,254	10,692
Change in provisions	449	51	(8,224)	6,183
Reductions arising from payments	(541)	—	(1,603)	(3,000)
Reductions resulting from remeasurement	—	(1,589)	—	—
Amounts reclassified from tax receivables	—	—	(2,209)	—
Amounts reclassified from accrued liabilities	—	—	1,343	—
Foreign exchange	14	(258)	(277)	(57)
<b>Balance at 31 December 2021</b>	<b>514</b>	<b>1,320</b>	<b>46,284</b>	<b>13,818</b>

(1) Prior year amounts were updated to align with current year classifications.

## 24. PENSION AND POST-RETIREMENT BENEFITS

### Defined contribution pension plans

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.

Pension costs represent actual contributions paid or payable by the Company to the various plans. As at 31 December 2021 and 2020, there were no significant outstanding or prepaid contributions. Company contributions to these plans were \$11.6 million and \$9.9 million for the years ended 31 December 2021 and 2020, 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 or asset, 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 subject to any asset ceiling for each plan.

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 weighted-average maturity profile of the defined benefit obligations in North America was 10.9 years for 2021 and 11.0 years for 2020, and in Europe was 15.0 years for 2021 and 19.8 years for 2020. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 24. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

Full actuarial valuations of the defined benefit pension plans were performed as at various dates and updated to 31 December 2021 by qualified independent actuaries. The estimated market value of the assets of the funded pension plans was \$93.0 million and \$173.3 million as at 31 December 2021, and 2020, 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 2021 and 2020 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.

Company contributions to these plans were \$2.7 million and \$3.0 million during the years ended 31 December 2021 and 2020, respectively. Contributions in 2022 are expected to be \$1.3 million.

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

	2021		2020	
	North America	Europe	North America	Europe
Discount rates	4.6%	1.0%	2.5%	1.0%
<u>Expected Average Rate Increases:</u>				
Salaries	3.5%	3.0%	3.5%	3.0%
Pensions in payment	-	1.5%	-	1.5%
Healthcare costs (initial)	5.0%	-	5.0%	-
Healthcare costs (ultimate)	5.0%	-	5.0%	-

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

	2021			2020		
	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	957	—	957	1,014	—	1,014
Net interest expense	207	11	218	351	9	360
Loss on settlement	269	—	269	—	—	—
Total charge to profit and loss account	1,433	11	1,444	1,365	9	1,374

For the financial years ended 31 December 2021 and 2020, charges of approximately \$1.1 million and \$1.1 million, respectively, have been included in cost of goods sold and the remainder in general and administrative or sales and marketing expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 24. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2021			2020		
	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	179,371	303	179,674	217,974	321	218,295
Current service cost	957	—	957	1,014	—	1,014
Interest cost	4,110	11	4,121	5,273	9	5,282
Actuarial (gains) losses arising from demographic assumptions	1,389	—	1,389	(624)	—	(624)
Actuarial losses (gains) arising from financial assumptions	(6,805)	(9)	(6,814)	10,362	11	10,373
Liabilities extinguished on settlements	(76,195)	—	(76,195)	(48,109)	—	(48,109)
Exchange differences on foreign plans	517	2	519	4,923	12	4,935
Benefits paid	(11,722)	(64)	(11,786)	(11,442)	(50)	(11,492)
Closing defined benefit obligation	91,622	243	91,865	179,371	303	179,674

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

	2021			2020		
	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	173,343	—	173,343	207,946	—	207,946
Expected return on plan assets	4,069	—	4,069	5,038	—	5,038
Actuarial gains arising from financial assumptions	1,551	—	1,551	13,275	—	13,275
Administrative expenses paid from the trust	(1,431)	—	(1,431)	(1,310)	—	(1,310)
Exchange differences on foreign plans	892	—	892	4,887	—	4,887
Contributions from the employer	2,744	64	2,808	2,916	50	2,966
Distribution of assets from settled plan	(76,464)	—	(76,464)	(47,967)	—	(47,967)
Benefits paid	(11,722)	(64)	(11,786)	(11,442)	(50)	(11,492)
Closing fair value of plan assets	92,982	—	92,982	173,343	—	173,343

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 24. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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:

	2021 US\$'000	2020 US\$'000
<i>One percentage point increase</i>		
Effect on the aggregate of the service cost and interest cost	—	—
Effect on accumulated post-employment benefit obligation	2	3
<i>One percentage point decrease</i>		
Effect on the aggregate of the service cost and interest cost	—	—
Effect on accumulated post-employment benefit obligation	(2)	(3)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 25. ISSUED CAPITAL

	2021		2020	
	Shares '000	US\$'000	Shares '000	US\$'000
<b>Ordinary shares</b>				
Share capital				
Ordinary shares, fully paid	295,920	668,364	88,511	1,463,802
<b>Movements in ordinary shares</b>				
Balance at beginning of year	88,511	1,463,802	87,656	1,463,185
Share consolidation <sup>1</sup>	(84,084)	—	—	—
Shares reduced due to selective buy-back	(3)	(5)	—	—
Shares issued due to warrants exercised	4	—	—	—
Shares issued	291,492	796,604	—	332
Re-domiciliation reserve adjustment	—	(1,592,037)	—	—
Shares issued to Directors	—	—	855	285
Balance at end of the year	295,920	668,364	88,511	1,463,802
 Total shares outstanding	 295,920	 668,364	 88,511	 1,463,802
Balance at end of the year	295,920	668,364	88,511	1,463,802
	2021		2020	
	Warrants '000	US\$'000	Warrants '000	US\$'000
<b>Issued Warrants</b>				
Warrants issued but not exercised	2,440	5,591	2,440	5,591
Share consolidation <sup>1</sup>	(2,315)	—	—	—
Warrant liabilities issued	32,782	—	—	—
Warrants exercised	(25)	—	—	—
Balance at end of the year	32,882	5,591	2,440	5,591
 Total ordinary shares and warrants	 	 673,955	 	 1,469,393

(1) On 23 September 2021, the Company completed a consolidation of the Company's issued capital on a basis that every 20 shares be consolidated into 1 share.

### Warrant Liabilities

The 32.8 million warrants issued to extinguish the Senior Unsecured Notes (Refer to Note 2) were valued on 23 September 2021 using the Black-Scholes option-pricing model using an underlying share price of A\$3.13, expected volatility of 56.21%, no expected dividends, an expected term of three years, and a risk-free rate of 0.64%. The underlying share price at this date was determined using the income approach described in Note 2. This resulted in a grant date fair value of \$31.0 million.

Due to the liability classification of these warrants, they were re-measured at 31 December 2021 using an underlying share price equal to the close price of the Company's share on the date of re-measurement of A\$2.47, expected volatility of 56.21%, no expected dividends, an expected term of 2.73 years, and a risk-free rate of 1.34%. This resulted in a decrease in the warrant liability of \$13.7 million and a corresponding gain recognised in other income in the Consolidated Statement of Profit or Loss. This gain was partially offset by a \$2.1 million loss the Company recognised when 24,980 warrants were exercised in October 2021. At 31 December 2021, the liability-classified warrants had a fair value of \$19.4 million classified within Other financial liabilities in the Consolidated Statement of Financial Position.

### Options

As at 31 December 2021, the Company had 2,166 vested and unexpired options. The options will expire on various dates in years 2024 and 2026 and have an exercise price of \$1,152 and \$1,920 per option.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 26. FINANCIAL INSTRUMENTS

### Derivative Financial Instruments

The Company may enter into derivative financial instruments to manage its exposure to interest rate risks. Derivative instruments are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivative instruments are classified as either hedges of the fair value of recognised assets or liabilities or of firm commitments ("fair value hedges"), hedges of highly probably forecasted transactions ("cash flow hedges") or non-hedge derivatives. Derivatives designated as either a fair value or cash flow hedge that are expected to be highly effective in achieving offsetting changes in the fair value or cash flows are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivative assets and derivative liabilities are shown separately unless there is a legal right to offset and intent to settle on a net basis.

### Hedging Strategy

The Company may designate derivative instruments as hedging instruments in respect of interest rate risks in fair value hedges or cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions. Further, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk.

#### Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of profit or loss, together with any changes in the fair value of the hedged asset or liability or firm commitment that is attributable to the hedged risk. The Company did not have any qualifying fair value hedges in 2021 or 2020.

#### Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised in the consolidated statements of profit and loss. Amounts accumulated in equity are transferred to the consolidated statements of profit and loss in the period when the forecasted transaction impacts earnings. When the forecasted transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial carrying amount of the asset or liability.

When a derivative designated as a cash flow hedge expires or is sold and the forecasted transaction is still expected to occur, any cumulative gain or loss relating to the derivative that is recorded in equity at that time remains in equity and is recognised in the consolidated statements of profit and loss when the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the Consolidated Statements of Profit or Loss.

The Company is exposed to variability in interest rate risk because the funds borrowed under the Exit Term Loan have a floating interest rate. The Company's hedge strategy is to manage its exposure to interest rate risk in line with the Company's risk strategy by using derivative contracts.

On 28 December 2021, the Company entered into an interest rate swap agreement with PNC Bank with a notional principal amount of \$86.3 million to pay an agreed upon fixed rate of interest of 1.905% in return for a floating rate of interest that matches the benchmark USD LIBOR rate on the Exit Term Loan. This interest rate swap becomes effective on 28 December 2022 and terminates on 8 September 2026. The initial payment on the interest rate swap will commence on 8 January 2023 and thereafter will reset monthly on the eighth day of each month.

The Company has designated the interest rate swap as a cash flow hedge and will settle the difference between the fixed and floating interest rate on a net basis. The hedge was fully effective through 2021 and is expected to remain highly effective as the rates and maturity dates match.

At 31 December 2021, the interest rate swap had a fair value of \$1.5 million classified within other financial liabilities in the Consolidated Statement of Financial Position with the loss recognised in the cash flow hedge reserve in equity.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### Fair Value

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics
- The carrying amounts of financial instruments
- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value)
- Fair value hierarchy levels of financial liabilities for which fair value was disclosed

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
<b>Balance at 31 December 2021</b>			
Warrant liabilities	—	(19,352)	—
Derivative financial liabilities	—	(1,548)	—
Total other financial liabilities	—	(20,900)	—

- 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.

Cash and cash equivalents, trade and other receivables, and trade and other payables are carried at amortised cost which materially approximates the fair value.

### Interest Rate Benchmark Reform

The Company is exposed to USD LIBOR interest rate benchmarks within its asset-based revolver loan, Exit Term Loan, and interest rate swap agreement all of which are subject to interest rate benchmark reform. These financial instruments include detailed fallback clauses clearly referencing the alternative benchmark rate and the trigger event on which the clause is activated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 27. DIVIDENDS

No dividends have been determined for 31 December 2021 or 31 December 2020. There are no franking credits available for the years ended 31 December 2021 or 2020.

## 28. COMMITMENTS FOR EXPENDITURE

The Company has the following continuing operational and financial commitments in the normal course of business:

	2021 US\$'000	2020 US\$'000
<b>Capital commitments</b>		
Purchase commitments for capital expenditures	10,734	5,485
Lease commitment for short-term and low-value leases	12,388	8,525

## 29. LEASE COMMITMENTS

The Company has various lease agreements in place for facilities and equipment. The terms of the leases include periods of free rent, options for the Company to extend the lease, and increasing rental rates over time, and vary by lease. These lease obligations expire at various dates through 2030. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate based on information available at the commencement date of the lease to determine the present value of the lease payments.

As at 31 December 2021, the Company has right-of-use assets with a net book value of \$32.8 million and corresponding lease liabilities of \$36.1 million compared to \$31.9 million and \$36.6 million as at 31 December 2020.

Payments for low-value and short-term leases are presented in the Consolidated Statement of Profit and Loss within expenses contributing to Operating profit (loss). Payments for low-value leases as at 31 December 2021 were \$2.1 million compared to \$1.4 million as at 31 December 2020. Payments for short-term leases as at 31 December 2021 were \$10.3 million compared to \$7.6 million as at 31 December 2020. Payments for short-term leases includes short-term rentals of survey equipment common to the industry.

Right-of-use-assets and depreciation by asset type are as follows:

	Land and buildings US\$'000	Plant and equipment US\$'000	Total US\$'000
<b>Balance at 31 December 2020</b>			
Leased asset cost	32,412	19,458	51,870
Leased asset accumulated depreciation	(10,198)	(9,782)	(19,980)
<b>Net book value at 31 December 2020</b>	22,214	9,676	31,890
<b>Balance at 31 December 2021</b>			
Leased asset cost	32,454	26,414	58,868
Leased asset accumulated depreciation	(13,654)	(12,408)	(26,062)
<b>Net book value at 31 December 2021</b>	18,800	14,006	32,806
<b>2020 Depreciation expense</b>	5,055	4,229	9,284
<b>2021 Depreciation expense</b>	5,118	4,673	9,791

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 30. 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. Balances for legal provisions are disclosed in Note 23.

### Letters of credit

Standby letters of credit primarily issued in support of commitments or other obligations as at 31 December 2021 are as follows:

Subsidiary	Purpose	Expiration date	Amount US\$'000
Australia	Secure a facility rental	August 2022	285
Australia	Secure a facility rental	September 2022	461
Australia	Secure a facility rental	October 2022	60
Chile	Secure DS bonding program	May 2022	3,057
United States	Secure bonding program	January 2022	769
United States	Secure bonding program	May 2022	1,901
United States	Secure insurance program	August 2022	1,670
			<u>8,203</u>

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 4.

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

	2021 US\$'000	2020 US\$'000
Less than 1 year	5,146	5,768
1 to 3 years	3,057	—
	<u>8,203</u>	<u>5,768</u>

### Guarantees

The subsidiaries of the Company provide guarantees within the normal course of business which includes payment guarantees to cover import duties, taxes, performance and completion of contracts. In addition, the Parent and certain subsidiaries are guarantors on the Company's loans and borrowings. See Note 22.

### Legal contingencies

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

### Tax and customs audits

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 30. CONTINGENT LIABILITIES (CONTINUED)

#### Other contingencies

Other contingent liabilities as at 31 December 2021 and 2020 consist of the following:

	2021 US\$'000	2020 US\$'000
<b>Contingent liabilities</b>		
Guarantees/counter-guarantees to outside parties	15,593	12,272

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	
	2021 US\$'000	2020 US\$'000
<b>Financial assets and other credit exposure</b>		
Performance guarantees provided, including letters of credit	23,796	18,040

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 31. DEED OF CROSS GUARANTEE

For the year ended 31 December 2021, Boart Longyear Group Ltd., Boart Longyear Limited, Votraint No. 1609 Pty Ltd, Boart Longyear Investments Pty Ltd. and Boart Longyear Management Pty Limited are parties to a deed of cross guarantee ('the Deed') under which each company guarantees the debts of the other. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

The above companies represent a "closed group" for the purpose of the Class Order, and as there are no other parties to the Deed that are controlled by Boart Longyear Group Ltd., they also represent the "extended closed group".

On 5 October 2021, the Company completed a re-domiciliation whereby Boart Longyear Group Ltd., the new Canadian Parent entity acquired all the issued shares from the existing parent entity, Boart Longyear Limited, on a one for one basis. Refer to Note 2.

For the year ended 31 December 2020, prior to the abovementioned re-domiciliation and creation of the new Parent entity, Boart Longyear Limited, Votraint No. 1609 Pty Ltd, Boart Longyear Investments Pty Ltd. and Boart Longyear Management Pty Limited were parties to the deed of cross guarantee.

Set out below is a consolidated statement of financial performance, a consolidated statement of comprehensive income, a consolidated statement of financial position and a summary of movements in consolidated retained earnings for the years ended 31 December 2021 and 31 December 2020 of the closed group.

### a) Consolidated statement of comprehensive income

	2021 US\$'000	2020 US\$'000
Other income	28,100	—
General and administrative expenses	(5,751)	(3,359)
Restructuring expenses and related impairments	37,946	41,984
Other expenses	(113,573)	(61,138)
Operating loss	(53,278)	(22,513)
Interest income	1,551	296
Finance costs	(62,234)	(80,740)
Loss before taxation	(113,961)	(102,957)
Income tax benefit (expense)	(1,148)	659
Loss for the year from continuing operations	(115,109)	(102,298)
<b>Loss for the year</b>	<b>(115,109)</b>	<b>(102,298)</b>
<b>Other comprehensive loss</b>	<b>2021 US\$'000</b>	<b>2020 US\$'000</b>
Loss for the year attributable to equity holders of the parent	(115,109)	(102,298)
Dividends received from related parties	—	—
Other comprehensive loss for the year (net of tax)	—	—
<b>Total comprehensive loss for the year</b>	<b>(115,109)</b>	<b>(102,298)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 31. DEED OF CROSS GUARANTEE (CONTINUED)

### b) Consolidated statement of financial position

	2021 US\$'000	2020 US\$'000
<b>Current assets</b>		
Cash and cash equivalents	474	395
Trade and other receivables	658	2,936
Prepaid expenses and other assets	301	137
<b>Total current assets</b>	<b>1,433</b>	<b>3,468</b>
<b>Non-current assets</b>		
Loan to related parties <sup>1</sup>	173,841	78,785
Investment in subsidiaries	543,730	493,815
Other assets	65	69
<b>Total non-current assets</b>	<b>717,636</b>	<b>572,669</b>
<b>Total assets</b>	<b>719,069</b>	<b>576,137</b>
<b>Current liabilities</b>		
Trade and other payables	628	2,963
Provisions	1,498	516
Other current financial liabilities	2,529	1,082
<b>Total current liabilities</b>	<b>4,655</b>	<b>4,561</b>
<b>Non-current liabilities</b>		
Loans from related parties	145,701	214,008
Loans and borrowings	38,846	512,613
Provisions	213	213
Other financial liabilities	19,354	—
<b>Total non-current liabilities</b>	<b>204,114</b>	<b>726,834</b>
<b>Total liabilities</b>	<b>208,769</b>	<b>731,395</b>
<b>Net liabilities</b>	<b>510,300</b>	<b>(155,258)</b>
<b>Equity</b>		
Issued capital	2,436,761	3,219,853
Other equity	2,055,390	491,631
Accumulated losses <sup>1</sup>	(3,981,851)	(3,866,742)
<b>Total equity</b>	<b>510,300</b>	<b>(155,258)</b>

- (1) The comparative information has been restated as a result of a correction in the Senior Secured Notes in Boart Longyear Management Pty Limited. This correction did not impact the Consolidated statement of comprehensive income. As of 31 December 2021, there was no balance owed on the Senior Secured Notes due to the Company's Recapitalisation in Sep 2021. See Note 2.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 32. PARENT ENTITY DISCLOSURES

On 5 October 2021, the Company completed a re-domiciliation whereby Boart Longyear Group Ltd., the new Canadian Parent entity, acquired all the issued shares from the existing parent entity, Boart Longyear Limited, on a one for one basis. Due to the re-domiciliation and creation of the new Parent entity in 2021, there is no prior year comparative information. See Note 2.

### Financial position

	2021 US\$'000
<b>Assets</b>	
Non-current assets	637,103
<b>Total assets</b>	637,103
<b>Liabilities</b>	
Current liabilities	2
Non-current liabilities	6,987
<b>Total liabilities</b>	6,989
<b>Net Assets</b>	630,114
<b>Equity</b>	
Issued capital	672,921
Reserves	(35,817)
Accumulated losses	(6,990)
<b>Total equity</b>	630,114

### Financial performance

	2021 US\$'000
Loss for the year	6,990
<b>Total comprehensive loss</b>	6,990

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

Other guarantees are described in Note 30.

### Contractual obligations

As at 31 December 2021 and 2020, Boart Longyear Group Ltd. did not have any contractual obligations.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 33. COMPANY SUBSIDIARIES

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

Subsidiaries	Country of incorporation	Business	31 Dec 2021	31 Dec 2020
BL Capital Management LLC <sup>1</sup>	USA	Holding Company	—	100
BL Group Holdings Inc.	Cayman Island	Holding Company	100	100
BLI Zambia Ltd.	Zambia	Dormant	100	100
BLY Canada Inc.	Canada	Holding Company	100	100
BLY Cote d'Ivoire S.A.	Ivory Coast	Drilling Services	100	100
BLY Drilling Services and Products Mexico, S.A. de C.V. <sup>2</sup>	Mexico	Dormant	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. <sup>1</sup>	Guinea	Dormant	—	100
BLY Holdings Tanzania Ltd. <sup>3</sup>	Tanzania	Holding Company	80	—
BLY IP Inc.	USA	Holding Company	100	100
BLY Madagascar S.A. <sup>1</sup>	Madagascar	Dormant	—	100
BLY Mali S.A.	Mali	Drilling Services	100	100
BLY Senegal S.A.	Senegal	Drilling Services	100	100
BLY Sierra Leone Ltd.	Sierra Leone	Drilling Services	100	100
BLY US Holdings Inc.	USA	Holding Company	100	100
Boart Longyear (Cambodia) Ltd. <sup>2</sup>	Cambodia	Dormant	100	100
Boart Longyear (DRC) S.A.	Dem. Rep. of Congo	Drilling Services	100	100
Boart Longyear (NZ) Limited	New Zealand	Drilling Services	100	100
Boart Longyear (Vic) No. 1 Pty Ltd	Australia	Dormant	100	100
Boart Longyear (Vic) No. 2 Pty Ltd	Australia	Dormant	100	100
Boart Longyear Alberta Limited	Canada	Holding Company	100	100
Boart Longyear Argentina S.A.	Argentina	Drilling Services	100	100
Boart Longyear Australia Pty Ltd	Australia	Drilling Services	100	100
Boart Longyear B.V.	Netherlands	Drilling Products	100	100
Boart Longyear Burkina Faso Sarl <sup>2</sup>	Burkina Faso	Dormant	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 Company	USA	Drilling Products and Services	100	100
Boart Longyear de Mexico, S.A. de C.V.	Mexico	Drilling Services	100	100
Boart Longyear Drilling Products (Wuxi) Co., Ltd.	China	Drilling Products and Services	100	100
Boart Longyear Drilling Services KZ LLP <sup>1</sup>	Kazakhstan	Dormant	—	100
Boart Longyear Eritrea Ltd.	Eritrea	Drilling Services	100	100
Boart Longyear Finance Ltd.	Canada	Holding Company	100	100
Boart Longyear GmbH & Co., KG	Germany	Drilling Products and Services	100	100
Boart Longyear I LP	Canada	Drilling Services	100	100
Boart Longyear Incorporated	Canada	Holding Company	100	100
Boart Longyear International B.V.	Netherlands	Holding Company	100	100
Boart Longyear Investments Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Liberia Corporation	Liberia	Dormant	100	100
Boart Longyear Limitada	Brazil	Dormant	100	100
Boart Longyear Limited <sup>4</sup>	Australia	Holding Company	100	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

## 33. COMPANY SUBSIDIARIES (CONTINUED)

Subsidiaries	Country of incorporation	Business	31 Dec 2021	31 Dec 2020
Boart Longyear Manufacturing and Distribution Inc.	USA	Drilling Products	100	100
Boart Longyear Manufacturing Canada Ltd.	Canada	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 <sup>1</sup>	Kazakhstan	Dormant	—	100
Boart Longyear S.A.C.	Peru	Drilling Products and Services	100	100
Boart Longyear Saudi Arabia LLC <sup>2</sup>	Saudi Arabia	Dormant	100	100
Boart Longyear Sole Co., Limited	Laos	Drilling Services	100	100
Boart Longyear Suisse Sàrl	Switzerland	Holding Company	100	100
Boart Longyear Tanzania Limited	Tanzania	Drilling Services	100	100
Boart Longyear Ventures Inc.	Canada	Holding Company	100	100
Boart Longyear Vermögensverwaltung GmbH	Germany	Holding Company	100	100
Boart Longyear Zambia Limited <sup>2</sup>	Zambia	Dormant	100	100
Cooperatief Longyear Holdings UA	Netherlands	Holding Company	100	100
Geoserv Pesquisas Geologicas S.A.	Brazil	Dormant	100	100
Globaltech Corporation Pty Ltd	Australia	Holding Company	58	52
Inavel S.A.	Uruguay	Dormant	100	100
Longyear Canada, ULC	Canada	Drilling Products	100	100
Longyear DRC S.A.	Dem. Rep. of Congo	Holding Company	99	100
Longyear Global 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
P.T. Boart Longyear	Indonesia	Drilling Services	100	100
Patagonia Drill Mining Services S.A.	Argentina	Dormant	100	100
Votrant No. 1609 Pty Ltd	Australia	Drilling Services	100	100

(1) This entity was merged or dissolved in 2021.

(2) This entity is currently in liquidation status.

(3) This entity was formed in 2021.

(4) Boart Longyear Limited was the former parent entity until it was acquired by the new Parent entity, Boart Longyear Group Ltd., in 2021. See Note 2.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 34. RELATED PARTY TRANSACTIONS

#### Transactions with key management personnel

- a) Key management personnel compensation

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

- b) Other transactions with key management personnel of the Company

None.

- c) During the year, the Company incurred the following interest expenses associated with the relevant parties and corresponding debt facilities:

	Balances at 31 December 2021 US\$'000	Interest expense for the year ended 31 December 2021 US\$'000
<b>Centerbridge</b>		
Term Loan A	—	9,389
Term Loan B	—	11,318
Backstop ABL	—	1,379
Senior Secured Notes	—	4,207
<b>Ascribe</b>		
Backstop ABL	—	328
Senior Secured Notes	—	11,630
Unsecured Notes	—	472

### 35. CASH AND CASH EQUIVALENTS

Included in the cash balance as at 31 December 2021 is \$0.5 million of restricted cash and as at 31 December 2020 is \$0.2 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.

### 36. NON-CASH TRANSACTIONS

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

- \$76.2 million of non-cash interest expense
- \$829.7 million of debt exchanged for shares of equity and warrants
- \$31.0 million warrants issued to debt holders

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 37. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

#### Standards and Interpretations issued, but not yet effective

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standard, Interpretations and amendments that have been issued, but are not yet effective.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 17 'Insurance Contracts'	1 January 2023	31 December 2023
AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an investor and its Associate or Joint Venture [AASB 10 & AASB 128]	1 January 2022	31 December 2022
AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 & AASB 128	1 January 2022	31 December 2022
AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 & AASB 128 and Editorial Corrections	1 January 2022 Editorial Corrections apply from 1 January 2018	31 December 2022
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current	1 January 2023	31 December 2023
AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020	1 January 2022	31 December 2022
AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	31 December 2023
AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	31 December 2023

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

### 37. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

#### Standards and Interpretations issued and effective

The Company has adopted all 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.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Applied in the financial year ended
AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform	1 January 2021	31 December 2021
AASB 2021-3 Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021	31 December 2021

### 38. SUBSEQUENT EVENTS

None.

## SUPPLEMENTARY INFORMATION

Additional information as of 22 March 2022

### 1. Substantial holders

To the best of the Company's knowledge, the substantial holders in the Company as at the date of this Annual Report are:

Name of substantial holder	Number of securities in which the person and their associates has a relevant interest	Voting power of the substantial holder and their associates
First Pacific Advisors, L.P. and related entities	158,265,847	53.48%
Ascribe II Investments LLC and related entities	158,265,847	53.48%
Corre Partners Management, LLC, and related entities	158,265,847	53.48%
Nut Tree Capital Management, LP, and related entities	158,265,847	53.48%
Centerbridge entities	134,503,475	45.45%

Note: Each of the members of the Ad Hoc Group (being First Pacific Advisors, L.P. and related entities, Ascribe II Investments LLC and related entities, Corre Partners Management, LLC, and related entities, and Nut Tree Capital Management, LP, and related entities) may be deemed to be an associate of the each other in relation to the Company by virtue of section 12(2)(b) or 12(2)(c) of the *Corporations Act 2001* (Cth), on the basis of the director nomination agreements under which certain of those persons will have a collective right to nominate a specified number of individuals to the board of the Company. Accordingly, each member of the Ad Hoc Group is treated as having a relevant interest in the Company's securities in which each other member of the Ad Hoc Group has a relevant interest.

### 2. Number of securities on issue and security holders

#### (a) Quoted Securities

##### i) Common Shares (including CHESS Depositary Interests)

There are 295,920,414 common shares in the Company on issue. All of the issued common shares in the Company are held by CHESS Depositary Nominees Pty Ltd (**CDN**) and there are 295,920,414 quoted CHESS Depositary Interests (**CDI**) on issue (each CDI represents a beneficial ownership in one common share in the Company). The CDIs are quoted under the ASX code "BLY" and are held by 3,352 individual holders. Each holder of common shares in the Company is entitled to one vote on a show of hands or, on a poll, one vote for each common share held. Each holder of CDIs is entitled to direct CDN as to how to vote in respect of the underlying common shares in which the CDI holder as a beneficial interest.

##### ii) Warrants

There are 103,790 quoted warrants expiring on 1 September 2024 held by 5,502 individual warrant holders, that are publicly traded on the ASX under the code "BLYO". The quoted warrants do not carry rights to vote.

#### (b) Unquoted Securities

##### i) Options

There are 2,166 unquoted share options on issue held by 13 individual option holders that are not publicly traded on the ASX under the code "BLYAA". The unquoted share options do not carry rights to vote.

##### ii) Warrants Class A and B

There are 21,395 unquoted warrants expiring 1 September 2024 held by 18 individual warrant holders that are not publicly traded on the ASX under the code "BLYAC". The unquoted warrants do not carry rights to vote.

##### iii) Warrants

There are 32,757,168 unquoted warrants expiring on 23 September 2027 held by 9 individual warrant holders that are not publicly traded on the ASX under the code "BLYAD". The unquoted warrants do not carry rights to vote.

## SUPPLEMENTARY INFORMATION

Additional information as of 22 March 2022

### 3. Distribution of holders of quoted CHESS Depositary Interests

Range	Securities	%	No. of holders	%
1 to 1,000	201,023	0.07	3,130	93.38
1,001 to 5,000	336,429	0.11	154	4.59
5,001 to 10,000	129,252	0.04	17	0.51
10,001 to 100,000	956,574	0.33	38	1.13
100,001 and over	294,297,136	99.45	13	0.39
<b>Total</b>	<b>295,920,414</b>	<b>100.00</b>	<b>3,352</b>	<b>100.00</b>

### 4. Distribution of holders of quoted Warrants

Range	Securities	%	No. of holders	%
1 to 1,000	53,444	51.49	5,482	99.63
1,001 to 5,000	34,344	33.09	18	0.33
5,001 to 10,000	16,002	15.42	2	0.04
10,001 to 100,000	0	0.00	0	0.00
100,001 and over	0	0.00	0	0.00
<b>Total</b>	<b>103,790</b>	<b>100.00</b>	<b>5,502</b>	<b>100.00</b>

### 5. Distribution of holders of unquoted Options

Range	Securities	%	No. of holders	%
1 to 1,000	377	17.41	12	92.31
1,001 to 5,000	1,789	82.59	1	7.69
5,001 to 10,000	0	0.00	0	0.00
10,001 to 100,000	0	0.00	0	0.00
100,001 and over	0	0.00	0	0.00
<b>Total</b>	<b>2,166</b>	<b>100.00</b>	<b>13</b>	<b>100.00</b>

### 6. Distribution of holders of unquoted Warrants Class A and B

Range	Securities	%	No. of holders	%
1 to 1,000	3,727	17.42	13	72.22
1,001 to 5,000	11,429	53.42	4	22.22
5,001 to 10,000	6,239	29.16	1	5.56
10,001 to 100,000	0	0.00	0	0.00
100,001 and over	0	0.00	0	0.00
<b>Total</b>	<b>21,395</b>	<b>100.00</b>	<b>18</b>	<b>100.00</b>



## SUPPLEMENTARY INFORMATION

Additional information as of 22 March 2022

### 7. Distribution of holders of unquoted Warrants

Range	Securities	%	No. of holders	%
1 to 1,000	0	0.00	0	0.00
1,001 to 5,000	0	0.00	0	0.00
5,001 to 10,000	0	0.00	0	0.00
10,001 to 100,000	310,124	0.95	6	66.67
100,001 and over	32,447,044	99.05	3	33.33
<b>Total</b>	<b>32,757,168</b>	<b>100.00</b>	<b>9</b>	<b>100.00</b>

### 8. Unmarketable parcel of shares

The number of security investors holding less than a marketable parcel of 189 securities (\$2.64 on 21 March 2022) is 2,845 and they hold 75,392 securities.

### 9. On-market buy back

There is no current on-market buy-back of Boart Longyear CHESS Depositary Interests.

### 10. 20 largest holders of quoted CHESS Depositary Interests

No.	Holder	CHESS Depositary Interests	Percentage of Issued Capital Held
1	CCP II (CAYMAN) HOLDINGS A, L.P.	89,274,570	30.17
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	49,387,127	16.69
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	46,316,374	15.65
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	44,095,631	14.90
5	CREDIT SC II HOLDINGS E (CAYMAN), L.P	33,045,138	11.17
6	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	18,734,095	6.33
7	CREDIT SC II HOLDINGS E (CAYMAN), L.P	9,796,906	3.31
8	CCP II DUTCH ACQUISITION - E2 B.V.	1,477,243	0.50
9	CCP CREDIT SC II DUTCH ACQUISITION - E B.V.	673,381	0.23
10	MR MOSES MARX	544,701	0.18
11	BOFA SECURITIES INC	348,651	0.12
12	CS THIRD NOMINEES PTY LIMITED	335,653	0.11
13	PACIFIC CUSTODIANS PTY LIMITED	267,666	0.09
14	SITI INVESTMENTS PTY LTD	100,000	0.03
15	MR ZHONG-WEI MIAO	75,000	0.03
16	MR CHRISTOPHER STUART KING	70,000	0.02
17	BNP PARIBAS NOMINEES PTY LTD	69,347	0.02
18	RIADIS HOLDINGS PTY LTD	50,000	0.02
19	CITICORP NOMINEES PTY LIMITED	45,948	0.02
20	MR ALLAN KEITH CLARKE	42,381	0.01
<b>TOTAL FOR TOP 20</b>		<b>294,749,812</b>	<b>99.60%</b>

## SUPPLEMENTARY INFORMATION

Additional information as of 22 March 2022

### 11. 20 largest holders of quoted Warrants

No.	Holder	Quoted Warrants	Percent Held of Quoted Warrants
1	VFG ASSET MANAGEMENT PTY LTD	8,912	8.59
2	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	7,090	6.83
3	MR THEOFANIS PERDIKIS & MRS DIMITRA PERDIKIS	4,231	4.08
4	CITICORP NOMINEES PTY LIMITED	3,725	3.59
5	PACIFIC CUSTODIANS PTY LTD	3,520	3.39
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,514	2.42
7	OUTCOME POSITIVE PTY LTD	2,000	1.93
8	BNP PARIBAS NOMINEES PTY LTD	1,910	1.84
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,874	1.81
10	MRS SURANJITA MULVEY	1,839	1.77
11	DR PAUL FRANCIS MORTON	1,651	1.59
12	MR GAVIN ROSS JONES & MRS ELWYNN RONDELL JONES	1,545	1.49
13	MR TREVOR DURRANT	1,500	1.45
14	MISS CAMILLE KATHLEEN SCOTT	1,288	1.24
15	PACIFIC CUSTODIANS PTY LIMITED	1,259	1.21
16	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	1,209	1.16
17	DR SIL LIN TAN	1,133	1.09
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,077	1.04
19	MR BAREND JACOBUS STOLTZ	1,052	1.01
20	PACIFIC CUSTODIANS PTY LIMITED	1,017	0.98
<b>TOTAL</b>		<b>50,346</b>	<b>48.51</b>

# CORPORATE INFORMATION

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## **Auditors**

Deloitte Touche Tohmatsu

## **Company Secretary**

Alex Nikolic

## **Shareholder Enquiries**

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## **Listing**

Boart Longyear Group Ltd. is listed on the Australian Securities Exchange under the symbol 'BLY'

## **Share Registry**

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## **Website**

[www.boartlongyear.com](http://www.boartlongyear.com)