GR Engineering Services Limited

ENGINEERING CONSULTANTS AND CONTRACTORS

ABN 12 121 542 738

ANNUAL REPORT 2011

GROWTH

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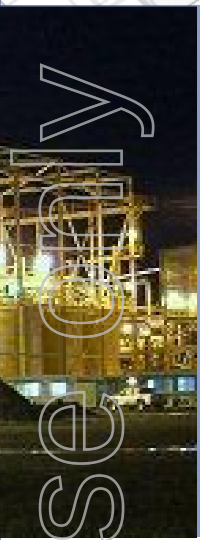
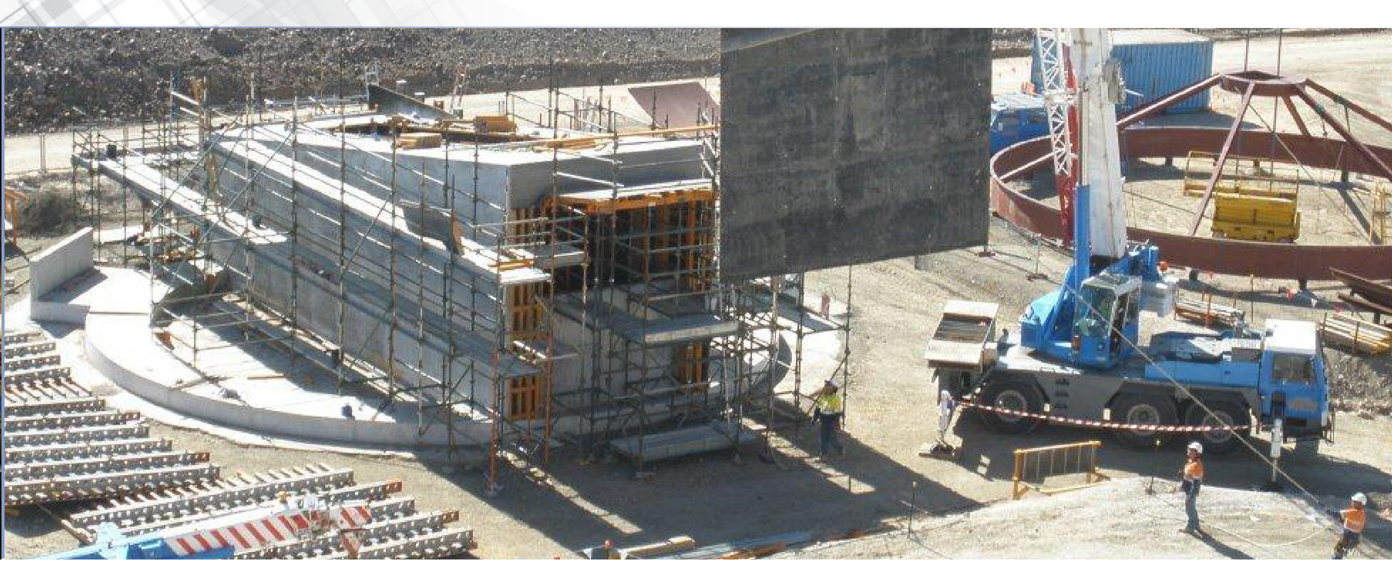
"REVENUE FOR THE YEAR WAS $142.5 MILLION, $4.2 MILLION AHEAD OF PROSPECTUS FORECAST AND 11.1% OVER THE PREVIOUS YEAR'S RESULT OF $128.2 MILLION."

CHAIRMAN'S LETTER





Dear Shareholder

As Chairman and a founding shareholder in GR Engineering Services Limited, it gives me great pleasure to present to you our inaugural Annual Report as an Australian Securities Exchange (ASX) listed public company and to report on the Company's activities and performance for the year ended 30 June 2011.

The 2011 financial year was an extremely important period in the Company's history and development. The highlights were the successful admission for quotation of the Company's shares to the Official List of the ASX on 19 April 2011, record financial results ahead of Prospectus forecasts and the achievement of an outstanding safety performance.

The Initial Public Offering, which raised $30 million, has enabled the Company to bolster its Statement of Financial Position through additional working capital to fund larger construction projects, unlock its true value and offer our valued employees the opportunity to acquire a stake in the Company. With $36.0 million cash in hand as at 30 June 2011, our share price remaining significantly above the Initial Offer Price and a large portion of staff members subscribing for shares, I am pleased to report that these underlying objectives were achieved. I welcome all shareholders who have joined the Company's founding shareholders on our share register.

Financially, the year under review brought with it records in terms of revenue and profitability. Revenue for the year was $142.5 million, $4.2 million ahead of Prospectus forecast and 11.1% over the previous year's result of $128.2 million. Net Profit After Tax for the year was $21.1 million versus Prospectus forecast of $18.8 million and 18.3% ahead of the previous year's result of $17.8 million.

Appropriate to these results and consistent with Prospectus forecasts, the Directors have resolved to declare a fully franked dividend of 4.0 cents per share. The Record Date for the dividend is 16 September 2011 and the Payment Date is 10 November 2011.

It is particularly pleasing that these financial results were generated in a safe and healthy work environment. In this regard I am proud to report that the Company achieved a Lost Time Injury Frequency Rate of zero for the 2011 financial year. My thanks and congratulations go to all the Company's employees for this exemplary result. I urge all our employees to continue making occupational health and safety their primary focus and to strive to maintain their high standards in this area.

Looking ahead, I am buoyed by the Company's prospects. Despite the uncertainty and volatility in European and United States' financial markets, the economic growth outlook throughout South-East Asia and the Asian sub-continent remains strong and supports the view for continued strength in base metal and gold prices, currently at historically high levels.

This outlook has underpinned an unprecedented level of investment in mineral processing, materials handling and related infrastructure, creating a favourable market environment for the Company's services through 2011/2012 and beyond. In a tangible sense, this demand is reflected in the record number of studies conducted by the Company. As at 30 June 2011, GR Engineering Services was engaged on 23 studies, 14 of which relate to gold projects and 6 relate to overseas projects, predominantly in Africa.

These study activities also support the Company's strategic objective for organic growth. Cornerstone to the Company's business model is the conversion of maturing studies into design and construction projects, enabling opportunities for the Company's core business of project delivery on an Engineering, Procurement and Construction (EPC) basis. The geographical spread of the projects to which these studies relate also assists in the Company's aim of further growth through overseas expansion.

During the year under review, the Company was awarded its single largest EPC contract to date being the design and construction of the 750,000 tonne per annum lead/zinc processing plant for CBH Resources Limited in New South Wales. This project is due for completion in April 2012. Combining this project with others on hand, the Company moves into the 2012 financial year with over $100 million of work in hand.

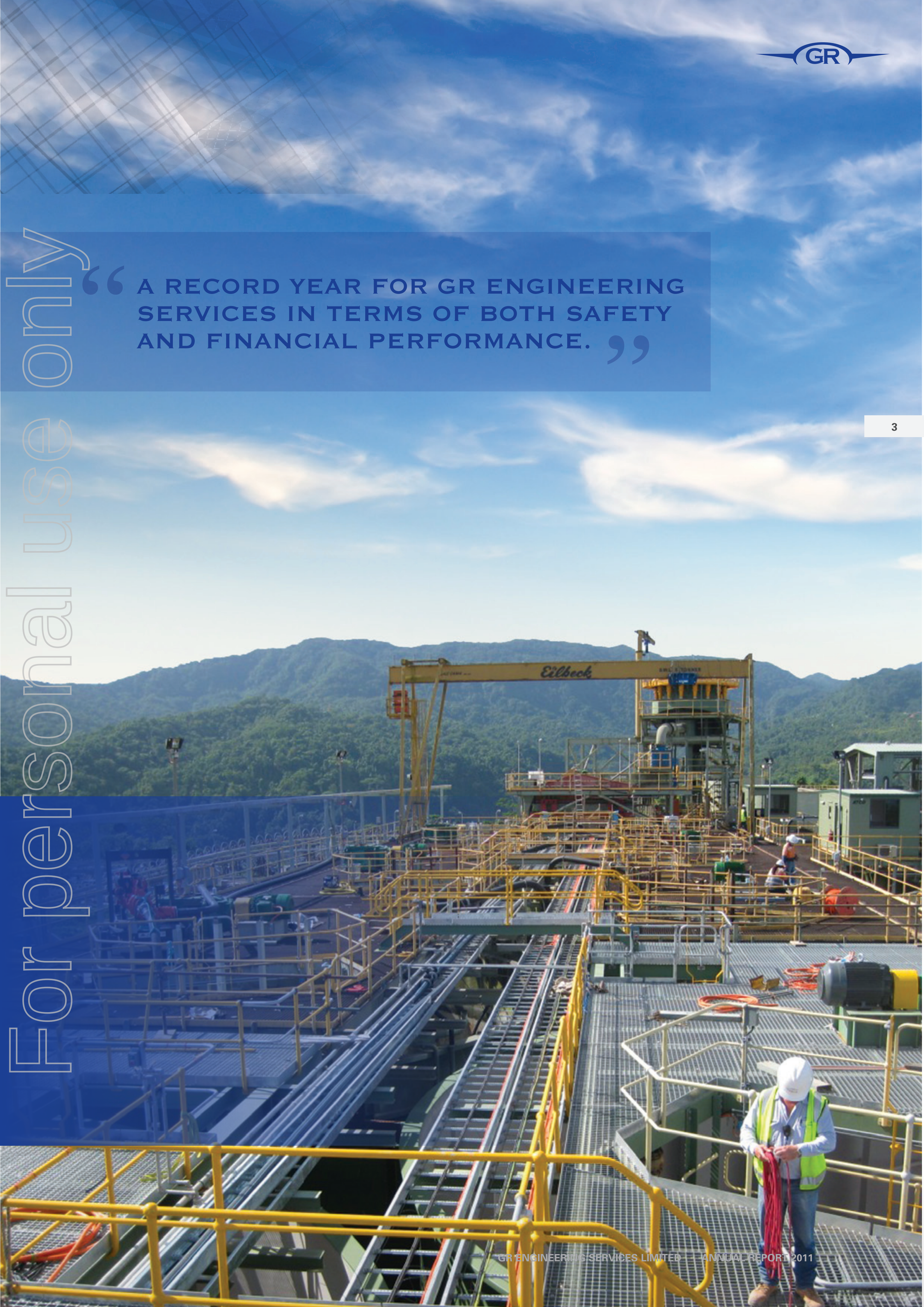
Despite this favourable outlook, the Company remains alert to the volatility in financial markets abroad and the potentially adverse impact this may have on investment by the mining industry. A feature of the Company's business model is to operate with minimal capital investment in plant and equipment which together with a strong Statement of Financial Position and continued focus on technical and operational excellence, places the Company in the best possible position to remain resilient and responsive to opportunities in any market environment.

In summary, 2010/2011 was a year in which GR Engineering Services was awarded an historically high number of studies; secured solid carryover revenue; achieved growing international exposure; attracted a growing workforce; and strengthened its Statement of Financial Position. I believe these achievements have resulted in the Company building a solid platform from which to leverage its growth through 2011/2012 and beyond.

Finally, I would like to take this opportunity to thank our employees for their professionalism and dedication in making these achievements possible, as well as our valued clients for their support. Together our personnel and clients have combined in producing a record year for GR Engineering Services in terms of both safety and financial performance. We look forward to sharing continued prosperity as we work and grow together.

BARRY SYDNEY PATTERSON
Chairman

A RECORD YEAR FOR GR ENGINEERING SERVICES IN TERMS OF BOTH SAFETY AND FINANCIAL PERFORMANCE.



During the year ended 30 June 2011 the Company continued to capitalise on its excellent reputation and proven business model by winning new contracts and delivering on existing projects.

Six construction projects were delivered through 2011/2012 in Australia and abroad:

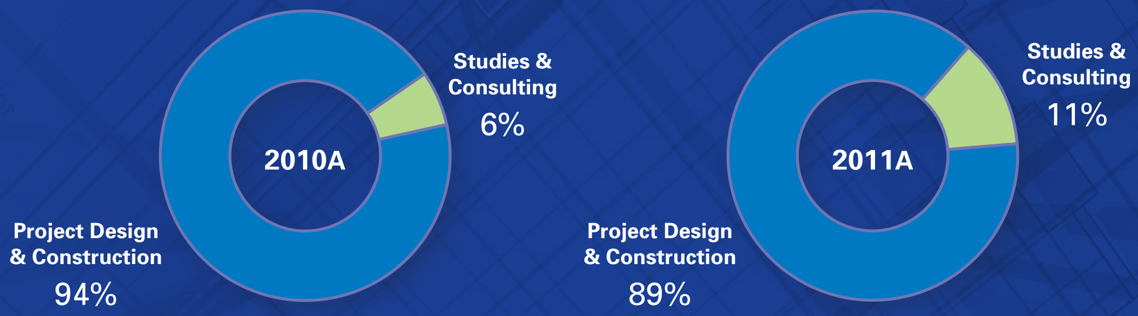
Client	Project Description	Location
Catalpa Resources Limited	Edna May Gold Project - Design and construction of 2.5 million tonne per annum gold processing plant	Western Australia
Western Areas NL	Forrestania Nickel Project - 500,000 tonne per annum nickel plant upgrade	Western Australia
Gold Ridge Mining Limited	Gold Ridge Gold Project - Plant refurbishment and expansion	Solomon Islands
Xstrata Nickel Australasia Operations Pty Ltd	Cosmos Nickel Project - 500,000 tonne per annum nickel plant upgrade	Western Australia
Catalpa Resources Limited	Edna May Gold Project - Plant optimisation works	Western Australia
Integra Mining NL	Randalls Gold Project - Design and construction of 800,000 tonne per annum processing plant	Western Australia

In addition the Company was awarded its largest construction contract to date being the design and construction of the $76 million lead/zinc processing facility for CBH Resources Ltd in New South Wales. A record amount of construction activity during the year both in Australia and overseas resulted in record revenue of $142.5 million and record net profit after tax of $21.1 million. This profit result continued a four year trend in the achievement of record profitability.

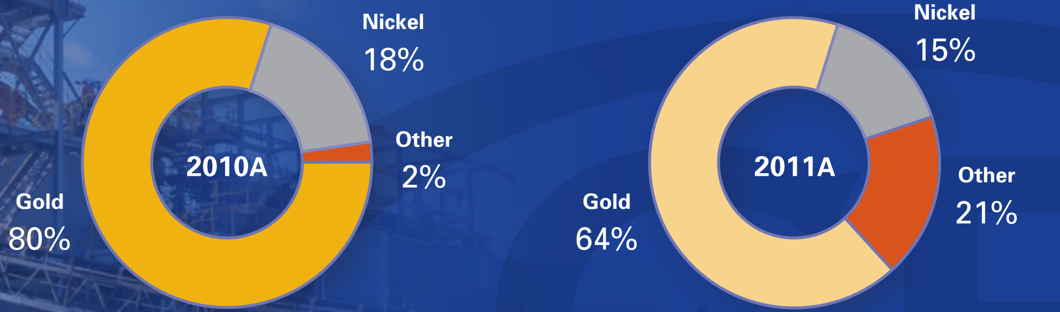
Work on hand as at 30 June 2011 provided a solid foundation for the 2011/2012 financial year. By 30 June 2011 work had commenced or was programmed to commence on construction projects involving lead, zinc and gold. These construction projects will result in over $100 million of revenue being carried forward into the financial year ended 30 June 2012.

The Company's performance was supported by historically high commodity prices throughout the year which was reflected in a record level of study activity. As at 30 June 2011, the Company was engaged on 23 studies relating to projects located throughout Australia, Africa, South East Asia, the Pacific Rim and South America and involving a range of precious and base metals and industrial minerals.

Revenue by Service



Revenue by Commodity



The high levels of study activity supports the Company's strategy of organic growth as studies mature and convert into EPC design and construction projects. In addition, the geographical spread of the projects to which these studies relate will help underpin the Company's strategy of growth through overseas expansion.

The Company is pleased to report that in April 2011 Mr Geoff Jones commenced duty as Chief Operating Officer. Geoff has many years' experience in the design, construction and delivery of mineral processing plants in Australia and Africa. His experience and knowledge within the industry will assist in implementing the Company's strategy for growth through geographical expansion, particularly into Africa.

It is particularly pleasing that the year's financial achievements were generated within a healthy and safe working environment. In this regard the Company is delighted to report that a **Lost Time Injury Frequency Rate of nil** was recorded during 2010/2011.

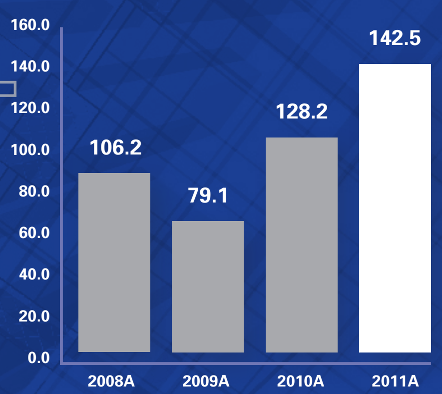
The importance of this achievement cannot be overstated. It is measure which goes to the core of our most fundamental corporate objective which is to preserve the health and wellbeing of our most valuable asset, our employees. This is an extraordinary result which we will strive to maintain into 2011/2012 and beyond.

Another highlight of the year was the Company's ability to secure repeat business with either new studies or construction work being performed for Newmont Boddington Gold, Barrick Gold, Alacer Gold (formerly Avoca Mining Limited), Catalpa Resources Limited, CBH Resources Limited, Xstrata Nickel Australasia Operations Pty Ltd, Integra Mining NL, Tanami Gold Limited and Western Areas NL.

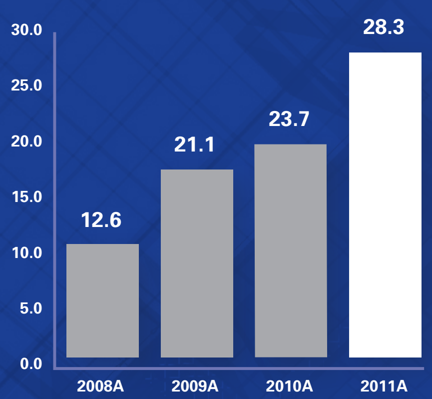
As well as securing repeat business, the Company's client list grew during the year ended 30 June 2011 to include Ramelius Resources Limited, Oz Minerals Prominent Hill Operations Pty Ltd, Resolute Mining Limited and Newcrest Mining Limited to name a few. We are grateful to all our clients for their support during the year and we look forward to working and prospering together.

Corporately, the highlight of the year was the admission of the Company's shares on the Official List of the Australian

Revenue ($ millions)



Earnings before interest and tax ($ millions)



Securities Exchange on 19th April 2011. The public listing of the Company's shares was accompanied by a raising of $30.0 million by the issue of 30 million new shares at $1-00 each which substantially bolstered the Company's Statement of Financial Position and provided it with additional bonding capacity required to execute larger construction projects. The Company continues to enjoy a strong cash and working capital position, assisted by the strategy of holding a minimal inventory of plant and equipment.

Also in April 2011, the Company significantly expanded its Brisbane office to establish a stronger market presence on the east coast of Australia, create a base from which to win and execute projects around the Pacific Rim, South East Asia and the Eastern States and to establish a capacity for overflow of engineering and design effort from the Perth office.

Despite a relatively tight skilled labour market, GR Engineering Services has been able to rely on its reputation for technical excellence and for providing a desirable workplace environment to grow its professional workforce by some 30% since becoming a public company in April 2011. The opening of the Brisbane office is seen as an important element of its future recruitment efforts through its direct access to Queensland's skilled labour market.

The Company's staffing requirements have been assisted by maintaining an excellent staff retention rate in the face of increasing competition for labour in a strong mining services sector.

With an historically high number of studies on hand, solid carryover of projects into the 2011/2012 financial year, growing international exposure, growing workforce and strengthened Statement of Financial Position, the Directors believe the Company has built a solid platform from which to achieve its objectives for growth in 2011/2012 and beyond.

STRATEGIES FOR CONTINUED REVENUE AND EARNINGS GROWTH

In order to continue to grow the Company's revenue and earnings base and therefore add value to our shareholders investment in the Company, the Board and Management aim to:

- Capitalise on the historically high number of feasibility studies on which the Company is presently engaged through their conversion into EPC contracts;
- Capitalise on the Company's excellent reputation and growing profile in relation to the many engineering and construction opportunities in Australia and abroad;

- Maximise the utilisation of the Company's increased capital base to secure larger construction contracts while staying within the Company's area of expertise;
- Continue to foster excellent employee relations through appropriate incentive schemes, professional development and to maintain the Company's high staff retention rate; and
- Assess opportunities to acquire other businesses to the extent that they will be consistent with and complimentary to the Company's existing business model.

FINANCIAL CALENDAR

Final Dividend:

Ex-dividend Date	**12 September, 2011**
Record Date	**16 September, 2011**
Payment Date	**10 November, 2011**
Annual General Meeting:	**10 November, 2011**

"GOOD RESULTS IN A TRANSFORMATIONAL YEAR, POSITIONING THE COMPANY FOR GROWTH..."

Your Directors present their report together with the financial statements of GR Engineering Services Limited ("GR Engineering" or "the Company") for the period 1 July 2010 to 30 June 2011 and the independent auditor's report thereon.

The names of the Company's Directors in office during the year ended 30 June 2011 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

DIRECTORS

Barry Sydney PATTERSON (Chairman)	Appointed 3 January 2007
Joseph Mario Paul RICCIARDO (Managing Director)	Appointed 4 September 2006
Tony Marco PATRIZI (Executive Director)	Appointed 4 September 2006
Terrence John STRAPP (Non-Executive Director)	Appointed 10 February 2011
Peter John HOOD (Non-Executive Director)	Appointed 10 February 2011

During the year, the following persons ceased to be directors of the Company:

Stephen Paul KENDRICK	Ceased 20 January 2011
George Gregory BOTICA	Ceased 20 January 2011
Rodney Douglas SCHIER	Ceased 20 January 2011
David Joseph SALA TENNA	Ceased 20 January 2011
Michael Gerald WOODHOUSE	Ceased 20 January 2011
Teodoro Giuseppe CONDIPODERO	Ceased 20 January 2011
Giuseppe TOTARO	Ceased 2 February 2011

COMPANY SECRETARY

Giuseppe (Joe) TOTARO	Appointed 4 September 2006

Joe has been Company Secretary since 4 September 2006 and was appointed Chief Financial Officer on 19 April 2011. Joe is a co-founding shareholder of GR Engineering.

PRINCIPAL ACTIVITIES

During the year the Company's activities have been the provision of high quality process engineering design and construction services to the mining and mineral processing industry.

DIVIDENDS PAID DURING THE YEAR

- Fully franked dividend of 5.00 cents per share paid on 5 July 2010
- Fully franked dividend of 7.50 cents per share paid on 27 October 2010
- Unfranked dividend of 3.33 cents per share paid 4 January 2011
- Subsequent to 30 June 2011 (August 2011), a fully franked dividend of 4.00 cents per share was recommended by the Directors to be paid on 10 November 2011.

SIGNIFICANT CHANGE IN THE STATE OF AFFAIRS

On 22 February 2011 the Company changed its corporate status from a Proprietary Limited Company to a Limited Company, i.e. from GR Engineering Services Pty Ltd to GR Engineering Services Limited.

On 19 April 2011 the Company completed the raising of $30.0 million of new capital by way of an Initial Public Offering (IPO) of 30 million shares at the issue price of $1.00, and listed on the Australian Securities Exchange.

EVENTS AFTER THE BALANCE START DATE

On 22 August 2011, the Company declared a fully franked dividend of 4.0 cents per share, an aggregate of $6,000,000. The record date of the dividend is 16 September 2011 and the proposed payment date is 10 November 2011.

Since the end of the financial year, the Company has entered into a lease for office space at 183 Great Eastern Highway, Belmont, commencing 7 October 2011 and expiring on 6 October 2016. The annual rent for these premises is $260,625.

There has been no other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

BOARD OF DIRECTORS

Barry Sydney PATTERSON – Non Executive Chairman

ASMM, MIMM, FAICD

Barry is a Mining Engineer with over 50 years' experience in the mining industry and is a co-founder of GR Engineering. He co-founded contract mining companies Eltin, Australian Mine Management and National Mine Management. Barry was also a co-founder of JR Engineering Services Pty Ltd ("JR Engineering").

Barry has served as a director of a number of public companies across a range of industries. He was formerly a non-executive director of Sonic Healthcare Limited and Silex Systems Limited.

- Interests in Ordinary shares in GR Engineering Services Limited:
  - 12,000,000
- Interests in Options in GR Engineering Services Limited:
  - None
- Special Responsibilities:
  - Chairman of the Remuneration and Nomination Committee:
  - Member of the Audit and Risk Committee
- Directorships in other listed entities in the last 3 years:
  - Sonic Healthcare Limited 1992 - 2010 (ASX:SHL)
  - Silex Systems Limited 1993 - 2010 (ASX:SLX)

Joseph (Joe) Mario Paul RICCIARDO – Managing Director

BAppSc(Mech Eng)

Joe co-founded GR Engineering. He is a Mechanical Engineer with over 32 years' experience in feasibility studies, design, construction, maintenance and operation of mineral processing facilities.

In 1986 Joe lead the founding of JR Engineering, as Managing Director, Joe successfully grew JR Engineering into a leading engineering services provider before its sale to a major ASX listed Mining Services Group in 2001.

In 2006, Joe was instrumental in regrouping the former key executives from JR Engineering to establish GR Engineering.

Joe is a non-executive director of Mineral Resources Limited and has been on its Board since its public listing in 2006.

Interests in Ordinary shares in GR Engineering Services Limited:

  - 12,000,000

- Interests in Options in GR Engineering Services Limited:
  - None
- Special Responsibilities:
  - Managing Director
- Directorships in other listed entities in the last 3 years:
  - Mineral Resources Limited 2006 - Present (ASX:MIN)

Tony Marco PATRIZI – Executive Director

BE(Mech Eng)

Tony co-founded GR Engineering. Tony is a Mechanical Engineer with over 20 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 Services Limited:
  - 12,000,000
- Interests in Options in GR Engineering Services Limited:
  - None
- Special Responsibilities:
  - Operations Director
- Directorships in other listed entities:
  - None

Terrence (Terry) John STRAPP – Non-Executive Director

CPA, FFin., MAICD

Terry has extensive experience in banking, finance and corporate risk management and has over 30 years' experience in the mining and resource industry. He was formerly Chairman of Mercator Gold Plc and non-executive director of The Mac Services Group Limited.

Terry is a Chairman of Oakvale Capital and a non-executive director of Ausdrill Limited.

- Interests in Ordinary shares in GR Engineering Services Limited:
  - 300,000
- Interests in Options in GR Engineering Services Limited:
  - None
- Special Responsibilities:
  - Chairman of the Audit and Risk Committee
  - Member of the Remuneration and Nomination Committee
- Directorships in other listed entities in the last 3 years:
  - Ausdrill Limited for 3 years to present (ASX:ASL)

Peter John HOOD – Non-Executive Director

BE(Chem), MAusIMM, FIChemE, FAICD

Peter is a Chemical Engineer and has over 40 years' experience in the resource and energy sectors.

He formerly served in senior management and project development roles for WMC in nickel and gold production. Peter was formerly the chief executive officer of Coogee Chemicals and then oil and gas operator, Coogee Resources.

Peter has considerable board experience and is currently President of the Chamber of Commerce and Industry of Western Australia and former Chairman of Apollo Gas Limited.

- Interests in Ordinary shares in GR Engineering Services Limited:
  - 500,000
- Interests in Options in GR Engineering Services Limited:
  - None
- Special Responsibilities:
  - Member of the Audit and Risk Committee
  - Member of the Remuneration and Nomination Committee
- Directorships in other listed entities in the last 3 years:
  - Apollo Gas Limited 2009 - 2010 (ASX:AZO)

MEETINGS OF DIRECTORS

The number of Meetings of the Board of Directors held during the year ended 30 June 2011 and the number attended by each director are as follows:

FULL MEETINGS OF DIRECTORS

	Eligible	Attended
Barry Patterson	10	5
Joe Ricciardo	10	10
Tony Patrizi	10	9
Terrence Strapp	5	5
Peter Hood	5	5
David Sala Tenna	5	5
Giuseppe Totaro	5	5
Rodney Schier	5	5
Stephen Kendrick	5	4
Teodoro Condipodero	5	5
Michael Woodhouse	5	2
George Botica	5	0

Of the 10 meetings of directors, 5 were held prior to the listing of the Company on the Australian Securities Exchange on 19 April 2011.

No meetings of the Audit and Risk Committee or the Remuneration and Nominations Committee which were both formed by a resolution of the Board of Directors dated 4 March 2011, were held during 2010/2011.

OPTIONS

As at the date of this report, the unissued ordinary shares of GR Engineering Services Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	No. Under Option
19 April 2011	19 April 2013	$1.25	500,000
19 April 2011	19 April 2014	$1.50	500,000
19 April 2011	19 April 2015	$1.80	750,000
19 April 2011	19 April 2016	$2.10	750,000

The option holder does not have any right to participate in any issues of shares or other interests in the Company or any other entity.

For full particulars of options issued to directors as remuneration, refer to the Remuneration Report.

No shares were issued during the financial year ended 30 June 2011 due to the exercise of options.

INDEMNIFYING OFFICERS OR AUDITORS

During the financial year, the Company 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 any material proceedings on behalf of the Company during the year ended 30 June 2011.

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 2011 fees amounting to $90,330 were paid to Deloitte Touche Tohmatsu for non-audit services including the preparation of the Investigating Accountants Report relating to the Company's Initial Public Offering of its shares and taxation advise. A further $136,828 was paid to Deloitte Corporate Finance Pty Limited in connection with the Company's Initial Public Offering.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2011 has been reviewed and can be found at page 22 of the financial report.

ENVIRONMENTAL ISSUES

In conducting its business, the Company is required to obtain permits and licences from relevant state environment protection authorities. It is of paramount importance to management and the Board of Directors that as well as operating within its own Environmental Policies, the Company observes all relevant licences in good standing.

The Company has not been made aware of any areas of non-compliance in this regard.

The Company is not subject to the Energy Efficiency Opportunities Act 2006 as it does not meet the energy use threshold specified in Section 10 of that legislation. The Company's energy consumption will be monitored and will register under the act if and when the energy use threshold is exceeded.

REMUNERATION REPORT – AUDITED

The report details the amount and nature of the remuneration for the Company's directors and five highest paid executives.

Directors

Joe Ricciardo (Managing Director)
Tony Patrizi (Executive Director)
Barry Patterson (Non-Executive Chairman)
Terrence Strapp (Non-Executive Director)
Peter Hood (Non-Executive Director)

Executives

Geoffrey Jones	(Chief Operating Officer)
David Sala Tenna	(General Manager) (Ceased to be a director 20 January 2011)
Giuseppe Totaro	(Chief Financial Officer & Company Secretary) (Ceased to be a director 2 February 2011)
Sean Supanz	(Engineering Manager)
Peter Allen	(Manager - Process)

The following were key management personnel prior to the Company changing status from a Proprietary Limited company to a Limited company on 22 February 2011:

Michael Woodhouse	(Ceased to be a director 20 January 2011)
Rodney Schier	(Ceased to be a director 20 January 2011)
Teodoro Condipodero	(Ceased to be a director 20 January 2011)
Stephen Kendrick	(Ceased to be a director 20 January 2011)
George Botica	(Ceased to be a director 20 January 2011)

REMUNERATION POLICY

The Company'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 Company and therefore shareholders.

This will be achieved by:

- Staying abreast of labour market forces thereby ensuring remuneration offered by the company is competitive and remains so through a process of annual review.
- Devising performance based remuneration programmes.
- Activation of the Company's Employee Share Option Plan.

NON-EXECUTIVE DIRECTORS

The Company'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 Company by way of remuneration for services as Directors such sums as may from time to time be determined by the Company 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 Company to align their personal objectives with the growth and profitability of the Company.

EXECUTIVE DIRECTORS

Executive-Director pay and reward is comprised of a competitive base salary. To the extent that both executive directors are substantial shareholders in the Company, their personal objectives are aligned with the performance of the Company.

SENIOR EXECUTIVES

Executive remuneration is comprised of a competitive base salary and performance bonuses (at the discretion of the board). The Chief Operating Officer is also incentivised through the issue to him of performance based options.

All executive remuneration packages are reviewed annually to ensure they remain competitive.

Remuneration paid to directors and executives is valued at cost to the Company. Options are valued using the Black Scholes method.

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT AND EXECUTIVES

	Contract Details	Non Salary Cash Incentives	Shares /Units	Options /Rights	Fixed Salary	Total
Joe Ricciardo Managing Director	Fixed term to 31 Jan 2013. Termination: 3 months notice by the Company or employee	-	-	-	100%	100%
Tony Patrizi Executive Director	Fixed term to 31 Jan 2013. Termination: 3 months notice by the Company or employee	-	-	-	100%	100%
Barry Patterson Non-Executive Chairman	By rotation and re election	-	-	-	100%	100%
Terry Strapp Non-Executive Director	By rotation and re election	-	-	-	100%	100%
Peter Hood Non-Executive Director	By rotation and re election	-	-	-	100%	100%
Geoffrey Jones Chief Operating Officer	Fixed term to 30 June 2016. Termination: 4 months notice by the Company and 3 months notice by the employee	-	-	36.1%	63.9%	100%
David Sala Tenna General Manager	Fixed term to 31 Jan 2013. Termination: 3 months notice by the Company or employee	-	-	-	100%	100%
Joe Totaro Company Secretary / Chief Financial Officer	Fixed term to 31 Jan 2013. Termination: 3 months notice by the Company or employee	-	-	-	100%	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 Company can terminate the contract at any time in the case of serious misconduct and termination payments may be paid in lieu of notice period.

REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2011 - BOARD OF DIRECTORS

	Short Term Benefits			Post Employment Benefits		Share Based Payments			
	Cash Salary & Fees $	Non Cash Payments ** $	Sub Total $	Super-annuation $	Other* $	Equity $	Options $	Total $	Performance Based %
Executive Directors									
Joe Ricciardo									
2011	242,854	10,440	253,294	21,857	-	-	-	275,151	0%
2010	178,899	10,682	189,581	16,101	-	-	-	205,682	0%
Tony Patrizi									
2011	223,800	13,350	237,150	21,492	-	-	-	258,642	0%
2010	142,202	14,915	157,117	12,798	-	-	-	169,915	0%
Rodney Schier									
2011	258,557	4,922	263,479	23,270	-	-	-	286,749	0%
2010	240,314	4,266	244,580	21,628	-	-	-	266,208	0%
Michael Woodhouse									
2011	248,765	4,523	253,288	22,389	-	-	-	275,677	0%
2010	225,940	5,220	231,160	20,335	-	-	-	251,495	0%
Stephen Kendrick									
2011	250,353	7,754	258,107	22,532	-	-	-	280,639	0%
2010	226,712	6,372	233,084	20,404	-	-	-	253,488	0%
Teodoro Condipodero									
2011	194,336	18,640	212,976	17,490	-	-	-	230,466	0%
2010	178,899	21,623	200,522	16,101	-	-	-	216,623	0%
Non-Executive Directors									
Barry Patterson (appointed Chairman 10 February 2011)									
2011	32,532	-	32,532	-	-	-	-	32,532	0%
2010	-	-	-	-	-	-	-	-	0%
Terrence Strapp * (appointed 10 February 2011)**									
2011	23,000	-	23,000	2,070	-	-	-	25,070	0%
2010	-	-	-	-	-	-	-	-	0%
Peter Hood (appointed 10 February 2011)									
2011	22,385	-	22,385	2,015	-	-	-	24,400	0%
2010	-	-	-	-	-	-	-		0%
George Botica									
2011	-	-	-	-	-	-	-	-	0%
2010	-	-	-	-	-	-	-	-	0%
Total Directors									
2011	1,496,582	59,629	1,556,211	133,115	-	-	-	1,689,326	0%
2010	1,192,966	63,078	1,256,044	107,367	-	-	-	1,363,411	0%

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

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

*** Paid to SDG Nominees Pty Ltd, an entity controlled by Terrence Strapp

EXECUTIVES

	Short Term Benefits			Post Employment Benefits		Share Based Payments			
	Cash Salary & Fees $	Non Cash Payments ** $	Sub Total $	Super-annua-tion $	Other* $	Equity $	Options $	Total $	Perfor-mance Based %
Senior Executives									
Geoffrey Jones – Chief Operating Officer (appointed 18 April 2011)									
2011	82,127	-	82,127	7,391	`-	-	50,622	140,140	36.1%
2010	-	-	-	-	-	-	-	-	
David Sala Tenna – General Manager									
2011	320,042	11,039	331,081	28,804	-	-	-	359,885	0%
2010	293,578	9,365	302,943	26,422	-	-	-	329,365	0%
Giuseppe Totaro – Company Secretary & Chief Financial Officer									
2011	177,664	5,887	183,551	15,990	-	-	-	199,541	0%
2010	130,381	6,598	136,979	11,734	-	-	-	148,713	0%
Sean Supanz – Engineering Manager (appointed 11 January 2010)									
2011	316,314	8,250	324,564	-	15,000	-		339,564	4.4%
2010	146,880	-	146,880	-	-	-		146,880	0%
Peter Allen – Manager – Process									
2011	267,388	3,800	271,188	24,064	50,000	-		345,252	14.5%
2010	237,650	-	237,650	21,388	20,000	-		279,038	7.2%
Total Senior Executives									
2011	1,163,535	28,976	1,192,511	76,249	65,000	-	50,622	1,384,382	8.4%
2010	808,489	15,963	824,452	59,544	20,000	-	-	903,996	2.2%
GRAND TOTAL									
2011	**2,660,117**	**88,605**	**2,748,722**	**209,364**	**65,000**	**-**	**50,622**	**3,073,708**	**3.8%**
2010	**2,001,455**	**79,041**	**2,080,496**	**166,911**	**20,000**	**-**	**-**	**2,267,407**	**0.9%**

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

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

The company has established an employee share option plan. The company may offer options to subscribe for shares in the company to eligible persons. Options offered under the employee share option plan are to be offered on such terms as the board determines and the offer must set out specified information including the number of options, the period of the offer, calculation of the exercise price and any exercise conditions.

The exercise price is to be determined by the Board in its absolute discretion and set out in the offer provided that the exercise price is not less than the average market price on ASX on the five trading days prior to the day the Directors resolve to grant the Option(s).

EXECUTIVES (CONTINUED)

The Company has issued a total of 2,500,000 Options to its Chief Operating Officer, Geoff Jones subject to vesting criteria and terms and conditions, namely that they will lapse if the employee ceases to become an eligible person, for any reason other than a specified reason as outlined in the terms of the option. Key elements of the Options are summarised in the following table:

Grant Date	Vesting Date	Date of Expiry	Exercise Price	Number	Fair Value at Grant Date
19 April 2011	19 April 2012	19 April 2013	$1.25	500,000	$0.1740
19 April 2011	19 April 2013	19 April 2014	$1.50	500,000	$0.2450
19 April 2011	19 April 2014	19 April 2015	$1.80	750,000	$0.2400
19 April 2011	19 April 2015	19 April 2016	$2.10	750,000	$0.2600

The following grants of share-based payment compensation to directors and senior management relate to the current financial year:

Name	Option series	Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
Geoff Jones	Issued 19 April 2011	2,500,000	0	0%	0%	36.1%

The following table summarises the value of options granted, exercised or lapsed during the year to directors and senior management:

Name	$ Value of options granted at the grant date	$ Value of options exercised at the exercise date	$ Value of options lapsed at the date of lapse
Geoff Jones	584,500	0	0

RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION POLICY

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the 5 years to 30 June 2011:

	2007	2008	2009	2010	2011
Revenue ($000's)	13,948	106,163	79,074	128,217	142,512
Net profit before tax ($000's)	(151)	13,276	22,111	24,427	29,247
Net profit after tax ($000's)	(11)	9,389	15,471	17,836	21,098
Share Price at year end	N/A	N/A	N/A	N/A	$1.95
Dividend* ($000's)		6,500	11,000	15,000	19,000
EPS* (cents)	(0.09)	7.8	12.9	14.9	16.76
Diluted EPS* (cents)	(0.09)	7.8	12.9	14.9	16.75

Note that for comparative purposes the number of shares assumed to be on issue for the financial years ended 30 June 2007 to 2009 inclusive is 120.0 million.

The Company's two executive directors, the Non-executive Chairman, two senior executives and four key employees hold significant shareholdings in the Company. As a result the performance of the Company and the personal and financial interest of its executive and management team are aligned.

The Company has issued a series of options to its Chief Operating Officer which are designed to deliver increasing financial reward to the COO with increases in the Company's share price and therefore shareholder wealth.

An Employee Share Option Plan has been adopted by the Company and will be implemented on an as required basis as the Nomination and Remuneration Committee identifieS the need to remunerate either existing or future employees, key employees, executives or executive directors on a performance basis.

This marks the end of the remuneration report.

CORPORATE GOVERNANCE

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

On 15 March 2011, the Company's Board of Directors resolved to adopt comprehensive corporate governance policy and manual based on ASX guidelines. It was further resolved by the Board that corporate governance policies would be reviewed and additional structures implemented as the Company's activities develop in size, nature and scope.

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

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

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

JOSEPH MARIO PAUL RICCIARDO
Managing Director

Date: 23 August 2011

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX: 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

The Board of Directors
GR Engineering Services Limited
71- 73 Daly Street
BELMONT WA 6104

23 August 2011

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 statements of GR Engineering Services Limited for the financial year ended 30 June 2011, 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

DELOITTE TOUCHE TOHMATSU

Conley Manifis
Partner
Chartered Accountants

	Notes	2011 $	2010 $
REVENUE			
Rendering of services		142,511,568	128,217,354
Cost of sales		105,753,367	99,661,044
Gross profit		36,758,201	28,556,310
Finance income	3(b)	955,789	737,534
Other income	3(a)	440,111	224,471
Finance costs	3(b)	44,026	38,298
Occupancy expenses		1,211,631	855,631
Administrative expenses		7,108,532	3,696,760
Depreciation	3(c)	542,422	500,147
Profit before income tax		29,247,490	24,427,479
Income tax expense	4	8,149,564	6,591,842
Net profit for the year		21,097,926	17,835,637
Other comprehensive income		-	-
Total comprehensive income for the year		21,097,926	17,835,637
Profit attributable to :			
Owners of the Company		21,097,926	17,835,637
Total comprehensive income attributable to :			
Owners of the Company		21,097,926	17,835,637
		Cents per share	**Cents per share**
EARNINGS PER SHARE			
Basic (cents per share)	15	16.76	14.86
Diluted (cents per share)	15	16.75	14.86

The accompanying notes form part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	36,014,084	12,399,632
Trade and other receivables	6	24,739,462	25,834,018
Inventories	8	1,673,918	2,830,120
Current tax asset	4	1,202,524	3,667,202
Total Current Assets		63,629,988	44,730,972
Non-Current Assets			
Deferred tax asset	4	3,222,304	2,740,409
Property, plant and equipment	7	1,972,638	1,433,933
Total Non-current assets		5,194,942	4,174,342
TOTAL ASSETS		68,824,930	48,905,314
LIABILITIES			
Current Liabilities			
Trade and other payables	9	14,760,281	12,994,065
Borrowings	11	526,904	267,548
Provisions	10	6,486,824	8,519,429
Unearned Income	12	5,586,776	16,555,389
Total Current Liabilities		27,360,785	38,336,431
Non-Current Liabilities			
Borrowings	11	401,581	383,785
Provisions	10	228,370	-
Total Non-Current Liabilities		629,951	383,785
TOTAL LIABILITIES		27,990,736	38,720,216
NET ASSETS		40,834,194	10,185,098
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	28,501,548	1,000
Reserves	16	50,622	-
Retained earnings	17	12,282,024	10,184,098
TOTAL EQUITY		40,834,194	10,185,098

The accompanying notes form part of these Financial Statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 $	2010 $
Cash flows from operating activities			
Receipts from customers		132,609,565	126,458,297
Payments to suppliers and employees		(112,480,692)	(95,346,162)
Income tax paid		(5,524,159)	(16,120,423)
Interest received		955,789	737,534
Net cash flows from operating activities	5	15,560,503	15,729,246
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,081,129)	(443,169)
Proceeds from sale of property, plant and equipment		-	-
Net cash flows used in investing activities		(1,081,129)	(443,169)
Cash flows from financing activities			
Proceeds from issue of shares		30,000,000	-
Payment of capital raising costs		(2,142,074)	-
Payment of finance lease liabilities		(134,065)	(243,368)
(Payments) / Proceeds from borrowings		411,217	206,266
Repayments of borrowings		-	-
Dividends paid		(19,000,000)	(15,000,000)
Net cash flows from/(used in) financing activities		9,135,078	(15,037,102)
Net increase in cash and cash equivalents		23,614,452	248,976
Cash and cash equivalents at beginning of period		12,399,632	12,150,656
Cash and cash equivalents at end of period	5	36,014,084	12,399,632

The accompanying notes form part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Issued capital $	Reserves $	Retained Earnings $	Total $
Balance as at 1 July 2009	1,000	-	7,348,461	7,349,461
Profit for the year	-	-	17,835,637	17,835,637
Other Comprehensive income for the year	-	-	-	-
Total Comprehensive income for the year	-	-	17,835,637	17,835,637
Declared dividend	-	-	(15,000,000)	(15,000,000)
Issue of capital	-	-	-	-
Capital raising costs	-	-	-	-
Issue of options	-	-	-	-
Balance as at 30 June 2010	1,000	-	10,184,098	10,185,098
Profit for the year	-	-	21,097,926	21,097,926
Other Comprehensive income for the year	-	-	-	-
Total Comprehensive income for the year	-	-	21,097,926	21,097,926
Declared dividend	-	-	(19,000,000)	(19,000,000)
Issue of capital	30,000,000	-	-	30,000,000
Capital raising costs	(2,142,074)	-	-	(2,142,074)
Deferred tax asset (Capital raising costs)	642,622	-	-	642,622
Issue of options	-	50,622	-	50,622
Balance as at 30 June 2011	28,501,548	50,622	12,282,024	40,834,194

The accompanying notes form part of these Financial Statements.

1 CORPORATE INFORMATION

The financial report of GR Engineering Services Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 22 August 2011.

GR Engineering Services Limited is a limited company incorporated and domiciled in Australia.

The registered office of GR Engineering Services Limited is located at 71-73 Daly Street, Belmont, Western Australia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The 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.

b) 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.

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

c) Accounting for Construction Contracts

Where the outcome of a construction 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 probable will be recoverable.

Contract costs are recognised as expenses in the period in which they are incurred. Where construction contracts are still in the completion stage, they are included as work in progress.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

d) Foreign Currency Translation

Both the functional and presentation currency of GR Engineering Services Limited is Australian dollars ($AUD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All differences in the financial report are taken to the statement of comprehensive income.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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.

Impairment

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.

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 statement of comprehensive income in the cost of sales 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 used 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 comprehensive income in the period the item is derecognised.

f) Recoverable Amount of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

g) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

h) Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

i) **Interest-Bearing Loans and Borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process.

j) **Provisions**

Provisions are recognised when the Company 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 Company 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 comprehensive income 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.

k) **Leases**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

l) **Unearned income**

Unearned income classified as current liability consists of customer advances for construction work in progress. The Company recognises a liability upon receipt of customer advances and subsequently as revenue when earned.

m) **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Revenue (continued)

Sales revenue

Revenue from the sale of goods is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

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.

n) Income Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company'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 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.

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 comprehensive income.

o) Other 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; and
- receivables and payables are stated with the amount of GST included.

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.

p) De-recognition of Financial Instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

q) 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.

r) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

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 Company in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Share based payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company 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.

Equity-settled 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.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the period

u) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to ordinary shareholders of the Company, 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 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.

v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

w) Dividends

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period.

x) **Segment reporting**

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 Board of Directors of the Company.

y) **Significant accounting judgments, estimates and assumptions**

In applying the Company's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions.

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

The company includes a project completion and close out provision (liability) in design and construction project cost forecast reports, nominally being 5% of the project revenue for larger projects and 2% of the project revenue for smaller projects. These percentages have been assessed based on management's best estimate.

z) **Adoption of new and revised Accounting Standards**

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2010.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the Company are:

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process;
- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2;
- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues;
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

The adoption of these standards has not had an impact on the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Standards and Interpretations issued but not yet effective

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2011.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 124 Related Party Disclosures (2009) and AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-9 Amendments to Australian Accounting Standards arising from AASB9 (December 2010)	1 January 2013	30 June 2014
• AASB 2010-4 Further Amendments to Australian Accounting Standards arising from Annual Improvements Project	1 January 2011	30 June 2012
• AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
• AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012	30 June 2013
• AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014
• IFRS 10 Consolidated Financial Statements	1 January 2013	30 June 2014
• IFRS 11 Joint Arrangements	1 January 2013	30 June 2014
• IFRS 12 Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
• IFRS 13 Fair Value Measurement	1 January 2013	30 June 2014

The impact of these recently issued or amended standards and interpretations have not been determined as yet by the Company.

3 REVENUES AND EXPENSES

a) Other income

	2011 $	2010 $
Government rebates and subsidies	22,550	140,112
Profit on disposal of inventories	261,708	-
Sundry revenue	155,853	84,359
	440,111	224,471

b) Finance (costs) / income

Bank interest received	955,789	737,534
Interest charges on finance leases	(44,026)	(38,298)

(c) Depreciation and amortisation

Depreciation	542,423	500,147

(d) Employee benefits expense

Wages and Salaries	28,286,351	24,113,702
Workers' compensation costs	167,500	163,331
Superannuation costs	1,922,696	1,641,540
Share based payments	50,622	-
	30,427,169	25,918,573

(e) Doubtful debts expense included in administration expenses

Doubtful debts expense	1,525,000	-

4 INCOME TAX

Major components of income tax expense for the years ended 30 June 2011 and 2010 are:

Income tax recognised in the Statement of comprehensive income

	2011 $	2010 $
Current income		
Current income tax charge	3,701,859	7,860,344
Foreign tax on Gold Ridge project	3,836,762	-
Foreign tax on other projects	78,382	-
Adjustments in respect of current income tax of previous years	500,359	(773,154)
Deferred income tax		
Relating to origination and reversal of temporary differences	32,202	(495,348)
Income tax expense reported in statement of comprehensive income	8,149,564	6,591,842
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 Company's effective income tax rate for the years ended 30 June 2011 and 2010 is as follows:		
Accounting profit before income tax	29,247,490	24,427,479
At the statutory income tax rate of 30% (2010: 30%)	8,774,247	7,328,244
Add:		
Non-deductible expenses	20,999	18,546
Effect of different tax rates on branches operating in different jurisdictions	(1,178,243)	-
Adjustments in respect of previous current income tax	532,561	(773,154)
Less:		
Adjustments in respect of previous deferred income tax	-	18,206
Non assessable Income	-	-
At effective income tax rate of 27.8% (2010: 26.9%)	8,149,564	6,591,842
Income tax expense reported in statement of comprehensive income	8,149,564	6,591,842

Income tax recognised directly in equity

	2011 $	2010 $
Current tax		
Share issue costs	-	-
Deferred tax		
Share issue expenses deductible over five years	642,622	-
	642,622	-

Deferred income tax

Deferred income tax at 30 June relates to the following:

	2011 $	2010 $
Deferred income tax assets		
Accrued employee entitlements	304,049	218,256
Accrued superannuation	169,850	153,791
Accrued audit fees	-	7,182
Leasing	50,317	23,607
Section 40/880 deduction	15,981	-
Provision for long service leave	68,511	-
Provision for doubtful debts	457,500	-
Provision for project returns	259,558	403,836
IPO costs (included in equity)	514,098	-
Provision for warranty	1,382,440	1,933,737
Tax losses	-	-
	3,222,304	2,740,409
Deferred income tax liabilities		
Fuel tax credit	-	-
Other revenue	-	-
Net Deferred Tax Asset	3,222,304	2,740,409

Deferred tax balances are presented in the statement of financial position as follows:

Deferred tax assets	3,222,304	2,740,409
Deferred tax liabilities	-	-
	3,222,304	2,740,409

Current income tax assets and liabilities

Current tax assets		
Tax refund receivable	1,202,524	3,667,202
	1,202,524	3,667,202

5 CASH AND CASH EQUIVALENTS

	2011	2010
	$	$
Cash at bank and in hand	6,279,222	10,627,936
Short term deposits	29,734,862	1,771,696
	36,014,084	12,399,632

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 Company, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is $36,014,084 (2010: $12,399,632).

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	2011	2010
Cash at bank and in hand	6,279,222	10,627,936
Short-term deposits	29,734,862	1,771,696
Bank overdrafts	-	-
	36,014,084	12,399,632

Reconciliation from the net profit after tax to the net cash flows from operations

	2011	2010
Net Profit after tax	21,097,926	17,835,637
Non-cash items		
Depreciation	542,423	500,147
Doubtful debt expense	1,525,000	-
Share based employee payments	50,622	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(430,445)	(16,930,963)
(Increase)/decrease in inventories	1,156,202	(1,080,002)
(Increase)/decrease in deferred tax asset	160,727	(495,348)
(Decrease)/increase in trade and other payables	1,766,218	9,946,361
(Decrease)/increase in provisions	(1,804,235)	1,385,333
(Decrease)/increase in tax liabilities	2,464,677	(9,033,232)
Increase in unearned income	(10,968,612)	13,601,313
Net cash from operating activities	15,560,503	15,729,246

Non-cash transactions

During the year ended 30 June 2011, the Company entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- the Company acquired $411,217 of equipment under finance leases (2010: $206,266).

6 TRADE AND OTHER RECEIVABLES (CURRENT)

	2011	2010
	$	$
Trade receivables	25,923,621	25,734,612
Provision for doubtful debts	(1,525,000)	-
Other receivables	340,841	99,406
	24,739,462	25,834,018

Trade receivables are non-interest bearing and are generally on 30 day terms.

Age of receivable that are past due but not impaired	2011	2010
60-90 days	48,271	234,837
90-120 days	31,028	-
Over 120 days	-	-
Total	79,299	234,837

Movement in the allowance for doubtful debts		
Balance at the beginning of the year	-	-
Impairment losses recognised on receivables	1,525,000	-
Amounts recovered during the year	-	-
Balance at the end of the year	1,525,000	-

7 PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment Under Lease $	Plant & Equipment $	Total $
Year ended 30 June 2010			
At 1 July 2009			
Net of accumulated depreciation	606,498	884,413	1,490,911
Additions	206,265	236,904	443,169
Disposals	-	-	-
Depreciation charge for the year	(240,120)	(260,027)	(500,147)
At 30 June 2010,			
Net of accumulated depreciation	572,643	861,290	1,433,933
Year ended 30 June 2011			
At 1 July 2010			
Net of accumulated depreciation	572,643	861,290	1,433,933
Additions	411,217	670,332	1,081,549
Disposals	-	-	-
Depreciation charge for the year	(223,097)	(319,746)	(542,843)
At 30 June 2011,			
Net of accumulated depreciation	760,763	1,211,876	1,972,638
At 30 June 2010			
Cost or fair value	1,298,138	1,535,472	2,833,610
Accumulated depreciation and impairment	(725,495)	(674,182)	(1,399,677)
Net carrying amount	572,643	861,290	1,433,933
At 30 June 2011			
Cost or fair value	1,709,356	2,205,804	3,915,160
Accumulated depreciation and impairment	(948,593)	(993,928)	(1,942,521)
Net carrying amount	760,763	1,211,876	1,972,638

8 INVENTORIES

	2011 $	2010 $
Finished goods	1,673,918	2,830,120
	1,673,918	2,830,120

9 TRADE AND OTHER PAYABLES (CURRENT)

	2011	2010
	$	$
Trade payables	13,015,333	10,737,673
Other payables & accruals	1,744,948	2,256,392
	14,760,281	12,994,065

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.

10 PROVISIONS

Current liabilities		
Provision for annual leave	1,013,497	727,519
Provision for warranty and defects liability	4,608,135	6,445,789
Provision for project returns	865,192	1,346,121
	6,486,824	8,519,429
Non-current liabilities		
Provision for long service leave	228,370	-
	228,370	-
Movement in provisions		
Provision for annual leave		
Balance at beginning of year	727,519	530,186
Additional provisions recognised	961,898	683,602
Amounts used	(675,920)	(486,269)
Balance at end of year	1,013,497	727,519
Provision for warranty and defects liability		
Balance at beginning of year	6,445,789	6,603,910
Reduction in provisions recognised	(1,837,654)	(158,121)
Amounts used	-	-
Balance at end of year	4,608,135	6,445,789
Provision for project returns		
Balance at beginning of year	1,346,121	-
Additional provisions recognised	1,490,842	1,346,121
Amounts used	(1,971,771)	-
Balance at end of year	865,192	1,346,121
Provision for long service leave		
Balance at beginning of year	-	-
Additional provisions recognised	228,370	-
Amounts used	-	-
Balance at end of year	228,370	-

11 BORROWINGS

	2011 $	2010 $
Current		
Finance Lease Liabilities	526,904	267,548
	526,904	267,548
Non-Current		
Finance Lease Liabilities	401,581	383,785
	401,581	383,785

Refer to note 14 for obligations under finance leases. These are secured by the assets leased.

12 UNEARNED REVENUE

Unearned revenue on construction contracts	5,586,777	16,555,388
	5,586,777	16,555,388

13 ISSUED CAPITAL

	2011 No of shares	2010 No of shares
Ordinary Shares		
Issued and fully paid	150,000,000	1,000

Changes to the Corporation Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	No of shares	$
Issue of ordinary shares		
At 30 June 2009	1,000	1,000
At 30 June 2010	1,000	1,000
Share Split (120,000 : 1) (i)	120,000,000	1,000
Issue of shares under prospectus (ii)	30,000,000	30,000,000
Less Capital raising costs	-	(2,142,074)
Deferred tax asset on Capital raising costs	-	642,622
At 30 June 2011	150,000,000	28,501,548

i) As approved on 10 February 2011, the board agreed to a share split of 120,000:1, becoming 120,000,000 shares on issue.

ii) Under the prospectus issued by the Company on 18 March 2011, the Company issued 30 million shares at $1.00 per share, to raise $30,000,000. The company listed on the Australian Securities Exchange on 19 April 2011.

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

Options

As at 30 June 2011, the unissued ordinary shares of the Company under option totalled 2,500,000 (as at 30 June 2010: nil):

Number of shares under option	Grant date	Expiry date	Exercise price
500,000	19/4/2011	19/4/2013	$1.25
500,000	19/4/2011	19/4/2014	$1.50
750,000	19/4/2011	19/4/2015	$1.80
750,000	19/4/2011	19/4/2016	$2.10

14 COMMITMENTS AND CONTINGENCIES

	2011 $	2010 $
Finance Leases		
Not longer than 1 year	591,456	319,905
Longer than 1 year and not longer than 5 years	443,762	406,626
Longer than 5 years	-	-
Minimum lease payments	1,035,218	726,531
Less: future finance charges	106,733	75,198
Present value of minimum lease payments	928,485	651,333
Non-cancellable Operating Lease Commitments		
Not longer than 1 year	1,409,799	908,424
Longer than 1 year and not longer than 5 years	3,016,766	2,024,520
Longer than 5 years	-	-
Total lease payments	4,426,565	2,932,944
Bank guarantees		
Bank guarantees issued	6,734,862	3,006,647

The company has a bank guarantee facility with the National Australia Bank to provide bank guarantees to support project performance in favour of certain clients of the Company. The facility has an approved limit of $4,413,503, with an expiry date of 30 November 2011. The facility is secured by a fixed and floating charge over all the assets of the Company and a term deposit letter of set-off over a $2,321,359 term deposit.

Certain claims arising out of engineering and construction contracts have been made by or against the company in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the company.

15 EARNINGS PER SHARE

	2011 Cents per share	2010 Cents per share
Basic earnings per share		
From continuing operations	16.76	14.86
Total basic earnings per share	16.76	14.86
Diluted earnings per share		
From continuing operations	16.75	14.86
Total diluted earnings per share	16.75	14.86

The weighted average number of ordinary shares for the purposes of diluted earnings per share is calculated as follows:

	2011 No of shares	2010 No of shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	125,917,808	120,000,000
Weighted average number of employee share options issued	14,252	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	125,932,060	120,000,000

16 RESERVES

	2011 $	2010 $
Equity settled employee benefits reserve		
Balance at beginning of year	-	-
Additional amounts recognised	50,622	-
Amounts used	-	-
Balance at end of year	50,622	-

The above equity-settled employee benefits reserve relates to share options granted by the Company to its employees under its employee share option plan.

17 RETAINED EARNINGS

Retained earnings		
Balance at beginning of year	10,184,098	7,348,461
Profit attributable to owners of the Company	21,097,926	17,835,637
Payment of dividends	(19,000,000)	(15,000,000)
Balance at end of year	12,282,024	10,184,098

18 DIVIDENDS ON EQUITY INSTRUMENTS

	Cents per share	$
Year ended 30 June 2010		
Fully paid ordinary shares		
Dividend paid 22 December 2009 (fully franked at 30% tax rate)	5.00	6,000,000
Dividend paid 19 February 2010 (fully franked at 30% tax rate)	2.50	3,000,000
Dividend paid 21 May 2010 (fully franked at 30% tax rate)	5.00	6,000,000
	12.50	15,000,000
Year ended 30 June 2011		
Fully paid ordinary shares		
Dividend paid 5 July 2010 (fully franked at 30% tax rate)	5.00	6,000,000
Dividend paid 27 October 2010 (fully franked at 30% tax rate)	7.50	9,000,000
Dividend paid 4 January 2011 (unfranked)	3.33	4,000,000
	15.83	19,000,000

	2011 $	2010 $
Dividend franking account balance	208,058	6,767,321
	208,058	6,767,321

19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES

Financial risk management objectives

The Company 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 and liquidity risk.

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

	2011 $	2010 $
Financial Assets		
Cash and cash equivalents	36,014,084	12,399,632
Trade and other receivables	24,739,462	25,834,018
Total financial assets	60,753,546	38,233,650
Financial Liabilities		
Trade and other payables	14,760,281	12,994,065
Finance lease liabilities	928,485	651,333
Total financial liabilities	15,688,766	13,645,398

19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Capital management

The Company manages its capital to ensure the ability to continue as a going concern while maximising the return to stakeholders. The capital structure of the Company consists of equity in the form of issued capital, reserves and retained earnings. There is no requirement for borrowings at this stage, as there are sufficient reserves of cash balances.

Foreign currency risk management

The company is not exposed to any material risks in relation to fluctuations in foreign exchange rates.

Interest rate risk management

The Company is exposed to interest rate risk in relation to financial assets and liabilities with variable interest rates. Exposures to fluctuations in interest rates are detailed in the liquidity risk section of this note.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company 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 Company does not have significant credit risk exposure to any single counterparty or group of counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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 Company's short-, medium- and long-term funding and liquidity management requirements. The Company 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.

Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	Less than 6 months $	6 to 12 months $	Over 12 months $	Total $
30 June 2011					
Trade payables	0%	14,760,281	-	-	14,760,281
Finance lease liability	9.96%	355,958	170,946	401,581	928,485
		15,116,239	170,946	401,581	15,688,766
30 June 2010					
Trade payables	0%	12,994,065	-	-	12,994,065
Finance lease liability	9.86%	134,827	132,721	383,785	651,333
		13,128,892	132,721	383,785	13,645,398

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

	Weighted average interest rate	Less than 6 months $	6 to 12 months $	Over 12 months $	Total $
30 June 2011					
Cash	5.64%	36,014,084	-	-	36,014,084
Trade receivables	0%	24,739,462	-	-	24,739,462
		60,753,546	-	-	60,753,546
30 June 2010					
Cash	4.84%	12,399,632	-	-	12,399,632
Trade receivables	0%	25,834,018	-	-	25,834,018
		38,233,650	-	-	38,233,650

Interest rate sensitivity

The board has considered the Company's exposure to interest rate risk by analysing the effect on profit and equity of an interest rate increase or decrease of one percentage point in the following table:

	2011 $	2010 $
Change in total comprehensive income		
Interest revenue – effect of increase in interest rate by 1%	169,310	153,048
Interest expense – effect of increase in interest rate by 1%	(1,238)	(489)
	168,072	152,559
Interest revenue – effect of decrease in interest rate by 1%	(169,575)	(151,946)
Interest expense – effect of decrease in interest rate by 1%	1,234	489
	(168,341)	(151,457)
Change in equity		
Increase in interest rate by 1%	168,072	152,559
Decrease in interest rate by 1%	(168,341)	(151,457)

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

20 SHARE BASED PAYMENTS

The company has established an employee share option plan. The company may offer options to subscribe for shares in the Company to eligible persons. Options offered under the employee share option plan are to be offered on such terms as the board determines and the offer must set out specified information including the number of options, the period of the offer, calculation of the exercise price and any exercise conditions.

The exercise price is to be determined by the Board in its absolute discretion and set out in the offer provided that the exercise price is not less than the average market price on ASX on the five trading days prior to the day the Directors resolve to grant the option(s).

20 SHARE BASED PAYMENTS (CONTINUED)

The following share based payment arrangements existed at 30 June 2011:

The Company has issued a total of 2,500,000 Options to its Chief Operating Officer, Geoff Jones, which confer the right of one ordinary share for every option held. These options have exercise conditions attached, whereby they will lapse if the employee ceases to become an eligible person, for any reason other than a specified reason as outlined in the terms of the option.

Number of shares under option	Grant date	Vesting date	Expiry date	Exercise price	Fair Value at Grant Date
500,000	19/4/2011	19/4/2012	19/4/2013	$1.25	$0.1740
500,000	19/4/2011	19/4/2013	19/4/2014	$1.50	$0.2450
750,000	19/4/2011	19/4/2014	19/4/2015	$1.80	$0.2400
750,000	19/4/2011	19/4/2015	19/4/2016	$2.10	$0.2600

Movement in share options during the year:

	Number of options 2011	Weighted avg exercise price $	Number of options 2010	Weighted avg exercise price $
Outstanding at beginning of year	-	-	-	-
Granted	2,500,000	1.72	-	-
Exercised	-	-	-	-
Outstanding at end of year	2,500,000	1.72	-	-
Exercisable at end of year	-	-	-	-

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

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date share price	1.00	1.00	1.00	1.00
Exercise price	1.25	1.50	1.80	2.10
Expiry date	19/4/2013	19/4/2014	19/4/2015	19/4/2016
Expected volatility	50%	50%	50%	50%
Risk free interest rate	5.7%	5.7%	5.7%	5.7%
Time to expiration (years)	1.83	2.83	3.83	4.83
Dividend yield	4%	4%	4%	4%
Fair value of options	$0.1740	$0.2450	$0.2400	$0.2600
Value recorded in statement of comprehensive income	$17,115	$12,066	$11,825	$9,616

21 SEGMENT INFORMATION

Operating segments have been identified on the basis of internal reports of the Company 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 Board of Directors. 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.

22 EVENTS AFTER THE REPORTING DATE

Since the end of the financial year, the Company has entered into a lease for office space at 183 Great Eastern Highway, Belmont, commencing 7 October 2011 and expiring on 6 October 2016. The annual rent for these premises is $260,625.

On 22 August 2011, the Company declared a fully franked dividend of 4.0 cents per share, an aggregate of $6,000,000. The record date of the dividend is 16 September 2011 and the proposed payment date is 10 November 2011.

There has been no other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

23 RELATED PARTY DISCLOSURES

During the year ended 30 June 2011 the Company leased office space at 71-73 Daly Street from Ashguard Pty Ltd. Directors of the Company, namely Joseph Mario Paul Ricciardo, Tony Marco Patrizi, and Barry Sydney Patterson, each have a non controlling interest in Ashguard Pty Ltd. Total payments to Ashguard Pty Ltd amounted to $279,066 including GST (2010: $82,464). The balance payable at 30 June 2011 was $20,877 (2010: nil).

In previous financial years, the Company has hired plant and equipment from DK Crane Hire Pty Ltd, a company in which Terry Condipodero, a senior employee and previous director of the Company, holds 50% beneficial ownership. In the year ended 30 June 2011 there were zero transactions with DK Crane Hire Pty Ltd (in 2010 transactions totalled $126,500 including GST). The balance payable at 30 June 2011 was nil (30 June 2010: nil).

During the year ended 30 June 2011 the Company provided engineering services to Mineral Resources Limited, a company in which Joe Ricciardo is a non-executive director. The total amount invoiced to Mineral Resources Limited in the year ended 30 June 2011 was $83,600 including GST (2010: $263,821). The balance outstanding at 30 June 2011 was nil (2010: $78,562).

During the year ended 30 June 2011 the Company provided engineering services and procurement of materials for Crushing Services International Pty Ltd (a subsidiary of Mineral Resources Limited), a company in which Joe Ricciardo is a non-executive director. The total amount invoiced to Crushing Services International Pty Ltd in the year ended 30 June 2011 was $1,595,425 including GST (2010: $864,935). The balance outstanding at 30 June 2011 was $32,453 (2010: $314,935).

During the year ended 30 June 2011 the Company provided engineering services to Optiro Pty Ltd, a company in which Joe Ricciardo and Tony Patrizi each hold non-controlling interests. The total amount invoiced to Optiro Pty Ltd in the year ended 30 June 2011 was $29,593 including GST (2010: $49,777). The balance outstanding at 30 June 2011 was nil (2010: nil).

24 KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the Company at the end of the reporting period:

Executive directors

Joe Ricciardo	(Managing Director)
Tony Patrizi	(Executive Director)

Non-executive directors

Barry Patterson	(Non-Executive Chairman)
Terry Strapp	(Non-Executive Director)
Peter Hood	(Non-Executive Director)

Executives

Geoffrey Jones	(Chief Operating Officer)
David Sala Tenn	(General Manager)
Joe Totaro	(Chief Financial Officer and Company Secretary)

The following were also key management personnel prior to the Company changing status from a Proprietary Limited company to a Limited company on 22 February 2011:

Michael Woodhouse
Rodney Schier
Terry Condipodero
Stephen Kendrick
George Botica

Remuneration of key management personnel

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

Option holdings of key management personnel

	Opening Balance 1 July 2010	Granted	Closing balance 30 June 2011	Vested at 30 June 2011	Vested but not exercisable	Vested & exercisable
Joe Ricciardo	-	-	-	-	-	-
Tony Patrizi	-	-	-	-	-	-
Barry Patterson	-	-	-	-	-	-
Terry Strapp	-	-	-	-	-	-
Peter Hood	-	-	-	-	-	-
Geoffrey Jones	-	2,500,000	2,500,000	-	-	-
David Sala Tenna	-	-	-	-	-	-
Joe Totaro	-	-	-	-	-	-
Michael Woodhouse	-	-	-	-	-	-
Rodney Schier	-	-	-	-	-	-
Terry Condipodero	-	-	-	-	-	-
Stephen Kendrick	-	-	-	-	-	-
George Botica	-	-	-	-	-	-

As at 30 June 2010, no options were issued to key management personnel

Equity holdings of key management personnel

Equity holdings – year ended 30 June 2011:

	Opening balance 1 July 2010	Acquired	Net other change*	Sold	Closing balance 30 June 2011
Joe Ricciardo	100	-	11,999,900	-	12,000,000
Tony Patrizi	100	-	11,999,900	-	12,000,000
Barry Patterson	100	-	11,999,900	-	12,000,000
Terry Strapp	-	300,000	-	-	300,000
Peter Hood	-	500,000	-	-	500,000
Geoffrey Jones	-	150,000	-	-	150,000
David Sala Tenna	140	-	16,799,860	-	16,800,000
Joe Totaro	100	-	11,999,900	-	12,000,000
Michael Woodhouse	80	-	9,599,920	1,000,000	8,600,000
Rodney Schier	80	-	9,599,920	-	9,600,000
Terry Condipodero	50	-	5,999,950	-	6,000,000
Stephen Kendrick	50	-	5,999,950	-	6,000,000
George Botica	100	-	11,999,900	-	12,000,000

*The net other change column represents a share split during the year of 120,000:1.

Equity holdings –year ended 30 June 2010:

	Opening balance 1 July 2009	Acquired	Net other change	Sold	Closing balance 30 June 2010
Joe Ricciardo	100	-	-	-	100
Tony Patrizi	100	-	-	-	100
Barry Patterson	100	-	-	-	100
Terry Strapp	-	-	-	-	-
Peter Hood	-	-	-	-	-
Geoffrey Jones	-	-	-	-	-
David Sala Tenna	140	-	-	-	140
Joe Totaro	100	-	-	-	100
Michael Woodhouse	80	-	-	-	80
Rodney Schier	80	-	-	-	80
Terry Condipodero	50	-	-	-	50
Stephen Kendrick	50	-	-	-	50
George Botica	100	-	-	-	100

Other transactions with key management personnel

Other than the transactions described in note 23, there are no other transactions noted with key management personnel.

25 AUDITORS' REMUNERATION

Amounts received or due and receivable by the former auditors, PKF Chartered Accountants, for audit or review of the financial report :

	2011 $	2010 $
• an audit or review of the financial report of the entity	-	33,229
• tax compliance	-	1,332
• other tax advice	-	3,565
	-	38,126
Amounts received or due and receivable by the current auditors, Deloitte Touche Tohmatsu, for audit or review of the financial report :		
• an audit or review of the financial report of the entity	67,000	23,939
• tax compliance	30,230	-
• Investigating Accountants' Report	60,100	-
	157,330	23,939
Amounts received or due and receivable by Deloitte Corporate Finance Pty Ltd, for other non-audit services :		
• professional services in relation to Initial Public Offering	136,828	-

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 (b) 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 Company; 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

JOSEPH MARIO PAUL RICCIARDO
Managing Director

Date: 23 August 2011

Deloitte

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX: 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of GR Engineering Services Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 18 to 45.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of GR Engineering Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of GR Engineering Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(b).

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 10 to 15 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion the Remuneration Report of GR Engineering Services Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Conley Manifis
Partner
Chartered Accountants
Perth, 23 August 2011

GR Engineering Services Ltd ("**the Company**") has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Corporate Governance Principles and Recommendations ("**Principles & Recommendations**") as published by the ASX Corporate Governance Council.

A summary of the Company's corporate governance practices is set out below.

SUMMARY OF BOARD CHARTER

The role of the Board is to provide leadership for and supervision of the Company's senior management. The Board provides the strategic direction of the Company and regularly measures the progression by senior management of that strategic direction. The Board is responsible for promoting the success of the Company through its oversight role. The Board also reviews the Company's policies on risk oversight and management, internal compliance and control, its Code of Conduct, and legal compliance. There are mechanisms in place so that the Board can satisfy itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risk and material business risk. The Board monitors and reviews senior management's performance and implementation of strategy.

The Board Charter also sets out quantitative and qualitative materiality thresholds.

The Board delegates to senior management the responsibility of the day-to-day activities in fulfilling the Board's responsibility. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director then directly to the Chair or the lead independent Director, as appropriate.

The Board Charter describes the division of responsibilities between the Chair, the lead independent Director and the Managing Director.

The role of non executive and independent directors is also set out in the Board Charter.

SUMMARY OF AUDIT COMMITTEE CHARTER

The role of the audit committee is to monitor and review the integrity of the financial reporting of the Company and to review significant financial reporting judgments. The audit committee is also to review the Company's internal financial control system and risk management systems and to monitor, review and oversee the external audit function.

The audit committee has the power to conduct or authorise investigations into any matters within the audit committee's scope of responsibilities. The audit committee has the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisors.

The audit committee also assesses whether external reporting is consistent with audit committee members' information and knowledge and is adequate for shareholder needs and assesses the management processes supporting external reporting.

SUMMARY OF NOMINATION COMMITTEE CHARTER

The role of the nomination committee is to effectively examine the selection and appointment practices of the Company. The nomination committee regularly reviews the size and composition of the Board and makes recommendations to the Board on any appropriate changes. The nomination committee identifies and assesses necessary and desirable Director competencies with a view to enhancing the Board.

The nomination committee also regularly reviews the time required from non executive Directors and whether non executive Directors are meeting that requirement.

Initial Director appointments are made by the Board. Any new Director will be required to stand for election at the Company's next annual general meeting following their appointment.

SUMMARY OF REMUNERATION COMMITTEE CHARTER

The function of the remuneration committee is to review and make appropriate recommendations on remuneration packages of executive Directors, non executive Directors and senior executives. The remuneration committee is also responsible for reviewing any employee incentive and equity-based plans, including the appropriateness of performance hurdles and total payments proposed.

SUMMARY OF REMUNERATION POLICY

Emoluments of Directors and senior executives are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the Directors and executives.

The Company's policy is to remunerate non executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for non executive Directors is not linked to individual performance. This policy is subject to annual review. From time to time, and subject to obtaining the relevant approvals, the Company may grant options to non executive Directors. The grant of options is designed to recognise and reward efforts as well as to provide non executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Executive pay and reward consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant regulatory and shareholder approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

SUMMARY OF CODE OF CONDUCT

The Code of Conduct sets out the principles and standards which the Board, management and employees of the Company are encouraged to strive towards when dealing with each other, shareholders, other stakeholders and the broader community.

The Company is to comply with all legislative and common law requirements which affect its business. The Company will deal with others in a way that is fair and will not engage in deceptive practices.

The Code of Conduct sets out directives for Directors, management and staff relating to conflicts of interests, protection of the Company's assets and confidentiality.

SUMMARY OF POLICY AND PROCEDURE FOR SELECTION AND (RE)APPOINTMENT OF DIRECTORS

In considering new candidates, the nomination committee evaluates the range of skills, experience and expertise of the existing Board. In particular, the nomination committee is to identify the particular skills that will best increase the Board's effectiveness. In this process, consideration is also given to the balance of independent Directors on the Board, while reference is made to the Company's size and operations as they evolve from time to time. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

All Directors are required to consider the number and nature of their directorships and calls on their time from other commitments.

Shareholders shall be informed of the names and details of candidates submitted for election as Directors, in order to enable shareholders to make an informed decision regarding the election.

SUMMARY OF PROCESS FOR PERFORMANCE EVALUATION

The Chair evaluates the performance of the Board by way of an informal round-table discussion with all directors and through questionnaires completed by each director.

The Chair reviews the performance of the committees of the Board by way on an informal round-table discussion with all directors and through questionnaires completed by each director who is a member of the committee being evaluated.

Individual director's performance evaluations are completed by the Chair. The Chair meets with each individual director and reviews questionnaires completed by each director.

The Managing Director's performance evaluation is conducted by the Chair. The Chair conducts a performance evaluation of the Managing Director by way of meeting with the Managing Director and with an informal round-table discussion with all directors, and by reference to the Managing Director's key performance indicators which are set by the Nomination Committee.

The Managing Director reviews the performance of the senior executives. The Managing Director conducts a performance evaluation of the senior executives by way of on-going informal monitoring throughout each financial year and at an annual formal interview.

SUMMARY OF POLICY FOR TRADING IN COMPANY SECURITIES

The Board has adopted a policy which prohibits dealing in the Company's securities by directors, officers, specified employees (including connected persons) and, contractors when those persons possess inside information. The policy also contains a blackout period within which directors, officers and employees are prohibited from trading. The policy prohibits short term or speculative trading of the Company's securities. Trading may be permitted in a blackout period in certain exceptional circumstances subject to obtaining prior written clearance. Directors, officers and specified employees are required to obtain clearance prior to trading at all times.

SUMMARY OF DIVERSITY POLICY

The Board has adopted a Diversity Policy which describes the Company's commitment to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance Company performance. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the process by which the Board will set measurable objectives to achieve the aims of its Diversity Policy. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of any diversity objectives.

SUMMARY OF COMPLIANCE PROCEDURES

The Board has adopted Compliance Procedures to assist it to comply with the Listing Rules disclosure requirements. Under the Compliance Procedures, a responsible officer is appointed who is primarily responsible for ensuring the Company complies with its disclosure obligations. The duties of the responsible officer are set out in the Compliance Procedures. The Compliance Procedures provide guidelines as to the type of information that needs to be disclosed and encourages thorough recording of disclosure decision making. The Compliance Procedures contain information on avoiding a false market, safeguarding confidentiality of corporate information, and information on external communication for the purpose of protecting the Company's price sensitive information. The Compliance Procedures also provide guidance relating to potential disclosure material.

SUMMARY OF PROCEDURE FOR THE SELECTION, APPOINTMENT AND ROTATION OF EXTERNAL AUDITOR

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as per the recommendations of the Audit Committee.

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period.

The Audit Committee will review the performance of the external auditor on an annual basis and make any recommendations to the Board.

SUMMARY OF SHAREHOLDER COMMUNICATION STRATEGY

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company. The Company provides shareholder materials directly to shareholders through electronic means. A shareholder may request a hard copy of the Company's annual report to be posted to them. The Company maintains a website on which the Company makes certain information available on a regular basis.

SUMMARY OF RISK MANAGEMENT POLICY

The Board has adopted a Risk Management Policy. Under the policy, the Board delegates day-to-day management of risk to the Managing Director, with the assistance of senior management as required. The Policy sets out the role and accountabilities of the Managing Director. It also contains the Company's risk profile and describes some of the policies and practices the Company has in place to manage specific business risks.

The Managing Director is required to report on the progress of, and on all matters associated with risk management. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks at least annually.

The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself at least annually that management has developed and implemented a sound system of risk management and internal control.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS

The Board sets out below its "if not, why not" report. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and a reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

The Company has not made an early transition to the amended 2nd edition Principles & Recommendations and the following "if not, why not" report reflects this. The Company will report against the 2nd edition Principles & Recommendations for its financial year commencing 1 July 2011.

	ASX P & R[1]	If not, why not[2]		ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4[3]	n/a	n/a
Recommendation 1.3[3]	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1	✓		Recommendation 5.2[3]	n/a	n/a
Recommendation 2.2	✓		Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2[3]	n/a	n/a
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6[3]	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3[3]	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3[3]	n/a	n/a
Recommendation 4.2	✓				

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and those delegated to seniors executives and has set out these functions in its Board Charter, summarised above in the section titled "Summary of Board Charter".

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

Refer to the section titled "Summary of Process for Performance Evaluation" above.

Recommendation 1.3: Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

Disclosure:

A summary of the Company's Board Charter is noted above under the section titled "Summary of Board Charter" and will also be made publicly available on the Company's website at www.gres.com.au under the section marked Corporate Governance.

The Company will from time to time conduct performance evaluations of its senior executives in accordance with the Company's Process for Performance Evaluation.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: A majority of the board should be independent Directors.

Disclosure:

The Board has a majority of Directors who are independent.

The independent Directors of the Company are Peter Hood, Terrence Strapp and Barry Patterson (deemed independent).

The Board deems Barry Patterson to be an independent director notwithstanding his substantial shareholding in the Company because he is not a member of management and is otherwise free of any business or other relationship (including those referred to in Box 2.1 of the Principles & Recommendations and the Company's Policy on Assessing the Independence of Directors) that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment. Furthermore, Barry Patterson's interests as a major shareholder are considered by the Board to be in line with the interests of all other shareholders.

The non independent Directors of the Company are Joseph Ricciardo and Tony Patrizi.

Recommendation 2.2: The Chair should be an independent Director.

Disclosure:

The independent Chair of the Board is Barry Patterson.

Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The Managing Director is Joe Ricciardo who is not currently Chair of the Board.

Recommendation 2.4: The Board should establish a Nomination Committee.

Disclosure:

The Board has established a Nomination Committee.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

Disclosure:

Refer to the section titled "Summary of Process for Performance Evaluation" above.

Recommendation 2.6: Companies should provide the information indicated in the *Guide to Reporting on Principle 2*.

Disclosure:

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors Report.

As noted above, the independent Directors of the Company are Peter Hood, Terrence Strapp and Barry Patterson (deemed independent). These directors are independent as they are non executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Indepe ndence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds.

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

The Board has established a Nomination Committee. Barry Patterson (chair), Peter Hood, Terrence Strapp and Joe Ricciardo are members of the Nomination Committee. The Company's Nomination Committee Charter is summarised above in the section titled "Summary of Nomination Committee Charter."

Performance evaluations of the Board, its Committees and the Directors will be conducted from time to time in accordance with the Company's Process for Performance Evaluation.

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure summarised in the section titled "Summary of Policy and Procedure for Selection and (Re)Appointment of Directors" above.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that Director's last election or appointment (whichever is longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third or the total number of Directors must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of Directors is not automatic.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1: Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is summarised above in the section titled "Summary of Code of Conduct".

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by Directors, senior executives, specified employees and contractors. This policy is summarised above in the section titled "Summary of Policy for Trading in Company Securities".

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (CONTINUED)

Recommendation 3.3: Companies should provide the information indicated in the *Guide to reporting on Principle 3.*

Disclosure:

A summary of the Company's Code of Conduct and Policy for Trading in Company Securities is included above under the sections titled "Summary of Code of Conduct" and "Summary of Policy for Trading in Company Securities" respectively.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee

Recommendation 4.2: The Audit Committee should be structured so that it:

- consists only of non executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members

Disclosure:

The Audit Committee comprises three directors, Terrence Strapp (Chair), Peter Hood and Barry Patterson all of whom are independent non executive Directors.

Recommendation 4.3: The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter, which is summarised above in the section titled "Summary of Audit Committee Charter".

Recommendation 4.4: Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

Disclosure:

As noted above, the Company has established a separate Audit Committee. The Audit Committee is comprised of the following members Terrence Strapp (chair), Peter Hood and Barry Patterson. The Company's Audit Committee Charter is summarised above in the section titled "Summary of Audit Committee Charter."

Details of each of the Director's qualifications are set out in the Directors Report.

The Company has established procedures for the selection, appointment and rotation of its external auditor. These are summarised under the section titled "Summary of Procedure for the Selection, Appointment and Rotation of External Auditor" above.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance. These are summarised under the section titled "Summary of Compliance Procedures" above.

Recommendation 5.2: Companies should provide the information indicated in the *Guide to reporting on Principle 5.*

Disclosure:

A summary of the Company's policy to guide compliance with ASX Listing Rule disclosure is included above under the section titled "Summary of Compliance Procedures."

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. This is summarised under the section titled "Summary of Shareholder Communication Strategy" above.

Recommendation 6.2: Companies should provide the information indicated in the *Guide to reporting on Principle 6.*

Disclosure:

A summary of the Company's shareholder communication strategy is included above in the section titled "Summary of Shareholder Communication Strategy."

It is the Company's policy to require the external auditor to attend its annual general meeting and be available to respond to shareholder questions.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. This policy is summarised under the section titled "Summary of Risk Management Policy" above.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal controls systems to manage the Company's material business risks. The Board also requires management to report to in confirming that those risks are being managed effectively.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Board will require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to provide a declaration to the Board in accordance with section 295A of the Corporations Act and to assure the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Companies should provide the information indicated in the *Guide to reporting on Principle 7.*

Disclosure:

A summary of the Company's Risk Management Policy is included above in the section titled "Summary of Risk Management Policy."

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The Board should establish a Remuneration Committee.

Notification of departure:

The Company has established a Remuneration Committee.

Recommendation 8.2: Companies should clearly distinguish the structure of non executive Directors' remuneration from that of executive Directors and senior executives.

Disclosure:

Refer to the section titled "Summary of Remuneration Policy" above.

Recommendation 8.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

Disclosure:

As noted above, the Company has established a separate Remuneration Committee. The Remuneration Committee is comprised of the following members Barry Patterson (Chair), Terrence Strapp, Peter Hood and Joe Ricciardo. The Company's Remuneration Committee Charter is summarised above in the section titled "Summary of Remuneration Committee Charter."

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

Additional information required by the Australian securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 28 September 2011.

(A) DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size and holding:

Range of Ordinary Shares

Range	Total holders	Number of shares	% of Issued Capital
1 - 1,000	88	58,755	0.04
1,001 - 5,000	443	1,448,455	0.97
5,001 - 10,000	296	2,495,692	1.66
10,001 - 100,000	295	9,784,432	6.52
100,001 - 999,999,999	42	136,212,666	90.81
Total	**1,164**	**150,000,000**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Shares
Number of Shareholders holding less than a marketable parcel of shares are:	274	12	957

(B) TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted ordinary shares are:

		Number of Ordinary Shares	Percentage of Shares
1.	MR DAVID JOSEPH {SALA TENNA} + MS JANE FRANCES {SALA TENNA} <SALA TENNA FAMILY A/C>	16,800,000	11.20
2.	JOLEY PTY LTD <BOTICA FAMILY A/C>	12,000,000	8.00
3.	KINGARTH PTY LTD	12,000,000	8.00
4.	PAKSIAN PTY LIMITED	12,000,000	8.00
5.	POLLY PTY LTD <PATTERSON FAMILY A/C>	12,000,000	8.00
6.	QUINTAL PTY LTD <HARKEN FAMILY A/C>	12,000,000	8.00
7.	MR GIUSEPPE TOTARO <TOTARO FAMILY A/C>	12,000,000	8.00
8.	MS BEVERLEY JUNE SCHIER <SCHIER FAMILY A/C>	9,600,000	6.40
9.	MS BARBARA ANN WOODHOUSE <WOODHOUSE FAMILY A/C>	8,600,000	5.73
10.	MR STEPHEN PAUL KENDRICK <KENDRICK FAMILY A/C>	6,000,000	4.00
11.	LEDGKING PTY LTD <STRETAN A/C>	6,000,000	4.00
12.	NATIONAL NOMINEES LIMITED	3,957,741	2.64
13.	JP MORGAN NOMINEES AUSTRALIA LIMITED	3,647,631	2.43

(B) TWENTY LARGEST SHAREHOLDERS (CONTINUED)

		Number of Ordinary Shares	Percentage of Shares
14.	COGENT NOMINEES PTY LIMITED	2,740,272	1.83
15.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,258,535	0.84
16.	SANDINI PTY LTD <KARRATHA RIGGING UNIT A/C>	400,000	0.27
17.	FMR INVESTMENTS PTY LIMITED	300,000	0.20
18.	NEBRASKA PTY LTD <R G SAYERS FAMILY A/C>	300,000	0.20
19.	SDG NOMINEES PTY LTD <TJ STRAPP SUPER FUND A/C>	300,000	0.20
20.	CITICORP NOMINEES PTY LTD	282,623	0.19
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**132,186,802**	**88.12**
Total Remaining Holders Balance		**17,813,198**	**11.88**

(C) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Number of Ordinary Shares

1.	MR DAVID JOSEPH {SALA TENNA} + MS JANE FRANCES {SALA TENNA} <SALA TENNA FAMILY A/C>	16,800,000
2.	JOLEY PTY LTD <BOTICA FAMILY A/C>	12,000,000
3.	KINGARTH PTY LTD	12,000,000
4.	PAKSIAN PTY LIMITED	12,000,000
5.	POLLY PTY LTD <PATTERSON FAMILY A/C>	12,000,000
6.	QUINTAL PTY LTD <HARKEN FAMILY A/C>	12,000,000
7.	MR GIUSEPPE TOTARO <TOTARO FAMILY A/C>	12,000,000
8.	MS BEVERLEY JUNE SCHIER <SCHIER FAMILY A/C>	9,600,000
9.	MS BARBARA ANN WOODHOUSE <WOODHOUSE FAMILY A/C>	8,600,000

CORPORATE DIRECTORY

GR ENGINEERING SERVICES LIMITED

ACN 121 542 738
ABN 12 121 542 738

DIRECTORS

Barry Patterson	(Non-Executive Chairman)
Joe Ricciardo	(Managing Director)
Tony Patrizi	(Executive Director)
Peter Hood	(Non-Executive Director)
Terrence Strapp	(Non-Executive Director)

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Giuseppe (Joe) Totaro

REGISTERED OFFICE

71-73 Daly Street
BELMONT WA 6104

PRINCIPAL PLACE OF BUSINESS

179 Great Eastern Highway
BELMONT 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
Level 14, 240 St Georges Terrace
PERTH WA 6000

SOLICITORS TO THE COMPANY

Gilbert + Tobin
1202 Hay Street
WEST PERTH WA 6005

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

GROWTH

GR

GR ENGINEERING SERVICES LIMITED

ENGINEERING CONSULTANTS AND CONTRACTORS

www.gres.com.au