



**GR ENGINEERING SERVICES LIMITED**  
ENGINEERING CONSULTANTS AND CONTRACTORS

ABN 12 121 542 738



**2023 ANNUAL REPORT**





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## CALENDAR

### Final Dividend:

Ex-dividend Date	4 September 2023
Record Date	5 September 2023
Payment Date	22 September 2023
Annual General Meeting	22 November 2023





**PHILLIP LOCKYER**  
Non-Executive Chairman



## CHAIRMAN'S LETTER

### Dear Shareholder,

It is with pleasure that I report to you on GR Engineering Services Limited's (GR Engineering or the Company) performance for the year ended 30 June 2023 (FY23).

In FY23, GR Engineering successfully achieved multiple project completions during the year, and it is pleasing that these projects have further enhanced the Company's reputation for reliability and dependability.

During FY23, GR Engineering achieved revenue of \$551.4 million and EBITDA of \$44.4 million. This represents another strong year, noting that over the last three years, GR Engineering has generated revenue of nearly \$1.6 billion at an EBITDA margin at ~8%. GR Engineering's wholly owned subsidiaries, GR Production Services (previously known as 'Upstream Production Solutions') and Mipac, both provided solid contributions to the results of the Company.

The contracted pipeline has been increased by the award of projects owned by BHP Group, Santos, Queensland Pacific Metals and Hastings Technology. GR Engineering continues to build its pipeline of work for FY24 and future years.

GR Engineering's expertise across a broad range of commodities is also reflected in its study activity. GR Engineering's study work during FY23 has exposure to multiple commodities including gold, nickel, copper, zinc, lead, vanadium, rare earths, lithium and mineral sands, with projects located in Australia and overseas.

GR Engineering's Total Reportable Injury Frequency Rate for FY23 was 11.42. The Company pursues continuous improvement in its commitment to safety through its GRESAFE "360 Degree Safety from Every Angle" programme, with the primary objective being the achievement of a zero harm workplace environment on all jobs and at all locations.

During the year, GR Engineering continued to maintain a strong and demonstrated commitment to environmental, social and governance matters. GR Engineering is proud to be a key long term partner of Starlight Children's Foundation, Ronald McDonald House and other not for profit organisations. The Company also partnered with our clients on social ventures, particularly in relation to initiatives involving the local communities in which our clients operate.

# CHAIRMAN'S LETTER

CONTINUED

Having regard to the Company's strong earnings result, cash available, anticipated working capital requirements and the pipeline of future work, your Board resolved to declare a final fully franked FY23 dividend of 10.0 cents per share (total FY23 fully franked dividends of 19.0 cents, total FY22 fully franked dividends of 19.0 cents).

As always, I am grateful to our clients, suppliers and particularly our employees for their ongoing support throughout FY23. I would also like to thank my fellow Board members for their insightful guidance and counsel.

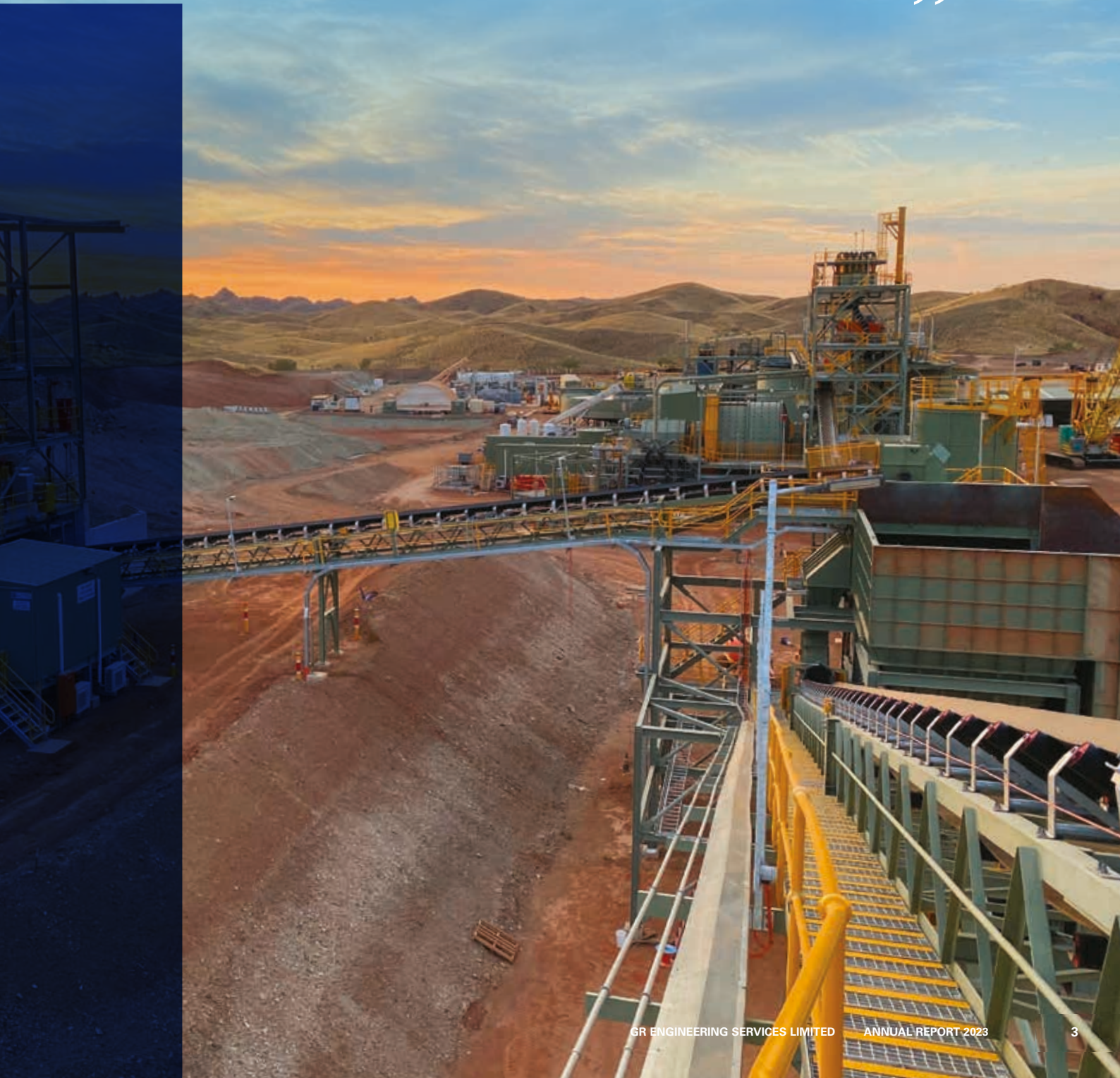


**PHILLIP LOCKYER**  
Non-Executive Chairman





“ DURING FY23, GR ENGINEERING SUCCESSFULLY DELIVERED MULTIPLE MAJOR PROJECTS, INCLUDING THE THUNDERBOX 6 MTPA EXPANSION PROJECT, THE ABRA BASE METALS PROJECT, THE MT IDA GOLD PROJECT AND THE NORSEMAN GOLD PROJECT. ”





# CHAIRMAN'S LETTER

CONTINUED



“UPSTREAM PRODUCTION SOLUTIONS (UPSTREAM PS) IS A LEADING PROVIDER OF OPERATIONS, MAINTENANCE AND ADVISORY SERVICES TO THE ENERGY AND RESOURCES INDUSTRIES.”



Your Directors present their report together with the financial statements of GR Engineering Services Limited ("**GR Engineering**" or "**consolidated entity**") for the financial year ended 1 July 2022 to 30 June 2023 (FY23) and the independent auditor's report thereon.

The names of the consolidated entity's Directors in office during FY23 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

## DIRECTORS

Phillip (Phil) LOCKYER (Non-Executive Chairman)  
Tony Marco PATRIZI (Managing Director) (appointed 16 February 2023, previously held position of Executive Director)  
Geoffrey (Geoff) Michael JONES (Managing Director) (resigned 27 January 2023)  
Peter John 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.

## DIVIDENDS PAID DURING THE YEAR

- Fully franked dividend of 10.0 cents per share paid on 20 September 2022.
- Fully franked dividend of 9.0 cents per share paid on 23 March 2023.
- Subsequent to 30 June 2023, a fully franked dividend of 10.0 cents per share was recommended by the Directors to be paid on 22 September 2023.



“GR ENGINEERING'S  
WHOLLY OWNED  
SUBSIDIARY MIPAC  
ACHIEVED RECORD  
REVENUE AND EBITDA  
RESULTS FOR FY23.”





# DIRECTORS' REPORT

CONTINUED

## REVIEW OF OPERATIONS

During the year under review, the consolidated entity achieved revenue of \$551.4 million (FY22: \$651.7 million) and earnings before interest, tax, depreciation and amortisation (EBITDA) of \$44.4 million (FY22: \$55.8 million). GR Engineering's FY23 revenue result was higher than the revenue guidance of \$500 million to \$530 million previously provided at the Annual General Meeting on 23 November 2022.

GR Engineering's EBITDA margin percentage improved in the second half of FY23 and the FY23 EBITDA margin percentage of 8.0% was consistent with historical levels. As previously disclosed in its half year results, GR Engineering's EBITDA margin percentage in the first half of FY23 was impacted by its Tasmanian projects. These Tasmanian projects have now been completed.

During FY23, GR Engineering successfully delivered multiple major projects, including the Thunderbox 6 Mtpa Expansion Project, the Abra Base Metals Project, the Mt Ida Gold Project and the Norseman Gold Project. Work is continuing on the West Musgrave Project, Thunderbird Mineral Sands Project, Bellevue Gold Project and Cosmos Nickel Concentrator Facility Upgrade.

Upstream Production Solutions (Upstream PS), has recently won new long term operations and maintenance work with Santos Limited (Santos) and Queensland Pacific Metals Limited (QPM). During FY23, Upstream PS was also contracted to operate and maintain an industry leading green hydrogen production facility in Queensland.

Upstream PS's FY23 results were lower than the prior financial year, largely as a result of the Northern Endeavour FPSO project being completed in September 2022, as previously disclosed.

GR Engineering's wholly owned subsidiary Mipac achieved record revenue and EBITDA results for FY23. Mipac's utilisation levels and contracted and near term pipeline remain strong.

GR Engineering's mineral processing and energy order book for works currently being undertaken and which will continue into FY24 include:

### Mineral Processing

GR Engineering's contracted order book for Design and Construction works includes:

- **West Musgrave Project** - GR Engineering is engaged by BHP Group Limited 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.
- **Thunderbird Mineral Sands Project** - \$179.5 million EPC Contract with Kimberley Mineral Sands Pty Ltd in relation to the engineering, procurement and construction of the mineral processing plant and associated facilities for the Thunderbird Mineral Sands Project. Practical completion is expected to occur in the first half of FY24.
- **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. Practical completion is expected to occur in the first half of FY24.
- **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. Practical completion is expected to occur in the first half of FY24.



GR Engineering's pipeline of work opportunities includes:

- **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 Limited (Hastings) for a beneficiation plant and associated infrastructure for the Yangibana Rare Earths Project. The contract sum, including the provisional sum, is \$210 million. GR Engineering has commenced 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.
- **Kainantu Gold Mine - 1.2 Mtpa Process Plant** - on 25 July 2023, GR Engineering received a Letter of Intent from K92 Mining Ltd, a subsidiary of TSX listed K92 Mining Inc. for the EPC works for a 1.2 Mtpa Process Plant at the Kainantu Gold Mine in Papua New Guinea. The contract sum is US\$81 million. GR Engineering has commenced works on an agreed scope and cost basis.

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

#### **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 FY23, Mipac continued to deliver control systems, automation and digital solutions for key repeat clients such as First Quantum Minerals Limited, BHP Group Limited, Glencore Technology, Anglo American and other large conglomerates. Mipac achieved another record revenue and earnings result for FY23 and continues to operate at a high utilisation based on its strong contracted and near term pipeline of work.

#### **Studies**

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 FY23, GR Engineering completed 29 studies and as at 30 June 2023, was engaged on a further 30 studies across a broad range of commodities for projects both in Australia and abroad.

#### **Energy - 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 energy sector including conventional gas, coal seam gas (CSG) to Liquefied Natural Gas (LNG), green hydrogen production and transport, carbon sequestration and onshore and offshore oil and gas sectors throughout Australia.

In eastern Australia, Upstream PS managed and executed maintenance and operations support services on over 3,000 CSG wells. Upstream PS has also recently significantly expanded its service offering to Santos in the 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 based in Queensland. In January 2023, Upstream PS commissioned and continued as the regulated operator for Vintage Energy's Vali assets in the Cooper Basin.

On 26 June 2023, Upstream PS 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 (together the 'MGP'). The estimated revenue for this contract is \$30 million per annum. The contract is conditional on transition of ownership of the MGP from Arrow Energy to QPM.

In Western Australia, Upstream PS remains a leading provider of operations and maintenance services to clients in the Perth Basin. Upstream PS is providing services at Chevron's Gorgon Project and continues to provide operations support services for Santos projects in the region. In the Northern Territory, Upstream PS continued to provide maintenance services on the Blacktip gas field production facilities (onshore and offshore). In September 2022, Upstream PS safely and successfully completed its works on the Northern Endeavour FPSO project for the Australian Government.

# DIRECTORS' REPORT

CONTINUED

## 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 FY23 was 11.42.

## FY24 Outlook

GR Engineering has a strong order book and has been building its pipeline for both FY24 and FY25. GR Engineering intends to provide FY24 guidance at its 2023 Annual General Meeting, to be held on 22 November 2023, when it is likely to have more certainty in relation to the timing of key projects.

## FINANCIAL POSITION

During FY23, the consolidated entity maintained a solid cash position of \$86.0 million (30 June 2022: \$102.0 million) with negligible external bank debt. During this period, GR Engineering paid out \$30.7 million in fully franked dividends to shareholders.

## DIVIDENDS

The Board has resolved to declare a final FY23 dividend of 10 cents per share, fully franked. The ex-dividend date for this dividend will be 4 September 2023, the Record Date is 5 September 2023 and the Payment Date is 22 September 2023.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

None noted.

## FUTURE DEVELOPMENTS

Information regarding likely developments in the operations of the consolidated entity in future financial years is referred to in the Review of Operations section in this Directors' Report.

## EVENTS AFTER BALANCE SHEET DATE

On 25 July 2023, GR Engineering received a Letter of Intent from K92 Mining Ltd, a subsidiary of TSX listed K92 Mining Inc. for the EPC works for a 1.2 Mtpa Process Plant at the Kainantu Gold Mine in Papua New Guinea. The contract sum is US\$81 million. GR Engineering has commenced works on an agreed scope and cost basis.

On 4 August 2023, GR Engineering was awarded an EPC Contract with Yangibana Pty Ltd, a wholly owned subsidiary of Hastings Technology Metals Limited (Hastings) for a beneficiation plant and associated infrastructure for the Yangibana Rare Earths Project. The contract sum, including the provisional sum, is \$210 million. GR Engineering has commenced 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.

On 16 August 2023, the Board has resolved to declare a final FY23 dividend of 10 cents per share, fully franked. The ex-dividend date for this dividend will be 4 September 2023, the Record Date is 5 September 2023 and the Payment Date will be 22 September 2023.



## BOARD OF DIRECTORS

### Phillip (Phil) LOCKYER – Non-Executive Chairman

*Dip Met, Assoc Min Eng, M.Min Econs*

Phil Lockyer is a Mining Engineer and Metallurgist who has over 50 years' experience in the mineral industry, with a focus on gold and nickel in both underground and open pit operations. He was employed by WMC Resources Limited for 20 years and as General Manager for Western Australia was responsible for WMC's nickel division and gold operations. Mr Lockyer also held the position of Director Operations for Dominion Mining Limited and Resolute Limited. He holds a Diploma of Metallurgy from the Ballarat School of Mines, an Associateship of Mining Engineering from the Western Australian School of Mines and a Masters of Mineral Economics from Curtin University.

Phil Lockyer has formerly served on the Boards of Swick Mining Services Limited, Perilya Limited, Focus Minerals Limited and CGA Mining Limited. He is currently a Non-Executive Director of RTG Mining Inc.

- Interests in ordinary shares in GR Engineering - 50,000
- Interests in other securities in GR Engineering - None
- Special Responsibilities:
  - Non-Executive Chairman
  - Member of the Audit and Risk Committee
  - Chairman of the Remuneration and Nominations Committee
- Directorships in other listed entities in the last 3 years:
  - RTG Mining Inc. (ASX:RTG) 2013 - Present

### Tony Marco PATRIZI – Managing Director

*BE (Mech Eng)*

Tony co-founded GR Engineering. Tony is a Mechanical Engineer with over 40 years' experience in the mining and minerals processing industries as a company director, operations manager, project manager and maintenance engineer. Tony was previously the operations manager of JR Engineering which had over 300 personnel and provided workshop, maintenance, engineering and construction services to mining and mineral processing projects in Western Australia and interstate.

- Interests in ordinary shares in GR Engineering - 9,795,000
- Interests in other securities in GR Engineering - None
- Directorships in other listed entities in the last 3 years - None

### Peter John HOOD AO – Non-Executive Director

*BE(Chem), MAusIMM, FIChemE, FAICD*

Peter is a Chemical Engineer and has over 50 years' experience in the resource and energy sectors.

Peter was formerly the Chief Executive Officer of Coogee Chemicals and Coogee Resources. He was Chairman of the International Chamber of Commerce National Committee of Australia. Peter is a Past President of the Australian Chamber of Commerce and Industry and the Chamber of Commerce and Industry Western Australia. Peter is currently Chairman of Matrix Composites and Engineering Limited, Lead Independent Director of Cue Energy Resources Limited and a Non-Executive Director of De Grey Mining Limited.

Peter was initially appointed as a Non-Executive Director of the Company on 10 February 2011.

- Interests in ordinary shares in GR Engineering - 500,000
- Interests in other securities in GR Engineering - None
- Special Responsibilities:
  - Chairman of the Remuneration and Nominations Committee
  - Member of the Audit and Risk Committee
- Directorships in other listed entities in the last 3 years:
  - Matrix Composites & Engineering Limited (ASX:MCE) 2011 - Present
  - Cue Energy Resources Limited (ASX:CUE) February 2018 - Present
  - De Grey Mining Limited (ASX:DEG) November 2018 - Present

# DIRECTORS' REPORT

CONTINUED

## Giuseppe (Joe)TOTARO – Non-Executive Director

*B.Com, CPA*

Joe is a Certified Practising Accountant (CPA) with over 40 years' experience in commercial and public practice specialising in mining and mining services. Joe is a co-founder of GR Engineering and was formerly the Chief Financial Officer and Company Secretary of GR Engineering.

Joe was appointed as a Non-Executive Director of the Company on 1 July 2019.

- Interests in ordinary shares in GR Engineering - 8,000,000
- Interests in other securities in GR Engineering - None
- Special Responsibilities:
  - Chairman of the Audit and Risk Committee
  - Member of the Remuneration and Nominations Committee
- Directorships in other listed entities in the last 3 years - None

## COMPANY SECRETARY

### Omesh MOTIWALLA

*B.Com, FCA*

Omesh is a Fellow of Chartered Accountants Australia and New Zealand (FCA) with over 25 years' experience in the Big 4 accounting firms and commerce. Omesh was previously a Corporate Finance Partner at Deloitte Touche Tohmatsu in Australia until December 2017. Deloitte Touche Tohmatsu are the auditors of the consolidated entity, and Omesh was a partner of the firm when previous audits have been undertaken. Omesh's experience includes corporate advisory services having consulted on, and managed, numerous corporate transactions involving private and publicly listed companies in the mining, oil and gas and related services sectors.

## MEETINGS OF DIRECTORS

The number of Meetings of the Board of Directors held during the year ended 30 June 2023 and the number attended by each director are as follows:

FULL MEETINGS OF DIRECTORS	Eligible	Attended
Phil Lockyer	11	11
Geoff Jones	5	5
Tony Patrizi	11	11
Joe Totaro	11	11
Peter Hood	11	11

Meetings of the Audit & Risk Committee were held on 15 August 2022, 17 August 2022 and 15 February 2023. The meetings were attended by Joe Totaro, Peter Hood and Phil Lockyer, other than the 17 August 2022 meeting which was attended by Peter Hood and Phil Lockyer. Meetings of the Remuneration and Nominations Committee were held on 27 September 2022 and 24 October 2022. These meetings were attended by Phil Lockyer, Peter Hood and Joe Totaro.

## OPTIONS

As at the date of this report, there were no unissued ordinary shares of GR Engineering under option.



## SHARE APPRECIATION RIGHTS

As at the date of this report, there were no Share Appreciation Rights.

On 1 July 2022, 478,432 Share Appreciation Rights vested pursuant to the consolidated entity's Equity Incentive Plan.

On 1 July 2023, 386,015 Share Appreciation Rights lapsed as the vesting criteria was not met.

For full particulars of the Share Appreciation Rights issued to Directors as remuneration, refer to the Remuneration Report.

## PERFORMANCE RIGHTS

As at the date of this report, the unissued ordinary shares of GR Engineering which are the subject of unvested Performance Rights are as follows:

Vesting Date	No. Performance Rights	Expiry Date	Exercise price
14 September 2023	3,900,000	14 September 2023	-
22 July 2024	100,000	22 July 2024	-
30 November 2024	225,000	30 November 2024	-
7 February 2025	100,000	7 February 2025	-
21 March 2025	25,000	21 March 2025	-
1 July 2025	80,000	1 July 2025	-
1 November 2025	595,000	1 November 2025	-
12 December 2025	1,770,000	12 December 2025	-

The Performance Rights holders do not have any right to participate in any issues of shares or other interests in the consolidated entity or any other entity.

During the financial year ended 30 June 2023, 50,000 ordinary shares were issued due to the vesting of Performance Rights.

# DIRECTORS' REPORT

CONTINUED

## RISK MANAGEMENT

GR Engineering has risk management policies and procedures in place to provide early identification of business risks and to monitor the mitigation of those risks across all aspects of the business. These include risk assessment in the project negotiation and delivery phase, treasury management risk, credit risk and responses to pandemic related risks. We also identify and track appropriate mitigation actions for identified risks.

## INDEMNIFYING OFFICERS OR AUDITORS

During the financial year, the consolidated entity paid insurance premiums relating to contracts insuring the directors and company secretary against liability which may arise in connection with them acting as Director or Company Secretary, to the extent permitted under the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## LEGAL PROCEEDINGS

No person has applied for leave of court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

## NON AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is consistent with the general standard of independence imposed by the *Corporations Act 2001*.

Non-audit services were reviewed by the Board to ensure they do not compromise the objectivity of the Auditor and to ensure the nature of services provided is not inconsistent with the principals of auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year ended 30 June 2023, fees amounting to \$103,146 were paid to Deloitte Touche Tohmatsu for non-audit services including taxation advice.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2023 has been reviewed and can be found at page 23 of this financial report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE FRAMEWORK

GR Engineering has a strong and demonstrated commitment to Environmental, Social and Governance (ESG) matters. In this section, GR Engineering outlines its actions to date and summarises its current policies and procedures supporting its commitment to ESG.

### *Environmental*

GR Engineering maintains a proactive assessment towards potential environmental impacts on projects. GR Engineering meets its commitments to the protection of the environment and sustainability by incorporating sound environmental protection principles into its design and endeavours that its projects are executed in an environmentally responsible way.

Environmental management plans are completed for all design and construction projects using methods that comply with high standards of environmental protection practice. This process involves working closely with its clients and adhering to their environmental management plans.

It is of paramount importance to management and the Board of Directors that as well as operating within its own environmental policies, the consolidated entity observes all relevant licences in good standing. The consolidated entity has not been made aware of any areas of non-compliance in this regard. In conjunction with GR Engineering's clients, Environmental Management Plans are completed for all design and construction projects using methods that comply with high standards of environmental protection practice and all relevant legislation.



## *Social*

GR Engineering is proud to be a long term partner of the following organisations:

- Starlight Children's Foundation WA (Starlight) – GR Engineering has been a Star Partner with Starlight since 2012 and has made a lasting positive impact to sick kids, families and communities through its involvement in the Starlight Express Rooms located in Perth Children's Hospital. GR Engineering has aligned fundraising to the success of achieving safety business objectives by committing a daily donation to Starlight for each LTI free day achieved in accordance with its safety policies. This innovative programme rewards safe workplace culture and celebrates the importance of incident free safety in our offices and work sites.
- Ronald McDonald House WA (RMCH WA) – GR Engineering has been a proud partner of RMCH WA since 2016. RMCH WA provides quality supported accommodation, 365 days a year, for Western Australian families with seriously ill children requiring medical treatment in Perth. GR Engineering sponsors multiple rooms at the Nedlands facility.

Recurring contributions are also provided to multiple not for profit organisations including the Royal Flying Doctor Services, MSWA Ride and Big Aussie BBQ (supporting the Prostate Cancer Foundation). GR Engineering encourages its personnel to regularly present ideas for new social initiatives.

GR Engineering regularly partners with its customers on social ventures, particularly in relation to initiatives involving the local communities in which their customers operate.

With respect to employees, GR Engineering recognise that our people are our most significant asset. GR Engineering has a strong and positive culture that has existed since the business's inception. GR Engineering is proactive with regards to training and advancing its personnel through all aspects of the business.

The business seeks to employ the best available staff from diverse backgrounds. GR Engineering respects and values the competitive advantage of diversity (which includes but is not limited to gender, age, ethnicity and cultural background), and the benefit of its integration throughout the business in order to enrich the Company's perspective and improve corporate performance and shareholder value.

GR Engineering is committed to the ideal of equal employment opportunity and to providing a workplace that is free of harassment and discrimination and to respecting the rights of its employees and contractors. The business ensures a safe workplace and maintains proper occupational health and safety practices commensurate with the nature of the business and its activities. GR Engineering provides competitive remuneration packages and has granted performance rights to key personnel across the business. These performance rights vest over a three year period and align the team with the success of the business.

## *Governance*

GR Engineering is a publicly listed company and complies with the ASX Council's 4th Edition Corporate Governance Principles and Recommendations. The Board of Directors comprises four directors, noting the majority of the Board, including the Chairman are non-executive directors. The Managing Director's short term incentives include ESG metrics.

GR Engineering has a Corporate Governance Manual which sets out the main principles adopted by the Board of Directors in order to implement and maintain a culture of good corporate governance. GR Engineering's Corporate Governance Manual includes the following governance policies:

- Code of Conduct.
- Continuous Disclosure Policy.
- Diversity Policy.
- Share Trading Policy.
- Whistle-Blower Policy.
- Anti-Bribery and Anti-Collusion Policy.

Each year, GR Engineering lodges its annual Modern Slavery Statement to the Australian Border Force in compliance with the Modern Slavery Act. GR Engineering regards the risk of modern slavery to its supply chain and operations to be low.

# DIRECTORS' REPORT

CONTINUED

## REMUNERATION REPORT – AUDITED

The remuneration report details the amount and nature of the remuneration for the consolidated entity's key management personnel.

### Directors

- Tony Patrizi (Managing Director) (appointed 16 February 2023, previously held the position of Executive Director)
- Phil Lockyer (Non-Executive Chairman)
- Geoff Jones (Managing Director) (resigned 27 January 2023)
- Peter Hood (Non-Executive Director)
- Joe Totaro (Non-Executive Director)

### Executives

- Omesh Motiwalla (Chief Financial Officer & Company Secretary)

Unless otherwise stated the named persons held their current position for the whole financial year and since the end of the financial year. At the consolidated entity's 2022 Annual General Meeting, 97.8% of eligible shareholders voted in favour of the remuneration report. No specific comments were made regarding the remuneration report at the meeting.

## REMUNERATION POLICY

The consolidated entity's remuneration policy has been designed to attract and retain high calibre key employees whose personal interests are aligned with success and growth of the consolidated entity and therefore shareholders. This will be achieved by:

- Staying abreast of labour market forces thereby ensuring remuneration offered by the consolidated entity is competitive and remains so through a process of annual review.
- Devising performance based remuneration programmes.
- Utilising the consolidated entity's Equity Incentive Plan.

## NON-EXECUTIVE DIRECTORS

The consolidated entity's policy is to remunerate non-executive directors according to market rates and to reflect the time dedicated to their position and special responsibilities involved.

GR Engineering's Constitution provides that the Directors shall be paid out of the funds of the consolidated entity by way of remuneration for services such sums as may from time to time be determined by the consolidated entity in General Meeting, to be divided among the Directors in such proportions as they shall from time to time agree or in default of agreement, equally.

Directors are encouraged to hold shares in the consolidated entity to align their personal objectives with the growth and profitability of the consolidated entity.

## EXECUTIVE DIRECTORS

Executive Directors' pay and reward is comprised of a competitive base salary. To the extent that executive directors are shareholders in the consolidated entity, their personal objectives are aligned with the performance of the consolidated entity.

## SENIOR EXECUTIVES

Executives' remuneration is comprised of a competitive base salary, performance bonuses and share based incentive payments (at the discretion of the board). The Managing Director, Tony Patrizi is also eligible to participate in the GR Engineering Services Limited Equity Incentive Plan.

All executive remuneration packages are reviewed annually to ensure they remain competitive and reflect performance. Remuneration paid to directors and executives is valued at cost to the consolidated entity. Options, Performance Rights and Share Appreciation Rights are valued using the Black Scholes and Monte Carlo methods.

## EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL

Name	Title	Contract Details	Non Salary Cash Incentives	Shares/ Units	Options/ Rights	Fixed Salary	Total
<b>Phillip Lockyer</b>	Non-Executive Chairman	By rotation and re-election	-	-	-	100%	100%
<b>Tony Patrizi</b>	Managing Director	Termination: 3 months notice by the consolidated entity or employee	-	-	-	100%	100%
<b>Peter Hood</b>	Non-Executive Director	By rotation and re-election	-	-	-	100%	100%
<b>Joe Totaro</b>	Non-Executive Director	By rotation and re-election	-	-	-	100%	100%
<b>Omesh Motiwalla</b>	Company Secretary / Chief Financial Officer	Termination: 3 months notice by the consolidated entity or employee	-	-	21.1%	78.9%	100%

The terms and conditions upon which key employees are employed are set out in contracts of employment. These contracts provide for minimum notice periods prior to termination and, in some cases restrictive covenants upon termination.

The consolidated entity can terminate the contract at any time in the case of serious misconduct and termination payments may be paid in lieu of notice period.



# DIRECTORS' REPORT

CONTINUED

## REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2023 - BOARD OF DIRECTORS

	Short Term Benefits				Post Employment Benefits	Equity Based Payments		Total	Performance Based
	Cash Salary & Fees	Non Cash Payments*	Other**	Sub Total	Super-annuation	Equity	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>NON-EXECUTIVE CHAIRMAN</b>									
<b>Phillip Lockyer</b>									
<b>2023</b>	86,596	-	-	86,596	9,093	-	-	95,689	0.0%
<b>2022</b>	83,734	-	-	83,734	8,373	-	-	92,107	0.0%
<b>EXECUTIVE DIRECTORS</b>									
<b>Tony Patrizi</b>									
<b>2023</b>	475,926	14,141	-	490,067	29,821	-	-	519,888	0.0%
<b>2022</b>	299,913	10,568	-	310,481	29,991	-	-	340,472	0.0%
<b>Geoff Jones</b>									
<b>2023</b>	383,879	28,489	218,287	630,655	18,969	-	-	649,624	13.9%
<b>2022</b>	621,296	35,088	90,000	746,384	23,568	94,098	-	864,050	21.3%
<b>NON-EXECUTIVE DIRECTORS</b>									
<b>Peter Hood</b>									
<b>2023</b>	64,786	-	-	64,786	6,803	-	-	71,589	0.0%
<b>2022</b>	62,644	-	-	62,644	6,264	-	-	68,908	0.0%
<b>Joe Totaro</b>									
<b>2023</b>	64,786	-	-	64,786	6,803	-	-	71,589	0.0%
<b>2022</b>	62,644	-	-	62,644	6,264	-	-	68,908	0.0%
<b>TOTAL DIRECTORS</b>									
<b>2023</b>	1,075,973	42,630	218,287	1,336,890	71,489	-	-	1,408,379	15.5%
<b>2022</b>	1,130,231	45,656	90,000	1,265,887	74,460	94,098	-	1,434,445	12.8%

\* "Non-Cash payments" refer to reportable fringe benefits (fuel for personal vehicles and novated leases)

\*\* "Other" amounts relate to performance based bonus payments, as approved by the board, and termination payments relating to annual leave and long service leave entitlements

## REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2023 - EXECUTIVES

Short Term Benefits				Post Employment Benefits	Equity Based Payments			
Cash Salary & Fees	Non Cash Payments*	Other**	Sub Total	Super-annuation	Equity	Options	Total	Performance Based
\$	\$	\$	\$	\$	\$	\$	\$	%

### SENIOR EXECUTIVES

#### Omesh Motiwalla – Company Secretary & Chief Financial Officer

<b>2023</b>	356,112	4,490	-	360,602	25,292	103,427	-	489,321	21.1%
<b>2022</b>	310,263	4,115	9,500	323,878	23,568	30,505	-	377,951	10.6%

### GRAND TOTAL - DIRECTORS AND EXECUTIVES

<b>2023</b>	1,432,085	47,120	218,287	1,697,492	96,781	103,427	-	1,897,700	17.0%
<b>2022</b>	1,440,494	49,771	99,500	1,589,765	98,028	124,603	-	1,812,396	12.4%

\* "Non-Cash payments" refer to reportable fringe benefits (fuel for personal vehicles)

\*\* "Other" amounts relate to performance based bonus payments, as approved by the board



# DIRECTORS' REPORT

CONTINUED

## LONG TERM INCENTIVES

### *Equity Incentive Plan*

The GR Engineering Services Limited 2022 Equity Incentive Plan (Plan) was adopted by the Board on 28 September 2022. In accordance with the Listing Rules of the Australian Securities Exchange (ASX), shareholder approval of the Plan was obtained at the consolidated entity's Annual General Meeting held on 23 November 2022. Under the ASX Listing Rules and *Corporations Act 2001* (Cth), the issue of securities under the Plan to directors will be subject to separate shareholder approval. Eligible participants in the Plan include those defined in ASIC Class Order 14/1000 (CO) or as determined by the Board to be eligible to participate in the Plan from time to time.

The Plan is designed to align the interests of executives and employees with the interests of shareholders by providing an opportunity to receive an equity interest in the consolidated entity and therefore direct participation in the benefits of future consolidated entity performance over the medium to long term.

This is achieved by awarding both or either:

- Performance Rights (PR), with each PR being a right to acquire one fully paid ordinary share of the consolidated entity and vesting upon the satisfaction of certain performance conditions; and
- Share Appreciation Rights (SARs), being rights to receive a future payment in shares, based on the amount of increase in market value of one share in the consolidated entity in a specified period between the grant of the SAR and exercise of that SAR.

Securities issued under the Plan will be subject to vesting criteria as determined by the Board and have a term of 3 years (or such term as otherwise agreed by the Board).





During the year ended 30 June 2023, a total of 2,530,000 Performance Rights were issued in accordance with the terms and conditions of the Plan. A total of 6,795,000 Performance Rights were on issue as at 30 June 2023.

Grant Date	Vesting Date	Expiry Date	Exercise Price	Number	Fair Value
14 Sep 2020	14 Sep 2023	14 Sep 2023	Nil	3,665,000	\$0.683
18 Feb 2021	14 Sep 2023	14 Sep 2023	Nil	35,000	\$0.967
9 Jun 2021	14 Sep 2023	14 Sep 2023	Nil	150,000	\$1.130
22 Jul 2021	22 Jul 2024	22 Jul 2024	Nil	65,000	\$1.050
30 Nov 2021	30 Nov 2024	30 Nov 2024	Nil	225,000	\$1.420
7 Feb 2022	7 Feb 2025	7 Feb 2025	Nil	100,000	\$1.520
21 Mar 2022	21 Mar 2025	21 Mar 2025	Nil	25,000	\$1.470
1 Jul 2022	1 Jul 2025	1 Jul 2025	Nil	80,000	\$1.430
1 Nov 2022	14 Sep 2023	14 Sep 2023	Nil	50,000	\$1.953
1 Nov 2022	1 Nov 2025	1 Nov 2025	Nil	595,000	\$1.567
1 Nov 2022	22 Jul 2024	22 Jul 2024	Nil	35,000	\$1.749
12 Dec 2022	12 Dec 2025	12 Dec 2025	Nil	1,770,000	\$1.438

Performance Rights which lapsed during the financial year do not relate to key management personnel.

No Share Appreciation Rights are currently on issue pursuant to the Plan, with 285,301 ordinary shares vesting to Geoff Jones in FY23. An amount of 386,015 Share Appreciation Rights lapsed on 1 July 2023, as the vesting criteria was not met.

The following share-based payment compensation relates to Share Appreciation Rights issued to senior management:

Name	Grant Date	Vesting Date	Date Exercised	Number of Shares Issued on Vesting Date	Exercise Price \$	Quantity	Fair Value \$	% of Compensation for the Year Consisting of Share Appreciation Rights
<b>Geoff Jones</b>	25 Nov 2020	1 Jul 2023	N/A	Nil	Nil	386,015	\$0.2110	0.0%

The following share-based payment compensation relates to Performance Rights issued to directors and senior management:

Name	Grant Date	Vesting Date	Number of Shares Issued on Vesting Date	Exercise Price \$	Quantity	Fair Value \$	% of Compensation for the Year Consisting of Performance Rights
<b>Omesh Motiwalla</b>	16 Jul 2019	16 Jul 2022	50,000	Nil	50,000	\$0.6700	21.1%
<b>Omesh Motiwalla</b>	14 Sep 2020	14 Sep 2023		Nil	100,000	\$0.6830	
<b>Omesh Motiwalla</b>	1 Nov 2022	14 Sep 2023		Nil	50,000	\$1.9530	

# DIRECTORS' REPORT

CONTINUED

## RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION POLICY

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the 5 years to 30 June 2023:

	2019	2020	2021	2022	2023
<b>Revenue (\$000's)</b>	182,256	222,402	392,385	651,669	551,361
<b>Net profit before tax (\$000's)</b>	8,761	-9,661	30,556	50,305	39,740
<b>Net profit after tax (\$000's)</b>	6,530	-7,250	21,010	34,720	27,491
<b>Share price at year end</b>	\$0.80	\$0.72	\$1.50	\$1.94	\$2.14
<b>Dividend (\$000's)</b>	13,815	6,145	13,964	25,773	30,698
<b>EPS (cents)</b>	4.25	(4.72)	13.48	21.55	17.02
<b>Diluted EPS (cents)</b>	4.19	(4.72)	13.11	20.85	16.43

Tony Patrizi, an Executive Director and four key employees hold significant shareholdings in the consolidated entity. As a result the performance of the consolidated entity and the personal and financial interest of its executive and management team are aligned.

The Plan has been adopted by the consolidated entity and will be implemented as the Remuneration & Nomination Committee identify the need to remunerate either existing or future employees, key employees, executives or executive directors on a performance basis.

## SHAREHOLDING

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2023	Balance at the start of the year	Received as part of remuneration	Additions/ other	Disposals/ other	Balance at the end of the year
<b>Ordinary shares</b>					
Phillip Lockyer	50,000	-	-	-	50,000
Geoff Jones*	200,000	285,301	-	(485,301)	-
Tony Patrizi	9,795,000	-	-	-	9,795,000
Peter Hood	500,000	-	-	-	500,000
Joe Totaro	8,000,000	-	-	-	8,000,000
Omesh Motiwalla	20,000	50,000	-	(20,000)	50,000
	18,565,000	335,301	-	(505,301)	18,395,000

\* Sale of shares was performed off-market, in order to meet the tax obligations of the security holder

2022	Balance at the start of the year	Received as part of remuneration	Additions/ other	Disposals/ other	Balance at the end of the year
<b>Ordinary shares</b>					
Phillip Lockyer	50,000	-	-	-	50,000
Geoff Jones	772,134	305,968	-	(878,102)	200,000
Tony Patrizi	9,795,000	-	-	-	9,795,000
Peter Hood	500,000	-	-	-	500,000
Joe Totaro	8,000,000	-	-	-	8,000,000
Omesh Motiwalla	62,990	-	7,500	(50,490)	20,000
	19,180,124	305,968	7,500	(928,592)	18,565,000

\* Geoff Jones resigned on 27 January 2023. The full value of his shareholding has been deemed as a disposal.

## OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the year ended 30 June 2023, the consolidated entity leased office space at 71 Daly Street, Ascot WA from Ashguard Pty Ltd. Tony Patrizi, a director of the consolidated entity, had a non-controlling interest in Ashguard Pty Ltd. The total amount invoiced by Ashguard Pty Ltd in the year ended 30 June 2023 amounted to \$826,666 including GST (2022: \$799,179). The balance payable at 30 June 2023 is \$3,880 (2022: \$61,159).

During the year ended 30 June 2023 the consolidated entity procured items from Mak Industrial Water Solutions Limited, a company in which Peter Hood is Chairman. The total amount invoiced by Mak Industrial Water Solutions Limited in the year ended 30 June 2023 amounted to \$12,609 including GST (2022: \$12,609). The balance payable at 30 June 2023 is nil (2022: \$12,609).

The terms and conditions of the transactions and the associated agreements to which they relate (where applicable) that have been set out above are at arm's length and on normal commercial terms.

This marks the end of the remuneration report.



# DIRECTORS' REPORT

CONTINUED

## CORPORATE GOVERNANCE

The Directors of the consolidated entity are committed to the highest standards of corporate governance in all elements of the business of the consolidated entity including internal control, ethics, risk functions, policies and internal and external audit.

The consolidated entity's Board of Directors has adopted a comprehensive corporate governance policy and manual based on ASX guidelines. The Board continually seeks to review and develop additional structures to be implemented as the consolidated entity's activities develop in size, nature and scope.

Please refer to the Corporate Governance Statement contained in this report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



**Tony Patrizi**  
Managing Director

Date: 23 August 2023

# AUDITOR'S INDEPENDENCE DECLARATION



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

23 August 2023

Dear Board Members

## GR Engineering Services Limited

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 audit of the financial report of GR Engineering Services Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

**Pieter Janse van Nieuwenhuizen**  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

		Consolidated	
	Notes	2023 \$	2022 \$
<b>REVENUE</b>	5	551,361,115	651,669,067
Interest income	6	1,836,342	124,768
Other income	6	4,220,967	2,985,704
<b>EXPENSES</b>			
Employee benefits expense	7	(157,297,399)	(146,888,417)
Depreciation and amortisation expense	7	(5,988,364)	(5,268,578)
Equity based payments		(1,824,106)	(1,020,279)
Finance costs	7	(468,772)	(360,530)
Direct materials and subcontractor costs		(335,468,931)	(433,737,400)
Accountancy & audit fees		(614,992)	(675,867)
Marketing		(293,953)	(162,844)
(Expected credit losses, write-offs) and reversals	10	(94,332)	(2,414,284)
Occupancy		(622,049)	(680,608)
Administration		(15,005,718)	(13,265,731)
<b>Profit before income tax expense</b>		39,739,808	50,305,001
Income tax expense	8	(12,248,578)	(15,584,708)
<b>Profit after income tax expense for the year attributable to the owners of GR Engineering Services Limited</b>	21	27,491,230	34,720,293
<b>Other comprehensive income for the year, net of income tax</b>			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on financial assets		(1,356,772)	(530,980)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		310,481	456,255
Other comprehensive income for the year, net of income tax		(1,046,291)	(74,725)
<b>Total comprehensive income for the year attributable to the owners of GR Engineering Services Limited</b>		26,444,939	34,645,568
<b>Profit attributable to owners of the parent</b>		27,491,230	34,720,293
<b>Total comprehensive income attributable to the owners of the parent</b>		26,444,939	34,645,568
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	30	17.02	21.55
Diluted earnings per share	30	16.43	20.85

The accompanying notes form part of these Financial Statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION



AS AT 30 JUNE 2023

		Consolidated	
	Notes	2023 \$	2022 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	86,022,143	101,994,568
Trade and other receivables	10	53,737,400	93,263,261
Inventories	11	46,489	49,441
Prepayments		3,793,346	2,571,052
<b>Total current assets</b>		143,599,378	197,878,322
<b>Non-current assets</b>			
Property, plant and equipment	12	12,589,017	8,359,133
Trade and other receivables	10	8,020,983	-
Financial assets	13	2,288,157	742,041
Intangible assets	14	22,385,829	23,000,657
Deferred tax	8	866,175	1,884,245
<b>Total non-current assets</b>		46,150,161	33,986,076
<b>Total assets</b>		189,749,539	231,864,398
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	51,524,684	97,505,989
Borrowings	16	2,262,651	1,576,630
Current tax liability		1,263,782	4,252,240
Provisions	17	17,258,488	16,713,929
Contract liabilities	18	50,705,357	44,563,914
<b>Total current liabilities</b>		123,014,962	164,612,702
<b>Non-current liabilities</b>			
Borrowings	16	4,969,861	2,682,047
Provisions	17	2,032,825	2,409,025
<b>Total non-current liabilities</b>		7,002,686	5,091,072
<b>Total liabilities</b>		130,017,648	169,703,774
<b>Net assets</b>		59,731,891	62,160,624
<b>EQUITY</b>			
Issued capital	19	40,025,411	39,890,962
Reserves	20	2,698,975	2,055,609
Retained profits	21	17,007,505	20,214,053
<b>Total equity</b>		59,731,891	62,160,624

The accompanying notes form part of these Financial Statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Consolidated	
		2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		627,124,857	684,143,535
Payments to suppliers and employees		(601,012,647)	(598,374,003)
Income tax paid		(14,218,966)	(16,149,000)
Interest received		1,836,342	124,768
<b>Net cash flows provided by operating activities</b>	9	13,729,586	69,745,300
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,411,124)	(3,611,221)
Proceeds from sale of property, plant and equipment		7,300	17,305
Payments for acquisition of financial assets		(3,000,000)	-
Proceeds from sale of financial assets		10,657,982	650,903
Net cash outflow on acquisition of business		-	(1,049,495)
<b>Net cash flows used in investing activities</b>		4,254,158	(3,992,508)
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(2,238,874)	(4,939,549)
Dividends paid		(30,697,778)	(25,772,746)
Interest paid		(459,018)	(327,806)
Proceeds from (repayment of) borrowings		-	(2,419,320)
<b>Net cash flows used in financing activities</b>	9	(33,395,670)	(33,459,420)
Net increase in cash and cash equivalents		(15,411,926)	32,293,372
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		(560,499)	728,226
<b>Cash and cash equivalents at end of period</b>	9	86,022,143	101,994,568

The accompanying notes form part of these Financial Statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023



	Issued capital	Performance Rights Reserve	Share Appreciation Rights Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 30 June 2021</b>	39,141,677	694,322	177,338	(842,807)	1,297,527	11,171,571	51,639,628
Profit for the period	-	-	-	-	-	34,720,293	34,720,293
Other comprehensive income for the period	-	-	-	456,255	(530,980)	-	(74,725)
Total comprehensive income for the period	-	-	-	456,255	(530,980)	34,720,293	34,645,568
Dividends	-	-	-	-	-	(25,772,746)	(25,772,746)
Issue of shares	749,285	-	(121,390)	-	-	-	627,895
Share based payments	-	926,181	94,098	-	-	-	1,020,279
Realised gain on Investments in equities transferred to retained earnings	-	-	-	-	(94,935)	94,935	-
<b>Balance as at 30 June 2022</b>	39,890,962	1,620,503	150,046	(386,552)	671,612	20,214,053	62,160,624
<b>Balance as at 30 June 2023</b>	40,025,411	3,460,206	-	(76,071)	(685,160)	17,007,505	59,731,891

The accompanying notes form part of these Financial Statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 1. GENERAL INFORMATION

The financial report covers GR Engineering Services Limited as a consolidated entity consisting of GR Engineering Services Limited and the entities it controlled during the year. The financial report is presented in Australian dollars, which is GR Engineering Services Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

GR Engineering Services Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business of GR Engineering Services Limited is located at 71 Daly Street, Ascot, Western Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 16 August 2023. The directors have the power to amend and reissue the financial report.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

### **New, revised or amending Accounting Standards and Interpretations adopted**

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 the current annual reporting period beginning 1 July 2022.

The following new and revised Standards and Interpretations effective for the current reporting period that are relevant to the consolidated entity 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 did not have a material impact on the consolidated entity.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### New Accounting Standards and Interpretations not yet mandatory or early adopted

The Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2023 are detailed below. Only those that may have an impact on the consolidated entity have been listed.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2023	30 June 2024
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2024	30 June 2025
AASB 17 Insurance Contracts	1 January 2023	30 June 2024
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	30 June 2024
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	30 June 2024
AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards	1 January 2023	30 June 2024

Management are currently undertaking an assessment of the impact of recently issued or amended standards and interpretations on the consolidated entity.

### Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the consolidated entity. For the purposes of preparing the consolidated financial statements, the consolidated entity is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the consolidated entity comply with International Financial Reporting Standards ('IFRS').

### Basis of preparation

#### Historical cost convention

The 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, as explained in the accounting policies below. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the consolidated entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### **Principles of consolidation**

The consolidated financial statements incorporate the financial statements of the consolidated entity and entities (including structured entities) controlled by the consolidated entity and its subsidiaries. Control is achieved when the consolidated entity:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The consolidated entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the consolidated entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The consolidated entity considers all relevant facts and circumstances in assessing whether or not the consolidated entity's voting rights in an investee are sufficient to give it power, including:

- the size of the consolidated entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the consolidated entity, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the consolidated entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the consolidated entity obtains control over the subsidiary and ceases when the consolidated entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the consolidated entity gains control until the date when the consolidated entity ceases to control the subsidiary.

## **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Profit or loss and each component of other comprehensive income are attributed to the owners of the consolidated entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the consolidated entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the consolidated entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the consolidated entity are eliminated in full on consolidation.

### **Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director of the consolidated entity.

### **Foreign currency translation**

The financial report is presented in Australian dollars, which is GR Engineering Services Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The functional currency of GR Engineering Services (UK) Limited is Great British pounds. The functional currency of GR Engineering Services (Greece) is Euro. The functional currency of GR Engineering Services Turkey is Turkish Lira. The functional currency of GR Engineering Services (Papua New Guinea) is Papua New Guinea Kina. The functional currency of other foreign subsidiaries of the consolidated entity is United States dollars.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

Revenue is recognised for the two segments: Mineral Processing and Oil & Gas.

#### *Mineral Processing*

The Mineral Processing segment includes Engineering, Procurement & Construction (EPC) contracts and Engineering, Procurement & Construction Management (EPCM) Contracts.

In these contracts, the consolidated entity provides services comprising design and construction of minerals processing facilities and associated infrastructure for complete greenfields or brownfields projects including plant modifications, upgrades and expansions, plant evaluation and condition reports, plant operations and maintenance support and optimisation, plant relocation, refurbishment and recommissioning, and provision of owners representatives and teams for project management and delivery. Project management services also include project studies (concept through to bankable feasibility), engineering and procurement, construction and commissioning, asset management plans and system development, operations and technical support (audits, reviews and consulting), and infrastructure development.

EPC and EPCM contracts generally contain a single performance obligation because the activities are highly integrated with each other to represent the combined output for which the customer has contracted, and therefore are not distinct from one another. Additionally, whilst some of the services could be provided to the customer individually, this is not the business practice as customers engage the consolidated entity to provide a start to end service.

The consolidated entity enters into fixed sum contracts or guaranteed maximum price contracts. In some cases, variable consideration is present in the contract in the form of, for example, bonus payments or penalties based on performance, or variations. Where variable consideration is present in a contract, the constraint of estimates of variable consideration is applied as necessary by assessing the historical performance of the consolidated entity on similar contracts and consideration of factors that are outside the consolidated entity's influence. Revenue for EPC and EPCM contracts is recognised over time because the performance creates and enhances an asset controlled by the customer as the work is performed. The asset is specific to the customer as it cannot be sold elsewhere or have another use, and the consolidated entity is entitled to payment for work performed. In recognising revenue over time, the consolidated entity measures the satisfaction of progress using cost as an input as cost faithfully depicts the transfer of value to the customer.

In addition to the above, the consolidated entity enters into contracts for the sale of assets, where revenue is recognised over time because the performance creates and enhances an asset controlled by the customer, as the work is performed. The asset is specific to the customer, as it cannot be sold elsewhere or have an alternative use, and the consolidated entity is entitled to payment for work performed. In recognising revenue over time, the consolidated entity measures the satisfaction of progress using cost as an input, as cost faithfully depicts the transfer of value to the customer.

#### *Oil & Gas*

Oil and Gas contracts comprise the delivery of operations and maintenance, wellsites, engineering and production assurance services to the customer base. Under these contracts, the services provided is the provision of labour as well as the procurement of equipment for the customer on an as needs basis. These arrangements can be long or short term and are generally structured as an overarching master agreement, with individual work orders made by the customer. Each work order will specify the services to be performed. The combination of the master agreement and each work order forms the contract.

Each work order is deemed to be a contract and each work order is generally considered to be one performance obligation. These contracts do not have a fixed fee and the customer is charged based on the number of labour hours incurred, multiplied by agreed rates contained in the master agreement. Equipment may also be provided to customers which is charged on a recoverable basis as and when the equipment is procured and provided to the customer.

Revenue for contracts in this segment is recognised over time as the customer simultaneously receives and consumes the benefits of the services being provided as they are performed. The consolidated entity will bill the client on a monthly basis based on hours incurred multiplied by the agreed rates or on a cost plus basis. This will also include any recoverable expenditure incurred for equipment provided in respect of that period. Therefore, the consolidated entity has a right to consideration from its customers in an amount that corresponds directly with the value to the customer of the consolidated entity's performance completed to date and hence the consolidated entity has decided to adopt the practical expedient of recognising revenue on a billings basis.

## **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### *Tender costs*

Tender costs are expensed as they are not incremental costs to obtaining the contract.

### *Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

### *Contract fulfilment costs*

Significant costs incurred prior to the commencement of a contract may arise for example due to mobilisation / site setup costs and tender costs. These activities are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of a service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

### *Loss making contracts*

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue. The provision is recognised in full in the period in which loss-making contracts are identified under AASB 137.

### *Contract assets and liabilities*

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what is commonly known as 'accrued revenue' and 'deferred revenue'. Contract receivables represent receivables in respect of which the consolidated entity's right to consideration is unconditional subject only to the passage of time. Contract receivables are non-derivative financial assets accounted for in accordance with the consolidated entity's accounting policy for financial assets set out in Note 23. Contract assets represent the consolidated entity's right to consideration for services provided to customers for which the consolidated entity's right remains conditional on something other than the passage of time. Contract liabilities arise where payment is received prior to work being performed. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

## **Income tax**

GR Engineering Services Limited and its wholly owned Australian resident entities formed a tax-consolidated group under Australian taxation law and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is GR Engineering Services Limited.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The consolidated entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided for on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated entity's statement of financial position when the consolidated entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the consolidated entity may make the following irrevocable election/designation at initial recognition of a financial asset:

- the consolidated entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the consolidated entity may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

### *(i) Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other income" line item (note 6).

### *(ii) Equity instruments designated as at fair value through other comprehensive income (FVTOCI)*

On initial recognition, the consolidated entity may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the consolidated entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with AASB 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The consolidated entity has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of AASB 9 (see note 13).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(iii) Financial assets at fair value through profit or loss (FVTPL)*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the consolidated entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The consolidated entity has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in 'Other income' (note 6).

### *Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The consolidated entity always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the consolidated entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the consolidated entity recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the consolidated entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

### *Derecognition of financial assets*

The consolidated entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the consolidated entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the consolidated entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the consolidated entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the consolidated entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the consolidated entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

## **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### *Financial liabilities and equity*

#### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the consolidated entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the consolidated entity's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

### **Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

#### *Financial liabilities at fair value through profit or loss (FVTPL)*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the consolidated entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

#### *Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### *Derecognition of financial liabilities*

The consolidated entity derecognises financial liabilities when, and only when, the consolidated entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the consolidated entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the consolidated entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Property, plant and equipment - over 2.5 to 20 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the profit or loss in the depreciation and amortisation expense line item.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the period the item is derecognised.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases

The consolidated entity assesses whether a contract is or contains a lease, at inception of the contract. The consolidated entity recognises as a right of use asset and a corresponding liability at the date on which the leased asset is available for use by the consolidated entity, except for short term or low value leases. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be determined, the lessee's incremental borrowing rate is used being the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease liabilities include the value of the following lease payments, where applicable:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lease under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liabilities are presented in borrowings in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The consolidated entity remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances;
- The lease payments change due to changes in an index or rate or a change in expected payments under a guaranteed residual value;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The consolidated entity did not make any such adjustments during the current period.

The right of use assets comprise the initial measurement of the corresponding lease liability, less any lease incentives received and any initial direct costs. They are subsequently measured as cost less accumulated depreciation and any impairment losses.

The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. The lease term is the current contracted lease term and the term of any lease extension option where there is a reasonable certainty that the option to extend the lease will be exercised. The right of use assets are presented in property, plant and equipment in the consolidated statement of financial position.

The consolidated entity applies AASB 136 *Impairment of Assets* to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the policies under "Impairment of non-financial assets".

The consolidated entity applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered low value (i.e. below \$5,000). Lease payments on short-term leases and leases of low-value assets recognised as an expense in profit or loss on a straight-line basis over the lease term.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.



## **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Provisions**

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the consolidated entity expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### **Employee benefits**

#### *Wages and salaries, annual leave and sick leave*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### *Share-based payments*

Share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the share based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of equity instruments that will eventually vest. At the end of each reporting period, the consolidated entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### **Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

### **Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of GR Engineering Services Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the consolidated entity, liabilities incurred by the consolidated entity to the former owners of the acquiree and the equity interest issued by the consolidated entity in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 *Employee Benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the consolidated entity in a business combination includes a deferred consideration arrangement, the deferred consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the deferred consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the deferred consideration that do not qualify as measurement period adjustments depends on how the deferred consideration is classified. Deferred consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other deferred consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the consolidated entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

## **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Goodwill**

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the consolidated entity's cash-generating units (or consolidated entity of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **Intangibles**

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### *Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### Revenue recognition, contract assets and liabilities

Where the outcome of a mineral processing contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is highly probable will be recoverable.

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue. The provision is recognised in full in the period in which loss-making contracts are identified under AASB 137.

### Warranties

Because the consolidated entity predominantly undertakes projects on an Engineering, Procurement & Construction turnkey design and construction contract basis, all the risk associated with cost, time, plant performance and plant warranty (defects period) rests with the consolidated entity. As such the consolidated entity is responsible for the total "make-good" of any defects of underperformance.

The consolidated entity includes a project completion and close out provision (liability) in design and construction project cost forecast reports of 3% of the project costs, or such other amount as assessed by management having regard to specific project requirements.

### Trade and other receivables and contract assets

As disclosed in the accounting policies in Note 2, an estimate of expected credit losses in respect of trade and other receivables is regularly made. Bad debts are written off when identified. The allowance for expected credit losses requires significant estimation and judgement. The Directors and management utilise the most recent available information available to them such as the aging of the receivable, historical experience with the customer, historical collection rates and specific knowledge of the individual debtor situations to make their estimation of the recoverability of trade receivables and contract assets. Included in past due but not impaired balances, are situations whereby the consolidated entity will from time to time enter into payment plans with customers for commercial reasons. These payment plans entered into will normally extend the credit terms provided to the customer. In such situations, management exercise their judgement to determine their estimated recovery and whether any loss allowance is required to be recognised in respect of the individual debtor and any associated contract asset. The impact of the COVID-19 pandemic on the consolidated entity has been assessed and it has not affected the recoverability of any trade receivables or contract assets.

When the assessment is made that there is an expected credit loss to be incurred, a loss allowance will be raised against a debtor and any contract asset to account for this expected loss. Where the estimation is different to actual results, carrying amounts are adjusted in the next financial period.

### Lease term

Management has exercised their judgement in the determination of the lease term. Management have considered extension options under their lease agreements and if it is reasonably certain that these options will be exercised, an extended lease term will be assumed.

### **NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

#### **Impairment testing**

The consolidated entity assesses for impairment at each reporting date and when an indicator of impairment is present by evaluating conditions specific to the consolidated entity that may lead to impairment of assets and the recoverable amount of the asset being determined. Value-in use-calculations performed in assessing recoverable amounts incorporate a number of key estimates such as growth rates, discount rates and EBITDA margins.

#### **Useful lives of intangible assets**

The useful life of customer assets and intellectual property assets acquired in business combinations are assessed at the time of acquisition. This requires estimation and judgement relating to the length of time assets will be required to be replaced and the benefit to be derived from the relationships. Amortisation of these assets is based on the useful life assigned at acquisition and amortised based on a straight line basis of the estimated useful life as assigned on acquisition.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 4. OPERATING SEGMENTS

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	2023 \$	2022 \$
Mineral processing	487,439,411	496,694,611
Oil and gas	63,921,704	154,974,456
Total revenue	551,361,115	651,669,067

Segment profit before tax	2023 \$	2022 \$
Mineral processing	36,422,153	36,348,121
Oil and gas	3,317,655	13,956,880
Total profit before tax	39,739,808	50,305,001

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2022: nil).



#### NOTE 4. OPERATING SEGMENTS (continued)

##### Segment assets and liabilities

	2023 \$	2022 \$
<b>Segment assets</b>		
Mineral processing	167,285,612	191,227,956
Oil and gas	20,175,770	39,894,401
Corporate	2,288,157	742,041
Total assets	189,749,539	231,864,398
<b>Depreciation and amortisation</b>		
Mineral processing	4,608,852	4,076,335
Oil and gas	1,379,512	1,192,243
Total depreciation and amortisation	5,988,364	5,268,578
<b>Segment liabilities</b>		
Mineral processing	121,682,799	152,545,462
Oil and gas	8,334,849	17,158,312
Total liabilities	130,017,648	169,703,774
<b>Geographical information</b>		
The following table shows the revenue from external customers of the consolidated entity summarised by location.		
<b>Revenue</b>		
Australia	523,408,510	608,752,166
Overseas	27,952,605	42,916,901
Total revenue	551,361,115	651,669,067
<b>Non-current assets</b>		
Australia	41,907,269	29,550,115
Overseas	4,242,892	4,435,961
Total non-current assets	46,150,161	33,986,076

##### Information about major customers

During the financial year, 3 customers individually provided more than 10% of total revenue each for the consolidated entity (2022: 2 customers).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 5. REVENUE

	Consolidated	
	2023	2022
	\$	\$
Rendering of services - mineral processing - over time	487,439,411	496,694,611
Rendering of services - oil & gas - over time	63,921,704	154,974,456
Total revenue	551,361,115	651,669,067

## NOTE 6. OTHER INCOME

	Consolidated	
	2023	2022
	\$	\$
Interest income	1,836,342	124,768
Net foreign exchange gain/(loss)	285,680	171,034
Net gain/(loss) on disposal of property, plant and equipment	7,300	17,305
Subsidies and grants	1,883	2,649
Gain on sale of financial assets	3,216,925	-
Other gains	709,179	2,794,716
Total other income	6,057,309	3,110,472

Gain on sale of financial assets represents the fair value gain on investments in listed equity shares, carried at fair value through profit and loss. Such shares were acquired and disposed during 2023.

## NOTE 7. EXPENSES

	Consolidated	
	2023	2022
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and leasing charges on leases	468,772	360,530
<i>Employee benefits</i>		
Employee benefits expense excluding superannuation	143,820,076	134,222,642
Defined contribution superannuation expense	11,768,418	11,214,157
Workers compensation expense	1,708,905	1,451,618
Total employee benefits	157,297,399	146,888,417
<i>Depreciation and amortisation</i>		
Depreciation of property plant and equipment	2,557,728	1,843,761
Depreciation of right of use assets	2,292,571	2,202,292
Total depreciation	4,850,299	4,046,053
Amortisation of intangible assets	1,138,065	1,222,525
Total depreciation and amortisation	5,988,364	5,268,578



## NOTE 8. INCOMETAX EXPENSE

Major components of income tax expense for the years ended 30 June 2022 and 2023 are:

Income tax recognised in the Consolidated statement of profit or loss	Consolidated	
	2023 \$	2022 \$
<i>Current income tax</i>		
Current income tax charge	11,864,094	17,141,992
Other current income tax charges	122,014	166,237
Adjustments in respect of current income tax of previous years	(864,032)	(405,231)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	968,407	(1,537,991)
Adjustments in respect of previous deferred income tax	158,094	219,701
Income tax expense reported in statement of profit or loss	12,248,578	15,584,708
<b>Income tax recognised in other comprehensive income</b>		
Investments in equity instruments at fair value through other comprehensive income	(97,114)	296,731
	(97,114)	296,731
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the consolidated entity's effective income tax rate for the years ended 30 June 2022 and 2023 is as follows:		
Accounting profit before income tax	39,739,809	50,305,001
At the statutory income tax rate of 30% (2022: 30%)	11,921,942	15,091,500
Add:		
Non-deductible expenses	631,671	393,196
Adjustments in respect of previous year current income tax	(705,938)	(185,530)
Other current income tax charges	124,587	166,237
Foreign losses not recognised	270,994	119,305
Impact to tax expense arising from foreign tax rate differential	5,321	-
At effective income tax rate of 30.8% (2022: 30.6%)	12,248,578	15,584,708
Income tax expense reported in statement of profit or loss	12,248,578	15,584,708

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 8. INCOMETAX EXPENSE (continued)

	Consolidated	
	2023	2022
	\$	\$
<b>Deferred income tax</b>		
Deferred income tax at 30 June relates to the following:		
<i>Deferred income tax assets</i>		
Accrued employee entitlements	855,742	828,218
Accrued superannuation	257,242	255,539
Accrued audit fees	15,540	20,745
Accrued expenses	141,128	-
Provision for long service leave	653,828	632,235
Provision for warranty	2,200,875	2,454,209
Provisions - other	268,933	188,730
Provision for doubtful debts	-	716,673
Shares in listed entity	357,335	260,222
Plant and equipment	-	24,786
Right of use asset	89,140	79,083
Foreign losses	237,324	-
Business related costs	2,573	-
	5,079,660	5,460,440
<i>Deferred income tax liabilities</i>		
Customer relationships	(2,070,993)	(2,405,048)
Accrued income	-	-
Other accrued income	(35)	(51)
Plant and equipment	(1,798,155)	(1,061,054)
Unrealised foreign exchange gain/(loss)	(80,127)	(85,033)
Work in progress	(264,175)	(25,009)
	(4,213,485)	(3,576,195)
Net deferred tax asset	866,175	1,884,245

## NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2023 \$	2022 \$
Cash on hand	59,545	56,922
Cash at bank	85,962,598	101,937,646
	86,022,143	101,994,568

The fair value of cash and cash equivalents is \$86,022,143 (2022: \$101,994,568).

Cash at bank 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.

	Consolidated	
Reconciliation from the net profit after tax to the net cash flow from operating activities	2023 \$	2022 \$
Net profit after tax	27,491,230	34,720,293
<i>Adjustments for:</i>		
Depreciation and amortisation	5,988,364	5,268,578
(Profit)/loss on sale of assets	(7,300)	(17,305)
Share based employee payments	1,824,106	1,020,279
Net foreign exchange (gain)/loss	88,056	(271,972)
Interest expense on leases	459,018	327,806
Doubtful debt expense	(94,332)	-
Net (gain)/loss arising on sale of financial assets	(3,216,925)	-
Acquisition of shares as consideration for services	(7,441,057)	-
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	30,282,584	(35,095,201)
(Increase)/decrease in inventories	2,949	(15,609)
(Increase)/decrease in deferred tax asset	1,018,070	(719,467)
(Decrease)/increase in trade and other payables	(44,702,091)	35,288,761
(Decrease)/increase in provisions	163,143	5,774,015
(Decrease)/increase in tax liabilities	(2,988,458)	155,176
(Decrease)/increase in contract liabilities	4,862,229	23,309,946
Net cash from operating activities	13,729,586	69,745,300

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS (continued)

### Non-cash transactions

During the year ended 30 June 2023 and year ended 30 June 2022, the following non-cash investing and financing activities occurred, which are not reflected in the consolidated statement of cash flows:

- during the year ended 30 June 2023 the consolidated entity acquired equipment under lease of \$400,651 (2022: \$768,379).

Reconciliation of liabilities arising from cash flows from financing activities	Consolidated	
	2023 \$	2022 \$
Opening balance - leases	4,258,677	5,837,824
New non-cash leases	5,212,708	551,274
Insurance premium funding	2,696,524	2,316,833
Interest expense	459,018	327,806
Repayments	(5,394,415)	(4,775,060)
Closing balance - leases	7,232,512	4,258,677
Opening balance - bank loan	-	2,419,320
Proceeds from borrowings	-	-
Interest paid - bank loan	-	(30,931)
Repayments	-	(2,388,390)
Closing balance - bank loan	-	-

## NOTE 10. TRADE AND OTHER RECEIVABLES

### Current assets – trade and other receivables

Trade receivables	41,503,381	70,823,812
Less: Loss allowance	-	(2,388,909)
	41,503,381	68,434,903
Contract assets - oil and maintenance contracts	5,144,277	12,855,297
Contract assets - mineral processing contracts	1,831,642	6,328,182
Contract assets - contracts for sale of assets	2,303,867	2,653,554
	9,279,786	21,837,033
Term deposits held for security	940,750	267,200
Loan receivable	543,640	-
Other receivables	1,469,843	2,724,125
	53,737,400	93,263,261

Trade receivables are non-interest bearing and are normally settled on 30 to 90 day terms.

Contract assets are balances owing from customer contracts. For mineral processing contracts this arises if the revenue recognised exceeds the milestone payments. For information on contracts in progress, refer to note 18.

# NOTE 10. TRADE AND OTHER RECEIVABLES (continued)

	Consolidated	
	2023	2022
	\$	\$
<i>Expected credit losses of receivables</i>		
Movements in the loss allowance of receivables are as follows:		
Opening balance	2,388,909	-
Transfer to credit impaired	94,332	2,414,284
Amounts written off	(2,483,241)	(25,375)
Amounts recovered	-	-
Closing balance	-	2,388,909
<p>The loss allowance recognised for contract assets is immaterial. The consolidated entity always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime expected credit loss. The consolidated entity recognises a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable. In certain circumstances, arrangements are agreed to with customers for commercial reasons, which would extend this time period. Expected losses on assets aged under 120 days are immaterial. An allowance for expected credit losses requires significant judgement and estimation on behalf of the directors and management, as described in note 3.</p> <p>In determining the recoverability of a trade receivable, the consolidated entity used the expected credit loss model as per AASB 9. The expected credit loss model requires the consolidated entity to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit default to have occurred before credit losses are recognised.</p> <p>Net increase in loss allowance arising from new amounts recognised is \$94,332 (2022: \$25,375).</p> <p>The ageing of the past due but not impaired receivables are as follows:</p>		
0 to 3 months overdue	49,560,586	87,287,916
3 to 6 months overdue	579,100	374,881
Over 6 months overdue	643,481	2,609,139
	50,783,167	90,271,936
<p>In determining the recoverability of a trade receivable, the consolidated entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.</p>		
<b>Non-current assets – trade and other receivables</b>	8,020,983	-
Loan receivable	8,020,983	-
<p>The loan receivable is repaid monthly based on a contracted repayment schedule. The loan carries a fixed interest rate at 9% per annum. The consolidated entity has a security interest over the plant, equipment and design documentation relating to a specific asset that was designed and constructed by the consolidated entity.</p>		



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 11. CURRENT ASSETS – INVENTORIES

	Consolidated	
	2023 \$	2022 \$
Consumables – at cost	46,489	49,441
	46,489	49,441

## NOTE 12. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Plant and equipment - at cost	21,272,733	18,131,115
Less: Accumulated depreciation	(15,063,611)	(13,680,073)
	6,209,122	4,451,042
Right of use assets	10,402,949	8,983,278
Less: Accumulated depreciation	(4,023,054)	(5,075,187)
	6,379,895	3,908,091
	12,589,017	8,359,133

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Finance lease and right of use assets \$	Plant & Equipment \$	Total \$
<b>Balance at 30 June 2021</b>	5,232,510	3,439,579	8,672,089
Additions	909,642	2,823,455	3,733,097
Disposals, Write off of assets	-	-	-
Transfers in/(out)	(31,769)	31,769	-
Depreciation expense	(2,202,292)	(1,843,761)	(4,046,053)
<b>Balance at 30 June 2022</b>	3,908,091	4,451,042	8,359,133
Additions	5,343,912	3,789,510	9,133,422
Disposals, Write off of assets	-	(53,239)	(53,239)
Transfers in/(out)	(314,380)	314,380	-
Depreciation expense	(2,557,728)	(2,292,571)	(4,850,299)
<b>Balance at 30 June 2023</b>	6,379,895	6,209,122	12,589,017

### Right of use assets

The consolidated entity has property leases which are recorded as right of use assets. The average term of these property leases as at 30 June 2023 is 4.2 years (2022: 4.1 years). These right of use assets do not have an option to purchase at the end of the lease term. The consolidated entity has other right of use assets relating to motor vehicles and office equipment, these have an option to purchase at the end of the lease term and are secured over the leased assets. The average term of these leases as at 30 June 2023 is 4.3 years (2022: 4.2 years).

## NOTE 12. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated	
	2023	2022
	\$	\$
<i>Amounts recognised in profit and loss</i>		
Depreciation expense on right-of-use assets	2,292,571	2,202,292
Interest expense on lease liabilities	468,772	360,530
Expense relating to short-term and low value leases	622,048	680,608

At 30 June 2023 the consolidated entity is committed to \$10,928 for short term and low value property leases (2022: \$10,558).

## NOTE 13. FINANCIAL ASSETS

### Financial assets held at fair value through other comprehensive income

Shares in listed entities	2,288,157	742,041
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Shares and options in listed entities are measured at fair value at the end of the reporting period, using quoted market share prices. Refer to note 23 for movement during the year.

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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## NOTE 14. INTANGIBLE ASSETS

	Consolidated	
	2023	2022
	\$	\$
Goodwill acquired on acquisition of subsidiary	13,794,957	13,675,052
Customer assets acquired on acquisition of subsidiary	7,100,723	7,969,167
Intellectual property assets	1,490,149	1,356,438
	22,385,829	23,000,657
<b>Movement in intangible assets</b>		
<i>Goodwill</i>		
Balance at beginning of year	13,675,052	13,470,303
Translation differences related to goodwill held in foreign currencies	119,905	204,749
Balance at end of year	13,794,957	13,675,052
<i>Customer assets</i>		
Balance at beginning of year	7,969,167	8,889,686
Translation differences related to customer assets held in foreign currencies	64,637	122,040
Amortisation	(933,081)	(1,042,559)
Balance at end of year	7,100,723	7,969,167
<i>Intellectual property assets</i>		
Balance at beginning of year	1,356,438	1,350,019
Additional intellectual property assets acquired	338,695	186,385
Amortisation	(204,984)	(179,966)
Balance at end of year	1,490,149	1,356,438

Intangible customer assets were acquired by the consolidated entity in relation to the existing contracts and relationships from its acquisition of its subsidiaries, Hanlon Engineering and Associates Inc. and Mipac Holdings Pty Ltd. These intangible customer assets are amortised over a period of 10 to 15 years. Intangible intellectual property assets were acquired in the transaction with Mipac Holdings Pty Ltd, relating to software products. These intellectual property assets will be amortised over a period of 15 years.

The consolidated entity tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

### Value in Use Assumptions and Key Estimates

#### *Sales and Earnings Growth*

The five year cash flow estimates used in assessments for all CGUs were based on the Board approved budgets for the year ending 30 June 2023. The business has assumed a nominal growth assumption of 2% per annum.

#### *Discount Rate*

A discount rate of 10% (FY22: 10%) which includes a risk margin was applied to the cashflows within each of the CGUs.

#### NOTE 14. INTANGIBLE ASSETS (continued)

##### *Sensitivity Analysis*

The business simulated scenarios to sensitise future cash flows including the net future cash flow impacts of a delay in contract awards. In this scenario, there is still significant headroom in the value in use model. There is no reasonably possible change in the assumptions that would lead to an impairment.

Goodwill arising from the acquisition of Hanlon Engineering and Associates Inc. has been allocated to the mineral processing segment. The directors have performed an annual impairment test with recoverable amount of the cash generating unit being determined based on a value in use calculation. No indicators of impairment were noted and no impairment required.

#### NOTE 15. CURRENT LIABILITIES –TRADE AND OTHER PAYABLES

	Consolidated	
	2023 \$	2022 \$
Trade payables	37,002,890	75,996,145
Accrued expenses	7,343,207	12,901,448
GST payable	834,498	239,707
Deferred revenue	405,193	1,684,407
Other payables	5,938,896	6,684,282
	51,524,684	97,505,989

Refer to note 23 for further information on financial instruments.

Trade payables are non-interest bearing and are normally settled on 30 day terms.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a monthly basis.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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## NOTE 16. BORROWINGS

	Consolidated	
	2023	2022
	\$	\$
<b>Current liabilities - borrowings</b>		
Lease liability - motor vehicles and office equipment	388,199	306,309
Lease liability - office premises	1,874,452	1,270,321
	2,262,651	1,576,630
<b>Non-current liabilities - borrowings</b>		
Lease liability - motor vehicles and office equipment	964,079	1,237,360
Lease liability - office premises	4,005,782	1,444,687
	4,969,861	2,682,047
Refer to note 23 for further information on financial instruments.		
<i>Total secured liabilities</i>		
The total secured liabilities (current and non-current) are as follows:		
Lease liability	1,352,278	1,543,669
	1,352,278	1,543,669
<i>Assets pledged as security</i>		
The lease liabilities relating to motor vehicles and office equipment are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default. Property lease liabilities are not secured.		
<i>Lease liabilities - maturity analysis</i>		
Year 1 - current liability	2,476,005	1,865,041
Year 2 - non-current liability	1,909,000	1,247,023
Year 3 - non-current liability	1,439,181	730,593
Year 4 - non-current liability	1,229,852	332,153
Year 5 - non-current liability	532,700	106,436
Year 6 - non-current liability	-	82,527
	7,586,738	4,363,773



## NOTE 17. PROVISIONS

	Consolidated	
	2023 \$	2022 \$
<b>Current liabilities - provisions</b>		
Annual leave	6,761,529	6,223,306
Long service leave	2,716,634	2,058,720
Warranties	7,336,250	8,180,695
Project returns	444,075	251,208
	17,258,488	16,713,929
<b>Movement in provisions</b>		
<i>Provision for annual leave</i>		
Balance at beginning of year	6,223,306	5,369,641
Additional provisions recognised	5,087,541	4,580,977
Amounts used	(4,549,318)	(3,727,312)
Balance at end of year	6,761,529	6,223,306
<i>Provision for warranty and defects liability</i>		
Balance at beginning of year	8,180,695	3,580,652
Additional provisions/(reduction in provisions) recognised	1,635,423	6,331,262
Amounts used	(2,479,868)	(1,731,219)
Balance at end of year	7,336,250	8,180,695
<i>Provision for project returns</i>		
Balance at beginning of year	251,208	-
Additional provisions/(reduction in provisions) recognised	365,394	251,208
Amounts used	(172,527)	-
Balance at end of year	444,075	251,208
<b>Non-current liabilities – provisions</b>		
Long service leave	2,032,825	2,409,025
<b>Movement in provisions</b>		
<i>Provision for long service leave</i>		
Balance at beginning of year	4,467,745	4,393,280
Additional provisions recognised	922,354	615,825
Amounts used	(640,640)	(541,360)
Balance at end of year	4,749,459	4,467,745
<i>Provision for long service leave - reconciled as follows:</i>		
Long service leave - current	2,716,634	2,058,720
Long service leave - non-current	2,032,825	2,409,025
	4,749,459	4,467,745

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 18. CONTRACT LIABILITIES

	Consolidated	
	2023 \$	2022 \$
Contract liabilities – current liabilities	50,705,357	44,563,914
<b>Contracts in progress</b>		
Progress billings - mineral processing	664,813,526	506,318,282
Construction costs to date plus recognised profits - mineral processing	(615,939,811)	(468,082,550)
	48,873,715	38,235,732

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

Revenue recognised in the current reporting period relating to contract liabilities on the balance sheet at 30 June 2022 was \$44,563,914 (30 June 2021: \$16,585,801). There was nil revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

## NOTE 19. EQUITY – ISSUED CAPITAL

	Consolidated		Consolidated	
	2023 Shares	2022 Shares	2023 \$	2022 \$
<i>Ordinary shares - fully paid</i>				
Opening balance	161,231,951	160,577,900	39,890,962	39,141,677
Additional shares issued:				
Exercise of performance rights	50,000	-	33,500	-
Exercise of share appreciation rights	285,301	305,968	100,949	121,390
Acquisition of subsidiary	-	348,083	-	627,895
Ordinary shares - fully paid	161,567,252	161,231,951	40,025,411	39,890,962

### Ordinary shares

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

### Share appreciation rights

As at 30 June 2023, the consolidated entity had nil share appreciation rights on issue as part of the consolidated entity's equity incentive plan (as at 30 June 2022: 864,447).

## NOTE 19. EQUITY – ISSUED CAPITAL (continued)

### Performance rights

As at 30 June 2023, the consolidated entity had on issue a total of 6,795,000 performance rights (as at 30 June 2022: 4,770,000):

Number of performance rights	Grant date	Expiry date	Exercise price
3,665,000	14/9/2020	14/9/2023	Nil
35,000	18/2/2021	14/9/2023	Nil
150,000	9/6/2021	14/9/2023	Nil
65,000	22/7/2021	22/7/2024	Nil
225,000	30/11/2021	30/11/2024	Nil
100,000	7/2/2022	7/2/2025	Nil
25,000	21/3/2022	21/3/2025	Nil
80,000	1/7/2022	1/7/2025	Nil
50,000	1/11/2022	14/9/2023	Nil
595,000	1/11/2022	1/11/2025	Nil
35,000	1/11/2022	22/7/2024	Nil
1,770,000	12/12/2022	12/12/2025	Nil



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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## NOTE 20. EQUITY – RESERVES

	Consolidated	
	2023 \$	2022 \$
Foreign currency reserve	(76,071)	(386,552)
Performance rights reserve	3,460,206	1,620,503
Share appreciation rights reserve	-	150,046
Investment revaluation reserve	(685,160)	671,612
	2,698,975	2,055,609
<i>Foreign currency reserve</i>		
Balance at beginning of year	(386,552)	(842,807)
Additional amounts recognised	310,481	456,255
Balance at end of year	(76,071)	(386,552)
The above foreign currency reserve represents foreign exchange differences resulting from translation of foreign currency amounts held in subsidiaries of the consolidated entity.		
<i>Performance rights reserve</i>		
Balance at beginning of year	1,620,503	694,322
Additional amounts recognised	1,873,203	926,181
Amount exercised	(33,500)	-
Balance at end of year	3,460,206	1,620,503
The above performance rights reserve relates to performance rights granted and vested by the consolidated entity to its employees under its equity incentive plan.		
<i>Share appreciation rights reserve</i>		
Balance at beginning of year	150,046	177,338
Additional amounts recognised	-	94,098
Amount exercised	(100,949)	(121,390)
Lapsed and transferred to retained earnings	(49,097)	-
Balance at end of year	-	150,046
The above share appreciation rights reserve relates to share appreciation rights granted and vested by the consolidated entity to its employees under its equity incentive plan.		



**NOTE 20 EQUITY – RESERVES (continued)**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Investment revaluation reserve</i>		
Balance at beginning of year	671,612	1,297,527
Gain realised on sale of investment	-	(94,935)
Movement in fair value	(1,356,772)	(530,980)
Balance at end of year	(685,160)	671,612

The above investment revaluation reserve relates to the revaluation of shares held in listed entities to fair value at the end of the reporting period. The fair value is determined using the quoted share price at 30 June 2023.

**NOTE 21. EQUITY – RETAINED PROFITS**

Retained profits at the beginning of the financial year	20,214,053	11,171,571
Transfers from reserves	-	-
Transfer from investment revaluation reserve	-	94,935
Profit after income tax expense for the year	27,491,230	34,720,293
Payment of dividends	(30,697,778)	(25,772,746)
Retained profits at the end of the financial year	17,007,505	20,214,053





# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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## NOTE 22. EQUITY – DIVIDENDS

	Consolidated	
	2023 \$	2022 \$
<i>Dividends</i>		
<b>Year ended 30 June 2022</b>		
Dividend paid 22 September 2021 (fully franked at 30% tax rate):		
7 cents per ordinary share	-	11,261,871
Dividend paid 25 March 2022 (fully franked at 30% tax rate):		
9 cents per ordinary share	-	14,510,876
<b>Year ended 30 June 2023</b>		
Dividend paid 20 September 2022 (fully franked at 30% tax rate):		
10 cents per ordinary share	16,156,725	-
Dividend paid 23 March 2023 (fully franked at 30% tax rate):		
9 cents per ordinary share	14,541,053	-
	<b>30,697,778</b>	<b>25,772,747</b>
On 16 August 2023, the consolidated entity declared a fully franked dividend of 10.0 cents per share, an aggregate of \$16,156,725. The Record Date of the dividend is 5 September 2023 and the proposed payment date is 22 September 2023.		
<i>Franking credits</i>		
Franking (debits)/credits available for subsequent financial years based on a tax rate of 30%	6,013,005	3,573,311

## NOTE 23. FINANCIAL INSTRUMENTS

### Financial risk management objectives

The consolidated entity is exposed to risks in relation to its financial instruments. These risks include market risk (consisting of foreign currency risk and interest rate risk), credit risk, liquidity risk and equity risk.

A summary of the consolidated entity's financial instruments are as follows:

#### Financial assets

Cash and cash equivalents - amortised cost	86,022,143	101,994,568
Trade and other receivables current asset - amortised cost	53,737,400	93,263,261
Trade and other receivables non current asset - amortised cost	8,020,983	-
Equity instruments - fair value through other comprehensive income	2,288,157	742,041
Total financial assets	<b>150,068,683</b>	<b>195,999,870</b>

#### Financial liabilities

Trade and other payables - amortised cost	51,524,684	97,505,989
Lease liabilities - amortised cost	7,232,512	4,258,677
Total financial liabilities	<b>58,757,196</b>	<b>101,764,666</b>

## NOTE 23. FINANCIAL INSTRUMENTS (continued)

### Capital risk management

The consolidated entity manages its capital to ensure the ability to continue as a going concern while maximising the return to stakeholders. The capital structure of the consolidated entity consists of equity in the form of issued capital, reserves and retained earnings, and debt in the form of borrowings. The consolidated entity is not subject to any externally imposed capital requirements.

### Market risk

#### Foreign currency risk

The consolidated entity and the parent entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

The carrying amounts in Australian dollars (AUD) of the consolidated entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2023 AUD \$	2022 AUD \$	2023 AUD \$	2022 AUD \$
United States Dollars	6,110,249	6,356,588	(301,781)	(896,503)
Great British Pounds	19,545	215,966	(286)	(9,925)
Euro	238	220	(7,489)	(6,933)
Canadian Dollars	2,240,737	609,088	-	(7,426)
Papua New Guinea Kina	833,978	1,002,886	(15,483)	(10,934)
Indonesian Rupiah	216,474	241,299	(3,020)	(2,921)
	9,421,221	8,426,047	(328,059)	(934,642)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity holds balances in United States dollars, these balances are translated into Australian dollars at the prevailing exchange rate at 30 June 2023 of AUD \$1 = USD \$0.66 (2022: AUD \$1 = USD \$0.69).

The consolidated entity holds balances in Great British pounds, these balances are translated into Australian dollars at the prevailing exchange rate at 30 June 2023 of AUD \$1 = GBP £0.52 (2022: AUD \$1 = GBP £0.57).

The consolidated entity holds balances in Euro, these balances are translated into Australian dollars at the prevailing exchange rate at 30 June 2023 of AUD \$1 = EUR €0.61 (2022: AUD \$1 = EUR €0.66).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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## NOTE 23. FINANCIAL INSTRUMENTS (continued)

The following table details the consolidated entity's sensitivity to a 10% increase and decrease in the value of the Australian dollar against the currencies in which monetary assets are held:

	Effect of 10% increase in exchange rate		Effect of 10% decrease in exchange rate	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Consolidated – 2023	\$	\$	\$	\$
United States Dollars	(439,854)	(431,226)	753,171	743,634
Great British Pounds	(1,748)	(14,825)	2,144	16,598
Euro	659	306	(806)	(416)
Canadian Dollars	(187,763)	(187,763)	268,453	268,453
Papua New Guinea Kina	(74,409)	(74,960)	90,944	91,553
Indonesian Rupiah	(19,131)	(19,131)	24,052	24,052
	(722,246)	(727,599)	1,137,958	1,143,874

### Consolidated – 2022

United States Dollars	(515,547)	(509,532)	583,240	576,592
Great British Pounds	(18,641)	(14,278)	23,004	18,182
Euro	610	293	(746)	(395)
Canadian Dollars	(49,508)	(49,508)	73,193	73,193
Papua New Guinea Kina	(90,177)	(90,459)	110,217	110,529
Indonesian Rupiah	(21,158)	(21,158)	27,114	27,114
	(694,421)	(684,642)	816,022	805,215

### Interest rate risk

The board has considered the consolidated entity's exposure to interest rate risk by analysing the effect on profit and equity of an interest rate increase or decrease of one quarter of a percentage point (0.25%) in the following table.

	Effect of increase in interest rate		Effect of decrease in interest rate	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Consolidated – 2023	\$	\$	\$	\$
Interest revenue	101,993	101,993	(101,993)	(101,993)
Interest expense	(5,386)	(5,386)	5,385	5,385
	96,607	96,607	(96,608)	(96,608)

### Consolidated – 2022

Interest revenue	160,144	160,144	(83,674)	(83,674)
Interest expense	679	679	(678)	(678)
	160,823	160,823	(84,352)	(84,352)

## NOTE 23. FINANCIAL INSTRUMENTS (continued)

### Equity price risk

The consolidated entity is exposed to equity price risks arising from equity investments.

The sensitivity analysis below has been determined based on the exposure of the consolidated entity to a 5% increase or decrease in equity prices at the end of the reporting period.

- other comprehensive income for the year ended 30 June 2023 would increase by \$114,408 (2022: \$37,102) as a result of an increase of 5% in equity prices, and decrease by \$114,408 (2022: \$37,102) as a result of a decrease of 5% in equity prices.

### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The consolidated entity uses independent rating agencies, publicly available financial information and other trading records to rate its major customers. Legally binding contracts are entered into to determine payment terms in relation to major projects.

The consolidated entity does not have significant credit risk exposure to any single counterparty or group of counterparties.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the consolidated entity's short-, medium- and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 23. FINANCIAL INSTRUMENTS (continued)

### Liquidity and interest rate risk tables

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position

	Weighted average interest rate %	Remaining contractual maturities			Total \$
		Less than 6 months \$	6 to 12 months \$	Over 12 months \$	
Consolidated – 2023					
Non-derivatives					
Non-interest bearing					
Trade payables	-	51,524,684	-	-	51,524,684
Interest-bearing - fixed rate					
Lease liability	3.97%	1,497,666	764,985	4,969,861	7,232,512
Total non-derivatives		53,022,350	764,985	4,969,861	58,757,196

### Consolidated – 2022

#### Non-derivatives

##### *Non-interest bearing*

Trade payables	-	97,505,989	-	-	97,505,989
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##### *Interest-bearing - fixed rate*

Lease liability	3.65%	1,134,109	442,521	2,682,047	4,258,677
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#### Total non-derivatives

		98,640,098	442,521	2,682,047	101,764,666
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## 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:

Consolidated	2023		2022	
	Carrying amount \$	Fair Value \$	Carrying amount \$	Fair Value \$
<i>Assets</i>				
Cash at bank	86,022,143	86,022,143	101,994,568	101,994,568
Trade receivables - current	53,737,400	53,737,400	93,263,261	93,263,261
Trade receivables - non current	8,020,983	8,020,983	-	-
Equity instruments	2,288,157	2,288,157	742,041	742,041
	150,068,683	150,068,683	195,999,870	195,999,870
<i>Liabilities</i>				
Trade payables	51,524,684	51,524,684	97,505,989	97,505,989
Lease liability	7,232,512	7,232,512	4,258,677	4,258,677
	58,757,196	58,757,196	101,764,666	101,764,666



## NOTE 23. FINANCIAL INSTRUMENTS (continued)

### Fair value of financial instruments (continued)

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial assets and liabilities of the consolidated entity are classified into these categories below:

<b>Fair value hierarchy – 2023</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>	<b>Total \$</b>
<i>Financial assets</i>				
Trade receivables	-	53,737,400	-	53,737,400
Equity instruments	2,288,157	-	-	2,288,157
	2,288,157	53,737,400	-	56,025,557
<i>Financial liabilities</i>				
Trade payables	-	51,524,684	-	51,524,684
	-	51,524,684	-	51,524,684

### Fair value hierarchy – 2022

<i>Financial assets</i>				
Trade receivables	-	93,263,261	-	93,263,261
Equity instruments	742,041	-	-	742,041
	742,041	93,263,261	-	94,005,302
<i>Financial liabilities</i>				
Trade payables	-	97,505,989	-	97,505,989
	-	97,505,989	-	97,505,989

The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 23. FINANCIAL INSTRUMENTS (continued)

### Fair value of financial instruments (continued)

Reconciliation of Level 1 fair value measurements:

	Consolidated	
	2023 \$	2022 \$
<i>Equity instruments</i>		
Opening balance	742,041	2,192,175
Additions	10,500,000	-
Disposals	(10,716,925)	(650,903)
Net revaluations in other comprehensive income	(1,453,884)	(799,231)
Gain in profit and loss	3,216,925	-
Closing balance	2,288,157	742,041
<i>Secured bank loan facilities:</i>		
Amount unused - working capital facility	3,400,230	3,247,925
Total bank loan facility	3,400,230	3,247,925

The consolidated entity has a working capital facility which has not been used, for a total value of \$2,250,000 United States dollars. The interest rate will be the Prime Rate. The Prime Rate at 30 June 2023 is 8.25%. Interest on amounts outstanding will be payable in arrears on a monthly basis. The facility is currently undrawn.



## NOTE 24. KEY MANAGEMENT PERSONNEL DISCLOSURES

### *Directors*

The following persons were directors of GR Engineering Services Limited during the financial year:

#### **Executive directors**

Tony Patrizi Managing Director (appointed 16 February 2023)  
Geoff Jones Managing Director (resigned 27 January 2023)

#### **Non-executive directors**

Phil Lockyer Non-Executive Chairman  
Peter Hood Non-Executive Director  
Joe Totaro Non-Executive Director

### *Other key management personnel*

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

#### **Executives**

Omesh Motiwalla Chief Financial Officer and Company Secretary

#### **Remuneration of key management personnel**

Information on remuneration of key management personnel is set out in the Remuneration Report in the Directors Report.

The aggregate compensation made to key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Short term benefits	1,479,205	1,490,265
Post employment benefits	96,781	98,028
Share based payments	103,427	124,603
Other	218,287	99,500
	<b>1,897,700</b>	<b>1,812,396</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 25. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company, and its network firms:

	Consolidated	
	2023 \$	2022 \$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements of the consolidated entity	239,000	244,700
Audit or review of the financial statements of subsidiaries	11,702	25,308
<i>Other services - Deloitte Touche Tohmatsu</i>		
Tax compliance - consolidated entity	103,146	66,179
Other services - consolidated entity	-	-
	353,848	336,187
During the financial year the following fees were paid or payable for services provided by other auditors:		
Audit or review of the financial statements of subsidiaries	43,277	41,245

## NOTE 26. CONTINGENT LIABILITIES

The consolidated entity has bank guarantees in place as at 30 June 2023 of \$56,884,776 (2022: \$28,987,233) under its multi-option facility with National Australia Bank.

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 30 June 2023 is \$56,165,152 (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 \$719,624 (2022: \$493,933). The amount of bank guarantees issued under this facility at 30 June 2023 is \$719,624 (2022: \$493,933).

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 30 June 2023 is USD \$440,544 (AUD \$665,756) (2022: nil).

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 30 June 2023 is \$23,186,999 (2022: \$20,040,311). The amount of insurance bonds issued under the Allianz Australia Insurance Limited facility at 30 June 2023 is \$8,207,853 (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.

## NOTE 27. RELATED PARTY TRANSACTIONS

During the year ended 30 June 2023, the consolidated entity leased office space at 71 Daly Street, Ascot WA from Ashguard Pty Ltd. Tony Patrizi, a director of the consolidated entity, had a non-controlling interest in Ashguard Pty Ltd. The total amount invoiced by Ashguard Pty Ltd in the year ended 30 June 2023 amounted to \$826,666 including GST (2022: \$799,179). The balance payable at 30 June 2023 is \$3,880 (2022: \$61,159).

During the year ended 30 June 2023 the consolidated entity procured items from Mak Industrial Water Solutions Limited, a company in which Peter Hood is Chairman. The total amount invoiced by Mak Industrial Water Solutions Limited in the year ended 30 June 2023 amounted to \$12,609 including GST (2022: \$12,609). The balance payable at 30 June 2023 is nil (2022: \$12,609).

The terms of these arrangements are at arm's length and at normal commercial terms.

Other than transactions with parties related to key management personnel mentioned above and in the remuneration report, there have been no other transactions with parties related to the consolidated entity in the financial year ending 30 June 2023.

## NOTE 28. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Set out below is the supplementary information about the parent entity.

	Parent	
	2023 \$	2022 \$
<b>Statement of profit or loss and other comprehensive income</b>		
Profit/(loss) after income tax	25,170,935	24,283,387
Total comprehensive income	23,814,163	23,752,407

	Parent	
	2023 \$	2022 \$
<b>Statement of financial position</b>		
Total current assets	120,345,252	167,095,545
Total assets	140,229,589	175,336,052
Total current liabilities	108,948,198	141,617,207
Total liabilities	112,724,019	142,770,973
Equity		
Issued capital	40,025,411	39,890,962
Performance rights reserve	3,460,206	1,620,503
Share appreciation rights reserve	-	150,046
Investment revaluation reserve	(685,160)	671,612
Retained profits	(15,294,887)	(9,768,044)
Total equity	27,505,570	32,565,079

The contingent liabilities of the parent entity are the same as those of the consolidated entity, as set out in note 26.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 29. EVENTS AFTER THE REPORTING PERIOD

On 25 July 2023, GR Engineering received a Letter of Intent from K92 Mining Ltd, a subsidiary of TSX listed K92 Mining Inc. for the EPC works for a 1.2 Mtpa Process Plant at the Kainantu Gold Mine in Papua New Guinea. The contract sum is US\$81 million. GR Engineering has commenced works on an agreed scope and cost basis.

On 4 August 2023, GR Engineering was awarded an EPC Contract with Yangibana Pty Ltd, a wholly owned subsidiary of Hastings Technology Metals Limited (Hastings) for a beneficiation plant and associated infrastructure for the Yangibana Rare Earths Project. The contract sum, including the provisional sum, is \$210 million. GR Engineering has commenced 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.

On 16 August 2023, the consolidated entity declared a fully franked dividend of 10.0 cents per share, an aggregate of \$16,156,725. The Record Date of the dividend is 5 September 2023 and the proposed payment date is 22 September 2023.

## NOTE 30. EARNINGS PER SHARE

	Consolidated	
	2023 \$	2022 \$
Profit after income tax attributable to the owners of GR Engineering Services Limited	27,491,230	34,720,293
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	161,565,197	161,112,744
Adjustments for calculation of diluted earnings per share:		
Weighted average number of employee performance rights and share appreciation rights issued	5,770,562	5,406,022
Weighted average number of ordinary shares used in calculating diluted earnings per share	167,335,759	166,518,766
	Cents	Cents
Basic earnings per share	17.02	21.55
Diluted earnings per share	16.43	20.85

## NOTE 31. SHARE-BASED PAYMENTS

An Equity Incentive Plan was adopted by the consolidated entity on 28 March 2012, and was updated on 28 September 2022. At the discretion of the Board, all eligible employees of the consolidated entity or eligible consultants may participate in the Plan. Non-executive directors are not eligible to participate in the Plan.

The Plan is designed to align the interests of executives and employees with the interests of shareholders by providing an opportunity to receive an equity interest in the consolidated entity and therefore direct participation in the benefits of future consolidated entity performance over the medium to long term.

The consolidated entity has issued a total of 10,770,000 performance rights to employees and long term contractors under the Plan. Each right entitles the employee to acquire one fully paid share in the consolidated entity for nil consideration, subject to the employees meeting a service term of three years from the date of grant. During the financial year ending 30 June 2023 2,530,000 performance rights were issued under the Plan (2022: 525,000).

During the financial year 50,000 performance rights vested (2022: nil). A total of 2,593,945 performance rights have lapsed due to resignations of entitled employees since the date of issue of the first tranche of rights. Of this total 455,000 have lapsed in the financial year ending 30 June 2023 (2022: 400,000).

### NOTE 31. SHARE-BASED PAYMENTS (continued)

A summary of performance rights on issue as at 30 June 2023 follows:

	Tranche 21	Tranche 22	Tranche 23	Tranche 24	Tranche 25	Tranche 26
Number issued	4,350,000	95,000	150,000	65,000	300,000	100,000
Number lapsed	(685,000)	(60,000)	-	-	(75,000)	-
Grant date	14 Sep 2020	18 Feb 2021	9 Jun 2021	22 Jul 2021	30 Nov 2021	7 Feb 2022
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Vesting date	14 Sep 2023	14 Sep 2023	14 Sep 2023	22 Jul 2024	30 Nov 2024	7 Feb 2025
Expiry date	14 Sep 2023	14 Sep 2023	14 Sep 2023	22 Jul 2024	30 Nov 2024	7 Feb 2025
Vesting period (years)	3	3	2	3	3	3
Vesting conditions	Nil	Nil	Nil	Nil	Nil	Nil
Fair value	\$0.683	\$0.967	\$1.130	\$1.050	\$1.420	\$1.520

	Tranche 28	Tranche 29	Tranche 30	Tranche 31	Tranche 32	Tranche 33
Number issued	25,000	80,000	50,000	595,000	35,000	1,770,000
Number lapsed	-	-	-	-	-	-
Grant date	21 Mar 2022	1 Jul 2022	1 Nov 2022	1 Nov 2022	1 Nov 2022	12 Dec 2022
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Vesting date	21 Mar 2025	1 Jul 2025	14 Sep 2023	1 Nov 2025	22 Jul 2024	12 Dec 2025
Expiry date	21 Mar 2025	1 Jul 2025	14 Sep 2023	1 Nov 2025	22 Jul 2024	12 Dec 2025
Vesting period (years)	3	3	1	3	2	3
Vesting conditions	Nil	Nil	Nil	Nil	Nil	Nil
Fair value	\$1.470	\$1.430	\$1.953	\$1.567	\$1.749	\$1.438

The fair value of performance rights granted during the year was calculated using a Black-Scholes pricing model applying inputs as follows:

	Tranche 21	Tranche 22	Tranche 23	Tranche 24	Tranche 25	Tranche 26
Grant date share price	\$1.440	\$1.440	\$1.320	\$1.460	\$1.970	\$2.120
Exercise price	-	-	-	-	-	-
Expected volatility	50%	50%	50%	50%	50%	50%
Term (years)	3	3	2	3	3	3
Dividend yield	11%	11%	11%	11%	11%	11%
Risk free interest rate	0.24%	0.12%	0.11%	0.13%	0.87%	1.39%

	Tranche 28	Tranche 29	Tranche 30	Tranche 31	Tranche 32	Tranche 33
Grant date share price	\$2.050	\$1.985	\$2.180	\$2.180	\$2.180	\$2.000
Exercise price	-	-	-	-	-	-
Expected volatility	50%	50%	50%	50%	50%	50%
Term (years)	3	3	1	3	2	3
Dividend yield	11%	11%	11%	11%	11%	11%
Risk free interest rate	1.92%	3.01%	3.19%	3.25%	3.19%	3.07%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONTINUED

## NOTE 31. SHARE-BASED PAYMENTS (continued)

### Movement in performance rights

	2023		2022	
	Number of performance rights	Weighted average exercise price	Number of performance rights	Weighted average exercise price
<b>Consolidated</b>				
Balance at beginning of year	4,770,000	-	4,645,000	-
Granted during the year	2,530,000	-	525,000	-
Vested during the year	(50,000)	-	-	-
Forfeited during the year	(455,000)	-	(400,000)	-
Balance at end of year	6,795,000	-	4,770,000	-

The weighted average fair value of performance rights granted at 30 June 2023 is \$1.04. The weighted average exercise price of these performance rights at 30 June 2023 is nil. The weighted average remaining contractual life of performance rights outstanding at 30 June 2023 is 394 days.

The consolidated entity had issued a total of 864,447 share appreciation rights to Geoff Jones, Managing Director, as part of the consolidated entity's equity incentive plan. During the financial year ending 30 June 2023, 478,432 share appreciation rights vested (2022: 610,000). Geoff Jones resigned on 29 January 2023 so the remaining balance of share appreciation rights lapsed on this date.

### Movement in share appreciation rights

	2023		2022	
	Number of share appreciation rights	Weighted average exercise price	Number of share appreciation rights	Weighted average exercise price
<b>Consolidated</b>				
Balance at beginning of year	864,447	-	1,474,447	-
Granted during the year	-	-	-	-
Vested, exercised or lapsed during the year	(864,447)	-	(610,000)	-
Balance at end of year	-	-	864,447	-

## NOTE 32. SUBSIDIARIES

The consolidated financial statements incorporate the following subsidiaries at the end of the reporting period.

Name of subsidiary	Country of incorporation	Equity holding	
		2023 %	2022 %
GR Engineering Services (Indonesia) Pty Limited	Australia	100%	100%
GR Engineering Services (Argentina) Pty Limited	Australia	100%	100%
PT GR Engineering Services Indonesia*	Indonesia	100%	100%
GR Engineering Services (Africa)	Mauritius	100%	100%
GR Engineering Services (UK) Limited	United Kingdom	100%	100%
GR Engineering Services (Ghana) Limited**	Ghana	100%	100%
GR Engineering Services (Mali)**	Mali	100%	100%
GR Engineering Services (Côte d'Ivoire)**	Côte d'Ivoire	100%	100%
GR Engineering Services (Tengrela)***	Côte d'Ivoire	100%	100%
GR Engineering Services (Greece)*	Greece	100%	100%
GR Engineering Services (Tanzania) Limited	Tanzania	100%	100%
GR Engineering Services Turkey Limited	Turkey	100%	100%
Upstream Production Solutions Pty Ltd	Australia	100%	100%
GR Engineering Services Americas Inc.	USA	100%	100%
Hanlon Engineering and Associates Inc.**	USA	100%	100%
GR Engineering Services (Papua New Guinea) Limited	Papua New Guinea	100%	100%
Mipac Pty Ltd	Australia	100%	100%
Mipac Holdings Pty Ltd	Australia	100%	100%
Mipac Process Automation Canada Limited	Canada	100%	100%
Mipac Peru S.A.***	Peru	100%	100%
Upstream Production Solutions (Timor-Leste) Pty Ltd^	Australia	100%	-

\* PT GR Engineering Services Indonesia is 90% owned by GR Engineering Services Limited and 10% owned by GR Engineering Services (Indonesia) Pty Limited.

\*\* GR Engineering Services (Ghana) Limited, GR Engineering Services (Côte d'Ivoire) and GR Engineering Services (Mali) are 100% owned by GR Engineering Services (Africa).

\*\*\* GR Engineering Services (Tengrela) is dormant.

+ GR Engineering Services (Greece) is 100% owned by GR Engineering Services (UK) Limited.

++ Hanlon Engineering and Associates Inc. is 100% owned by GR Engineering Services Americas Inc.

+++ Mipac Peru S.A. was previously named GR Engineering Services Peru S.A.

^ Upstream Production Solutions (Timor-Leste) Pty Ltd is 100% owned by Upstream Production Solutions Pty Ltd and was incorporated on 18 April 2023.

# 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;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance 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; and
- (d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Tony Patrizi**  
Managing Director

Date: 23 August 2023







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

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of GR Engineering Services Limited (the "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2023, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 & 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

# INDEPENDENT AUDITOR'S REPORT

CONTINUED



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Recognition of revenue</b></p> <p>As disclosed in Note 5, revenue recognised for the year ended 30 June 2023 relating to both mineral processing and oil and gas contracts was \$551,361,115.</p> <p>As disclosed in Note 3, revenue and costs are recognised by reference to the stage of completion of the contract activity for mineral processing contracts.</p> <p>The recognition of revenue for mineral processing contracts requires significant management judgement including:</p> <ul style="list-style-type: none"> <li>• Determining the stage of completion;</li> <li>• Estimating total contract revenue and contract cost including the estimation of cost contingencies;</li> <li>• Determining contractual entitlement and assessing the probability of customer approval of variations and acceptance of claims; and</li> <li>• Estimating the project completion date.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <p>Evaluating management's processes and controls in respect of the recognition of contract revenue.</p> <p>As part of this process we tested key controls including:</p> <ul style="list-style-type: none"> <li>• The preparation, review and authorisation of the tender process for new customer contracts;</li> <li>• The estimation, review and monitoring of total contract revenue and contract costs; and</li> <li>• The comprehensive project reviews that are undertaken by Group management on a monthly basis.</li> </ul> <p>Selecting a sample of contracts for testing based on a number of quantitative and qualitative factors which may indicate that a greater level of judgement is required in recognising revenue, including:</p> <ul style="list-style-type: none"> <li>• Significant unapproved claims and variations;</li> <li>• High-value contracts;</li> <li>• Loss-making contracts; and</li> <li>• Significant margin change.</li> </ul> <p>For the sample of contracts selected for testing the following procedures were performed:</p> <ul style="list-style-type: none"> <li>• Obtained a detailed understanding of the contract terms and conditions to evaluate whether the individual characteristics of each contract were reflected in management's estimate of forecast costs and revenue;</li> <li>• Tested a sample of costs incurred to date and agreed these to supporting documentation;</li> <li>• Assessed the current programme status against the original budgeted programme;</li> <li>• Challenged the forecast costs to complete through discussion and challenge of project managers and finance personnel;</li> <li>• Tested contractual entitlement, variations and claims recognised within contract revenue through agreement to supporting documentation and by reference to the underlying contract;</li> <li>• Evaluated significant exposures to liquidated damages for late delivery of contract works; and</li> <li>• Evaluated contract performance over the course of the year to reflect on year-end revenue recognition judgements.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 3 and 5 to the financial statements.</p>

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## *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Chairman's letter, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's letter if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

## *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material

# INDEPENDENT AUDITOR'S REPORT

CONTINUED

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uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## ***Report on the Remuneration Report***

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 13 to 19 of the Directors' Report for the year ended 30 June 2023.

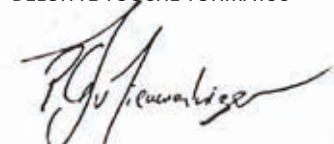
In our opinion, the Remuneration Report of GR Engineering Services Ltd, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



**Pieter Janse van Nieuwenhuizen**

Partner

Chartered Accountants

Perth, 23 August 2023

## APPROACH TO CORPORATE GOVERNANCE

GR Engineering Services Ltd ABN 12 121 542 738 (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition (**Principles & Recommendations**).

The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at [www.gres.com.au](http://www.gres.com.au), under the section marked "Corporate Governance":

### Charters

Board  
Audit and Risk Committee  
Remuneration and Nomination Committee

### Policies and Procedures

Process for Performance Evaluations  
Policy and Procedure for the Selection and (Re)Appointment of Directors  
Induction Program  
Diversity Policy  
Code of Conduct  
Policy on Continuous Disclosure  
Compliance Procedures  
Shareholder Communication and Investor Relations Policy  
Securities Trading Policy  
Whistleblower Protection Policy  
Anti-Bribery & Collusion Policy  
Human Rights and Modern Slavery  
Policy and Procedure for Directors  
Risk Management Policy  
Selection, Appointment and Rotation of External Auditors  
Equity Incentive Plan Rules

The Company reports below on whether it has followed each of the recommendations during the 2022/2023 financial year (**Reporting Period**). The information in this statement is current at 16 August 2023. This statement was approved by a resolution of the Board on 16 August 2023.

Cross-references to the Company's Annual Financial Report in this statement are references to the Company's Annual Financial Report for the year ended 30 June 2023, which is, or will be, disclosed on the Company's website [www.gres.com.au](http://www.gres.com.au), under the section marked "News".



# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its *Board Charter*.

### Recommendation 1.2

The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The checks which are undertaken, and the information provided to shareholders are set out in the Company's *Policy and Procedure for the Selection and (Re) Appointment of Directors*.

### Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Managing Director, any of its directors, and any other person or entity who is related party of the Managing Director or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

### Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the Company's Board Charter.

### Recommendation 1.5

The Company has a Diversity Policy, which includes requirements for the Nomination and Remuneration Committee to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. The Company's Diversity Policy is disclosed on the Company's website in the Corporate Governance Manual.

The following measurable objective for achieving gender diversity has been set by the Nomination and Remuneration Committee in accordance with the Diversity Policy:

*"Subject to the identification of suitable qualified candidates, to increase the percentage of professional and senior executive positions occupied by women to 15% by 30 June 2024."*

The Board continues to work towards meeting this objective and continues to foster a workplace environment and recruitment policies designed to achieve greater female participation in the Company's workforce.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out in the following table. "Senior executive" for these purposes means a person who is a Key Management Employee, a General Manager or a member of Management:

	Proportion of women
Whole organisation	116 out of 1,021 (11.4%) (11.4% as at 30 June 2022)
Senior executive positions	5 out of 29 (17.2%) (15.2% as at 30 June 2022)
Board	0 out of 4 (0%) (0% as at 30 June 2022)

## **PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (continued)**

### **Recommendation 1.6**

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Chair is also responsible for evaluating the Managing Director.

The Chair evaluates the performance of the Managing Director and other Board members through a series of discussions held throughout the year. These discussions include an assessment of the Company's state of affairs, the risks facing the Company and its economic objectives. The Chair evaluates the extent to which each director has contributed to the efficient utilisation of resources, the identification of risk and the achievement of economic objectives. During these discussions the Chair also elicits confidential feedback from each Director on their view of the interpersonal dynamics between Board members and the quality of the Board's decision making.

During the Reporting Period the Chair evaluated the performance of all Directors, including the Managing Director, in accordance with the above process.

### **Recommendation 1.7**

The Managing Director is responsible for evaluating the performance of senior executives in accordance with the process disclosed in the Company's *Process for Performance Evaluations*.

During the Reporting Period the Managing Director conducted performance evaluations of Senior Executives. Where these evaluations resulted in the identification of areas where the Senior Executive's technical or interpersonal skills could be strengthened, appropriate training or remedial action was formulated and agreed.

## **PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE**

### **Recommendation 2.1**

The Board has established a Remuneration and Nomination Committee comprising Peter Hood (Chair), Phillip Lockyer and Joe Totaro. All members of the Remuneration and Nomination Committee are non-executive directors and all members are independent directors. Accordingly, the Remuneration and Nomination Committee is structured in accordance with Recommendation 2.1.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration and Nomination Committee and is disclosed on the Company's website.

### **Recommendation 2.2**

The Board is comprised of 3 qualified engineers and 1 qualified accountant. The matrix of skills held by the Board is weighted towards those skills which are required to identify, assess, quantify and manage those risks which are most relevant to and prevalent in the Company's business and the industry in which it operates.

The majority of the Company's directors hold, or have held, positions on the boards of other publicly listed companies and all have extensive experience in the management of organisations across a range of industries.

When necessary, the Board engages the services of external experts and consultants to augment its capacity to consider and assess matters which fall outside the domain of its collective expertise.

### **Recommendation 2.3**

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations. The independent directors of the Company are Messrs Lockyer, Hood and Totaro.

Mr Totaro is a substantial shareholder of the Company. Notwithstanding that he is a substantial shareholder the Board considers Mr Totaro to be an independent director because he is not a member of management and is otherwise free of any interest, position, association or relationship (including those listed in Box 2.3 of the Principles & Recommendations) that might influence in a material respect, his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its members generally. Further, a substantial shareholder is considered by the Board to be in line with the interests of all other shareholders.

The length of service of each director is set out in the Directors' Report of the Company's Annual Financial Report.

# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE (continued)

### Recommendation 2.4

The Board has a majority of directors who are independent.

The Board is comprised of 4 directors, 3 of whom are or are deemed to be independent. The one non-independent director is Tony Patrizi. Tony Patrizi is a founding shareholder of the Company. Messrs Patrizi has a thorough knowledge of the Company's business and extensive experience in managing the risks it faces. His continued presence on the Board is therefore highly valued.

The Board is of a size commensurate with the size and nature of the Company.

### Recommendation 2.5

The Chair of the Board is Phillip Lockyer. Mr Lockyer is an independent director and is not the Chief Executive Officer.

### Recommendation 2.6

The Company has an induction program for new directors and senior executives. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity. The Company's *Induction Program* is disclosed on the Company's website.

The Remuneration and Nomination Committee regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the Remuneration and Nomination Committee considers what training or development should be undertaken to fill those gaps. In particular, the Remuneration and Nomination Committee ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements. Directors also receive ongoing briefings from the Company Secretary and Chief Financial Officer on developments in accounting standards.

## PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

### Recommendation 3.1

The Company has established a Core Value policy, which is disclosed on the Company's website.

### Recommendation 3.2

The Company has established a Code of Conduct for its directors, senior executives and employees, which is disclosed on the Company's website.

### Recommendation 3.3

The Company has established a Whistleblower policy and any material incidents reported under this policy are communicated to the directors, as applicable.

### Recommendation 3.4

The Company has established an anti-bribery and corruption policy and any material incidents reported under this policy are communicated to the directors, as applicable.

## PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### Recommendation 4.1

The Board has established an Audit and Risk Committee. The members of the Audit and Risk Committee are Messrs Totaro (Chairman), Lockyer and Hood. All members of the Audit and Risk Committee are independent non-executive directors and the Audit and Risk Committee is chaired by Mr Totaro who is not also Chairman of the Board. Accordingly, the Audit and Risk Committee is structured in compliance with Recommendation 4.1.

Giuseppe (Joe) Totaro (*B.Comm, CPA*) is a Certified Practicing Accountant (CPA) with over 30 years' experience in commercial and public practice specialising in mining and mining services. Joe is a co-founder of GR Engineering and was formerly the Chief Financial Officer and Company Secretary of GR Engineering.

Peter Hood (*BE (Chem), MAustIMM, FIChemE, FAICD*) is a Chemical Engineer and was formerly the Chief Executive Officer of Coogee Chemicals and Coogee Resources. He was Chairman of the International Chamber of Commerce National Committee of Australia. Peter is a Past President of the Australian Chamber of Commerce and Industry and the Chamber of Commerce and Industry Western Australia. Peter is currently Chairman of Matrix Composites and Engineering Limited, Lead Independent Director of Cue Energy Resources Limited and a Non-Executive Director of De Grey Mining Limited.

Phillip (Phil) Lockyer (*BAppSc (Mech Eng)*) is a Mining Engineer and metallurgist who has over 50 years experience in the mineral industry, with a focus on gold and nickel in both underground and open pit operations. He has formerly served on the Boards of Perilya Limited, Focus Minerals Limited, Swick Mining Services Limited and CGA Mining Limited. He is currently a Non-Executive Director of RTG Mining Inc.

The Board has adopted an Audit and Risk Committee Charter which describes the Audit and Risk Committee's role, composition, functions and responsibilities, which is disclosed on the Company's website.

### Recommendation 4.2

Before the Board approved the Company financial statements for the half year ended 31 December 2022 and the full-year ended 30 June 2023, it received from the Managing Director and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### Recommendation 4.3

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company writes to the Company's auditor to inform them of the date of the Company's annual general meeting.

In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair allows a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

A representative of the Company's auditor, Deloitte Touche Tohmatsu attended the Company's annual general meeting held on 23 November 2022.

# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

### Recommendation 5.1

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's *Policy on Continuous Disclosure and Compliance Procedures* are disclosed on the Company's website at [www.gres.com.au](http://www.gres.com.au).

### Recommendation 5.2

The board of directors receives copies of all material market announcements promptly after they have been made.

### Recommendation 5.3

The Company releases a copy of presentation materials, where there is new and substantive information, on the ASX Markets Platform ahead of the presentation.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

### Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at [www.gres.com.au](http://www.gres.com.au) as set out in its *Shareholder Communication and Investor Relations Policy*.

### Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's *Shareholder Communication and Investor Relations Policy*.

### Recommendation 6.3

The Company has in place a *Shareholder Communication and Investor Relations Policy* which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

### Recommendation 6.4

The Company ensures that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

### Recommendation 6.5

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically. This is facilitated through the Company's website which provides access to the Company's and its share registry's full range of contact details, including email address.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Recommendation 7.1

As noted above, the Board has established a combined Audit and Risk Committee. The Audit and Risk Committee is structured in accordance with Recommendation 7.1. Please refer to the disclosure above in relation to Recommendation 4.1 in relation to the Audit and Risk Committee.

### Recommendation 7.2

The Audit and Risk Committee reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

### Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the *Company's Risk Management Policy*.

## **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK (continued)**

### **Recommendation 7.4**

The Company provides engineering and construction services to the mining industry and operations and maintenance services to the oil and gas industry, including producers of coal seam gas. These activities expose the Company, directly and indirectly to environmental, social and economic sustainability risks, which may materially impact the Company's ability to create or preserve value for shareholders over the short, medium or long term.

In relation to the provision of goods and services, these risks are mitigated by virtue of the Company entering a project's life cycle at a stage where all environmental, social and economic requirements of the relevant jurisdiction have been met by the client. The Company does not provide goods and services in circumstances where this is not the case and to that extent, the Company is in a position to continue its business activities in an environmentally, socially and economically sustainable manner.

In relation to the Company's suppliers, the Company takes due care to ensure that the goods and services required for the conduct of its business are sourced from entities which act fairly and responsibly within the environments, societies and economies in which they operate thereby mitigating sustainability risks in relation to these factors.

The Company aims to operate in a socially sustainable way by engaging with the local communities and wherever possible providing employment and training opportunities to members of the local community. In doing so, the Company operates within the framework of local norms and customs and endeavours to ensure that its clients do likewise. The Company will not participate in any activity where it is likely to receive either directly or indirectly, economic benefit through the exploitation of others.

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

### **Recommendation 8.1**

As noted above in relation to Recommendation 2.1, the Board has established a Remuneration and Nomination Committee. The Remuneration and Nomination Committee is structured in compliance with Recommendation 8.1. Please refer to the disclosure above in relation to Recommendation 2.1 in relation to the Remuneration and Nomination Committee.

### **Recommendation 8.2**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report in the Company's Annual Financial Report. This disclosure includes a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Under the terms of the GR Engineering Services Limited Equity Incentive Plan (**Plan**), if in the opinion of the Board a participant acts fraudulently or dishonestly or wilfully breaches his or her duties to the Company, the Board may in its absolute discretion determine that all unvested or unexercised performance rights or share appreciation rights held by the participant will lapse.

In addition to the provisions under the Plan, the Board has adopted a clawback policy in relation to any cash bonuses or shares issued pursuant to the Plan. Under this policy the Board reserves the right to take action to reduce, recoup or otherwise adjust the employees performance based remuneration in circumstances where in the opinion of the Board, an employee has acted fraudulently or dishonestly or has wilfully breached his or her duties to the Company.

### **Recommendation 8.3**

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting participants in the Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Plan.



## ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as at 26 September 2023:

- the twenty largest shareholders held 72.7% of the Ordinary Shares; and
- there were 3,536 ordinary shareholders.

### Distribution of securities

Analysis of number of equity security holders by size of holding:

Range	Total	Units	% of shares issued
1 - 1,000	849	447,229	0.27%
1,001 - 5,000	1,205	3,536,920	2.14%
5,001 - 10,000	615	5,079,454	3.08%
10,001 - 100,000	794	23,004,051	13.95%
100,001 - 1,000,000	55	14,886,212	9.02%
1,000,001 - 9,999,999,999	18	118,001,386	71.54%
<b>Total</b>	<b>3,536</b>	<b>164,955,252</b>	<b>100.00%</b>

The number of shareholders holding less than a marketable parcel of ordinary shares is 140.

### Equity security holders

Top 20 Shareholders as at 26 September 2023:

Name	Number of shares held	% of shares issued
1. Citicorp Nominees Pty Ltd	20,108,125	12.19%
2. Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna	12,325,000	7.47%
3. Joley Pty Ltd	10,367,800	6.29%
4. Paksian Pty Ltd	9,798,578	5.94%
5. Kingarth Pty Ltd	9,795,000	5.94%
6. Ms Beverley June Schier	8,100,000	4.91%
7. Mr Giuseppe Totaro	8,000,000	4.85%
8. Quintal Pty Ltd	7,500,000	4.55%
9. Polly Pty Ltd	7,500,000	4.55%
10. Ledgking Pty Ltd	6,075,000	3.68%
11. Mr Stephen Paul Kendrick	3,491,000	2.12%
12. Ms Barbara Ann Woodhouse	3,232,696	1.96%
13. National Nominees Limited	2,868,407	1.74%
14. JP Morgan Nominees Australia Pty Ltd	2,367,345	1.44%
15. HSBC Custody Nominees (Australia) Limited	1,875,529	1.14%
16. BNP Paribas Noms Pty Ltd	1,731,531	1.05%
17. Sistar Pty Ltd	1,642,200	1.00%
18. Mr Anthony John Mathison + Ms Kathryn Joy Mathison	1,223,175	0.74%
19. Estate of Mr Cono Antonino Angelo Ricciardo	975,000	0.59%
20. Estate of Mr Richard William Vincent	951,000	0.58%
	<b>119,927,386</b>	<b>72.70%</b>

## Substantial shareholders

	<b>Name</b>	<b>Number of shares held</b>	<b>% of shares issued</b>
1.	First Sentier Investors	12,575,484	7.62%
2.	Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna	12,325,000	7.47%
3.	Joley Pty Ltd	10,367,800	6.29%
4.	Paksian Pty Ltd	9,798,578	5.94%
5.	Kingarth Pty Ltd	9,795,000	5.94%

## Voting rights

The voting rights attached to ordinary shares are set out below:

### *Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### *Options over ordinary shares*

There are no voting rights attached to Options over the consolidated entity's shares.

### *Performance rights*

There are no voting rights attached to Performance Rights over the consolidated entity's shares.

### *Share appreciation rights*

There are no voting rights attached to Share Appreciation Rights over the consolidated entity's shares.

## Options on issue

There are no options on issue.

## Performance rights

The following performance rights are on issue:

<b>Number</b>	<b>Vesting date</b>
100,000	22 Jul 2024
225,000	30 Nov 2024
100,000	7 Feb 2025
40,000	14 Mar 2025
25,000	21 Mar 2025
80,000	1 Jul 2025
595,000	1 Nov 2025
1,770,000	12 Dec 2025
2,408,750	28 Aug 2026

## Share appreciation rights

There are no share appreciation rights on issue.

## On-market buyback

The consolidated entity has no current on-market buy back scheme.

## Restricted securities

There are no securities subject to any voluntary escrow or any transfer restrictions.

# CORPORATE DIRECTORY

## GR ENGINEERING SERVICES LIMITED

ACN 121 542 738  
ABN 12 121 542 738

## DIRECTORS

Phillip Lockyer (Non-Executive Chairman)  
Tony Patrizi (Managing Director)  
Peter Hood (Non-Executive Director)  
Joe Totaro (Non-Executive Director)

## COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Omesh Motiwalla

## REGISTERED OFFICE

71 Daly Street  
ASCOT WA 6104

## PRINCIPAL PLACE OF BUSINESS

71 Daly Street  
ASCOT WA 6104

Telephone: (61 8) 6272 6000  
Facsimile: (61 8) 6272 6001  
Email: gres@gres.com.au  
Website: www.gres.com.au

## ASX CODE

GNG

## AUDITOR

**Deloitte Touche Tohmatsu**  
Tower 2, Brookfield Place, 123 St Georges Terrace  
PERTH WA 6000

## SOLICITORS TO THE COMPANY

**Zafra Legal**  
Level 10, 105 St Georges Terrace  
PERTH WA 6000

## SHARE REGISTRY

**Computershare Investor Services Pty Limited**  
Level 11, 172 St Georges Terrace  
PERTH WA 6000



**GR ENGINEERING SERVICES LIMITED**  
ENGINEERING CONSULTANTS AND CONTRACTORS





