

For personal use only

GR Engineering Services Limited
Half Year Financial Report
For the Half Year Ended 31 December 2023

**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	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
APPENDIX 4D	20

For personal use only

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 2023 (HY24).

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.

Phillip Lockyer (Non-Executive Chairman)
Tony Patrizi (Managing 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 energy sector.

REVIEW OF RESULTS AND OPERATIONS

The HY24 EBITDA of the consolidated entity was \$22.6 million (HY23: \$20.6 million) on revenue of \$187.3 million (HY23: \$331.9 million). Refer to note 10 on page 15 of this report for segment analysis.

The HY24 results were characterised by solid operational performance across the group, with GR Engineering successfully achieving practical completion on several key projects, including the Thunderbird Mineral Sands Project, Bellevue Gold Project and the Cosmos Nickel Concentrator Facility Upgrade. This resulted in a stronger EBITDA performance compared to the prior half year period.

GR Engineering continues to build its contracted and near term prospective pipeline of work across a diverse commodity base and also increase its revenue and earnings visibility for FY24 and future years. GR Engineering maintains its revenue guidance forecast for FY24 of \$500 million to \$530 million.

Mineral Processing Design and Construction

New and ongoing projects

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

- **West Musgrave Project** - GR Engineering has been engaged by BHP Group for the design and construction works for the West Musgrave Mineral Process Plant in Western Australia. Mipac has also been engaged within the GR Engineering scope of work to provide specialist electrical and instrumentation services. The estimated revenue from the delivery of this work is \$312 million over a two year period, noting contracts were awarded during April 2023.
- **Mungari Future Growth Project - Process Plant** - \$155 million EPC Contract with Evolution Mining for the Mungari Future Growth Project in Western Australia. The scope of the work is to expand the existing Mungari process plant to an annual throughput of 4.2 Mtpa, including required changes to process plant buildings and associated infrastructure. This project was awarded in September 2023 and site mobilisation occurred in early 2024.
- **Kainantu Gold Mine - 1.2 Mtpa Process Plant** - US\$81 million EPC Contracts with K92 Mining for a 1.2Mtpa Process Plant at the Kainantu Gold Mine in Papua New Guinea. This project was awarded in December 2023 and work on the project has commenced.
- **Yangibana Rare Earths Project - Beneficiation Plant** - on 4 August 2023, GR Engineering was awarded an EPC Contract with Yangibana Pty Ltd, a wholly owned subsidiary of Hastings Technology Metals (Hastings) for a beneficiation plant and associated infrastructure for the Yangibana Rare Earths Project. The contract sum, including provisional sum, is \$210 million. GR Engineering is continuing with early works up to an agreed capped amount. The EPC Contract is conditional on GR Engineering being issued with a commencement notice, which is dependent on Hastings finalising funding for the project, as well as a number of other pre-conditions standard for an EPC Contract.

In addition to the above ongoing projects, GR Engineering maintains a solid pipeline of near term work opportunities across a broad range of commodities.

For personal use only

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

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 HY24, GR Engineering completed 22 project studies and as at 31 December 2023, GRES was engaged on 24 studies. This level of study activity continues to underpin a solid pipeline of design and construction opportunities into FY24 and beyond.

Process Controls - Mipac

Mipac is a leading provider of control systems, operational technology and engineering services primarily in the mineral processing, energy and water industries. With an established proven track record of success, Mipac provides their clients with solutions that empower and engage workforces by providing automation and digitalisation that enables easy decision making and increased productivity, performance and safety.

During HY24, Mipac continued to deliver control systems, automation and digital solutions for key repeat clients such as First Quantum Minerals, BHP Group, Glencore Technology, Anglo American, Ok Tedi Mining and other large conglomerates. The business continues to operate at a high utilisation.

On 1 February 2024, Mipac entered into an agreement to acquire Paradigm Engineers Pty Ltd (Paradigm), a provider of control systems and electrical engineering, automation and technology services based in Western Australia. This transaction enhances Mipac's control system and design capabilities and expands its existing footprint in Western Australia. Paradigm has significant expertise working across a range of commodities, including iron ore, gold and battery minerals.

The purchase price is \$9 million, with 50% payable in cash and 50% payable in GR Engineering scrip, subject to voluntary escrow. It is anticipated that completion will occur on or around 29 February 2024.

Energy - GR Production Services (formerly known as Upstream Production Solutions)

GR Engineering's operations and maintenance services business, GR Production Services (GRPS), achieved revenue contributions primarily through the provision of operations and maintenance services to the energy sector, including conventional gas, coal seam gas (CSG) to liquefied natural gas (LNG), green hydrogen production and transport, carbon sequestration and the onshore and offshore oil and gas sectors throughout Australia.

In Queensland, GRPS managed and executed maintenance and operations support services on over 3,000 conventional and CSG wells. GRPS continues to support onshore clients with respect to carbon sequestration services and were contracted to commission, operate and maintain an industry leading green hydrogen production facility. GRPS are actively providing commissioning and operational advisory services on several Australian based green hydrogen projects. GRPS continued as the regulated operator for Vintage Energy's Vali assets in the Cooper Basin.

In South Australia (Cooper Basin), GRPS expanded its services and were awarded a three year contract, with a two year extension option, from Santos to provide maintenance and associated services. The estimated revenue for this contract is \$10 million per annum.

In late June 2023, GRPS was awarded a 5 year contract with QPM, with an option for a further 5 years, to provide regulated operations and maintenance services for the Moranbah Gas Plant and associated assets. The estimated revenue for this contract is \$30 million per annum.

In the Northern Territory, GRPS continued to provide maintenance services on the Blacktip gas field production facilities (onshore and offshore). On 14 November 2023, GRPS was awarded a three year contract with two three year extension options with INPEX Operations Australia (INPEX) for the provision of operations and maintenance support services to the Ichthys LNG upstream and downstream facilities. The scope of work involves providing production and technical roles to INPEX as required to supplement their business and support for maintenance shutdown planning and execution on all facilities. The estimated revenue for this contract is \$10 million per annum.

In Western Australia, GRPS remains a leading provider of operations and maintenance services to clients in the Perth Basin. GRPS is providing services at Chevron's Gorgon Project and continues to provide operations support services for Santos projects in the region.

For personal use only

GR ENGINEERING SERVICES LIMITED HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

Safety

GR Engineering is founded on a strong belief in its core values. These values drive GR Engineering to constantly improve its working environment. GR Engineering's commitment to health and safety for all its personnel at all times is managed to ensure a safe working environment and to ensure that no one is allowed to work in an unsafe manner. GR Engineering is committed to the target of zero injuries and operates using accredited OH&S, Integrated Management and Quality Management Systems.

GR Engineering applies risk and hazard identification methodologies in developing safety and health management plans that are tailored to each project and its client's requirements. GR Engineering encourages its employees and subcontractors to report all incidents, accidents and near miss occurrences within its workplaces and all reported incidents are investigated.

The GR Engineering group's Total Reportable Injury Frequency Rate (TRIFR) for HY24 was 2.62.

DIVIDENDS

During the half year period, a final dividend for financial year ended 30 June 2023 was paid. This was a fully franked dividend of 10.0 cents per share, paid on 22 September 2023.

A fully franked dividend of 9.0 cents per share has been declared for the 6 months ended 31 December 2023 (31 December 2022: 9.0 cents per share fully franked). The ex-dividend date for the interim dividend is 4 March 2024, the record date for determining entitlements to the interim dividend is 5 March 2024 and the payment date for the interim dividend is 25 March 2024.

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 2024, Mipac entered into an agreement to acquire Paradigm, a provider of control systems and electrical engineering, automation and technology services based in Western Australia. This transaction enhances Mipac's control system and design capabilities and expands its existing footprint in Western Australia. Paradigm has significant expertise working across a range of commodities, including iron ore, gold and battery minerals.

The purchase price is \$9 million, with 50% payable in cash and 50% payable in GR Engineering scrip, subject to voluntary escrow. It is anticipated that completion will occur on or around 29 February 2024.

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

On behalf of the Directors



Tony Patrizi
Managing Director
Date: 22 February 2024

For personal use only

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

AUDITOR'S INDEPENDENCE DECLARATION



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

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

22 February 2024

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 2023, 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

Pieter 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 2023

	<i>Notes</i>	<i>Half-Year Ended</i>	<i>Half-Year Ended</i>
		<i>31 December</i>	<i>31 December</i>
		<i>2023</i>	<i>2022</i>
		\$	\$
Revenue	3(a)	187,273,118	331,907,921
Cost of sales		139,695,853	295,889,166
Gross profit		47,577,265	36,018,755
Other income	3(b)	2,048,042	4,377,407
Finance costs	3(c)	257,929	191,185
Occupancy expenses		200,536	347,093
Administrative expenses		23,496,930	18,977,376
Expected credit loss expense (reversal of expected credit loss)		1,888,407	(209,056)
Depreciation and amortisation	3(d)	3,112,714	3,003,417
Profit (loss) before income tax		20,668,791	18,086,148
Income tax expense		6,371,530	5,111,301
Net profit (loss) for the period		14,297,261	12,974,847
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss :</u>			
Fair value gain (loss) on equity investments designated at fair value through other comprehensive income		(15,704)	(607,904)
Exchange differences on translating foreign operations		(84,705)	162,677
Total other comprehensive (loss)/income, net of income tax		(100,409)	(445,226)
Total comprehensive income for the period		14,196,852	12,529,621
Profit attributable to owners of the parent		14,297,261	12,974,847
Total comprehensive income attributable to owners of the parent		14,196,852	12,529,621
Earnings per Share:		<i>Cents per share</i>	<i>Cents per share</i>
Basic (cents per share)		8.74	8.03
Diluted (cents per share)		8.50	7.80

For personal use only

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Notes</i>	<i>31 December 2023</i>	<i>30 June 2023</i>
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	4	58,352,189	86,022,143
Trade and other receivables	5	62,491,016	53,737,400
Inventories		57,068	46,489
Other		4,639,686	3,793,346
Total Current Assets		125,539,959	143,599,378
Non-Current Assets			
Deferred tax asset		4,323,583	866,175
Property, plant and equipment		12,934,774	12,589,017
Trade and other receivables		7,297,386	8,020,983
Financial assets	11	1,271,145	2,288,157
Intangible assets		21,697,627	22,385,829
Total Non-Current Assets		47,524,515	46,150,161
TOTAL ASSETS		173,064,474	189,749,539
LIABILITIES			
Current Liabilities			
Trade and other payables		42,175,416	51,524,684
Borrowings		5,002,463	2,262,651
Income tax		6,048,667	1,263,782
Provisions		22,144,227	17,258,488
Contract liabilities	6	33,023,209	50,705,357
Total Current Liabilities		108,393,982	123,014,962
Non-Current Liabilities			
Borrowings		5,166,240	4,969,861
Provisions		1,250,273	2,032,825
Total Non-Current Liabilities		6,416,513	7,002,686
TOTAL LIABILITIES		114,810,495	130,017,648
NET ASSETS		58,253,979	59,731,891
EQUITY			
Issued capital	7	42,479,443	40,025,411
Reserves		822,789	2,698,975
Retained earnings		14,951,746	17,007,505
TOTAL EQUITY		58,253,979	59,731,891

For personal use only

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
		\$	\$
Cash flows from operating activities			
Receipts from customers		171,432,083	353,933,452
Payments to suppliers and employees		(177,054,766)	(355,153,730)
Income tax paid		(4,555,067)	(8,064,519)
Interest received		1,412,156	673,727
Net cash flows provided by / (used in) operating activities		(8,765,594)	(8,611,070)
Cash flows from investing activities			
Purchase of property, plant and equipment		(988,362)	(2,181,966)
Proceeds from sale of property, plant and equipment		-	13,491
Payments for acquisition of financial assets		-	(1,500,000)
Proceeds from sale of financial assets		449,141	10,657,982
Net cash flows provided by investing activities		(539,221)	6,989,507
Cash flows from financing activities			
Payment of lease liabilities		(1,446,653)	(999,505)
Dividends paid		(16,495,525)	(16,156,725)
Repayment of borrowings		(245,661)	(185,949)
Net cash flows used in financing activities		(18,187,839)	(17,342,179)
Net increase / (decrease) in cash and cash equivalents		(27,492,654)	(18,963,742)
Cash and cash equivalents at beginning of period		86,022,143	101,994,568
Effects of exchange rate changes of balances of cash held in foreign currencies		(177,300)	375,248
Cash and cash equivalents at end of period	4	58,352,189	83,406,074

For personal use only

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Issued capital	Performance Rights Reserve	Share Appreciation Rights Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at 30 June 2022	39,890,962	1,620,503	150,046	(386,552)	671,612	20,214,053	62,160,624
Profit for the period	-	-	-	-	-	12,974,847	12,974,847
Other Comprehensive income for the period	-	-	-	162,677	(607,904)	-	(445,226)
Total Comprehensive income for the period	-	-	-	162,677	(607,904)	12,974,847	12,529,621
Dividends paid	-	-	-	-	-	(16,156,725)	(16,156,725)
Issue of shares	134,449	(33,500)	(100,949)	-	-	-	-
Share based payments	-	517,389	(49,097)	-	-	-	468,292
Balance as at 31 December 2022	40,025,411	2,104,392	-	(223,875)	63,708	17,032,175	59,001,812
Balance as at 30 June 2023	40,025,411	3,460,206	-	(76,071)	(685,160)	17,007,505	59,731,891
Profit for the period	-	-	-	-	-	14,297,261	14,297,261
Other Comprehensive income for the period	-	-	-	(84,705)	(15,704)	-	(100,409)
Total Comprehensive income for the period	-	-	-	(84,705)	(15,704)	14,297,261	14,196,852
Dividends paid	-	-	-	-	-	(16,495,525)	(16,495,525)
Issue of shares	2,454,032	(2,454,032)	-	-	-	-	-
Share based payments	-	820,761	-	-	-	-	820,761
Realised gain on Investments in equities transferred to retained earnings	-	-	-	-	(142,505)	142,505	-
Balance as at 31 December 2023	42,479,443	1,826,935	-	(160,776)	(843,369)	14,951,746	58,253,979

For personal use only

GR ENGINEERING SERVICES LIMITED

HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

1 CORPORATE INFORMATION

The financial report of GR Engineering Services Limited and its subsidiaries for the half year ended 31 December 2023 was authorised for issue in accordance with a resolution of the directors on 14 February 2024.

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 2023, 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 2023, except for new standards, amendments to standards and interpretations which became effective on 1 July 2023 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 2023, which include:

- AASB 17 *Insurance Contracts*
- AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*
- AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform*

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 2023. 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 2023

3	REVENUES AND EXPENSES	31 December 2023 \$	31 December 2022 \$
(a)	Disaggregation of revenue & time of revenue recognition		
	Rendering of services		
	Rendering of services - mineral processing - over time	156,064,340	288,750,748
	Rendering of services - oil & gas - over time	31,208,778	43,157,173
		<u>187,273,118</u>	<u>331,907,921</u>
(b)	Other income		
	Interest revenue	1,412,156	673,727
	Government rebates and subsidies	772	864
	Profit on sale of fixed assets	-	13,491
	Gain on equity instruments designated as at fair value through profit and loss	-	3,216,925
	Net foreign exchange gain/(loss)	(49,674)	252,716
	Sundry revenue	684,788	219,683
		<u>2,048,042</u>	<u>4,377,407</u>
(c)	Finance costs		
	Interest charges	<u>257,929</u>	<u>191,185</u>
(d)	Depreciation and amortisation		
	Depreciation of fixed assets	1,451,512	1,299,514
	Depreciation of right of use assets	1,079,584	1,137,552
	Amortisation of intangible assets	581,618	566,351
		<u>3,112,714</u>	<u>3,003,417</u>
	Employee benefits expense		
	Wages and salaries	72,782,962	74,880,330
	Workers' compensation costs	2,452,814	1,019,678
	Superannuation costs	6,484,568	6,169,902
	Share based payments	820,761	468,292
		<u>82,541,105</u>	<u>82,538,202</u>

For personal use only

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

4 CASH AND CASH EQUIVALENTS

	<i>31 December</i> 2023	<i>30 June</i> 2023
	\$	\$
Cash at bank and in hand	58,352,189	86,022,143
Short term deposits	-	-
	<u>58,352,189</u>	<u>86,022,143</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 2023:

	<i>31 December</i> 2023	<i>30 June</i> 2023
	\$	\$
Cash at bank and in hand	58,352,189	86,022,143
	<u>58,352,189</u>	<u>86,022,143</u>

5 TRADE AND OTHER RECEIVABLES

	<i>31 December</i> 2023	<i>30 June</i> 2023
	\$	\$
Trade receivables - current	45,316,717	41,503,381
Contract assets - oil and maintenance contracts	7,830,977	5,144,277
Contract assets - mineral processing contracts	5,544,775	4,135,509
	<u>13,375,752</u>	<u>9,279,786</u>

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

Term deposits held for security	921,498	940,750
Loan receivable - current	1,343,590	543,640
Loan receivable - non current	7,297,386	8,020,983
Other receivables	1,533,459	1,469,843
	<u>69,788,402</u>	<u>61,758,383</u>

6 CONTRACT LIABILITIES

	<i>31 December</i> 2023	<i>30 June</i> 2023
	\$	\$
Contract liabilities - current liabilities	33,023,209	50,705,357
	<u>33,023,209</u>	<u>50,705,357</u>

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

For personal use only

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

7 ISSUED CAPITAL

	<i>31 December 2023</i>	<i>30 June 2023</i>
	<i>No of shares</i>	<i>No of shares</i>
<i>Ordinary Shares</i> Issued and fully paid	<u>164,955,252</u>	<u>161,567,252</u>
<i>Issue of ordinary shares</i>	<i>No of shares</i>	<i>\$</i>
At 30 June 2023	161,567,252	40,025,411
Issue of shares from exercise of performance rights	3,388,000	2,454,032
At 31 December 2023	<u>164,955,252</u>	<u>42,479,443</u>

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

8 CONTINGENCIES

	<i>31 December 2023</i>	<i>30 June 2023</i>
	<i>\$</i>	<i>\$</i>
Bank guarantees Bank guarantees issued	<u>49,751,670</u>	<u>56,884,776</u>

The consolidated entity's standby multi-option facility with National Australia Bank has a limit of \$60,000,000. 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 2023 is \$48,597,712 (30 June 2023: \$56,165,152).

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 \$507,838 (30 June 2023: \$719,624). The amount of bank guarantees issued under this facility at 31 December 2023 is \$507,838 (30 June 2023: \$719,624).

The consolidated entity has a bank guarantee facility with HSBC to provide guarantees to support project performance in favour of certain clients. The amount of these bank guarantees at 31 December 2023 is USD \$440,544 (AUD \$646,120) (30 June 2023: \$665,756).

The consolidated entity has a \$45 million insurance bond facility with Berkshire Hathaway Specialist Insurance Company and an additional \$30 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 2023 is \$12,618,994 (30 June 2023: \$23,186,999). The amount of insurance bonds issued under the Allianz Australia Insurance Limited facility at 31 December 2023 is \$25,542,108 (30 June 2023: \$8,207,853).

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 2023</i>		<i>31 December 2022</i>	
	<i>Cents per share</i>	<i>\$</i>	<i>Cents per share</i>	<i>\$</i>
<i>Fully paid ordinary shares</i> Dividend	10.00	16,495,525	10.00	16,156,725

A fully franked dividend of 9.0 cents per share has been declared for the six months ended 31 December 2023. The ex dividend date for the interim dividend is 4 March 2024, the record date for determining entitlements to the interim dividend is 5 March 2024 and the payment date for the interim dividend is 25 March 2024.

For personal use only

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

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>2023</i>	<i>31 December</i> <i>2022</i>
	\$	\$
Mineral processing	156,064,340	288,750,748
Oil and gas	31,208,778	43,157,173
Total revenue	<u>187,273,118</u>	<u>331,907,921</u>

Segment profit before tax

	<i>31 December</i> <i>2023</i>	<i>31 December</i> <i>2022</i>
	\$	\$
Mineral processing	18,966,293	16,558,313
Oil and gas	1,702,498	1,527,835
Total profit before tax	<u>20,668,791</u>	<u>18,086,148</u>

Segment assets

	<i>31 December</i> <i>2023</i>	<i>30 June</i> <i>2023</i>
	\$	\$
Mineral processing	148,049,356	167,285,612
Oil and gas	23,743,973	20,175,770
Corporate - financial assets	1,271,145	2,288,157
Total assets	<u>173,064,474</u>	<u>189,749,539</u>

11 FINANCIAL ASSETS

Financial assets held at fair value through other comprehensive income

	<i>31 December</i> <i>2023</i>	<i>30 June</i> <i>2023</i>
	\$	\$
Shares in listed entities	<u>1,271,145</u>	<u>2,288,157</u>

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

For personal use only

GR ENGINEERING SERVICES LIMITED
HALF-YEAR FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

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 2023		30 June 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Assets				
Cash at bank	58,352,189	58,352,189	86,022,143	86,022,143
Trade receivables	69,788,402	69,788,402	61,758,383	61,758,383
Equity instruments	1,271,145	1,271,145	2,288,157	2,288,157
	<u>129,411,736</u>	<u>129,411,736</u>	<u>150,068,683</u>	<u>150,068,683</u>
Liabilities				
Trade payables	42,175,416	42,175,416	51,524,684	51,524,684
Lease liabilities	10,168,703	10,168,703	7,232,512	7,232,512
	<u>52,344,119</u>	<u>52,344,119</u>	<u>58,757,196</u>	<u>58,757,196</u>

The consolidated entity holds equity securities of \$1,271,145 (30 June 2023: \$2,288,157) 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.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the consolidated entity have elected to designate these investments in equity instruments as at fair value through other comprehensive income as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the consolidated entity's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

13 KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report dated 30 June 2023.

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 2023. The ex dividend date for the interim dividend is 4 March 2024, the record date for determining entitlements to the interim dividend is 5 March 2024 and the payment date for the interim dividend is 25 March 2024.

On 1 February 2024, Mipac entered into an agreement to acquire Paradigm, a provider of control systems and electrical engineering, automation and technology services based in Western Australia. This transaction enhances Mipac's control system and design capabilities and expands its existing footprint in Western Australia. Paradigm has significant expertise working across a range of commodities, including iron ore, gold and battery minerals.

The purchase price is \$9 million, with 50% payable in cash and 50% payable in GR Engineering scrip, subject to voluntary escrow. It is anticipated that completion will occur on or around 29 February 2024.

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.

For personal use only

**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



Name: Tony Patrizi
Managing Director
Date: 22 February 2024

For personal use only

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

Report on the Half-Year Financial Report

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 2023, 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 to the half-year financial report, and other explanatory information, and the directors' declaration as set out on pages 7.

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

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of 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*.

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 auditor independence requirements of the *Corporations Act 2001* and 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.

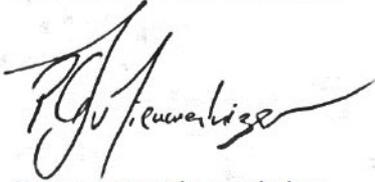
Auditor's Responsibilities for the Review of the Half-year Financial Report

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 2023 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

DELOITTE TOUCHE TOHMATSU



PG Janse Van Nieuwenhuizen
Partner
Chartered Accountants
Perth, 22 February 2024

For personal use only

Appendix 4D

Preliminary Half Year Report to the Australian Securities Exchange

GR Engineering Services Limited

ABN 12 121 542 738

For the Half Year Ended 31 December 2023
(corresponding period half year ended 31 December 2022)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	<i>Half year ended 31 Dec 2023</i>	<i>Percentage increase / (decrease) from 31 Dec 2022</i>
	<i>\$'000</i>	<i>2022</i>
Revenue from ordinary activities	187,273	(43.58%)
Profit from ordinary activities after tax attributable to members	14,297	10.19%
Net profit for the period attributable to members	14,297	10.19%

DIVIDENDS

	<i>Half year ended 31 Dec 2023 (cents per share)</i>	<i>Half year ended 31 Dec 2022 (cents per share)</i>
Final dividend	10.00 (fully franked)	10.00 (fully franked)

Subsequent to reporting date, a fully franked interim dividend was resolved to be paid of 9.0 cents per share, with an ex-dividend date of 4 March 2024 and a record date for determining entitlements to the interim dividend of 5 March 2024. The payment date of the interim dividend is 25 March 2024.

NET TANGIBLE ASSET BACKING

	<i>Half year ended 31 Dec 2023 (cents per share)</i>	<i>Half year ended 31 Dec 2022 (cents per share)</i>
Net tangible asset backing per ordinary share	19.54	22.23

The Half Year Financial Report dated 22 February 2024 forms part of and should be read in conjunction with this Preliminary Half Year Report (Appendix 4D).

This report is based on accounts which have been reviewed. The review report is included in the Half Year Financial Report.

For personal use only