

ASX RELEASE

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For immediate release to the market

HY20 FINANCIAL RESULTS

HY20 Results Summary

- Sales revenue: \$95.3 million
- Underlying EBITDA: \$2.0 million¹
- Loss Before Tax: \$16.7 million
- Interim dividend: 2.0cps (unfranked)
- Cash: \$20.7 million

GR Engineering Services Limited (ASX:GNG) (**GR Engineering** or **Company**) today announced its financial results for the half year ended 31 December 2019 (**HY20**).

Overview

GR Engineering reported HY20 sales revenue of \$95.3 million, underlying EBITDA of \$2.0 million¹ and a loss before tax of \$16.7 million. As at 31 December 2019, the Company held cash of \$20.7 million.

Commenting on the Company's HY20 financial performance, GR Engineering's Managing Director, Mr Geoff Jones, said:

"As previously flagged, the HY20 results were negatively impacted by the impairment of \$17.4 million relating to an outstanding receivable owed by Timor Sea Oil and Gas Pty Ltd (liquidators appointed) (TOGA) to the Company's wholly owned subsidiary, Upstream Production Solutions Pty Ltd (Upstream PS).

Following TOGA being placed into liquidation, we are pleased to note that the Department of Industry, Science, Energy and Resources of the Australian Government (Australian Government) has engaged Upstream PS to provide operations and maintenance services in a non-production environment.

Contributions to GR Engineering's HY20 financial results were primarily received from design and construction works relating to OZ Minerals Limited's Carapateena Northern Wellfield Water Supply Project and Kirkland Lake Gold Limited's Fosterville Paste Plant Project. Key projects such as Tellus Holdings Limited's Sandy Ridge Waste Storage Project and Saracen Mineral Holdings Limited's Carosue Dam Operations Plant Expansion Project started ramping up in late HY20 and in addition to Galena Mining Limited's Abra Base Metals Project, are expected to underpin earnings for the next 12 months.

Study activity continued to be strong with GR Engineering completing 17 project studies in HY20. At 31 December 2019, GR Engineering was engaged on 29 studies across a broad range of commodities for projects in Australia, USA, Mexico, Turkey, Papua New Guinea, Tanzania and Saudi Arabia."

The Board has resolved to declare an interim dividend of 2.0 cents per share (unfranked).

¹ Excludes the impact of \$17.4 million bad debt expense attributable to Upstream PS's TOGA contract



HY20 Results Summary

A summary of the HY20 financial results follow:

| | | HY20 | HY19 |
|--------------------------------------|------------|---------------|-------------|
| Revenue from operations | \$m | 95.3 | 91.3 |
| Underlying EBITDA¹ | \$m | 2.0 | 5.9 |
| PBT | \$m | (16.7) | 4.4 |
| Tax | \$m | (5.5) | 1.7 |
| NPAT | \$m | (11.2) | 2.7 |
| Basic EPS | cps | (7.3) | 1.8 |
| Net Operating Cashflow | \$m | (7.5) | 13.5 |
| | | HY20 | FY19 |
| Cash | \$m | 20.7 | 31.4 |
| Total Equity | \$m | 32.5 | 46.4 |

Outlook

The next 12 months will see GR Engineering progress its major design and construction projects into commissioning and testing phases.

GR Engineering maintains reliable earnings visibility for the remainder of FY20 and the first half of FY21, primarily based on expected contributions from the following projects:

- Tellus Holdings Limited's Sandy Ridge Project - EPC Contract
- Saracen Mineral Holdings Limited's Carosue Dam Operations Plant Expansion Project - EPC Contract
- First Majestic Silver Corp's San Dimas Silver Project - EPCM Contract
- Golden Star Resources Limited's Wassa Underground Paste Backfill Project - EP Contract
- Bluestone Mines Tasmania JV - Renison Tin Operations Sampling System Replacement Project – EPC contract

GR Engineering also maintains better clarity in relation to its project pipeline having been awarded the \$74M Abra Base Metals Project with Galena Mining Limited on 10 February 2020. GR Engineering's delivery of the works remains subject to Galena Mining Limited finalising its funding arrangements for the project. Early works for the Abra Base Metals Project have commenced.

GR Engineering is in the process of increasing its workforce in Western Australia and Queensland given the current level of work on hand.

On 16 January 2020, GR Engineering announced that it had entered into an agreement to acquire Hanlon Engineering & Associates, Inc. (Hanlon), based in Arizona, USA. Hanlon is a multi-disciplinary engineering services firm and employs approximately 40 people. This acquisition is expected to be completed by the end of February 2020. Hanlon is expected to immediately contribute to GR Engineering's revenue and is expected to become EPS accretive in FY21.

In the oil and gas industry, Upstream PS is also expected to continue to consolidate and grow its relationships with existing and new clients. Key contributions are expected from existing clients in the Surat Basin CSG – LNG sector as well as Perth Basin onshore. Upstream PS has worked in both the Surat Basin and Perth Basin for over 10 years. A recent contract with the Australian Government (Northern Endeavour FPSO) and a contract extension with ENI Australia Ltd (Blacktip Gas Field) will also play an important role for Upstream PS with regard to its growth strategy.

GR Engineering reaffirms its forecast FY20 revenue guidance of \$200 million to \$220 million.



Further Information

Please refer to GR Engineering's HY20 Reviewed Financial Report for further information.

Ends.

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