



GR ENGINEERING SERVICES
ENGINEERING CONSULTANTS AND CONTRACTORS

ASX RELEASE

7 February 2020

For immediate release to the market

**UPSTREAM PRODUCTION SOLUTIONS' CONTRACT WITH
TIMOR SEA OIL & GAS AUSTRALIA PTY LTD (ADMINISTRATORS APPOINTED)**

GR Engineering Services Limited (ASX: GNG) (GR Engineering) refers to its previous announcement on 1 October 2019 in relation to the status of the Operations and Maintenance Services Agreement (O&M Agreement) between its wholly owned subsidiary, Upstream Production Solutions Pty Ltd (Upstream PS) and Timor Sea Oil & Gas Australia Pty Ltd (Administrators Appointed) (TOGA).

Following TOGA's entry into voluntary administration on 20 September 2019, the Administrators undertook a financial and operational review of TOGA and its group entities and received funding from TOGA's senior secured lender, Castleton Commodities International (CCI), to operate the TOGA business and explore options for its sale or recapitalisation. Upstream PS has been funded by the Administrator to continue providing services to TOGA under the O&M Agreement during the term of the administration and on commercial terms.

The Administrators have undertaken a campaign seeking expressions of interest from interested parties to recapitalise or acquire TOGA's business, including by way of deed of company arrangement (DOCA).

At the second meeting of creditors held today, it was resolved to place the TOGA group companies into liquidation.

Upstream PS has completed the de-manning process from the Northern Endeavour FPSO to bring the provision of services under the O&M Agreement to an end. Upstream PS will de-register the safety case and terminate the O&M Agreement.

Upstream PS has kept the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) informed of its proposed actions and will continue to work with NOPSEMA on an ongoing basis post liquidation of the TOGA group companies.

Consistent with its previous announcement of 1 October 2019, GR Engineering's assessment of the group's financial exposure to TOGA is \$17.4 million, representing receivables for services rendered. Upstream PS holds a security interest over the Laminaria Corallina production licences, which rank pari passu with CCI's security interest over those licences.

As TOGA has now been placed into liquidation, GR Engineering will recognise an impairment of \$17.4 million in its half year results ended 31 December 2019.

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