Boart Longyear Group Ltd.
Incorporated under the laws of Ontario, Canada
Ontario Corporation No. 002854330
ARBN 652 848 103

ASX ANNOUNCEMENT (ASX:BLY)

23 February 2024

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

BY ELECTRONIC LODGEMENT

FULL YEAR 2023 APPENDIX 4E – PRELIMINARY FINAL REPORT

Please find attached for release to the market, Boart Longyear Group Limited's Full Year 2023 Appendix 4E – Preliminary Final Report.

Authorised for lodgement by:
Nicholas R. Nash
Company Secretary

Established in 1890, Boart Longyear is in its 134th 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 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.

Veracio, a wholly owned Boart Longyear subsidiary, offers mining clients a range of solutions that improve, automate, and digitally transform their orebody sciences by championing a modern approach through a diverse product portfolio by fusing science and technology together with digital accessibility. Veracio leverages AI and advanced analytics to accelerate real-time decision making and significantly lower the cost of mineral exploration.

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. To get Boart Longyear news direct, follow us on Twitter, LinkedIn and Facebook.

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APPENDIX 4E - PRELIMINARY FINAL REPORT

Name of Entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**652 848 103**
Current reporting period:	**year ended 31 December 2023**
Previous reporting period:	**year ended 31 December 2022**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2023 US$'000	2022 US$'000	$ change	% change
Revenue from ordinary activities	1,051,652	1,038,887	12,765	1.2%
Net income after tax attributable to members	13,234	11,855	1,379	11.6%

Brief explanation of any figures reported above:

Refer to Directors' Report for explanations.

Dividends per ordinary share paid or to be paid (US¢):

	2023	2022
Interim dividend	0 cents	0 cents
Franked amount	0 cents	0 cents
Final dividend	0 cents	0 cents
Franked amount	0 cents	0 cents

No dividend had been determined for either of the years ended 31 December 2023 or 2022.

Total dividends for the years ended 31 December 2023 and 2022 were US $0 (nil) per share.

Net Tangible Assets per share (US$):

Current period:	$ 0.40
Previous corresponding period:	$ 0.48

The net tangible assets increased from a combination of increased intangible assets, goodwill, and cash offset by increased loans and borrowings and trade and other payables during the year.

Control gained over entities having material effect:

N/A

Details of aggregate share of profits (losses) of associates and joint venture entities:

N/A

Segment Information:

Please refer to the Annual Financial Report for the year ended 31 December 2023.

Compliance Statement:

The above information has been prepared based on accounts that have been audited.

SIGNED:

Nicholas Nash
Company Secretary
DATE: 23 February 2024

BOART LONGYEAR GROUP LTD.
A.R.B.N. 652 848 103

ANNUAL FINANCIAL REPORT

YEAR ENDED 31 DECEMBER 2023

CONTENTS

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 2023 (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 Boart Longyear (the “Directors”) in office during the financial year and as at the date of this report are set out below.

Directors	Position
Rubin McDougal	Non-Executive Chairman
Michelle Ash[1]	Non-Executive Director
Tye Burt	Non-Executive Director
Lars Engström	Non-Executive Director
Shannon McCrae	Non-Executive Director
Paul McDonnell	Non-Executive Director
Jeffrey Olsen	Executive Director
Thomas Schulz	Non-Executive Director
Conor Tochilin	Non-Executive Director
Bao Truong	Non-Executive Director

(1) Michelle Ash was appointed to the Board effective 25 May 2023.

For a summary of experience and qualifications for each Director, see the Board of Directors section on page 35 of this Report.

COMPANY SECRETARIES

Nicholas Nash

PRINCIPAL ACTIVITIES

Established in 1890, Boart Longyear is heading into its 134th 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.

Veracio Ltd. ("Veracio"), previously Geographical Data Services, utilizes 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 is listed on the Australian Securities Exchange in Sydney, Australia (ASX: BLY). More information about Boart Longyear can be found at www.boartlongyear.com. To receive Boart Longyear news directly, follow us on X, LinkedIn and Facebook.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Arrangement Agreement with American Industrial Partners Capital Fund VIII, L.P. for a Take-Private Transaction
As announced to the Australian Securities Exchange Limited ("ASX") on 27 December 2023, Boart Longyear entered into a binding arrangement agreement ("Arrangement Agreement") with an affiliate of American Industrial Partners Capital Fund VIII, L.P ("AcquireCo") under which AcquireCo will acquire all of the issued and outstanding common shares of the Company pursuant to a court approved plan of arrangement ("Transaction"). In addition to the shareholder approval obtained at a special meeting of shareholders held on 21 February 2024 (See Note 38), the Transaction is subject to certain other customary closing conditions. The Company currently anticipates that closing will occur in early April 2024.

Veracio Acquisition of Minalyze AB
On 22 September 2023, Veracio acquired all of the outstanding shares in Minalyze AB ("Minalyze"). Minalyze is a leader in XRF core scanning instruments and software for visualization of geological data. The acquisition is expected to capitalize on synergies between Minalyze and Veracio's scientific and technological progress as well as accelerate data and artificial intelligence in global orebody knowledge.

SUBSEQUENT EVENTS

See Note 38, *Subsequent Events.*

DIVIDENDS

No dividends have been paid during the financial year.

REVIEW OF OPERATIONS [1]

1. Safety Performance, Market Conditions and Strategies

1.1 Overview

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

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, the advanced technology, engineering excellence and global manufacturing capabilities of Global Products, and the innovation and emerging technologies of Veracio.

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 134 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.

The Global Products division continues to serve multiple applications including exploration drilling, production drilling, sonic, environmental and infrastructure drilling with its proven high-quality tooling, drill rigs and services. For underground mining applications, Boart Longyear's DriftMaster™ drill rods and bits continue to grow in acceptance. In 2023, we announced the launch of our new bit design under the Impakt™ line to add to our rock tool line of products. In addition to current rock tool products, we are growing a line of Down the Hole tools to supplement our tooling line. In exploration drilling, the XQ™ coring rod offers its patented thread design and Boart Longyear's variable W-Wall™ rods give users the ability to use lighter weight rods to allow them to drill deeper and achieve other operational benefits. Longyear™ diamond bits also continue to grow in acceptance and Boart Longyear's Roller Latch™ in hole tooling offers users advantages in terms of speed and use. In addition to consumables, Boart Longyear offers a variety of drills covering exploration, sonic, and production drilling applications. The LF™ 160 rig continues to grow in acceptance and now has other features that, when coupled with the FL™ 262 Freedom™ Loader, makes this the rig of choice for many surface drilling applications. Boart Longyear has also seen growing demand for its LS™450 sonic rig with its increased power and same small footprint as our LS™250 MiniSonic™ sonic drill rig and introduced enhancements to its LX™ 6 multipurpose rig as well. Our engineering and product management teams continue to pursue new products and improve existing products to provide additional value to our customers.

In the Veracio division, we are using our TruScan™ geological sample field scanning technology at several mine sites with several mining customers. We continue to scale this offering to meeting industry demand for digital logging and geochemistry solutions. We are currently rolling out our TruProbe™ downhole survey platform with a gyro tool that offers significant advantages over other technologies in the market. This downhole solution is rapidly gaining market adoption. TruCore™ core orientation tools continue to expand geographically but are no longer available in Australia or the United States, and the TruShot™ magnetic survey instrument is expanding globally. In addition, TruSub™ is a digital drill sub technology that acquires data by measurement of key drilling parameters directly from the rod string, made viewable in real time at the drill site and in the cloud to drive drilling productivity for both the drilling contractor and the mining client. These instruments are part of our strategy to be the global technology leader in providing unified orebody knowledge to mining companies through our Veracio business.

(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, Sustainability 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. Boart Longyear is pleased to announce that the Company achieved all of its Environmental, Health and Safety ("EHS") targets for 2023.

For the year ending 31 December 2023, the Company's world class performance on key indicators includes a Total Case Incident Rate ("TCIR") of 1.24 recordable incidents and Lost-Time Injury Rate ("LTIR") of 0.05 recordable incidents. Both TCIR and LTIR rates are calculated based on 200,000 hours worked. The TCIR of 1.24 was the best on record and the LTIR was the best since 2019. During the year ending 31 December 2023, our employees experienced 82 injuries that required some medical treatment or job restriction; three of those injuries resulted in lost work time. This compares to 97 in 2022. The 2023 focus has been on field focus time interactions and hand safety initiatives. Our critical control verifications remain a key element to our Environmental, Health, Safety and Training fundamentals, supported by our Golden Rules.

Environmental results were excellent and this culminated in Boart Longyear recording zero reportable environmental spills for the year. The company also developed a baseline of its Scope 1 emissions for surface combustion rigs and continues to measure its Scope 1 and 2 emissions for manufacturing plants for the third year in a row. The company is embracing green energy and is using solar power in two of its plants and has introduced energy reducing initiatives such as moving to LED lighting on a number of machines as well as upgrading a number of engines to Tier 4 to reduce emissions.

1.3 Impact of Market Conditions

During 2023, prices of many commodities remained elevated, with gold reaching a record high in December 2023. S&P estimates 2023 global nonferrous exploration budgets will decrease 3% over 2022 to $12.8 billion. Boart Longyear's key customers remained bullish on long-term demand of key commodities, particularly gold and copper, which account for the bulk of Boart Longyear's drilling activity.

While the rapid growth of the electric vehicle ("EV") market is frequently referenced as a key driver for copper demand, it is important to note that the EV market is just one component of a much larger global trend of increasing electrification that is driving long-term demand for copper. Lithium demand, a key EV battery metal, continued to strengthen. Analysts continue to voice the need for a significant and sustained increase in exploration spend in order to discover and develop the supply of battery metals to meet the growing demand for EVs.

Given the ongoing demand for base metals to support electrification, mining firms are increasingly utilizing mining technology to enhance more efficient exploration programs as well as mine development. By leveraging artificial intelligence and advanced analytics, Veracio is a leading provider of solutions that improve, automate and digitally transform customer's orebody sciences, accelerate real-time decision making, and significantly lower the cost of mineral exploration.

Boart Longyear's business is primarily driven by activities of the largest mining companies; however, the Company does derive revenue from junior and intermediate firms. Monetary tightening by central banks during 2023 restrained the flow of new capital, directly impacting junior explorers, which rely heavily on capital raising to finance their exploration programs. As a result, many junior and intermediate firms, particularly in Canada and Australia, have reduced their exploration programs due to limited funding options.

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 earnings before interest, taxes, depreciation and amortization ("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 organization, particularly at the drill rig level;
- Optimizing the commercial organization 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 both our well-established, quality products and through newer products such as our LF™160 surface coring drill with its added features, including the option to add a six-meter, rod-pulling capability. When coupled with the Freedom Loader, the LF™160 is growing in use around the world. Our Longyear™ diamond bits, DriftMaster™ drill rods and bits for blast-hole applications, and Impakt™ bits in our rock tools product line are all examples of Boart Longyear's new product development. The Global Products division also continues to expand patented Roller Latch™ technology with the launch of our new Roller Latch™ Quick Pump-in™ Overshot that provides heightened safety and improved productivity. These newer products complement the well-respected lines of existing products that customers have come to rely on from Boart Longyear. Boart Longyear operates multiple production plants globally supplying our customers with the products they need for their various drilling applications.

We are also pursuing market leadership by diversifying our engagement with mining customers through a focus on orebody technologies to improve exploration, resource definition, production and sustainability efforts globally with Veracio. Our strategy is to leverage advanced sensing and artificial intelligence to help us address the risks and challenges of the mining industry cycle while also preserving the significant upside that we may realize 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 capitalizing 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			
	2023 US$ Millions (except share data)	2022 US$ Millions (except share data)	$ Change	% Change
Key financial data				
Revenue	1,051.7	1,038.9	12.8	1.2 %
Net profit (loss) after tax	13.2	11.9	1.3	10.9 %
Non-AASB EBITDA [1]	93.5	81.8	11.7	14.3 %
Non-AASB Adjusted EBITDA [1]	128.4	124.2	4.2	3.4 %
Operating profit	38.2	33.3	4.9	14.7 %
Cash provided by operations	91.1	96.6	(5.5)	(5.7)%
Net cash flows provided by operating activities	55.8	69.1	(13.3)	(19.2)%
Capital expenditures accrual basis	49.8	61.5	(11.7)	(19.0)%
Capital expenditures cash basis	50.6	59.9	(9.3)	(15.5)%
Weighted average number of basic and diluted ordinary shares	295.9	295.9	—	— %
Basic and diluted earnings (loss) per share	4.5 cents	4.0 cents	0.5 cents	12.5 %
Average rig utilization	47%	49%		(2.0)%
Average fleet size	609	647		(5.9)%

(1) EBITDA and Adjusted EBITDA are non-AASB financial measures that management uses to assess our operating performance. See the section titled "Non-AASB Financial Measures" for information regarding our use of EBITDA and Adjusted EBITDA and a reconciliation of net profit (loss) to EBTIDA and Adjusted EBITDA.

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

3.1 Revenue

Revenue for the year ended 31 December 2023 of $1.1 billion increased by 1.2%, or $12.8 million, compared to revenue for the prior year ended 31 December 2022 of $1.0 billion.

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.

The Company realized strong year-over year revenue growth, specifically in Global Drilling Services in North and South America. Industry outlook continues to be positive as exploration activity holds steady and metal commodity prices are above prior year levels (e.g. gold). Sales backlogs held steady throughout the year, offering room for a positive future outlook. We remain confident in our ability to continue to grow and secure new contracts.

3.2 Non-AASB Financial Measures

In addition to our results determined in accordance with Australian Accounting Standards ("AASB"), we believe the following non-AASB financial measures are useful in evaluating our operating performance.

EBITDA and Adjusted EBITDA

We calculate EBITDA as net profit (loss) adjusted to exclude interest, income tax, depreciation, and amortization. We calculate Adjusted EBITDA as EBITDA adjusted to exclude: major merger, acquisition, and restructuring initiatives; consulting fees for strategic reviews that are nonrecurring in nature; losses (gains) on impairments and disposals of assets, net; mark to market adjustments on financial instruments; other miscellaneous (income) expense, net; unrealized foreign exchange (gains) losses, net; certain litigation expenses, consisting of legal settlement reserves and related fees for specific proceedings that arise outside the ordinary course of our business; share based compensation; and reserves for other tax assets (e.g., value added tax and goods and service tax) that would ordinarily be refundable in the normal course of business.

We use EBITDA and Adjusted EBITDA as measures of operating performance. We believe that these non-AASB financial measures are useful to investors for period-to-period comparisons of our business and in understanding and evaluating our operating results for the following reasons:

- EBITDA and Adjusted EBITDA are widely used by investors to measure a company's operating performance without regard to items such as interest income and finance costs, depreciation and amortization, provisions for income taxes, and unrealized foreign exchange (gains) and losses that can vary substantially from company to company depending upon their financing, capital structures, organizational structures, and the method by which assets were acquired;
- Our management uses EBITDA and Adjusted EBITDA in conjunction with financial measures prepared in accordance with AASB for planning purposes, including the preparation of our annual operating budget, as a measure of our core operating results and the effectiveness of our business strategy, in evaluating our financial performance, and in establishing short-term incentive plan and long-term incentive plan performance benchmarks;
- EBITDA and Adjusted EBITDA provide consistency and comparability with our past financial performance, facilitate period-to-period comparisons for our core operating results, and also facilitate comparisons with other peer companies, many of which use similar financial measures to supplement their results;
- Management has provided supplementary non-AASB financial measures, which exclude merger, acquisition, restructuring, and consulting related costs, to allow more accurate comparisons of the financial results to historical operations. Management considers these types of costs and adjustments to be unpredictable and dependent on a significant number of factors that are outside the Company's control. Furthermore, we do not consider these costs and adjustments to be related to the organic continuing operations of the business and are generally not relevant to assessing or estimating the long-term performance of the business;
- We believe it is useful to exclude non-cash share-based compensation because the amount of such expense in any specific period may not directly correlate to the underlying performance of our business; and
- We believe it is useful to exclude expenses related to non-cash impairments and gains on disposals, unrealized foreign exchange (gains) and losses; certain litigation expenses, consisting of legal settlements and/or related fees for specific proceedings; indirect tax reserves; and mark to market adjustments because of the variable and unpredictable nature of these expenses which are not indicative of past or future operating performance. We believe that past and future periods are more comparable if we exclude these expenses.

Our use of EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider these measures in isolation or as substitutes for analysis of our financial results as reported under AASB. Some of these limitations are, or may in the future be, as follows:

- Although depreciation, amortization and impairment expenses are non-cash charges, the assets being depreciated, amortized or impaired may have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- EBITDA and Adjusted EBITDA do not reflect: (1) changes in, or cash requirements for, our working capital needs; (2) interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us; (3) tax payments that may represent a reduction in cash available to us; or (4) non-cash share based compensation that may be replaced by cash compensation if these awards have no perceived value to the recipients of such awards;
- Adjusted EBITDA excludes unrealized foreign exchange gains and losses that may result in actual cash outflows or inflows when foreign currency transactions are settled;
- Adjusted EBITDA does not reflect certain litigation expenses, consisting of legal settlements and/or related fees for specific proceedings;
- Adjusted EBITDA does not reflect costs related to merger and acquisition initiatives, strategic reviews, or deemed restructuring activities;
- Adjusted EBITDA does not include indirect tax reserve adjustments for indirect tax receivables in certain jurisdictions, and the reserved receivables may never be collected; and
- The expenses and other items that we exclude in our calculation of Adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from Adjusted EBITDA when they report their operating results and we may, in the future, exclude other significant, unusual, or non-recurring expenses or other items from these financial measures.

Because of these limitations, EBITDA and Adjusted EBITDA should be considered along with other operating and financial reporting measures presented in accordance with AASB.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net profit (loss) of the Company, the most directly comparable financial measure prepared in accordance with AASB, for each of the periods indicated:

	For the year ended 31 December	
	2023	**2022**
	US$ Millions	**US$ Millions**
Profit for the period attributable to equity holders of the parent	**13.2**	**11.9**
Interest income and finance costs	23.1	20.0
Income tax expense	1.8	1.4
Depreciation and amortization expense	55.4	48.5
Non-AASB EBITDA	**93.5**	**81.8**
Restructuring charges and non-recurring consulting fees	11.9	14.9
Impairments and disposals of long lived assets	(2.0)	(2.0)
Fair value adjustment on financial instruments	(1.4)	(5.5)
Other miscellaneous income	(1.1)	(0.5)
Unrealized foreign exchange losses	16.7	13.8
Legal fees and settlement reserves	7.4	14.4
Share based compensation	2.5	3.6
Other tax reserves	—	2.9
Other non-recurring items	0.9	0.8
Total non-AASB adjustments	34.9	42.4
Non-AASB Adjusted EBITDA	**128.4**	**124.2**

4. Discussion and Analysis of Cash Flow

	For the year ended 31 December			
	2023 US$ Millions	2022 US$ Millions	$ Change	% Change
Cash provided by operations	91.1	96.6	(5.5)	(5.7)%
Net cash flows provided by operating activities	55.8	69.1	(13.3)	(19.2)%
Net cash flows used in investing activities	(41.1)	(54.2)	13.1	24.2 %
Net cash flows used in financing activities	(3.9)	(2.5)	(1.4)	(56.0)%

4.1 Cash Flow Provided by Operating Activities

Cash flow from operating activities for the year ended 31 December 2023 was $55.8 million, which is a decrease of $13.3 million compared to 2022 of $69.1 million. The largest driver of this year-over-year decrease was due to an increase in trade and other payables compared to 2022. Receivables growth in 2023 also contributed to a decrease in operating cash flow in 2023. Partially offsetting this is overall business performance driven by top line volume increases, price benefits, and operational improvements.

The Company invested $44.2 million in capital equipment to support existing operations during 2023, which is less than the comparable prior period (2022: $54.0 million). Of the 2023 amount, approximately $12.0 million was spent on new rig purchases, $24.0 million was spent on refurbishing current rigs and other support equipment, and $5.0 million was spent on product development activities, including Veracio, engineering and patent maintenance. Capital expenditures in 2023 have been partially offset by proceeds from the sale of property, plant and equipment of $7.5 million (2022: $5.6 million). The Company continues to place significant emphasis around the capital allocation and approval process in order to meet demand.

The decrease in cash flows provided by financing activities is primarily due to timing of availability of asset-based loans ("ABL") funds in 2023 compared to 2022.

5. Discussion of the Balance Sheet

The net assets of the Company increased by $11.2 million, to net assets of $292.1 million as at 31 December 2023, compared to a net assets of $280.9 million as at 31 December 2022. The change in net assets resulted primarily from an increase in cash, property, plant and equipment and intangible assets along with goodwill related to the acquisition of Minalyze offset by an increase in trade and other payables and loans and borrowings.

Total assets of $824.3 million were $49.4 million higher than 2022 of $774.9 million primarily as a result of the increase in cash, fixed and intangible assets along with goodwill related to the acquisition of Minalyze.

Total liabilities increased by $38.2 million to $532.1 million compared to $493.9 million in 2022. This is primarily driven by an increase in trade and other payables as well as an increase in loans and borrowings.

Liquidity and Debt Facilities

The Company's debt includes the following instruments:

Description	Principal outstanding as at 31 December 2023 US$ Millions	Original issue discount	Interest rate	Scheduled maturity	Security
ABL [1]	$51.7	Nil	Variable [2]	12 May 2025 [4]	First lien on substantially all Working Capital Assets of the ABL borrower and guarantors. Second lien on substantially all Non-Working Capital Assets of the ABL borrower and guarantors.
Exit Term Loan	$129.4	$(3.8)	Variable [3]	08 September 2026 [5]	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.
Subordinated Convertible Promissory Note	$19.6	Nil	Swedish Reserve Rate+8% [6]	31 March 2025	

(1) Letters of credit of $6.0 million were issued in addition to the $51.7 million borrowings that were outstanding.
(2) Based on SOFR + margin (grid-based margin is currently 2.75%).
(3) Based on SOFR + margin (grid-based margin is currently 7.5%).
(4) With the Twelfth Amendment to the Amended and Restated Revolving Credit and Security Agreement, the final maturity date is the earlier of either (1) 12 May 2025 or (2) 90 days prior to the earliest maturity date of Minalyze Subordinated Convertible Promissory Notes.
(5) With the Fifth Amendment to the Credit and Security Agreement, the final maturity date is the earlier of either (1) 08 Sep 2026 or (2) 90 days prior to the earliest maturity date of Minalyze Subordinated Convertible Notes if the Convertible Notes are not converted prior to 31 December 2024.
(6) Beginning 1 January 2025, the principal will commence to carry interest from such date to repayment in full.

6. Review of Segment Operations

The following table disaggregates our third-party revenue and revenue from inter-segment sales between our Global Drilling Services, Global Products, and Veracio divisions. Segment profit represents earnings before interest and taxes.

	Segment revenue				Segment profit	
	2023 US$ Millions		2022 US$ Millions		2023 US$ Millions	2022 US$ Millions
Global Drilling Services		738.9		723.8	89.6	87.9
Global Products revenue						
Global Products third-party revenue	305.7		307.4			
Global Products inter-segment revenue [1]	75.5		82.5			
Total Global Products revenue		381.2		390.0	50.4	37.1
Veracio revenue						
Veracio third-party revenue	7.1		7.7			
Veracio inter-segment revenue [1]	1.9		2.3			
Total Veracio revenue		9.0		9.9	(26.0)	(20.5)
Less Global Product sales to Global Drilling Services		(75.5)		(82.5)		
Less Veracio sales to Global Drilling Services		(1.9)		(2.3)		
Total third-party revenue		1,051.7		1,038.9		
Total segment profit					114.0	104.5
Unallocated costs [2]					(74.9)	(68.9)
Global Drilling Services impairment costs					(0.9)	(2.2)
Products impairment costs					—	(0.1)
Finance costs					(29.5)	(20.1)
Interest income					6.4	0.1
Profit before taxation					15.1	13.3

(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.

The following table shows our Global Drilling Services, Global Products, and Veracio inter-segment eliminations for revenue and EBITDA.

	For the year ended 31 December	
	2023	2022
	US$ Millions	US$ Millions
Global Drilling Services		
Revenue prior to intercompany eliminations [1]	738.9	723.8
Less intercompany revenue	—	—
Total Global Drilling Services revenue	738.9	723.8
EBITDA prior to intercompany profit margin elimination [3]	116.5	108.8
Plus intercompany profit margin [2]	15.1	16.1
Total Global Drilling Services EBITDA [3]	131.6	124.9
Global Products		
Revenue prior to intercompany eliminations [1]	381.2	390.0
Less intercompany revenue [4]	(75.5)	(82.6)
Total Global Products revenue	305.7	307.4
EBITDA prior to intercompany profit margin elimination [3]	71.2	58.7
Less intercompany profit margin [2]	(15.1)	(16.1)
Total Global Products EBITDA [3]	56.1	42.6
Veracio		
Revenue prior to intercompany eliminations [1]	9.0	9.9
Less intercompany revenue [4]	(1.9)	(2.2)
Total Veracio revenue	7.1	7.7
EBITDA prior to intercompany profit margin elimination [3]	(20.9)	(17.2)
Less intercompany profit margin	—	—
Total Veracio EBITDA [3]	(20.9)	(17.2)
Total Company		
Total Global Drilling Services, Global Products and Veracio EBITDA [3]	166.8	150.3
Total unallocated corporate EBITDA [3]	(73.3)	(68.5)
Total Company EBITDA [3]	93.5	81.8

(1) Transactions between segments are carried out at arm’s length and are eliminated on consolidation.
(2) Represents inter-segment profit margin on Global Products' costs to Global Drilling Services which are eliminated upon consolidation.
(3) EBITDA is a non-AASB financial measures that management uses to assess our operating performance. See the section titled "Non-AASB Financial Measures" for information regarding our use of EBITDA and a reconciliation of net profit or loss to EBITDA.
(4) Represents inter-segment sales to Global Drilling Services which are eliminated upon consolidation.

6.1 Review of Segment Operations - Global Drilling Services

	For the year ended 31 December			
	2023 US$ Millions	2022 US$ Millions	$ Change	% Change
Financial information				
Third-party revenue	738.9	723.8	15.1	2.1%
COGS				
Materials/labor/overhead/other	584.7	574.3	10.4	1.8%
Depreciation and amortization	40.2	34.8	5.4	15.5%
Total COGS	624.9	609.1	15.8	2.6%
COGS as a % of Revenue	*84.6 %*	*84.2 %*	*0.4%*	*0.5%*
Segment profit $	89.5	87.9	1.6	1.8%
Segment profit %	*12.1 %*	*12.1 %*	*— %*	*—%*
Business unit SG&A	10.2	9.7	0.5	5.2%
Allocated SG&A	13.2	14.7	(1.5)	(10.2%)
EBITDA	131.6	124.9	6.7	5.4%
Other Metrics				
Average operating drill rigs	288	315	(27)	(8.6%)
Average fleet size	609	647	(38)	(5.9%)

Safety

The Global Drilling Services division’s TCIR for 2023 was 1.38 recordable incidents, compared to 1.66 recordable incidents for the comparable period in 2022. The LTIR for 2023 was 0.06 recordable incidents compared to 0.11 recordable incidents for the comparable period in 2022. Given the large number of new employees hired and trained in 2023, we feel satisfied with the outcome of our safety statistics; although, we certainly recognize 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 2023 was $738.9 million, an increase of 2.1% from $723.8 million in 2022. The year-over-year revenue increase was driven primarily by additional volumes in the United States, Argentina, and Chile. Prices have increased modestly over the year as inflationary pressures have continued to decline in most jurisdictions. Overall price increases for the year ended 31 December 2023 are up 4.5% compared to the year ended 31 December 2022. Unfavorable changes in foreign exchange rates negatively impacted overall revenue by 0.8% due to the strong U.S. dollar during the year.

Approximately 91.0% of Global Drilling Services’ revenue for 2023 was derived from major mining companies. Our top ten Global Drilling Services customers represented approximately 62.5% of the division’s revenue in 2023, with no single contract contributing more than 10.0% of our consolidated revenue.

Profit

In 2023, Global Drilling Services achieved $89.5 million of profit compared to $87.9 million in 2022, an increase of 1.8%. The increase in profit is primarily attributable to price increases that have offset rising energy costs and wage inflation as well as volume increases that have leveraged existing fixed costs.

6.2 Review of Segment Operations - Global Products

	For the year ended 31 December			
	2023 US$ Millions	2022 US$ Millions	$ Change	% Change
Financial information				
Third-party revenue	305.7	307.4	(1.7)	(0.6%)
COGS				
Materials/labor/overhead/other	216.7	231.1	(14.4)	(6.2%)
Inventory obsolescence	1.2	1.9	(0.7)	(36.8%)
Depreciation and amortization	4.4	4.1	0.3	7.3%
Total COGS	222.3	237.1	(14.8)	(6.2%)
COGS as a % of Revenue	*72.7 %*	*77.1 %*	*(4.4)%*	*(5.7%)*
Segment profit $	50.4	37.1	13.3	35.8%
Segment profit %	*16.5 %*	*12.1 %*	*4.4%*	*36.4%*
Business unit SG&A	16.9	18.2	(1.3)	(7.1%)
Allocated SG&A	16.1	15.1	1.0	6.6%
EBITDA	56.1	42.6	13.5	31.7%
Other Metrics				
Manufacturing plants	6	6	—	—
Average backlog	55.4	60.1	(4.7)	(7.8%)
Inventories [1]	223.4	226.0	(2.6)	(1.2%)

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

Safety

In 2023, the TCIR for the Global Products, including manufacturing and supply chain, was 0.66 recordable incidents per 200,000 hours worked compared to 0.65 recordable incidents in 2022. The LTIR was 0.00 recordable incidents, compared to 0.11 recordable incidents for 2022. 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 $305.7 million for the year ended 31 December 2023 is 0.6% lower than 2022 revenue of $307.4 million. Although price increases had a positive impact on Global Products revenue, these increases were mostly offset by decreases caused by unfavorable foreign exchange rates during the period. Additionally, revenue volume decreased $1.0% year over year.

Profit

Global Products profit for the year ended 31 December 2023 was $50.4 million, up $13.3 million compared to 2022. The increase in profit is primarily driven by expanded gross margin due to price increases and improved manufacturing performance year over year, which was partially offset by increased global inventory re-balancing expenses.

Backlog

At 31 December 2023, Global Products had a backlog of product orders valued at $54.4 million. This compares to $57.5 million at 31 December 2022. Average backlog during the 2023 was $55.4 million compared to $60.1 million during 2022. The decrease in our backlog year over year, which we define as product orders we believe to be firm, was driven by strong rig sales in Q1, which were on the backlog on 31 December 2022, and came off once sold. Backlog value has been stable since March 2023. Orders shipped within the same month the order is received does not count towards backlog. Also, there is no guarantee 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 2023, Global Products had 405 issued patents, 344 registered trademarks, 82 pending patent applications and 3 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. 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 continue, including the growth of the LF™160 surface coring drill paired with our Freedom™ Loader which has set a new benchmark in productivity and hands-free rod handling.

6.3 Review of Segment Operations - Veracio

	For the year ended 31 December			
	2023 US$ Millions	2022 US$ Millions	$ Change	% Change
Financial Information				
Third-party revenue	7.1	7.7	(0.6)	(7.8)%
COGS				
Materials/labor/overhead/other	9.9	11.1	(1.2)	(10.8)%
Inventory obsolescence	—	(0.3)	0.3	(100.0)%
Depreciation and amortization	3.6	2.4	1.2	50.0 %
Total COGS	13.5	13.2	0.3	2.3 %
COGS as a % of Revenue	*190.1 %*	*171.4 %*	*18.7 %*	*10.9 %*
Segment profit $	(26.0)	(20.6)	(5.4)	26.2 %
Segment profit %	*(366.2)%*	*(267.5)%*	*(98.7)%*	*36.9 %*
Business unit SG&A	13.0	11.3	1.7	15.0 %
Allocated SG&A	6.4	3.7	2.7	73.0 %
EBITDA	(20.9)	(17.2)	(3.7)	21.5 %

Safety, Revenue and Profit

In 2023, the TCIR for Veracio was 0.00 recordable incidents per 200,000 hours worked and the LTIR was 0.00. Revenue for 2023 was $7.1 million, down 7.8% from $7.7 million for 2022. Veracio remains EBITDA negative, though the Company has a positive trajectory as newly launched products and growth improve scale benefits.

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 Veracio business. As at 31 December 2023, we had 86 issued patents, 35 registered trademarks, 111 pending patent applications and 14 pending trademark applications. We do not consider our Veracio 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 Veracio business continues to invest in our three data acquisition platforms (TruProbe™, TruScan™ and TruSub™), firming up the long-term scalability of the offerings available on each platform, while working on novel ideas and concepts for improving exploration, resource definition and production applications. In addition, Veracio is committed to continuous research, development, growth and improvement across their software offerings; this includes investments in improvements to user experience, data governance, stability and integration capabilities across each of the platforms.

7. Outlook

7.1 Our 2024 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. This has led to a 10% reduction in hand injures between 2022 and 2023. 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 2024 will be the continuous improvement of the Environmental, Health, and Safety 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 Behavior Improvements, Interactions, and Corrective Action closure metrics. The Frontline Leaders Course will be rolled out empowering supervisors and those in frontline leadership positions to enhance their leadership skills and optimize Boart Longyear’s programs in the domains of priority management, operational excellence, responsibility and accountability, coaching and mentoring, and safety and communications. A series of short videos will also be released providing workers with a better visual understanding of No Hands on Steel, Wrenches Under Power, proper site setups and manual lifting.

Advancing our Environmental, Social and Governance ("ESG") program further demonstrating our commitment to sustainability. We have a growing ESG program that is key to reinforcing our industry-leading position and building a sustainable future for the Company and our stakeholders. During 2024, we will continue operationalizing our ESG program enabling us to maximize 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 in existing and new geographies to grow our business.

Effectively manage customer relationships, pricing and contract terms. Our Global Drilling Services, Global Products, and Veracio 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. We will continue to pursue disciplined investments in our business to drive returns and capitalize 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 Veracio.

Improve cash generation in 2024, with the goal to continue to be cash positive, through careful management of liquidity and costs. In 2024, our focus continues on boosting cash generation through efficient liquidity and cost management. We will achieve this by enhancing productivity, controlling expenses, and optimizing processes which will drive long-term efficiencies and improved liquidity in 2024 and beyond.

7.2 Outlook and Future Developments

We are not providing an outlook for 2024 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 2023 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 industrialization and urbanization 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 remain confident 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 in developing 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 Veracio 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 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 through Veracio. 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 minimize 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 realize 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 organization and rigorous monitoring processes around our key operational improvement programs 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 Veracio 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 2023, our net debt was $202.9 million, with $250.8 million in gross debt and $47.9 million of cash on hand. The Company also has an additional $9.4 million of liquidity available through the ABL facility. The instruments comprising the Company’s debt and their terms are set out in detail in Note 21 of the financial statements.

The annual financial report has been prepared on a going concern basis, which contemplates the realization 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.

Further, as announced on 27 December 2023 and as disclosed in Note 1 and Note 38 of the financial statements, the Company has entered into a binding arrangement agreement ("Arrangement Agreement") with an affiliate of American Industrial Partners Capital Fund VIII, L.P. ("AcquireCo") under which AcquireCo will acquire all of the issued and outstanding common shares of the Company pursuant to a court approved plan of arrangement ("Transaction"). In connection with the Transaction, AcquireCo has delivered to the Company an executed debt commitment letter (the "Debt Commitment Letter"). Under the terms of the Debt Commitment Letter, the sources of the debt financing identified in the Debt Commitment Letter have committed to provide the Company with a Term Loan Facility as well as a new Revolving Facility ("New Facilities"). The New Facilities will improve the Company's liquidity and overall capital structure.

Tax Risk. As previously disclosed and further detailed in Note 10 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 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. In addition, imposition of new economic sanctions against Russia or other countries and the effects of potential responsive countermeasures, or increased taxes, border adjustments or tariffs can make our operations more costly. 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. Cybersecurity continues to be a primary focus with regards to managing risk within Information Technology. The regulatory landscape continues to evolve and become more complex as new legislation is created and existing legislation evolves to address privacy and security concerns against a backdrop of threat actors constantly escalating and becoming more sophisticated in their capabilities to penetrate security measures.

Information Technology systems and networks underpin our ability to store, transmit, and process electronic information across all of the business domains. This includes sensitive commercial data as well as personally identifiable information pertaining to our customers, partners, vendors, and employees. Protecting this data is paramount in our Cybersecurity efforts and investment and Boart Longyear continues to adapt and increase our Cybersecurity resources and tools as risks and requirements evolve. While no company can guarantee against a breach, we are committed to protecting our information assets and transparency in the case of an event where data is known to be compromised.

The other area of managed risk is in protecting our ability to operate in the face of a service interruption or loss of critical function due to system downtime. We recently completed an exercise to establish Business Continuity Planning for key functions and systems across the Business. This, along with working to improve and modernize key systems while avoiding increasing costs is also a key focus and challenge for Information Technology.

Staying at the forefront of Cybersecurity capability through leading-edge tools and best practice while ensuring that our systems are reliable, and being prepared in an event where those preparations are not enough ensures that Information Technology is sustainably managing material risk to the operation of the business.

Public Health Risk. Our global operations expose us to risks associated with public health epidemics and pandemics. These risks may have an adverse impact on certain of our operations, supply chains and distribution systems. National and local governments may implement safety precautions, including quarantines, border closures, increased border controls, travel restrictions, shelter in place orders, shutdowns and other measures. These measures may disrupt normal business operations and may have significant negative impacts on businesses and financial markets worldwide. Our ability to continue to operate is highly dependent on our ability to maintain the health and safety of our employees. In addition, the ability of our employees to work may be significantly impacted by future epidemics and pandemics.

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 summarizes 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 2023 to 31 December 2023.

Senior Management Changes in 2023

The following changes to Boart Longyear's senior management occurred in 2023:

- Jenny Fuss was appointed Chief Financial Officer effective 2 February 2023;
- Ermanno Simonutti was appointed President, Drilling Products, effective 26 October 2023; and
- Chief Operating Office Denis Despres was named Chief Executive Officer, Global Drilling Services, effective 31 October 2023.

On 31 March of 2023, Miguel Desdin, Chief Financial Officer, ceased employment with Boart Longyear. Consistent with Mr. Desdin's employment agreement, Mr. Desdin became entitled to the following benefits:

- Severance payments equal to thirteen months of his base salary;
- Payment of his 2022 short term incentive plan;
- Pro-rata payment of his 2023 Short Term Incentive Program to 1 May 2023;
- Pro-rata payments of the 2022 and 2023 Long Term Incentive Plan to 1 May 2023; and
- Single, lump-sum payment of $100,000 one year subsequent to 1 May 2023.

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 recognizes 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 organization, the remuneration philosophy is positioned to reward strong performance and to maintain that performance over time.

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

- Attract, motivate, reward and retain key talent;
- Reward achievement of the organization's strategic objectives, within its risk profile;
- Promote positive outcomes across the geographies where we operate; and
- Promote an ethical culture and behavior that are consistent with Company values and encourage 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
• Accurate and up-to-date market information and information on trends is a crucial factor in determining the quantum of the remuneration packages. • Remuneration levels are competitive with similar roles in the markets in which the Company competes for talent. • Fixed and at-risk remuneration is appropriate for the industry and market competitive. • Long-term incentive compensation provides for meaningful retention.	• Reward packages and practices reflect local and international best practice. • There is a significant amount of total executive remuneration which is at-risk and dependent upon achieving challenging key business objectives and safety targets. • Management assists in establishing the overall total reward metrics for each Executive Committee member. • Compensation is relevant and meaningful to the executive receiving it. • Benchmark total rewards against relevant peer groups.	• Remuneration Committee regularly performs executive compensation benchmarking utilizing independent compensation consultants. • Reward measures for executives are aligned with, linked to, and influenced by the interests and strategies of the Company and its shareholders. • The aspiration is that our remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent. • Where performance achievements are subsequently found to have been misstated, clawback provisions are made for redress.	• The framework encourages consistency and allows for differentiation where it is fair, rational and explainable. • Incentive based compensation is designed to reward executives for delivered performance against important safety, financial and strategic objectives. • Incentive plans utilize 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. • Incentive based compensation provides for upside potential with strong performance.

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 caliber Directors, executives and employees, motivate them to maximize 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 Chief Executive Officer ("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.

The Remuneration Committee members as at the date of this Report are Tye Burt, Chairman of the Committee, Shannon McCrae, 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 summarizes 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 2023 and 2022, the Remuneration Committee continued to rely on the independent market review of KMP compensation obtained from Mercer. The Company also utilizes Ashurst, Alvarez and Marsel Consulting, Vinson & Elkins, Willis Tower Watson, Culpepper, 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"): The STIP 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 STIP (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 STIP 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) return on capital employed; (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 STIP are paid in cash.

The STIP performance components for 2023 and their relative weighting are:

(1) Corporate Financial Target - Return on Capital Employed ("ROCE") - 20% of the Company's STIP opportunity is linked to the Company's ROCE performance. The ROCE 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. ROCE is defined as Adjusted Earnings Before Taxes divided by the total of Total Assets less Current Liabilities.

(2) Corporate Financial Target – Adjusted EBITDA - 60% of the Company's STIP opportunity is linked to the Company's Adjusted EBITDA performance. Refer to the Company's description and calculation of Adjusted EBITDA, a Non-AASB Financial Measure, in Section 3.2 of the Review of Operations.

(3) Corporate Non-Financial Target - Safety - 20% of the Company's STIP opportunity is dependent upon the Company's overall safety performance. The Board and management believe that a component of the STIP based on safety results appropriately focuses Company employees on adopting safe work practices, continuously identifying ways to reduce or eliminate hazards or unsafe behaviors 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 2023, the Board agreed on the recommendation of its Governance, Safety and Sustainability Committee to use TCIR, LTIR, Critical Risk Incident Rate and a set of leading indicators as the measurements of safety performance for the STIP.

Individual Strategic Objectives - 100% of the Individual Strategic Objective STIP 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 utilized 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, 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. See Note 9.

The Remuneration Committee approved and announced Cycle Two of the 2021 LTIP and the 2022 LTIP in 2022. The 2023 LTIP was approved and announced during the year ended 31 December 2023. No shares or performance stock units were granted under the LTIP during 2022 or 2023.

The potential target incentive under the LTIP is 17.5% of base pay for Cycle Two of the 2021 LTIP cycle and 35% of base pay for the 2022 and 2023 LTIP. The achievement of these awards is tied to predetermined performance metrics for

Adjusted EBITDA and Cash Return on Investment ("CRI") where CRI is defined as Adjusted EBITDA divided by Gross Fixed Assets plus Net Working Capital.

The 2022 and 2023 LTIP awards also include a time vesting 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 150% of that component of the bonus. Bonuses awarded under the 2021, 2022 and 2023 LTIP are paid in cash or shares at the discretion of the Remuneration Committee. Cycle One of the 2021 LTIP was paid in cash in March 2022 and Cycle Two of the 2021 LTIP was paid in cash in July 2023.

Stock Awards: In 2022, shareholders approved the 2022 Management Incentive Plan ("2022 MIP") which allows the Company to grant stock options and restricted stock awards to present and future officers, directors, employees, consultants, and advisors. The 2022 MIP is intended to promote the long-term growth and profitability of the Company by providing those individuals who are or will be involved in the growth of the Company with an opportunity to acquire an ownership interest in the Company, thereby encouraging such individuals to contribute to and participate in the success of the Company. A maximum number of 14,796,021 options and 5,000,000 restricted stock units may be issued pursuant to the 2022 MIP. These awards are subject to both service and market vesting conditions.

Other benefits (monetary and non-monetary): These benefits are 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: directors and officers liability, 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 2023 were:

Directors	Position	Senior Executives	Position
Rubin McDougal	Non-Executive Chairman	Jeffrey Olsen	President and Chief Executive Officer
Michelle Ash	Non-Executive Director (effective 25 May 2023)	Jenny Fuss	Chief Financial Officer (effective 2 Feb 2023)
Tye Burt	Non-Executive Director	Miguel Desdin	Chief Financial Officer (ceased employment 31 March 2023)
Lars Engström	Non-Executive Director	Denis Despres	Chief Executive Officer, Drilling Services [1]
Shannon McCrae	Non-Executive Director	Daniel Goldblatt	Chief Human Resources Officer
Paul McDonnell	Non-Executive Director	Giovanna Bee Moscoso	Chief Legal Officer
Jeffrey Olsen	Executive Director	Ermanno Simonutti	President, Drilling Products (effective 26 Oct 2023)
Thomas Schulz	Non-Executive Director		
Conor Tochilin	Non-Executive Director		
Bao Truong	Non-Executive Director		

(1) On 31 October 2023, Boart Longyear announced that Chief Operating Officer, Denis Despres, was officially named Chief Executive Officer, Drilling Services.

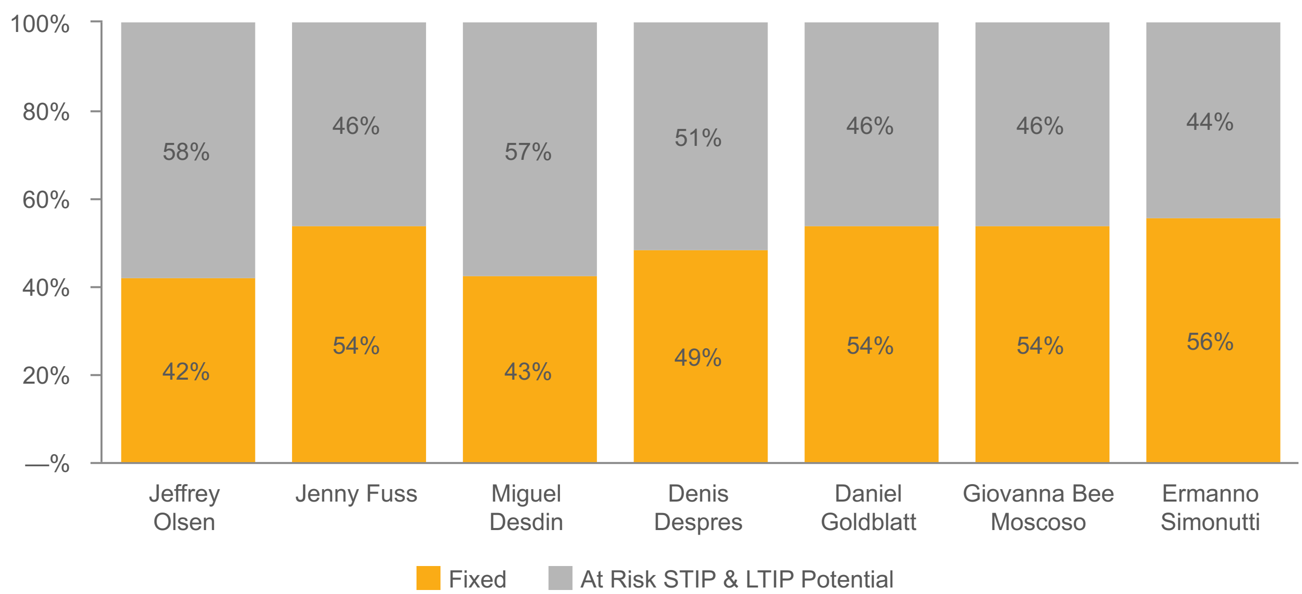
The table below summarizes actual remuneration received by senior executives who were KMP. This information is relevant as it provides shareholders with a view of the remuneration actually paid to executives for performance for the year ended 31 December 2023. This differs from the remuneration details prepared in accordance with statutory obligations and accounting standards, which are reported on page 28 of this Report. The remuneration calculations reported there are based on the Accounting Standards principle of "accrual accounting" and, consequently do not necessarily reflect the amount of compensation an executive actually realized 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; "LTIP" represents cash paid in respect of the executive's LTIP awards earned in prior years but paid in the current reporting year; "Other" represents benefits such as US 401(k) retirement plan contributions, car allowances, relocation pay, severance pay, tax preparation service reimbursements, life insurance premiums, sign-on bonuses and other bonuses paid in 2023.

Sr. Executive remuneration US$	Base salary compensation	STIP	LTIP	Other	Total
Jeffrey Olsen	737,612	503,581	93,083	42,300	1,376,576
Jenny Fuss [1]	366,154	—	—	147,410	513,564
Miguel Desdin [2]	105,000	207,480	55,160	343,621	711,261
Denis Despres	461,250	315,000	55,160	38,467	869,877
Daniel Goldblatt	337,425	55,000	—	131,225	523,650
Giovanna Bee Moscoso	358,750	133,000	—	80,058	571,808
Ermanno Simonutti [3]	38,462	—	—	3,162	41,624

(1) Ms. Fuss was hired on 2 February 2023; as such, her actual remuneration received reflects a partial year of earnings from her date of hire. Ms. Fuss was given a $100,000 sign-on bonus to be paid upon completion of her first year of employment.
(2) Mr. Desdin ceased employment as Chief Financial Officer as of 31 March 2023. Included in the compensation above is a paid severance amount of $330,858.
(3) Mr. Simonutti was hired on 26 October 2023; as such, his actual remuneration received reflects a partial year of earnings from his date of hire.

The relevant proportion of fixed to variable components for senior executive remuneration during 2023 is shown below. The table illustrates the annualized remuneration mix for executive KMP, including annualized fixed salary and 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 2023 and 2022 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							Non-cash-based compensation	
	Short-term benefits [1]			Post-employment benefits		Other long-term benefits		Share-based compensation [2]	
	Compensation	STIP [3]	Other [4]	Super-annuation benefits [5]	Other	LTIP [6]	Termination benefits	Options	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
Jeffrey Olsen									
2023	737,612	—	33,600	8,700	—	133,917	—	1,159,275	2,073,104
2022	720,225	503,581	29,239	8,700	—	130,889	—	1,652,832	3,045,466
Jenny Fuss [7]									
2023	366,154	—	138,710	8,700	—	68,177	—	—	581,741
Miguel Desdin [8]									
2023	105,000	—	8,595	4,168	—	26,031	584,680	—	728,474
2022	420,000	207,480	20,948	8,700	—	76,328	—	495,850	1,229,306
Denis Despres									
2023	461,250	—	29,767	8,700	—	83,671	—	463,710	1,047,098
2022	450,000	315,000	22,796	8,700	—	81,780	—	661,133	1,539,409
Daniel Goldblatt									
2023	337,425	—	122,525	8,700	—	61,359	—	238,396	768,405
2022	110,423	55,000	24,158	2,285	—	4,813	—	75,764	272,443
Giovanna Bee Moscoso									
2023	358,750	—	71,358	8,700	—	65,078	—	238,396	742,282
2022	296,154	133,000	69,118	7,673	—	12,760	—	75,764	594,469
Ermanno Simonutti [9]									
2023	38,462	—	126,168	923	—	6,198	—	—	171,751

(1) There were no non-monetary benefits provided.
(2) Non-cash based remuneration includes the fair value of equity compensation recognized over the respective vesting period (i.e. Options awarded under the 2022 MIP). The fair value of equity instruments is determined as at the grant date and is recognized over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that senior executives may ultimately realize should the equity instruments vest. The fair value of options at the date of their grant were valued using a Monte Carlo simulation model.
(3) The 2023 amount represents cash STIP earned by the executive during the year ended 31 December 2023. The established performance conditions for the 2023 STIP were not met for the year ended 31 December 2023. Therefore, no amounts will be paid out to the senior executives. See Section 4.1 on page 29. The 2022 amount represents cash STIP payments earned by the executive during the year ended 31 December 2022, which were paid in 2023.
(4) Includes sign-on bonuses, automotive allowances, relocation, and reimbursements of financial and tax preparation assistance and other various given bonuses.
(5) Includes 401(k) plan matching contributions made by the employing entity in the United States.
(6) To be settled in cash or shares at the discretion of the Board.
(7) Ms. Fuss was hired on 2 February 2023; as such, her actual remuneration received reflects a partial year of earnings from her date of hire.
(8) Mr. Desdin ceased employment as Chief Financial Officer as of 31 March 2023. Refer to page 22.
(9) Mr. Simonutti was hired on 26 October 2023; as such, his actual remuneration received reflects a partial year of earnings from his date of hire.

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

4. PERFORMANCE AND RISK ALIGNMENT

Below is a summary of 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-based loans. Dividends per share are calculated as basic EPS divided by closing share price.

Financial year	Closing share price [1] A$	Dividends per share US$	EPS [1] US$	Revenue US$ Millions	Adj. EBITDA [2] US$ Millions	CRI	ROE	ROCE	Net debt US$ Millions
2023	2.75	—	0.04	1,051.7	128.4	15.4%	4.6%	12.4%	202.9
2022	1.89	—	0.04	1,038.9	124.2	14.0%	4.3%	14.0%	175.7
2021	2.47	—	(0.69)	921.4	116.0	12.6%	(57.7)%	11.6%	163.9
2020	8.70	—	(22.45)	657.3	60.1	7.2%	(23.2)%	3.0%	855.1
2019	32.60	—	(10.35)	745.0	87.3	10.2%	(16.1)%	10.7%	781.5

(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, amortization, 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 KMP, 2019 through 2023, is below:

	2019	2020	2021	2022	2023
% of target STIP awarded	72%	65%	174%	76%	0%

The 2023 STIP was contingent upon the achievement of predetermined ROCE, Adjusted EBITDA and safety measures. While the ROCE target and established safety measures were achieved, Adjusted EBITDA did not meet the minimum threshold when including the KMP STIP component. Therefore, KMP did not earn STIP for the year ending 31 December 2023.

STIP earned in 2023	STIP earned as % of target [1]	STIP earned US$	Target STIP US$	% of STIP forfeited	% of max STI forfeited [2]
Jeffrey Olsen	0%	—	755,000	100%	100%
Jenny Fuss [3]	0%	—	183,333	100%	100%
Miguel Desdin	0%	—	91,000	100%	100%
Denis Despres	0%	—	330,750	100%	100%
Daniel Goldblatt	0%	—	172,425	100%	100%
Giovanna Bee Moscoso	0%	—	183,750	100%	100%
Ermanno Simonutti [3]	0%	—	18,889	100%	100%

(1) Calculated by multiplying the Individual Strategic Objective percentage achieved by the STIP performance payout of 0%.
(2) The maximum potential award assuming superior performance against all STIP metrics is 200% of target STI.
(3) Noted Executives were hired during the year ended 31 December 2023, as such, their target STIP amounts were pro-rated upon hire date.

4.2 EMPLOYEE AND DIRECTOR TRADING IN COMPANY SECURITIES

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

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

5. SERVICE CONTRACTS AND TERMINATION PROVISIONS

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

The executive employment contracts listed above contain a twelve-month non-competition and non-solicitation covenant in the Company's favor. 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 SHAREHOLDINGS

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

Name	Balance 1 January 2023	Granted as remuneration	Net other change during year	Cessation as Executive & Non-Executive Director	Balance 31 December 2023	Balance held nominally
Rubin McDougal	8,292	—	—	—	8,292	—
Michelle Ash [1]	—	—	—	—	—	—
Tye Burt	43,043	—	—	—	43,043	—
Lars Engström	—	—	—	—	—	—
Shannon McCrae	—	—	—	—	—	—
Paul McDonnell	—	—	—	—	—	—
Thomas Schulz	—	—	—	—	—	—
Conor Tochilin	—	—	—	—	—	—
Bao Truong	—	—	—	—	—	—
Jeffrey Olsen	13,572	—	—	—	13,572	—
Jenny Fuss [2]	—	—	—	—	—	—
Denis Despres	3,289	—	—	—	3,289	—
Miguel Desdin [3]	3,265	—	—	(3,265)	—	—
Daniel Goldblatt	—	—	—	—	—	—
Giovanna Bee Moscoso	—	—	—	—	—	—
Ermanno Simonutti [4]	—	—	—	—	—	—

(1) Ms. Ash appointed effective 25 May 2023.
(2) Ms. Fuss appointed effective 2 February 2023.
(3) Mr. Desdin ceased employment 31 March 2023.
(4) Mr. Simonutti appointed effective 26 October 2023.

5.2 OPTIONS

In September 2022, the Company granted options to certain employees pursuant to the 2022 MIP. These awards are subject to both service and market vesting conditions and are only exercisable to the extent that they are fully vested. All option awards are divided into three tranches and each tranche vests over a three-year period following the grant date. Vesting of each tranche is dependent on the following market conditions:

Tranche one options vest on the first date the Company's 50-day volume-weighted average price ("VWAP") equals or exceeds $2.88 per share.

Tranche two options vest on the first date the Company's 50-day VWAP equals or exceeds $4.32 per share.

Tranche three options vest on the first date the Company's 50-day VWAP equals or exceeds $5.76 per share.

Both the time vesting and market vesting conditions must be met for a tranche to vest. Any options that haven't fully vested on the fifth anniversary of the grant date will expire. All vested option awards will expire on the tenth anniversary of the grant date.

These options were valued using a Monte Carlo simulation model. The following table summarizes the 2022 MIP options granted to KMP outstanding as of 31 December 2023:

Name	Grant Date	Expiry Date	Options Granted	Options Vested	Options Forfeited	Weighted Average Fair Value of Options Granted US$	Weighted Average Exercise Price US$	Fair Value of Options Granted US$	Unvested Options at End of Period
Jeffrey Olsen	7-Sep-22	7-Sep-32	3,687,992	—	—	0.81	1.92	2,970,882	3,687,992
Denis Despres	7-Sep-22	7-Sep-32	1,475,197	—	—	0.81	1.92	1,188,353	1,475,197
Miguel Desdin [1]	7-Sep-22	7-Sep-32	1,106,398	—	1,106,398	0.81	1.92	891,265	—
Giovanna Bee Moscoso	7-Sep-22	7-Sep-32	737,598	—	—	0.83	1.92	610,567	737,598
Daniel Goldblatt	7-Sep-22	7-Sep-32	737,598	—	—	0.83	1.92	610,567	737,598

(1) Mr. Desdin ceased employment as of 31 March 2023.

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 [1]	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 2022
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 utilized for Non-Executive Director fees, being approximately 50% of the fee pool limit.

No share rights were awarded as remuneration in 2022 and 2023.

6.1 COMPONENTS OF NON-EXECUTIVE DIRECTOR REMUNERATION

<u>Component</u>	<u>Explanation</u>
Board fees	Current base fees per annum are: • US$160,000 for Non-Executive Directors other than the Chairman of the Board and the resident Australian Directors; • US$310,000 for the Board Chairman (paid in cash or shares); and • A$200,000 for the resident Australian Directors.
Committee fees	Current committee fees for Non-Executive Directors (other than the Chairman of the Board) are: • US$7,500 annually for committee members; and • US$15,000 annually for committee chairs. Where the Board Chairman sits on a committee, he or she does not receive any additional fee.
Other fees/ benefits	Non-Executive Directors are entitled to be reimbursed for all reasonable out-of-pocket expenses incurred in carrying out their duties, including travel costs. The Chairman of the Board also is entitled to reimbursement for office and secretarial support. Non-Executive Directors may also, with the approval of the Board, be paid additional fees for extra services or special exertions for the benefit of the Company. Non-Executive Directors are not entitled to receive any performance-related remuneration, such as short-term or long-term incentives.
Post-employment benefits	Compulsory superannuation contributions for Australian-resident Non-Executive Directors are included in the base fee and additional committee fees set out above. Non-Executive Directors do not receive any retirement benefits other than statutory superannuation contributions.

6.2 REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Details of Non-Executive Directors' remuneration for the year ended 31 December 2023 and 2022 are set out in the table below:

Non-Executive Directors remuneration	Fees (Including committee fees) US$	Superannuation contributions	Shares	Total
Rubin McDougal				
2023	310,000	—	—	310,000
2022	310,000	—	—	310,000
Michelle Ash [1]				
2023	160,000	—	—	160,000
Tye Burt				
2023	175,000	—	—	175,000
2022	175,000	—	—	175,000
Lars Engström				
2023	175,000	—	—	175,000
2022	175,000	—	—	175,000
Shannon McRae				
2023	163,125	—	—	163,125
2022	66,667	—	—	66,667
Paul McDonnell				
2023	179,375	—	—	179,375
2022	182,500	—	—	182,500
Thomas Schulz				
2023	175,000	—	—	175,000
2022	175,000	—	—	175,000

(1) Mrs. Ash appointed effective 25 May 2023.

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.

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 1 March 2020 as Audit Committee Chair and was appointed Chair on 16 November 2021.

Mr. McDougal has senior executive experience across manufacturing, marketing and logistics industries in Asia, Europe and the Americas. Mr. 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.

Michelle Ash
Ms. Ash joined the Company's Board on 25 May 2023. Ms. Ash has more than 25 years of experience in the mining sector with a focus on innovation, strategy, technology, and digital transformation. She is currently Vice President, Growth at BHP. Ms. Ash was previously a Technology Executive at OZ Minerals, and Chief Executive Officer, GEOVIA at Dassault Systèmes. Prior to Dassault Systemes, Ms. Ash was Chief Innovation Officer at Barrick Gold and Chief Operating Officer, General Manager, Bulyanhulu and EGM Business Improvement and Planning at Acacia Mining.Her experience includes planning, strategy and operational roles with BHP Billiton Mitsubishi Alliance, Minerals and Metals Group, Leighton Contractors, HWE Mining, Australian Vinyls, Revolution Ash Consulting, and Rio Tinto.

Ms. Ash is chair of Magnium Australia, a director of GMGroup and Railveyor, and serves on the advisory boards of OffWorld, Minespider and Stratum AI.

Ms. Ash holds a Master of Business Administration from the Melbourne Business School, a Graduate Diploma of Business, Economics from Curtin University, a Bachelor of Arts in Psychology from Deakin University, and a Bachelor of Civil Engineering, Geomechanics from Melbourne University.

Tye Burt
Mr. Burt joined the Company's Board on 23 August 2019 and serves as Chair of the Remuneration Committee. His career includes more than 30 years of 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 16 November 2021 and serves as Chair of the Audit and Risk Committee. Mr. Engström has more than 30 years of senior management experience at leading Swedish mining and industrial companies. He is currently a Director on the Board 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.

Shannon McCrae
Ms. McCrae was appointed Director of the Company on 1 August 2022 and is a member of the Remuneration Committee. Ms. McCrae is a professional geologist and executive who brings over 25 years of experience in the resource industry. Her experience ranges from early-stage exploration to mine sites across multiple commodities, driving economic discoveries and delivering innovation. She was Director of Exploration and Growth for Barrick Gold, a global role operating as a member of the senior management team until 2019. Her experience also includes senior roles with De Beers Canada. She has recently been involved within mining and exploration through her company, Athena Geoscience, and as Vice President of Business Development with Novamera.

Ms. McCrae holds an Honors Bachelor of Science degree in Geology (BSc) from Western University and is a registered Professional Geoscientist (P.Geo.) in Ontario.

Paul McDonnell
Mr. McDonnell was appointed Director of the Company's Board on 17 November 2021 and serves as Chair of the Governance, Safety and Sustainability 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 in1999 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 as a Director of the Company on 16 November 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. Mr. Schulz currently serves as the Group Chief Executive Officer of BILFINGER SE. From 2013 to 2021, he served as Group Chief Executive Officer of FLSMIDTH. Since 2016 he is a Non-Executive Board Member of HYDRO A/S. From 2001 to 2012, Mr. Schulz held several leadership positions at SANDVIK, including President - Construction, Senior Vice President, Chairman of SJL SHAN BAO, SRP AB, Sandvik Extec, Sandvik Fintec, President - Construction Segment, Senior Vice President / Chairman of SRP AB, Sandvik Extec, Sandvik Fintec. From 1998 to 2001, he was Business Area Manager, Department Crushing, Screening, Grinding, Pyro at Swedish manufacturer SVEDALA INDUSTRI.

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 17 January 2020 and is a member of the Remuneration 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.

Bao Truong
Mr. Truong joined the Company's Board on 16 November 2021 and is a member of the Audit and Risk Committee and the Governance, Safety and Sustainability 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., 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

Nicholas Nash
Mr. Nash was appointed Company Secretary on 15 April 2022. Nicholas joined Boart Longyear in 2021 and has a legal background in mergers and acquisitions, corporate transactional work, corporate governance, capital markets and securities, and regulatory compliance. He holds a Juris Doctor degree from Vanderbilt University Law School and a Bachelor of Political Science and a Bachelor of Business Management from the University of Utah.

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		Governance, Safety & Sustainability Committee [1]	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Rubin McDougal	9	9	—	—	—	—	—	—
Michelle Ash [2]	6	6	—	—	—	—	—	—
Tye Burt	9	9	4	4	—	—	—	—
Lars Engström	9	9	—	—	5	5	—	—
Shannon McCrae [3]	9	9	1	1	—	—	—	—
Paul McDonnell	9	8	—	—	—	—	3	3
Thomas Schulz	9	9	—	—	5	5	3	3
Conor Tochilin	9	9	4	4	—	—	—	—
Bao Truong [4]	9	8	—	—	5	4	1	1
Jeffrey Olsen	9	9	—	—	—	—	—	—

(1) In 2023, the Governance, Safety & Sustainability Committee was tasked to oversee BLY's Environmental, Social and Governance (ESG) principals. The committee is key in ensuring adaptation and integration of ESG considerations in all business decisions.
(2) Ms. Ash was appointed effective 25 May 2023.
(3) Ms. McCrae was not a member of the Remuneration Committee February, March, and May 2023 meetings.
(4) Mr. Truong was not a member of the Governance, Safety & Sustainability Committee for the February and May 2023 meetings.

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
Michelle Ash	—	—	—	
Tye Burt	43,043	—	—	43,043
Lars Engström	—	—	—	—
Shannon McCrae	—	—	—	—
Paul McDonnell	—	—	—	—
Thomas Schulz	—	—	—	—
Conor Tochilin	—	—	—	—
Bao Truong	—	—	—	—
Jeffrey Olsen	13,572	—	—	13,572
Denis Despres	3,289	—	—	3,289
Jenny Fuss	—	—	—	—
Daniel Goldblatt	—	—	—	—
Giovanna Bee Moscoso	—	—	—	—
Ermanno Simonutti	—	—	—	—

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

At the Annual General Meeting of Shareholders held in May 2022, shareholders approved a Non-Executive Director share purchase plan (the “2022 NED Share Plan”) and a Non-Executive Director Deferred Stock Unit Plan (the "2022 NED DSU Plan") which allows current and future Non-Executive Directors to elect to receive up to 100% of their director fees in shares and/or deferred stock units 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 and/or deferred stock units of the Company in lieu of cash pursuant to the 2022 NED Share Plan or 2022 NED DSU 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 2022 NED Share Plan or 2022 NED DSU Plan, NED Shares and/or NED Deferred Stock Units 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 the issue of shares issued in accordance with the 2022 NED Share Plan, 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.

Deferred stock units issued in accordance with the 2022 NED DSU Plan vest immediately at the time of grant to the Non-Executive Director. Deferred stock units issued under the 2022 NED DSU Plan may only be settled after the Non-Executive Director's death, retirement, or loss of his or her position as a Director.

The number of NED Shares and/or NED Deferred Stock Units to be allocated to Non-Executive Directors who elect to participate in the 2022 NED Share Plan and/or 2022 NED DSU 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 2022 NED Share Plan and/or 2022 NED DSU 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 and/or deferred stock units.

No securities were issued under the 2022 NED Share Plan or the 2022 NED DSU Plan during the year 2022 or 2023.

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 summarized on page 36.

Jenny Fuss
Ms. Fuss joined Boart Longyear as Chief Financial Officer on February 1, 2023. She is a global financial leader with extensive experience within large complex organizations. Before joining Boart Longyear, Ms. Fuss held senior financial positions at Eaton, a global power management company, including Vice President, Global Financial Services & Systems and Vice President of Finance/Chief Financial Officer, Vehicle Group and eMobility. Prior to Eaton, she spent nearly 15 years at Siemens AG where she held numerous senior financial roles, including Vice President of Finance, Smart Infrastructure Pacific.

Ms. Fuss holds a degree in economics from the University for Economics and Management in Essen, Germany.

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 has held various positions with progressive responsibility in the Company's Drilling Services and Products divisions, including 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 Drilling'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.

Daniel Goldblatt
Mr. Goldblatt joined Boart Longyear as Chief Human Resources Officer on 1 September 2022. His career includes significant global human resources experience focused on organizational transformation, business partnering, and performance management across diverse industries. From 2019 to 2022, Mr. Goldblatt was a senior executive with mattress manufacturer Serta Simmons Bedding, most recently as Chief Operating Officer and previously as Chief Human Resources Officer. From 2006 to 2019, he was Senior Vice President, Human Resources, at Acuity Brand Lighting, the world's largest manufacturer of lighting fixtures. From 2001 to 2006, Mr. Goldblatt held a number of human resources positions at Hexion Speciality Chemicals, including Vice President Human Resources Performance Products Division and Asia Pacific. He also held additional senior human resources positions at Phase Two Strategies and Trucolor.

Mr. Goldblatt is a graduate of Brown University.

Giovanna Bee Moscoso
Mrs. Giovanna Bee Moscoso joined Boart Longyear as Chief Legal Officer on 28 February 2022, bringing an abundance of legal and mining industry experience. Prior to joining the Company, Giovanna was a legal consultant to the mining industry where she focused on permitting, compliance, due diligence, and land management. From 1994 to 2019, Giovanna held progressive responsibilities at Barrick Gold, including Partner, Vice President, and Assistant General Counsel, in Peru, Chile, Argentina, Salt Lake City and Toronto. Her scope of responsibilities encompassed managing legal, regulatory, permitting, and contractual matters for various mines in the Americas. Mrs.Moscoso's roles have also included coordinating government and public relations and developing social outreach and human rights programs with stakeholders, including indigenous communities and private landowners.

Mrs. Moscoso was Chairwoman of the Board of Calipuy Resources Inc. through June 2022 and is currently the Independent Director and Chair of the Governance, Social and Environmental Committee of the Board of Palladium One Mining Inc.

Mrs. Moscoso holds a Juris Doctor degree from the University of Lima and a Masters of Law – LLM from Duke University.

Ermanno Simonutti
Mr. Simonutti was appointed President, Drilling Products, on November 27, 2023. He is a mining industry veteran with expertise in sales and marketing, product development, and engineering. Before Boart Longyear, Mr. Simonutti held numerous executive positions with the Weir Group, most recently as Regional Managing Director North America – Minerals Division. Previously, he was Vice President of Global Sales – ESCO Division and Vice President of Products, Engineering and Marketing – ESCO Division. Mr. Simonutti joined Weir through the acquisition of ESCO in 2018. At ESCO, he held a variety of global senior leadership, product management, and engineering roles.

Mr. Simonutti holds a Bachelor of Science in Mechanical Engineering from Montana State University, a Master of Science in Mechanical Engineering from the University of Washington, and a Master of Business Administration from the University of Antwerp's Management School.

AUDITOR

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 43 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 7 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 7 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 22 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Rubin McDougal
Chairman

23 February 2024

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

23 February 2024

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 2023, 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

DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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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 report of Boart Longyear Group Ltd (the "Entity") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and the director's declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Group's financial position as at 31 December 2023 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 Group in accordance with the ethical requirements of the Accounting Professional & 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.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Taxation The Group 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 10, 22 and 29. As at 31 December 2023, the Group has recorded an income tax expense of \$1.8 million, current and non-current tax receivables of \$0.6 million and \$0.7 million respectively, a net current tax payable of \$4.4 million, deferred tax assets of \$11.3 million, and deferred tax liabilities of \$25.2 million. In Notes 10, 22 and 29, the Group has disclosed its assessment of tax-related provisions and contingent liabilities and that the Group is subject to certain tax audits that arise in the normal course of its business. As at 31 December 2023, the Group has recorded a provision for tax contingencies of \$29.2 million. 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.	Our procedures performed in conjunction with internal tax specialists, included but were not limited to: • Obtaining an understanding of the process and key controls that management have in place to determine the taxation balances; • Evaluating the appropriateness of the Group's tax expense calculations and the rationale on which deferred tax assets and liabilities were recognised; • Challenging and evaluating management's assessment of uncertain tax positions and conclusions on complex tax arrangements through enquiries of the Group's taxation department, and obtaining and considering the Group's correspondence with local tax authorities; • 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 • Assessing the adequacy of the disclosures in notes 10, 22 and 29.

Other Information

The directors are responsible for the other information. The other information comprises the Director's Report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of Directors for the Financial Report

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 management 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 Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group'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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group'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 Entity 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 2023.

In our opinion, the Remuneration Report of Boart Longyear Group Ltd for the year ended 31 December 2023, has been prepared in accordance with section 300A of the Corporation Act 2001.

Deloitte.

Responsibilities

The directors of the Entity 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

DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants
Perth, 23 February 2024

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 30 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

Rubin McDougal
Chairman

23 February 2024

	Note	2023 US$'000	2022 US$'000
Continuing operations			
Revenue	**3**	1,051,652	1,038,887
Cost of goods sold		(866,263)	(862,078)
Gross margin		185,389	176,809
Other income	**4**	6,035	12,259
General and administrative expenses		(103,357)	(109,201)
Sales and marketing expenses		(23,506)	(22,251)
Other expenses	**4**	(26,373)	(24,347)
Operating profit		38,188	33,269
Interest income	**5**	6,406	57
Finance costs	**5**	(29,525)	(20,036)
Profit before taxation		15,069	13,290
Income tax expense	**10**	(1,835)	(1,435)
Profit for the year attributable to equity holders of the parent		13,234	11,855
Earning per share:			
Basic and diluted earnings per share	**11**	4.5 cents	4.0 cents
Other comprehensive income			
Profit for the year attributable to equity holders of the parent		13,234	11,855
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(777)	(10,942)
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss) gain related to defined benefit plans, net of tax	**23**	(450)	4,904
Adjustments for restrictions on the defined benefit asset, net of tax	**23**	941	(4,816)
Gain (loss) on cash flow hedges recorded in equity, net of tax		(4,311)	5,859
Other comprehensive loss for the year, net of tax		(4,597)	(4,995)
Total comprehensive profit for the year attributed to equity holders of the parent		8,637	6,860

See accompanying Notes to the Consolidated Financial Statements included on pages 55 to 113.

	Note	2023 US$'000	2022 US$'000
Current assets			
Cash and cash equivalents	**34**	47,914	34,822
Trade and other receivables	**12**	144,406	139,657
Inventories	**13**	223,353	226,014
Current tax receivable	**10**	558	1,123
Prepaid expenses and other assets		18,149	15,443
		434,380	417,059
Asset classified as held for sale	**15**	245	345
Total current assets		434,625	417,404
Non-current assets			
Property, plant and equipment	**17**	195,210	187,859
Goodwill	**18**	118,506	103,758
Other intangible assets	**19**	56,284	33,833
Deferred tax assets	**10**	11,332	11,465
Non-current tax receivable	**10**	737	1,343
Other assets		7,557	19,193
Total non-current assets		389,626	357,451
Total assets		824,251	774,855
Current liabilities			
Trade and other payables	**20**	182,354	177,485
Provisions	**22**	21,071	19,334
Current tax payable	**10**	4,358	2,420
Loans and borrowings	**21**	18,196	20,187
Total current liabilities		225,979	219,426
Non-current liabilities			
Loans and borrowings	**21**	232,587	190,326
Other financial liabilities	**24, 25**	12,210	13,575
Deferred tax liabilities	**10**	25,186	21,995
Provisions	**22**	36,184	48,597
Total non-current liabilities		306,167	274,493
Total liabilities		532,146	493,919
Net assets		**292,105**	**280,936**
Equity			
Issued capital	**24**	673,955	673,955
Reserves		(127,765)	(123,772)
Other equity		1,463,247	1,463,247
Accumulated losses		(1,714,342)	(1,730,128)
Total equity		295,095	283,302
Non-controlling interest		(2,990)	(2,366)
Total equity		**292,105**	**280,936**

See accompanying Notes to the Consolidated Financial Statements included on pages 55 to 113.

	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled compensation reserve US$'000	Hedging reserve US$'000	Other [1] equity US$'000	Accumulated losses US$'000	Total attributable to owners of the parent US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 January 2022	673,955	(124,788)	2,616	(1,548)	1,463,247	(1,742,950)	270,532	(50)	270,482
Profit for the period	—	—	—	—	—	11,855	11,855	—	11,855
Other comprehensive gain (loss) for the period, net of tax	—	(10,942)	—	7,296	—	(1,349)	(4,995)	—	(4,995)
Total other comprehensive gain (loss)	—	(10,942)	—	7,296	—	10,506	6,860	—	6,860
Non-controlling interest	—	—	—	—	—	2,316	2,316	(2,316)	—
Share-based compensation	—	—	3,594	—	—	—	3,594	—	3,594
Balance at 31 December 2022	**673,955**	**(135,730)**	**6,210**	**5,748**	**1,463,247**	**(1,730,128)**	**283,302**	**(2,366)**	**280,936**
Balance at 1 January 2023	673,955	(135,730)	6,210	5,748	1,463,247	(1,730,128)	283,302	(2,366)	280,936
Profit for the period	—	—	—	—	—	13,234	13,234	—	13,234
Other comprehensive gain (loss) for the period, net of tax	—	(777)	—	(5,748)	—	1,928	(4,597)	—	(4,597)
Total other comprehensive gain (loss)	—	(777)	—	(5,748)	—	15,162	8,637	—	8,637
Non-controlling interest	—	—	—	—	—	624	624	(624)	—
Share-based compensation	—	—	2,532	—	—	—	2,532	—	2,532
Balance at 31 December 2023	**673,955**	**(136,507)**	**8,742**	**—**	**1,463,247**	**(1,714,342)**	**295,095**	**(2,990)**	**292,105**

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

See accompanying Notes to the Consolidated Financial Statements included on pages 55 to 113.

	Note	2023 US$'000	2022 US$'000
Cash flows from operating activities			
Profit for the year		13,234	11,855
Adjustments provided by operating activities:			
Income tax expense recognized in profit		1,835	1,435
Finance costs recognized in profit	**5**	29,525	20,036
Depreciation and amortization	**6**	55,296	48,565
Interest income recognized in profit	**5**	(6,406)	(57)
Gain on sale or disposal of non-current assets	**6**	(3,009)	(4,846)
Other non-cash items		(7,658)	(10,165)
Gain on fair value of warrant liabilities		(1,365)	(5,777)
Impairment of current and non-current assets		977	2,866
Non-cash foreign exchange loss		16,663	13,808
Equity-settled share-based payments		2,532	3,594
Changes in net assets and liabilities, net of effects from acquisition and disposal of business:			
Decrease (increase) in assets:			
Trade and other receivables		(18,661)	(12,622)
Inventories		(2,778)	(17,798)
Other assets		1,722	(10,203)
Increase in liabilities:			
Trade and other payables		9,040	47,512
Provisions		103	8,382
Cash provided by operations		91,050	96,585
Interest paid		(33,067)	(18,033)
Interest received	**5**	6,406	57
Income taxes paid		(8,611)	(9,498)
Net cash flows provided by operating activities		**55,778**	**69,111**

See accompanying Notes to the Consolidated Financial Statements included on pages 55 to 113.

	Note	2023 US$'000	2022 US$'000
Cash flows from investing activities			
Proceeds received on interest rates swap		7,964	—
Purchase of property, plant and equipment		(44,242)	(54,037)
Proceeds from sale of property, plant and equipment		7,519	5,643
Intangible costs paid		(6,350)	(5,840)
Acquisition of subsidiary	**37**	(5,998)	—
Net cash flows used in investing activities		**(41,107)**	**(54,234)**
Cash flows from financing activities			
Payments for debt issuance costs		(575)	(1,134)
Proceeds from borrowings		114,384	142,932
Repayment of borrowings		(117,751)	(144,284)
Net cash flows used in financing activities		**(3,942)**	**(2,486)**
Net increase in cash and cash equivalents		10,729	12,391
Cash and cash equivalents at the beginning of the year		34,822	25,579
Effects of exchange rate changes on the balance of cash held in foreign currencies		2,363	(3,148)
Cash and cash equivalents at the end of the year	**34**	**47,914**	**34,822**

See accompanying Notes to the Consolidated Financial Statements included on pages 55 to 113.

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 its subsidiaries (collectively referred to as the “Company”) operate in four geographic regions, which are defined as North America, Latin America, Asia Pacific, and Europe, Middle East and Africa ("EMEA"). Boart Longyear Group Ltd. was inserted as the Parent entity during 2021 as part of the Company's re-domiciliation to Canada. 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	Principal place of business
2442 South Sheridan Way Mississauga, Ontario Canada L5J 2M7 Tel: +1 905 822 7922	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 International Financial Reporting Standards ("IFRS"). The financial report includes the consolidated financial statements of the Company. For purposes of preparing the consolidated financial statements, the Company is a for-profit entity;
- is presented in United States dollars, which is Boart Longyear 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 authorized for issue by the Directors on 23 February 2023;
- 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 intercompany balances and transactions, and unrealized income and expenses arising from intercompany transactions, are eliminated.

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 36 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 realization 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 realization of assets and the settlement of liabilities in the ordinary course of business. The Directors consider that current and expected liquidity from operating cash flow, cash on hand and available drawings under the Company's asset-based loan and Exit Term Loan will be adequate to enable the Company to meet its debts and obligations as and when they fall due.

Further, as announced to the Australian Securities Exchange Limited ("ASX") on 27 December 2023, Boart Longyear entered into a binding arrangement agreement ("Arrangement Agreement") with an affiliate of American Industrial Partners Capital Fund VIII, L.P. ("AcquireCo") under which AcquireCo will acquire all of the issued and outstanding common shares of the Company pursuant to a court approved plan of arrangement ("Transaction"). In connection with the Transaction, AcquireCo has delivered to the Company an executed debt commitment letter (the "Debt Commitment Letter"). Under the terms of the Debt Commitment Letter, the sources of the debt financing identified in the Debt Commitment Letter have committed to provide the Company with a Term Loan Facility as well as a new Revolving Facility ("New Facilities"). Proceeds received from the borrowings under the New Facilities will be utilized to replace the Company's outstanding indebtedness under the Exit Term Loan and the ABL (see Note 21), finance the Transaction, and improve working capital. The New Facilities will mature five years after the initial funding under the New Facilities and the consummation of the Transaction. See Note 38 for additional information regarding the Transaction.

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 recognized 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 recognized in the financial statements, are found in the following notes:

Note 10	Income Taxes
Note 19	Other Intangible Assets
Note 22	Provisions
Note 29	Contingent Liabilities
Note 37	Acquisition of Operations

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.

1. GENERAL INFORMATION (CONTINUED)

Transaction gains and losses, and unrealized 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 summarize the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

2. SEGMENT REPORTING

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is based on the Company's three general operating divisions: Global Drilling Services, Global Products, and Veracio. Veracio was previously included in the Global Products division. Prior period amounts have been restated to reflect Veracio as its own segment separate from 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. Veracio assembles and sells scanning technology and down-hole instrumentation tools 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 revenue and results

	Segment Revenue				Segment Profit	
	2023		2022		2023	2022
	US$'000		US$'000		US$'000	US$'000
Global Drilling Services		738,913		723,803	89,526	87,947
Global Products revenue						
Global Products third-party revenue	305,655		307,420			
Global Products inter-segment revenue [1]	75,553		82,541			
Total Global Products revenue		381,208		389,961	50,417	37,089
Veracio revenue						
Veracio third-party revenue	7,084		7,664			
Veracio inter-segment revenue [1]	1,870		2,260			
Total Veracio revenue		8,954		9,924	(25,971)	(20,541)
Less Global Product sales to Global Drilling Services		(75,553)		(82,541)		
Less Veracio sales to Global Drilling Services		(1,870)		(2,260)		
Total third-party revenue		1,051,652		1,038,887		
Total segment profit					113,972	104,495
Unallocated costs [2]					(74,900)	(68,850)
Global Drilling Services impairment costs					(864)	(2,225)
Veracio impairment costs					(20)	(151)
Finance costs					(29,525)	(20,036)
Interest income					6,406	57
Profit before taxation					15,069	13,290

(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.

2. SEGMENT REPORTING (CONTINUED)

Other segment information

	Depreciation and amortization of segment assets		Additions to non-current assets	
	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
Global Drilling Services	42,812	37,937	53,907	63,642
Global Products	5,767	5,517	12,958	9,945
Veracio	6,456	4,284	30,276	5,215
Total of all segments	55,035	47,738	97,141	78,802
Unallocated [1]	261	827	3,029	3,427
Total	55,296	48,565	100,170	82,229

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

Geographic information

The Company's business segments operate in four principal geographic areas – NAM (disaggregated between the United States and Canada), Asia Pacific, Latin America and EMEA. The Company's revenue from external customers and information about its segment assets by geographical locations are detailed below:

	Revenue from external customers		Non-current assets [1]	
	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
United States	316,268	298,347	166,753	169,362
Canada	182,033	192,235	53,939	52,019
Asia Pacific	156,921	200,933	53,130	54,202
Latin America	197,053	155,946	26,664	21,306
EMEA	199,376	191,426	77,808	49,097
Total	1,051,651	1,038,887	378,294	345,986

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

3. REVENUE

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

Global Drilling Services

The Company performs various types of drilling services within the mining and minerals industry. Contracts can cover services which involve different processes and continuous drilling services activities in a sequential set of mobilization, drilling, and demobilization 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 recognized 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 recognize revenue at the amount which it has the right to invoice.

Customers are invoiced every two weeks and revenue is recognized 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 recognized 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 recognized 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 a stand-alone basis.

Veracio

The Company performs professional scanning technology services and offers rentals of down-hole instrumentation tools to customers in the drilling services and mining industries. Revenue for professional services is recognized in the period when the services are performed. Income from operating lease agreements is recognized on a straight-line 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:

	2023 US$'000	2022 US$'000
Revenue from Global Drilling Services	738,913	723,803
Revenue from Global Products	305,655	307,420
Revenue from Veracio	7,084	7,664
	1,051,652	1,038,887

There was one customer that contributed 13% of the Company's revenue in 2023 and 2022.

4. OTHER INCOME / EXPENSE

The components of other income are as follows:

	2023 US$'000	2022 US$'000
Gain on disposal of property, plant and equipment	3,009	4,846
Gain on disposal of scrap	743	269
Gain on warrants revaluation	1,365	5,778
Other	918	1,366
Total other income	6,035	12,259

The components of other expense are as follows:

	2023 US$'000	2022 US$'000
Amortization of intangible assets [1]	1,264	1,019
Loss on foreign currency exchange	23,754	19,278
Impairment of property, plant and equipment [2]	421	2,613
Other	934	1,437
Total other expenses	26,373	24,347

(1) Total amortization of intangible assets for the year ended 31 December 2023 is $3.3 million, as presented in Note 19. In the year ended 31 December 2023, amortization expense of $1.8 million for development assets was recorded within research and development expenses, and $0.2 million was recorded in general and administrative expenses, while $1.3 million of amortization was recorded within other expenses. In the year ended 31 December 2022 amortization totaled $3.5 million, while $1.7 million was recorded in research and development, and $0.8 million was recorded in general and administrative expenses, while $1.0 million was recorded within other expenses.

(2) Fixed asset impairments of $0.4 million and $2.6 million were recorded in other expenses for the years ending 31 December 2023 and 31 December 2022, respectively. See Note 17.

5. INTEREST INCOME / FINANCE COSTS

Interest income is as follows:

	2023 US$'000	2022 US$'000
Interest income:		
Bank deposits	726	57
Termination of interest rate swap designated hedging instrument	5,680	—
Total interest income	6,406	57

Finance costs are as follows:

	2023 US$'000	2022 US$'000
Finance costs:		
Interest on loans and bank overdrafts	19,321	15,590
Amortization of debt issuance costs	5,567	1,040
Interest on lease liabilities	4,637	3,406
Total finance costs	29,525	20,036

6. GAIN (LOSS) FOR THE YEAR

Gain (loss) for each year includes the following:

(a) Gain and loss

Gain (loss) for each year includes the following:

	2023 US$'000	2022 US$'000
Gain on disposal of property, plant and equipment	3,009	4,846
Net foreign exchange losses	(23,754)	(19,278)
Fair value adjustment on warrant liabilities	(1,365)	(5,777)
Net change in expected credit loss	2,019	(187)

(b) Employee benefits expenses

	2023 US$'000	2022 US$'000
Salaries and wages	(323,917)	(323,434)
Post-employment benefits:		
Defined contribution plans	(10,800)	(12,479)
Defined benefit plans	(1,553)	(793)
Long-term incentive plans:		
Equity-settled share-based payments	(2,532)	(3,594)
Termination benefits	(9,277)	(2,486)
Other employee benefits [1]	(79,242)	(79,476)

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

(c) Other

	2023 US$'000	2022 US$'000
Depreciation of non-current assets	(52,025)	(45,073)
Amortization of non-current assets	(3,271)	(3,492)
Rental expense	(28,921)	(26,679)

7. REMUNERATION OF AUDITORS

	2023 US$'000	2022 US$'000
Company auditor's remuneration		
Audit and review of the financial report:		
Audit of the parent entity	541	542
Related practices of the parent entity auditor	847	991
	1,388	1,533
Non-audit services:		
Tax consultation	55	280
Tax compliance	197	283
Tax audit support	324	647
	576	1,210
Total remuneration to Company auditor	1,964	2,743

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.

8. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2023 US$'000	2022 US$'000
Short-term employee benefits	4,272	5,150
Post-employment benefits	49	56
Other long-term benefits	444	408
Share based compensation	2,100	3,226
Termination benefits	585	—
Total key management personnel compensation	7,450	8,840

9. 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.

Although no shares or performance stock units were awarded under the LTIP during 2022 or 2023, the Remuneration Committee approved and announced Cycle Two of the 2021 LTIP, the 2022 LTIP and the 2023 LTIP.

2021 LTIP

The 2021 LTIP is a two-year program that was phased in over two cycles. The details of the 2021 LTIP are outlined below:

- **Duration of 2021 LTIP**: 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*: February 2022

- **Performance Criteria**: Achievement of Adjusted EBITDA of $98.0 million
  - *Cycle One:* Achievement of 2021 Adjusted EBITDA of $98.0 million
  - *Cycle Two:* Achievement of 2022 Adjusted EBITDA of $163.2 million (67% Achievement) and achievement of 2022 Cash Return on Investment ("CRI") of 16.6% (33% Achievement) where CRI is defined as Adjusted EBITDA divided by Gross Fixed Assets plus Net Working Capital

- **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

  Cycle Two of the 2021 LTIP was awarded using a payment curve with the following thresholds for minimum and over achievement targets:
  - Adjusted EBITDA:
    - Minimum Achievement of $122.4 million Adjusted EBITDA in 2022 earns a 75% payout
    - Maximum Achievement of $244.8 million Adjusted EBITDA in 2022 earns a 150% payout
  - CRI:
    - Minimum Achievement of 12.5% CRI in 2022 earns a 75% payout
    - Maximum Achievement of 24.9% CRI in 2022 earns a 150% payout

The Company recognized the expense associated with Cycle One of the 2021 LTIP over a one-year service period from 1 January 2021 to 31 December 2021. At 31 December 2021, the Company had accrued $2.0 million for Cycle One of the 2021 LTIP using the salaries of the employees eligible for the plan and a percentage achievement of 114%. Participants of Cycle One of the 2021 LTIP received their award in cash during the first quarter of 2022.

Adjusted EBITDA and CRI for the year ended 31 December 2022 was $124.2 and 14.0%, respectively, resulting in an under-achievement for Cycle Two of the 2021 LTIP Plan. As a result, the Company recognized an expense in 2022 for Cycle Two of the 2021 LTIP plan of $1.4 million calculated using the salaries of the employees eligible for the plan and a percentage achievement of 79%. The expense associated with Cycle Two of the 2021 LTIP Plan was accrued as of 31 December 2022 and paid to eligible employees in July of 2023.

9. EMPLOYEE LONG TERM INCENTIVE PAYMENTS (CONTINUED)

2022 and 2023 LTIPs

The 2022 and 2023 LTIPs have a duration of two years. The details of the plans are outlined below:

- **Duration of 2022 LTIP**: 1 January 2022 - 31 December 2023.
  Duration of 2023 LTIP: 1 January 2023 - 31 December 2024.

- **Target Bonus for 2022 and 2023 plans**: 35% of Base Pay

- **Date of Performance Criteria of 2022 LTIP Being Set:** February 2022
  Date of Performance Criteria of 2023 LTIP Being Set: February 2023

- **2022 LTIP Performance Criteria**: Achievement of Adjusted EBITDA in 2023 of $232.9 million (50% Achievement), Achievement of CRI in 2023 of 21.7% (25% Achievement), and time vesting (25% Achievement)

  2023 LTIP Performance Criteria: Achievement of Adjusted EBITDA in 2024 of $196.9 million (50% Achievement), Achievement of CRI in 2024 of 17.97% (25% Achievement), and time vesting (25% Achievement)

- **Payment Type**: Cash or shares at the discretion of the Remuneration Committee

- **Payment Curve**:

  2022 LTIP
  The 2022 LTIP will be awarded using a payment curve with the following thresholds for minimum and over-achievement targets:
    - Adjusted EBITDA:
      - Minimum Achievement of $174.4 million Adjusted EBITDA in 2023 earns a 75% payout
      - Maximum Achievement of $349.9 million Adjusted EBITDA in 2023 earns a 150% payout
    - CRI:
      - Minimum Achievement of 17.4% CRI in 2023 earns a 75% payout
      - Maximum Achievement of 32.6% CRI in 2023 earns a 150% payout

  2023 LTIP
  The 2023 LTIP will be awarded using a payment curve with the following thresholds for minimum and over-achievement targets:
    - Adjusted EBITDA:
      - Minimum Achievement of $147.6 million Adjusted EBITDA in 2024 earns a 75% payout
      - Maximum Achievement of $295.3 million Adjusted EBITDA in 2024 earns a 150% payout
    - CRI:
      - Minimum Achievement of 14.3% CRI in 2024 earns a 75% payout
      - Maximum Achievement of 26.9% CRI in 2024 earns a 150% payout

As of 31 December 2023, the Company had expensed a total of $1.0 million for the 2022 LTIP plan ($0.6 million in 2023 and $0.4 million in 2022). The Company only recognized an expense associated with the time vesting component using the salaries of the employees eligible for the plan as the minimum achievement targets for the 2022 LTIP were not met.

The 2022 LTIP is scheduled to be distributed to eligible employees in March 2024 and has been accrued as a short-term employee benefit at 31 December 2023.

The 2023 LTIP expense is being recognized over the two-year service periods using a "most likely amount" approach based on the Company's best estimate of Adjusted EBTIDA and CRI at 31 December 2024.

As of 31 December 2023, the Company has recognized an expense associated with 2023 LTIP of $1.7 million. The expense was calculated using the most recent forecast projections for 2024 Adjusted EBITDA and CRI as well as the time vesting component of the 2023 LTIP.

The 2023 LTIP is scheduled to be distributed to eligible employees in March 2025 and has been accrued as a long-term employee benefit at 31 December 2023.

9. EMPLOYEE LONG TERM INCENTIVE PAYMENTS (CONTINUED)

Stock Awards: In 2022, shareholders approved the 2022 Management Incentive Plan ("2022 MIP") which allows the Company to grant stock options and restricted stock awards to present and future officers, directors, employees, consultants, and advisors. The 2022 MIP is intended to promote the long-term growth and profitability of the Company by providing those individuals who are or will be involved in the growth of the Company with an opportunity to acquire an ownership interest in the Company, thereby encouraging such individuals to contribute to and participate in the success of the Company.

In September 2022, the Company granted options to certain employees pursuant to the 2022 MIP. These awards are subject to both service and market vesting conditions and are only exercisable to the extent that they are fully vested. All option awards are divided into three tranches and each tranche vests over a three-year period following the grant date. Vesting of each tranche is dependent on the following market conditions:

Tranche one options vest on the first date the Company's 50-day volume-weighted average price ("VWAP") equals or exceeds $2.88 per share.

Tranche two options vest on the first date the Company's 50-day VWAP equals or exceeds $4.32 per share.

Tranche three options vest on the first date the Company's 50-day VWAP equals or exceeds $5.76 per share.

Both the time vesting and market vesting conditions must be met for a tranche to vest. Any options that haven't fully vested on the fifth anniversary of the grant date will expire. All vested option awards will expire on the tenth anniversary of the grant date.

These 2022 MIP options were valued using a Monte Carlo simulation model. A summary of 2022 and 2023 MIP activity for the years ended 31 December 2023 and 31 December 2022 is provided below:

	Shares Subject to Options Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Balance at 1 January 2022	—			
Granted	10,178,860	$ 0.81	$ 1.92	9.7
Balance at 31 December 2022	10,178,860			
Forfeited	(1,253,918)	0.81	1.92	
Balance at 31 December 2023	8,924,942	0.81	1.92	8.7
Exercisable options at 31 December 2023	—		—	—
Vested and expected to vest at 31 December 2023	8,924,942		$ 1.92	8.7

These options had no intrinsic value at 31 December 2023. Further, no option awards vested or were exercised for the years ended 31 December 2023 and 31 December 2022.

Total share based compensation expense was $2.5 million and $3.6 million and was recognized in general and administrative expenses in the accompanying Consolidated Statement of Profit or Loss and Other Comprehensive Income for the years ended 31 December 2023 and 31 December 2022, respectively.

10. 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 recognized 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 recognized 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 recognized on the Statement of Financial Position. In such circumstances, some or all of the carrying amount of recognized 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 recognized in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that amounts relate to items recognized directly in equity in which case the income tax expense (benefit) is also recognized in equity.

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 recognized in profit or loss.

Deferred tax is not recognized 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 recognized 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 realized.

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 and liabilities arising from temporary differences of the members of each tax-consolidated group are recognized 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 recognized 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.

10. INCOME TAXES (CONTINUED)

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 recognized 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 22.

(a) Income tax expense is comprised of:

	2023 US$'000	2022 US$'000
Income tax expense:		
Current tax expense	2,878	2,497
Adjustments recognized in the current year in relation to the current tax of prior years	268	(214)
Deferred tax expense	(1,311)	(848)
	1,835	1,435

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

	2023	2022
Profit before taxation	15,069	13,290
Income tax expense calculated at Canada rate of 26.5%	3,993	3,522
Impact of non-Canada tax rates	(4,095)	(1,457)
Net non-deductible/non-assessable items	99	(334)
Non-deductible intercompany management fees	3,321	3,257
Income tax impact of intragroup transfer of assets	—	4,578
Net unrecognized tax losses and tax credits for the current year [1]	14,299	9,230
Recognition of deferred tax assets arising in prior years	(3,930)	(14,148)
Other [2]	(12,121)	(2,999)
	1,566	1,649
Over provision from prior years	268	(214)
Income tax expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	1,834	1,435

(1) Due to the group being in a tax loss position in many jurisdictions during the current financial year, the Company has not recognized a tax benefit for current period losses.
(2) The majority of the movement relates to a change in reserves due to a favorable outcome from the Canada Revenue Authority as discussed in the Canada Income tax audit note below.

10. INCOME TAXES (CONTINUED)

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

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

	2023 US$'000	2022 US$'000
Deferred tax recognized in equity:		
Actuarial movements on defined benefit plans	616	(111)
Adjustments for restrictions on the defined benefit asset	(393)	1,683
Interest rate swap	1,437	(1,437)
Total recognized in equity	1,660	135

(d) Tax assets and liabilities:

	2023 US$'000	2022 US$'000
Tax assets:		
Income tax receivable attributable to:		
Parent entity	—	—
Other entities [1]	1,295	2,466
Total tax assets	1,295	2,466
Current tax liabilities:		
Income tax payable attributable to:		
Parent entity	—	—
Other entities	4,358	2,420
Total current tax liabilities	4,358	2,420

(1) The income tax receivable for 2023 is $1.3 million (2022: $2.4 million) of which $0.6 million is classified as current tax receivable and $0.7 million is classified as non-current tax receivable (2022: $1.1 and $1.3 million, respectively).

(e) Deferred tax balances:

	2023 US$'000	2022 US$'000
Deferred tax comprises:		
Temporary differences	(19,462)	(18,962)
Unused tax losses and credits	5,609	8,432
Total deferred tax liability	(13,853)	(10,530)

(f) Provision for tax contingencies:

	2023 US$'000	2022 US$'000
Provision for tax contingencies [1]	29,225	38,817

(1) See Note 22.

10. INCOME TAXES (CONTINUED)

2023	Opening balance US$'000	Recognized in income US$'000	Foreign exchange difference US$'000	Acquired/ disposed US$'000	Recognized in equity US$'000	Closing balance US$'000
Deferred tax assets (liabilities) temporary differences						
Property, plant and equipment	1,649	(1,452)	(1,039)	—	—	(842)
Provisions	1,186	826	(748)	—	—	1,264
Doubtful debts	37	8	(23)	—	—	22
Other intangible assets	(21,871)	(3,249)	—	(1,242)	—	(26,362)
Accrued liabilities	105	144	(66)	—	—	183
Pension	(1,566)	11	95	—	223	(1,237)
Interest rate swap	(1,437)	—	—	—	1,437	—
Inventories	2,397	4,825	(1,511)	—	—	5,711
Investments in subsidiaries	(578)	—	—	—	—	(578)
Unrealized foreign exchange	(138)	510	(87)	—	—	285
Other	1,254	1,628	(791)	—	—	2,091
	(18,962)	3,251	(4,170)	(1,242)	1,660	(19,463)
Unused tax losses and credits:						
Tax losses	8,432	(1,940)	(883)	—	—	5,609
	(10,530)	1,311	(5,053)	(1,242)	1,660	(13,854)
Presented in the statement of financial position as follows:						
Deferred tax asset						11,332
Deferred tax liability						(25,186)
						(13,854)

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

10. INCOME TAXES (CONTINUED)

2022	Opening balance US$'000	Recognized in income US$'000	Foreign exchange difference US$'000	Acquired/ disposed US$'000	Recognized in equity US$'000	Closing balance US$'000
Deferred tax assets (liabilities) temporary differences						
Property, plant and equipment	1,102	606	(59)	—	—	1,649
Provisions	605	613	(32)	—	—	1,186
Doubtful debts	94	(52)	(5)	—	—	37
Other intangible assets	(21,131)	(740)	—	—	—	(21,871)
Accrued liabilities	261	(142)	(14)	—	—	105
Pension	(3,359)	41	180	—	1,572	(1,566)
Interest Rate Swap	—	—	—	—	(1,437)	(1,437)
Inventories	2,385	140	(128)	—	—	2,397
Investments in subsidiaries	—	(578)	—	—	—	(578)
Unrealized foreign exchange	112	(250)	—	—	—	(138)
Other	920	383	(49)	—	—	1,254
	(19,011)	21	(107)	—	135	(18,962)
Unused tax losses and credits:						
Tax losses	8,035	827	(430)	—	—	8,432
	(10,976)	848	(537)	—	135	(10,530)
Presented in the statement of financial position as follows:						
Deferred tax asset						11,465
Deferred tax liability						(21,995)
						(10,530)

Unrecognized deferred tax assets	2023 US$'000	2022 US$'000
Tax benefit of unused losses [1]	120,732	127,771
Tax benefit of unused capital losses [2]	510,965	514,007
Unused tax credits [3]	1,630	3,691
Tax benefit of temporary differences [4]	45,106	39,631
	678,433	685,100

(1) The tax benefit of $10.1 million related to unused losses expires within 3-20 years, and tax benefit of $110.6 million related to tax losses do not expire (2022: $30.2 million and $97.5 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 $1.6 million will expire within 1-10 years.
(4) Temporary differences as of 31 December 2022 have been updated from the previously issued report. This update does not impact the financial statements.

10. 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 could result in a maximum remaining reassessment of C$67.9 million, with a net cash payment after prior payments and credits of C$46.5 million. The Company is vigorously disputing these reassessments. Due to the uncertainty surrounding these audits, a provision for the estimated outcome has been recognized. This provision was adjusted during the reporting period due to the Company being notified of a favorable change in one of the CRA's positions during the appeal process. While the outcome and timing of final resolution of the above reassessments remain unknown, the Company believes it is appropriately reserved. Refer to Note 22.

11. EARNINGS PER SHARE

	2023 US¢ per share	2022 US¢ per share
Basic and diluted earnings per share	4.5	4.0

Basic and diluted earnings per share

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

	2023 US$'000	2022 US$'000
Earnings used in the calculation of basic and diluted earnings per share	13,234	11,855

	2023 Shares '000	2022 Shares '000
Weighted average number of ordinary shares for the purposes of:		
Basic earnings per share	295,920	295,920
Diluted earnings per share [1]	295,920	295,920

(1) Outstanding warrants and options have been excluded from the diluted weighted average number of ordinary shares as they are anti-dilutive as of 31 December 2023 and 31 December 2022 .

12. TRADE AND OTHER RECEIVABLES

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

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 customer and an analysis of the customer's current financial position, adjusted for factors that are specific to the customer, general economic conditions of the industry in which the customer operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company reviews collectability of trade receivables on an ongoing basis and writes off a trade receivable when there is information that the customer is in severe financial difficulty and there is no realistic prospect of recovery.

	2023 US$'000	2022 US$'000
Trade receivables	133,507	127,289
Loss allowance	(2,615)	(604)
Goods and services tax receivable	11,684	11,188
Other receivables	1,830	1,784
	144,406	139,657

The aging of trade receivables is detailed below:

	2023 US$'000	2022 US$'000
Current	121,322	120,161
Past due 0 - 30 days	6,539	4,035
Past due 31 - 60 days	1,506	1,043
Past due 61 - 90 days	1,565	841
Past due 90 days	2,575	1,209
	133,507	127,289

13. INVENTORIES

Inventories are measured at the lower of cost or net realizable 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 realizable 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 realizable value.

	2023 US$'000	2022 US$'000
Raw materials	29,309	33,726
Work in progress	10,186	9,630
Finished products	198,130	199,097
Obsolescence provision	(14,272)	(16,439)
	223,353	226,014

The following table reflects the allowance for excess or obsolete inventory roll forward:

	Obsolescence US$'000
Balance at 1 January 2023	16,439
Provision adjustment	3,164
Provision release	(5,606)
Foreign exchange	275
Balance at 31 December 2023	14,272

14. 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 maximizing the return to stakeholders through the optimization of the debt and equity balances.

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

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, 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.

The carrying amount reflected above represents the Company’s maximum exposure to credit risk for trade and other receivables.

14. 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 analyze 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 utilize any derivative instruments to reduce the risk of exposure from exchange rate fluctuations during the years ended 31 December 2023 or 2022.

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	
	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
Australian Dollar	191,066	157,588	117,802	87,565
Canadian Dollar	2,782	1,862	15,623	7,954
Euro	2,658	5,214	15,554	15,655
US Dollar	511,775	460,808	208,336	164,682

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	
	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
Net profit	(2,777)	(2,515)	1,165	548
Net assets	(6,663)	(6,366)	1,165	548

	10% decrease in EUR		10% decrease in USD	
	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
Net profit	1,330	1,271	6,638	7,302
Net assets	1,330	1,271	(27,585)	(26,921)

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.

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Forward foreign exchange contracts

There were no open forward foreign currency contracts as at 31 December 2023 or 2022.

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 25 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 2023 or 2022. 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$'000	1 to 5 years US$'000	Beyond 5 years US$'000	Total US$'000
31 December 2023							
Non-interest bearing payables	—	97,467	83,339	—	—	—	180,806
Variable interest rate instruments	11.9%	1,802	3,603	16,214	211,417	—	233,036
Fixed interest rate instruments	5.7%	6	12	1,443	75	—	1,536
Leases	7.2%	5	42	14,116	22,429	5,426	42,018
Equipment financing	8.0%	208	513	1,032	4,700	—	6,453
		99,488	87,509	32,805	238,621	5,426	463,849
31 December 2022							
Non-interest bearing payables	—	108,827	71,979	—	—	—	180,806
Variable interest rate instruments	10.4%	1,406	2,812	12,656	203,605	—	220,479
Fixed interest rate instruments	10.4%	12	24	1,523	237	—	1,796
Leases	8.3%	23	93	12,503	26,478	2,473	41,570
Equipment financing	5.9%	359	421	1,973	3,673	—	6,426
		110,627	75,329	28,655	233,993	2,473	451,077

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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

	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	Total US$'000
2023				
Non-interest bearing receivables	85,192	56,794	2,422	144,408
Cash	47,914	—	—	47,914
	133,106	56,794	2,422	192,322
2022				
Non-interest bearing receivables	82,510	44,831	12,317	139,658
Cash	34,822	—	—	34,822
	117,332	44,831	12,317	174,480

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.

15. 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 2023 (31 December 2022: $0.3 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 rationalize its assets and eliminate ongoing costs associated with maintaining these assets.

16. 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 in the EMEA, Latin America and Asia Pacific Drilling Services CGUs and the Products CGU has been fully impaired. For the North America Drilling Services CGU and Veracio CGU, the Company performed a goodwill impairment test as at 31 December 2023. The recoverable amount of the North America Drilling Services CGU exceeded its carrying amount by over 89.4%, resulting in no impairment to the North America Drilling Services CGU for the year ended 31 December 2023. The recoverable amount for the Veracio CGU exceeded the carrying amount by over 100% resulting in no impairment to the Veracio CGU for the year ended 31 December 2023. Consequently, no goodwill impairments were recorded for the year ended 31 December 2023.

Sensitivity Analysis. A number of sensitivity scenarios were modelled by applying reasonable changes to key assumptions adopted in the forecasted cash flows for both the North America Drilling Services CGU and Veracio CGU, including reductions in growth rates and increases to discount rates. None of these scenarios resulted in carrying values exceeding their recoverable amounts.

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 12.0% for North America Drilling Service in 2023 and 28.0% for the Veracio CGU. The higher discount rate used for Veracio is necessitated due to the risk and uncertainty of cash flows in this developing business. The terminal growth rate of 2.5% and 3.5% used for the North America Drilling Services and Veracio CGUs, respectively, does not exceed the long-term average growth rate for the industry.

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 utilization 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 considered the impacts of decreases to revenue, increases to SG&A expense, reductions to gross margin, and reductions to terminal growth rates. The recoverable amount of the North America Drilling Services CGU and Veracio CGU exceeds its carrying value under all change scenarios.

17. 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 labor 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 capitalized 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 capitalized assets are capitalized 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 recognized in profit or loss as incurred.

Depreciation is recognized 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.

17. 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
Gross carrying amount:					
Balance at 1 January 2022	46,008	587,586	58,868	26,610	719,072
Additions	—	1,602	20,690	52,790	75,082
Disposal	(7,034)	(41,762)	(2,344)	—	(51,140)
Asset classification transfer	8	919	(927)	—	—
Transfer from construction in progress	756	56,368	—	(57,124)	—
Transfer to intangible assets	—	—	—	(69)	(69)
Currency movements	(2,052)	(30,063)	(2,246)	3,621	(30,740)
Balance at 31 December 2022	37,686	574,650	74,041	25,828	712,205
Additions	—	3,187	19,110	40,926	63,223
Disposal	(1,350)	(66,866)	(5,722)	—	(73,938)
Asset classification transfer	104	2,933	(3,319)	282	—
Subsidiaries acquired	18	844	—	425	1,287
Transfer from construction in progress	574	56,628	—	(57,202)	—
Currency movements	665	(23,911)	121	10,503	(12,622)
Balance at 31 December 2023	37,697	547,465	84,231	20,762	690,155
Accumulated depreciation and impairment:					
Balance at 1 January 2022	(28,557)	(495,818)	(26,062)	—	(550,437)
Depreciation	(1,518)	(31,866)	(11,689)	—	(45,073)
Impairment	(1,152)	(1,461)	—	—	(2,613)
Disposal	7,021	40,781	2,345	—	50,147
Asset classification transfer	(2)	(730)	732	—	—
Currency movements	1,216	21,524	890	—	23,630
Balance at 31 December 2022	(22,992)	(467,570)	(33,784)	—	(524,346)
Depreciation	(1,422)	(35,605)	(14,998)	—	(52,025)
Impairment	(458)	37	—	—	(421)
Disposal	1,317	62,574	5,722	—	69,613
Asset classification transfer	(83)	(894)	977	—	—
Currency movements	(266)	12,719	(219)	—	12,234
Balance at 31 December 2023	(23,904)	(428,739)	(42,302)	—	(494,945)
Net book value at 31 December 2022	**14,694**	**107,080**	**40,257**	**25,828**	**187,859**
Net book value at 31 December 2023	**13,793**	**118,726**	**41,929**	**20,762**	**195,210**

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 recorded an impairment loss of $0.4 million and $2.6 million on property, plant, and equipment as at 31 December 2023 and 31 December 2022.

18. GOODWILL

Goodwill resulting from business combinations is recognized 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 amortized 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 recognized 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 utilization 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 capitalization. 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
Gross carrying amount:	
Balance at 1 January 2022	104,916
Currency movements	(1,158)
Balance at 31 December 2022	103,758
Balance at 1 January 2023	103,758
Acquisition of a business	12,944
Currency movements	1,804
Balance at 31 December 2023	118,506

18. 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 allocated to cash-generating units that are significant individually or in aggregate is as follows:

Goodwill by cash-generating units

	2023 US$'000	2022 US$'000
North America Drilling Services	100,347	99,982
Veracio	18,159	3,776
Total Goodwill	118,506	103,758

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.

19. OTHER INTANGIBLE ASSETS

Trademarks and trade names

Trademarks and trade names recognized by the Company that are considered to have indefinite useful lives are not amortized. 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. Trademarks with a finite life are amortized on a straight-line basis over an estimated useful life of 5 years.

Contractual customer relationships

Contractual customer relationships acquired in business combinations are identified and recognized 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 amortization and accumulated impairment losses.

Contractual customer relationships are amortized on a straight-line basis over estimated useful lives of 10 to 15 years. Amortization methods and useful lives are reassessed at each reporting date.

Patents

Patents are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over estimated useful lives of 2 to 20 years. Amortization 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 recognized 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 capitalized 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. Capitalized costs include the cost of materials, direct labor and overhead costs directly attributable to preparing the asset for its intended use. Other development costs are expensed when incurred.

Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives, which on average is 14 years.

19. OTHER INTANGIBLE ASSETS (CONTINUED)

	Trademarks US$'000	Patents US$'000	Customer relationships and other US$'000	Software US$'000	Develop-ment assets US$'000	Total US$'000
Gross carrying amount:						
Balance at 1 January 2022	1,947	6,631	21,383	88,826	34,257	153,044
Additions	—	596	—	2,436	4,115	7,147
Disposals	—	(61)	—	—	—	(61)
Transfer from PP&E	—	—	—	—	69	69
Currency movements	—	(60)	(343)	(7)	(830)	(1,240)
Balance at 31 December 2022	1,947	7,106	21,040	91,255	37,611	158,959
Balance at 1 January 2023	1,947	7,106	21,040	91,255	37,611	158,959
Additions	1	1,121	—	—	5,764	6,886
Subsidiaries acquired	200	—	12,820	7	4,090	17,117
Disposals	—	(289)	—	(284)	(1,414)	(1,987)
Currency movements	22	9	1,538	3	378	1,950
Balance at 31 December 2023	2,170	7,947	35,398	90,981	46,429	182,925
Accumulated amortization and impairment:						
Balance at 1 January 2022	—	(2,468)	(19,700)	(88,543)	(11,374)	(122,085)
Amortization for the period	—	(546)	(1,017)	(246)	(1,683)	(3,492)
Disposals	—	61	—	—	—	61
Impairment for the period	—	(131)	—	—	(123)	(254)
Currency movements	—	24	343	7	270	644
Balance at 31 December 2022	—	(3,060)	(20,374)	(88,782)	(12,910)	(125,126)
Balance at 1 January 2023	—	(3,060)	(20,374)	(88,782)	(12,910)	(125,126)
Amortization for the period	(11)	(133)	(1,052)	(316)	(1,759)	(3,271)
Disposals	—	343	—	248	1,470	2,061
Impairment for the period	—	(132)	—	—	—	(132)
Currency movements	—	(4)	(186)	(2)	19	(173)
Balance at 31 December 2023	(11)	(2,986)	(21,612)	(88,852)	(13,180)	(126,641)
Net book value at 31 December 2022	1,947	4,046	666	2,473	24,701	33,833
Net book value at 31 December 2023	2,159	4,961	13,786	2,129	33,249	56,284

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 2023 and 31 December 2022 on patents and development assets of $0.1 million and $0.3 million, respectively.

The Company recognized $10.8 million of research and development expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 (2022: $11.2 million).

20. TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortized 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.

	2023 US$'000	2022 US$'000
Current		
Trade payables	120,268	111,825
Accrued payroll and benefits	21,414	26,212
Goods and services tax payable	8,006	10,634
Accrued interest	1,038	1,202
Accrued legal and environmental	9,723	3,578
Professional fees	5,528	5,900
Accrued drilling costs	5,982	5,618
Other sundry payables and accruals	10,395	12,516
	182,354	177,485

No material interest has been 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.

Goods and services tax

Revenue, expenses and assets are recognized 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 recognized 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 recognized inclusive of GST.

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

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

21. LOANS AND BORROWINGS

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Debt issuance costs are amortized 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.

	2023 US$'000	2022 US$'000
Unsecured - at amortized cost		
Current		
Bank loans	—	3,221
Secured - at amortized cost		
Current		
Bank Loans	1,434	1,488
Lease liabilities	14,667	12,725
Equipment finance	2,095	2,753
Non-current		
Convertible promissory notes carried at fair value through profit or loss	19,584	—
Term loans	129,377	114,740
Bank loans	32	177
Asset-based loans	51,650	47,125
Debt issuance costs	(549)	(1,825)
Original issue discount	—	(2,735)
Lease liabilities	28,135	29,171
Equipment finance	4,358	3,673
	250,783	210,513
Disclosed in the financial statements as:		
Current borrowings	18,196	20,187
Non-current borrowings	232,587	190,326
	250,783	210,513
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	18,196	20,187
Between 1 and 2 years	84,585	12,337
Between 2 and 3 years	138,865	56,176
Between 3 and 4 years	5,010	6,303
More than 4 years	4,676	120,070
	251,332	215,073
Original issue discount	—	(2,735)
Debt issuance costs	(549)	(1,825)
	250,783	210,513

21. LOANS AND BORROWINGS (CONTINUED)

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

	2023 US$'000	2022 US$'000
Proceeds from borrowings	114,384	142,932
Convertible note	19,584	—
Capital lease additions	20,272	22,426
Total debt drawn	154,240	165,358
Repayment of borrowings	(117,751)	(144,284)
Total debt payments	(117,751)	(144,284)

As at 31 December 2023, the Company was in compliance with all of its debt covenants.

Asset-Based Loans

The Company has an asset-based loan with an available facility of $90.0 million as of 31 December 2023 and 2022, respectively. Of this asset-based loan $51.6 million was drawn as at 31 December 2023 ($47.1 million at 31 December 2022).

ABL	2023 US$ Millions	2022 US$ Millions
Available facility	90.0	90.0
Drawn	51.6	47.1
Letters of credit	6.0	6.0
Borrowing base adjustment	13.4	25.1
Minimum liquidity	9.6	6.5
Undrawn	9.4	5.3
	90.0	90.0

As at 31 December 2023, $6.0 million (31 December 2022: $6.0 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 SOFR plus 2.75%).

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 2023, the borrowing base was $76.7 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" ($9.6 million at 31 December 2023). 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.

At 31 December 2021, the facility had a temporary borrowing base of $90.0 million. In June 2022, this facility was amended to permanently increase the available facility from $75.0 million to $90.0 million. This amendment also extended the temporarily reduced "Springing Dominion" from 12.5% (which has been effective from 1 October 2021) to 7.5% of the "borrowing base" through 30 September 2022. It then increased to 10% through 31 December 2022, and reverted back to 12.5% thereafter. The amendment also converted the interest rate pricing on future borrowings from LIBOR to SOFR.

21. LOANS AND BORROWINGS (CONTINUED)

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. However, on 15 September 2023, in conjunction with the acquisition of Minalyze AB (See Note 37) the Company entered into amendments to this facility stating that if the Minalyze Subordinated Convertible Promissory Notes have not been converted or repaid in full by 31 December 2024, the final maturity of this facility will be an earlier date of 31 December 2024.

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 SOFR, 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, 2022, of 12.3% and an effective interest rate of 13.9%. 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.

On 15 September 2023, the Company's lenders agreed to make available an incremental $15.0 million under the Exit Term Loan in connection with the acquisition of Minalyze AB (See Note 37). The amendments also include a provision that if the Subordinated Convertible Promissory Notes issued as part of the consideration under the acquisition of MInalyze AB have not been converted or repaid in full by 31 December 2024, the final maturity date of the Exit Term Loan will be an earlier date of 31 December 2024. As at 31 December 2023, the amount outstanding under this facility was $129.4 million.

In June 2022, this facility was amended to convert the interest rate pricing on future borrowing from LIBOR to SOFR. The amendment also implemented a Leverage Ratio covenant of 4.00 to 1.00. The numerator of the test is the sum of outstanding advances under the ABL, capital leases and term loan outstanding minus up to $20.0 million in unrestricted cash.

The Exit Term Loan contains a month end Minimum Liquidity covenant of $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 2023, the Company was in compliance with all of its debt covenants.

The Company's Exit Term Loan and ABL require that guarantor 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	2023	2022
% of Consolidated EBITDA	Equal or more than 60%	112.5%	97.6%
% of Consolidated Tangible Assets	Equal or more than 60%	63.0%	63.9%

Subordinated Convertible Promissory Notes

In September 2023, Veracio Ltd issued Subordinated Convertible Promissory Notes of $20.3 million as part of the acquisition of Minalyze AB (See Note 37), with the maturity date being 31 March 2025. Starting 1 January 2025, the principal amount will commence to carry interest from such date to repayment in full, at a rate equal to Swedish Reserve Rate plus 8% per annum.

These convertible notes are classified as liabilities as the Company has the contractual obligation to deliver cash at the maturity date. The outstanding principal amount of these notes are convertible into shares of Veracio Ltd upon the election of the holders of the note following the occurrence of a Conversion Event as defined in the agreement of the notes. The Company has elected to carry the convertible promissory notes at fair value through profit or loss ("FVTPL"). As at 31 December 2023, the fair value of these notes was $19.6 million.

21. LOANS AND BORROWINGS (CONTINUED)

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

Description	Issuer/Borrower	Guarantors
ABL	Boart Longyear Management Pty Limited	*Australia: Boart Longyear Australia Pty Limited, Boart Longyear Pty Limited, Boart Longyear Investments Pty Limited, Votraint No. 1609 Pty Limited and Veracio Australia Pty Limited* *Canada: Boart Longyear Canada, Boart Longyear Manufacturing Canada Ltd, Longyear Canada, ULC, Boart Longyear Alberta Limited, Boart Longyear Incorporated, Boart Longyear I LP, Boart Longyear Ventures Inc., Boart Longyear Group Ltd and Veracio Canada Ltd.* *Chile: Boart Longyear Chile Limitada and Veracio Chile Limitada* *Netherlands: Boart Longyear Netherlands B.V., Boart Longyear International B.V. and Cooperatief Longyear Holdings U.A.* *Peru: Boart Longyear S.A.C.* *Switzerland: Boart Longyear Suisse Sarl* *Scotland: BLY EMEA UK Holdings Ltd* *United States: Boart Longyear Company, Boart Longyear Manufacturing and Distribution Inc., BLY US Holdings Inc. and Veracio Ltd.*
Exit Term Loan	BLY US Holdings Inc.	*Australia: Boart Longyear Australia Pty Limited, Boart Longyear Pty Limited, Boart Longyear Investments Pty Limited, Boart Longyear Management Pty Limited, Votraint No. 1609 Pty Limited and Veracio Australia Pty Ltd* *Canada: Boart Longyear Canada, Boart Longyear Manufacturing Canada Ltd., Longyear Canada, ULC, Boart Longyear I LP, Boart Longyear Ventures Inc., Boart Longyear Incorporated, Boart Longyear Alberta Limited, Boart Longyear Group Ltd, and Veracio Canada Ltd.* *Chile: Boart Longyear Chile Limitada and Veracio Chile Limitada* *Netherlands: Boart Longyear Netherlands B.V., Boart Longyear International B.V. and Cooperatief Longyear Holdings U.A.* *Peru: Boart Longyear S.A.C.* *Switzerland: Boart Longyear Suisse Sarl* *Scotland: BLY EMEA UK Holdings Ltd.* *United States: Boart Longyear Company, Boart Longyear Manufacturing and Distribution Inc., Longyear TM, Inc., Longyear Global Holdings, Inc. and Veracio Ltd.*
Subordinated Convertible Promissory Note	Veracio Ltd.	*United States: Boart Longyear Company*

22. PROVISIONS

A provision is recognized 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 recognized 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 subsidized goods and services, are expensed based on the net marginal cost to the Company as the benefits are provided to the employees.

Provisions are recognized 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 recognized 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.

The following table reflects the provision balances:

	2023 US$'000	2022 US$'000
Current		
Employee benefits	12,826	13,369
Restructuring and termination costs [1]	3,136	1,333
Warranty [2]	602	591
Provision for tax contingencies	4,507	4,041
	21,071	19,334
Non-current		
Employee benefits	2,186	1,067
Provision for legal contingencies	5,675	10,517
Pension and post-retirement benefits [3]	3,348	1,986
Provision for other tax	257	251
Provision for tax contingencies	24,718	34,776
	36,184	48,597
	57,255	67,931

(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.

22. PROVISIONS (CONTINUED)

The following table reflects the provision roll forwards:

	Warranty US$'000	Restructuring and termination US$'000	Tax US$'000	Employee benefits US$'000	Legal US$'000
Balance at 1 January 2022	514	1,320	46,284	13,817	5,196
Change in provisions	721	704	(2,877)	7,603	5,321
Reductions arising from payments	—	(629)	(479)	(4,409)	—
Reductions resulting from remeasurement	(679)	(438)	—	—	—
Reclassified to tax receivables	—	—	(596)	—	—
Reclassified to accrued liabilities	—	—	(941)	—	—
Foreign exchange	35	376	(2,574)	(2,575)	—
Balance at 31 December 2022	591	1,333	38,817	14,436	10,517
Balance at 1 January 2023	591	1,333	38,817	14,436	10,517
Change in provisions	1,299	2,014	(8,593)	6,984	—
Reductions arising from payments	(1,276)	(91)	(1,527)	(7,095)	—
Reductions resulting from remeasurement	—	(22)	—	1,179	—
Reclassified to tax receivables	—	—	(1,935)	—	—
Reclassified from accrued liabilities	—	—	1,323	—	(4,691)
Foreign exchange	(12)	(98)	1,140	(492)	(151)
Balance at 31 December 2023	602	3,136	29,225	15,012	5,675

23. 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 recognized 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 2023 and 2022, there were no significant outstanding or prepaid contributions. Company contributions to these plans were $10.8 million and $12.5 million for the years ended 31 December 2023 and 2022, 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.

23. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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 2023 and 8.8 years for 2022, and in Europe was 8.7 years for 2023 and 8.9 years for 2022. 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 recognized directly in equity.

Full actuarial valuations of the defined benefit pension plans were performed as at various dates and updated to 31 December 2023 by qualified independent actuaries. The estimated market value of the assets of the funded pension plans was $72.8 million and $71.4 million as at 31 December 2023, and 2022, 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% of the benefits that had accrued to participants after allowing for expected increases in future earnings and pensions in 2023 and 2022. Entities within the Company are paying contributions as required by statutory requirements and in accordance with local actuarial advice.

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

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

23. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

Company contributions to these plans were $0.3 million and $0.9 million during the years ended 31 December 2023 and 2022, respectively. Contributions in 2024 are expected to be $0.7 million.

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

	2023		2022	
	North America	Europe	North America	Europe
Discount rates	4.8%	3.2%	5.5%	3.8%
Expected Average Rate Increases:				
Salaries	3.5%	3.0%	3.5%	3.0%
Pensions in payment	—	2.0%	—	2.0%
Healthcare costs (initial)	5.0%	—	5.0%	—
Healthcare costs (ultimate)	5.0%	—	5.0%	—

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

	2023			2022		
	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	478	—	478	760	—	760
Net interest expense	60	13	73	23	10	33
Trust paid expenses	1,002	—	1,002	—	—	—
Total charge to profit and loss account	1,540	13	1,553	783	10	793

For the financial years ended 31 December 2023 and 2022, charges of approximately $1.3 million and $0.7 million, respectively, have been included in cost of goods sold and the remainder in general and administrative or sales and marketing expenses.

23. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2023			2022		
	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	66,509	161	66,670	91,622	243	91,865
Current service cost	478	—	478	760	—	760
Interest cost	3,411	13	3,424	2,426	10	2,436
Actuarial losses arising from demographic assumptions	142	—	142	982	—	982
Actuarial loss (gains) arising from financial assumptions	3,265	126	3,391	(20,875)	—	(20,875)
Exchange differences on foreign plans	739	6	745	(1,826)	(18)	(1,844)
Benefits paid	(4,496)	(72)	(4,568)	(6,580)	(74)	(6,654)
Closing defined benefit obligation	70,048	234	70,282	66,509	161	66,670

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

	2023			2022		
	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	71,342	—	71,342	92,982	—	92,982
Expected return on plan assets	3,694	—	3,694	2,565	—	2,565
Actuarial gains (losses) arising from financial assumptions	2,928	—	2,928	(14,930)	—	(14,930)
Administrative expenses paid from the trust	(1,002)	—	(1,002)	(1,311)	—	(1,311)
Exchange differences on foreign plans	870	—	870	(2,239)	—	(2,239)
Contributions from the employer	312	72	384	894	74	968
Transfer to defined contribution plan	(879)	—	(879)	(39)	—	(39)
Benefits paid	(4,496)	(72)	(4,568)	(6,580)	(74)	(6,654)
Closing fair value of plan assets	72,769	—	72,769	71,342	—	71,342
Net defined benefit plan assets (obligation) before asset ceiling	2,721	(234)	2,487	4,833	(161)	4,672
Assets not recognized due to asset ceiling	(5,835)	—	(5,835)	(6,658)	—	(6,658)
Net defined benefit plan obligation net of asset ceiling	(3,114)	(234)	(3,348)	(1,825)	(161)	(1,986)

23. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2023 US$'000	2022 US$'000
One percentage point increase		
Effect on the aggregate of the service cost and interest cost	—	—
Effect on accumulated post-employment benefit obligation	2	1
One percentage point decrease		
Effect on the aggregate of the service cost and interest cost	—	—
Effect on accumulated post-employment benefit obligation	(2)	(1)

24. ISSUED CAPITAL

	2023		2022	
	Shares '000	US$'000	Shares '000	US$'000
Ordinary shares				
Share capital				
Ordinary shares, fully paid	295,920	668,364	295,920	668,364
Movements in ordinary shares				
Balance at beginning of year	295,920	668,364	295,920	668,364
Balance at end of the year	295,920	668,364	295,920	668,364
Total shares outstanding	295,920	668,364	295,920	668,364
Balance at end of the year	295,920	668,364	295,920	668,364

	2023		2022	
	Warrants '000	US$'000	Warrants '000	US$'000
Issued Warrants				
Warrants issued but not exercised	125	5,591	125	5,591
Warrant liabilities	32,757	—	32,757	—
Balance at end of the year	32,882	5,591	125	5,591
Total ordinary shares and warrants		673,955		673,955

Warrant Liabilities

The 32.8 million warrants issued to extinguish the Senior Unsecured Notes 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. 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 2023 in accordance with the Arrangement Agreement entered into on 22 December 2023 (see Note 38). The Arrangement Agreement states that each of the 2021 warrant holders will receive consideration of $0.69 per 2021 warrant with the exception of Corre and Ascribe who will forego a portion of the warrant consideration with respect to the each of the their 2021 warrants and receive an amount equal to $0.35269 per warrant. This resulted in a decrease in the warrant liability of $1.4 million and a corresponding gain recognized in other income in the Consolidated Statement of Profit or Loss. At 31 December 2023, the liability-classified warrants had a fair value of $12.2 million, respectively, and are classified within other financial liabilities in the Consolidated Statement of Financial Position.

The warrants were remeasured at 31 December 2022 using an underlying share price equal to the close price of the Company's share on the date of re-measurement of A$1.89, expected volatility of 65.41%, no expected dividends, an expected term of 2.73 years, and a risk-free rate of 3.51%. This resulted in a decrease in the warrant liability of $5.8 million and a corresponding gain recognized in other income in the Consolidated Statement of Profit or Loss. At 31 December 2022, the liability-classified warrants had a fair value of $13.6 million, respectively, and was classified within other financial liabilities in the Consolidated Statement of Financial Position.

Options

As at 31 December 2023, 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.

During 2022, the Company granted 10,178,860 options under the provisions of the 2022 MIP. The option awards were granted on 7 September 2022 with an exercise price of $1.92. During 2023, award recipients forfeited 1,253,918 options for an outstanding balance of 8,924,942 options as of 31 December 2023 (see Note 9).

25. FINANCIAL INSTRUMENTS

Derivative Financial Instruments

The Company may enter into derivative financial instruments to manage its exposure to interest rate risks. Derivative instruments are recognized 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 recognized in profit or less immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or less depends on the nature of the hedge relationship.

Derivative instruments are classified as either hedges of the fair value of recognized 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 recognized as a financial asset whereas a derivative with a negative fair value is recognized 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.

<u>Fair Value Hedges</u>
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 2023 or 2022.

<u>Cash Flow Hedges</u>
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized 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 recognized 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 1-month term SOFR rate on the Exit Term Loan.

This interest rate swap became effective on 28 December 2022. The initial payment on the interest rate swap commenced 8 January 2023 and resets monthly on the eighth day of each month. The Company designated the interest rate swap as a cash flow hedge and settled the difference between the fixed and floating interest rate on a net basis.

On 24 November 2023, the Company terminated the interest rate swap agreement with PNC bank and recognized the $5.7 million payment on the termination as interest income in the Consolidated Statement of Profit and Loss. At the time, the derivative asset and hedging reserve were reclassified, resulting in a loss of $0.2 million recognized as a finance cost in the Consolidated Statement of Profit or Loss and a total gain of $5.5 million in the Consolidated Statement of Profit or Loss.

25. FINANCIAL INSTRUMENTS (CONTINUED)

	Cash flow derivative (liabilities) assets [1] US$'000
Balance at 1 January 2022	(1,548)
Change in fair value used for calculating hedge effectiveness	7,296
Change in fair value used for calculating hedge ineffectiveness	98
Balance at 31 December 2022	**5,846**
Change in fair value used for calculating hedge effectiveness	544
Change in fair value used for calculating hedge ineffectiveness	72
Interest rate swap monthly settlement [2]	(2,285)
Termination of interest rate swap	(4,177)
Balance at 31 December 2023	—

(1) The interest rate swap is classified within other (liabilities) assets in the Consolidated Statement of Financial Position.
(2) This interest rate swap became effective on 28 December 2022. The initial payment on the interest rate swap commenced on 8 January 2023 and resets monthly on the eighth day of each month. As of 31 December 2023, the Company has received $2.3 million from PNC bank in cash offsetting interest expense on the Exit Term Loan.

	Current period hedging gains recognized in OCI		Amount of hedge ineffectiveness recognized in profit or loss (P/L)		
Hedged Items	31 December 2023 US$'000	31 December 2022 US$'000	31 December 2023 US$'000	31 December 2022 US$'000	Line item in P/L in which hedge ineffectiveness is included
Variable rate borrowings	544	7,296	72	98	Other income and expenses

	Amount reclassified to P/L				
	Due to hedged future cash flows being no longer expected to occur		Due to hedged item affecting P/L		
Hedged Items	31 December 2023 US$'000	31 December 2022 US$'000	31 December 2023 US$'000	31 December 2022 US$'000	Line item in P/L in which reclassification adjustment is included
Variable rate borrowings	5,510	—	2,285	—	Finance costs

25. 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).

Balance at 31 December 2023	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Warrant liabilities	—	(12,210)	—
Subordinated convertible promissory note	—	(19,584)	—
Total other financial liabilities	**—**	(31,794)	**—**

Balance at 31 December 2022	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Warrant liabilities	—	(13,575)	—
Derivative financial assets	—	5,846	—
Total other financial liabilities	**—**	**(7,729)**	**—**

- 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 amortized cost which materially approximates the fair value.

Interest Rate Benchmark Reform

The Company was exposed to USD LIBOR interest rate benchmarks within its asset-based revolver loan, Exit Term Loan, and interest rate swap agreement all of which were subject to interest rate benchmark reform. These financial instruments were amended in 2022 to convert the interest rate pricing on borrowings from LIBOR to SOFR.

26. DIVIDENDS

No dividends have been determined for 31 December 2023 or 31 December 2022. There are no franking credits available for the years ended 31 December 2023 or 2022.

27. COMMITMENTS FOR EXPENDITURE

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

	2023 US$'000	2022 US$'000
Capital commitments		
Purchase commitments for capital expenditures	4,636	3,337
Lease commitment for short-term and low-value leases	17,683	15,497

28. 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 2023, the Company has right-of-use assets with a net book value of $41.9 million and corresponding lease liabilities of $42.8 million compared to $40.3 million and $41.9 million as at 31 December 2022.

Payments for low-value and short-term leases are presented in the Consolidated Statement of Profit or Loss within expenses contributing to operating profit or loss. Payments for low-value leases as at 31 December 2023 were $2.4 million compared to $1.7 million as at 31 December 2022. Payments for short-term leases as at 31 December 2023 were $26.6 million compared to $25.0 million as at 31 December 2022. 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
Balance at 31 December 2022			
Leased asset cost	35,262	38,779	74,041
Leased asset accumulated depreciation	(17,553)	(16,231)	(33,784)
Net book value at 31 December 2022	17,709	22,548	40,257
Balance at 31 December 2023			
Leased asset cost	38,223	46,008	84,231
Leased asset accumulated depreciation	(21,348)	(20,954)	(42,302)
Net book value at 31 December 2023	16,875	25,054	41,929
2022 Depreciation expense	5,123	6,566	11,689
2023 Depreciation expense	5,125	9,873	14,998

29. 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 22.

Letters of credit

Standby letters of credit primarily issued in support of commitments or other obligations as at 31 December 2023 are as follows:

Subsidiary	Purpose	Expiration date	Amount US$'000
Australia	Secure a facility rental	September 2024	441
Australia	Secure a facility rental	October 2024	57
Australia	Secure a facility rental	May 2025	14
Chile	Secure bonding program	December 2024	3,057
United States	Secure bonding program	May 2024	1,000
United States	Secure insurance program	August 2024	1,450
			6,019

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

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

	2023 US$'000	2022 US$'000
Less than 1 year	6,005	2,946
1 to 3 years	14	3,071
	6,019	6,017

Guarantees

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

Legal contingencies

The Company is subject to certain routine legal proceedings that arise in the normal course of its business. Management believes that the ultimate amount of liability, if any, for any pending claims of any type (either alone or combined) will not materially affect the Company's operations, liquidity, or financial position taken as a whole. However, the ultimate outcome of any litigation is uncertain, and unfavorable 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 unfavorable outcomes could have a material adverse impact. See additional disclosure in Note 10.

29. CONTINGENT LIABILITIES (CONTINUED)

Other contingencies

Other contingent liabilities as at 31 December 2023 and 2022 consist of the following:

	2023 US$'000	2022 US$'000
Contingent liabilities		
Guarantees/counter-guarantees to outside parties	7,809	13,675

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 14.

	Maximum credit risk	
	2023	2022
Financial assets and other credit exposure	US$'000	US$'000
Performance guarantees provided, including letters of credit	13,828	19,692

30. DEED OF CROSS GUARANTEE

For the year ended 31 December 2023, 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”.

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 2023 and 31 December 2022 of the closed group.

a) Consolidated statement of comprehensive income

	2023 US$'000	2022 US$'000
Other income	14,229	32,278
General and administrative expenses	(6,751)	(6,407)
Other expenses	(34,108)	(20,676)
Operating income (loss)	(26,630)	5,195
Interest income	2,460	3,408
Finance costs	(7,599)	(5,294)
Income (loss) before taxation	(31,769)	3,309
Tax income (expense)	441	(70)
Income (loss) for the year from continuing operations	(31,328)	3,239
Income (loss) for the year	(31,328)	3,239

Other comprehensive income (loss)	2023 US$'000	2022 US$'000
Income (loss) for the year attributable to equity holders of the parent	(31,328)	3,239
Dividends received from related party	12,854	—
Exchange differences on translation of foreign operations	28,871	1,508
Other comprehensive income for the year, net of tax	41,725	1,508
Total comprehensive income for the year	10,397	4,747

30. DEED OF CROSS GUARANTEE (CONTINUED)

b) Consolidated statement of financial position

	2023 US$'000	2022 US$'000
Current assets		
Cash and cash equivalents	230	439
Trade and other receivables	658	658
Prepaid expenses and other assets	216	233
Total current assets	1,104	1,330
Non-current assets		
Loans to related parties	101,322	98,118
Investment in subsidiaries	627,972	613,585
Total non-current assets	729,294	711,703
Total assets	730,398	713,033
Current liabilities		
Trade and other payables	1,823	1,557
Provisions	2,087	5,628
Total current liabilities	3,910	7,185
Non-current liabilities		
Loans from related parties	184,394	155,438
Loans and borrowings	51,103	45,300
Provisions	213	213
Other financial liabilities	12,213	13,585
Total non-current liabilities	247,923	214,536
Total liabilities	251,833	221,721
Net assets	**478,565**	**491,312**
Equity		
Issued capital	2,436,761	2,436,761
Other equity	2,051,744	2,033,163
Accumulated losses	(4,009,940)	(3,978,612)
Total equity	478,565	491,312

31. PARENT ENTITY DISCLOSURES

Financial position

	2023 US$'000	2022 US$'000
Assets		
Current assets	215	232
Non-current assets	624,780	637,104
Total assets	624,995	637,336
Liabilities		
Current liabilities	742	815
Non-current liabilities	16,179	13,503
Total liabilities	16,921	14,318
Net assets	608,074	623,018
Equity		
Issued capital	672,921	672,921
Reserves	(29,692)	(32,223)
Accumulated losses	(35,155)	(17,680)
Total equity	608,074	623,018

Financial performance

	2023 US$'000	2022 US$'000
Loss for the year	17,474	10,691
Total comprehensive loss	17,474	10,691

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

Other guarantees are described in Note 29.

Contractual obligations

As at 31 December 2023 and 2022, Boart Longyear Group Ltd. did not have any contractual obligations.

32. COMPANY SUBSIDIARIES

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

Subsidiaries	Country of incorporation	Business	31 Dec 2023	31 Dec 2022
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.[2]	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 Holdings Tanzania Ltd.	Tanzania	Holding Company	80	80
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.[2]	Cambodia	Dormant	100	100
Boart Longyear DRC S.A.U.	Dem. Rep. of Congo	Drilling Services	100	100
Boart Longyear (NZ) Limited	New Zealand	Dormant	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	Drilling Products and Services	100	100
Boart Longyear Argentina S.A.	Argentina	Drilling Products and Services	100	100
Boart Longyear Australia Pty Ltd	Australia	Drilling Products and Services	100	100
Boart Longyear B.V.	Netherlands	Drilling Products	100	100
Boart Longyear Burkina Faso Sarl [2]	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 Products	100	100
Boart Longyear Drilling Products (Wuxi) Co., Ltd.	China	Drilling Products	100	100
Boart Longyear Eritrea Ltd.[2]	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	Holding Company	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	Brasil	Dormant	100	100
Boart Longyear Pty Limited	Australia	Holding Company	100	100
Boart Longyear Limited [1]	Ireland	Drilling Products	—	100
Boart Longyear Management Pty Ltd	Australia	Holding Company	100	100
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

32. COMPANY SUBSIDIARIES (CONTINUED)

Subsidiaries	Country of incorporation	Business	31 Dec 2023	31 Dec 2022
Boart Longyear Poland Spolka z.o.o.	Poland	Drilling Products	100	100
Boart Longyear S.A.C.	Peru	Drilling Products	100	100
Boart Longyear Saudi Arabia LLC [2]	Saudi Arabia	Dormant	100	100
Boart Longyear Sole Co., Limited	Laos	Drilling Services	100	100
Boart Longyear Suisse Sàrl	Switzerland	Holding Company	100	100
Boart Longyear Tanzania Limited	Tanzania	Drilling Services	100	100
Boart Longyear Ventures Inc.	Canada	Holding Company	100	100
Boart Longyear Vermogensverwaltung GmbH	Germany	Holding Company	100	100
Boart Longyear Zambia Limited [2]	Zambia	Dormant	100	100
Cooperatief Longyear Holdings UA	Netherlands	Holding Company	100	100
Geoserv Pesquisas Geologicas S.A.	Brasil	Dormant	100	100
Globaltech Corporation Pty Ltd	Australia	Drilling Support Services	58	58
Inavel S.A.	Uruguay	Dormant	100	100
Longyear Canada, ULC	Canada	Drilling Products and Services	100	100
Longyear DRC S.A.	Dem. Rep. of Congo	Holding Company	99	99
Longyear Global Holdings, Inc.[1]	USA	Holding Company	—	100
Longyear South Africa (Pty) Ltd	South Africa	Drilling Products	100	100
Longyear TM, Inc.[1]	USA	Holding Company	—	100
Minalyze AB [4]	Sweden	Drilling Support Services	100	—
Minalyze Inc. [4]	USA	Drilling Support Services	100	—
Minalyze Pty Ltd. [4]	Australia	Drilling Support Services	100	—
P.T. Boart Longyear	Indonesia	Drilling Services	100	100
Patagonia Drill Mining Services S.A.	Argentina	Dormant	100	100
Votraint No. 1609 Pty Ltd	Australia	Holding Company	100	100
Veracio Ltd.	USA	Drilling Support Services	100	100
Veracio Canada Ltd.	Canada	Drilling Support Services	100	100
Veracio Australia Pty Ltd.	Australia	Drilling Support Services	100	100
Veracio South Africa (Pty) Ltd.	South Africa	Drilling Support Services	100	100
Veracio Chile Ltda.[3]	Chile	Drilling Support Services	100	100
Wiijiiwaagan Drilling Limited Partnership [5]	Canada	Drilling Services	49	49
Wiijiiwaagan Drilling Inc. [5]	Canada	Holding Company	49	49

(1) This entity was merged or dissolved in 2023
(2) This entity is currently in liquidation status
(3) This entity was formed in 2023
(4) This entity was acquired in 2023
(5) This entity was formed prior to 2022 and commenced operations in 2023

33. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

(a) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 8.

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

None.

(c) Transactions with other related parties during the year were immaterial.

34. CASH AND CASH EQUIVALENTS

Included in the cash balance as at 31 December 2023 and as at 31 December 2022 is $0.4 million and $0.4 million of restricted cash, respectively. The Company cannot access these cash balances until certain conditions are met. These conditions pertain to restrictions to secure facility leases and pension payments.

35. NON-CASH TRANSACTIONS

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

- Issued $19.6 million of non-cash subordinated convertible promissory notes as part of the acquisition of Minalyze (see Note 37).

36. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Standards and Interpretations issued, but not yet effective

At the date of authorization 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 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	31 December 2025
AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 & AASB 128	1 January 2025	31 December 2025
AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 & AASB 128 and Editorial Corrections	1 January 2025	31 December 2025
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current	1 January 2024	31 December 2024
AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date	1 January 2024	31 December 2024
AASB 2021-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2025	31 December 2025
AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback	1 January 2024	31 December 2024
AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants	1 January 2024	31 December 2024
AASB 2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangements	1 January 2024	31 December 2024
AASB 2023-5 Amendments to Australian Accounting Standards - Lack of Exchangeability	1 January 2025	31 December 2025

36. 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 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	Expected to be initially applied in the financial year ending
AASB 17 'Insurance Contracts'	1 January 2023	31 December 2023
AASB 2020-5 Amendments to Australian Accounting Standards - Insurance Contracts	1 January 2023	31 December 2023
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
AASB 2022-1 Amendments to Australian Accounting Standards - Initial Application of AASB 17 and AASB 9 - Comparative Information	1 January 2023	31 December 2023
AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards	1 January 2023	31 December 2023
AASB 2022-8 Amendments to Australian Accounting Standards - Insurance Contracts: Consequential Amendments	1 January 2023	31 December 2023
AASB 2023-2 Amendments to Australian Accounting Standards - International Tax Reform - Pillar Two Model Rules	1 January 2023	31 December 2023

37. ACQUISITION OF OPERATIONS

On 22 September 2023, the Company, through its wholly owned subsidiary, Veracio Ltd, acquired 100% of the equity interest of Minalyze AB, a company based in Sweden, and its wholly owned subsidiaries Minalyze Pty Ltd (Australia) and Minalyze Inc. (United States) (collectively, "Minalyze").

Minalyze specializes in XRF core scanning instruments and software for visualization of geological data. Their patented and unique scanner and cloud-based software for digitizing large volumes of drilling samples generates high-resolution and consistent data through fast, non-destructive collection of multiple datasets. The Company purchased Minalyze to compliment and expand its data service offerings by utilizing Minalyze's developed technology, intellectual property, and processes.

The following table summarizes the provisional fair value of the assets acquired and liabilities assumed as of the acquisition date:

	Fair Value US$'000
Cash and cash equivalents	3,080
Trade and other receivables	609
Inventories	109
Prepaid expenses and other assets	33
Property, plant and equipment	1,287
Other intangible assets	17,117
Other assets	15
Trade and other payables	(108)
Provisions	(3,382)
Deferred tax liabilities	(3,042)
Total identifiable assets acquired and liabilities assumed	15,718
Goodwill	12,944
Total consideration	28,662
Satisfied by:	
Cash	9,078
Convertible notes	19,584
Total consideration transferred	28,662
Net cash outflow arising on acquisition	
Cash consideration	9,078
Less: cash and cash equivalent balance acquired	3,080
	5,998

The preliminary goodwill recognized of $12.9 million was primarily attributable to the assembled workforce and synergies that are expected to occur with the integration of Minalyze. The preliminary goodwill is not deductible for income tax purposes.

The intangible assets consist of trademarks of $0.2 million, developed technology of $4.1 million, and customer relationships of $12.8 million that are being amortized over an estimated useful life of 5 years, 10 years, and 10 years, respectively. The trademark and developed technology intangible assets were valued by using the relief from royalty rate method and the customer relationships were valued using the multi-period earnings excess method.

The Company incurred $1.0 million in acquisition-related expenses accounted for in general and administrative expenses for the year ended 31 December 2023.

38. SUBSEQUENT EVENTS

Shareholder Vote on Proposed Plan of Arrangement with American Industrial Partners Capital Fund VII, L.P. ("AIP")

As announced to the Australian Securities Exchange Limited ("ASX") on 27 December 2023, Boart Longyear entered into a binding arrangement agreement (the "Arrangement Agreement") with an affiliate of AIP, AB Acquisition Corporation ("AcquireCo"), under which AcquireCo will acquire all of the issued and outstanding common shares of the Company pursuant to a court approved plan of arrangement (the "Transaction").

The Transaction was approved by the Company's shareholders at special meeting of shareholders held on 21 February 2024. In addition to shareholder approval, AcquireCo's acquisition of all the issued and outstanding common shares of the Company is subject to certain other customary closing conditions, including:

- Approval of the Ontario Superior Court of Justice;
- Receipt of certain regulatory approvals and clearances;
- Compliance in all material respects by the Company and AcquireCo with their respective obligations under the Arrangement Agreement and the accuracy of their respective representations and warranties, subject to certain negotiated materiality standards;
- No action or proceeding pending or threatened by any governmental entity that prohibits, or imposes any limitations on, AcquireCo's ability to acquire, hold, or exercise full rights of ownership over, any Company shares or which prevents or delays the consummation of the Transaction, or if the Transaction is consummated, would have a material adverse effect; and
- No material adverse effect in relation to the Company having occurred since the date of the Arrangement Agreement.

The Arrangement Agreement also contains customary deal protection provisions including non-solicitation covenants, notification obligations of the Company in respect of acquisition proposals received from other parties and a right for AcquireCo to match any superior proposal as defined in the Arrangement Agreement. The Arrangement Agreement also details circumstances under which the Company may be required to pay AcquireCo a termination fee of $10.0 million and AcquireCo may be required to pay the Company a reverse termination fee of $22.3 million.

If the Transaction is implemented:

- Ascribe II Investments LLC and related entities ("Ascribe") and entities managed by Centerbridge Partners, L.P. ("Centerbridge") will receive up to US$1.2351 in cash per Company common share, subject to adjustment;
- First Pacific Advisors, L.P and related entities ("First Pacific"), Corre Partners Management, LLC and related entities ("Corre"), and Nut Tree Capital Management, LP and related entities ("Nut Tree") will exchange a majority of each of their respective Company common shares for equity securities in a parent entity of AcquireCo so that immediately following the closing they will collectively hold interests representing an approximate 33% aggregate ownership interest in the parent entity of AcquireCo and will receive up to US$1.9554 in cash per Company common share for the remainder of their Company common shares, subject to adjustment;
- HG Vora Capital Management, LLC and related entities ("HG Vora") will receive US$1.2009 in cash per Company common share; and
- All other Company shareholders will receive US$1.9554 in cash per Company common share.

In addition to AcquireCo acquiring all of the issued and outstanding common shares of the Company, the Transaction, will have the following impact on the Company's capital structure (see Note 24):

- Each Option granted under legacy employee option plans and the Company's Management Incentive Plan (See Note 9) which is outstanding immediately prior to the effective date of the Transaction, will in accordance with their terms be cancelled for no consideration with effect on the effective date of the transaction; and

- Each Warrant outstanding immediately prior to the effective date of the Transaction (whether or not exercisable) will in accordance with the terms of the Warrant indentures and the Transaction be cancelled with effect on the effective date of the Transaction. Pursuant to the Arrangement, holders of the warrants issued pursuant to the New Warrant Deed Poll dated 23 September 2021 to extinguish the Senior Unsecured Notes on 23 September 2021 ("2021 Warrants) (see Note 24) will receive a payment of US$0.69 per 2021 Warrant for the cancellation of their warrants, with the exception of Corre and Ascribe who will forego a portion of the consideration. Corre and Ascribe have agreed to accept a reduced payment for the cancellation of each of their 2021 Warrants of US$0.35269 per warrant. All other warrants, excluding the 2021 Warrants, will in accordance with the terms of the Warrant indentures be cancelled for no consideration.

38. SUBSEQUENT EVENTS (CONTINUED)

Further, in connection with the Transaction, AcquireCo has delivered to the Company an executed debt commitment letter (the "Debt Commitment Letter"). Under the terms of the Debt Commitment Letter and in connection with the Transaction, the sources of the debt financing identified in the Debt Commitment Letter have committed to provide the Company with a Term Loan Facility as well as a new Revolving Facility ("New Facilities"). Proceeds received from the borrowings under the New Facilities will be utilized to replace the Company's outstanding indebtedness under the Exit Term Loan and the ABL (see Note 21), finance the Transaction, and improve working capital. The New Facilities will mature five years after the initial funding under the New Facilities and the consummation of the Transaction.

Following closing of the Transaction, the Company will be delisted from the ASX.

Increase to Exit Term Loan Facility

On 30 January 2024, the Company has announced a $20.0 million increase in the Exit Term Loan with HPS Investment Partners and Blue Torch Capital. The other terms of the Exit Term Loan remain the same (see Note 21). The increased facility is expected to be used to fund the Company's higher expenses in the period to closing the transaction with AIP which was announced by the Company on 27 December 2023.

SUPPLEMENTARY INFORMATION

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
Centerbridge Partners L.P. and related entities	100,857,042	34.1 %
First Pacific Advisors, L.P. and related entities	46,090,418	15.6 %
Ascribe II Investments LLC and related entities	43,886,536	14.8 %
Corre Partners Management, LLC, and related entities	42,204,212	14.3 %
HG Vora Capital Management, LLC and related entities	33,646,433	11.4 %
Nut Tree Capital Management, LP, and related entities	25,855,083	8.7 %