



GR ENGINEERING SERVICES
ENGINEERING CONSULTANTS AND CONTRACTORS

ASX RELEASE

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For immediate release to the market

**GR ENGINEERING OVERCOMES TOUGH SECTOR CONDITIONS TO DELIVER
SIGNIFICANT OPERATIONAL AND FINANCIAL IMPROVEMENT FOR HY14**

HY14 Headline Results

- Sales revenue \$49.7 million (HY13 \$56.6 million)
- EBIT \$7.3 million (HY13 \$1.6 million)
- PBT \$8.0 million (HY13 \$2.3 million)
- NPAT \$7.3 million (HY13 \$1.3 million)
- Cash flow from operations \$16.4 million (HY13 -\$0.4 million)
- Interim dividend of 3cps (franked to 40%) (HY13 2cps (fully franked))
- HY13 net cash of \$45.0 million¹ (HY13 \$31.4 million)

GR Engineering Services Limited (ASX:GNG) (**GR Engineering** or **Company**) today announced its financial results for the half year ended 31 December 2013 (**HY14**).

GR Engineering reported HY14 EBIT of \$7.3 million (HY13 \$1.6 million) and PBT of \$8.0 million (HY13 \$2.3 million). Despite persistently subdued trading conditions in the mining and resource services sector generally, management expects stronger revenue and consistency in financial performance for the balance of FY14.

Commenting on the HY14 results, GR Engineering's Managing Director, Mr Geoff Jones said:

"It is pleasing that despite difficult trading conditions in our sector and the impact on revenue caused by project commencement timing, the Company has succeeded in producing a solid operational and financial performance in HY14. We have achieved significant improvements in our cash flow, earnings and net profit over the same period last year despite the lower revenue, largely as a result of diligent contract management and cost control. Our assessment of work on hand indicates improved revenues and consistent financial outcomes for the balance of FY14."

¹ Including cash held to secure contingent liabilities under the Company's bonding facilities less borrowings.



A summary of the HY14 financial results follow:

		HY14	HY13
Revenue from operations	\$m	49.7	56.6
EBIT	\$m	7.3	1.6
PBT	\$m	8.0	2.3
Tax¹	\$m	0.7	1.1
NPAT	\$m	7.3	1.3
Basic EPS	cps	4.9	0.8
Net operating cashflow	\$m	16.4	-0.4
		HY14	HY13
Net Cash²	\$m	45.0	31.4
Total Equity	\$m	44.7	37.7

1. HY14 tax rate reflects the receipt of a research and development tax rebate received in December 2013.

2. Including cash held to secure contingent liabilities under the Company's bonding facilities less borrowings.

Safety Performance

During HY14, GR Engineering continued its excellent safety record of zero lost time injuries. As at 23 February 2014 the Company had achieved 1,338 consecutive lost time free days. GR Engineering continues to make the safety and wellbeing of its employees and contractors a primary objective.

Growth Strategy

Entry into oil and gas services sector

On 13 December 2013, GR Engineering announced the acquisition of Production Solutions, an independent leading provider of specialist operations and maintenance and well management services to the upstream oil and gas sector in Australia and South East Asia. This acquisition will result in the Company gaining access to new and more consistent revenue streams and growth opportunities, particularly in the growing Australian coal seam gas sector.

Execution of the Production Solutions acquisition is progressing smoothly and GR Engineering expects the transaction to be completed by 31 March 2014.

Offshore expansion

GR Engineering is continuing to pursue opportunities in West Africa and South East Asia, primarily for projects that are progressing through their feasibility stage.

The Company now has a core team based at its operations in Devon, United Kingdom, which will expand as construction personnel are mobilised for the execution of the Hemerdon Tungsten and Tin project near Plymouth.



Operational Overview

GR Engineering continued to successfully progress and complete projects in HY14 through the achievement of time and budget outcomes, whilst maintaining strong safety and quality performance.

During the half, GR Engineering successfully completed the design and construction of the Andy Well Gold Project for Doray Minerals and the Whyalla Magnetite Expansion Project in South Australia. Work also continued on the engineering design and procurement of the £75 million (approximately \$138 million)² Hemerdon Tungsten and Tin Project for Wolf Minerals, which has now proceeded to the construction phase following the recent grant of site access to GR Engineering. The Hemerdon Tungsten and Tin Project is scheduled for completion in July 2015. The Company also continued to successfully progress its EPCM work in Mali at Resolute Mining's Syama project.

On 28 October 2013, GR Engineering announced that it had been appointed by MZI Resources as the preferred contractor for the Keysbrook Mineral Sands Project in Western Australia. The project is expected to be completed on an EPC basis with a contract value of approximately \$55 million and the Company has started working with MZI on some early engineering works. The Keysbrook project further broadens GR Engineering's commodity exposure, whilst enabling it to continue relying on its core competencies in precious and industrial commodities.

As at 31 December 2013, GR Engineering was engaged on 10 studies for projects across jurisdictions and relating to a broad mix of commodities, including gold, iron ore, copper and nickel.

Balance Sheet

As at 31 December 2013, GR Engineering had net cash of \$45 million, with \$45.7 million in cash deposits.³

Dividend

The Company's Board has declared an interim dividend of 3 cents per share (40% franked), with a record date of 17 March 2014 and being payable on 28 March 2013.

Outlook

GR Engineering enters 2H14 with a solid order book, primarily comprising the Hemerdon Tungsten and Tin Project. Together with other work on hand and prospective contract opportunities, the Company expects improved revenue in 2H14 with financial outcomes consistent with those achieved in HY14. Financial performance in 2H14 will also be influenced by the timing of contract awards, most notably the award and commencement of the \$55 million contract for the design and construction of the Keysbrook Mineral Sands Project in Western Australia.

Further Information

Please refer to GR Engineering's HY14 Reviewed Financial Report for further information.

Ends.

² Assumed exchange rate of A\$1:£0.54

³ Including cash held to secure contingent liabilities under the Company's bonding facilities less borrowings.



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GR Engineering Services Limited (ASX:GNG) is an engineering, consulting and contracting company specialising in fixed price engineering design and construction services to the resources and mineral processing industry.

Founded in Perth, Western Australia in 2006, GR Engineering has rapidly grown through the completion of design and construction projects for a diverse range of clients, including global mining houses, mid-tier miners and junior developers undertaking their first project.

GR Engineering has undertaken feasibility studies for projects in over 20 countries. These studies play a key role in delivering organic growth opportunities through their conversion into design and construction projects.

GR Engineering directly employs more than 170 professional and support staff at its offices in Perth and Brisbane in addition to its direct construction workforce and subcontractors.