



GR ENGINEERING SERVICES
ENGINEERING CONSULTANTS AND CONTRACTORS

ASX RELEASE

25 August 2020

For immediate release to the market

FY20 FINANCIAL RESULTS

▪ Revenue:	\$222.4 million	▪ Underlying EBITDA¹:	\$11.3 million
▪ PBT:	(\$9.7) million	▪ EPS:	(4.7) cps
▪ Cash:	\$37.5 million	▪ Final dividend:	4.0 cps (unfranked)

GR Engineering Services Limited (ASX:GNG) (GR Engineering or Company) today announces its financial results for the financial year ended 30 June 2020 (FY20).

Overview

GR Engineering reported FY20 sales revenue of \$222.4 million, underlying EBITDA of \$11.3 million¹ and a loss before tax of \$9.7 million. As at 30 June 2020, the Company held cash of \$37.5 million.

The 22.0% growth in revenue from the prior year and the solid underlying EBITDA contribution was achieved as a result of a strong second half result by the consolidated group. The Company has continued to secure future work in FY21 and beyond, with \$170 million in work being awarded from 1 June 2020.

Commenting on the Company's FY20 financial performance, GR Engineering's Managing Director, Mr Geoff Jones, said:

"It is satisfying to note that despite the difficult trading conditions impacting the mining and oil and gas sectors, GR Engineering was able to achieve a strong second half result, build its future pipeline of work with Tier 1 clients and continue to deliver returns to its shareholders. COVID-19 has had no material impact on the FY20 results."

As previously reported at 31 December 2019, the FY20 financial results were negatively impacted by the impairment of an outstanding receivable owed by Timor Sea Oil & Gas Pty Ltd (liquidators appointed) (TOGA) to the Company's wholly owned subsidiary, Upstream Production Solutions Pty Ltd (Upstream PS). The amount written off was \$17.6 million.

It was pleasing that, despite the TOGA debtor write-off, cash at bank increased significantly to \$37.5 million at 30 June 2020 from \$20.7 million at 31 December 2019. This strong cash position means that GR Engineering is well capitalised to deliver its FY21 pipeline of work.

The Company's Total Reportable Injury Frequency Rate for FY20 was 3.77 comparing favourably to the FY19 result of 4.99. 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.

The Company's strong order book into FY21 and anticipated strong cash flow generation leaves it well placed to continue to deliver returns to its shareholders."

A final dividend of 4.0 cps (unfranked) has been declared, resulting in total FY20 dividends of 6.0 cps.

¹ Underlying EBITDA excludes one-off bad debt expenses of \$17.6 million primarily associated with the TOGA debtor write-off, \$0.3 million relating to miscellaneous inventory and debtor write-offs and \$0.1 million relating to Hanlon acquisition costs

For personal use only



Key Earnings and Balance Sheet Data – Consolidated Group

Revenue & Earnings		FY20	FY19
Revenue from operations	\$m	222.4	182.3
EBITDA	\$m	(underlying) 11.3 ¹	9.9
PBT	\$m	(9.7)	8.8
Tax	\$m	(2.5)	2.3
NPAT	\$m	(7.2)	6.5
Basic EPS	cps	(4.7)	4.3
Balance Sheet & Cashflow		FY20	FY19
Cash	\$m	37.5	31.4
Total equity	\$m	34.7	46.4
Net operating cashflow	\$m	11.2	24.7

Please refer to GR Engineering's FY20 Audited Financial Report for further information on the Company's operational and financial performance.

Mineral Processing

GR Engineering's design and construction order book for works currently undertaken and which will continue into FY21 include:

- **Lake Way Project - \$107.0 million EPC and EPCM Contracts** - GR Engineering has been engaged by Salt Lake Potash Limited to provide services for non-process engineering design and the management of procurement, construction and commissioning of the Lake Way Project processing facility and associated infrastructure. GR Engineering has separately been engaged to undertake the civil, structural, mechanical, electrical and piping construction works for those project areas. Based on Salt Lake Potash Limited's anticipated project timing, the majority of this revenue will be realised in FY21.
- **Deflector Flotation Tails Leach Project - \$23.0 million EPC Award** from Silver Lake (Deflector) Pty Ltd, a wholly owned subsidiary of Silver Lake Resources Limited, for upgrade works involving the flotation tailings leach process at the Deflector gold copper operations. The project is located in the southern Murchison region of Western Australia, 450 km north of Perth and 160 km east of Geraldton. Work commenced in June 2020 and is expected to complete in the second quarter of calendar year 2021.
- **Thunderbox Paste Plant Project - \$22.0 million EPC Contract** with Saracen Mineral Holdings Limited which will involve the design, supply, installation and commissioning of a new paste backfill plant at its Thunderbox Operations. Work commenced in June 2020 and is expected to complete in the second quarter of calendar year 2021.
- **Carosue Dam Operations Plant Expansion Project - \$32.6 million EPC Contract** with Saracen Gold Mines Pty Ltd, a subsidiary of Saracen Minerals Holdings Limited, for the engineering design, procurement and construction of expansion works on the mineral processing plant at the Carosue Dam gold operations, situated approximately 120 km north-east of Kalgoorlie in Western Australia. GR Engineering was also recently awarded a variation under the existing contract to install a paste pump at the Karari Paste Plant to distribute paste to the Whirlish Dervish underground mine.

¹ Underlying EBITDA excludes one-off bad debt expenses of \$17.6 million primarily associated with the TOGA debtor write-off, \$0.3 million relating to miscellaneous inventory and debtor write-offs and \$0.1 million relating to Hanlon acquisition costs



- **Davyhurst Restart Project - \$10.8 million EPC Contract** with Ora Banda Mining Limited associated with the restart of the existing Davyhurst gold processing plant located in Western Australia. The scope of works include the refurbishment, optimisation and recommissioning of the existing 1.2 Mtpa Davyhurst gold process plant, borefields and associated infrastructure. Work is expected to be completed in early calendar year 2021.
- **Sandy Ridge Waste Storage Project - \$46.0 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 associated kaolin mining operation located approximately 75 km north-east of Koolyanobbing, Western Australia. The project is scheduled for completion in the first quarter of FY21.
- **San Dimas Silver Mine Project - US\$4.5 million EPCM Services Agreement** with First Majestic Silver Corp. to supply engineering, procurement and construction management services to its San Dimas Silver Mine in Durango, Mexico. GR Engineering Services Americas, Inc., supported by its wholly owned subsidiary, Hanlon Engineering & Associates Inc., has been engaged to provide EPCM services and commissioning of a new HIG mill circuit and a new autogenous mill to replace the existing crushing and ball mill circuits. Work commenced in January 2020 with progressive completion and handover to the end of 2021.
- **Renison Tin Operations - Sampling System Replacement Project - \$8.7 million EPC Contract** with Bluestone Mines Joint Venture Limited to provide a fully integrated 24 stream on line sampling system including process stability improvements and installation of a new primary gravity spiral circuit. Renison Tin Operations are located 15 km north-east of Zeehan on the west coast of Tasmania. Practical completion will be achieved in the first quarter of FY21.
- **Wassa Underground Paste Backfill Project - \$13.2 million EP Contract** with Golden Star Resources Limited to undertake the design and supply of all the equipment and materials necessary to contract and commission the paste plant in Ghana. Practical completion will be achieved in the fourth quarter of calendar year 2020.

GR Engineering's pipeline of work opportunities include:

- **Abra Base Metals Project - \$74.0 million project award** by Galena Mining Limited's (Galena) subsidiary, Abra Mining Pty Ltd (Abra Mining), 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. On 29 July 2020, Galena announced that Abra Mining had secured US\$110 million in project financing from Taurus Funds Management, subject to certain conditions precedent.
- **Woodlark Gold Project - \$92.4 million letter of intent** with Geopacific Resources Limited for the proposed construction of a 2.4 Mtpa gold process plant in Papua New Guinea.
- **WA Battery Graphite Manufacturing Facility - letter of intent** with EcoGraf (Australia) Limited for an engineering, procurement and construction contract for the development of a 20,000 tpa battery graphite facility in Western Australia.
- **Thunderbird Mineral Sands Project** - Sheffield Resources Limited (Sheffield) is progressing a bankable feasibility study update and will aim to finalise the project flowsheet and update capital and operating cost estimates. GR Engineering continue to assist Sheffield with this process. Post completion of the bankable feasibility update, Sheffield will look to finalise financing and commence project construction.



During FY20, GR Engineering successfully completed the Carapateena Northern Wellfield Water Supply Project for OZ Minerals Carapateena Pty Ltd and the Fosterville Paste Plant Project for Kirkland Lake Gold Limited.

At 30 June 2020, GRES Engineering was engaged on 26 studies across a broad range of commodities for projects both in Australia and abroad. Eleven of these studies related to prospective gold projects.

Oil & Gas

GR Engineering's oil and gas services business, Upstream PS, achieved sustained revenue contributions primarily through a combination of operations, maintenance and brownfield projects servicing the coal seam gas (CSG), liquefied natural gas (LNG) and onshore and offshore oil and gas sectors throughout Australia.

In Queensland, Upstream PS expanded its presence in the Surat and Bowen Basins opening services facilities in Chinchilla to support local jobs, growth and industry. During FY20, Upstream PS managed and executed maintenance and operations support services on over 5,000 CSG wells, 15 gas production trains, gas compression stations and gas transmission (pipeline) facilities.

In Victoria, Upstream PS continued to grow and deliver services to the carbon sequestration and domestic gas production industries, providing commissioning, operations and maintenance support services and pipeline and surface facility construction.

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 LNG sector.

In the Northern Territory, Upstream PS executed a two year extension with Eni Australia Pty Limited for the provision of maintenance services on the Blacktip gas field production facilities (onshore and offshore). During the year, Upstream PS also opened the 'Darwin Hub' which is a maintenance services and supply base facility.

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. On 10 July 2019, the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) issued a prohibition notice in relation to the FPSO requiring all operations to cease due to structural corrosion concerns. On 20 September 2019, TOGA was placed into voluntary administration. During the voluntary administration period, Upstream PS continued to work with the Administrator with the vessel in a non-producing state. At a meeting of creditors on 7 February 2020, creditors resolved to wind up TOGA and its subsidiaries and the company was placed into liquidation.

On 17 February 2020, Upstream PS signed a new agreement with the Australian Government to continue to ensure that the vessel and associated subsea infrastructure is maintained in a safe condition until a longer term solution is determined. On 15 May 2020, an initial contract was entered into with the Australian Government to maintain the Northern Endeavour in a non-producing state until 31 October 2020, with options to extend the term of the contract.

Balance Sheet & Dividend

At 30 June 2020, GR Engineering held cash at bank of \$37.5 million (30 June 2019: \$31.4 million). In addition, GR Engineering's shareholding in Ora Banda Mining Limited is valued at \$5.3 million, based on OBM's share price at 19 August 2020. The Company paid \$6.1 million in dividends in FY20.

The Board has resolved to declare a final dividend of 4 cps (unfranked). The ex-dividend date for the final dividend will be 8 October 2020 with a Record Date of 9 October 2020. The payment date will be 21 October 2020.



Zero Harm

The GR Engineering group's Total Reportable Injury Frequency Rate (TRIFR) for FY20 was 3.77, comparing favourably to the FY19 result of 4.99. 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

Since 1 June 2020, GR Engineering has increased its order book by \$170 million. As the consolidated entity moves into FY21, GR Engineering has a strong order book dominated by Australian projects.

The consolidated entity expects revenue for FY21 to be in the range of \$280 million to \$300 million, with improved EBITDA margins.

For further information please contact:

Geoff Jones

Managing Director

☎ +61 8 6272 6000

✉ geoff.jones@gres.com.au

Omesh Motiwalla

CFO & Company Secretary

☎ +61 8 6272 6000

✉ omesh.motiwalla@gres.com.au



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 oil and gas industry.

For personal use only