

**GR Engineering Services Limited**  
**Half Year Financial Report**  
**For the Half Year Ended 31 December 2020**

# **GR ENGINEERING SERVICES LIMITED**

## **HALF-YEAR FINANCIAL REPORT**

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# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### DIRECTORS' REPORT

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Your directors present their report on GR Engineering Services Limited (ASX:GNG) (GR Engineering or consolidated entity) for the half-year ended 31 December 2020 (HY21).

#### DIRECTORS

The names of the consolidated entity's directors in office during the half year and until the date of this report follow. The Directors were in office for this entire period unless otherwise stated.

Geoff Jones (Managing Director)  
Phillip Lockyer (Non-Executive Chairman)  
Tony Patrizi (Executive Director)  
Barry Patterson<sup>1</sup> (Non-Executive Director)  
Peter Hood (Non-Executive Director)  
Giuseppe (Joe) Totaro (Non-Executive Director)

<sup>1</sup>Deceased 9 December 2020

#### COMPANY SECRETARY

Omesh Motiwalla

#### PRINCIPAL ACTIVITIES

During the financial period the consolidated entity's activities have been the provision of high quality process and detailed engineering design and construction services to the mining and mineral processing industry and the provision of operations, maintenance and advisory services to the oil and gas sector.

#### REVIEW OF RESULTS AND OPERATIONS

The operating profit after tax of the consolidated entity was \$8,530,749 (HY20 loss after tax: \$11,170,948) on revenue of \$176,388,713 (HY20: \$95,312,855). The EBITDA of the consolidated group was \$14,196,136 (HY20 EBITDA loss: \$15,353,657).

GR Engineering continued the momentum generated in the second half of FY20 and achieved strong revenue and earnings results for HY21. Revenue increased by 85.0% from HY20 and was due to GR Engineering successfully executing its growing pipeline of projects and as a result of the strong performance by its wholly owned subsidiary, Upstream Production Solutions Pty Ltd (Upstream PS).

Pleasingly, cash generation was excellent and resulted in a high conversion of EBITDA to free cashflows. During the twelve month period from 31 December 2019 to 31 December 2020, cash at bank increased by \$32.1 million.

GR Engineering's strong order book into FY22 and anticipated continued strong cash flow generation leaves it well placed to continue to deliver returns to its shareholders.

GR Engineering continues to be proactive in its response to the COVID-19 pandemic and has implemented a range of protective and preventative measures. COVID-19 has had no material impact on the HY21 results.

On an extremely sad note, GR Engineering announced the passing of one of its founding Directors, Barry Patterson, on 9 December 2020. Barry co-founded GR Engineering and was instrumental in establishing the core team of individuals in 1986 that took the business from its roots as JR Engineering Services, a Kalgoorlie based contractor, to the process design and construction group that we are today. Vale Barry Patterson.

#### **Mineral Processing Design and Construction**

##### *New and ongoing projects*

GR Engineering's design and construction order book for works being undertaken includes:

- **Lake Way Project - \$107.9 million EPC and EPCM contracts** - GR Engineering has been engaged by Salt Lake Potash Limited to provide services for non-process engineering design and the management of procurement, construction and commissioning of the Lake Way Project processing facility and associated infrastructure. GR Engineering has separately been engaged to undertake the civil, structural, mechanical, electrical and piping construction works for those project areas. Based on Salt Lake Potash Limited's anticipated project timing, the majority of this revenue is likely to be realised in FY21.
- **Warrawoona Gold Project - \$75.0 million preferred tenderer on EPC contract** in relation to the design and construction of the process plant and associated infrastructure for the Warrawoona Gold Project. The project is located in the East Pilbara district of the Pilbara Goldfield in Western Australia, 150km south east of Port Hedland and 25km south east of the town of Marble Bar. Work commenced in late 2020.
- **Norseman Gold Project - \$57.2 million EPC contract** - Letter of Intent with Pantoro Limited for the engineering, procurement and construction of a new processing plant for its 50% owned Norseman Gold Project in Western Australia. GR Engineering has commenced ordering of long lead items and has started engineering works.

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### DIRECTORS' REPORT

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- **Deflector Flotation Tails Leach Project - \$23.0 million EPC contract** with Silver Lake (Deflector) Pty Ltd, a wholly owned subsidiary of Silver Lake Resources Limited for upgrade works involving the flotation tailings leach process at the Deflector gold-copper operations. The project is located in the southern Murchison region of Western Australia, 450km north of Perth and 160km east of Geraldton. Work commenced in June 2020 and is expected to complete in the second quarter of calendar year 2021.
- **Thunderbox Paste Plant Project - \$22.0 million EPC contract** with Saracen Mineral Holdings Limited which involves the design, supply, installation and commissioning of a new paste backfill plant at its Thunderbox Operations. Work commenced in June 2020 and is expected to complete in the second quarter of calendar year 2021. GR Engineering was also recently awarded a \$12.2 million letter of intent (in addition to the above contract amount) with respect to the Thunderbox Stage 1 Project which will involve an upgrade of the crushing circuit.
- **Carosue Dam Operations Plant Expansion Project - \$32.6 million EPC contract** with Saracen Gold Mines Pty Ltd, a subsidiary of Saracen Minerals Holdings Limited, for the engineering design, procurement and construction of expansion works on the mineral processing plant at the Carosue Dam gold operations, situated approximately 120km north-east of Kalgoorlie in Western Australia. GR Engineering was also awarded a variation under the existing contract to install a paste pump at the Karari Paste Plant to distribute paste to the Whirling Dervish underground mine. This work on the variation is currently ongoing.
- **Wiluna Gold Operation - \$25.7 million EPC contract** with Wiluna Mining Corporation for stage 1 works relating to the concentrator development program for its Wiluna Gold Operations located in Western Australia. GR Engineering commenced work in early December with commissioning scheduled for October 2021.
- **Nullagine Mill Refurbishment Project - \$8.3 million reimbursable cost contract** with Millennium Minerals Ltd, a subsidiary of Novo Resources Corp (Novo) associated with the Nullagine Gold Project, located in the Pilbara region of Western Australia. The scope of works includes the refurbishment and upgrade of the gravity circuit and associated facilities to enable operations to recommence.
- **San Dimas Silver Mine Project - US\$4.5 million EPCM Services Agreement** with First Majestic Silver Corp. to supply engineering, procurement and construction management services to its San Dimas Silver Mine in Durango, Mexico. GR Engineering Services Americas, Inc., supported by its wholly owned subsidiary, Hanlon Engineering & Associates Inc., has been engaged to provide EPCM services and commissioning of a new HIG mill circuit and a new autogenous mill to replace the existing crushing and ball mill circuits. Work commenced in January 2020 and is ongoing.

GR Engineering's pipeline of work opportunities includes:

- **Abra Base Metals Project - \$74.0 million project award** from Galena Mining Limited's subsidiary, Abra Mining Pty Ltd, for the supply of a 1.2 Mtpa lead sulphide flotation plant and ancillary infrastructure for the Abra Base Metals Project located in Western Australia. GR Engineering has commenced early engineering works up to an agreed capped amount.
- **Woodlark Gold Project - non-binding letter of intent** with Geopacific Resources Limited for the proposed construction of a 2.4 Mtpa gold process plant in Papua New Guinea. The signing of an EPC contract remains subject to GR Engineering being issued with a full notice to proceed. GR Engineering has commenced early works up to an agreed capped amount.
- **WA Battery Graphite Manufacturing Facility** - on 8 February 2021, EcoGraf announced that it had authorised GR Engineering to undertake early works for the detailed engineering design for the construction of its new 20,000tpa battery graphite facility in Western Australia. GR Engineering is now working with EcoGraf to develop and execute the EPC contract.
- **Thunderbird Mineral Sands Project** - Sheffield Resources Limited (Sheffield) is progressing an update to its bankable feasibility study update and will aim to finalise the project flowsheet and update capital and operating cost estimates. GR Engineering continue to assist Sheffield with this process. Post completion of the bankable feasibility update, Sheffield will commence project development activities. Importantly, Sheffield's proposed JV partner, Yansteel, received Foreign Investment Review Board approval on 15 December 2020 and a JV agreement with Yansteel was signed on 6 January 2021.

During HY21, GR Engineering successfully achieved practical completion on the Sandy Ridge Waste Storage Project and the Carosue Dam Expansion Project (excluding the ongoing variation work). Subsequent to 31 December 2020, GR Engineering achieved practical completion on the Davyhurst Restart Project.

#### Studies and Consulting

GR Engineering has been engaged on several engineering and consultancy assignments on a range of domestic and international projects with scopes extending to early engineering studies, process design, procurement support and site supervision services associated with new and existing operations.

During HY21, GR Engineering completed 20 project studies and as at 31 December 2020, GRES was engaged on 24 studies. This level of study activity continues to underpin a solid pipeline of design and construction opportunities into FY21 and beyond.

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### DIRECTORS' REPORT

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#### Oil and Gas Services

GR Engineering's oil and gas services business, Upstream PS achieved sustained revenue contributions primarily through a combination of operations, maintenance and brownfields projects servicing the coal seam gas services (CSG), liquefied natural gas (LNG), carbon sequestration and onshore and offshore oil and gas sectors throughout Australia.

In Western Australia, Upstream PS remains a leading provider of operations and maintenance services to clients in the Perth Basin, and expanded its presence offshore in the Browse Basin providing operations services to the floating liquefied natural gas sector. In the Northern Territory, Upstream PS continued to provide maintenance services on the Blacktip gas field production facilities (onshore and offshore). Upstream PS' 'Darwin Hub' also continues to operate as a maintenance service and supply base facility servicing tier 1 clients.

During HY20, Upstream PS continued working with the Australian Government to maintain the Northern Endeavour FPSO in a non-producing state. On 23 December 2020, Upstream PS executed a twelve month contract to 31 December 2021 with the Australian Government to provide operations, maintenance and project services to the Northern Endeavour FPSO and associated infrastructure in preparation for a disconnection and removal of the FPSO. The contract value is approximately \$130 million.

In Queensland, Upstream PS managed and executed maintenance and operations support services on over 5,000 CSG wells. In Victoria, Upstream PS continued to deliver services to the carbon sequestration and domestic gas production industries, providing commissioning, operations and maintenance support services and pipeline and surface facility construction.

#### Safety

The GR Engineering group's Total Reportable Injury Frequency rate for HY20 was 11.4. Regrettably, one LTI occurred on 19 December 2020. The Company pursues continuous improvement in its commitment to safety, with its primary objective being the achievement of a zero harm workplace environment on all jobs and at all locations.

#### **DIVIDENDS**

During the half year period, a final dividend for financial year ended 30 June 2020 was paid. This was an unfranked dividend of 4.0 cents per share, paid on 21 October 2020.

A fully franked dividend of 5.0 cents per share has been declared for the 6 months ended 31 December 2020. The ex-dividend date for the interim dividend is 11 March 2021, the record date for determining entitlements to the interim dividend is 12 March 2021 and the payment date for the interim dividend is 1 April 2021.

#### **AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS**

The auditor's independence declaration to the directors is included on page 6 of the Half Year Financial Report.

#### **EVENTS AFTER THE REPORTING DATE**

On 2 February 2021, GR Engineering announced that it had increased its revenue guidance for FY21 to a range of between \$340 million to \$360 million, with improved EBITDA margins. The previous revenue guidance was in the range of \$280 million to \$300 million.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



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Geoff Jones  
Managing Director  
Date: 22 February 2021

# GR ENGINEERING SERVICES LIMITED HALF-YEAR FINANCIAL REPORT

## AUDITOR'S INDEPENDENCE DECLARATION

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The Board of Directors  
GR Engineering Services Limited  
71 Daly Street  
ASCOT WA 6104

22 February 2021

Dear Board Members,

### GR Engineering Services Limited – Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of GR Engineering Services Limited.

As lead audit partner for the review of the half-year financial report of GR Engineering Services Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Nicole Menezes  
Partner  
Chartered Accountants

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	Half-Year Ended 31 December 2020	Half-Year Ended 31 December 2019
		\$	\$
<b>Revenue</b>	3(a)	176,338,713	95,312,855
Cost of sales		155,172,693	86,542,032
<b>Gross profit</b>		<b>21,166,020</b>	<b>8,770,823</b>
Other income	3(b)	2,997,354	1,981,607
Finance costs	3(c)	169,201	115,626
Occupancy expenses		199,519	205,572
Administrative expenses		9,976,402	8,404,804
Bad and doubtful debt expense		(257,339)	17,400,000
Depreciation and amortisation	3(d)	1,448,198	1,322,241
<b>Profit (loss) before income tax</b>		<b>12,627,393</b>	<b>(16,695,813)</b>
Income tax expense (credit)		4,096,644	(5,524,865)
<b>Net profit (loss) for the period</b>		<b>8,530,749</b>	<b>(11,170,948)</b>
<b>Other comprehensive income</b>			
<u>Items that may be reclassified subsequently to profit or loss :</u>			
Fair value gain (loss) on available for sale financial assets		(588,450)	38,802
Exchange differences on translating foreign operations		(136,432)	(7,707)
Total other comprehensive income, net of income tax		(724,882)	31,095
<b>Total comprehensive income for the period</b>		<b>7,805,867</b>	<b>(11,139,853)</b>
Profit attributable to owners of the parent		<b>8,530,749</b>	<b>(11,170,948)</b>
Total comprehensive income attributable to owners of the parent		<b>7,805,867</b>	<b>(11,139,853)</b>
<b>Earnings per Share:</b>		<i>Cents per share</i>	<i>Cents per share</i>
Basic (cents per share)		5.54	(7.28)
Diluted (cents per share)		5.43	(7.28)

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	31 December 2020	30 June 2020
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	52,791,385	37,528,995
Trade and other receivables	5	53,250,165	38,844,902
Inventories		23,800	23,800
Other		3,154,230	1,365,359
Current tax asset		41,176	34,604
<b>Total Current Assets</b>		<b>109,260,756</b>	<b>77,797,660</b>
<b>Non-Current Assets</b>			
Deferred tax asset		2,322,998	4,157,054
Property, plant and equipment		6,328,033	6,369,694
Financial assets	11	1,375,858	5,262,757
Intangible assets		3,860,506	4,401,316
<b>Total Non-Current Assets</b>		<b>13,887,395</b>	<b>20,190,821</b>
<b>TOTAL ASSETS</b>		<b>123,148,151</b>	<b>97,988,481</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		57,737,894	44,622,237
Borrowings		6,674,649	4,986,214
Provisions		8,870,936	9,407,321
Contract liabilities	6	9,433,302	1,102,997
<b>Total Current Liabilities</b>		<b>82,716,781</b>	<b>60,118,769</b>
<b>Non-Current Liabilities</b>			
Borrowings		2,437,905	2,473,753
Provisions		1,547,289	712,586
<b>Total Non-Current Liabilities</b>		<b>3,985,194</b>	<b>3,186,339</b>
<b>TOTAL LIABILITIES</b>		<b>86,701,975</b>	<b>63,305,108</b>
<b>NET ASSETS</b>		<b>36,446,176</b>	<b>34,683,373</b>
<b>EQUITY</b>			
Issued capital	7	32,141,677	30,594,847
Reserves		84,620	2,193,268
Retained earnings		4,219,879	1,895,258
<b>TOTAL EQUITY</b>		<b>36,446,176</b>	<b>34,683,373</b>



# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	
	31 December 2020	31 December 2019
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	182,912,343	90,490,736
Payments to suppliers and employees	(163,437,054)	(95,567,927)
Income tax paid	(1,767,803)	(2,555,245)
Interest received	48,655	95,711
<b>Net cash flows provided by / (used in) operating activities</b>	<b>17,756,141</b>	<b>(7,536,725)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(955,848)	(357,936)
Proceeds from sale of financial assets	5,698,898	1,419,060
<b>Net cash flows provided by investing activities</b>	<b>4,743,050</b>	<b>1,061,124</b>
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(612,577)	(1,065,908)
Dividends paid	(6,206,128)	(3,072,464)
Repayment of borrowings	(287,336)	-
<b>Net cash flows used in financing activities</b>	<b>(7,106,041)</b>	<b>(4,138,372)</b>
Net increase / (decrease) in cash and cash equivalents	15,393,150	(10,613,973)
Cash and cash equivalents at beginning of period	37,528,995	31,432,874
Effects of exchange rate changes of balances of cash held in foreign currencies	(130,760)	(79,027)
<b>Cash and cash equivalents at end of period</b>	<b>4 52,791,385</b>	<b>20,739,874</b>

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Issued capital	Performance Rights Reserve	Share Appreciation Rights Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 30 June 2019</b>	30,562,886	1,029,128	210,706	(710,315)	324,325	14,998,805	46,415,535
Profit for the period	-	-	-	-	-	(11,170,948)	(11,170,948)
Other Comprehensive income for the period	-	-	-	(7,707)	38,802	-	31,095
Total Comprehensive income for the period	-	-	-	(7,707)	38,802	(11,170,948)	(11,139,853)
Dividends paid	-	-	-	-	-	(3,072,464)	(3,072,464)
Issue of shares	-	-	-	-	-	-	-
Share based payments	-	240,432	40,511	-	-	-	280,943
<b>Balance as at 31 December 2019</b>	30,562,886	1,269,560	251,217	(718,022)	363,127	755,393	32,484,161
<b>Balance as at 30 June 2020</b>	30,594,847	1,749,055	-	(783,634)	1,227,847	1,895,258	34,683,373
Profit for the period	-	-	-	-	-	8,530,749	8,530,749
Other Comprehensive income for the period	-	-	-	(136,432)	(588,450)	-	(724,882)
Total Comprehensive income for the period	-	-	-	(136,432)	(588,450)	8,530,749	7,805,867
Dividends paid	-	-	-	-	-	(6,206,128)	(6,206,128)
Issue of shares	1,546,830	(1,546,830)	-	-	-	-	-
Share based payments	-	133,644	29,420	-	-	-	163,064
<b>Balance as at 31 December 2020</b>	32,141,677	335,869	29,420	(920,066)	639,397	4,219,879	36,446,176

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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#### 1 CORPORATE INFORMATION

The financial report of GR Engineering Services Limited and its subsidiaries for the half year ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors on 17 February 2021.

GR Engineering Services Limited is a limited company incorporated and domiciled in Australia. The registered office of GR Engineering Services Limited is located at 71 Daly Street, Ascot, Western Australia.

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adoption in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's annual financial report for the financial year ended 30 June 2020, except for the impact of the Standards and Interpretations described below. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

##### (b) Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

##### (c) Standards and Interpretations adopted in the current half year period

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the consolidated entity's annual financial report for the year ended 30 June 2020, except for new standards, amendments to standards and interpretations which became effective on 1 July 2020 as set out below.

In the current half year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020, which include:

- AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
- AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions*

The adoption of these Standards and Interpretations does not have any impact on the disclosures or the amounts recognised in the consolidated entity's condensed consolidated financial statements.

##### (d) Standards and Interpretations issued but not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the reporting period ended 31 December 2020. Management are in the process of assessing the impact of the adoption of these Standards and Interpretations on the consolidated entity.

**GR ENGINEERING SERVICES LIMITED**  
**HALF-YEAR FINANCIAL REPORT**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

**3 REVENUES AND EXPENSES**

	<i>31 December</i> <i>2020</i> \$	<i>31 December</i> <i>2019</i> \$
<b>(a) Disaggregation of revenue &amp; time of revenue recognition</b>		
<b>Rendering of services</b>		
Rendering of services - mineral processing - over time	118,262,273	53,886,252
Rendering of services - oil & gas - at a point in time	58,076,440	41,426,603
	<u>176,338,713</u>	<u>95,312,855</u>
<b>(b) Other income</b>		
Interest revenue	48,655	95,711
Government rebates and subsidies	83,311	53,307
Profit (loss) on sale of fixed assets	-	24,183
Profit on sale of financial assets	2,901,806	404,060
Net foreign exchange gain/(loss)	(182,914)	(104,401)
Sundry revenue	146,496	1,508,747
	<u>2,997,354</u>	<u>1,981,607</u>
<b>(c) Finance costs</b>		
Interest and leasing charges on leases	<u>169,201</u>	<u>115,626</u>
<b>(d) Depreciation and amortisation</b>		
Depreciation of fixed assets	619,365	731,981
Depreciation of right of use assets	739,922	590,260
Amortisation of intangible assets	88,911	-
	<u>1,448,198</u>	<u>1,322,241</u>
<b>(e) Employee benefits expense</b>		
Wages and salaries	46,039,244	35,022,205
Workers' compensation costs	558,080	508,273
Superannuation costs	3,591,150	2,985,572
Share based payments	163,064	280,943
	<u>50,351,538</u>	<u>38,796,993</u>

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

#### 4 CASH AND CASH EQUIVALENTS

	31 December 2020 \$	30 June 2020 \$
Cash at bank and in hand	52,791,385	37,528,995
Short term deposits	-	-
	<u>52,791,385</u>	<u>37,528,995</u>

Cash at bank and in hand earns interest at floating rates based on daily bank rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the consolidated entity, and earn interest at the respective short-term deposit rates.

#### Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2020:

	31 December 2020 \$	30 June 2020 \$
Cash at bank and in hand	52,791,385	37,528,995
Short-term deposits	-	-
	<u>52,791,385</u>	<u>37,528,995</u>

#### 5 TRADE AND OTHER RECEIVABLES

	31 December 2020 \$	30 June 2020 \$
Trade receivables	35,955,777	23,732,802
Less: Loss allowance	-	(257,339)
	<u>35,955,777</u>	<u>23,475,463</u>
Contract assets - oil and maintenance contracts	10,902,786	7,505,584
Contract assets - mineral processing contracts	6,217,301	7,435,308
	<u>17,120,087</u>	<u>14,940,892</u>
Other receivables	174,301	428,547
	<u>53,250,165</u>	<u>38,844,902</u>

#### 6 CONTRACT LIABILITIES

	31 December 2020 \$	30 June 2020 \$
Contract liabilities - current liabilities	9,433,302	1,102,997
	<u>9,433,302</u>	<u>1,102,997</u>

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

#### 7 ISSUED CAPITAL

	31 December 2020	30 June 2020
	No of shares	No of shares
<i>Ordinary Shares</i>		
Issued and fully paid	155,153,189	153,653,189
<i>Issue of ordinary shares</i>	<i>No of shares</i>	<i>\$</i>
At 30 June 2020	153,653,189	30,594,847
Issue of shares from exercise of performance rights	1,500,000	1,546,830
At 31 December 2020	155,153,189	32,141,677

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

#### 8 CONTINGENCIES

	31 December 2020	30 June 2020
	\$	\$
<b>Bank guarantees</b>		
Bank guarantees issued	10,796,188	8,985,692

The consolidated entity's standby multi-option bank facility has a limit of \$70,000,000. The facilities are secured by a fixed and floating charge over all the assets of the consolidated entity.

The consolidated entity provides bank guarantees under this facility to support project performance in favour of certain clients. The amount of these bank guarantees at 31 December 2020 is \$10,364,129 (30 June 2020: \$8,553,633). The consolidated entity has a bank guarantee facility with National Australia Bank to provide guarantees for the security of rental properties to the value of \$432,059 (30 June 2020: \$432,059). The amount of bank guarantees issued under this facility at 31 December 2020 is \$432,059 (30 June 2020: \$432,059).

The consolidated entity has a \$25 million insurance bond facility with Berkshire Hathaway Specialty Insurance Company and an additional \$20 million insurance bond facility with Allianz Australia Insurance Limited. These facilities are utilised to provide retention and off site materials bonds in connection with certain projects. The amount of insurance bonds issued under the Allianz Australia Insurance Limited facility at 31 December 2020 is \$2,379,301 (30 June 2020: \$2,449,602). No bonds were on issue under the Berkshire Hathaway Specialty Insurance Company facility as at 31 December 2020 (30 June 2020: nil).

GR Engineering Services Limited, the parent company, has provided guarantees and indemnities in relation to certain contracts entered into by its subsidiaries. Liability under these guarantees and indemnities is limited to the relevant subsidiaries' contracted limits of liability under the contracts.

#### 9 DIVIDENDS

During the half year, the consolidated entity made the following dividend payments :

	31 December 2020		31 December 2019	
<i>Fully paid ordinary shares</i>	<i>Cents per share</i>	<i>\$</i>	<i>Cents per share</i>	<i>\$</i>
Dividend	4.00	6,206,128	2.00	3,072,464
	4.00	6,206,128	2.00	3,072,464

A fully franked dividend of 5.0 cents per share has been declared for the six months ended 31 December 2020. The ex dividend date for the interim dividend is 11 March 2021, the record date for determining entitlements to the interim dividend is 12 March 2021 and the payment date for the interim dividend is 1 April 2021.

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

#### 10 SEGMENT INFORMATION

Operating segments have been identified on the basis of internal reports of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Managing Director. On a regular basis, the board receives financial information on a company basis similar to the financial statements presented in the financial report, to manage and allocate their resources.

The Managing Director has chosen to classify the operations of the consolidated entity by reference to presence in an industry. The segments identified on this basis are "mineral processing" and "oil and gas".

#### Segment revenues and results

The following table shows the revenue and results of the consolidated entity summarised under these segments.

#### Segment revenue

	31 December 2020 \$	31 December 2019 \$
Mineral processing	118,262,273	53,886,252
Oil and gas	58,076,440	41,426,603
Total revenue	<u>176,338,713</u>	<u>95,312,855</u>

#### Segment profit before tax

	31 December 2020 \$	31 December 2019 \$
Mineral processing	7,085,124	(2,227,806)
Oil and gas	5,542,269	(14,468,007)
Total profit (loss) before tax	<u>12,627,393</u>	<u>(16,695,813)</u>

#### Segment assets

	31 December 2020 \$	30 June 2020 \$
Mineral processing	91,631,901	63,841,306
Oil and gas	30,140,392	28,884,418
Corporate - financial assets	1,375,858	5,262,757
Total assets	<u>123,148,151</u>	<u>97,988,481</u>

#### 11 FINANCIAL ASSETS

#### Financial assets held at fair value through other comprehensive income

	31 December 2020 \$	30 June 2020 \$
Shares and options in listed entities	<u>1,375,858</u>	<u>5,262,757</u>

Shares and options held in the listed entities are measured at fair value at the end of the reporting period.

# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

#### 12 FINANCIAL INSTRUMENTS

##### Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position for the consolidated entity are as follows :

	31 December 2020		30 June 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
<b>Assets</b>				
Cash at bank	52,791,385	52,791,385	37,528,995	37,528,995
Trade receivables	53,250,165	53,250,165	38,844,902	38,844,902
Equity instruments	1,375,858	1,375,858	5,262,757	5,262,757
	107,417,408	107,417,408	81,636,654	81,636,654
<b>Liabilities</b>				
Trade payables	57,737,894	57,737,894	44,622,237	44,622,237
Bank loan	2,826,483	2,826,483	3,403,713	3,403,713
	60,564,377	60,564,377	48,025,950	48,025,950

The consolidated entity holds equity securities of \$1,375,858 (30 June 2020: \$5,262,757) which are classified as fair value hierarchy level 1, in which fair values are based on quoted prices in active markets. There have been no transfers of fair value hierarchy levels during the period.

Equity securities are measured at fair value at the end of the reporting period, resulting in gross unrealised gains of \$422,071 (31 December 2019: gain of \$488,638) included in other comprehensive income and reported in the investment revaluation reserve.

During the period, equity securities were disposed of, resulting in a gain on sale of \$2,901,806 recorded in other income.

#### 13 KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report dated 30 June 2020.

##### Share appreciation rights

As at 31 December 2020, the consolidated entity had issued a total of 1,474,447 performance rights to Geoff Jones, Managing Director, as part of the consolidated entity's equity incentive plan (as at 30 June 2020: nil).

The share appreciation rights will be subject to vesting conditions, namely the participant being employed by the consolidated entity as Managing Director and the share price being equal to or greater than the exercise price at the vesting date.

Number of share appreciation rights	Grant date	Vesting date	Exercise price	Performance condition share price targets
610,000	25/11/2020	1/07/2021	\$0.75	\$1.25
478,432	25/11/2020	1/07/2022	\$0.75	\$1.39
386,015	25/11/2020	1/07/2023	\$0.75	\$1.54

#### 14 EVENTS AFTER THE REPORTING DATE

A fully franked dividend of 5.0 cents per share has been declared for the six months ended 31 December 2020. The ex dividend date for the interim dividend is 11 March 2021, the record date for determining entitlements to the interim dividend is 12 March 2021 and the payment date for the interim dividend is 1 April 2021.

There has been no other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.



# GR ENGINEERING SERVICES LIMITED

## HALF-YEAR FINANCIAL REPORT

### DIRECTORS' DECLARATION

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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; and

(b) In the directors' opinion, the attached financial statements and notes thereto are in compliance 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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'G Jones', enclosed within a large, loopy oval shape.

Name: Geoff Jones  
Managing Director  
Date: 22 February 2021

# Independent Auditor's Review Report to the Members of GR Engineering Services Limited

## *Conclusion*

We have reviewed the half-year financial report of GR Engineering Services Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 7 to 17.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## *Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Directors' Responsibilities for the Half-year Financial Report*

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

## *Auditor's Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*N Menezes*

**Nicole Menezes**

Partner

Chartered Accountants

Perth, 22 February 2021