



GR ENGINEERING SERVICES LIMITED

ANNUAL FINANCIAL REPORT

30 June 2022

ABN 12 121 542 738



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CALENDAR

Final Dividend:

| | |
|------------------------|-------------------|
| Ex-dividend Date | 1 September 2022 |
| Record Date | 2 September 2022 |
| Payment Date | 20 September 2022 |
| Annual General Meeting | 23 November 2022 |



CORPORATE DIRECTORY

GR ENGINEERING SERVICES LIMITED

ACN 121 542 738

ABN 12 121 542 738

DIRECTORS

Phillip Lockyer (Non-Executive Chairman)

Geoff Jones (Managing Director)

Tony Patrizi (Executive Director)

Peter Hood (Non-Executive Director)

Joe Totaro (Non-Executive Director)

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Omesh Motiwalla

REGISTERED OFFICE

71 Daly Street

ASCOT WA 6104

PRINCIPAL PLACE OF BUSINESS

71 Daly Street

ASCOT WA 6104

Telephone: (61 8) 6272 6000

Facsimile: (61 8) 6272 6001

Email: gres@gres.com.au

Website: www.gres.com.au

ASX CODE

GNG

AUDITOR

Deloitte Touche Tohmatsu

Tower 2, Brookfield Place, 123 St Georges Terrace

PERTH WA 6000

SOLICITORS TO THE COMPANY

Zafra Legal

Level 10, 105 St Georges Terrace

PERTH WA 6000

SHARE REGISTRY

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

PERTH WA 6000



DIRECTORS' REPORT

Your Directors present their report together with the financial statements of GR Engineering Services Limited ("GR Engineering" or "consolidated entity") for the financial year 1 July 2021 to 30 June 2022 and the independent auditor's report thereon.

The names of the consolidated entity's Directors in office during the financial year ended 30 June 2022 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

DIRECTORS

Phillip (Phil) LOCKYER (Non-Executive Chairman)
Geoffrey (Geoff) Michael JONES (Managing Director)
Tony Marco PATRIZI (Executive Director)
Peter John HOOD (Non-Executive Director)
Giuseppe (Joe) TOTARO (Non-Executive Director)

COMPANY SECRETARY

Omesh MOTIWALLA

PRINCIPAL ACTIVITIES

During the financial period, the consolidated entity's activities have been the provision of high quality process engineering, detailed engineering design, process control and automation 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.

DIVIDENDS PAID DURING THE YEAR

- Fully franked dividend of 7.0 cents per share paid on 22 September 2021.
- Fully franked dividend of 9.0 cents per share paid on 25 March 2022.
- Subsequent to 30 June 2022, a fully franked dividend of 10.0 cents per share was recommended by the Directors to be paid on 20 September 2022.

REVIEW OF OPERATIONS

The year under review saw the consolidated entity achieve record revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) results for the consolidated group, continuing the strong momentum generated from the prior year. During FY22, revenue increased significantly by 66% from \$392.4 million to \$651.7 million. GR Engineering achieved FY22 EBITDA of \$55.8 million compared to FY21 EBITDA of \$37.2 million. EBITDA was adjusted in the prior year by including \$3.1 million in gains from sale of investments recognised in other comprehensive income.

GR Engineering achieved a solid operational performance in FY22 in challenging conditions given the COVID-19 pandemic. GR Engineering successfully delivered multiple projects during FY22, with a number of other key projects expected to achieve practical completion in the first half of FY23.

GR Engineering's wholly owned subsidiaries, Upstream Production Solutions (Upstream PS) and Mipac, provided strong contributions to the consolidated group's results.

GR Engineering has been proactive in its response to the COVID-19 pandemic and has implemented a range of protective and preventative measures. GR Engineering continues to manage equipment deliveries in line with project schedules despite delays in international shipping. COVID-19 has not had a material impact on the FY22 results.



DIRECTORS' REPORT

Mineral Processing

Major projects completed during FY22:

- **Warrawoona Gold Project** - this EPC Contract with Calidus Resources Limited involved the design and construction of the processing plant and associated infrastructure for the Warrawoona Gold Project. Practical completion was achieved in April 2022.
- **Wiluna Gold Project** - this EPC Contract with Wiluna Mining Corporation involved stage 1 works relating to the concentrator development program for the Wiluna Gold Operations located in Western Australia. Practical completion was achieved in December 2021.

GR Engineering's design and construction order book for works currently being undertaken and which will continue into FY23 include:

- **Thunderbird Mineral Sands Project** - \$179.5 million EPC Contract with Kimberley Mineral Sands Pty Ltd (KMS) in relation to the engineering, procurement and construction of the mineral processing plant and associated facilities for the Thunderbird Mineral Sands Project. GR Engineering has commenced limited work under the contract ahead of a final investment decision being made by KMS. The final investment decision is expected in the first quarter of FY23 with project delivery scheduled to occur over an 18 month period.
- **Bellevue Gold Project** - \$87.8 million EPC Contract with Golden Spur Resources Pty Ltd, a wholly owned subsidiary of Bellevue Gold Limited, for the engineering, procurement and construction works in relation to the 1.0 Mtpa gold processing plant and associated infrastructure for the Bellevue Gold Project.
- **Abra Base Metals Project** - \$79.5 million EPC Contract with Abra Mining Pty Ltd (Abra Mining), for the design and construction of a 1.2 Mtpa lead sulphide flotation plant and ancillary infrastructure for the Abra Base Metals Project located in Western Australia. Abra Mining is 50% owned by Galena Mining Limited and 50% owned by Toho Zinc. GR Engineering has also been awarded additional work by Abra Mining, for a contract sum of \$10.0 million, to relocate, refurbish and commission the Higginsville Paste Plant.
- **Mt Ida Gold Project** - \$73.0 million EPC Contract with Aurenne Mt Ida Pty Ltd in relation to the design and construction of the processing plant and associated infrastructure for the Mt Ida Gold Project located in Western Australia.
- **Cosmos Nickel Concentrator Facility Upgrade** - \$48.0 million EPC Contract with Australian Nickel Investments Pty Ltd, a wholly owned subsidiary of IGO Limited (formerly Western Areas Limited), for the engineering, procurement and construction work in relation to the upgrade of the existing nickel concentrator at the Cosmos Nickel Operations.
- **Newmont Tanami Gold Mine** - \$68.0 million subcontractor arrangement with RUC Cementation Mining Contractors Pty Ltd (RUC) in relation to Newmont Corporation's (Newmont) Tanami Gold Mine in Australia. RUC has been engaged by Newmont under a head contract to complete certain underground construction works for Newmont. GR Engineering is responsible for the construction and commissioning associated with the surface infrastructure.
- **Thunderbox 6 Mtpa Expansion Project** - \$101 million EPC Contract with Northern Star Resources Limited in relation to the design, engineering, procurement, construction and commissioning of the Thunderbox 6 Mtpa Expansion Project. The project is expected to be completed in the first quarter of FY23.
- **Norseman Gold Project** - \$59.5 million EPC Contract with Pantoro Limited for the engineering, procurement and construction of a new processing plant for its 50% owned Norseman Gold Project in Western Australia. The project is expected to be completed in the first quarter of FY23.



DIRECTORS' REPORT

- **Bluestone Mines Tasmania JV** - multiple projects with a combined value of \$31.7 million. GR Engineering was awarded an engineering, procurement and construction contract involving the design, supply, installation and commissioning of a new paste backfill plant and infrastructure at its Renison Tin Operations (Renison). In addition a contract was also awarded that includes the design, supply and installation of new transformers and HV switchgear for Renison's existing main switchyard.

GR Engineering's pipeline of work opportunities includes:

- **West Musgrave Project** - GR Engineering is assisting OZ Minerals Limited (OZ Minerals) with early engineering and design works for the West Musgrave Project located in Western Australia, as well as supporting long lead procurement activities. OZ Minerals is progressing towards obtaining its remaining approvals for the project and a final investment decision is expected shortly.
- **WA Battery Graphite Manufacturing Facility** - letter of intent with EcoGraf (Australia) Limited for a design and construction contract for the development of a 20,000 tpa battery graphite facility in Western Australia. GR Engineering is undertaking early engineering works whilst working with EcoGraf to finalise the project scope and execute the contract.

Studies

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

During FY22, GR Engineering completed 38 studies and as at 30 June 2022, was engaged on a further 28 studies across a broad range of commodities for projects both in Australia and abroad.

Process Controls - Mipac

Mipac is a leading provider of controls systems, operational technology and engineering services primarily in the mineral processing, energy and water industries. With an established proven track record of success, Mipac provides their clients with solutions that empower and engage workforces by providing automation and digitalisation that enables easy decision making and increased productivity, performance and safety.

During FY22, Mipac celebrated its 25th year in operations whilst continuing to deliver controls systems, automation and digital solutions for key repeat clients such as First Quantum Minerals Limited, OZ Minerals, Glencore Technology, Anglo American, Ok Tedi Mining Limited and other large conglomerates. FY22 represented a record revenue year for Mipac.

Oil and Gas

GR Engineering's operations and maintenance services business, Upstream PS, achieved sustained revenue contributions primarily through the provision of operations and maintenance services to the coal seam gas (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 and provided operations services to the floating liquefied natural gas sector. Upstream PS was recently awarded a five year contract to provide commissioning, completions and operations support services for Chevron Australia in Western Australia.

In the Northern Territory, Upstream PS continued to provide maintenance services on the Blacktip gas field production facilities (onshore and offshore). On 4 January 2022, Eni Australia awarded Upstream PS a new contract to provide operational and maintenance support for this project. The term of the contract is for three years with an option to extend for a further two years. Upstream PS' 'Darwin Hub' also continues to operate as a maintenance service and supply base facility servicing tier 1 clients.



DIRECTORS' REPORT

During FY22, Upstream PS continued working with the Australian Government to maintain the Northern Endeavour FPSO in a non-producing state. On 8 March 2022, Upstream PS executed a four month extension to its current contract with the Australian Government to provide operations, maintenance and project services to the FPSO and associated infrastructure in preparation for a disconnection and removal of the FPSO. It is anticipated that revenue from the contract extension will be approximately \$45 million for the four month period to 30 September 2022.

In Queensland, Upstream PS managed and executed maintenance and operations support services on over 5,000 CSG wells. Upstream PS has also recently expanded its service offering to Santos Limited in the Surat Basin and Cooper Basin and set up a Safety Critical Device servicing facility in Gladstone providing services for LNG, energy, refining and mining clients.

Safety

The GR Engineering group's Total Reportable Injury Frequency Rate (TRIFR) for FY22 was 7.99. 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.

FY23 Update and Outlook

GR Engineering has a strong order book dominated by Australian projects and has been building its pipeline for both FY23 and FY24. GR Engineering intends to provide FY23 guidance at its 2022 Annual General Meeting, to be held on 23 November 2022, when it is likely to have more certainty in relation to the timing of key projects.

FINANCIAL POSITION

During FY22, the consolidated entity maintained a high EBITDA to cash conversion and improved its cash position to \$102.0 million at 30 June 2022 (30 June 2021: \$69.0 million). During this period, GR Engineering paid out \$25.8 million in fully franked dividends to shareholders.

Through its operational performance, the consolidated entity strengthened its balance sheet as net assets increased from \$51.6 million to \$62.2 million during FY22.

DIVIDENDS

The Board has resolved to declare a final FY22 dividend of 10 cents per share, fully franked. The ex-dividend date for this dividend will be 1 September 2022, the Record Date is 2 September 2022 and the Payment Date will be 20 September 2022.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

None noted.

FUTURE DEVELOPMENTS

Information regarding likely developments in the operations of the consolidated entity in future financial years is referred to in the Review of Operations section in this Directors' Report.

EVENTS AFTER BALANCE SHEET DATE

On 20 July 2022, GR Engineering announced that it had signed an EPC Contract with Golden Spur Resources Pty Ltd, a wholly owned subsidiary of Bellevue Gold Limited, for the engineering, procurement and construction works in relation to the 1.0 Mtpa gold processing plant and associated infrastructure for the Bellevue Gold Project. The contract sum is \$87.8 million.

On 17 August 2022, the Board has resolved to declare a final FY22 dividend of 10 cents per share, fully franked. The ex-dividend date for this dividend will be 1 September 2022, the Record Date is 2 September 2022 and the Payment Date will be 20 September 2022.



DIRECTORS' REPORT

BOARD OF DIRECTORS

Phillip (Phil) LOCKYER - Non-Executive Chairman
Dip Met, Assoc Min Eng, M.Min Econs

Phil Lockyer is a Mining Engineer and Metallurgist who has over 50 years' experience in the mineral industry, with a focus on gold and nickel in both underground and open pit operations. He was employed by WMC Resources Limited for 20 years and as General Manager for Western Australia was responsible for WMC's nickel division and gold operations. Mr Lockyer also held the position of Director Operations for Dominion Mining Limited and Resolute Limited. He holds a Diploma of Metallurgy from the Ballarat School of Mines, an Associateship of Mining Engineering from the Western Australian School of Mines and a Masters of Mineral Economics from Curtin University.

Phil Lockyer has formerly served on the Boards of Swick Mining Services Limited, Perilya Limited, Focus Minerals Limited and CGA Mining Limited. He is currently a Non-Executive Director of RTG Mining Inc.

- Interests in ordinary shares in GR Engineering - 50,000
- Interests in other securities in GR Engineering - None
- Special Responsibilities:
 - Non-Executive Chairman
 - Member of the Audit and Risk Committee
 - Chairman of the Remuneration and Nominations Committee
- Directorships in other listed entities in the last 3 years:
 - Swick Mining Services Limited (ASX:SWK) 2008 - November 2019
 - RTG Mining Inc. (ASX:RTG) 2013 - Present

Geoffrey (Geoff) Michael JONES – Managing Director
BE (Civil), FIEAust, CPEng

Geoff is a Civil Engineer with over 30 years' experience in construction, engineering, minerals processing and project development in Australia and overseas. Geoff previously worked for Baulderstone Hornibrook, John Holland, Minproc Engineers and Signet Engineering before serving over six years as Group Project Engineer for Resolute Mining Limited.

Prior to joining GR Engineering Services Limited in 2011, Geoff was the General Manager of Sedgman Limited's metals engineering business and also responsible for the strategic development of the metals engineering division internationally.

Geoff currently has Non-Executive Director roles with Ausgold Limited and Rumble Resources Limited.

- Interests in ordinary shares in GR Engineering – 485,301
- Interests in other securities in GR Engineering:
 - Share Appreciation Rights - 386,015
- Special Responsibilities:
 - Managing Director
- Directorships in other listed entities in the last 3 years:
 - Firefly Resources Limited (ASX:FFR) (formerly Marindi Metals Limited) November 2006 – November 2021
 - Ausgold Limited (ASX:AUC) July 2016 – Present
 - Rumble Resources (ASX:RTR) - July 2022 - Present



DIRECTORS' REPORT

Tony Marco PATRIZI – Executive Director
BE (Mech Eng)

Tony co-founded GR Engineering. Tony is a Mechanical Engineer with over 30 years' experience in the mining and minerals processing industries as a company director, operations manager, project manager and maintenance engineer. Tony was previously the operations manager of JR Engineering which had over 300 personnel and provided workshop, maintenance, engineering and construction services to mining and mineral processing projects in Western Australia and interstate.

- Interests in ordinary shares in GR Engineering – 9,795,000
- Interests in other securities in GR Engineering - None
- Directorships in other listed entities in the last 3 years - None

Peter John HOOD AO – Non-Executive Director
BE(Chem), MAusIMM, FIChemE, FAICD

Peter is a Chemical Engineer and has over 50 years' experience in the resource and energy sectors.

Peter was formerly the Chief Executive Officer of Coogee Chemicals and Coogee Resources. He was Chairman of the International Chamber of Commerce National Committee of Australia. Peter is a Past President of the Australian Chamber of Commerce and Industry and the Chamber of Commerce and Industry Western Australia. Peter is currently Chairman of Matrix Composites and Engineering Limited, Lead Independent Director of Cue Energy Resources Limited and a Non-Executive Director of De Grey Mining Limited.

Peter was initially appointed as a Non-Executive Director of the Company on 10 February 2011.

- Interests in ordinary shares in GR Engineering – 500,000
- Interests in other securities in GR Engineering - None
- Special Responsibilities:
 - Chairman of the Audit and Risk Committee
 - Member of the Remuneration and Nominations Committee
- Directorships in other listed entities in the last 3 years:
 - Matrix Composites & Engineering Limited (ASX:MCE) 2011 - Present
 - Cue Energy Resources Limited (ASX:CUE) February 2018 - Present
 - De Grey Mining Limited (ASX:DEG) November 2018 - Present

Giuseppe (Joe) TOTARO – Non-Executive Director
BCom, CPA

Joe is a Certified Practicing Accountant (CPA) with over 30 years' experience in commercial and public practice specialising in mining and mining services. Joe is a co-founder of GR Engineering and was formerly the Chief Financial Officer and Company Secretary of GR Engineering.

Joe was appointed as a Non-Executive Director of the Company on 1 July 2019.

- Interests in ordinary shares in GR Engineering – 8,000,000
- Interests in other securities in GR Engineering - None
- Special Responsibilities:
 - Member of the Audit and Risk Committee
 - Member of the Remuneration and Nominations Committee
- Directorships in other listed entities in the last 3 years - None



DIRECTORS' REPORT

COMPANY SECRETARY

Omesh MOTIWALLA (BCom, FCA)

Omesh is a Fellow of Chartered Accountants Australia and New Zealand (FCA) with over 20 years' experience in the Big 4 accounting firms and commerce. Omesh was previously a Corporate Finance Partner at Deloitte Touche Tohmatsu in Australia until December 2017. Deloitte Touche Tohmatsu are the auditors of the consolidated entity, and Omesh was a partner of the firm when previous audits have been undertaken. Omesh's experience includes corporate advisory services having consulted on, and managed, numerous corporate transactions involving private and publicly listed companies in the mining, oil and gas and related services sectors.

MEETINGS OF DIRECTORS

The number of Meetings of the Board of Directors held during the year ended 30 June 2022 and the number attended by each director are as follows:

| | FULL MEETINGS OF DIRECTORS | |
|--------------|----------------------------|----------|
| | Eligible | Attended |
| Phil Lockyer | 11 | 11 |
| Geoff Jones | 11 | 10 |
| Tony Patrizi | 11 | 10 |
| Joe Totaro | 11 | 11 |
| Peter Hood | 11 | 11 |

Meetings of the Audit & Risk Committee were held on 18 August 2021 and 16 February 2022. These meetings were attended by Peter Hood, Joe Totaro and Phil Lockyer. A meeting of the Remuneration and Nomination Committee was held on 29 September 2021. This meeting was attended by Phil Lockyer, Peter Hood and Joe Totaro.

OPTIONS

As at the date of this report, there were no unissued ordinary shares of GR Engineering under option.

SHARE APPRECIATION RIGHTS

As at the date of this report, Share Appreciation Rights granted are as follows:

| Grant Date | Vesting & Exercise Date | Exercise price | Quantity |
|------------------|-------------------------|----------------|----------|
| 25 November 2020 | 1 July 2023 | Nil | 386,015 |

On 1 July 2022, 478,432 Share Appreciation Rights vested pursuant to the consolidated entity's Equity Incentive Plan.

For full particulars of the Share Appreciation Rights issued to Directors as remuneration, refer to the Remuneration Report.



DIRECTORS' REPORT

PERFORMANCE RIGHTS

As at the date of this report, the unissued ordinary shares of GR Engineering which are the subject of unvested Performance Rights are as follows:

| Vesting Date | No. Performance Rights | Expiry Date | Exercise price |
|-------------------|------------------------|-------------------|----------------|
| 14 September 2023 | 4,230,000 | 14 September 2023 | - |
| 22 July 2024 | 65,000 | 22 July 2024 | - |
| 30 November 2024 | 300,000 | 30 November 2024 | - |
| 7 February 2025 | 100,000 | 7 February 2025 | - |
| 21 March 2025 | 25,000 | 21 March 2025 | - |
| 1 July 2025 * | 80,000 | 1 July 2025 | - |

* Issued on 1 July 2022

The Performance Rights holders do not have any right to participate in any issues of shares or other interests in the consolidated entity or any other entity.

During the financial year ended 30 June 2022, nil ordinary shares were issued due to the vesting of Performance Rights. Subsequent to year end on 18 July 2022, 50,000 Performance Rights vested and were converted into ordinary shares.

RISK MANAGEMENT

GR Engineering has risk management policies and procedures in place to provide early identification of business risks and to monitor the mitigation of those risks across all aspects of the business. These include risk assessment in the project negotiation and delivery phase, treasury management risk, credit risk and responses to pandemic related risks. We also identify and track appropriate mitigation actions for identified risks.

INDEMNIFYING OFFICERS OR AUDITORS

During the financial year, the consolidated entity paid insurance premiums relating to contracts insuring the directors and company secretary against liability which may arise in connection with them acting as Director or Company Secretary, to the extent permitted under the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

LEGAL PROCEEDINGS

No person has applied for leave of court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

NON AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is consistent with the general standard of independence imposed by the Corporations Act 2001.

Non-audit services were reviewed by the Board to ensure they do not compromise the objectivity of the Auditor and to ensure the nature of services provided is not inconsistent with the principals of auditor independence. Set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year ended 30 June 2022, fees amounting to \$66,179 were paid to Deloitte Touche Tohmatsu for non-audit services including taxation advice.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2022 has been reviewed and can be found at page 19 of the annual financial report.



DIRECTORS' REPORT

ENVIRONMENTAL ISSUES

It is of paramount importance to management and the Board of Directors that as well as operating within its own environmental policies, the consolidated entity observes all relevant licences in good standing. The consolidated entity has not been made aware of any areas of non-compliance in this regard. In conjunction with GR Engineering's clients, Environmental Management Plans are completed for all design and construction projects using methods that comply with high standards of environmental protection practice and all relevant legislation.

REMUNERATION REPORT – AUDITED

The remuneration report details the amount and nature of the remuneration for the consolidated entity's key management personnel.

Directors

- Geoff Jones (Managing Director)
- Phil Lockyer (Non-Executive Chairman)
- Tony Patrizi (Executive Director)
- Peter Hood (Non-Executive Director)
- Joe Totaro (Non-Executive Director)

Executives

- Omesh Motiwalla (Chief Financial Officer & Company Secretary)

Unless otherwise stated the named persons held their current position for the whole financial year and since the end of the financial year. At the consolidated entity's 2021 Annual General Meeting, 99.8% of eligible shareholders voted in favour of the remuneration report. No specific comments were made regarding the remuneration report at the meeting.

REMUNERATION POLICY

The consolidated entity's remuneration policy has been designed to attract and retain high calibre key employees whose personal interests are aligned with success and growth of the consolidated entity and therefore shareholders. This will be achieved by:

- Staying abreast of labour market forces thereby ensuring remuneration offered by the consolidated entity is competitive and remains so through a process of annual review.
- Devising performance based remuneration programmes.
- Utilising the consolidated entity's Equity Incentive Plan.

NON-EXECUTIVE DIRECTORS

The consolidated entity's policy is to remunerate non-executive directors according to market rates and to reflect the time dedicated to their position and special responsibilities involved.

GR Engineering's Constitution provides that the Directors shall be paid out of the funds of the consolidated entity by way of remuneration for services such sums as may from time to time be determined by the consolidated entity in General Meeting, to be divided among the Directors in such proportions as they shall from time to time agree or in default of agreement, equally.

Directors are encouraged to hold shares in the consolidated entity to align their personal objectives with the growth and profitability of the consolidated entity.



DIRECTORS' REPORT

EXECUTIVE DIRECTORS

Executive Directors' pay and reward is comprised of a competitive base salary. To the extent that executive directors are shareholders in the consolidated entity, their personal objectives are aligned with the performance of the consolidated entity.

SENIOR EXECUTIVES

Executives' remuneration is comprised of a competitive base salary, performance bonuses and share based incentive payments (at the discretion of the board). The Managing Director, Geoff Jones is also eligible to participate in the GR Engineering Services Limited Equity Incentive Plan.

All executive remuneration packages are reviewed annually to ensure they remain competitive and reflect performance. Remuneration paid to directors and executives is valued at cost to the consolidated entity. Options, Performance Rights and Share Appreciation Rights are valued using the Black Scholes and Monte Carlo methods.

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL

| Name | Title | Contract Details | Non Salary Cash Incentives | Shares/ Units | Options/ Rights | Fixed Salary | Total |
|-----------------|---|---|----------------------------|---------------|-----------------|--------------|-------|
| Phillip Lockyer | Non-Executive Chairman | By rotation and re-election | - | - | - | 100% | 100% |
| Geoff Jones | Managing Director | Termination: 6 months notice by the consolidated entity and 3 months notice by the employee | - | - | 10.9% | 89.1% | 100% |
| Tony Patrizi | Executive Director | Termination: 3 months notice by the consolidated entity or employee | - | - | - | 100% | 100% |
| Peter Hood | Non-Executive Director | By rotation and re-election | - | - | - | 100% | 100% |
| Joe Totaro | Non-Executive Director | By rotation and re-election | - | - | - | 100% | 100% |
| Omesh Motiwalla | Company Secretary / Chief Financial Officer | Termination: 3 months notice by the consolidated entity or employee | - | - | 8.1% | 91.9% | 100% |

The terms and conditions upon which key employees are employed are set out in contracts of employment. These contracts provide for minimum notice periods prior to termination and, in some cases restrictive covenants upon termination.

The consolidated entity can terminate the contract at any time in the case of serious misconduct and termination payments may be paid in lieu of notice period.



ANNUAL FINANCIAL REPORT

DIRECTORS' REPORT

REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2022 - BOARD OF DIRECTORS

| | Short Term Benefits | | | Post Employment Benefits | Equity Based Payments | | Total | % Performance Based |
|--------------------------------|---------------------|---------------------|----------|--------------------------|-----------------------|---------|-----------|---------------------|
| | Cash Salary & Fees | Non Cash Payments * | Other ** | | Super-annuation | Equity | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| NON-EXECUTIVE CHAIRMAN | | | | | | | | |
| Phillip Lockyer | | | | | | | | |
| 2022 | 83,734 | - | - | 83,734 | 8,373 | - | 92,107 | 0.0% |
| 2021 | 78,320 | - | - | 78,320 | 7,440 | - | 85,760 | 0.0% |
| EXECUTIVE DIRECTORS | | | | | | | | |
| Geoff Jones | | | | | | | | |
| 2022 | 621,296 | 35,088 | 90,000 | 746,384 | 23,568 | 94,098 | 864,050 | 21.3% |
| 2021 | 580,036 | 46,029 | 85,000 | 711,065 | 21,694 | 177,338 | 910,097 | 28.8% |
| Tony Patrizi | | | | | | | | |
| 2022 | 299,913 | 10,568 | - | 310,481 | 29,991 | - | 340,472 | 0.0% |
| 2021 | 304,615 | 8,934 | - | 313,549 | 28,938 | - | 342,487 | 0.0% |
| NON-EXECUTIVE DIRECTORS | | | | | | | | |
| Barry Patterson*** | | | | | | | | |
| 2022 | - | - | - | - | - | - | - | - |
| 2021 | 28,089 | - | - | 28,089 | 2,668 | - | 30,757 | 0.0% |
| Peter Hood | | | | | | | | |
| 2022 | 62,644 | - | - | 62,644 | 6,264 | - | 68,908 | 0.0% |
| 2021 | 58,593 | - | - | 58,593 | 5,566 | - | 64,159 | 0.0% |
| Joe Totaro | | | | | | | | |
| 2022 | 62,644 | - | - | 62,644 | 6,264 | - | 68,908 | 0.0% |
| 2021 | 58,593 | - | - | 58,593 | 5,566 | - | 64,159 | 0.0% |
| TOTAL DIRECTORS | | | | | | | | |
| 2022 | 1,130,231 | 45,656 | 90,000 | 1,265,887 | 74,460 | 94,098 | 1,434,445 | 12.8% |
| 2021 | 1,108,246 | 54,963 | 85,000 | 1,248,209 | 71,872 | 177,338 | 1,497,419 | 17.5% |

* "Non-Cash payments" refer to reportable fringe benefits (fuel for personal vehicles and novated leases)

** "Other" amounts relate to performance based bonus payments, as approved by the board

*** Deceased - 9 December 2020

REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2022 - EXECUTIVES

| | Short Term Benefits | | | Post Employment Benefits | Equity Based Payments | | Total | % Performance Based |
|---|---------------------|---------------------|----------|--------------------------|-----------------------|---------|-----------|---------------------|
| | Cash Salary & Fees | Non Cash Payments * | Other ** | | Super-annuation | Equity | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| SENIOR EXECUTIVES | | | | | | | | |
| Omesh Motiwala – Company Secretary & Chief Financial Officer | | | | | | | | |
| 2022 | 310,263 | 4,115 | 9,500 | 323,878 | 23,568 | 30,505 | 377,951 | 10.6% |
| 2021 | 289,200 | - | 7,500 | 296,700 | 21,694 | 24,803 | 343,197 | 9.4% |
| GRAND TOTAL - DIRECTORS AND EXECUTIVES | | | | | | | | |
| 2022 | 1,440,494 | 49,771 | 99,500 | 1,589,765 | 98,028 | 124,603 | 1,812,396 | 12.4% |
| 2021 | 1,397,446 | 54,963 | 92,500 | 1,544,909 | 93,566 | 202,141 | 1,840,616 | 16.0% |

* "Non-Cash payments" refer to reportable fringe benefits (fuel for personal vehicles and novated leases)

** "Other" amounts relate to performance based bonus payments, as approved by the board



DIRECTORS' REPORT

LONG TERM INCENTIVES

Equity Incentive Plan

The GR Engineering Services Limited 2019 Equity Incentive Plan (**Plan**) was adopted by the Board on 25 October 2019. In accordance with the Listing Rules of the Australian Securities Exchange (ASX), shareholder approval of the Plan was obtained at the consolidated entity's Annual General Meeting held on 28 November 2019. Under the ASX Listing Rules and Corporations Act 2001 (Cth), the issue of securities under the Plan to directors will be subject to separate shareholder approval. Eligible participants in the Plan include those defined in ASIC Class Order 14/1000 (CO) or as determined by the Board to be eligible to participate in the Plan from time to time.

The Plan is designed to align the interests of executives and employees with the interests of shareholders by providing an opportunity to receive an equity interest in the consolidated entity and therefore direct participation in the benefits of future consolidated entity performance over the medium to long term.

This is achieved by awarding both or either:

- Performance Rights (PR), with each PR being a right to acquire one fully paid ordinary share of the consolidated entity and vesting upon the satisfaction of certain performance conditions; and
- Share Appreciation Rights (SARs), being rights to receive a future payment in shares, based on the amount of increase in market value of one share in the consolidated entity in a specified period between the grant of the SAR and exercise of that SAR.

Securities issued under the Plan will be subject to vesting criteria as determined by the Board and have a term of 3 years (or such term as otherwise agreed by the Board).

During the year ended 30 June 2022, a total of 525,000 Performance Rights were issued in accordance with the terms and conditions of the Plan. A total of 4,770,000 Performance Rights were on issue as at 30 June 2022.

| Grant Date | Vesting Date | Expiry Date | Exercise Price | Number | Fair Value |
|-------------|--------------|-------------|----------------|-----------|------------|
| 16 Jul 2019 | 16 Jul 2022 | 16 Jul 2022 | Nil | 50,000 | \$0.670 |
| 14 Sep 2021 | 14 Sep 2023 | 14 Sep 2023 | Nil | 3,950,000 | \$0.683 |
| 18 Feb 2021 | 14 Sep 2023 | 14 Sep 2023 | Nil | 95,000 | \$0.967 |
| 9 Jun 2021 | 14 Sep 2023 | 14 Sep 2023 | Nil | 150,000 | \$1.130 |
| 22 Jul 2021 | 22 Jul 2024 | 22 Jul 2024 | Nil | 65,000 | \$1.050 |
| 30 Nov 2021 | 30 Nov 2024 | 30 Nov 2024 | Nil | 300,000 | \$1.420 |
| 7 Feb 2022 | 7 Feb 2025 | 7 Feb 2025 | Nil | 100,000 | \$1.520 |
| 7 Feb 2022 | 14 Sep 2023 | 14 Sep 2023 | Nil | 35,000 | \$1.780 |
| 21 Mar 2022 | 21 Mar 2025 | 21 Mar 2025 | Nil | 25,000 | \$1.470 |

Performance Rights which lapsed during the financial year do not relate to key management personnel.

A total of 386,015 Share Appreciation Rights are on issue pursuant to the Plan, with 305,968 ordinary shares vesting in FY22.

The following share-based payment compensation relates to Share Appreciation Rights issued to senior management:

| Name | Grant Date | Vesting Date | Date Exercised | Number of Shares Issued on Vesting Date | Exercise Price \$ | Quantity | Fair Value \$ | % of Compensation for the Year Consisting of Share Appreciation Rights |
|--------------|-------------|--------------|----------------|---|-------------------|----------|---------------|--|
| Geoff | 25 Nov 2020 | 1 Jul 2022 | 1 July 2022 | 285,301 | Nil | 478,432 | \$0.2110 | 10.9% |
| Jones | 25 Nov 2020 | 1 Jul 2023 | | | Nil | 386,015 | \$0.2070 | |



DIRECTORS' REPORT

The following share-based payment compensation relates to Performance Rights issued to directors and senior management:

| Name | Grant Date | Vesting Date | Number of Shares Issued on Vesting Date | Exercise Price \$ | Quantity | Fair Value \$ | % of Compensation for the Year Consisting of Performance Rights |
|------------------------|-------------|--------------|---|-------------------|----------|---------------|---|
| Omesh Motiwalla | 16 Jul 2019 | 16 Jul 2022 | 50,000 | Nil | 50,000 | \$0.6700 | 8.1% |
| Omesh Motiwalla | 14 Sep 2020 | 14 Sep 2023 | | Nil | 100,000 | \$0.6830 | |

RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION POLICY

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the 5 years to 30 June 2022:

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|---------|---------|---------|---------|---------|
| Revenue (\$000's) | 283,603 | 182,256 | 222,402 | 392,385 | 651,669 |
| Net profit before tax (\$000's) | 16,202 | 8,761 | -9,661 | 30,556 | 50,305 |
| Net profit after tax (\$000's) | 11,641 | 6,530 | -7,250 | 21,010 | 34,720 |
| Share price at year end | \$1.39 | \$0.80 | \$0.72 | \$1.50 | \$1.94 |
| Dividend (\$000's) | 9,195 | 13,815 | 6,145 | 13,964 | 25,773 |
| EPS (cents) | 7.60 | 4.25 | (4.72) | 13.48 | 21.55 |
| Diluted EPS (cents) | 7.45 | 4.19 | (4.72) | 13.11 | 20.85 |

Tony Patrizi, an Executive Director and four key employees hold significant shareholdings in the consolidated entity. As a result the performance of the consolidated entity and the personal and financial interest of its executive and management team are aligned.

The Plan has been adopted by the consolidated entity and will be implemented as the Remuneration & Nomination Committee identify the need to remunerate either existing or future employees, key employees, executives or executive directors on a performance basis.



DIRECTORS' REPORT

SHAREHOLDING

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| 2022 | Balance at the start of the year | Received as part of remuneration | Additions / other | Disposals / other | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|-------------------|-------------------|--------------------------------|
| Ordinary shares | | | | | |
| Phillip Lockyer | 50,000 | - | - | - | 50,000 |
| Geoff Jones* | 772,134 | 305,968 | - | (878,102) | 200,000 |
| Tony Patrizi | 9,795,000 | - | - | - | 9,795,000 |
| Peter Hood | 500,000 | - | - | - | 500,000 |
| Joe Totaro | 8,000,000 | - | - | - | 8,000,000 |
| Omesh Motiwalla | 62,990 | - | 7,500 | (50,490) | 20,000 |
| | 19,180,124 | 305,968 | 7,500 | (928,592) | 18,565,000 |

| 2021 | Balance at the start of the year | Received as part of remuneration | Additions / other | Disposals / other | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|-------------------|-------------------|--------------------------------|
| Ordinary shares | | | | | |
| Phillip Lockyer | 50,000 | - | - | - | 50,000 |
| Geoff Jones | 772,134 | - | - | - | 772,134 |
| Tony Patrizi | 9,795,000 | - | - | - | 9,795,000 |
| Barry Patterson** | 7,500,000 | - | - | (7,500,000) | - |
| Peter Hood | 500,000 | - | - | - | 500,000 |
| Joe Totaro | 8,000,000 | - | - | - | 8,000,000 |
| Omesh Motiwalla | 29,500 | - | 33,490 | - | 62,990 |
| | 26,646,634 | - | 33,490 | (7,500,000) | 19,180,124 |

* Sale of shares was performed off-market, in order to meet the tax obligations of the security holder

** Deceased 9 December 2020

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the year ended 30 June 2022, the consolidated entity leased office space at 71 Daly Street, Ascot WA from Ashguard Pty Ltd. A director of the consolidated entity, Tony Patrizi, had a non-controlling interest in Ashguard Pty Ltd. The total amount invoiced by Ashguard Pty Ltd in the year ended 30 June 2022 amounted to \$799,179 including GST (2021: \$734,639). The balance payable at 30 June 2022 is \$61,159 (2021: \$57,910).

During the year ended 30 June 2022 the consolidated entity procured items from Mak Industrial Water Solutions Limited, a company in which Peter Hood is Chairman. The total amount invoiced by Mak Industrial Water Solutions Limited in the year ended 30 June 2022 amounted to \$12,609 including GST (2021: \$288,251). The balance payable at 30 June 2022 is \$12,609 (2021: nil).

The terms and conditions of the transactions and the associated agreements to which they relate (where applicable) that have been set out above are at arm's length and on normal commercial terms.

This marks the end of the remuneration report.



DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Directors of the consolidated entity are committed to the highest standards of corporate governance in all elements of the business of the consolidated entity including internal control, ethics, risk functions, policies and internal and external audit.

The consolidated entity's Board of Directors has adopted a comprehensive corporate governance policy and manual based on ASX guidelines. The Board continually seeks to review and develop additional structures to be implemented as the consolidated entity's activities develop in size, nature and scope.

Please refer to the Corporate Governance Statement contained in this report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'G Jones', written over a large, loopy, oval-shaped flourish.

Geoff Jones
Managing Director

Date : 22 August 2022



ANNUAL FINANCIAL REPORT

AUDITOR'S INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu
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22 August 2022

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

Dear Board Members,

GR Engineering Services Limited

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

As lead audit partner for the audit of the financial report of GR Engineering Services Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Pieter Janse van Nieuwenhuizen
Partner
Chartered Accountants



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | Consolidated 2022 \$ | 2021 \$ (Restated*) |
|---|-------|----------------------------|---------------------------|
| Revenue | 5 | 651,669,067 | 392,385,045 |
| Other income | 6 | 3,110,472 | 1,101,861 |
| Expenses | | | |
| Employee benefits expense | 7 | (146,888,417) | (111,288,710) |
| Depreciation and amortisation expense | 7 | (5,268,578) | (3,155,890) |
| Equity based payments | | (1,020,279) | (669,435) |
| Finance costs | 7 | (360,530) | (379,707) |
| Direct materials and subcontractor costs | | (433,737,400) | (237,521,266) |
| Accountancy & audit fees | | (675,867) | (474,908) |
| Marketing | | (162,844) | (189,226) |
| (Expected credit losses, write-offs) and reversals | 10 | (2,414,284) | 246,317 |
| Occupancy | | (680,608) | (493,641) |
| Administration | | (13,265,731) | (9,003,980) |
| Profit before income tax expense | | <u>50,305,001</u> | <u>30,556,460</u> |
| Income tax expense | 8 | <u>(15,584,708)</u> | <u>(9,546,404)</u> |
| Profit after income tax expense for the year attributable to the owners of GR Engineering Services Limited | 21 | <u><u>34,720,293</u></u> | <u><u>21,010,056</u></u> |
| Other comprehensive income for the year, net of income tax | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Fair value gain/(loss) on financial assets | | (530,980) | 2,299,724 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | 456,255 | (59,173) |
| Other comprehensive income for the year, net of income tax | | <u>(74,725)</u> | <u>2,240,551</u> |
| Total comprehensive income for the year attributable to the owners of GR Engineering Services Limited | | <u><u>34,645,568</u></u> | <u><u>23,250,607</u></u> |
| Profit attributable to owners of the parent | | <u><u>34,720,293</u></u> | <u><u>21,010,056</u></u> |
| Total comprehensive income attributable to the owners of the parent | | <u><u>34,645,568</u></u> | <u><u>23,250,607</u></u> |
| | | Cents | Cents |
| Basic earnings per share | 30 | 21.55 | 13.48 |
| Diluted earnings per share | 30 | 20.85 | 13.11 |

* See note 2 for details of restatement



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

| | Notes | Consolidated 2022 \$ | 2021 \$ |
|--------------------------------|-------|----------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 101,994,568 | 68,972,970 |
| Trade and other receivables | 10 | 93,263,261 | 52,151,340 |
| Inventories | 11 | 49,441 | 33,832 |
| Prepayments | | 2,571,052 | 1,378,449 |
| Total current assets | | <u>197,878,322</u> | <u>122,536,591</u> |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 8,359,133 | 8,672,089 |
| Financial assets | 13 | 742,041 | 2,192,175 |
| Intangible assets | 14 | 23,000,657 | 23,710,008 |
| Deferred tax | 8 | 1,884,245 | 289,745 |
| Total non-current assets | | <u>33,986,076</u> | <u>34,864,017</u> |
| Total assets | | <u>231,864,398</u> | <u>157,400,608</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | 97,505,989 | 64,084,181 |
| Borrowings | 16 | 1,576,630 | 4,717,382 |
| Current tax liability | 8 | 4,252,240 | 3,490,281 |
| Provisions | 17 | 16,713,929 | 11,167,353 |
| Contract liabilities | 18 | 44,563,914 | 16,585,801 |
| Total current liabilities | | <u>164,612,702</u> | <u>100,044,998</u> |
| Non-current liabilities | | | |
| Borrowings | 16 | 2,682,047 | 3,539,762 |
| Provisions | 17 | 2,409,025 | 2,176,220 |
| Total non-current liabilities | | <u>5,091,072</u> | <u>5,715,982</u> |
| Total liabilities | | <u>169,703,774</u> | <u>105,760,980</u> |
| Net assets | | <u>62,160,624</u> | <u>51,639,628</u> |
| Equity | | | |
| Issued capital | 19 | 39,890,962 | 39,141,677 |
| Reserves | 20 | 2,055,609 | 1,326,380 |
| Retained profits | 21 | 20,214,053 | 11,171,571 |
| Total equity | | <u>62,160,624</u> | <u>51,639,628</u> |



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | Consolidated 2022 \$ | 2021 \$ |
|---|-------|----------------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 684,143,535 | 425,733,083 |
| Payments to suppliers and employees | | (598,374,003) | (371,379,760) |
| Income tax paid | | (16,149,000) | (4,926,821) |
| Interest received | | 124,768 | 69,680 |
| Net cash flows provided by operating activities | 9 | <u>69,745,300</u> | <u>49,496,182</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (3,611,221) | (1,688,147) |
| Proceeds from sale of property, plant and equipment | | 17,305 | 4,515 |
| Proceeds from sale of financial assets | | 650,903 | 6,106,738 |
| Net cash outflow on acquisition of business | | (1,049,495) | (5,888,212) |
| Net cash flows used in investing activities | | <u>(3,992,508)</u> | <u>(1,465,106)</u> |
| Cash flows from financing activities | | | |
| Payment of lease liabilities | | (4,939,549) | (1,401,878) |
| Dividends paid | | (25,772,746) | (13,963,787) |
| Interest paid | | (327,806) | (302,678) |
| Proceeds from (repayment of) borrowings | | (2,419,320) | (984,393) |
| Net cash flows used in financing activities | 9 | <u>(33,459,420)</u> | <u>(16,652,736)</u> |
| Net increase in cash and cash equivalents | | 32,293,372 | 31,378,340 |
| Cash and cash equivalents at beginning of period | | 68,972,970 | 37,528,995 |
| Effects of exchange rate changes of balances of cash held in foreign currencies | | 728,226 | 65,635 |
| Cash and cash equivalents at end of period | 9 | <u>101,994,568</u> | <u>68,972,970</u> |



ANNUAL FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

| | Issued capital | Performance Rights Reserve | Share Appreciation Rights Reserve | Foreign Currency Translation Reserve | Investment Revaluation Reserve (Restated*) | Retained Earnings (Restated*) | Total (Restated*) |
|--|----------------|----------------------------------|--|---|---|-------------------------------------|----------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance as at 30 June 2020 | 30,594,847 | 1,749,055 | - | (783,634) | 1,227,847 | 1,895,258 | 34,683,373 |
| Profit for the period | - | - | - | - | - | 21,010,056 | 21,010,056 |
| Other comprehensive income for the period | - | - | - | (59,173) | 2,299,724 | - | 2,240,551 |
| Total comprehensive income for the period | - | - | - | (59,173) | 2,299,724 | 21,010,056 | 23,250,607 |
| Dividends | - | - | - | - | - | (13,963,787) | (13,963,787) |
| Issue of shares | 8,546,830 | (1,546,830) | - | - | - | - | 7,000,000 |
| Share based payments | - | 492,097 | 177,338 | - | - | - | 669,435 |
| Realised gain on Investments in equities transferred to retained earnings | - | - | - | - | (2,230,044) | 2,230,044 | - |
| Balance as at 30 June 2021 | 39,141,677 | 694,322 | 177,338 | (842,807) | 1,297,527 | 11,171,571 | 51,639,628 |
| Profit for the period | - | - | - | - | - | 34,720,293 | 34,720,293 |
| Other comprehensive income for the period | - | - | - | 456,255 | (530,980) | - | (74,725) |
| Total comprehensive income for the period | - | - | - | 456,255 | (530,980) | 34,720,293 | 34,645,568 |
| Dividends | - | - | - | - | - | (25,772,746) | (25,772,746) |
| Issue of shares | 749,285 | - | (121,390) | - | - | - | 627,895 |
| Share based payments | - | 926,181 | 94,098 | - | - | - | 1,020,279 |
| Realised gain on Investments in equities transferred to retained earnings | - | - | - | - | (94,935) | 94,935 | - |
| Balance as at 30 June 2022 | 39,890,962 | 1,620,503 | 150,046 | (386,552) | 671,612 | 20,214,053 | 62,160,624 |

* See note 2 for details of restatement



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 1. General information

The financial report covers GR Engineering Services Limited as a consolidated entity consisting of GR Engineering Services Limited and the entities it controlled during the year. The financial report is presented in Australian dollars, which is GR Engineering Services Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

GR Engineering Services Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business of GR Engineering Services Limited is located at 71 Daly Street, Ascot, Western Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 17 August 2022. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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 the current annual reporting period beginning 1 July 2021.

The following new and revised Standards and Interpretations effective for the current reporting period that are relevant to the consolidated entity include:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*

The adoption of these standards and interpretations did not have a material impact on the consolidated entity.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

The Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2022 are detailed below. Only those that may have an impact on the consolidated entity have been listed.

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|--|---|
| <ul style="list-style-type: none"> AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments | 1 January 2022 | 30 June 2023 |
| <ul style="list-style-type: none"> AASB 17 Insurance Contracts | 1 January 2023 | 30 June 2024 |
| <ul style="list-style-type: none"> AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2023 | 30 June 2024 |
| <ul style="list-style-type: none"> AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date | 1 January 2023 | 30 June 2024 |
| <ul style="list-style-type: none"> AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates | 1 January 2023 | 30 June 2024 |
| <ul style="list-style-type: none"> AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 | 30 June 2024 |
| <ul style="list-style-type: none"> AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information | 1 January 2023 | 30 June 2024 |

Management are currently undertaking an assessment of the impact of recently issued or amended standards and interpretations on the consolidated entity.

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the consolidated entity. For the purposes of preparing the consolidated financial statements, the consolidated entity is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the consolidated entity comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

Historical cost convention

The 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, as explained in the accounting policies below. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the consolidated entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the consolidated entity and entities (including structured entities) controlled by the consolidated entity and its subsidiaries. Control is achieved when the consolidated entity:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The consolidated entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the consolidated entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The consolidated entity considers all relevant facts and circumstances in assessing whether or not the consolidated entity's voting rights in an investee are sufficient to give it power, including:

- the size of the consolidated entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the consolidated entity, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the consolidated entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Consolidation of a subsidiary begins when the consolidated entity obtains control over the subsidiary and ceases when the consolidated entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the consolidated entity gains control until the date when the consolidated entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the consolidated entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the consolidated entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the consolidated entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the consolidated entity are eliminated in full on consolidation.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director of the consolidated entity.

Foreign currency translation

The financial report is presented in Australian dollars, which is GR Engineering Services Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The functional currency of GR Engineering Services (UK) Limited is Great British pounds. The functional currency of GR Engineering Services (Greece) is Euro. The functional currency of GR Engineering Services Turkey is Turkish Lira. The functional currency of GR Engineering Services (Papua New Guinea) is Papua New Guinea Kina. The functional currency of other foreign subsidiaries of the consolidated entity is United States dollars.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Revenue recognition

Revenue is recognised for the two segments: Mineral Processing and Oil & Gas.

Mineral Processing

The Mineral Processing segment includes Engineering, Procurement & Construction (EPC) contracts and Engineering, Procurement & Construction Management (EPCM) Contracts.

In these contracts, the consolidated entity provides services comprising design and construction of minerals processing facilities and associated infrastructure for complete greenfields or brownfields projects including plant modifications, upgrades and expansions, plant evaluation and condition reports, plant operations and maintenance support and optimisation, plant relocation, refurbishment and recommissioning, and provision of owners representatives and teams for project management and delivery. Project management services also include project studies (concept through to bankable feasibility), engineering and procurement, construction and commissioning, asset management plans and system development, operations and technical support (audits, reviews and consulting), and infrastructure development.

EPC and EPCM contracts generally contain a single performance obligation because the activities are highly integrated with each other to represent the combined output for which the customer has contracted, and therefore are not distinct from one another. Additionally, whilst some of the services could be provided to the customer individually, this is not the business practice as customers engage the consolidated entity to provide a start to end service.

The consolidated entity enters into fixed sum contracts or guaranteed maximum price contracts. In some cases, variable consideration is present in the contract in the form of, for example, bonus payments or penalties based on performance, or variations. Where variable consideration is present in a contract, the constraint of estimates of variable consideration is applied as necessary by assessing the historical performance of the consolidated entity on similar contracts and consideration of factors that are outside the consolidated entity's influence. Revenue for EPC and EPCM contracts is recognised over time because the performance creates and enhances an asset controlled by the customer as the work is performed. The asset is specific to the customer as it cannot be sold elsewhere or have another use, and the consolidated entity is entitled to payment for work performed. In recognising revenue over time, the consolidated entity measures the satisfaction of progress using cost as an input as cost faithfully depicts the transfer of value to the customer.

In addition to the above, the consolidated entity enters into contracts for the sale of assets, where revenue is recognised over time because the performance creates and enhances an asset controlled by the customer, as the work is performed. The asset is specific to the customer, as it cannot be sold elsewhere or have an alternative use, and the consolidated entity is entitled to payment for work performed. In recognising revenue over time, the consolidated entity measures the satisfaction of progress using cost as an input, as cost faithfully depicts the transfer of value to the customer.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Oil & Gas

Oil and Gas contracts comprise the delivery of operations and maintenance, wellsites, engineering and production assurance services to the customer base. Under these contracts, the services provided is the provision of labour as well as the procurement of equipment for the customer on an as needs basis. These arrangements can be long or short term and are generally structured as an overarching master agreement, with individual work orders made by the customer. Each work order will specify the services to be performed. The combination of the master agreement and each work order forms the contract.

Each work order is deemed to be a contract and each work order is generally considered to be one performance obligation. These contracts do not have a fixed fee and the customer is charged based on the number of labour hours incurred, multiplied by agreed rates contained in the master agreement. Equipment may also be provided to customers which is charged on a recoverable basis as and when the equipment is procured and provided to the customer.

Revenue for contracts in this segment is recognised over time as the customer simultaneously receives and consumes the benefits of the services being provided as they are performed. The consolidated entity will bill the client on a monthly basis based on hours incurred multiplied by the agreed rates or on a cost plus basis. This will also include any recoverable expenditure incurred for equipment provided in respect of that period. Therefore, the consolidated entity has a right to consideration from its customers in an amount that corresponds directly with the value to the customer of the consolidated entity's performance completed to date and hence the consolidated entity has decided to adopt the practical expedient of recognising revenue on a billings basis.

Tender costs

Tender costs are expensed as they are not incremental costs to obtaining the contract.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Contract fulfilment costs

Significant costs incurred prior to the commencement of a contract may arise for example due to mobilisation / site setup costs and tender costs. These activities are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of a service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

Loss making contracts

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue. The provision is recognised in full in the period in which loss-making contracts are identified under AASB 137.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Contract assets and liabilities

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what is commonly known as 'accrued revenue' and 'deferred revenue'. Contract receivables represent receivables in respect of which the consolidated entity's right to consideration is unconditional subject only to the passage of time. Contract receivables are non-derivative financial assets accounted for in accordance with the consolidated entity's accounting policy for financial assets set out in Note 23. Contract assets represent the consolidated entity's right to consideration for services provided to customers for which the consolidated entity's right remains conditional on something other than the passage of time. Contract liabilities arise where payment is received prior to work being performed. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

Income tax

GR Engineering Services Limited and its wholly owned Australian resident entities formed a tax-consolidated group under Australian taxation law and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is GR Engineering Services Limited.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The consolidated entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided for on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated entity's statement of financial position when the consolidated entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the consolidated entity may make the following irrevocable election/designation at initial recognition of a financial asset:

- the consolidated entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the consolidated entity may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other income" line item (note 6).

(ii) Equity instruments designated as at fair value through other comprehensive income (FVOTCI)

On initial recognition, the consolidated entity may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the consolidated entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with AASB 9, unless the dividends clearly represent a recovery of part of the cost of the investment.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

The consolidated entity has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of AASB 9 (see note 13).

(iii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the consolidated entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The consolidated entity has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in 'Other income' (note 6).

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The consolidated entity always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the consolidated entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the consolidated entity recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the consolidated entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Derecognition of financial assets

The consolidated entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the consolidated entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the consolidated entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the consolidated entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the consolidated entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the consolidated entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the consolidated entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the consolidated entity's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the consolidated entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The consolidated entity derecognises financial liabilities when, and only when, the consolidated entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the consolidated entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the consolidated entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Property, plant and equipment - over 2.5 to 20 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

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

Impairment losses are recognised in the profit or loss in the depreciation and amortisation expense line item.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the period the item is derecognised.

Leases

The consolidated entity assesses whether a contract is or contains a lease, at inception of the contract. The consolidated entity recognises as a right of use asset and a corresponding liability at the date on which the leased asset is available for use by the consolidated entity, except for short term or low value leases. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be determined, the lessee's incremental borrowing rate is used being the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease liabilities include the value of the following lease payments, where applicable:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lease under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liabilities are presented in borrowings in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

The consolidated entity remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances;
- The lease payments change due to changes in an index or rate or a change in expected payments under a guaranteed residual value;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The consolidated entity did not make any such adjustments during the current period.

The right of use assets comprise the initial measurement of the corresponding lease liability, less any lease incentives received and any initial direct costs. They are subsequently measured as cost less accumulated depreciation and any impairment losses.

The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. The lease term is the current contracted lease term and the term of any lease extension option where there is a reasonable certainty that the option to extend the lease will be exercised. The right of use assets are presented in property, plant and equipment in the consolidated statement of financial position.

The consolidated entity applies AASB 136 *Impairment of Assets* to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the policies under "Impairment of non-financial assets".

The consolidated entity applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered low value (i.e. below \$5,000). Lease payments on short-term leases and leases of low-value assets recognised as an expense in profit or loss on a straight-line basis over the lease term.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the consolidated entity expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries, annual leave and sick leave

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

The fair value determined at the grant date of the share based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of equity instruments that will eventually vest. At the end of each reporting period, the consolidated entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of GR Engineering Services Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the consolidated entity, liabilities incurred by the consolidated entity to the former owners of the acquiree and the equity interest issued by the consolidated entity in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively.

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 acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the consolidated entity in a business combination includes a deferred consideration arrangement, the deferred consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the deferred consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the deferred consideration that do not qualify as measurement period adjustments depends on how the deferred consideration is classified. Deferred consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other deferred consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the consolidated entity's cash-generating units (or consolidated entity of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that 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 pro rata based on the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangibles

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 2. Significant accounting policies (continued)

Restatement of other income to other comprehensive income

The consolidated entity identified that the gain on the sale of financial assets (i.e. the sale of Ora Banda shares) was recognised in other income rather than other comprehensive income in the Consolidated statement of profit or loss during the prior year ended 30 June 2021. Whilst the consolidated entity did realise a gain on sale of the Ora Banda shares of \$3.2 million, the accounting treatment is inconsistent with the consolidated entity's accounting policy to recognise any gain or loss arising from investments in equity instruments at fair value through other comprehensive income rather than other income. This resulted in an overstatement of other income for the prior year ended 30 June 2021 and a corresponding understatement of other comprehensive income, noting there was no impact to retained earnings, the balance sheet or cashflow statement. In addition, there was no impact to the FY22 financial year results. This inconsistency with the consolidated entity's accounting policy and AASB 9 Financial instruments requirements has been corrected by restatement of each of the affected financial statement line items for the prior year as follows:

Consolidated statement of profit or loss and other comprehensive income (extract):

| | 30 June 2021 \$ | Increase/ (Decrease) \$ | 30 June 2021 (restated) \$ |
|---|--------------------|-------------------------------|----------------------------------|
| Other income | 4,287,638 | (3,185,777) | 1,101,861 |
| Profit before income tax expense | 33,742,237 | (3,185,777) | 30,556,460 |
| Income tax expense | (10,502,137) | 955,733 | (9,546,404) |
| Profit after income tax expense for the year attributable to the owners of GR Engineering Services Limited | 23,240,100 | (2,230,044) | 21,010,056 |
| Fair value gain/(loss) on financial assets (net of income tax) | 69,680 | 2,230,044 | 2,299,724 |
| Other comprehensive income for the year, net of income tax | 10,507 | 2,230,044 | 2,240,551 |
| Basic earnings per share | 14.92 | (1.44) | 13.48 |
| Diluted earnings per share | 14.51 | (1.40) | 13.11 |

The consolidated statement of financial position is not affected by this restatement.

The correction further affected some of the amounts disclosed in notes 4, 6, 8, 20, 21, 28 and 30.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Revenue recognition, contract assets and liabilities

Where the outcome of a mineral processing contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is highly probable will be recoverable.

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue. The provision is recognised in full in the period in which loss-making contracts are identified under AASB 137.

Warranties

Because the consolidated entity predominantly undertakes projects on an Engineering, Procurement & Construction turnkey design and construction contract basis, all the risk associated with cost, time, plant performance and plant warranty (defects period) rests with the consolidated entity. As such the consolidated entity is responsible for the total "make-good" of any defects of underperformance.

The consolidated entity includes a project completion and close out provision (liability) in design and construction project cost forecast reports of 3% of the project costs, or such other amount as assessed by management having regard to specific project requirements.

Trade and other receivables and contract assets

As disclosed in the accounting policies in Note 2, an estimate of expected credit losses in respect of trade and other receivables is regularly made. Bad debts are written off when identified. The allowance for expected credit losses requires significant estimation and judgement. The Directors and management utilise the most recent available information available to them such as the aging of the receivable, historical experience with the customer, historical collection rates and specific knowledge of the individual debtor situations to make their estimation of the recoverability of trade receivables and contract assets. Included in past due but not impaired balances, are situations whereby the consolidated entity will from time to time enter into payment plans with customers for commercial reasons. These payment plans entered into will normally extend the credit terms provided to the customer. In such situations, management exercise their judgement to determine their estimated recovery and whether any loss allowance is required to be recognised in respect of the individual debtor and any associated contract asset. The impact of the COVID-19 pandemic on the consolidated entity has been assessed and it has not affected the recoverability of any trade receivables or contract assets.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 3. Critical accounting judgements, estimates and assumptions (continued)

When the assessment is made that there is an expected credit loss to be incurred, a loss allowance will be raised against a debtor and any contract asset to account for this expected loss. Where the estimation is different to actual results, carrying amounts are adjusted in the next financial period.

Lease term

Management has exercised their judgement in the determination of the lease term. Management have considered extension options under their lease agreements and if it is reasonably certain that these options will be exercised, an extended lease term will be assumed.

Impairment testing

The consolidated entity assesses for impairment at each reporting date and when an indicator of impairment is present by evaluating conditions specific to the consolidated entity that may lead to impairment of assets and the recoverable amount of the asset being determined. Value-in use-calculations performed in assessing recoverable amounts incorporate a number of key estimates such as growth rates, discount rates and EBITDA margins.

Useful lives of intangible assets

The useful life of customer assets and intellectual property assets acquired in business combinations are assessed at the time of acquisition. This requires estimation and judgement relating the length of time assets will be required to be replaced and the benefit to be derived from the relationships. Amortisation of these assets is based on the useful life assigned at acquisition and amortised based on a straight line basis of the estimated useful life as assigned on acquisition.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 4. Operating segments

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

| | 2022 | 2021 |
|--------------------|--------------------|--------------------|
| | \$ | \$ |
| Mineral processing | 496,694,611 | 269,004,457 |
| Oil and gas | 154,974,456 | 123,380,588 |
| Total revenue | <u>651,669,067</u> | <u>392,385,045</u> |

Segment profit before tax

| | 2022 | 2021 |
|-------------------------|-------------------|-------------------|
| | \$ | \$ |
| | | (Restated*) |
| Mineral processing | 36,348,121 | 17,183,535 |
| Oil and gas | 13,956,880 | 13,372,925 |
| Total profit before tax | <u>50,305,001</u> | <u>30,556,460</u> |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2021: nil).

Segment assets and liabilities

Segment assets

| | 2022 | 2021 |
|--------------------|--------------------|--------------------|
| | \$ | \$ |
| Mineral processing | 191,227,956 | 121,107,422 |
| Oil and gas | 39,894,401 | 34,101,011 |
| Corporate | 742,041 | 2,192,175 |
| Total assets | <u>231,864,398</u> | <u>157,400,608</u> |

Depreciation and amortisation

| | 2022 | 2021 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| Mineral processing | 4,076,335 | 2,142,127 |
| Oil and gas | 1,192,243 | 1,013,763 |
| Total depreciation and amortisation | <u>5,268,578</u> | <u>3,155,890</u> |

Segment liabilities

| | 2022 | 2021 |
|--------------------|--------------------|--------------------|
| | \$ | \$ |
| Mineral processing | 152,545,462 | 88,609,168 |
| Oil and gas | 17,158,312 | 17,151,812 |
| Total liabilities | <u>169,703,774</u> | <u>105,760,980</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 4. Operating segments (continued)

Geographical information

The following table shows the revenue from external customers of the consolidated entity summarised by location.

Revenue

| | 2022 | 2021 |
|---------------|--------------------|--------------------|
| | \$ | \$ |
| Australia | 608,752,166 | 370,508,669 |
| Overseas | 42,916,901 | 21,876,376 |
| Total revenue | <u>651,669,067</u> | <u>392,385,045</u> |

Non-current assets

| | 2022 | 2021 |
|--------------------------|-------------------|-------------------|
| | \$ | \$ |
| Australia | 29,550,115 | 30,453,917 |
| Overseas | 4,435,961 | 4,410,100 |
| Total non-current assets | <u>33,986,076</u> | <u>34,864,017</u> |

Information about major customers

During the financial year, two customers individually provided more than 10% of total revenue each for the consolidated entity (2021: 2 customers).

Note 5. Revenue

| | Consolidated | |
|--|--------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Rendering of services - mineral processing - over time | 496,694,611 | 269,004,457 |
| Rendering of services - oil & gas - over time | 154,974,456 | 123,380,588 |
| Total revenue | <u>651,669,067</u> | <u>392,385,045</u> |

Note 6. Other income

| | Consolidated | |
|--|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| | | (Restated*) |
| Net foreign exchange gain/(loss) | 171,034 | (105,464) |
| Net gain/(loss) on disposal of property, plant and equipment | 17,305 | (5,046) |
| Subsidies and grants | 2,649 | 84,132 |
| Interest revenue | 124,768 | 69,680 |
| Employee reimbursements | 448,065 | 344,598 |
| Other gains | 2,346,651 | 713,961 |
| Total other income | <u>3,110,472</u> | <u>1,101,861</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 7. Expenses

| | Consolidated | |
|--|--------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Profit before income tax includes the following specific expenses: | | |
| <i>Finance costs</i> | | |
| Interest and leasing charges on leases | 360,530 | 379,707 |
| <i>Employee benefits</i> | | |
| Employee benefits expense excluding superannuation | 134,222,642 | 102,088,346 |
| Defined contribution superannuation expense | 11,214,157 | 8,202,191 |
| Workers compensation expense | 1,451,618 | 998,173 |
| Total employee benefits | 146,888,417 | 111,288,710 |
| <i>Administration costs</i> | | |
| Net loss on disposal of inventories | - | 17,000 |
| <i>Depreciation and amortisation</i> | | |
| Depreciation of property plant and equipment | 1,843,761 | 1,263,968 |
| Depreciation of right of use assets | 2,202,292 | 1,689,930 |
| Total depreciation | 4,046,053 | 2,953,898 |
| Amortisation of intangible assets | 1,222,525 | 201,992 |
| Total depreciation and amortisation | 5,268,578 | 3,155,890 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 8. Income tax expense

Major components of income tax expense for the years ended 30 June 2021 and 2022 are:

Income tax recognised in the Consolidated statement of profit or loss

| | Consolidated | |
|--|-------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current income tax</i> | | (Restated*) |
| Current income tax charge | 17,141,992 | 9,404,983 |
| Other current income tax charges | 166,237 | 218,512 |
| Adjustments in respect of current income tax of previous years | (405,231) | 17,336 |
| <i>Deferred income tax</i> | | |
| Relating to origination and reversal of temporary differences | (1,537,991) | 72,115 |
| Adjustments in respect of previous deferred income tax | 219,701 | (166,542) |
| Income tax expense reported in statement of profit or loss | <u>15,584,708</u> | <u>9,546,404</u> |

Income tax recognised in other comprehensive income

| | | |
|--|----------------|------------------|
| Investments in equity instruments at fair value through other comprehensive income | 296,731 | 1,040,262 |
| | <u>296,731</u> | <u>1,040,262</u> |

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the consolidated entity's effective income tax rate for the years ended 30 June 2021 and 2022 is as follows:

| | | |
|--|-------------------|------------------|
| Accounting profit before income tax | 50,305,001 | 30,556,460 |
| At the statutory income tax rate of 30% (2021: 30%) | 15,091,500 | 9,166,938 |
| Add: | | |
| Non-deductible expenses | 393,196 | 333,186 |
| Adjustments in respect of previous year current income tax | (185,530) | 17,336 |
| Other current income tax charges | 166,237 | 34,251 |
| Foreign losses not recognised | 119,305 | - |
| Impact to tax expense arising from foreign tax rate differential | - | (5,307) |
| At effective income tax rate of 30.6% (2021: 31.0%) | <u>15,584,708</u> | <u>9,546,404</u> |
| Income tax expense reported in statement of profit or loss | <u>15,584,708</u> | <u>9,546,404</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 8. Income tax expense (continued)

| | Consolidated | |
|--|--------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Deferred income tax | | |
| Deferred income tax at 30 June relates to the following: | | |
| <i>Deferred income tax assets</i> | | |
| Accrued employee entitlements | 828,218 | 293,883 |
| Accrued superannuation | 255,539 | 46,612 |
| Accrued audit fees | 20,745 | 33,402 |
| Provision for long service leave | 632,235 | 336,712 |
| Provision for warranty | 2,454,209 | 1,074,196 |
| Provisions - other | 188,730 | 55,677 |
| Provision for doubtful debts | 716,673 | - |
| Accrued employee entitlements - Upstream Production Solutions subsidiary | - | 1,263,355 |
| Shares in listed entity | 260,222 | (8,028) |
| Plant and equipment | 24,786 | (444) |
| Right of use asset | 79,083 | 87,710 |
| | <u>5,460,440</u> | <u>3,183,075</u> |
| <i>Deferred income tax liabilities</i> | | |
| Customer relationships | (2,405,048) | (2,787,200) |
| Accrued income | - | (24,460) |
| Other accrued income | (51) | - |
| Plant and equipment | (1,061,054) | - |
| Unrealised foreign exchange gain/(loss) | (85,033) | 23,580 |
| Inventories | - | (7,371) |
| Work in progress | (25,009) | (97,879) |
| | <u>(3,576,195)</u> | <u>(2,893,330)</u> |
| Net deferred tax asset | <u>1,884,245</u> | <u>289,745</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 9. Current assets - cash and cash equivalents

| | Consolidated | |
|--------------|--------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Cash on hand | 56,922 | 52,444 |
| Cash at bank | 101,937,646 | 68,920,526 |
| | <u>101,994,568</u> | <u>68,972,970</u> |

The fair value of cash and cash equivalents is \$101,994,568 (2021: \$68,972,970).

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 from the net profit after tax to the net cash flow from operating activities

| | Consolidated | |
|--|-------------------|---------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Net profit after tax | 34,720,293 | (Restated*) 21,010,056 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 5,268,578 | 3,155,890 |
| (Profit)/loss on sale of assets | (17,305) | 5,046 |
| Share based employee payments | 1,020,279 | 669,435 |
| Net foreign exchange (gain)/loss | (271,972) | 87,008 |
| Inventory write off | - | 17,000 |
| Interest expense on leases | 327,806 | 302,678 |
| <i>Changes in assets and liabilities</i> | | |
| (Increase)/decrease in trade and other receivables | (35,095,201) | (14,899,962) |
| (Increase)/decrease in inventories | (15,609) | (92,753) |
| (Increase)/decrease in deferred tax asset | (719,467) | 1,891,858 |
| (Decrease)/increase in trade and other payables | 35,288,761 | 13,820,690 |
| (Decrease)/increase in provisions | 5,774,015 | 1,958,097 |
| (Decrease)/increase in tax liabilities | 155,176 | 2,569,151 |
| (Decrease)/increase in contract liabilities | 23,309,946 | 19,001,988 |
| Net cash from operating activities | <u>69,745,300</u> | <u>49,496,182</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 9. Current assets - cash and cash equivalents (continued)

Non-cash transactions

During the year ended 30 June 2022 and year ended 30 June 2021, the following non-cash investing and financing activities occurred, which are not reflected in the consolidated statement of cash flows:

- during the year ended 30 June 2022 the consolidated entity acquired equipment under lease of \$768,379 (2021: \$695,664).
- during the year ended 30 June 2022 the consolidated entity issued shares to the value of \$627,895 as part of the purchase price for Mipac Holdings Pty Ltd. Refer to note 32 for further information.

Reconciliation of liabilities arising from cash flows from financing activities

| | Consolidated | |
|-----------------------------|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Opening balance - leases | 5,837,824 | 4,056,254 |
| New non-cash leases | 551,274 | 3,511,349 |
| Insurance premium funding | 309,958 | 277,455 |
| Interest paid - leases | (327,806) | (302,678) |
| Repayments - leases | (2,112,573) | (1,704,556) |
| Closing balance - leases | <u>4,258,677</u> | <u>5,837,824</u> |
| Opening balance - bank loan | 2,419,320 | 3,403,713 |
| Proceeds from borrowings | - | - |
| Interest paid - bank loan | (30,931) | (70,841) |
| Repayments - bank loan | (2,388,390) | (913,551) |
| Closing balance - bank loan | <u>-</u> | <u>2,419,320</u> |

Note 10. Trade and other receivables

Current assets – trade and other receivables

| | Consolidated | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Trade receivables | 70,823,812 | 37,614,094 |
| Less: Loss allowance | (2,388,909) | - |
| | <u>68,434,903</u> | <u>37,614,094</u> |
| Contract assets - oil and maintenance contracts | 12,855,297 | 10,586,158 |
| Contract assets - mineral processing contracts | 6,328,182 | 1,301,371 |
| Contract assets - contracts for sale of assets | 2,653,554 | 1,598,703 |
| | <u>21,837,033</u> | <u>13,486,232</u> |
| Term deposits held for security | 267,200 | 234,934 |
| Other receivables | 2,724,125 | 816,080 |
| | <u>93,263,261</u> | <u>52,151,340</u> |

Trade receivables are non-interest bearing and are normally settled on 30 to 90 day terms.

Contract assets are balances owing from customer contracts. For mineral processing contracts this arises if the revenue recognised exceeds the milestone payments. For information on contracts in progress, refer to note 18.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 10. Trade and other receivables (continued)

Expected credit losses of receivables

Movements in the loss allowance of receivables are as follows:

| | Consolidated | |
|-----------------------------|------------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| Opening balance | - | 257,339 |
| Transfer to credit impaired | 2,414,284 | 11,023 |
| Amounts written off | (25,375) | (11,023) |
| Amounts recovered | - | (257,339) |
| Closing balance | <u>2,388,909</u> | <u>-</u> |

The loss allowance recognised for contract assets is immaterial. The consolidated entity always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime expected credit loss. The consolidated entity recognises a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable. In certain circumstances, arrangements are agreed to with customers for commercial reasons, which would extend this time period. Expected losses on assets aged under 120 days are immaterial. An allowance for expected credit losses requires significant judgement and estimation on behalf of the directors and management, as described in note 3.

In determining the recoverability of a trade receivable, the consolidated entity used the expected credit loss model as per AASB 9. The expected credit loss model requires the consolidated entity to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit default to have occurred before credit losses are recognised.

Net increase in loss allowance arising from new amounts recognised is \$25,375 (2021: \$11,023).

The ageing of the contract assets and trade receivables are as follows:

| | Consolidated | |
|-----------------------|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| 0 to 3 months overdue | 87,287,916 | 51,001,286 |
| 3 to 6 months overdue | 374,881 | 56,911 |
| Over 6 months overdue | 2,609,139 | 42,129 |
| | <u>90,271,936</u> | <u>51,100,326</u> |

In determining the recoverability of a trade receivable, the consolidated entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Note 11. Current assets - inventories

| | Consolidated | |
|-----------------------|---------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Consumables - at cost | 49,441 | 33,832 |
| | <u>49,441</u> | <u>33,832</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 12. Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Plant and equipment - at cost | 18,131,115 | 15,279,025 |
| Less: Accumulated depreciation | (13,680,073) | (11,839,446) |
| | <u>4,451,042</u> | <u>3,439,579</u> |
| Right of use assets | 8,983,278 | 8,205,960 |
| Less: Accumulated depreciation | (5,075,187) | (2,973,450) |
| | <u>3,908,091</u> | <u>5,232,510</u> |
| | <u>8,359,133</u> | <u>8,672,089</u> |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Finance lease and right of use assets | Plant & Equipment | Total |
|--|---|----------------------|------------------|
| | \$ | \$ | \$ |
| Balance at 30 June 2020 | 3,794,861 | 2,574,833 | 6,369,694 |
| Additions - new leases | 1,336,136 | - | 1,336,136 |
| Assets acquired on acquisition of subsidiary | 1,907,162 | 334,409 | 2,241,571 |
| Additions | - | 1,688,147 | 1,688,147 |
| Disposals, Write off of assets | - | (9,561) | (9,561) |
| Transfers in/(out) | (115,719) | 115,719 | - |
| Depreciation expense | (1,689,930) | (1,263,968) | (2,953,898) |
| Balance at 30 June 2021 | <u>5,232,510</u> | <u>3,439,579</u> | <u>8,672,089</u> |
| Additions | 909,642 | 2,823,455 | 3,733,097 |
| Disposals, Write off of assets | - | - | - |
| Transfers in/(out) | (31,769) | 31,769 | - |
| Depreciation expense | (2,202,292) | (1,843,761) | (4,046,053) |
| Balance at 30 June 2022 | <u>3,908,091</u> | <u>4,451,042</u> | <u>8,359,133</u> |

Right of use assets

The consolidated entity has property leases which are recorded as right of use assets. The average term of these property leases as at 30 June 2022 is 4.1 years (2021: 3.6 years). These right of use assets do not have an option to purchase at the end of the lease term. The consolidated entity has other right of use assets relating to motor vehicles and office equipment, these have an option to purchase at the end of the lease term and are secured over the leased assets. The average term of these leases as at 30 June 2022 is 4.2 years (2021: 3.7 years).

| | Consolidated | |
|---|--------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| Depreciation expense on right-of-use assets | 2,202,292 | 1,689,930 |
| Interest expense on lease liabilities | 360,530 | 379,707 |
| Expense relating to short-term and low value leases | 680,608 | 474,494 |

At 30 June 2022 the consolidated entity is committed to \$10,558 for short term and low value property leases (2021: \$10,176).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 13. Financial assets

Financial assets held at fair value through other comprehensive income

| | Consolidated | |
|---------------------------|--------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| Shares in listed entities | 742,041 | 2,192,175 |

Shares and options in listed entities are measured at fair value at the end of the reporting period, using quoted market share prices. Refer to note 23 for movement during the year.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the consolidated entity have elected to designate these investments in equity instruments as at fair value through other comprehensive income as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the consolidated entity's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Note 14. Intangible assets

| | Consolidated | |
|--|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Goodwill acquired on acquisition of subsidiary | 13,675,052 | 13,470,303 |
| Customer assets acquired on acquisition of subsidiary | 7,969,167 | 8,889,686 |
| Intellectual property assets acquired on acquisition of subsidiary | 1,356,438 | 1,350,019 |
| | <u>23,000,657</u> | <u>23,710,008</u> |

Movement in intangible assets

| | Consolidated | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <u>Goodwill</u> | | |
| Balance at beginning of year | 13,470,303 | 2,579,325 |
| Additional goodwill acquired | - | 11,118,067 |
| Translation differences related to goodwill held in foreign currencies | 204,749 | (227,089) |
| Balance at end of year | <u>13,675,052</u> | <u>13,470,303</u> |
| <u>Customer assets</u> | | |
| Balance at beginning of year | 8,889,686 | 1,821,991 |
| Additional customer assets acquired | - | 7,400,000 |
| Translation differences related to customer assets held in foreign currencies | 122,040 | (158,926) |
| Amortisation | (1,042,559) | (173,379) |
| Balance at end of year | <u>7,969,167</u> | <u>8,889,686</u> |
| <u>Intellectual property assets</u> | | |
| Balance at beginning of year | 1,350,019 | - |
| Additional intellectual property assets acquired | 186,385 | 1,378,632 |
| Amortisation | (179,966) | (28,613) |
| Balance at end of year | <u>1,356,438</u> | <u>1,350,019</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 14. Intangible assets (continued)

Intangible customer assets were acquired by the consolidated entity in relation to the existing contracts and relationships from its acquisition of its subsidiaries, Hanlon Engineering and Associates Inc. and Mipac Holdings Pty Ltd. These intangible customer assets are amortised over a period of 10 to 15 years. Intangible intellectual property assets were acquired in the transaction with Mipac Holdings Pty Ltd, relating to software products. These intellectual property assets will be amortised over a period of 15 years.

The consolidated entity tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Value in Use Assumptions and Key Estimates

Sales and Earnings Growth

The five year cash flow estimates used in assessments for all CGUs were based on the Board approved budgets for the year ending 30 June 2023. The business has assumed a nominal growth assumption of 2% per annum.

Discount Rate

A discount rate of 10% (FY21: 10%) which includes a risk margin was applied to the cashflows within each of the CGUs.

Sensitivity Analysis

The business simulated scenarios to sensitive future cash flows including the net future cash flow impacts of a delay in contract awards. In this scenario, there is still significant headroom in the value in use model. There is no reasonably possible change in the assumptions that would lead to an impairment.

Goodwill arising from the acquisition of Hanlon Engineering and Associates Inc. has been allocated to the mineral processing segment. The directors have performed an annual impairment test with recoverable amount of the cash generating unit being determined based on a value in use calculation. No indicators of impairment were noted and no impairment required.

Note 15. Current liabilities - trade and other payables

| | Consolidated | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Trade payables | 75,996,145 | 38,635,498 |
| Accrued expenses | 12,901,448 | 10,520,270 |
| GST payable | 239,707 | 1,152,138 |
| Deferred revenue | 1,684,407 | 1,851,619 |
| Deferred consideration on acquisition of business (refer note 32) | - | 4,004,155 |
| Other payables | 6,684,282 | 7,920,501 |
| | <u>97,505,989</u> | <u>64,084,181</u> |

Refer to note 23 for further information on financial instruments.

Trade payables are non-interest bearing and are normally settled on 30 day terms.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a monthly basis.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 16. Borrowings

Current liabilities - borrowings

| | Consolidated | |
|---|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Lease liability - motor vehicles and office equipment | 306,309 | 378,879 |
| Lease liability - office premises | 1,270,321 | 1,919,183 |
| Bank loan | - | 2,419,320 |
| | <u>1,576,630</u> | <u>4,717,382</u> |

Non-current liabilities - borrowings

| | Consolidated | |
|---|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Lease liability - motor vehicles and office equipment | 1,237,360 | 695,409 |
| Lease liability - office premises | 1,444,687 | 2,844,353 |
| | <u>2,682,047</u> | <u>3,539,762</u> |

Refer to note 23 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

| | Consolidated | |
|-----------------|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Lease liability | 1,543,669 | 1,074,288 |
| Bank loan | - | 2,419,320 |
| | <u>1,543,669</u> | <u>3,493,608</u> |

Assets pledged as security

The lease liabilities relating to motor vehicles and office equipment are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default. Property lease liabilities are not secured.

Lease liabilities - maturity analysis

| | Consolidated | |
|--------------------------------|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Year 1 - current liability | 1,865,041 | 2,868,465 |
| Year 2 - non-current liability | 1,247,023 | 1,793,463 |
| Year 3 - non-current liability | 730,593 | 1,018,944 |
| Year 4 - non-current liability | 332,153 | 576,460 |
| Year 5 - non-current liability | 106,436 | 229,592 |
| Year 6 - non-current liability | 82,527 | - |
| | <u>4,363,773</u> | <u>6,486,924</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 17. Provisions

Current liabilities - provisions

| | Consolidated | |
|--------------------|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Annual leave | 6,223,306 | 5,369,641 |
| Long service leave | 2,058,720 | 2,217,060 |
| Warranties | 8,180,695 | 3,580,652 |
| Project returns | 251,208 | - |
| | <u>16,713,929</u> | <u>11,167,353</u> |

Movement in provisions

| | Consolidated | |
|--|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <u>Provision for annual leave</u> | | |
| Balance at beginning of year | 5,369,641 | 3,906,003 |
| Additional provisions on acquisition of subsidiary | - | 634,736 |
| Additional provisions recognised | 4,580,977 | 3,410,647 |
| Amounts used | (3,727,312) | (2,581,745) |
| Balance at end of year | <u>6,223,306</u> | <u>5,369,641</u> |

Provision for warranty and defects liability

| | | |
|--|------------------|------------------|
| Balance at beginning of year | 3,580,652 | 2,874,591 |
| Additional provisions/(reduction in provisions) recognised | 6,331,262 | 774,101 |
| Amounts used | (1,731,219) | (68,040) |
| Balance at end of year | <u>8,180,695</u> | <u>3,580,652</u> |

Provision for project returns

| | | |
|--|----------------|-----------|
| Balance at beginning of year | - | 122,399 |
| Additional provisions/(reduction in provisions) recognised | 251,208 | 9,439 |
| Amounts used | - | (131,838) |
| Balance at end of year | <u>251,208</u> | <u>-</u> |

Non-current liabilities - provisions

| | Consolidated | |
|--------------------|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Long service leave | <u>2,409,025</u> | <u>2,176,220</u> |

Movement in provisions

| | Consolidated | |
|--|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <u>Provision for long service leave</u> | | |
| Balance at beginning of year | 4,393,280 | 3,046,925 |
| Additional provisions on acquisition of subsidiary | - | 638,643 |
| Additional provisions recognised | 615,825 | 824,573 |
| Amounts used | (541,360) | (116,861) |
| Balance at end of year | <u>4,467,745</u> | <u>4,393,280</u> |

Provision for long service leave - reconciled as follows:

| | | |
|----------------------------------|------------------|------------------|
| Long service leave - current | 2,058,720 | 2,217,060 |
| Long service leave - non-current | <u>2,409,025</u> | <u>2,176,220</u> |
| | <u>4,467,745</u> | <u>4,393,280</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 18. Contract liabilities

| | Consolidated | |
|--|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Contract liabilities - current liabilities | <u>44,563,914</u> | <u>16,585,801</u> |

Contracts in progress

| | Consolidated | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Progress billings - mineral processing | 506,318,282 | 312,327,694 |
| Construction costs to date plus recognised profits - mineral processing | <u>(468,082,550)</u> | <u>(297,043,264)</u> |
| | <u>38,235,732</u> | <u>15,284,430</u> |

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

Revenue recognised in the current reporting period relating to contract liabilities on the balance sheet at 30 June 2021 was \$16,585,801 (2021: \$1,102,997). There was nil revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

Note 19. Equity - issued capital

| | Consolidated | | Consolidated | |
|---|--------------------|--------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Shares | Shares | \$ | \$ |
| <i>Ordinary shares - fully paid</i> | | | | |
| Opening balance | 160,577,900 | 153,653,189 | 39,141,677 | 30,594,847 |
| Additional shares issued: | | | | |
| Exercise of performance rights | - | 1,500,000 | - | 1,546,830 |
| Exercise of share appreciation rights | 305,968 | - | 121,390 | - |
| Acquisition of subsidiary (refer note 32) | 348,083 | 5,424,711 | 627,895 | 7,000,000 |
| Ordinary shares - fully paid | <u>161,231,951</u> | <u>160,577,900</u> | <u>39,890,962</u> | <u>39,141,677</u> |

Ordinary shares

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

Share appreciation rights

As at 30 June 2022, the consolidated entity had 864,447 share appreciation rights on issue as part of the consolidated entity's equity incentive plan (as at 30 June 2021: 1,474,447).

Performance rights

As at 30 June 2022, the consolidated entity had on issue a total of 4,770,000 performance rights (as at 30 June 2021: 4,645,000):

| Number of performance rights | Grant date | Expiry date | Exercise price |
|------------------------------|------------|-------------|----------------|
| 50,000 | 16/07/2019 | 16/07/2022 | Nil |
| 3,950,000 | 14/09/2020 | 14/09/2023 | Nil |
| 95,000 | 18/02/2021 | 14/09/2023 | Nil |
| 150,000 | 9/06/2021 | 14/09/2023 | Nil |
| 65,000 | 22/07/2021 | 22/07/2024 | Nil |
| 300,000 | 30/11/2021 | 30/11/2024 | Nil |
| 100,000 | 7/02/2022 | 7/02/2025 | Nil |
| 35,000 | 7/02/2022 | 14/09/2023 | Nil |
| 25,000 | 21/03/2022 | 21/03/2025 | Nil |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 20. Equity - reserves

| | Consolidated | |
|-----------------------------------|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Foreign currency reserve | (386,552) | (842,807) |
| Performance rights reserve | 1,620,503 | 694,322 |
| Share appreciation rights reserve | 150,046 | 177,338 |
| Investment revaluation reserve | 671,612 | 1,297,527 |
| | <u>2,055,609</u> | <u>1,326,380</u> |

| | Consolidated | |
|---------------------------------|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <u>Foreign currency reserve</u> | | |
| Balance at beginning of year | (842,807) | (783,634) |
| Additional amounts recognised | 456,255 | (59,173) |
| Balance at end of year | <u>(386,552)</u> | <u>(842,807)</u> |

The above foreign currency reserve represents foreign exchange differences resulting from translation of foreign currency amounts held in subsidiaries of the consolidated entity.

| | Consolidated | |
|-----------------------------------|------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <u>Performance rights reserve</u> | | |
| Balance at beginning of year | 694,322 | 1,749,055 |
| Additional amounts recognised | 926,181 | 492,097 |
| Amount exercised | - | (1,546,830) |
| Balance at end of year | <u>1,620,503</u> | <u>694,322</u> |

The above performance rights reserve relates to performance rights granted and vested by the consolidated entity to its employees under its equity incentive plan.

| | Consolidated | |
|---|----------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <u>Share appreciation rights reserve</u> | | |
| Balance at beginning of year | 177,338 | - |
| Additional amounts recognised | 94,098 | 177,338 |
| Amount exercised | (121,390) | - |
| Lapsed and transferred to retained earnings | - | - |
| Balance at end of year | <u>150,046</u> | <u>177,338</u> |

The above share appreciation rights reserve relates to share appreciation rights granted and vested by the consolidated entity to its employees under its equity incentive plan.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 20. Equity - reserves (continued)

| | Consolidated | |
|---------------------------------------|----------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| | | (Restated*) |
| <i>Investment revaluation reserve</i> | | |
| Balance at beginning of year | 1,297,527 | 1,227,847 |
| Gain realised on sale of investment | (94,935) | (2,230,044) |
| Movement in fair value | (530,980) | 2,299,724 |
| Balance at end of year | <u>671,612</u> | <u>1,297,527</u> |

The above investment revaluation reserve relates to the revaluation of shares held in listed entities to fair value at the end of the reporting period. The fair value is determined using the quoted share price at 30 June 2022.

Note 21. Equity - retained profits

| | Consolidated | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| | | (Restated*) |
| Retained profits at the beginning of the financial year | 11,171,571 | 1,895,258 |
| Transfers from reserves | - | - |
| Transfer from investment revaluation reserve | 94,935 | 2,230,044 |
| Profit after income tax expense for the year | 34,720,293 | 21,010,056 |
| Payment of dividends | (25,772,746) | (13,963,787) |
| Retained profits at the end of the financial year | <u>20,214,053</u> | <u>11,171,571</u> |

Note 22. Equity - dividends

| | Consolidated | |
|--|-------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Dividends</i> | | |
| Year ended 30 June 2021 | | |
| Dividend paid 21 October 2020 (unfranked): | | |
| 4 cents per ordinary share | | 6,206,128 |
| Dividend paid 1 April 2021 (fully franked at 30% tax rate): | | |
| 5 cents per ordinary share | | 7,757,659 |
| Year ended 30 June 2022 | | |
| Dividend paid 22 September 2021 (fully franked at 30% tax rate): | | |
| 7 cents per ordinary share | 11,261,871 | |
| Dividend paid 25 March 2022 (fully franked at 30% tax rate): | | |
| 9 cents per ordinary share | 14,510,876 | |
| | <u>25,772,747</u> | <u>13,963,787</u> |

On 17 August 2022, the consolidated entity declared a fully franked dividend of 10.0 cents per share, an aggregate of \$16,156,725. The Record Date of the dividend is 2 September 2022 and the proposed payment date is 20 September 2022.

Franking credits

| | Consolidated | |
|---|------------------|--------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Franking (debits)/credits available for subsequent financial years based on a tax rate of 30% | <u>3,573,311</u> | <u>6,047</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 23. Financial instruments

Financial risk management objectives

The consolidated entity is exposed to risks in relation to its financial instruments. These risks include market risk (consisting of foreign currency risk and interest rate risk), credit risk, liquidity risk and equity risk.

A summary of the consolidated entity's financial instruments are as follows:

| | Consolidated | |
|--|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents - amortised cost | 101,994,568 | 68,972,970 |
| Trade and other receivables - amortised cost | 93,263,261 | 52,151,340 |
| Equity instruments - fair value through other comprehensive income | 742,041 | 2,192,175 |
| Total financial assets | <u>195,999,870</u> | <u>123,316,485</u> |
| Financial liabilities | | |
| Trade and other payables - amortised cost | 97,505,989 | 64,084,181 |
| Lease liabilities - amortised cost | 4,258,677 | 5,837,824 |
| Bank loan - amortised cost | - | 2,419,320 |
| Total financial liabilities | <u>101,764,666</u> | <u>72,341,325</u> |

Capital risk management

The consolidated entity manages its capital to ensure the ability to continue as a going concern while maximising the return to stakeholders. The capital structure of the consolidated entity consists of equity in the form of issued capital, reserves and retained earnings, and debt in the form of borrowings. The consolidated entity is not subject to any externally imposed capital requirements.

Market risk

Foreign currency risk

The consolidated entity and the parent entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

The carrying amounts in Australian dollars (AUD) of the consolidated entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

| | Assets | | Liabilities | |
|-----------------------|------------------|------------------|--------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | AUD \$ | AUD \$ | AUD \$ | AUD \$ |
| United States Dollars | 6,356,588 | 4,838,162 | (896,503) | (2,871,403) |
| Great British Pounds | 215,966 | 720,996 | (9,925) | (2,578) |
| Euro | 220 | 1,730 | (6,933) | (30,949) |
| Canadian Dollars | 609,088 | 242,226 | (7,426) | - |
| Papua New Guinea Kina | 1,002,886 | 42,571 | (10,934) | - |
| Indonesian Rupiah | 241,299 | - | (2,921) | - |
| | <u>8,426,047</u> | <u>5,845,685</u> | <u>(934,642)</u> | <u>(2,904,930)</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 23. Financial instruments (continued)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity holds balances in United States dollars, these balances are translated into Australian dollars at the prevailing exchange rate at 30 June 2022 of AUD \$1 = USD \$0.69 (2021: AUD \$1 = USD \$0.75).

The consolidated entity holds balances in Great British pounds, these balances are translated into Australian dollars at the prevailing exchange rate at 30 June 2022 of AUD \$1 = GBP £0.57 (2021: AUD \$1 = GBP £0.54).

The consolidated entity holds balances in Euro, these balances are translated into Australian dollars at the prevailing exchange rate at 30 June 2022 of AUD \$1 = EUR €0.66 (2021: AUD \$1 = EUR €0.63).

The following table details the consolidated entity's sensitivity to a 10% increase and decrease in the value of the Australian dollar against the currencies in which monetary assets are held:

| | Effect of 10% increase in exchange rate | | Effect of 10% decrease in exchange rate | |
|----------------------------|--|---------------------|--|---------------------|
| | Effect on profit before tax | Effect on equity | Effect on profit before tax | Effect on equity |
| | \$ | \$ | \$ | \$ |
| Consolidated - 2022 | | | | |
| United States Dollars | (515,547) | (509,532) | 583,240 | 576,592 |
| Great British Pounds | (18,641) | (14,278) | 23,004 | 18,182 |
| Euro | 610 | 293 | (746) | (395) |
| Canadian Dollars | (49,508) | (49,508) | 73,193 | 73,193 |
| Papua New Guinea Kina | (90,177) | (90,459) | 110,217 | 110,529 |
| Indonesian Rupiah | (21,158) | (21,158) | 27,114 | 27,114 |
| | <u>(694,421)</u> | <u>(684,642)</u> | <u>816,022</u> | <u>805,215</u> |
| | Effect of 10% increase in exchange rate | | Effect of 10% decrease in exchange rate | |
| | Effect on profit before tax | Effect on equity | Effect on profit before tax | Effect on equity |
| | \$ | \$ | \$ | \$ |
| Consolidated - 2021 | | | | |
| United States Dollars | (182,050) | (182,050) | 214,552 | 214,552 |
| Great British Pounds | (65,174) | (65,174) | 79,992 | 79,992 |
| Euro | 2,657 | 2,657 | (3,246) | (3,246) |
| Canadian Dollars | (22,112) | (22,112) | 26,802 | 26,802 |
| Papua New Guinea Kina | (3,870) | (3,870) | 4,730 | 4,730 |
| | <u>(270,549)</u> | <u>(270,549)</u> | <u>322,830</u> | <u>322,830</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 23. Financial instruments (continued)

Interest rate risk

The board has considered the consolidated entity's exposure to interest rate risk by analysing the effect on profit and equity of an interest rate increase or decrease of one quarter of a percentage point (0.25%) in the following table. The lower limit is a 0% interest rate, a reduction will not produce negative interest:

| | Effect of increase in interest rate | | Effect of decrease in interest rate | |
|----------------------------|---|---------------------------|---|---------------------------|
| | Effect on profit before tax \$ | Effect on equity \$ | Effect on profit before tax \$ | Effect on equity \$ |
| Consolidated - 2022 | | | | |
| Interest revenue | 160,144 | 160,144 | (83,674) | (83,674) |
| Interest expense | 679 | 679 | (678) | (678) |
| | <u>160,823</u> | <u>160,823</u> | <u>(84,352)</u> | <u>(84,352)</u> |
| | Effect of increase in interest rate | | Effect of decrease in interest rate | |
| | Effect on profit before tax \$ | Effect on equity \$ | Effect on profit before tax \$ | Effect on equity \$ |
| Consolidated - 2021 | | | | |
| Interest revenue | 159,599 | 159,599 | (21,114) | (21,114) |
| Interest expense | (11,574) | (11,574) | 11,570 | 11,570 |
| | <u>148,025</u> | <u>148,025</u> | <u>(9,544)</u> | <u>(9,544)</u> |

Equity price risk

The consolidated entity is exposed to equity price risks arising from equity investments.

The sensitivity analysis below has been determined based on the exposure of the consolidated entity to a 5% increase or decrease in equity prices at the end of the reporting period.

- other comprehensive income for the year ended 30 June 2022 would increase by \$37,102 (2021: \$109,609) as a result of an increase of 5% in equity prices, and decrease by \$37,102 (2021: \$109,609) as a result of a decrease of 5% in equity prices.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The consolidated entity uses independent rating agencies, publicly available financial information and other trading records to rate its major customers. Legally binding contracts are entered into to determine payment terms in relation to major projects.

The consolidated entity does not have significant credit risk exposure to any single counterparty or group of counterparties.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the consolidated entity's short-, medium- and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 23. Financial instruments (continued)

Liquidity and interest rate risk tables

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 2022 | Weighted average interest rate % | Remaining contractual maturities | | | Total \$ |
|--------------------------------------|---|----------------------------------|-------------------------|-------------------------|-------------|
| | | Less than 6 months \$ | 6 to 12 months \$ | Over 12 months \$ | |
| Non-derivatives | | | | | |
| <i>Non-interest bearing</i> | | | | | |
| Trade payables | - | 97,505,989 | - | - | 97,505,989 |
| <i>Interest-bearing - fixed rate</i> | | | | | |
| Lease liability | 3.65% | 1,134,109 | 442,521 | 2,682,047 | 4,258,677 |
| Bank loan | - | - | - | - | - |
| Total non-derivatives | | 98,640,098 | 442,521 | 2,682,047 | 101,764,666 |

| Consolidated - 2021 | Weighted average interest rate % | Remaining contractual maturities | | | Total \$ |
|--------------------------------------|---|----------------------------------|-------------------------|-------------------------|-------------|
| | | Less than 6 months \$ | 6 to 12 months \$ | Over 12 months \$ | |
| Non-derivatives | | | | | |
| <i>Non-interest bearing</i> | | | | | |
| Trade payables | - | 64,084,181 | - | - | 64,084,181 |
| <i>Interest-bearing - fixed rate</i> | | | | | |
| Lease liability | 3.66% | 415,240 | 1,882,822 | 3,539,762 | 5,837,824 |
| Bank loan | 2.45% | 456,482 | 1,962,838 | - | 2,419,320 |
| Total non-derivatives | | 64,955,903 | 3,845,660 | 3,539,762 | 72,341,325 |

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:

| Consolidated | 2022 | | 2021 | |
|--------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying amount \$ | Fair value \$ | Carrying amount \$ | Fair value \$ |
| Assets | | | | |
| Cash at bank | 101,994,568 | 101,994,568 | 68,972,970 | 68,972,970 |
| Trade receivables | 93,263,261 | 93,263,261 | 52,151,340 | 52,151,340 |
| Equity instruments | 742,041 | 742,041 | 2,192,175 | 2,192,175 |
| | 195,999,870 | 195,999,870 | 123,316,485 | 123,316,485 |
| Liabilities | | | | |
| Trade payables | 97,505,989 | 97,505,989 | 64,084,181 | 64,084,181 |
| Lease liability | 4,258,677 | 4,258,677 | 5,837,824 | 5,837,824 |
| Bank loan | - | - | 2,419,320 | 2,419,320 |
| | 101,764,666 | 101,764,666 | 72,341,325 | 72,341,325 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 23. Financial instruments (continued)

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial assets and liabilities of the consolidated entity are classified into these categories below:

Fair value hierarchy - 2022

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|------------------------------|----------------|-------------------|---------------|-------------------|
| <i>Financial assets</i> | | | | |
| Trade receivables | - | 93,263,261 | - | 93,263,261 |
| Equity instruments | 742,041 | - | - | 742,041 |
| | <u>742,041</u> | <u>93,263,261</u> | <u>-</u> | <u>94,005,302</u> |
| <i>Financial liabilities</i> | | | | |
| Trade payables | - | 97,505,989 | - | 97,505,989 |
| Bank loan | - | - | - | - |
| | <u>-</u> | <u>97,505,989</u> | <u>-</u> | <u>97,505,989</u> |

Fair value hierarchy - 2021

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|------------------------------|------------------|-------------------|---------------|-------------------|
| <i>Financial assets</i> | | | | |
| Trade receivables | - | 52,151,340 | - | 52,151,340 |
| Equity instruments | 2,192,175 | - | - | 2,192,175 |
| | <u>2,192,175</u> | <u>52,151,340</u> | <u>-</u> | <u>54,343,515</u> |
| <i>Financial liabilities</i> | | | | |
| Trade payables | - | 64,084,181 | - | 64,084,181 |
| Bank loan | - | 2,419,320 | - | 2,419,320 |
| | <u>-</u> | <u>66,503,501</u> | <u>-</u> | <u>66,503,501</u> |

The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Reconciliation of Level 1 fair value measurements:

| | Consolidated | |
|--|----------------|------------------|
| | 2022 \$ | 2021 \$ |
| <i>Equity instruments</i> | | |
| Opening balance | 2,192,175 | 5,262,757 |
| Additions | - | - |
| Disposals | (650,903) | (6,106,738) |
| Net revaluations in other comprehensive income | (799,231) | 3,036,156 |
| Closing balance | <u>742,041</u> | <u>2,192,175</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 23. Financial instruments (continued)

Secured bank loan facilities:

| | Consolidated | |
|--|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Amount used - term loan | - | 2,419,320 |
| Amount unused - term loan | - | 1,232,496 |
| Amount used - working capital facility | - | - |
| Amount unused - working capital facility | 3,247,925 | 2,987,849 |
| Total bank loan facility | <u>3,247,925</u> | <u>6,639,665</u> |

The consolidated entity has a working capital facility which has not been used, for a total value of \$2,250,000 United States dollars. The interest rate will be 1.95% above the LIBOR rate, the LIBOR one month rate as at 30 June 2022 is 1.00%. Interest on amounts outstanding will be payable in arrears on a monthly basis. The facility is currently undrawn.

Note 24. Key management personnel disclosures

Directors

The following persons were directors of GR Engineering Services Limited during the financial year:

Executive directors

| | |
|--------------|--------------------|
| Geoff Jones | Managing Director |
| Tony Patrizi | Executive Director |

Non-executive directors

| | |
|--------------|------------------------|
| Phil Lockyer | Non-Executive Chairman |
| Peter Hood | Non-Executive Director |
| Joe Totaro | Non-Executive Director |

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Executives

| | |
|-----------------|---|
| Omesh Motiwalla | Chief Financial Officer and Company Secretary |
|-----------------|---|

Remuneration of key management personnel

Information on remuneration of key management personnel is set out in the Remuneration Report in the Directors Report.

The aggregate compensation made to key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|--------------------------|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Short term benefits | 1,490,265 | 1,452,409 |
| Post employment benefits | 98,028 | 93,566 |
| Share based payments | 124,603 | 202,141 |
| Other | 99,500 | 92,500 |
| | <u>1,812,396</u> | <u>1,840,616</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company, and its network firms:

| | Consolidated | |
|--|----------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Audit services - Deloitte Touche Tohmatsu</i> | | |
| Audit or review of the financial statements of the consolidated entity | 244,700 | 200,960 |
| Audit or review of the financial statements of subsidiaries | 25,308 | 23,738 |
| <i>Other services - Deloitte Touche Tohmatsu</i> | | |
| Tax compliance - consolidated entity | 66,179 | 125,768 |
| Other services - consolidated entity | - | 6,300 |
| | <u>336,187</u> | <u>356,766</u> |

During the financial year the following fees were paid or payable for services provided by other auditors:

| | | |
|---|---------------|---------------|
| Audit or review of the financial statements of subsidiaries | <u>41,245</u> | <u>50,000</u> |
|---|---------------|---------------|

Note 26. Contingent liabilities

The consolidated entity has bank guarantees in place as at 30 June 2022 of \$28,987,233 (2021: \$8,951,618) under its multi-option facility.

The consolidated entity's standby multi-option facility has a limit of \$90,000,000. 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 30 June 2022 is \$28,493,300 (30 June 2021: \$8,457,685).

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 \$493,933 (30 June 2021: \$722,129). The amount of bank guarantees issued under this facility at 30 June 2022 is \$493,933 (30 June 2021: \$722,129).

The consolidated entity has a \$45 million insurance bond facility with Berkshire Hathaway Specialist 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 Berkshire Hathaway Specialist Insurance Company facility at 30 June 2022 is \$20,040,311 (2021: \$7,546,524). The amount of insurance bonds issued under the Allianz Australia Insurance Limited facility at 30 June 2022 is \$4,185,965 (2021: \$1,802,051).

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 27. Related party transactions

During the year ended 30 June 2022, the consolidated entity leased office space at 71 Daly Street, Ascot WA from Ashguard Pty Ltd. Tony Patrizi, a director of the consolidated entity, had a non-controlling interest in Ashguard Pty Ltd. The total amount invoiced by Ashguard Pty Ltd in the year ended 30 June 2022 amounted to \$799,179 including GST (2021: \$734,639). The balance payable at 30 June 2022 is \$61,159 (2021: \$57,910).

During the year ended 30 June 2022 the consolidated entity procured items from Mak Industrial Water Solutions Limited, a company in which Peter Hood is Chairman. The total amount invoiced by Mak Industrial Water Solutions Limited in the year ended 30 June 2022 amounted to \$12,609 including GST (2021: \$288,251). The balance payable at 30 June 2022 is \$12,609 (2021: nil).

The terms of these arrangements are at arm's length and at normal commercial terms.

Other than transactions with parties related to key management personnel mentioned above and in the remuneration report, there have been no other transactions with parties related to the consolidated entity in the financial year ending 30 June 2022.

Note 28. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | |
|--------------------------------|------------|---------------------------|
| | 2022 \$ | 2021 \$ (Restated*) |
| Profit/(loss) after income tax | 24,283,387 | 10,619,903 |
| Total comprehensive income | 23,752,407 | 12,919,627 |

Statement of financial position

| | Parent | |
|-----------------------------------|-------------|-------------|
| | 2022 \$ | 2021 \$ |
| Total current assets | 167,095,545 | 102,225,416 |
| Total assets | 175,336,052 | 109,988,011 |
| Total current liabilities | 141,617,207 | 75,966,892 |
| Total liabilities | 142,770,973 | 77,050,766 |
| Equity | | |
| Issued capital | 39,890,962 | 39,141,677 |
| Performance rights reserve | 1,620,503 | 694,322 |
| Share appreciation rights reserve | 150,046 | 177,338 |
| Investment revaluation reserve | 671,612 | 1,297,527 |
| Retained profits | (9,768,044) | (8,373,619) |
| Total equity | 32,565,079 | 32,937,245 |

The contingent liabilities of the parent entity are the same as those of the consolidated entity, as set out in note 26.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 29. Events after the reporting period

On 20 July 2022, GR Engineering announced that it had signed an EPC Contract with Golden Spur Resources Pty Ltd, a wholly owned subsidiary of Bellevue Gold Limited, for the engineering, procurement and construction works in relation to the 1.0 Mtpa gold processing plant and associated infrastructure for the Bellevue Gold Project. The contract sum is \$87.8 million.

On 17 August 2022, the consolidated entity declared a fully franked dividend of 10.0 cents per share, an aggregate of \$16,156,725. The Record Date of the dividend is 2 September 2022 and the proposed payment date is 20 September 2022.

Note 30. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| | | (Restated*) |
| Profit after income tax attributable to the owners of GR Engineering Services Limited | <u>34,720,293</u> | <u>21,010,056</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 161,112,744 | 155,808,142 |
| Adjustments for calculation of diluted earnings per share: | | |
| Weighted average number of employee performance rights and share appreciation rights issued | <u>5,406,022</u> | <u>4,430,451</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>166,518,766</u> | <u>160,238,593</u> |
| | Cents | Cents |
| | | (Restated*) |
| Basic earnings per share | 21.55 | 13.48 |
| Diluted earnings per share | 20.85 | 13.11 |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 31. Share-based payments

An Equity Incentive Plan was adopted by the consolidated entity on 28 March 2012, and was updated on 25 October 2019. At the discretion of the Board, all eligible employees of the consolidated entity or eligible consultants may participate in the Plan. Non-executive directors are not eligible to participate in the Plan.

The Plan is designed to align the interests of executives and employees with the interests of shareholders by providing an opportunity to receive an equity interest in the consolidated entity and therefore direct participation in the benefits of future consolidated entity performance over the medium to long term.

The consolidated entity has issued a total of 10,770,000 performance rights to employees and long term contractors under the Plan. Each right entitles the employee to acquire one fully paid share in the consolidated entity for nil consideration, subject to the employees meeting a service term of three years from the date of grant. During the financial year ending 30 June 2022 525,000 performance rights were issued under the Plan (2021: 4,955,000).

During the financial year nil performance rights vested (2021: 1,500,000). A total of 2,138,945 performance rights have lapsed due to resignations of entitled employees since the date of issue of the first tranche of rights. Of this total 400,000 have lapsed in the financial year ending 30 June 2022 (2021: 660,000).

A summary of performance rights on issue as at 30 June 2022 follows:

| | Tranche 20 | Tranche 21 | Tranche 22 | Tranche 23 | Tranche 24 |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Number issued | 50,000 | 4,350,000 | 95,000 | 150,000 | 65,000 |
| Number lapsed | - | (400,000) | - | - | - |
| Grant date | 16 Jul 2019 | 14 Sep 2020 | 18 Feb 2021 | 9 Jun 2021 | 22 Jul 2021 |
| Exercise price | Nil | Nil | Nil | Nil | Nil |
| Vesting date | 16 Jul 2022 | 14 Sep 2023 | 14 Sep 2023 | 14 Sep 2023 | 22 Jul 2024 |
| Expiry date | 16 Jul 2022 | 14 Sep 2023 | 14 Sep 2023 | 14 Sep 2023 | 22 Jul 2024 |
| Vesting period (years) | 3 | 3 | 3 | 2 | 3 |
| Vesting conditions | Nil | Nil | Nil | Nil | Nil |
| Fair value | \$0.670 | \$0.683 | \$0.967 | \$1.130 | \$1.050 |
| | Tranche 25 | Tranche 26 | Tranche 27 | Tranche 28 | |
| Number issued | 300,000 | 100,000 | 35,000 | 25,000 | |
| Number lapsed | - | - | - | - | |
| Grant date | 30 Nov 2021 | 7 Feb 2022 | 7 Feb 2022 | 21 Mar 2022 | |
| Exercise price | Nil | Nil | Nil | Nil | |
| Vesting date | 30 Nov 2024 | 7 Feb 2025 | 14 Sep 2023 | 21 Mar 2025 | |
| Expiry date | 30 Nov 2024 | 7 Feb 2025 | 14 Sep 2023 | 21 Mar 2025 | |
| Vesting period (years) | 3 | 3 | 2 | 3 | |
| Vesting conditions | Nil | Nil | Nil | Nil | |
| Fair value | \$1.420 | \$1.520 | \$1.780 | \$1.470 | |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 31. Share-based payments (continued)

The fair value of performance rights granted during the year was calculated using a Black-Scholes pricing model applying inputs as follows:

| | Tranche 20 | Tranche 21 | Tranche 22 | Tranche 23 | Tranche 24 |
|-------------------------|------------|------------|------------|------------|------------|
| Grant date share price | \$0.930 | \$1.440 | \$1.440 | \$1.320 | \$1.460 |
| Exercise price | - | - | - | - | - |
| Expected volatility | 50% | 50% | 50% | 50% | 50% |
| Term (years) | 3 | 3 | 3 | 2 | 3 |
| Dividend yield | 11% | 11% | 11% | 11% | 11% |
| Risk free interest rate | 0.96% | 0.24% | 0.12% | 0.11% | 0.13% |

| | Tranche 25 | Tranche 26 | Tranche 27 | Tranche 28 |
|-------------------------|------------|------------|------------|------------|
| Grant date share price | \$1.970 | \$2.120 | \$2.120 | \$2.050 |
| Exercise price | - | - | - | - |
| Expected volatility | 50% | 50% | 50% | 50% |
| Term (years) | 3 | 3 | 2 | 3 |
| Dividend yield | 11% | 11% | 11% | 11% |
| Risk free interest rate | 0.87% | 1.39% | 0.744% | 1.92% |

Movement in performance rights

| | 2022 | | 2021 | |
|------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|
| Consolidated | Number of performance rights | Weighted average exercise price | Number of performance rights | Weighted average exercise price |
| Balance at beginning of year | 4,645,000 | - | 1,850,000 | - |
| Granted during the year | 525,000 | - | 4,955,000 | - |
| Vested during the year | - | - | (1,500,000) | - |
| Forfeited during the year | (400,000) | - | (660,000) | - |
| Balance at end of year | <u>4,770,000</u> | <u>-</u> | <u>4,645,000</u> | <u>-</u> |

The weighted average fair value of performance rights granted at 30 June 2022 is \$0.76. The weighted average exercise price of these performance rights at 30 June 2022 is nil. The weighted average remaining contractual life of performance rights outstanding at 30 June 2022 is 473 days.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 31. Share-based payments (continued)

The consolidated entity has issued a total of 1,474,447 share appreciation rights to Geoff Jones, Managing Director, as part of the consolidated entity's equity incentive plan. During the financial year ending 30 June 2022, 610,000 share appreciation rights vested (2021: nil). The share appreciation rights are 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.

| Class | Number of share appreciation rights | Grant date | Vesting date | Exercise price | Performance condition share price targets | Fair value at grant date |
|-------|-------------------------------------|-------------|--------------|----------------|---|--------------------------|
| H | 610,000 | 25 Nov 2020 | 1 Jul 2021 | \$0.75 | \$1.25 | \$0.20 |
| I | 478,432 | 25 Nov 2020 | 1 Jul 2022 | \$0.75 | \$1.39 | \$0.21 |
| J | 386,015 | 25 Nov 2020 | 1 Jul 2023 | \$0.75 | \$1.54 | \$0.21 |

The fair value of share appreciation rights still on issue was calculated using a Monte Carlo pricing model applying inputs as follows:

| | Class I | Class J |
|-------------------------|---------|---------|
| Grant date share price | \$1.09 | \$1.09 |
| Exercise price | \$0.75 | \$0.75 |
| Expected volatility | 40% | 40% |
| Vesting period (years) | 2 | 3 |
| Dividend yield | 8% | 8% |
| Risk free interest rate | 0.08% | 0.14% |

Movement in share appreciation rights

| Consolidated | 2022 | | 2021 | |
|---|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | Number of share appreciation rights | Weighted average exercise price | Number of share appreciation rights | Weighted average exercise price |
| Balance at beginning of year | 1,474,447 | - | - | - |
| Granted during the year | - | - | 1,474,447 | - |
| Vested, exercised or lapsed during the year | (610,000) | - | - | - |
| Balance at end of year | <u>864,447</u> | <u>-</u> | <u>1,474,447</u> | <u>-</u> |

The weighted average fair value of share appreciation rights granted at 30 June 2022 is \$0.21. The weighted average exercise price of these share appreciation rights at 30 June 2022 is \$0.75. The weighted average remaining contractual life of share appreciation rights outstanding at 30 June 2022 is 164 days.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 32. Business combinations

Subsidiaries acquired

During the financial year ending 30 June 2022, no changes were deemed necessary to the provisional accounting for the acquisition in of Mipac Holdings Pty Ltd, in May 2021.

Note 33. Subsidiaries

The consolidated financial statements incorporate the following subsidiaries at the end of the reporting period.

| Name of subsidiary | Country of incorporation | Equity holding | |
|--|--------------------------|----------------|------|
| | | 2022 | 2021 |
| GR Engineering Services (Indonesia) Pty Limited | Australia | 100% | 100% |
| GR Engineering Services (Argentina) Pty Limited | Australia | 100% | 100% |
| PT GR Engineering Services Indonesia * | Indonesia | 100% | 100% |
| GR Engineering Services (Africa) | Mauritius | 100% | 100% |
| GR Engineering Services (UK) Limited | United Kingdom | 100% | 100% |
| GR Engineering Services (Ghana) Limited ** | Ghana | 100% | 100% |
| GR Engineering Services (Mali) ** | Mali | 100% | 100% |
| GR Engineering Services (Côte d'Ivoire) ** | Côte d'Ivoire | 100% | 100% |
| GR Engineering Services (Tengrela) *** | Côte d'Ivoire | 100% | 100% |
| GR Engineering Services Peru S.A. | Peru | 100% | 100% |
| GR Engineering Services (Greece) + | Greece | 100% | 100% |
| GR Engineering Services (Tanzania) Limited | Tanzania | 100% | 100% |
| GR Engineering Services Turkey Limited | Turkey | 100% | 100% |
| Upstream Production Solutions Pty Ltd | Australia | 100% | 100% |
| GR Engineering Services Americas Inc. | USA | 100% | 100% |
| Hanlon Engineering and Associates Inc. ++ | USA | 100% | 100% |
| GR Engineering Services (Papua New Guinea) Limited | Papua New Guinea | 100% | 100% |
| Mipac Pty Ltd | Australia | 100% | 100% |
| Mipac Holdings Pty Ltd | Australia | 100% | 100% |
| Mipac Process Automation Canada Limited | Canada | 100% | 100% |

* PT GR Engineering Services Indonesia is 90% owned by GR Engineering Services Limited and 10% owned by GR Engineering Services (Indonesia) Pty Limited.

** GR Engineering Services (Ghana) Limited, GR Engineering Services (Côte d'Ivoire) and GR Engineering Services (Mali) are 100% owned by GR Engineering Services (Africa).

*** GR Engineering Services (Tengrela) is dormant.

+ GR Engineering Services (Greece) is 100% owned by GR Engineering Services (UK) Limited.

++ Hanlon Engineering and Associates Inc. is 100% owned by GR Engineering Services Americas Inc.



DIRECTORS' DECLARATION

The directors declare that:

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

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;

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

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

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'G Jones', is written over a large, stylized, hand-drawn oval shape that serves as a signature line or stamp.

Name: Geoff Jones
Managing Director
Date: 22 August 2022



INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
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Perth WA 6000
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Perth WA 6837 Australia

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Independent Auditor's Report to the members of GR Engineering Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of GR Engineering Services Limited (the "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 auditor independence requirements of the *Corporations Act 2001* and 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 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 report.

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



INDEPENDENT AUDITOR'S REPORT

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Key Audit Matters

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

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| <p>Recognition of revenue</p> <p>As disclosed in Note 5, revenue recognised for the year ended 30 June 2022 relating to both mineral processing and oil and gas contracts was \$651,669,067.</p> <p>As disclosed in Note 3, revenue and costs are recognised by reference to the stage of completion of the contract activity for mineral processing contracts.</p> <p>The recognition of revenue for mineral processing contracts requires significant management judgement including:</p> <ul style="list-style-type: none"> • Determining the stage of completion; • Estimating total contract revenue and contract cost including the estimation of cost contingencies; • Determining contractual entitlement and assessing the probability of customer approval of variations and acceptance of claims; and • Estimating the project completion date. | <p>Our procedures included, but were not limited to:</p> <p>Evaluating management's processes and controls in respect of the recognition of contract revenue.</p> <p>As part of this process we tested key controls including:</p> <ul style="list-style-type: none"> • The preparation, review and authorisation of the tender process for new customer contracts; • The estimation, review and monitoring of total contract revenue and contract costs; and • The comprehensive project reviews that are undertaken by Group management on a monthly basis. <p>Selecting a sample of contracts for testing based on a number of quantitative and qualitative factors which may indicate that a greater level of judgement is required in recognising revenue, including:</p> <ul style="list-style-type: none"> • Significant unapproved claims and variations; • Delay risk; • High-value contracts; and • Significant margin change. <p>For the sample of contracts selected for testing the following procedures were performed:</p> <ul style="list-style-type: none"> • Obtained a detailed understanding of the contract terms and conditions to evaluate whether the individual characteristics of each contract were reflected in management's estimate of forecast costs and revenue; • Tested a sample of costs incurred to date and agreed these to supporting documentation; • Assessed the current programme status against the original budgeted programme; • Challenged the forecast costs to complete through discussion and challenge of project managers and finance personnel; • Tested contractual entitlement, variations and claims recognised within contract revenue through agreement to supporting documentation and by reference to the underlying contract; |



INDEPENDENT AUDITOR'S REPORT

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| | |
|---|--|
| | <ul style="list-style-type: none">• Evaluated significant exposures to liquidated damages for late delivery of contract works; and• Evaluated contract performance over the course of the year to reflect on year-end revenue recognition judgements. <p>We also assessed the appropriateness of the disclosures in Notes 3 and 5 to the financial statements.</p> |
| <p>Provision for warranty</p> <p>As disclosed in Note 17, the warranty provision as at 30 June 2022 was \$8,180,695.</p> <p>The assessment of the provision for warranty requires management to make an estimate of the likely future costs that may be incurred in relation to ongoing and completed contracts.</p> | <p>Our procedures included, but were not limited to:</p> <p>Obtaining an understanding of how management estimates the provision for warranty.</p> <p>Assessing the provision through:</p> <ul style="list-style-type: none">• Evaluating the contracts with applicable warranty obligations;• Reviewing historic claim outcomes and the accuracy of management's estimate; and• Assessing the consistency of assumptions applied. <p>We also assessed the appropriateness of the disclosures in Notes 3 and 17 to the financial statements.</p> |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, 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 the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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.



INDEPENDENT AUDITOR'S REPORT

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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 the directors.
- Conclude on the appropriateness of the directors' 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 the 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 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



INDEPENDENT AUDITOR'S REPORT

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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 pages 12 to 17 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of GR Engineering Services Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A handwritten signature in black ink that reads 'Deloitte Touche Tohmatsu'.

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to be 'Pieter Janse van Nieuwenhuizen'.

Pieter Janse van Nieuwenhuizen
Partner
Chartered Accountants
Perth, 22 August 2022



CORPORATE GOVERNANCE STATEMENT

Approach to Corporate Governance

GR Engineering Services Ltd ABN 12 121 542 738 (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition (**Principles & Recommendations**).

The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.gres.com.au, under the section marked "Corporate Governance":

Charters

Board

Audit and Risk Committee

Remuneration and Nomination Committee

Policies and Procedures

Process for Performance Evaluations

Policy and Procedure for the Selection and (Re)Appointment of Directors

Induction Program

Diversity Policy (summary)

Code of Conduct (summary)

Policy on Continuous Disclosure (summary)

Compliance Procedures (summary)

Shareholder Communication and Investor Relations Policy

Securities Trading Policy

Whistleblower Protection Policy

Anti-Bribery & Collusion Policy

Human Rights and Modern Slavery

Policy and Procedure for Directors

Risk Management Policy

Selection, Appointment and Rotation of External Auditors

Equity Incentive Plan Rules

The Company reports below on whether it has followed each of the recommendations during the 2021/2022 financial year (**Reporting Period**). The information in this statement is current at 17 August 2022. This statement was approved by a resolution of the Board on 17 August 2022.

Cross-references to the Company's Annual Financial Report in this statement are references to the Company's Annual Financial Report for the year ended 30 June 2022, which is, or will be, disclosed on the Company's website www.gres.com.au, under the section marked "News".



CORPORATE GOVERNANCE STATEMENT

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its *Board Charter*.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The checks which are undertaken, and the information provided to shareholders are set out in the Company's *Policy and Procedure for the Selection and (Re) Appointment of Directors*.

Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Managing Director, any of its directors, and any other person or entity who is related party of the Managing Director or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the Company's Board Charter.

Recommendation 1.5

The Company has a Diversity Policy, which includes requirements for the Nomination and Remuneration Committee to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. A summary of the Company's Diversity Policy is disclosed on the Company's website.

The following measurable objective for achieving gender diversity has been set by the Nomination and Remuneration Committee in accordance with the Diversity Policy:

"Subject to the identification of suitable qualified candidates, to increase the percentage of professional and senior executive positions occupied by women to 15% by 30 June 2023."

The Board continues to work towards meeting this objective and continues to foster a workplace environment and recruitment policies designed to achieve greater female participation in the Company's workforce.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out in the following table. "Senior executive" for these purposes means a person who is a Key Management Employee, a General Manager or a member of Management:

| | Proportion of women |
|----------------------------|---|
| Whole organisation | 123 out of 1,077 (11.4%) (14.0% as at 30 June 2021) |
| Senior executive positions | 7 out of 46 (15.2%) (11.2% as at 30 June 2021) |
| Board | 0 out of 5 (0%) (0% as at 30 June 2021) |



CORPORATE GOVERNANCE STATEMENT

Recommendation 1.6

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Chair is also responsible for evaluating the Managing Director.

The Chair evaluates the performance of the Managing Director and other Board members through a series of discussions held throughout the year. These discussions include an assessment of the Company's state of affairs, the risks facing the Company and its economic objectives. The Chair evaluates the extent to which each director has contributed to the efficient utilisation of resources, the identification of risk and the achievement of economic objectives. During these discussions the Chair also elicits confidential feedback from each Director on their view of the interpersonal dynamics between Board members and the quality of the Board's decision making.

During the Reporting Period the Chair evaluated the performance of all Directors, including the Managing Director, in accordance with the above process.

Recommendation 1.7

The Managing Director is responsible for evaluating the performance of senior executives in accordance with the process disclosed in the Company's *Process for Performance Evaluations*.

During the Reporting Period the Managing Director conducted performance evaluations of Senior Executives. Where these evaluations resulted in the identification of areas where the Senior Executive's technical or interpersonal skills could be strengthened, appropriate training or remedial action was formulated and agreed.

Principle 2 – Structure the board to add value

Recommendation 2.1

The Board has established a Remuneration and Nomination Committee comprising Phillip Lockyer (Chair), Peter Hood and Joe Totaro. All members of the Remuneration and Nomination Committee are non-executive directors and all members are independent directors. Accordingly, the Remuneration and Nomination Committee is structured in accordance with Recommendation 2.1.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration and Nomination Committee and is disclosed on the Company's website.

Recommendation 2.2

The Board is comprised of 4 qualified engineers and 1 qualified accountant. The matrix of skills held by the Board is weighted towards those skills which are required to identify, assess, quantify and manage those risks which are most relevant to and prevalent in the Company's business and the industry in which it operates.

The majority of the Company's directors hold, or have held, positions on the boards of other publicly listed companies and all have extensive experience in the management of organisations across a range of industries.

When necessary, the Board engages the services of external experts and consultants to augment its capacity to consider and assess matters which fall outside the domain of its collective expertise.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations. The independent directors of the Company are Messrs Lockyer, Hood and Totaro.



CORPORATE GOVERNANCE STATEMENT

Mr Totaro is a substantial shareholder of the Company. Notwithstanding that he is a substantial shareholder the Board considers Mr Totaro to be an independent director because he is not a member of management and is otherwise free of any interest, position, association or relationship (including those listed in Box 2.3 of the Principles & Recommendations) that might influence in a material respect, his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its members generally. Further, a substantial shareholder is considered by the Board to be in line with the interests of all other shareholders.

The length of service of each director is set out in the Directors' Report of the Company's Annual Financial Report.

Recommendation 2.4

The Board has a majority of directors who are independent.

The Board is comprised of 5 directors, 3 of whom are or are deemed to be independent. The two non-independent directors are Tony Patrizi and Geoff Jones. Tony Patrizi is a founding shareholder of the Company and Geoff Jones has been employed by the Company since 2011, initially as Chief Operating Officer and since 1 July 2013, as Managing Director. Messrs Patrizi and Jones have thorough knowledge of the Company's business and extensive experience in managing the risks it faces. Their continued presence on the Board is therefore highly valued.

The Board is of a size commensurate with the size and nature of the Company. Should the number of Board members increase, it is the intention of the Company to appoint an additional independent director thereby preserving a majority of independent directors.

Recommendation 2.5

The Chair of the Board is Phillip Lockyer. Mr Lockyer is an independent director and is not the Chief Executive Officer.

Recommendation 2.6

The Company has an induction program for new directors and senior executives. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity. The Company's *Induction Program* is disclosed on the Company's website.

The Remuneration and Nomination Committee regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the Remuneration and Nomination Committee considers what training or development should be undertaken to fill those gaps. In particular, the Remuneration and Nomination Committee ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements. Directors also receive ongoing briefings from the Company Secretary and Chief Financial Officer on developments in accounting standards.

Principle 3 – Act ethically and responsibly

Recommendation 3.1

The Company has established a Core Value policy, which is disclosed on the Company's website.



CORPORATE GOVERNANCE STATEMENT

Recommendation 3.2

The Company has established a Code of Conduct for its directors, senior executives and employees, which is disclosed on the Company's website.

Recommendation 3.3

The Company has established a Whistleblower policy and any material incidents reported under this policy are communicated to the directors, as applicable.

Recommendation 3.4

The Company has established an anti-bribery and corruption policy and any material incidents reported under this policy are communicated to the directors, as applicable.

Principle 4 – Safeguard integrity in corporate reporting

Recommendation 4.1

The Board has established an Audit and Risk Committee. The members of the Audit and Risk Committee are Messrs Hood (Chairman), Lockyer and Totaro. All members of the Audit and Risk Committee are independent non-executive directors and the Audit and Risk Committee is chaired by Mr Hood who is not also Chairman of the Board. Accordingly, the Audit and Risk Committee is structured in compliance with Recommendation 4.1.

Peter Hood (*BE (Chem), MAustIMM, FIChemE, FAICD*) is a Chemical Engineer and was formerly the Chief Executive Officer of Coogee Chemicals and Coogee Resources. He was Chairman of the International Chamber of Commerce National Committee of Australia. Peter is a Past President of the Australian Chamber of Commerce and Industry and the Chamber of Commerce and Industry Western Australia. Peter is currently Chairman of Matrix Composites and Engineering Limited, Lead Independent Director of Cue Energy Resources Limited and a Non-Executive Director of De Grey Mining Limited.

Phillip (Phil) Lockyer (*BAppSc (Mech Eng)*) is a Mining Engineer and metallurgist who has over 50 years experience in the mineral industry, with a focus on gold and nickel in both underground and open pit operations. He has formerly served on the Boards of Perilya Limited, Focus Minerals Limited, Swick Mining Services Limited and CGA Mining Limited. He is currently a Non-Executive Director of RTG Mining Inc.

Giuseppe (Joe) Totaro (*B.Comm, CPA*) is a Certified Practicing Accountant (CPA) with over 30 years' experience in commercial and public practice specialising in mining and mining services. Joe is a co-founder of GR Engineering and was formerly the Chief Financial Officer and Company Secretary of GR Engineering.

The Board has adopted an Audit and Risk Committee Charter which describes the Audit and Risk Committee's role, composition, functions and responsibilities, which is disclosed on the Company's website.



CORPORATE GOVERNANCE STATEMENT

Recommendation 4.2

Before the Board approved the Company financial statements for the half year ended 31 December 2021 and the full-year ended 30 June 2022, it received from the Managing Director and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company writes to the Company's auditor to inform them of the date of the Company's annual general meeting.

In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair allows a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

A representative of the Company's auditor, Deloitte Touche Tohmatsu attended the Company's annual general meeting held on 24 November 2021.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's *Policy on Continuous Disclosure and Compliance Procedures* are disclosed on the Company's website at www.gres.com.au.

Recommendation 5.2

The board of directors receives copies of all material market announcements promptly after they have been made.

Recommendation 5.3

The Company releases a copy of presentation materials, where there is new and substantive information, on the ASX Markets Platform ahead of the presentation

Principle 6 – Respect the rights of security holders

Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.gres.com.au as set out in its *Shareholder Communication and Investor Relations Policy*.



CORPORATE GOVERNANCE STATEMENT

Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's *Shareholder Communication and Investor Relations Policy*.

Recommendation 6.3

The Company has in place a *Shareholder Communication and Investor Relations Policy* which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

Recommendation 6.4

The Company ensures that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

Recommendation 6.5

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically. This is facilitated through the Company's website which provides access to the Company's and its share registry's full range of contact details, including email address.

Principle 7 – Recognise and manage risk

Recommendation 7.1

As noted above, the Board has established a combined Audit and Risk Committee. The Audit and Risk Committee is structured in accordance with Recommendation 7.1. Please refer to the disclosure above in relation to Recommendation 4.1 in relation to the Audit and Risk Committee.

Recommendation 7.2

The Audit and Risk Committee reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's *Risk Management Policy*.

Recommendation 7.4

The Company provides engineering and construction services to the mining industry and operations and maintenance services to the oil and gas industry, including producers of coal seam gas. These activities expose the Company, directly and indirectly to environmental, social and economic sustainability risks, which may materially impact the Company's ability to create or preserve value for shareholders over the short, medium or long term.

In relation to the provision of goods and services, these risks are mitigated by virtue of the Company entering a project's life cycle at a stage where all environmental, social and economic requirements of the relevant jurisdiction have been met by the client. The Company does not provide goods and services in circumstances where this is not the case and to that extent, the Company is in a position to continue its business activities in an environmentally, socially and economically sustainable manner.

CORPORATE GOVERNANCE STATEMENT

In relation to the Company's suppliers, the Company takes due care to ensure that the goods and services required for the conduct of its business are sourced from entities which act fairly and responsibly within the environments, societies and economies in which they operate thereby mitigating sustainability risks in relation to these factors.

The Company aims to operate in a socially sustainable way by engaging with the local communities and wherever possible providing employment and training opportunities to members of the local community. In doing so, the Company operates within the framework of local norms and customs and endeavours to ensure that its clients do likewise. The Company will not participate in any activity where it is likely to receive either directly or indirectly, economic benefit through the exploitation of others.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1

As noted above in relation to Recommendation 2.1, the Board has established a Remuneration and Nomination Committee. The Remuneration and Nomination Committee is structured in compliance with Recommendation 8.1. Please refer to the disclosure above in relation to Recommendation 2.1 in relation to the Remuneration and Nomination Committee.

Recommendation 8.2

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report in the Company's Annual Financial Report. This disclosure includes a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Under the terms of the GR Engineering Services Limited Equity Incentive Plan (**Plan**), if in the opinion of the Board a participant acts fraudulently or dishonestly or wilfully breaches his or her duties to the Company, the Board may in its absolute discretion determine that all unvested or unexercised performance rights or share appreciation rights held by the participant will lapse.

In addition to the provisions under the Plan, the Board has adopted a clawback policy in relation to any cash bonuses or shares issued pursuant to the Plan. Under this policy the Board reserves the right to take action to reduce, recoup or otherwise adjust the employees performance based remuneration in circumstances where in the opinion of the Board, an employee has acted fraudulently or dishonestly or has wilfully breached his or her duties to the Company.

Recommendation 8.3

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting participants in the Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Plan.

ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as at 15 August 2022:

- the twenty largest shareholders held 78.0% of the Ordinary Shares; and
- there were 2,603 ordinary shareholders.

Distribution of securities

Analysis of number of equity security holders by size of holding:

| Range | Total | Units | % of shares issued |
|---------------------------|--------------|--------------------|--------------------|
| 1 - 1,000 | 559 | 304,098 | 0.19% |
| 1,001 - 5,000 | 910 | 2,652,598 | 1.64% |
| 5,001 - 10,000 | 474 | 3,882,451 | 2.40% |
| 10,001 - 100,000 | 595 | 16,732,131 | 10.36% |
| 100,001 - 1,000,000 | 47 | 13,884,375 | 8.59% |
| 1,000,001 - 9,999,999,999 | 18 | 124,111,599 | 76.82% |
| | 2,603 | 161,567,252 | 100.00% |

The number of shareholders holding less than a marketable parcel of ordinary shares is 90.

Equity security holders

Top 20 Shareholders as at 15 August 2022

| Name | Number of shares held | % of shares issued |
|--|-----------------------|--------------------|
| 1. Citicorp Nominees Pty Ltd | 24,082,002 | 14.91% |
| 2. Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna | 12,325,000 | 7.63% |
| 3. Joley Pty Ltd | 10,367,800 | 6.42% |
| 4. Paksian Pty Ltd | 9,798,578 | 6.06% |
| 5. Kingarth Pty Ltd | 9,795,000 | 6.06% |
| 6. Ms Beverley June Schier | 8,100,000 | 5.01% |
| 7. Mr Giuseppe Totaro | 8,000,000 | 4.95% |
| 8. Quintal Pty Ltd | 7,500,000 | 4.64% |
| 9. Polly Pty Ltd | 7,500,000 | 4.64% |
| 10. Ledgking Pty Ltd | 6,075,000 | 3.76% |
| 11. National Nominees Limited | 3,778,506 | 2.34% |
| 12. Mr Stephen Paul Kendrick | 3,491,000 | 2.16% |
| 13. Ms Barbara Ann Woodhouse | 3,250,000 | 2.01% |
| 14. JP Morgan Nominees Australia Pty Ltd | 3,003,687 | 1.86% |
| 15. BNP Paribas Noms Pty Ltd | 2,403,994 | 1.49% |
| 16. HSBC Custody Nominees (Australia) Limited | 1,775,657 | 1.10% |
| 17. Sistar Pty Ltd | 1,642,200 | 1.02% |
| 18. Mr Anthony John Mathison + Ms Kathryn Joy Mathison | 1,223,175 | 0.76% |
| 19. Mr Cono Antonino Angelo Ricciardo | 975,000 | 0.60% |
| 20. Mr Richard William Vincent | 939,000 | 0.58% |
| | 126,025,599 | 78.00% |

Substantial shareholders

| Name | Number of shares held | % of shares issued |
|--|-----------------------|--------------------|
| 1. First Sentier Investors | 13,495,768 | 8.35% |
| 2. Spheria Asset Management Pty Limited | 12,450,702 | 7.71% |
| 3. Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna | 12,325,000 | 7.63% |
| 4. Joley Pty Ltd | 10,367,800 | 6.42% |
| 5. Paksian Pty Ltd | 9,798,578 | 6.06% |
| 6. Kingarth Pty Ltd | 9,795,000 | 6.06% |
| 7. Ms Beverley June Schier | 8,100,000 | 5.01% |

ADDITIONAL ASX INFORMATION

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options over ordinary shares

There are no voting rights attached to Options over the consolidated entity's shares.

Performance rights

There are no voting rights attached to Performance Rights over the consolidated entity's shares.

Share appreciation rights

There are no voting rights attached to Share Appreciation Rights over the consolidated entity's shares.

Options on issue

There are no options on issue.

Performance rights

The following performance rights are on issue:

| <i>Number</i> | <i>Vesting date</i> |
|---------------|---------------------|
| 4,185,000 | 14 Sep 2023 |
| 65,000 | 22 Jul 2024 |
| 300,000 | 30 Nov 2024 |
| 100,000 | 7 Feb 2025 |
| 25,000 | 21 Mar 2025 |
| 80,000 | 1 Jul 2025 |

Share appreciation rights

The following share appreciation rights are on issue:

| <i>Number</i> | <i>Grant date</i> | <i>Expiry date</i> | <i>Exercise price</i> |
|---------------|-------------------|--------------------|-----------------------|
| 386,015 | 25 Nov 2020 | 1 Jul 2023 | \$0.75 |

Company secretary

Mr Omesh Motiwalla

Registered office

71 Daly Street
ASCOT WA 6104

Principal place of business

71 Daly Street
ASCOT WA 6104
Telephone: (61 8) 6272 6000 Facsimile: (61 8) 6272 6001

Share registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
PERTH WA 6000

On-market buyback

The consolidated entity has no current on-market buy back scheme.

Restricted securities

There are 348,083 shares that are subject to escrow until 31 October 2022. There are no other securities subject to any voluntary escrow or any transfer restrictions.

Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

GR Engineering Services Limited

ABN 12 121 542 738

For the Year Ended 30 June 2022
(corresponding period year ended 30 June 2021)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | \$'000 | Percentage Increase/ (decrease) From 30/6/21 |
|---|---------|--|
| Revenue from ordinary activities | 651,669 | 66.08% |
| Profit from ordinary activities after tax attributable to members | 34,720 | 65.26% |
| Net profit for the year attributable to members | 34,720 | 65.26% |

DIVIDENDS

| | 2022 cents per share | 2021 cents per share |
|------------------|--------------------------|-------------------------|
| Interim dividend | 9.00 (fully franked) | 5.00 (fully franked) |
| Final dividend | 10.00 (fully franked) | 7.00 (fully franked) |

A fully franked final dividend of 10.0 cents per share was resolved to be paid, with an ex-dividend date of 1 September 2022 and a record date for determining entitlements to the dividend of 2 September 2022. The payment date of the final dividend is 20 September 2022.

NET TANGIBLE ASSET BACKING

| | 30 June 2022 | 30 June 2021 |
|--|--------------|--------------|
| Net tangible asset backing per ordinary security * | 24.29 cents | 17.39 cents |

* Net tangible assets include right of use assets and lease liabilities.

The Annual Financial Report dated 22 August 2022 forms part of and should be read in conjunction with this Preliminary Final Report (Appendix 4E).

This report is based on accounts which have been audited. The audit report is included in the Annual Financial Report.