



**GR ENGINEERING SERVICES**  
ENGINEERING CONSULTANTS AND CONTRACTORS

**ASX RELEASE**

21 February 2012

For immediate release to the market

**1H12 FINANCIAL RESULTS**

**Key Outcomes**

- Sales revenue \$79.3 million
- EBIT \$9.6 million
- Cash flow from operations \$22.4 million
- Fully franked dividend 4.0cps
- Well funded and positioned for growth – 1H12 net cash \$51.2 million
- Current contracts are all profitable and are being successfully executed
- Encouraging project pipeline, particularly in West Africa and South East Asia

GR Engineering Services Limited (ASX:GNG) (**GR Engineering** or **Company**) today announced its half-year earnings to 31 December 2011. A summary of the financial results follow:

Half year ended 31 December		HY12	HY11 <sup>1</sup>
<b>Revenue from operations</b>	\$m	<b>79.3</b>	<b>70.7</b>
<b>EBITDA</b>	\$m	<b>9.9</b>	<b>17.3</b>
<i>EBITDA Margin</i>	%	12.5%	24.5%
<b>EBIT</b>	\$m	<b>9.6</b>	<b>17.1</b>
<i>EBIT Margin</i>	%	12.1%	24.2%
<b>PBT</b>	\$m	<b>10.6</b>	<b>17.4</b>
<b>NPAT</b>	\$m	<b>6.7</b>	<b>10.6</b>
<i>NPAT Margin</i>	%	8.5	15.0
<b>Basic EPS</b>	cps	<b>4.5</b>	<b>8.9</b>
<b>Net Operating Cashflow</b>	\$m	<b>22.4</b>	<b>23.5</b>
<b>Net Cash</b>	\$m	<b>51.2</b>	<b>20.6</b>
<b>Total Equity</b>	\$m	<b>41.7</b>	<b>1.8</b>

1. Pre initial public offering



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Managing Director Joe Ricciardo said earnings for 1H12 were partially impacted by costs associated with executing the Company's growth strategy and he looks forward to the next phase of realising this growth through geographical expansion and capitalising on the Company's strong project pipeline.

*"Our first half revenue and operational cashflow generation was strong, driven by design and construction contracts in hand that are performing well for the Company. We are encouraged and excited by the opportunities that we have created in the first half of FY12 both domestically and through expansion into West Africa and South East Asia and we have confidence that this will ultimately lead to improved financial performance in FY13 and beyond"* Mr Ricciardo said.

*"Successful study awards in 1H12 have resulted in the Company being engaged on 21 final stage studies with potential construction project values of approximately \$1.4 billion. We also completed 9 final stage studies in the half with potential construction project values totalling approximately \$350 million. Based on our traditional study conversion rates, we are extremely encouraged by the project pipeline ahead of us."*

*"Challenging financial and commodity market conditions have impacted project timing in some cases however we are confident that our dominant position in the gold sector, strong project pipeline and brownfields opportunities have us well placed to capitalise on future design and construction opportunities in the marketplace."* he said.

Mr Ricciardo said the Company has been delivering on its strategy of diversification, significantly broadening its geographic reach into West Africa.

*"The Company started to deliver on its West Africa strategy in 1H12. We are currently engaged on 4 studies and 1 engineering-procurement contract for gold projects in Ghana, Mali and the Ivory Coast. Inclusive of these projects we have identified up to 7 EPC and EPCM contract opportunities in West Africa for projects that are due to commence in FY12 and FY13 that have associated project values totalling approximately \$250 million."*

Revenue has remained strong in the first half, growing by 12.2% over the prior corresponding period. Earnings declined over the prior corresponding period due to lower margins primarily attributable to the following factors:

- profit recognition accounting treatment in 1H12 for current projects;
- delays in contracts being awarded due to uncertain financial and commodity market conditions; and
- increased overheads arising from being a listed public company and costs associated with positioning the Company on a future growth platform.

### **Safety Performance**

GR Engineering continued to perform well during 1H12 to maintain a zero lost time injury frequency rate (LTIFR), extending its record to 610 days LTIFR for all employees and sub-contractors.

During the period GR Engineering implemented an integrated health, safety and environment management system that is aligned to AS4801 standards. In addition to the new system the Company is introducing a number of new safety initiatives with a strong focus on key risk areas, such as contractor management, fitness for work management and training of front line supervisors.



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GR Engineering continues to remain committed to improving its safety performance and striving to prevent harm and injury.

### **Balance Sheet**

At 31 December 2011, GR Engineering had net cash of \$51.2 million with \$51.9 million in cash deposits.

The Company's strong balance sheet has been driven by robust operating cashflow and leaves it well placed to support performance bonding requirements to take on larger +\$100 million design and construction contracts.

### **Corporate**

On 15 December 2011, 18 million fully paid ordinary shares in the Company were sold by certain founding shareholders. Company directors Mr Barry Patterson, Mr Joe Ricciardo and Mr Tony Patrizi as well as other Key Management Personnel participated in the sell down. The sell down has improved the Company's share register liquidity, with founding shareholders now holding 67.3% of the Company, compared to 79.3% prior to the transaction.

### **Dividend**

The Company has declared a fully franked interim dividend of 4 cents per share, with a record date of 6 March 2012 and being payable on 13 March 2012. This dividend is equal to the full year dividend declared in FY2011.

### **Operational Overview**

#### *Design and Construction*

GR Engineering's existing design and construction contracts performed well throughout 1H12, with successful project execution and delivery achieved on all projects. Design and construction accounted for 94% of GR Engineering's revenue for the half.

A total of 7 design and construction projects were completed in the half, with all being profitable for the Company.

GR Engineering was awarded 2 EPC contracts with top tier mining companies in the gold and base metals sector. The Company has numerous near term opportunities for significant design and construction contract wins for projects in Australia, West Africa and South East Asia.

#### *Studies and Consulting*

Whilst providing only a minor contribution to revenue, studies and front end consulting services have delivered significant potential to GR Engineering's project pipeline that the Company anticipates will ultimately be reflected in the award of design and construction contracts.

Importantly in 1H12, the Company was awarded 4 studies and 1 engineering-procurement contract for gold projects in Ghana, Mali and the Ivory Coast, all with Australian ASX listed clients. These projects have contributed to the success of the Company's strategic geographical expansion into



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West Africa and provide opportunities for construction contract wins in the region. The Company expects that West African contracts will make a significant contribution to its earnings from FY13.

Study and consulting engagements for domestic projects in the traditional commodity areas of gold and base metals have also provided consistent workflow in the half and continue to present design and construction opportunities for the Company.

The Company remains of the view that studies and front end consulting engagements remain critical to establishing early and intimate project knowledge and providing a competitive advantage in winning design and construction work.

#### *Workforce*

As at 31 December 2011, the Company directly employed over 200 professional and support staff in addition to its direct construction workforce and subcontractors.

#### **Outlook**

GR Engineering anticipates continued strength in the gold sector for the remainder of calendar year 2012, driven by a strong gold price. The Company is confident of converting studies for projects in Australia, West Africa and South East Asia into design and construction contract wins for the remainder of the financial year to expand its order book into FY13. GR Engineering expects 2H12 revenue to be consistent with 1H12 with potential for upside.

#### **Further Information**

Further information is contained in the Company's HY12 financial report and results presentation which have been released with this announcement.

Ends.

For further information contact:

**Joe Ricciardo**  
Managing Director

☎ +61 8 6272 1547  
✉ [joe.ricciardo@gres.com.au](mailto:joe.ricciardo@gres.com.au)

**Joe Totaro**  
Chief Financial Officer

☎ +61 8 6272 1544  
✉ [joe.totaro@gres.com.au](mailto:joe.totaro@gres.com.au)

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

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



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

GR Engineering directly employs more than 200 professional and support staff at its offices in Perth, Kalgoorlie and Brisbane in addition to its direct construction workforce and subcontractors.