

GR Engineering Services Limited
Half Year Financial Report
For the Half Year Ended 31 December 2021

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

TABLE OF CONTENTS

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	6
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	7
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	9
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	11
DIRECTORS' DECLARATION	17
INDEPENDENT AUDITOR'S REVIEW REPORT	18

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

Your directors present their report on GR Engineering Services Limited (ASX:GNG) (GR Engineering or consolidated entity) for the half-year ended 31 December 2021 (HY22).

DIRECTORS

The names of the consolidated entity's directors in office during the half year and until the date of this report follow. The Directors were in office for this entire period unless otherwise stated.

Geoffrey Jones (Managing Director)
Phillip Lockyer (Non-Executive Chairman)
Tony Patrizi (Executive Director)
Peter Hood (Non-Executive Director)
Giuseppe (Joe) Totaro (Non-Executive Director)

COMPANY SECRETARY

Omesh Motiwalla

PRINCIPAL ACTIVITIES

During the financial period, the consolidated entity's activities have been the provision of high quality process engineering, detailed engineering design, process control and automation design and construction services to the mining and mineral processing industry and the provision of operations, maintenance and advisory services to the oil and gas sector.

REVIEW OF RESULTS AND OPERATIONS

The profit after tax of the consolidated entity was \$14.7 million (HY21 profit after tax: \$8.5 million) on revenue of \$302.3 million (HY21: \$176.3 million). The EBITDA of the consolidated group was \$24.3 million (HY21 EBITDA: \$14.2 million). Cash increased during HY22 by \$24.6 million to \$93.6 million.

GR Engineering achieved record revenue and earnings for the half year ended 31 December 2021. This continued the strong momentum generated from the previous financial year. The results were characterised by solid operational performance across the group in challenging conditions given ongoing market volatility and the COVID-19 pandemic. GR Engineering continues to successfully build its contracted and near term pipeline of work for FY23 and future years.

GR Engineering's strong order book for the remainder of the year and for future years, and anticipated continued strong cash flow generation, leaves it well placed to continue to deliver returns to its shareholders.

Mineral Processing Design and Construction

New and ongoing projects

GR Engineering's design and construction order book of current work includes:

- **Thunderbox 6 Mtpa Expansion Project** - \$101.0 million EPC contract with Northern Star Resources Limited in relation to the design, engineering, procurement, construction and commissioning of the Thunderbox 6 Mtpa Expansion Project. Work commenced in July 2021.
- **Abra Base Metals Project** - \$79.5 million EPC contract with Abra Mining Pty Ltd for the design and construction of a 1.2 Mtpa lead sulphide flotation plant and ancillary infrastructure for the Abra Base Metals Project located in Western Australia. Abra Mining is 50% owned by Galena Mining Limited and 50% owned by Toho Zinc. GR Engineering has also been awarded additional work by Abra Mining, for a contract sum of \$10.0 million, to relocate, refurbish and commission the Higginsville Paste Plant.
- **Warrawoona Gold Project** - \$75.0 million EPC contract with Calidus Resources Limited in relation to the design and construction of the processing plant and associated infrastructure for the Warrawoona Gold Project. Work will be completed in the first half of calendar year 2022.
- **Mt Ida Gold Project** - \$73.0 million EPC contract with Aurene Alt Resources Limited in relation to design and construction of the processing plant and associated infrastructure for the Mt Ida Gold Project located in Western Australia. Work commenced in September 2021.
- **Newmont Tanami Gold Mine** - \$68.0 million subcontract with RUC Cementation Mining Contractors Pty Ltd (RUC) in relation to Newmont Corporation's (Newmont) Tanami Gold Mine in Australia. RUC has been engaged by Newmont under a head contract to complete certain underground construction works for Newmont. GR Engineering is responsible for the construction and commissioning associated with the surface infrastructure.

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

- **Norseman Gold Project** - \$59.5 million EPC contract with Pantoro Limited for the engineering, procurement and construction of a new processing plant for its 50% owned Norseman Gold Project in Western Australia. GR Engineering commenced work during the first quarter of calendar year 2021.
- **Cosmos Nickel Concentrator Facility Upgrade** - \$48.0 million EPC contract with Australian Nickel Investments Pty Ltd, a wholly owned subsidiary of Western Areas Limited, for the engineering, procurement and construction work in relation to the upgrade of the existing nickel concentrator at the Cosmos Nickel Operations. Work commenced in October 2021.
- **Bluestone Mines Tasmania JV** - multiple projects with a combined value of \$31.7 million. GR Engineering was awarded an engineering, procurement and construction contract involving the design, supply, installation and commissioning of a new paste backfill plant and infrastructure at its Renison Tin Operations (Renison). In addition, a contract was also awarded that includes the design, supply and installation of new transformers and HV switchgear for Renison's existing main switchyard. Work commenced in the first half of FY22.

GR Engineering's pipeline of near term work opportunities includes, but is not limited, to the following projects:

- **West Musgrave Project** - GR Engineering is assisting OZ Minerals Limited (OZ Minerals) with early engineering and design works for the West Musgrave Project located in Western Australia, as well as supporting long lead procurement activities. OZ Minerals is progressing towards obtaining its remaining approvals for the project and a final investment decision is expected at the end of the financial year.
- **Thunderbird Mineral Sands Project** - in May 2021, GR Engineering restarted early engineering and design works for the Thunderbird Minerals Sands Project for Kimberley Mineral Sands Pty Ltd and is progressing critical path design and long lead procurement activities for the project. Owner's site works activities have commenced, with EPC site works due to commence in April 2022. The final investment decision is expected in the first quarter of 2022.
- **WA Battery Graphite Manufacturing Facility** - letter of intent with EcoGraf (Australia) Limited for a design and construction contract for the development of a 20,000 tpa battery graphite facility in Western Australia. GR Engineering is undertaking early engineering works whilst working with EcoGraf to finalise the project scope and execute the contract.

In December 2021, GR Engineering successfully achieved practical completion on the Wiluna Gold Project.

Studies and Consulting

GR Engineering has been engaged on a number of engineering and consultancy assignments on a range of domestic and international projects with scopes extending to engineering studies, process design, procurement support and site supervision services associated with new and existing operations.

During HY22, GR Engineering completed 25 project studies and as at 31 December 2021, GRES was engaged on 28 studies. This level of study activity continues to underpin a solid pipeline of design and construction opportunities into FY23 and beyond.

Process Controls - Mipac

In May 2021, GR Engineering successfully acquired the Mipac business, a leading global provider of controls systems engineering, automation and technology services.

Mipac has a proven business model and long term relationships with tier 1 and other clients requiring continuous control systems solutions for complex, business critical operations, primarily in the mineral processing, energy and water industries.

The post acquisition integration with GR Engineering has been seamless and Mipac's management team have all remained in their roles post transaction.

In November 2021, Mipac was awarded a key contract with MESCO Inc., a listed Japanese conglomerate, to complete Stage 2 work on the Kyshtym Copper Electrolytic Plant. As part of the work, Mipac will supply in-house developed specialised monitoring technology and software solutions.

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

Oil, Gas, Energy and Water Services - Upstream Production Solutions (Upstream PS)

GR Engineering's oil and gas services business, Upstream PS achieved sustained revenue contributions primarily through the provision of operations and maintenance services to the coal seam gas (CSG), liquefied natural gas, carbon sequestration and onshore and offshore oil and gas sectors throughout Australia.

In Western Australia, Upstream PS remains a leading provider of operations and maintenance services to clients in the Perth Basin, and expanded its presence offshore in the Browse Basin providing operations services to the floating liquefied natural gas sector. In the Northern Territory, Upstream PS continued to provide maintenance services on the Blacktip gas field production facilities (onshore and offshore). On 4 January 2022, Eni Australia awarded Upstream PS a new contract to provide operational and maintenance support for this project. The term of the contract is for three years with an option to extend for a further two years. Upstream PS' 'Darwin Hub' also continues to operate as a maintenance service and supply base facility servicing tier 1 clients.

During HY22, Upstream PS continued working with the Australian Government to maintain the Northern Endeavour FPSO (FPSO) in a non-producing state. On 20 December 2021, Upstream PS executed a five month extension to its current contract with the Australian Government to provide operations, maintenance and project services to the FPSO and associated infrastructure in preparation for the disconnection and removal of the FPSO. The term of the contract has been extended to 31 May 2022, with the Australian Government having the option to extend the contract for a further term of four months. It is anticipated that revenue from the contract extension will be approximately \$50.5 million for the five month period to 31 May 2022.

In Queensland, Upstream PS managed and executed maintenance and operations support services on over 5,000 CSG wells. Upstream PS recently expanded its service offering to Santos Limited in the Surat Basin. In addition, Upstream PS executed a Master Services Agreement with Senex Energy to provide operations, maintenance and safety critical device certification.

Safety

The GR Engineering group's Total Reportable Injury Frequency rate for HY22 was 6.61. The Company pursues continuous improvement in its commitment to safety, with its primary objective being the achievement of a zero harm workplace environment on all jobs and at all locations.

DIVIDENDS

During the half year period, a final dividend for financial year ended 30 June 2021 was paid. This was a fully franked dividend of 7.0 cents per share, paid on 22 September 2021.

A fully franked dividend of 9.0 cents per share has been declared for the 6 months ended 31 December 2021. The ex-dividend date for the interim dividend is 3 March 2022, the record date for determining entitlements to the interim dividend is 4 March 2022 and the payment date for the interim dividend is 25 March 2022.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS

The auditor's independence declaration to the directors is included on page 6 of the Half Year Financial Report.

EVENTS AFTER THE REPORTING DATE

On 1 February 2022, GR Engineering fully repaid its remaining USD denominated term loan of US\$1.4 million, relating to its acquisition of Hanlon Engineering, using its surplus USD cash reserves.

On 22 February 2022, GR Engineering announced that it had increased its revenue guidance for FY22 to a range of between \$580 million to \$600 million. The previous revenue guidance was in the range of \$540 million to \$560 million.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Geoff Jones
Managing Director
Date: 22 February 2022

**GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT**

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

22 February 2022

The Board of Directors
GR Engineering Services Limited
71 Daly Street
ASCOT WA 6104

Dear Board Members,

GR Engineering Services Limited – Independence Declaration

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 review of the half-year financial report of GR Engineering Services Limited for the half-year ended 31 December 2021, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely


DELOITTE TOUCHE TOHMATSU


PG Janse van Nieuwenhuizen
Partner
Chartered Accountants

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	<i>Half-Year Ended</i>	<i>Half-Year Ended</i>
		<i>31 December</i>	<i>31 December</i>
		<i>2021</i>	<i>2020</i>
		\$	\$
Revenue	3(a)	302,295,975	176,338,713
Cost of sales		259,349,146	155,172,693
Gross profit		42,946,829	21,166,020
Other income	3(b)	462,153	2,997,354
Finance costs	3(c)	192,771	169,201
Occupancy expenses		337,928	199,519
Administrative expenses		16,285,449	9,976,402
Bad and doubtful debt expense		2,414,284	(257,339)
Depreciation and amortisation	3(d)	2,637,972	1,448,198
Profit (loss) before income tax		21,540,577	12,627,393
Income tax expense		6,805,329	4,096,644
Net profit (loss) for the period		14,735,249	8,530,749
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss :</u>			
Fair value gain (loss) on equity investments		81,291	(588,450)
Exchange differences on translating foreign operations		168,111	(136,432)
Total other comprehensive income, net of income tax		249,402	(724,882)
Total comprehensive income for the period		14,984,651	7,805,867
Profit attributable to owners of the parent		14,735,249	8,530,749
Total comprehensive income attributable to owners of the parent		14,984,651	7,805,867
Earnings per Share:		<i>Cents per share</i>	<i>Cents per share</i>
Basic (cents per share)		9.56	5.54
Diluted (cents per share)		9.24	5.43

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	<i>31 December 2021</i>	<i>30 June 2021</i>
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	4	93,561,227	68,972,970
Trade and other receivables	5	108,300,295	52,151,340
Inventories		41,979	33,832
Other		4,807,988	1,378,449
Total Current Assets		206,711,489	122,536,591
Non-Current Assets			
Deferred tax asset		1,333,497	289,745
Property, plant and equipment		8,549,441	8,672,089
Financial assets	11	2,039,365	2,192,175
Intangible assets		23,269,464	23,710,008
Total Non-Current Assets		35,191,767	34,864,017
TOTAL ASSETS		241,903,256	157,400,608
LIABILITIES			
Current Liabilities			
Trade and other payables		103,291,846	64,084,181
Borrowings		7,033,926	4,717,382
Income tax		1,762,670	3,490,281
Provisions		14,450,028	11,167,353
Contract liabilities	6	54,240,333	16,585,801
Total Current Liabilities		180,778,803	100,044,998
Non-Current Liabilities			
Borrowings		2,781,415	3,539,762
Provisions		1,861,171	2,176,220
Total Non-Current Liabilities		4,642,586	5,715,982
TOTAL LIABILITIES		185,421,389	105,760,980
NET ASSETS		56,481,866	51,639,628
EQUITY			
Issued capital	7	39,890,962	39,141,677
Reserves		1,945,955	1,326,380
Retained earnings		14,644,949	11,171,571
TOTAL EQUITY		56,481,866	51,639,628

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	
	<i>31 December 2021</i>	<i>31 December 2020</i>
	\$	\$
Cash flows from operating activities		
Receipts from customers	303,823,764	182,912,343
Payments to suppliers and employees	(254,570,335)	(163,437,054)
Income tax paid	(9,611,531)	(1,767,803)
Interest received	26,284	48,655
Net cash flows provided by / (used in) operating activities	39,668,182	17,756,141
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,046,621)	(955,848)
Proceeds from sale of property, plant and equipment	16,771	-
Proceeds from sale of financial assets	343,573	5,698,898
Net cash outflow on acquisition of business	(1,049,495)	-
Net cash flows provided by investing activities	(2,735,772)	4,743,050
Cash flows from financing activities		
Payment of lease liabilities	(983,284)	(612,577)
Dividends paid	(11,261,871)	(6,206,128)
Repayment of borrowings	(376,398)	(287,336)
Net cash flows used in financing activities	(12,621,553)	(7,106,041)
Net increase / (decrease) in cash and cash equivalents	24,310,857	15,393,150
Cash and cash equivalents at beginning of period	68,972,970	37,528,995
Effects of exchange rate changes of balances of cash held in foreign currencies	277,400	(130,760)
Cash and cash equivalents at end of period	4 93,561,227	52,791,385

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Issued capital	Performance Rights Reserve	Share Appreciation Rights Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at 30 June 2020	30,594,847	1,749,055	-	(783,634)	1,227,847	1,895,258	34,683,373
Profit for the period	-	-	-	-	-	8,530,749	8,530,749
Other Comprehensive income for the period	-	-	-	(136,432)	(588,450)	-	(724,882)
Total Comprehensive income for the period	-	-	-	(136,432)	(588,450)	8,530,749	7,805,867
Dividends paid	-	-	-	-	-	(6,206,128)	(6,206,128)
Issue of shares	1,546,830	(1,546,830)	-	-	-	-	-
Share based payments	-	133,644	29,420	-	-	-	163,064
Balance as at 31 December 2020	32,141,677	335,869	29,420	(920,066)	639,397	4,219,879	36,446,176
Balance as at 30 June 2021	39,141,677	694,322	177,338	(842,807)	1,297,527	11,171,571	51,639,628
Profit for the period	-	-	-	-	-	14,735,249	14,735,249
Other Comprehensive income for the period	-	-	-	168,111	81,291	-	249,402
Total Comprehensive income for the period	-	-	-	168,111	81,291	14,735,249	14,984,651
Dividends paid	-	-	-	-	-	(11,261,871)	(11,261,871)
Issue of shares	749,285	-	(121,390)	-	-	-	627,895
Share based payments	-	444,128	47,436	-	-	-	491,564
Balance as at 31 December 2021	39,890,962	1,138,450	103,384	(674,696)	1,378,818	14,644,949	56,481,866

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1 CORPORATE INFORMATION

The financial report of GR Engineering Services Limited and its subsidiaries for the half year ended 31 December 2021 was authorised for issue in accordance with a resolution of the directors on 16 February 2022.

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 Daly Street, Ascot, Western Australia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated 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. 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's annual financial report for the financial year ended 30 June 2021, except for the impact of the Standards and Interpretations described below. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(c) Standards and Interpretations adopted in the current half year period

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the consolidated entity's annual financial report for the year ended 30 June 2021, except for new standards, amendments to standards and interpretations which became effective on 1 July 2021 as set out below.

In the current half year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2021, which include:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*

The adoption of these Standards and Interpretations does not have any impact on the disclosures or the amounts recognised in the consolidated entity's condensed consolidated financial statements.

(d) Standards and Interpretations issued but not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the reporting period ended 31 December 2021. Management are in the process of assessing the impact of the adoption of these Standards and Interpretations on the consolidated entity.

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

3 REVENUES AND EXPENSES

	<i>31 December</i> <i>2021</i> \$	<i>31 December</i> <i>2020</i> \$
(a) Disaggregation of revenue & time of revenue recognition		
Rendering of services		
Rendering of services - mineral processing - over time	217,834,707	118,262,273
Rendering of services - oil & gas - at a point in time	84,461,268	58,076,440
	<u>302,295,975</u>	<u>176,338,713</u>
(b) Other income		
Interest revenue	26,284	48,655
Government rebates and subsidies	768	83,311
Profit on sale of fixed assets	17,305	-
Profit on sale of financial assets	74,634	2,901,806
Net foreign exchange gain/(loss)	94,881	(182,914)
Sundry revenue	248,282	146,496
	<u>462,153</u>	<u>2,997,354</u>
(c) Finance costs		
Interest charges	<u>192,771</u>	<u>169,201</u>
(d) Depreciation and amortisation		
Depreciation of fixed assets	1,121,330	619,365
Depreciation of right of use assets	846,055	739,922
Amortisation of intangible assets	670,588	88,911
	<u>2,637,972</u>	<u>1,448,198</u>
Employee benefits expense		
Wages and salaries	62,091,930	46,039,244
Workers' compensation costs	690,087	558,080
Superannuation costs	5,292,802	3,591,150
Share based payments	491,563	163,064
	<u>68,566,382</u>	<u>50,351,538</u>

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

4 CASH AND CASH EQUIVALENTS

	<i>31 December</i> 2021 \$	<i>30 June</i> 2021 \$
Cash at bank and in hand	93,561,227	68,972,970
Short term deposits	-	-
	<u>93,561,227</u>	<u>68,972,970</u>

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

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2021:

	<i>31 December</i> 2021 \$	<i>30 June</i> 2021 \$
Cash at bank and in hand	93,561,227	68,972,970
	<u>93,561,227</u>	<u>68,972,970</u>

5 TRADE AND OTHER RECEIVABLES

	<i>31 December</i> 2021 \$	<i>30 June</i> 2021 \$
Trade receivables	85,394,152	37,614,094
Less: Expected credit loss	(2,388,909)	-
	<u>83,005,243</u>	<u>37,614,094</u>

GR Engineering recorded a doubtful debt of \$2.4 million relating to Salt Lake Potash Limited's Lake Way Project, noting the net impact to the profit and loss statement for HY22 was less than \$1.0 million based on project contingencies and associated provisioning recorded during FY21, and released during HY22.

Contract assets - oil and maintenance contracts	19,253,601	10,586,158
Contract assets - mineral processing contracts	3,230,944	2,900,074
	<u>22,484,545</u>	<u>13,486,232</u>

Refer note 2(a) for GR Engineering's policies in relation to contract assets.

Term deposits held for security	235,468	234,934
Other receivables	2,575,039	816,080
	<u>108,300,295</u>	<u>52,151,340</u>

6 CONTRACT LIABILITIES

	<i>31 December</i> 2021 \$	<i>30 June</i> 2021 \$
Contract liabilities - current liabilities	54,240,333	16,585,801
	<u>54,240,333</u>	<u>16,585,801</u>

Refer note 2(a) for GR Engineering's policies in relation to contract liabilities.

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

7 ISSUED CAPITAL

	<i>31 December</i> <i>2021</i>	<i>30 June</i> <i>2021</i>
	<i>No of shares</i>	<i>No of shares</i>
<i>Ordinary Shares</i> Issued and fully paid	<u>161,231,951</u>	<u>160,577,900</u>
<i>Issue of ordinary shares</i>	<i>No of shares</i>	<i>\$</i>
At 30 June 2021	160,577,900	39,141,677
Issue of shares from exercise of share appreciation rights	305,968	121,390
Issue of shares - acquisition of subsidiary	348,083	627,895
At 31 December 2021	<u>161,231,951</u>	<u>39,890,962</u>

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

8 CONTINGENCIES

	<i>31 December</i> <i>2021</i>	<i>30 June</i> <i>2021</i>
	<i>\$</i>	<i>\$</i>
Bank guarantees Bank guarantees issued	<u>29,611,449</u>	<u>9,179,814</u>

The consolidated entity's standby multi-option bank facility has a limit of \$90,000,000. The facilities are secured by a fixed and floating charge over all the assets of the consolidated entity.

The consolidated entity provides bank guarantees under this facility to support project performance in favour of certain clients. The amount of these bank guarantees at 31 December 2021 is \$28,889,320 (30 June 2021: \$8,457,685). The consolidated entity has a bank guarantee facility with National Australia Bank to provide guarantees for the security of rental properties to the value of \$722,129 (30 June 2021: \$722,129). The amount of bank guarantees issued under this facility at 31 December 2021 is \$722,129 (30 June 2021: \$722,129).

The consolidated entity has a \$45 million insurance bond facility with Berkshire Hathaway Specialist Insurance Company and an additional \$20 million insurance bond facility with Allianz Australia Insurance Limited. These facilities are utilised to provide retention and off site materials bonds in connection with certain projects. The amount of insurance bonds issued under the Berkshire Hathaway Specialist Insurance Company facility at 31 December 2021 is \$23,813,573 (30 June 2021: \$7,546,524). The amount of insurance bonds issued under the Allianz Australia Insurance Limited facility at 31 December 2021 is \$4,185,965 (2021: \$1,802,051).

GR Engineering Services Limited, the parent company, has provided guarantees and indemnities in relation to certain contracts entered into by its subsidiaries. Liability under these guarantees and indemnities is limited to the relevant subsidiaries' contracted limits of liability under the contracts.

9 DIVIDENDS

During the half year, the consolidated entity made the following dividend payments :

	<i>31 December 2021</i>		<i>31 December 2020</i>	
<i>Fully paid ordinary shares</i>	<i>Cents per share</i>	<i>\$</i>	<i>Cents per share</i>	<i>\$</i>
Dividend	7.00	11,261,871	4.00	6,206,128
	<u>7.00</u>	<u>11,261,871</u>	<u>4.00</u>	<u>6,206,128</u>

A fully franked dividend of 9.0 cents per share has been declared for the six months ended 31 December 2021. The ex dividend date for the interim dividend is 3 March 2022, the record date for determining entitlements to the interim dividend is 4 March 2022 and the payment date for the interim dividend is 25 March 2022.

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

10 SEGMENT INFORMATION

Operating segments have been identified on the basis of internal reports of the consolidated entity 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 Managing Director. 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.

The Managing Director has chosen to classify the operations of the consolidated entity by reference to presence in an industry. The segments identified on this basis are "mineral processing" and "oil and gas".

Segment revenues and results

The following table shows the revenue and results of the consolidated entity summarised under these segments.

Segment revenue

	<i>31 December</i> <i>2021</i>	<i>31 December</i> <i>2020</i>
	\$	\$
Mineral processing	217,834,707	118,262,273
Oil and gas	84,461,268	58,076,440
Total revenue	<u>302,295,975</u>	<u>176,338,713</u>

Segment profit before tax

	<i>31 December</i> <i>2021</i>	<i>31 December</i> <i>2020</i>
	\$	\$
Mineral processing	12,685,238	7,085,124
Oil and gas	8,855,340	5,542,269
Total profit before tax	<u>21,540,577</u>	<u>12,627,393</u>

Segment assets

	<i>31 December</i> <i>2021</i>	<i>30 June</i> <i>2021</i>
	\$	\$
Mineral processing	193,990,466	121,107,422
Oil and gas	45,873,425	34,101,011
Corporate - financial assets	2,039,365	2,192,175
Total assets	<u>241,903,256</u>	<u>157,400,608</u>

11 FINANCIAL ASSETS

Financial assets held at fair value through other comprehensive income

	<i>31 December</i> <i>2021</i>	<i>30 June</i> <i>2021</i>
	\$	\$
Shares in listed entities	<u>2,039,365</u>	<u>2,192,175</u>

Shares held in the listed entities are measured at fair value at the end of the reporting period.

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

12 FINANCIAL INSTRUMENTS

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position for the consolidated entity are as follows :

	31 December 2021		30 June 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
<i>Assets</i>				
Cash at bank	93,561,227	93,561,227	68,972,970	68,972,970
Trade receivables	108,300,295	108,300,295	52,151,340	52,151,340
Equity instruments	2,039,365	2,039,365	2,192,175	2,192,175
	<u>203,900,887</u>	<u>203,900,887</u>	<u>123,316,485</u>	<u>123,316,485</u>
<i>Liabilities</i>				
Trade payables	103,291,846	103,291,846	64,084,181	64,084,181
Bank loan	2,042,922	2,042,922	2,419,320	2,419,320
	<u>105,334,768</u>	<u>105,334,768</u>	<u>66,503,501</u>	<u>66,503,501</u>

The consolidated entity holds equity securities of \$2,039,365 (30 June 2021: \$2,192,175) which are classified as fair value hierarchy level 1, in which fair values are based on quoted prices in active markets. There have been no transfers of fair value hierarchy levels during the period.

Equity securities are measured at fair value at the end of the reporting period, resulting in gross unrealised gains of \$52,362 (31 December 2020: gain of \$422,071) included in other comprehensive income and reported in the investment revaluation reserve.

During the period, equity securities were disposed of, resulting in a gain on sale of \$74,634 recorded in other income.

13 KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report dated 30 June 2021.

Share appreciation rights

As at 31 December 2021, the consolidated entity had issued a total of 864,447 share appreciation rights to Geoff Jones, Managing Director, as part of the consolidated entity's equity incentive plan (as at 30 June 2021: 1,474,447).

The share appreciation rights will be subject to vesting conditions, namely the participant being employed by the consolidated entity as Managing Director and the share price being equal to or greater than the exercise price at the vesting date.

Number of share appreciation rights	Grant date	Vesting date	Exercise price	Performance condition share price targets
478,432	25/11/2020	1/07/2022	\$0.75	\$1.39
386,015	25/11/2020	1/07/2023	\$0.75	\$1.54

14 EVENTS AFTER THE REPORTING DATE

A fully franked dividend of 9.0 cents per share has been declared for the six months ended 31 December 2021. The ex dividend date for the interim dividend is 3 March 2022, the record date for determining entitlements to the interim dividend is 4 March 2022 and the payment date for the interim dividend is 25 March 2022.

On 1 February 2022, GR Engineering fully repaid its remaining USD denominated term loan of US\$1.4 million, relating to its acquisition of Hanlon Engineering, using its surplus USD cash reserves.

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 period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' DECLARATION

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; and

(b) In the directors' opinion, the attached financial statements and notes thereto are in compliance 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 consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'G Jones', written over a faint circular stamp or watermark.

Name: Geoff Jones
Managing Director
Date: 22 February 2022

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

Conclusion

We have reviewed the half-year financial report of GR Engineering Services Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-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 7 to 17.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


DELOITTE TOUCHE TOHMATSU



PG Janse van Nieuwenhuizen

Partner

Chartered Accountants

Perth, 22 February 2022