



ASX RELEASE

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For immediate release to the market

FY18 FINANCIAL RESULTS

- **Revenue:** \$283.6 million
- **PBT:** \$16.2 million
- **Net cash:** \$21.3 million
- **Underlying EBITDA¹:** \$24.1 million
- **EPS:** 7.6 cps
- **Final dividend:** 5 cps (unfranked)

GR Engineering Services Limited (ASX:GNG) (**GR Engineering** or **Company**) today announces its financial results for the financial year ended 30 June 2018 (**FY18**).

Overview

GR Engineering achieved revenue growth of 18.8% in FY18 as a result of strong levels of contracting activity, primarily in the fixed price delivery of mineral processing plants. Revenue of \$283.6 million enabled the Company to maintain consistent profit before tax of \$16.2 million.

Commenting on the FY18 Financial Results, GR Engineering's Managing Director, Mr Geoff Jones said:

"GR Engineering has achieved a number of successful project outcomes in FY18, which include the commissioning of two new 2.5Mtpa gold processing plants in Western Australia for each of the Mt Morgans and Dalgaranga Gold Projects. Both of these projects commenced construction at the start of the financial year and poured first gold ahead of FY19, as scheduled.

Key appointments in FY18 as preferred tenderer on the Thunderbird Minerals Sands Project and Karlawinda Gold Project have provided GR Engineering with opportunities to again ramp up design and construction activity in the near term, based on anticipated commencement timing.

The Company's FY18 financial results are indicative of a market dynamic that continues to feature high levels of competition and a low premium for risk in the technical services and fixed price delivery models that the group has been able to successfully execute. Importantly, GR Engineering continues to meet these challenges whilst maintaining earnings and shareholder returns."

Underlying EBITDA¹ of \$24.1 million reflects earnings outcomes anticipated for those major projects which were successfully delivered during FY18. Profitability was impacted by one-off bad debt expenses totalling approximately \$7.0 million, largely arising from the settlement of claims associated with the Hemerdon Tungsten & Tin project and Davyhurst refurbishment project.

A final dividend of 5 cps (unfranked) has been declared, resulting in total FY18 dividends of 11 cps.

¹ Underlying EBITDA excludes one-off bad debt expenses of \$7.0 million primarily associated with the settlements agreed in relation to EPC contracts for the Hemerdon Tungsten & Tin Project and Davyhurst Refurbishment Project.



Key Earnings and Balance Sheet Data – Consolidated Group

Revenue & Earnings		FY18	FY17
Revenue from operations	\$m	283.6	238.7
EBITDA	\$m	24.1¹ (underlying)	16.9
PBT	\$m	16.2	16.3
Tax	\$m	4.6	3.4
NPAT	\$m	11.6	12.9
Basic EPS	cps	7.6	8.4

Balance Sheet & Cashflow		FY18	FY17
Net Cash	\$m	21.3	34.2
Total Equity	\$m	52.4	48.9
Net operating cashflow	\$m	-0.9	-13.5

Please refer to GR Engineering's FY18 Audited Financial Report for further information on the Company's operational and financial performance.

Mineral Processing

GR Engineering successfully completed and commissioned several key projects in FY18, including:

- **Mt Morgans Project:** 2.5Mtpa gold processing plant and certain supporting infrastructure, located 25km south-west of Laverton, Western Australia. GR Engineering entered into a \$107 million EPC contract for the project on 19 April 2017, with first gold poured on 3 April 2018.
- **Dalgaranga Project:** 2.5Mtpa gold processing plant and supporting infrastructure, located in the Murchison region of Western Australia. GR Engineering entered into a \$66.5 million EPC contract for the project on 5 July 2017, with first gold poured on 30 May 2018.
- **Sunrise Dam Recovery Enhancement Project:** Design and construction of a new flotation and ultra-fine grind processing facility with associated services upgrades to operate within the existing processing infrastructure at Sunrise Dam. GR Engineering entered into a \$31.3 million EPC contract for the project on 30 June 2017, with completion achieved on 22 May 2018.

The Company was awarded key notices as preferred tenderer for both the Thunderbird Mineral Sands Project and the Karlawinda Gold Project in FY18. Early engineering and procurement activities have commenced on both of these projects, which are currently progressing through permitting and financing stages ahead of their planned commencement.

GR Engineering was engaged on several engineering and consultancy assignments for international projects, with scopes extending to early engineering studies, process design, procurement support

¹ Underlying EBITDA excludes one-off bad debt expenses of \$7.0 million primarily associated with the settlements agreed in relation to EPC contracts for the Hemerdon Tungsten & Tin Project and Davyhurst Refurbishment Project.



and site supervision services associated with new and existing operations. In FY18, this resulted in strong workflow out of Turkey and PNG on globally significant minerals projects.

Oil & Gas

GR Engineering's oil and gas services business, Upstream Production Solutions (Upstream PS), achieved revenue growth of 17.9% to \$81.2 million, primarily from the provision of coal seam gas services in Queensland, where it has approximately 3,500 well heads under management and offshore and on shore operations and maintenance services in Western Australia.

In Queensland, Upstream PS' proven capacity to deliver reliable and cost effective operations and maintenance services has led to the award of growing work packages under existing contracts in the Bowen and Surat Basins. In Western Australia, Upstream PS continued to undertake operations and maintenance works on a number of oil and gas production assets in the Perth Basin for AWE (Waitsia Field, Xyris and the Dongara processing facilities). Contracted work also continued on the provision of operations and maintenance services to the Northern Endeavour FPSO and Blacktip gas field production facilities in the Timor Sea.

Other events

GR Engineering office consolidation

In November 2017, GR Engineering consolidated its three Perth offices into one location at 71 Daly Street, Ascot in Western Australia. At a cost of approximately \$1.8 million, this relocation will result in substantial savings in rent and administration costs and generate significant operational efficiencies.

Wolf Minerals

On 20 April 2018, GR Engineering announced that GR Engineering Services (UK) Limited (GRES UK) had entered into a settlement agreement with Wolf Minerals (UK) Limited (Wolf) to fully and finally settle all claims without admission of liability in relation to the EPC contract for the design and construction of the Hemerdon tungsten and tin mineral processing plant located in Devon, England.

GRES UK and Wolf have now fully resolved this matter, with the confidential settlement sum having been paid and all securities held under or in connection with the contract being returned and cancelled. The net financial impact of the settlement with Wolf is approximately \$4.8 million (being the primary contributor to the receivable impairment balance referred to in Note 10 of the Notes to the Financial Statements) in addition to some legal fees and administrative expenses also realised in the reporting period.

Eastern Goldfields

On 13 August 2018, GR Engineering announced that it had entered into a settlement deed with Eastern Goldfields Limited and others to fully and finally settle all claims in relation to the Davyhurst Gold Project refurbishment contract. The settlement deed contemplates the payment to GR Engineering of \$8.25 million over three instalments by 3 October 2018.



Balance Sheet & Dividend

GR Engineering held available cash at bank of \$21.8 million on 30 June 2018 and debt of \$0.5 million.

The most significant application of funds during FY18 was in the reduction of trade and other payables by \$46.9 million alongside a reduction in trade and other receivables of \$20.5 million. In addition, the Company paid \$9.2 million in dividends in FY18.

GR Engineering's total equity position improved by 7.3% in FY18 to \$52.4 million. GR Engineering maintains its healthy balance sheet and is well capitalised to pursue additional work.

The Board has resolved to declare a final dividend of 5 cps (unfranked). The ex-dividend date for the final dividend will be 11 October 2018 with a Record Date of 12 October 2018. The payment date will be 24 October 2018.

Zero Harm

The GR Engineering group's Total Reportable Injury Frequency Rate (TRIFR) for FY18 was 8.62. The group 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.

FY19 update and outlook

Work has commenced on the \$17.9 million contract announced by GR Engineering on 21 August 2018 for the design and construction of the Carosue Dam Paste Backfill Plant.

GR Engineering notes that its FY19 financial performance is likely to be dependent on the commencement timing of both the Thunderbird Mineral Sands Project and Karlawinda Gold Project. GR Engineering notes that both of these projects are anticipated to commence in the fourth quarter of calendar year 2018, subject to the achievement of financing and permitting outcomes.

GR Engineering intends to provide FY19 guidance ahead of its 2018 Annual General Meeting, to be held on 22 November 2018 when it is likely to have more certainty in relation to the timing of key projects. In the interim, it notes that FY19 financial performance is likely to be weighted to the second half.

Ends.

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

GR Engineering has successfully completed the engineering design and construction of projects for a diverse range of clients, including global mining houses, mid-tier miners and junior developers undertaking their first project. Traditionally an EPC contractor, GR Engineering also has the ability to contract through a variety of models, including EPCM and hybrid contracting arrangements.

GR Engineering also has a long history of providing a diverse range of process engineering consulting services, including feasibility study preparation and management, process design and peer review engagements. These services have been delivered for projects globally and play a key role in delivering organic growth opportunities through design and construction project execution.

The Company also has a presence in the hydrocarbons industry via its wholly owned subsidiary, Upstream Production Solutions. Upstream Production Solutions is a leading provider of operations and maintenance and well management services to the Australian and South East Asian oil and gas industry.

As a group, GR Engineering employs more than 300 professional and support staff throughout Australia and internationally, in addition to a direct construction workforce and subcontracted personnel.