



GR ENGINEERING SERVICES LIMITED
ENGINEERING CONSULTANTS AND CONTRACTORS

HY12 Results Presentation
February 2012





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Corporate Summary

Capital Structure

Shares on issue ¹	<i>m</i>	150.0
Share price (<i>GNG.ASX</i>) (20/02/12)	<i>\$</i>	2.00
Market capitalisation	<i>\$m</i>	300.0
Cash (31 December 2011)	<i>\$m</i>	51.9
Debt (31 December 2011)	<i>\$m</i>	0.7
Enterprise Value	<i>\$m</i>	248.8

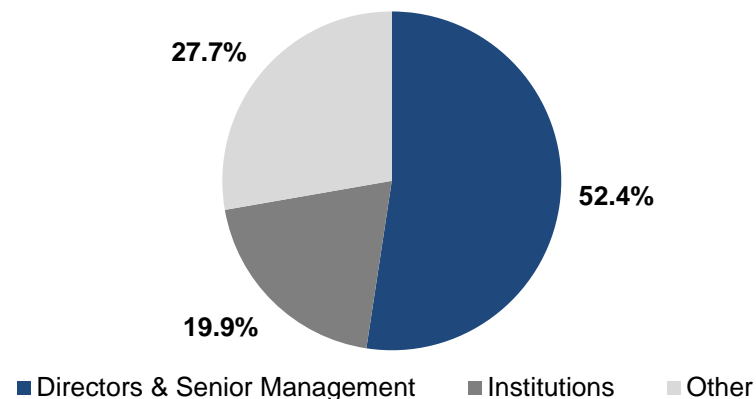
Directors & Management

Barry Patterson	<i>Non-Executive Chairman</i>
Joe Ricciardo	<i>Managing Director</i>
Tony Patrizi	<i>Executive Director</i>
Terrence Strapp	<i>Non-Executive Director</i>
Peter Hood	<i>Non-Executive Director</i>
Joe Totaro	<i>CFO & Company Secretary</i>
Geoff Jones	<i>Chief Operating Officer</i>
Dave Sala Tenna	<i>General Manager</i>

Share Price Performance



Shareholder Breakdown



1. The following options are on issue:
 500,000 exercisable at \$1.25 each on or before 19 April 2013 and vesting on 19 April 2012
 500,000 exercisable at \$1.50 each on or before 19 April 2014 and vesting on 19 April 2013
 750,000 exercisable at \$1.80 each on or before 19 April 2015 and vesting on 19 April 2014
 750,000 exercisable at \$2.10 each on or before 19 April 2016 and vesting on 19 April 2015



HY12 Results Summary

Financial

- Sales revenue - \$79.3 million
- EBITDA - \$9.9 million
- NPAT - \$6.7 million
- Cash flow from operations - \$22.4 million
- Net Cash - \$51.2 million
- EPS 4.5 cents
- DPS 4.0 cents

Operational

- Increased overheads - positioning the Company on a future growth platform
- Currently engaged on 10 contracts with project values of approximately \$125 million
- Completed 9 final stage studies in 1H12 with project values of approximately \$350 million
- Increased work flow and tendering activity for contract opportunities in West Africa and South East Asia
- Primary exposure to gold and base metals retained
- West African strategy is materialising – Activity in West Africa significantly increased in 1H12
- Workforce comprising +200 professional and support staff plus direct construction workforce and subcontractors
- Strong OH&S performance – zero LTIFR

Strategic

- Continued conversion of studies into design and construction work
- Continued geographic expansion into West Africa and South East Asia
- Maintained dominant position in the gold space, capitalising on greenfields and brownfields opportunities for clients ranging from junior developers to mid-tier and major miners
- Maintained focus on safety and people



Operational Performance

Design & Construction

Studies & Consulting

- 94% contribution to revenue
- Margins and profitability impacted by:
 - profit recognition accounting treatment in 1H12 for current projects
 - delays in contracts being awarded due to uncertain financial and commodity market conditions
 - increased overheads arising from being a listed public company and costs associated with positioning the Company on a future growth platform
- New contracts won with top tier mining companies
- Robust opportunity pipeline and increased tendering activity into West Africa and Asia
- Tender activity remains strong – currently tendering on 7 contracts with a value of +\$200 million
- Current projects are progressing well – profitability remains strong with no loss making contracts
- 12 studies won in 1H12, many for near term projects
- Currently engaged on 21 final stage studies with project values of approximately \$1.4 billion
- Traditional study conversion rates (circa 50%) imply a GR Engineering construction project pipeline of approximately \$880 million through to FY15 (based on current and completed studies)
- Studies primarily for gold projects, with many in West Africa
- Healthy exposure to base metals retained
- Studies and front end consulting engagements remain critical to establishing early and intimate project knowledge and providing a competitive advantage in winning design and construction work



About GR Engineering

- Australian based engineering design and construction contractor servicing the mining and minerals processing industry
- Specialising in engineering, procurement and construction (EPC) contracting to provide turnkey project delivery with secure cost, time, plant performance and contract completion warranties and guarantees – hard money contracting
- Employs +200 professional and support staff plus direct construction workforce and subcontractors
- Offices in Perth, Kalgoorlie and Brisbane
- Very strong in gold, base metals and industrial mineral commodities
- GRES operates in a niche market – limited EPC competitors, high barriers to entry
- Over 80% of revenue is non-tendered



- GR Engineering is engaged by a variety of clients ranging from leading global diversified mining houses, mid-tier producers, developers and junior explorers

Selected Clients

Gold	
Base Metals	
Other	



Completed Contracts – 1H12

- Several design and construction projects were completed in 1H12
- All completed projects were profitable, continuing GR Engineering’s history of having no loss making contracts

Region	Client & Contract	Commodity	Description
Australia	▪ Integra Mining Ltd Randalls Gold Plant Upgrade	▪ Gold	▪ GR Engineering was engaged by Integra Mining to undertake the upgrade to 1Mtpa of the Randalls gold processing plant in Western Australia
	▪ Ramelius Resources Ltd Checker Processing Plant	▪ Gold	▪ GR Engineering was engaged by Ramelius to provide EPC services to refurbish the 1.7Mtpa Checker processing plant at Mt Magnet, Western Australia
	▪ Newcrest Mining Ltd Telfer Gold Mine Flotation Upgrade	▪ Gold	▪ GR Engineering was engaged by Newcrest to provide EPC services for the installation of vendor supplied Jameson cells at the Telfer Gold Project in Western Australia
	▪ Evolution Mining Ltd Edna May Plant Upgrade	▪ Gold	▪ GR Engineering was engaged by Evolution Mining (formerly Catalpa Resources) to provide EPC services for upgrades to the Edna May processing plant in Western Australia
	▪ Tanami Gold NL Western Tanami Upgrade	▪ Gold	▪ GR Engineering was engaged by Tanami to provide EPC services for stage 1 & 2 of the 500,000tpa plant upgrade at the Western Tanami gold mine in the Northern Territory
	▪ Xstrata Nickel Cosmos Fuel Farm	▪ Nickel	▪ GR Engineering was engaged by Xstrata to provide EPC services for the installation of a fuel farm at the Cosmos nickel mine in Western Australia
	▪ First Quantum Minerals Ltd Ravensthorpe Nickel Project	▪ Nickel	▪ GR Engineering was engaged by First Quantum to provide EPC services for the installation of a nickel concentrate bagging plant at the Ravensthorpe nickel project in Western Australia



West Africa Strategy Materialising

- GR Engineering is extremely pleased with the progress it made in 1H12 to diversify into West Africa
- West African project study activity is strong and several near term opportunities exist for EPC and EPCM contract awards
- GR Engineering is currently engaged on 4 studies and 1 engineering-procurement contract for gold projects in Ghana, Mali and the Ivory Coast
- 7 EPC / EPCM contract opportunities currently exist in West Africa for projects due to commence in FY12 and FY13
 - represent total project revenue of approximately \$250 million if awarded
 - GR Engineering currently engaged on late stage studies for 4 of these projects
 - all projects are controlled by Australian ASX listed companies
- GR Engineering is confident that its contract activity and operational presence in West Africa is going to grow materially throughout calendar year 2012
- Expectation that West African contracts will make a significant contribution to GR Engineering's earnings from FY13



Safety Performance

- Maintained strong HS&E performance in 1H12
- Zero lost time injury frequency rate (LTIFR)
- 610 days of zero LTIFR for all employees and sub-contractors to 1H12
- Aligned to AS4801 compliant health, safety and environment management system in HY12
- Continued focus on HS&E performance to prevent harm and injury



HY12 Financial Results

		HY12	HY11 ¹	Comment
Revenue from operations	\$m	79.3	70.7	<ul style="list-style-type: none"> ▪ Revenue growth remains strong buoyed by steady work flow on current and new projects ▪ Profitability adversely impacted by declining margins resulting from: <ul style="list-style-type: none"> ▪ profit recognition accounting treatment in 1H12 for current projects ▪ delays in contracts being awarded due to uncertain financial and commodity market conditions ▪ increased overheads arising from being a listed public company and costs associated with positioning the Company on a future growth platform
EBITDA	\$m	9.9	17.3	
<i>EBITDA Margin</i>	<i>%</i>	<i>12.5%</i>	<i>24.5%</i>	
EBIT	\$m	9.6	17.1	
<i>EBIT Margin</i>	<i>%</i>	<i>12.1%</i>	<i>24.2%</i>	
PBT	\$m	10.6	17.4	
NPAT	\$m	6.7	10.6	
<i>NPAT Margin</i>	<i>%</i>	<i>8.5%</i>	<i>15.0%</i>	
Basic EPS	cps	4.5	8.9	
Net operating cashflow	\$m	22.4	23.5	
Net Cash	\$m	51.2	20.6	<ul style="list-style-type: none"> ▪ Strong operating cash flow and IPO funds have significantly enhanced net cash and equity positions ▪ Balance sheet remains in excellent shape to take on larger +\$100 million projects
Total Equity	\$m	41.7	1.8	

1. Pre IPO



Market Conditions & Outlook

- Continued strength in gold projects (greenfields and brownfields) driven by the strong gold price across a broad spectrum of clients
- Increased market appetite for lump sum EPC contracts as opposed to EPCM has been observed
- Study activity continues to grow presenting strong potential for future design and construction project delivery, particularly in West Africa and South East Asia
- Volatile financial and commodities markets causing some project start-up delays. High A\$ and client's internal processes also contributing to delays
- Increasing activity in West Africa buoyed by attractive project economics, particularly in gold
- Focus on margin improvement
- 2H12 revenue expected to be consistent with 1H12 with potential for upside


- Focus remains on winning larger construction projects
 - Strong balance sheet provides a platform to undertake work of increased scale
 - Focus on quality revenue at acceptable margins will remain
- Continue expansion into West Africa and South East Asia
 - Study activity for West African and South East Asian gold projects is strong
 - Numerous opportunities to win construction contracts on foot
- Continue conversion of studies into projects in line with historic strategy
- Attract and retain the highest calibre of professionals and skilled labour in the market
- Capitalise on numerous brownfields expansion opportunities in both precious and base metals
- Increase exposure to iron ore
- Consider corporate / M&A opportunities
- GR Engineering is now positioned on a strong growth platform to take advantage of numerous opportunities and deliver solid results for FY13 onwards



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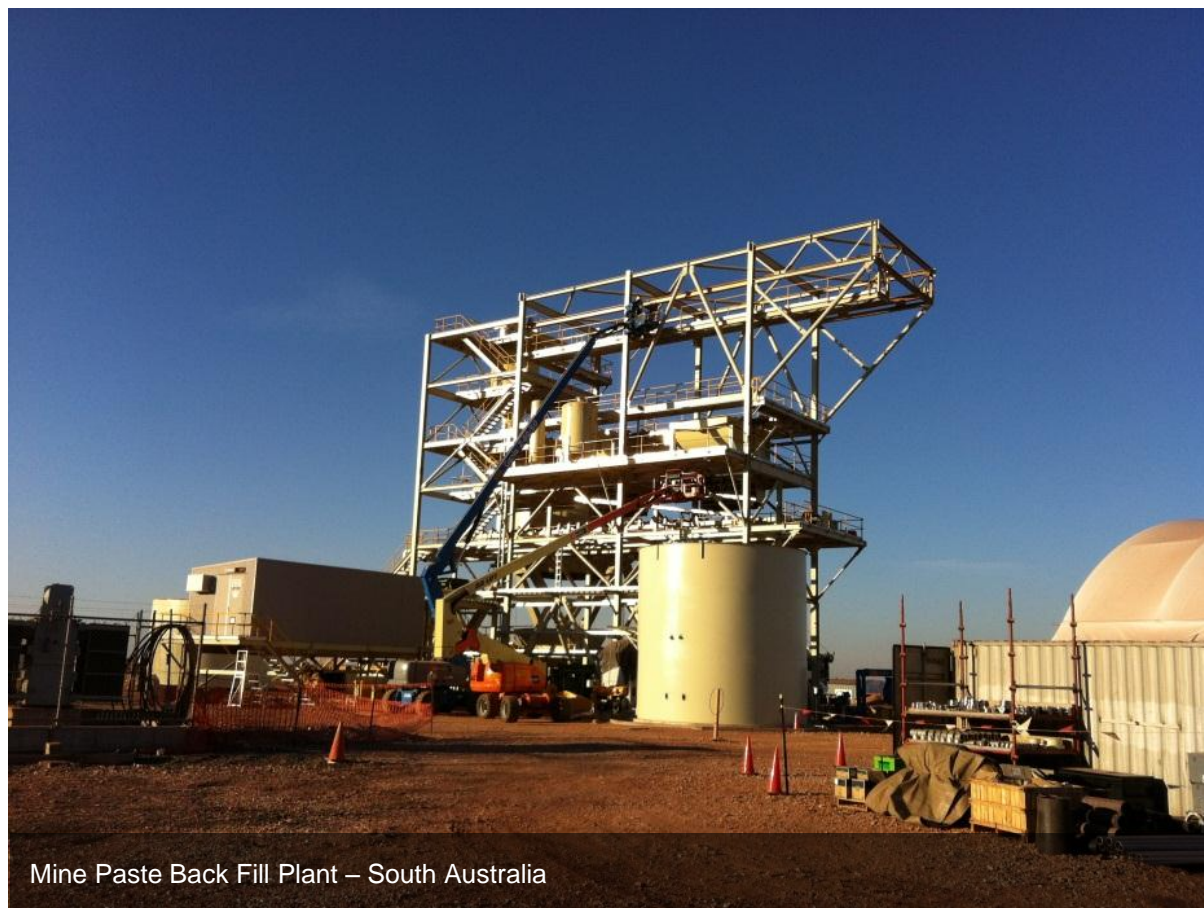
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Zinc / Lead Processing Plant – New South Wales



Zinc / Lead Processing Plant – New South Wales



Mine Paste Back Fill Plant – South Australia



1Mtpa Gold Process Plant Upgrade – Western Australia





Flotation Circuit Upgrade – Western Australia