



GR ENGINEERING SERVICES
ENGINEERING CONSULTANTS AND CONTRACTORS

ASX RELEASE

1 October 2019

For immediate release to the market

**UPSTREAM PRODUCTION SOLUTIONS' CONTRACT WITH
TIMOR SEA OIL & GAS AUSTRALIA PTY LTD (ADMINISTRATORS APPOINTED)**

GR Engineering Services Limited (ASX: GNG) (GR Engineering) refers to its request for a voluntary suspension from ASX associated with the status of the operations and maintenance services agreement (O&M Agreement) between its wholly owned subsidiary, Upstream Production Solutions Pty Ltd (Upstream PS) and Timor Sea Oil & Gas Australia Pty Limited (Administrators Appointed) (TOGA). TOGA entered into voluntary administration on 20 September 2019.

Upstream PS has had, and continues to have, extensive discussions with the Administrators of TOGA, TOGA's senior secured lender (Castleton Commodities International) and the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) in respect of the future business operations of TOGA and Upstream PS' status as the Safety Case holder and registered operator of the Northern Endeavour production facilities.

As at the date of this announcement, production from the Northern Endeavour facility has been prohibited by NOPSEMA, with reinstatement of production only possible once remediation works on the facility have been undertaken and the NOPSEMA prohibition notice has been lifted.

Upstream PS still provides services to TOGA under the O&M Agreement and is the registered safety case holder for the Northern Endeavour FPSO. Upstream PS is working with the Administrators with an understanding that the Administrators will fund Upstream PS's costs from 20 September 2019 subject to receiving funding from the senior secured lender.

GR Engineering's assessment of the group's exposure to the TOGA contract is circa \$17.4 million representing receivables and work in progress (\$15.9 million) and the finalisation of commitments to vendors and suppliers (\$1.5 million). Upstream PS holds security over the title of TOGA's two production licences, ranking pari passu with TOGA's senior secured lender for an amount of up to \$14.5 million. In light of the above, there may be an adverse impact on the profitability of GR Engineering in the half year results to 31 December 2019.

GR Engineering will inform the market of any material developments in respect of the O&M Agreement.

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