GR Engineering Services Limited

Half Year Financial Report

For the Half Year Ended 31 December 2022

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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 2022 (HY23).

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)
Geoffrey Jones (Executive Director) (resigned 27 January 2023)
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 oil and gas sector.

REVIEW OF RESULTS AND OPERATIONS
The EBITDA of the consolidated entity was $20.6 million (HY22: $24.3 million) on revenue of $331.9 million (HY22: $302.3 million).

During HY23, GR Engineering successfully achieved practical completion on several key projects, including the Thunderbox 6 Mtpa Expansion Project, Abra Base Metals Project and the Norseman Gold Project. In addition, GR Engineering continues to safely execute its ongoing contracted pipeline of work.

The HY23 EBITDA results were impacted by the following factors:

- GR Engineering did not achieve its forecast profitability targets on its Tasmanian projects due to higher labour costs, high turnover of site based personnel and the higher inflationary environment. These projects are now substantially complete.
- Upstream Production Solutions Pty Ltd's (Upstream PS) Northern Endeavour FPSO project was completed on 30 September 2022. In addition, during HY23, Upstream PS recognised one-off restructuring costs of $0.8 million.

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 FY23 and future years. GR Engineering maintains its revenue guidance forecast of $500 million to $530 million. The EBITDA margin % is expected to return to historical levels in the second half of FY23.

<u>Mineral Processing Design and Construction</u>

New and ongoing projects

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

- **Thunderbird Mineral Sands Project** - $179.5 million EPC Contract with Kimberley Mineral Sands Pty Ltd (KMS) in relation to the engineering, procurement and construction of the mineral processing plant and associated facilities for the Thunderbird Mineral Sands Project. In March 2022, GR Engineering commenced limited work under the contract ahead of a final investment decision being made by KMS. In October 2022, KMS finalised its funding and issued GR Engineering with a Full Notice to Proceed.

- **West Musgrave Project** - GR Engineering is assisting OZ Minerals Limited (OZ Minerals) with engineering and design works for the West Musgrave Project located in Western Australia, as well as supporting long lead procurement activities. Contract discussions are ongoing.

DIRECTORS' REPORT

- **Bellevue Gold Project** - $87.8 million EPC Contract with Golden Spur Resources Pty Ltd, a wholly owned subsidiary of Bellevue Gold Limited, for the engineering, procurement and construction works in relation to the 1.0 Mtpa gold processing plant and associated infrastructure for the Bellevue Gold Project.

- **Cosmos Nickel Concentrator Facility Upgrade** - $76.0 million EPC Contract with Australian Nickel Investments Pty Ltd, a wholly owned subsidiary of IGO Limited, for the engineering, procurement and construction work in relation to the upgrade of the existing nickel concentrator at the Cosmos Nickel Operations.

- **Mt Ida Gold Project** - $73.0 million EPC Contract with Aurenne Alt Resources Limited in relation to design and construction of the processing plant and associated infrastructure for the Mt Ida Gold Project located in Western Australia.

- **Bluestone Mines Tasmania JV** - multiple projects with a combined value of $31.7 million. GR Engineering was awarded an engineering, procurement and construction contract involving the design, supply, installation and commissioning of a new paste backfill plant and infrastructure at its Renison Tin Operations (Renison). In addition, a contract was also awarded that includes the design, supply and installation of new transformers and HV switchgear for Renison's existing main switchyard.

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

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 HY23, GR Engineering completed 29 project studies and as at 31 December 2022, GRES was engaged on 32 studies. This level of study activity continues to underpin a solid pipeline of design and construction opportunities into FY23 and beyond.

Process Controls - Mipac

Mipac is a leading provider of controls 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 HY23, Mipac continued to deliver controls system, automation and digital solutions for key repeat clients such as First Quantum Minerals, OZ Minerals, Glencore Technology, Anglo American, Ok Tedi Mining and other large conglomerates. Mipac is forecasting a record revenue result for FY23 based on its year to date results and strong pipeline of work. The business continues to operate at a high utilisation.

Oil, Gas, Energy and Water Services - Upstream PS

GR Engineering's operations and maintenance services business, Upstream PS, achieved revenue contributions primarily through the provision of operations and maintenance services to the coal seam gas (CSG), liquefied natural gas, carbon sequestration and onshore and offshore oil and gas sectors throughout Australia.

In Western Australia, Upstream PS remains a leading provider of operations and maintenance services to clients in the Perth Basin. During HY23, Upstream PS continued working with the Australian Government to maintain the Northern Endeavour FPSO in a non-producing state. This project was successfully completed on 30 September 2022. In the Northern Territory, Upstream PS continued to provide maintenance services on the Blacktip gas field production facilities (onshore and offshore).

In Queensland, Upstream PS managed and executed maintenance and operations support services on several thousand CSG wells. Upstream PS has expanded its service offering to Santos in the Surat Basin and Cooper Basin. Upstream PS continues to support onshore clients with respect to carbon sequestration services and were contracted to operate and maintain an industry leading green hydrogen production facility, with commissioning and operations commencing in the first quarter of 2023.

DIRECTORS' REPORT

Safety

The GR Engineering group's Total Reportable Injury Frequency rate for HY23 was 9.36. The company 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. GR Engineering has completed the restructure of its processes and documentation to be aligned with the national harmonisation of the new Work Health and Safety legislation. During this process, the company has also undertaken both information and training sessions for responsible personnel within the business.

DIVIDENDS

During the half year period, a final dividend for financial year ended 30 June 2022 was paid. This was a fully franked dividend of 10.0 cents per share, paid on 20 September 2022.

A fully franked dividend of 9.0 cents per share has been declared for the 6 months ended 31 December 2022 (31 December 2021: 9.0 cents per share fully franked). The ex-dividend date for the interim dividend is 2 March 2023, the record date for determining entitlements to the interim dividend is 3 March 2023 and the payment date for the interim dividend is 23 March 2023.

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

None noted.

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: 21 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

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

21 February 2023

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 2022, 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

DELOITTE TOUCHE TOHMATSU

Pieter Janse van Nieuwenhuizen
Partner
Chartered Accountants

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	*Half-Year Ended 31 December 2022*	*Half-Year Ended 31 December 2021*
		$	*$*
Revenue	3(a)	331,907,921	302,295,975
Cost of sales		295,889,166	259,349,146
Gross profit		**36,018,755**	**42,946,829**
Other income	3(b)	4,377,407	462,153
Finance costs	3(c)	191,185	192,771
Occupancy expenses		347,093	337,928
Administrative expenses		18,977,376	16,285,449
Impairment losses and gains (including reversals of impairment losses) on financial assets		(209,056)	2,414,284
Depreciation and amortisation	3(d)	3,003,417	2,637,972
Profit (loss) before income tax		**18,086,148**	**21,540,577**
Income tax expense		5,111,301	6,805,329
Net profit (loss) for the period		**12,974,847**	**14,735,249**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss :			
Fair value gain (loss) on equity investments designated at fair value through other comprehensive income		(607,904)	81,291
Exchange differences on translating foreign operations		162,677	168,111
Total other comprehensive (loss)/income, net of income tax		(445,226)	249,402
Total comprehensive income for the period		**12,529,621**	**14,984,651**
Profit attributable to owners of the parent		**12,974,847**	**14,735,249**
Total comprehensive income attributable to owners of the parent		**12,529,621**	**14,984,651**
		Cents per share	*Cents per share*
Earnings per Share:			
Basic (cents per share)		8.03	9.56
Diluted (cents per share)		7.80	9.24

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	*31 December 2022*	*30 June 2022*
		$	*$*
ASSETS			
Current Assets			
Cash and cash equivalents	4	83,406,074	101,994,568
Trade and other receivables	5	73,226,169	93,263,261
Inventories		47,640	49,441
Other		5,608,392	2,571,052
Current tax asset		211,292	-
Total Current Assets		**162,499,567**	**197,878,322**
Non-Current Assets			
Deferred tax asset		432,874	1,884,245
Property, plant and equipment		12,460,590	8,359,133
Financial assets	11	1,634,137	742,041
Intangible assets		22,646,946	23,000,657
Total Non-Current Assets		**37,174,547**	**33,986,076**
TOTAL ASSETS		**199,674,113**	**231,864,398**
LIABILITIES			
Current Liabilities			
Trade and other payables		83,201,635	97,505,989
Borrowings		4,825,659	1,576,630
Income tax		-	4,252,240
Provisions		16,087,310	16,713,929
Contract liabilities	6	29,132,558	44,563,914
Total Current Liabilities		**133,247,162**	**164,612,702**
Non-Current Liabilities			
Borrowings		5,638,721	2,682,047
Provisions		1,786,418	2,409,025
Total Non-Current Liabilities		**7,425,139**	**5,091,072**
TOTAL LIABILITIES		**140,672,301**	**169,703,774**
NET ASSETS		**59,001,812**	**62,160,624**
EQUITY			
Issued capital	7	40,025,411	39,890,962
Reserves		1,944,225	2,055,609
Retained earnings		17,032,176	20,214,053
TOTAL EQUITY		**59,001,812**	**62,160,624**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	*31 December 2022*	*31 December 2021*
		$	*$*
Cash flows from operating activities			
Receipts from customers		353,933,452	303,823,764
Payments to suppliers and employees		(355,153,730)	(254,570,335)
Income tax paid		(8,064,519)	(9,611,531)
Interest received		673,727	26,284
Net cash flows provided by / (used in) operating activities		**(8,611,070)**	**39,668,182**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,181,966)	(2,046,621)
Proceeds from sale of property, plant and equipment		13,491	16,771
Payments for acquisition of financial assets		(1,500,000)	-
Proceeds from sale of financial assets		10,657,982	343,573
Net cash outflow on acquisition of business		-	(1,049,495)
Net cash flows provided by investing activities		**6,989,507**	**(2,735,772)**
Cash flows from financing activities			
Payment of lease liabilities		(999,505)	(983,284)
Dividends paid		(16,156,725)	(11,261,871)
Repayment of borrowings		(185,949)	(376,398)
Net cash flows used in financing activities		**(17,342,179)**	**(12,621,553)**
Net increase / (decrease) in cash and cash equivalents		(18,963,742)	24,310,857
Cash and cash equivalents at beginning of period		101,994,568	68,972,970
Effects of exchange rate changes of balances of cash held in foreign currencies		375,248	277,400
Cash and cash equivalents at end of period	4	**83,406,074**	**93,561,227**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Issued capital	Performance Rights Reserve	Share Appreciation Rights Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Retained Earnings	Total
	$	$	$	$	$	$	$
Balance as at 30 June 2021	39,141,677	694,322	177,338	(842,807)	1,297,527	11,171,571	51,639,628
Profit for the period	-	-	-	-	-	14,735,249	14,735,249
Other Comprehensive income for the period	-	-	-	168,111	81,291	-	249,402
Total Comprehensive income for the period	-	-	-	168,111	81,291	14,735,249	14,984,651
Dividends paid	-	-	-	-	-	(11,261,871)	(11,261,871)
Issue of shares	749,285	-	(121,390)	-	-	-	627,895
Share based payments	-	444,128	47,436	-	-	-	491,564
Balance as at 31 December 2021	39,890,962	1,138,450	103,384	(674,696)	1,378,818	14,644,949	56,481,866
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

1 CORPORATE INFORMATION

The financial report of GR Engineering Services Limited and its subsidiaries for the half year ended 31 December 2022 was authorised for issue in accordance with a resolution of the directors on 15 February 2023.

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 2022, 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 2022, except for new standards, amendments to standards and interpretations which became effective on 1 July 2022 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 2022, which include:

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

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 2022. Management are in the process of assessing the impact of the adoption of these Standards and Interpretations on the consolidated entity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

3 REVENUES AND EXPENSES

		31 December 2022 $	31 December 2021 $
(a)	**Disaggregation of revenue & time of revenue recognition**		
	Rendering of services		
	Rendering of services - mineral processing - over time	288,750,748	217,834,707
	Rendering of services - oil & gas - over time	43,157,173	84,461,268
		331,907,921	302,295,975
(b)	**Other income**		
	Interest revenue	673,727	26,284
	Government rebates and subsidies	864	768
	Profit on sale of fixed assets	13,491	17,305
	Gain on equity instruments designated as at fair value through profit and loss	3,216,925	74,634
	Net foreign exchange gain/(loss)	252,716	94,881
	Sundry revenue	219,683	248,282
		4,377,407	462,153
(c)	**Finance costs**		
	Interest charges	191,185	192,771
(d)	**Depreciation and amortisation**		
	Depreciation of fixed assets	1,299,514	1,121,330
	Depreciation of right of use assets	1,137,552	846,055
	Amortisation of intangible assets	566,351	670,588
		3,003,417	2,637,972
	Employee benefits expense		
	Wages and salaries	74,880,330	62,091,930
	Workers' compensation costs	1,019,678	690,087
	Superannuation costs	6,169,902	5,292,802
	Share based payments	468,292	491,563
		82,538,202	68,566,382

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

4 CASH AND CASH EQUIVALENTS

	31 December 2022 $	*30 June 2022 $*
Cash at bank and in hand	83,406,074	101,994,568
Short term deposits	-	-
	83,406,074	101,994,568

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 2022:

	31 December 2022 $	*30 June 2022 $*
Cash at bank and in hand	83,406,074	101,994,568
	83,406,074	101,994,568

5 TRADE AND OTHER RECEIVABLES

	31 December 2022 $	*30 June 2022 $*
Trade receivables	59,708,656	68,434,903
Contract assets - oil and maintenance contracts	3,596,896	12,855,297
Contract assets - mineral processing contracts	8,172,051	8,981,736
	11,768,947	21,837,033

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

Term deposits held for security	281,007	267,200
Other receivables	1,467,559	2,724,125
	73,226,169	93,263,261

6 CONTRACT LIABILITIES

	31 December 2022 $	*30 June 2022 $*
Contract liabilities - current liabilities	29,132,558	44,563,914
	29,132,558	44,563,914

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

7 ISSUED CAPITAL

	31 December 2022 No of shares	*30 June 2022 No of shares*
Ordinary Shares		
Issued and fully paid	161,567,252	161,231,951

Issue of ordinary shares	*No of shares*	*$*
At 30 June 2022	161,231,951	39,890,962
Issue of shares from exercise of share appreciation rights	285,301	100,949
Issue of shares from exercise of performance rights	50,000	33,500
At 31 December 2022	161,567,252	40,025,411

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

8 CONTINGENCIES

	31 December 2022 $	*30 June 2022 $*
Bank guarantees		
Bank guarantees issued	22,568,260	28,987,233

The consolidated entity's standby multi-option bank facility has a limit of $90,000,000. 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 2022 is $21,974,639 (30 June 2022: $28,493,300). 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 $593,621 (30 June 2022: $493,933. The amount of bank guarantees issued under this facility at 31 December 2022 is $593,621 (30 June 2022: $493,933).

The consolidated entity has a $45 million insurance bond facility with Berkshire Hathaway Specialist Insurance Company and an additional $20 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 2022 is $30,599,607 (30 June 2022: $20,040,311). The amount of insurance bonds issued under the Allianz Australia Insurance Limited facility at 31 December 2022 is $8,567,573 (30 June 2022: $4,185,965).

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 :

	31 December 2022		*31 December 2021*	
Fully paid ordinary shares	*Cents per share*	*$*	*Cents per share*	*$*
Dividend	10.00	16,156,725	7.00	11,261,871
	10.00	16,156,725	7.00	11,261,871

A fully franked dividend of 9.0 cents per share has been declared for the six months ended 31 December 2022. The ex dividend date for the interim dividend is 2 March 2023, the record date for determining entitlements to the interim dividend is 3 March 2023 and the payment date for the interim dividend is 23 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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

	31 December 2022 $	*31 December 2021 $*
Mineral processing	288,750,748	217,834,707
Oil and gas	43,157,173	84,461,268
Total revenue	331,907,921	302,295,975

Segment profit before tax

	31 December 2022 $	*31 December 2021 $*
Mineral processing	16,558,313	12,685,238
Oil and gas	1,527,835	8,855,340
Total profit before tax	18,086,148	21,540,577

Segment assets

	31 December 2022 $	*30 June 2022 $*
Mineral processing	177,603,375	191,227,956
Oil and gas	20,436,601	39,894,401
Corporate - financial assets	1,634,137	742,041
Total assets	199,674,113	231,864,398

11 FINANCIAL ASSETS

Financial assets held at fair value through other comprehensive income

	31 December 2022 $	*30 June 2022 $*
Shares in listed entities	1,634,137	742,041

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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 2022		*30 June 2022*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Assets	*$*	*$*	*$*	*$*
Cash at bank	83,406,074	83,406,074	101,994,568	101,994,568
Trade receivables	73,226,169	73,226,169	93,263,261	93,263,261
Equity instruments	1,634,137	1,634,137	742,041	742,041
	158,266,380	158,266,380	195,999,870	195,999,870
Liabilities				
Trade payables	83,201,635	83,201,635	97,505,989	97,505,989
	83,201,635	83,201,635	97,505,989	97,505,989

The consolidated entity holds equity securities of $1,634,137 (30 June 2022: $742,041) 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 2022.

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 2022. The ex dividend date for the interim dividend is 2 March 2023, the record date for determining entitlements to the interim dividend is 3 March 2023 and the payment date for the interim dividend is 23 March 2023.

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.

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: 21 February 2023

Deloitte.

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

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 2022, 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 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 7 to 17.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group 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 2022 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 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 2022 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, 21 February 2023

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 2022

(corresponding period half year ended 31 December 2021)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half year ended 31 Dec 2022 $'000	*Percentage increase / (decrease) from 31 Dec 2021*
Revenue from ordinary activities	331,908	9.80%
Profit from ordinary activities after tax attributable to members	12,975	(11.95%)
Net profit for the period attributable to members	12,975	(11.95%)

DIVIDENDS

	Half year ended 31 Dec 2022 (cents per share)	*Half year ended 31 Dec 2021 (cents per share)*
Final dividend	10.00 (fully franked)	7.00 (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 2 March 2023 and a record date for determining entitlements to the interim dividend of 3 March 2023. The payment date of the interim dividend is 23 March 2023.

NET TANGIBLE ASSET BACKING

	Half year ended 31 Dec 2022 (cents per share)	*Half year ended 31 Dec 2021 (cents per share)*
Net tangible asset backing per ordinary share	22.23	19.77

The Half Year Financial Report dated 21 February 2023 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.