

ASX RELEASE

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For immediate release to the market

FY19 FINANCIAL RESULTS

▪ Revenue:	\$182.3 million	▪ Underlying EBITDA¹:	\$11.2 million
▪ PBT:	\$8.8 million	▪ EPS:	4.25 cps
▪ Cash:	\$31.4 million	▪ Final dividend:	2.0 cps (unfranked)

GR Engineering Services Limited (ASX:GNG) (GR Engineering or Company) today announces its financial results for the financial year ended 30 June 2019 (FY19).

Overview

GR Engineering reported FY19 sales revenue of \$182.3 million, underlying EBITDA of \$11.2 million¹ and profit before tax of \$8.8 million. As at 30 June 2019, the Company held cash of \$31.4 million.

Commenting on the Company's FY19 financial performance, GR Engineering's Managing Director, Mr Geoff Jones, said:

"In FY19, GR Engineering transitioned from a period of strong design and construction activity and into a phase of consolidating new project opportunities. This has been achieved primarily through the award and delivery of mineral processing design, study management and early works engagements both in Australia and overseas associated with precious metals and emerging potash and minerals sands development projects.

Project execution activity was lower in FY19 largely due to the circumstances resulting in the deferred project opportunities reported in HY19 prevailing in the second half, and directly impacting financial performance in GR Engineering's core mineral processing design and construction business. Pleasingly, a significant contribution was made by Upstream Production Solutions (Upstream PS) which generated approximately half of the group's total FY19 revenue.

Despite the decline in revenue in FY19, GR Engineering was able to significantly increase its cash balance to \$31.4 million at 30 June 2019 (30 June 2018: \$21.8 million). Minimal debt, relatively small ongoing capex requirements, consistent project profitability and delivery all contributed to the maintenance of a stable balance sheet and in particular, a robust working capital position. This has enabled the Company to pay out \$13.8 million in dividends to its shareholders during FY19.

The Board remains confident that GR Engineering has established quality exposure to a number of new projects that will attract funding and deliver near term design and construction opportunities to the Company.

The Company's Total Reportable Injury Frequency Rate for FY19 was 4.99 comparing favourably to the FY18 result of 8.62. GR Engineering 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."

A final dividend of 2.0 cps (unfranked) has been declared, resulting in total FY19 dividends of 6.0 cps.

¹ Underlying EBITDA excludes one-off bad debt expenses of \$1.0 million primarily associated with the settlement agreed in relation to EPC contract for Davyhurst Refurbishment Project and other doubtful debtors of \$0.3 million.

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Key Earnings and Balance Sheet Data – Consolidated Group

Revenue & Earnings		FY19	FY18
Revenue from operations	\$m	182.3	283.6
EBITDA	\$m	(underlying) 11.2 ¹	17.1
PBT	\$m	8.8	16.2
Tax	\$m	2.3	4.6
NPAT	\$m	6.5	11.6
Basic EPS	cps	4.3	7.6
Balance Sheet & Cashflow		FY19	FY18
Cash	\$m	31.4	21.8
Total Equity	\$m	46.4	52.5
Net operating cashflow	\$m	24.7	-0.9

Please refer to GR Engineering's FY19 Audited Financial Report for further information on the Company's operational and financial performance.

Mineral Processing

During the year ended 30 June 2019, the Company was successful in securing and commencing four Engineering, Procurement and Construction (EPC) contracts. These included:

- **Carosue Dam Operations Paste Plant Project** - \$17.9 million EPC contract – for the design and construction of a paste fill plant for Saracen Gold Mines Pty Ltd located approximately 120km north east of Kalgoorlie, Western Australia. This facility is designed to be capable of producing 110 to 120 cubic metres of paste per hour. This project achieved practical completion in April 2019.
- **Fosterville Paste Plant Project** - \$23.9 million EPC contract - with Kirkland Lake Gold Limited for the design and construction of a paste production facility for its Fosterville gold operation located 25km north-east of Bendigo, Victoria. Work on this project commenced in December 2018.
- **Northern Wellfield Water Supply System** - \$21.2 million EPC contract - with OZ Minerals Carrapateena Pty Ltd for the design and construction of the Northern Wellfield for the Carrapateena Project located approximately 160km north of Port Augusta, South Australia. Work on this project is in two stages and includes the design, survey, supply, transportation, construction, testing and commissioning for the pipeline and transfer pumping stations associated with 8 wells to enable water to be supplied to the Carrapateena mineral processing plant, which is currently under construction.
- **Sandy Ridge Project** - \$46 million EPC contract - with Tellus Holdings Limited for the design and construction of a fully integrated facility for the long term storage and permanent isolation of hazardous and intractable waste and an associated kaolin mining operation located approximately 75km north east of Koolyanobbing, Western Australia. First stage, initial engineering design and long lead time item procurement for this project commenced during the year. The majority of the work will be performed in FY20 based on anticipated project timing.

In addition, GR Engineering is working with Ok Tedi Mining Limited on an \$11 million EPCM contract in relation to engineering services, procurement support, detailed design and construction work in Papua New Guinea. The project includes the installation of a new crusher and screening building to achieve 24 Mtpa plant throughput. The gyratory crusher being installed is one of the largest machines of this type currently being manufactured in the world.

¹ Underlying EBITDA excludes one-off bad debt expenses of \$1.0 million primarily associated with the settlement agreed in relation to EPC contract for Davyhurst Refurbishment Project and other doubtful debtors of \$0.3 million.



GR Engineering also announced the following additional projects in FY19:

- **Thunderbird Mineral Sands Project** – conditional EPC agreement – with Sheffield Resources Limited (Sheffield) for the design and construction of a processing facility located on the Dampier Peninsula in Western Australia. GR Engineering provided Sheffield with an updated capital cost estimate of \$293 million for the process plant and infrastructure as part of Sheffield's bankable feasibility study update announced on 31 July 2019. The Company continues to work with Sheffield for the purposes of delivering the Thunderbird Mineral Sands Project on an EPC basis and in accordance with the revised budget.
- **Fungoni Mineral Sands Project** – conditional US\$17.9 million EPC contract – with Strandline Resources Limited (Strandline) for the design and construction of a 2 Mtpa mineral processing plant and associated facilities. Commencement of work remains subject to a number of conditions precedent and which relate primarily to Strandline obtaining requisite approvals and project funding.

In addition, GR Engineering continues to hold its status as a preferred tenderer for the design and construction of Capricorn Metals Limited's carbon in leach processing plant and associated infrastructure for its Karlawinda Gold Project located near Newman in Western Australia.

During FY19, GR Engineering completed 39 studies and as at 30 June 2019, was engaged on a further 40 studies across a broad range of commodities for projects both in Australia and abroad. This level of study activity continues to underpin a solid pipeline of design and construct opportunities into FY20 and beyond.

Oil & Gas

GR Engineering's oil and gas services business, Upstream PS achieved sustained revenue contributions primarily from the provision of coal seam gas services in Queensland, and offshore and onshore operations and maintenance services in Western Australia.

In Queensland, Upstream PS manage and execute maintenance services on over 3,500 coal seam gas (CSG) wells in the Surat and Southern Bowen Basins and have recently played a leading part in the safe completion of Origin APLNG's four yearly scheduled gas production facilities turnaround events (15 trains in total). 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 Mitsui (Waitsia Field, Xyris and the Dongara processing facilities) and Triangle Energy (Arrowsmith stabilisation plant and Cliff Head offshore platform).

Upstream PS continued to provide operations and maintenance services to the Northern Endeavour Floating Production, Storage and Offloading (FPSO) vessel located offshore in the Timor Sea. The FPSO is owned by Northern Oil & Gas Australia (NOGA) and Upstream PS is the operator of this vessel. On 10 July 2019, The National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) issued a prohibition notice in relation to the FPSO requiring the FPSO halt all production and cease all operations immediately due to structural corrosion concerns. NOGA and Upstream PS are working together to resolve the issues identified in order to recommence production on the FPSO as soon as possible, subject to NOPSEMA approval.

Work also continued under the three year maintenance services contract awarded in 2017 with Eni Australia for the provision of maintenance services on the Blacktip gas field production facilities in the Timor Sea. Upstream PS' scope of services under this contract includes the administration and execution of maintenance activities, logistics, procurement, engineering and operations support in relation to the unmanned Blacktip wellhead platform and associated Yelcherr gas plant.

Balance Sheet & Dividend

At 30 June 2019, GR Engineering held available cash at bank of \$31.4 million and debt of \$0.5 million (representing finance leases). The Company paid \$13.8 million in dividends in FY19.

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 2 cps (unfranked). The ex-dividend date for the final dividend will be 10 October 2019 with a Record Date of 11 October 2019. The payment date will be 23 October 2019.

Zero Harm

The GR Engineering group's Total Reportable Injury Frequency Rate (TRIFR) for FY19 was 4.99, comparing favourably to the FY18 result of 8.62. The group pursues continuous improvement in its commitment to safety through its GRESAFE "360 Degree Safety from All Angles" programme, with the primary objective being the achievement of a zero harm workplace environment on all jobs and at all locations.

FY20 Update and Outlook

Work has commenced on the \$46 million contract announced by GR Engineering on 21 January 2019 for the engineering, procurement and construction of the Sandy Ridge infrastructure project owned by Tellus Holdings Limited.

GR Engineering intends to provide FY20 guidance ahead of its 2019 Annual General Meeting, to be held on 28 November 2019 when it is likely to have more certainty in relation to the timing of key projects. In the interim, it notes that FY20 financial performance is likely to be weighted to the second half.

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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 400 professional and support staff throughout Australia and internationally, in addition to a direct construction workforce and subcontracted personnel.