



**GR ENGINEERING SERVICES**  
ENGINEERING CONSULTANTS AND CONTRACTORS

# **GR ENGINEERING SERVICES LIMITED**

## **ANNUAL FINANCIAL REPORT**

**30 June 2021**

ABN 12 121 542 738

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## CALENDAR

Final Dividend:	
Ex-dividend Date	2 September 2021
Record Date	3 September 2021
Payment Date	22 September 2021
Annual General Meeting	24 November 2021



## CORPORATE DIRECTORY

### **GR ENGINEERING SERVICES LIMITED**

ACN 121 542 738

ABN 12 121 542 738

### **DIRECTORS**

Phillip Lockyer (Non-Executive Chairman)

Geoff Jones (Managing Director)

Tony Patrizi (Executive 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

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Facsimile: (61 8) 6272 6001

Email: [gres@gres.com.au](mailto:gres@gres.com.au)

Website: [www.gres.com.au](http://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



## DIRECTORS' REPORT

Your Directors present their report together with the financial statements of GR Engineering Services Limited ("GR Engineering" or "consolidated entity") for the financial year 1 July 2020 to 30 June 2021 and the independent auditor's report thereon.

The names of the consolidated entity's Directors in office during the financial year ended 30 June 2021 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)  
Geoffrey (Geoff) Michael JONES (Managing Director)  
Tony Marco PATRIZI (Executive Director)  
Barry Sydney PATTERSON \* (Non-Executive Director)  
Peter John HOOD (Non-Executive Director)  
Giuseppe (Joe) TOTARO (Non-Executive Director)

\* Deceased 9 December 2020

### COMPANY SECRETARY

Omesh MOTIWALLA

### PRINCIPAL ACTIVITIES

During the financial period, the consolidated entity's activities have been the provision of high quality process and detailed engineering design, procurement and construction services to the mining and mineral processing industry and the provision of operations, maintenance, projects and advisory services to the oil and gas sector.

### DIVIDENDS PAID DURING THE YEAR

- Unfranked dividend of 4.00 cents per share paid on 21 October 2020.
- Fully franked dividend of 5.00 cents per share paid on 1 April 2021.
- Subsequent to 30 June 2021, a fully franked dividend of 7.00 cents per share was recommended by the Directors to be paid on 22 September 2021.

### REVIEW OF OPERATIONS

The year under review saw the consolidated entity achieve record revenue and EBITDA results for the consolidated group. During FY21, revenue increased significantly by 76.4% from \$222.4 million to \$392.4 million. GR Engineering achieved an FY21 EBITDA of \$37.2 million compared to FY20 EBITDA (underlying) of \$11.3 million. Underlying EBITDA in FY20 excluded debtor write-offs, miscellaneous inventory write-offs and acquisition related costs.

FY21 was a year that was characterised by solid operational performance in challenging conditions given the COVID-19 pandemic. During the period, GR Engineering successfully delivered multiple projects in Australia that were on time and on budget. GR Engineering has been successful in building its contracted and near term pipeline of work for FY22 and FY23. GR Engineering's wholly owned subsidiary, Upstream Production Solutions Pty Ltd (Upstream PS) also achieved significant contract wins during FY21.

Through its operational performance, the consolidated entity also strengthened its balance sheet as net assets increased from \$34.7 million to \$51.6 million during FY21. GR Engineering continued to generate strong cash flows and as a result, cash at bank increased from \$37.5 million at 30 June 2020 to \$69.0 million at 30 June 2021.

GR Engineering has been proactive in its response to the COVID-19 pandemic and has implemented a range of protective and preventative measures. GR Engineering continues to manage equipment deliveries in line with project schedules despite delays in international shipping. COVID-19 has not had a material impact on the FY21 results.

During the year, GR Engineering announced the passing of one of its founding Directors, Barry Patterson, on 9 December 2020. Barry co-founded GR Engineering and was instrumental in establishing the core team of individuals in 1986 that took the business from its roots as JR Engineering Services, a Kalgoorlie based contractor, to the process design and construction group that we are today. Vale Barry Patterson.



## DIRECTORS' REPORT

### Mineral Processing

Major projects completed during FY21 and subsequent to year end include:

- **Thunderbox Paste Plant Project** - this EPC Contract with Saracen Mineral Holdings Limited, a subsidiary of Northern Star Resources Limited, involved the design, supply, installation and commissioning of a new paste backfill plant at its Thunderbox Operations. Work commenced in June 2020 and practical completion was achieved during May 2021.
- **Carosue Dam Operations Plant Expansion Project** - this EPC Contract with Saracen Gold Mines Pty Ltd, a subsidiary of Northern Star Resources Limited, was for the engineering design, procurement and construction of expansion works on the mineral processing plant at the Carosue Dam gold operations. Practical completion was achieved during November 2020. GR Engineering is currently performing work under a variation to the existing contract to install a paste pump at the Karari Paste Plant to distribute paste to the Whirling Dervish underground mine.
- **Deflector Flotation Tails Leach Project** - this EPC contract with Silver Lake (Deflector) Pty Ltd, a wholly owned subsidiary of Silver Lake Resources Limited, was for upgrade works involving the flotation tailings leach process at the Deflector gold copper operations. Practical completion was achieved in June 2021.
- **Lake Way Potash Project** - GR Engineering was engaged by Salt Lake Potash Limited to provide services for this \$107m project for non-process engineering design and the management of procurement, construction and commissioning of the Lake Way Project processing facility and associated infrastructure. GR Engineering was separately engaged to undertake the civil, structural, mechanical, electrical and piping construction works for those project areas. Practical completion was achieved in July 2021.
- **Nullagine Mill Refurbishment Project** - this contract with Millennium Minerals Ltd, a subsidiary of Novo Resources Corp (Novo) was associated with the re-start of the Nullagine Gold Project. The scope of works included the refurbishment and upgrade of the gravity circuit and associated facilities to enable operations to recommence. Practical completion was achieved during January 2021.
- **Davyhurst Restart Project** - this EPC Contract with Ora Banda Mining Limited was associated with the restart of the existing Davyhurst gold processing plant located in Western Australia. The scope of works included the refurbishment, optimisation and recommissioning of the existing 1.2 Mtpa Davyhurst gold processing plant, borefields and associated infrastructure. Practical completion was achieved during December 2020.
- **Sandy Ridge Waste Storage Project** - this EPC Contract with Tellus Holdings Limited was for the design and construction of a fully integrated facility for the long term storage and permanent isolation of hazardous and intractable waste and associated kaolin mining operation located approximately 75km north-east of Koolyanobbing, Western Australia. Practical completion was achieved during October 2020.



## DIRECTORS' REPORT

GR Engineering's design and construction order book for works currently being undertaken and which will continue into FY22 include:

- **Thunderbox 6 Mtpa Expansion Project** - \$101.0 million EPC Contract with Northern Star Resources Limited in relation to the design, engineering, procurement, construction and commissioning of the Thunderbox 6 Mtpa Expansion Project. Work commenced in July 2021.
- **Warrawoona Gold Project** - \$75.0 million EPC Contract with Calidus Resources Limited in relation to the design and construction of the processing plant and associated infrastructure for the Warrawoona Gold Project. Work commenced in late 2020 (calendar year).
- **Newmont Tanami Gold Mine** - \$68.0 million subcontractor with RUC Cementation Mining Contractors Pty Ltd (RUC) in relation to Newmont Corporation's (Newmont) Tanami Gold Mine in Australia. RUC has been engaged by Newmont under a head contract to complete certain underground construction works for Newmont. GR Engineering is responsible for the construction and commissioning of the temporary and permanent works associated with the surface infrastructure. Work is expected to be completed by April 2023.
- **Norseman Gold Project** - \$59.5 million EPC Contract with Pantoro Limited for the engineering, procurement and construction of a new processing plant for its 50% owned Norseman Gold Project in Western Australia. GR Engineering commenced work during the first quarter of 2021 (calendar year).
- **Wiluna Gold Operation Project** - \$25.7 million EPC Contract with Wiluna Mining Corporation for stage 1 works relating to the concentrator development program for its Wiluna Gold Operations located in Western Australia. GR Engineering commenced work in December 2020 and commissioning is scheduled for the last quarter for 2021 (calendar year).

GR Engineering's pipeline of work opportunities includes:

- **Abra Base Metals Project** - \$74.0 million project award by Abra Mining Pty Ltd (Abra Mining), for the design and construction of a 1.2 Mtpa lead sulphide flotation plant and ancillary infrastructure for the Abra Base Metals Project located in Western Australia. Abra Mining is 50% owned by Galena Mining Limited and 50% owned by Toho Zinc. GR Engineering has also been awarded additional work by Abra Mining to relocate, refurbish and commission the Higginsville Paste Plant.
- **Thunderbird Mineral Sands Project** - in May 2021, GR Engineering restarted early engineering and design works for the Thunderbird Mineral Sands Project for Sheffield Resources Limited and is progressing critical path design and procurement activities for the project. Owners site works activities have commenced this year, with EPC site works due to commence in April 2022. The final investment decision is expected in late 2021 (calendar year).
- **Woodlark Gold Project** - letter of intent with Geopacific Resources Limited for the proposed construction of a 2.4 Mtpa gold process plant on Woodlark Island in Papua New Guinea. Early works are being progressed as contract negotiations are being finalised.
- **WA Battery Graphite Manufacturing Facility** - letter of intent with EcoGraf (Australia) Limited for an engineering, procurement and construction contract for the development of a 20,000 tpa battery graphite facility in Western Australia. GR Engineering is undertaking early engineering works whilst working with EcoGraf to develop and execute the EPC contract.
- **Bardoc Gold Project** - appointed as preferred tenderer by Bardoc Gold Limited in relation to the EPC contract for the processing facility and associated infrastructure at its 100% owned Bardoc Gold Project.



## DIRECTORS' REPORT

### **Studies**

During FY21, GR Engineering completed 46 studies and as at 30 June 2021, was engaged on a further 30 studies across a broad range of commodities for projects both in Australia and abroad.

### **Recent acquisition**

On 27 April 2021, GR Engineering announced that it had entered into an agreement to acquire Mipac Holdings Pty Ltd, a leading global provider of control systems engineering, automation and technology services. The transaction was completed on 3 May 2021. The transaction is aligned to GR Engineering's growth strategy and enhances GR Engineering's control system design capabilities and expands its service offering for its broader mineral processing business.

### **Oil and Gas**

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

In Western Australia, Upstream PS remains a leading provider of operations and maintenance services to clients in the Perth Basin and the floating liquefied natural gas sector. In the Northern Territory, Upstream PS continued to provide maintenance services on the Blacktip gas field production facilities (onshore and offshore). Upstream PS' 'Darwin Hub' also continues to operate as a maintenance service and supply base facility servicing clients from Broome to Central Australia.

During FY21, Upstream PS continued working with the Australian Government to maintain the Northern Endeavour FPSO in a non-producing state. On 23 December 2020, Upstream PS executed a twelve month contract to 31 December 2021 with the Australian Government to provide operations, maintenance and project services to the Northern Endeavour FPSO and associated infrastructure in preparation for a disconnection and removal of the FPSO. The contract value is approximately \$130 million.

In eastern Australia, Upstream PS managed and executed maintenance and operations support services on over 5,000 CSG wells and expanded their Surat Basin presence providing rotating equipment maintenance from its Chinchilla facility, and opened an additional services support base in Roma. In Victoria and South Australia Upstream PS continue to support numerous onshore clients with carbon sequestration, pipeline and gas production facility projects, operations and maintenance support.



## DIRECTORS' REPORT

### **Safety**

The GR Engineering group's Total Reportable Injury Frequency Rate (TRIFR) for FY21 was 9.51. Disappointingly, GR Engineering recorded one Lost Time Injury on 19 December 2020, after 1,257 days and in excess of 2.3 million hours worked. The Company pursues continuous improvement in its commitment to safety, with its primary objective being the achievement of a zero harm workplace environment on all jobs and at all locations.

### **FY21 Update and Outlook**

GR Engineering has a strong order book dominated by Australian projects and has been building its pipeline for both FY22 and FY23. The consolidated entity expects revenue for FY22 to be in the range of \$440 million to \$460 million.

### **FINANCIAL POSITION**

During FY21, the consolidated entity maintained a high EBITDA to cash conversion and significantly improved its cash position to \$69.0 million at 30 June 2021 (30 June 2020: \$37.5 million). During this period, GR Engineering also paid out \$14.0 million in dividends to shareholders and acquired 100% of Mipac Holdings Pty Ltd for initial cash consideration of \$7.5 million and share consideration of 5,424,711 shares, totalling \$7.0 million, plus deferred consideration of \$4.0 million.

### **DIVIDENDS**

The Board has resolved to declare a final FY21 dividend of 7 cents per share, fully franked. The ex-dividend date for this dividend will be 2 September 2021, the Record Date is 3 September 2021 and the Payment Date will be 22 September 2021.

### **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 in above sections of this Directors' Report.

### **EVENTS AFTER BALANCE SHEET DATE**

On 2 August 2021, GR Engineering announced that it had signed an EPC Contract with Northern Star Resources Limited for its Thunderbox 6 Mtpa Expansion Project. The contract value is \$101.0 million.

On 10 August 2021, GR Engineering was appointed as preferred tenderer by Bardoc Gold Limited in relation to the EPC contract for the processing facility and associated infrastructure at its 100% owned Bardoc Gold Project.

On 18 August 2021, the Directors declared a fully franked dividend of 7 cents per share, an aggregate of \$11.3 million. The Record Date of the dividend is 3 September 2021 and the proposed payment date is 22 September 2021.





## DIRECTORS' REPORT

### 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:
  - Swick Mining Services Limited (ASX:SWK) 2008 - November 2019
  - RTG Mining Inc. (ASX:RTG) 2013 - Present

**Geoffrey (Geoff) Michael JONES** – Managing Director  
BE (Civil), FIEAust, CPEng

Geoff is a Civil Engineer with over 30 years' experience in construction, engineering, minerals processing and project development in Australia and overseas. Geoff previously worked for Baulderstone Hornibrook, John Holland, Minproc Engineers and Signet Engineering before serving over six years as Group Project Engineer for Resolute Mining Limited.

Prior to joining GR Engineering Services Limited in 2011, Geoff was the General Manager of Sedgman Limited's metals engineering business and also responsible for the strategic development of the metals engineering division internationally.

Geoff is currently a Non-Executive Director of Firefly Resources Limited and Ausgold Limited.

- Interests in ordinary shares in GR Engineering – 1,078,102
- Interests in other securities in GR Engineering :
  - Share Appreciation Rights - 864,447
- Special Responsibilities:
  - Managing Director
- Directorships in other listed entities in the last 3 years:
  - Firefly Resources Limited (ASX:FFR) (formerly Marindi Metals Limited) 2006 – Present
  - Ausgold Limited (ASX:AUC) July 2016 – Present
  - Blackham Resources Limited (ASX:BLK) - August 2018 - December 2018



## DIRECTORS' REPORT

**Tony Marco PATRIZI** – Executive Director  
BE (Mech Eng)

Tony co-founded GR Engineering. Tony is a Mechanical Engineer with over 30 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, FICHEM, FAICD

Peter is a Chemical Engineer and has 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 Audit and Risk Committee
  - Member of the Remuneration and Nominations 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

**Giuseppe (Joe) TOTARO** – Non-Executive Director  
BCom, CPA

Joe is a Certified Practising 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.

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:
  - Member of the Audit and Risk Committee
  - Member of the Remuneration and Nominations Committee
- Directorships in other listed entities in the last 3 years - None



## DIRECTORS' REPORT

### COMPANY SECRETARY

Omesh MOTIWALLA (BCom, FCA)

Omesh is a Fellow of Chartered Accountants Australia and New Zealand (FCA) with over 20 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 2021 and the number attended by each director are as follows:

	FULL MEETINGS OF DIRECTORS	
	Eligible	Attended
Phil Lockyer	11	11
Geoff Jones	11	11
Tony Patrizi	11	11
Barry Patterson	5	3
Joe Totaro	11	11
Peter Hood	11	11

Meetings of the Audit & Risk Committee were held on 19 August 2020 and 17 February 2021. These meetings were attended by Peter Hood, Joe Totaro and Phil Lockyer. Meetings of the Remuneration and Nomination Committee were held on 7 October 2020 and 28 October 2020. These meetings were attended by Phil Lockyer, Peter Hood, Barry Patterson 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, Share Appreciation Rights granted are as follows:

Grant Date	Vesting & Exercise Date	Exercise price	Quantity
25 November 2020	1 July 2022	Nil	478,432
25 November 2020	1 July 2023	Nil	386,015

On 1 July 2021, 610,000 Share Appreciation Rights vested pursuant to the consolidated entity's Equity Incentive Plan.

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



## DIRECTORS' 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
16 July 2022	50,000	16 July 2022	-
14 September 2023	4,595,000	14 September 2023	-
22 July 2024 *	65,000	22 July 2024	-

\* Issued on 22 July 2021

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 2021, 1,500,000 ordinary shares were issued due to the vesting of Performance Rights.

### 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. 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 2021, fees amounting to \$132,067 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 2021 has been reviewed and can be found at page 21 of the annual financial report.

### ENVIRONMENTAL ISSUES

In conducting its business, the consolidated entity is required to obtain permits and licences from relevant state environment protection authorities. 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.



## DIRECTORS' REPORT

### REMUNERATION REPORT – AUDITED

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

#### Directors

- Geoff Jones (Managing Director)
- Phil Lockyer (Non-Executive Chairman)
- Tony Patrizi (Executive Director)
- Barry Patterson (Non-Executive Director) (Deceased on 9 December 2020)
- Peter Hood (Non-Executive Director)
- Joe Totaro (Non-Executive Director)

#### Executives

- David Sala Tenna (Manager - Projects)
- Omesh Motiwalla (Chief Financial Officer & Company Secretary)
- Rodney Schier (Project Engineering Manager)
- Stephen Kendrick (Manager - Projects)
- Thomas Marshall (Manager - Eastern Region & Americas)

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 2020 Annual General Meeting, 99.6% 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 and / or Employee Share Option 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.



## DIRECTORS' REPORT

### 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, Geoff Jones 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
Phillip Lockyer	Non-Executive Chairman	By rotation and re-election	-	-	-	100%	100%
Geoff Jones	Managing Director	Termination: 6 months notice by the consolidated entity and 3 months notice by the employee	-	-	19.5%	80.5%	100%
Tony Patrizi	Executive Director	Termination: 3 months notice by the consolidated entity or employee	-	-	-	100%	100%
Barry Patterson (deceased)	Non-Executive Director	By rotation and re-election	-	-	-	100%	100%
Peter Hood	Non-Executive Director	By rotation and re-election	-	-	-	100%	100%
Joe Totaro	Non-Executive Director	By rotation and re-election	-	-	-	100%	100%
David Sala Tenna	Manager - Projects	Termination: 3 months notice by the consolidated entity or employee	-	-	-	100%	100%
Stephen Kendrick	Manager - Projects	Termination: 3 months notice by the consolidated entity or employee	-	-	-	100%	100%
Omesh Motiwalla	Company Secretary / Chief Financial Officer	Termination: 3 months notice by the consolidated entity or employee	-	-	7.2%	92.8%	100%
Rodney Schier	Project Engineering Manager	Termination: 3 months notice by the consolidated entity or employee	-	-	-	100%	100%
Thomas Marshall	Manager - Eastern Region & Americas	Termination: 4 weeks notice by the consolidated entity or employee	-	-	6.6%	93.4%	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

### REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2021 - BOARD OF DIRECTORS

	Short Term Benefits			Sub Total	Post Employment Benefits	Equity Based Payments		Total	% Performance Based
	Cash Salary & Fees	Non Cash Payments	Other		Super-annuation	Equity	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	
<b>NON-EXECUTIVE CHAIRMAN</b>									
<b>Phillip Lockyer</b>									
2021	78,320	-	-	78,320	7,440	-	-	85,760	0.0%
2020	78,095	-	-	78,095	7,418	-	-	85,513	0.0%
<b>EXECUTIVE DIRECTORS</b>									
<b>Geoff Jones ***</b>									
2021	580,036	46,029	85,000	711,065	21,694	177,338	-	910,097	28.8%
2020	578,997	23,393	-	602,390	21,002	80,591	-	703,983	11.4%
<b>Tony Patrizi</b>									
2021	304,615	8,934	-	313,549	28,938	-	-	342,487	0.0%
2020	303,738	10,963	-	314,701	28,855	-	-	343,556	0.0%
<b>NON-EXECUTIVE DIRECTORS</b>									
<b>Barry Patterson****</b>									
2021	28,089	-	-	28,089	2,668	-	-	30,757	0.0%
2020	58,425	-	-	58,425	5,550	-	-	63,975	0.0%
<b>Peter Hood</b>									
2021	58,593	-	-	58,593	5,566	-	-	64,159	0.0%
2020	58,425	-	-	58,425	5,550	-	-	63,975	0.0%
<b>Joe Totaro</b>									
2021	58,593	-	-	58,593	5,566	-	-	64,159	0.0%
2020	57,301	-	-	57,301	5,443	-	-	62,744	0.0%
<b>TOTAL DIRECTORS</b>									
2021	1,108,246	54,963	85,000	1,248,209	71,872	177,338	-	1,497,419	17.5%
2020	1,134,981	34,356	-	1,169,337	73,818	80,591	-	1,323,746	6.1%

\* "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

\*\*\* Geoff Jones did not receive any equity based payments in cash or shares in FY21

\*\*\*\* Deceased - 9 December 2020



## DIRECTORS' REPORT

### REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2021 - EXECUTIVES

	Short Term Benefits			Sub Total	Post Employment Benefits	Equity Based Payments		Total	% Performance Based
	Cash Salary & Fees	Non Cash Payments	Other		Super-annuation	Equity	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	
<b>SENIOR EXECUTIVES</b>									
<b>David Sala Tenna - Manager - Projects</b>									
2021	340,451	4,071	9,000	353,522	32,342	-	-	385,864	2.3%
2020	339,472	4,439	-	343,911	32,249	-	-	376,160	0.0%
<b>Omesh Motiwalla – Company Secretary &amp; Chief Financial Officer</b>									
2021	289,200	-	7,500	296,700	21,694	24,803	-	343,197	9.4%
2020	283,105	-	-	283,105	26,894	9,093	-	319,092	2.8%
<b>Rodney Schier – Engineering Manager</b>									
2021	269,402	-	7,500	276,902	25,592	-	-	302,494	2.5%
2020	268,004	4,428	-	272,432	25,460	-	-	297,892	0.0%
<b>Stephen Kendrick - Manager - Projects</b>									
2021	271,509	4,579	7,500	283,588	25,792	-	-	309,380	2.4%
2020	268,004	5,203	-	273,207	25,460	-	-	298,667	0.0%
<b>Thomas Marshall - Manager - Eastern Region &amp; Americas</b>									
2021	307,650	5,732	8,500	321,882	30,034	24,834	-	376,750	8.8%
2020	307,499	6,654	-	314,153	29,212	21,222	-	364,587	5.8%
<b>TOTAL SENIOR EXECUTIVES</b>									
2021	1,478,212	14,382	40,000	1,532,594	135,454	49,637	-	1,717,685	5.2%
2020	1,466,084	20,724	-	1,486,808	139,275	30,315	-	1,656,398	1.8%
<b>GRAND TOTAL</b>									
2021	2,586,458	69,345	125,000	2,780,803	207,326	226,975	-	3,215,104	10.9%
2020	2,601,065	55,080	-	2,656,145	213,093	110,906	-	2,980,144	3.7%

\* "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





## DIRECTORS' REPORT

### LONG TERM INCENTIVES

#### *Equity Incentive Plan*

The GR Engineering Services Limited 2019 Equity Incentive Plan (**Plan**) was adopted by the Board on 25 October 2019. 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 28 November 2019. 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 2021, a total of 4,955,000 Performance Rights were issued in accordance with the terms and conditions of the Plan. A total of 4,645,000 Performance Rights were on issue as at 30 June 2021.

Grant Date	Vesting Date	Expiry Date	Exercise Price	Number	Fair Value
16 Jul 2019	16 Jul 2022	16 Jul 2022	Nil	50,000	\$0.670
14 Sep 2021	14 Sep 2023	14 Sep 2023	Nil	4,350,000	\$0.683
18 Feb 2021	14 Sep 2023	14 Sep 2023	Nil	95,000	\$0.967
9 Jun 2021	14 Sep 2023	14 Sep 2023	Nil	150,000	\$1.130

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

A total of 864,447 Share Appreciation Rights are on issue pursuant to the Plan, with nil vesting in FY20 and FY21.

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 2021	1 July 2021	305,968	Nil	610,000	\$0.1990	19.5%
	25 Nov 2020	1 Jul 2022			Nil	478,432	\$0.2110	
	25 Nov 2020	1 Jul 2023			Nil	386,015	\$0.2070	



## DIRECTORS' REPORT

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>Thomas Marshall</b>	21 Aug 2017	20 Aug 2020	60,000	Nil	60,000	\$1.0410	6.6%
<b>Thomas Marshall</b>	14 Sep 2020	14 Sep 2023		Nil	150,000	\$0.6830	
<b>Omesh Motiwalla</b>	16 Jul 2019	16 Jul 2022		Nil	50,000	\$0.6700	7.2%
<b>Omesh Motiwalla</b>	14 Sep 2020	14 Sep 2023		Nil	100,000	\$0.6830	

### 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 2021:

	2017	2018	2019	2020	2021
<b>Revenue (\$000's)</b>	238,691	283,603	182,256	222,402	392,385
<b>Net profit before tax (\$000's)</b>	16,287	16,202	8,761	(9,661)	33,742
<b>Net profit after tax (\$000's)</b>	12,865	11,641	6,530	(7,250)	23,240
<b>Share price at year end</b>	\$1.47	\$1.39	\$0.80	\$0.72	\$1.50
<b>Dividend (\$000's)</b>	15,287	9,195	13,815	6,145	13,964
<b>EPS (cents)</b>	8.41	7.60	4.25	(4.72)	14.92
<b>Diluted EPS (cents)</b>	8.35	7.45	4.19	(4.72)	14.51

Tony Patrizi, an Executive Director, three senior executives and a key employee 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.



## DIRECTORS' REPORT

### 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:

2021	Balance at the start of the year	Received as part of remuneration	Additions / other	Disposals / other	Balance at the end of the year
<i>Ordinary shares</i>					
Phillip Lockyer	50,000	-	-	-	50,000
Geoff Jones	772,134	-	-	-	772,134
Tony Patrizi	9,795,000	-	-	-	9,795,000
Barry Patterson*	7,500,000	-	-	(7,500,000)	-
Peter Hood	500,000	-	-	-	500,000
David Sala Tenna	12,325,000	-	-	-	12,325,000
Joe Totaro	8,000,000	-	-	-	8,000,000
Omesh Motiwalla	29,500	-	33,490	-	62,990
Rodney Schier	8,100,000	-	-	-	8,100,000
Stephen Kendrick	4,875,000	-	-	-	4,875,000
Thomas Marshall	30,000	60,000	-	-	90,000
	51,976,634	60,000	33,490	(7,500,000)	44,570,124

\* Deceased 9 December 2020

2020	Balance at the start of the year	Received as part of remuneration	Additions / other	Disposals / other	Balance at the end of the year
<i>Ordinary shares</i>					
Phillip Lockyer	50,000	-	-	-	50,000
Geoff Jones	772,134	-	-	-	772,134
Tony Patrizi	9,795,000	-	-	-	9,795,000
Barry Patterson	7,500,000	-	-	-	7,500,000
Peter Hood	500,000	-	-	-	500,000
David Sala Tenna	12,325,000	-	-	-	12,325,000
Joe Totaro	8,000,000	-	-	-	8,000,000
Omesh Motiwalla	-	-	29,500	-	29,500
Rodney Schier	8,100,000	-	-	-	8,100,000
Stephen Kendrick	4,875,000	-	-	-	4,875,000
Thomas Marshall	30,000	-	-	-	30,000
	51,947,134	-	29,500	-	51,976,634

### OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the year ended 30 June 2021, the consolidated entity leased office space at 71 Daly Street, Ascot WA from Ashguard Pty Ltd. Directors of the consolidated entity, Tony Patrizi and Barry Patterson, each had a non-controlling interest in Ashguard Pty Ltd. The total amount invoiced by Ashguard Pty Ltd in the year ended 30 June 2021 amounted to \$734,639 including GST (2020: \$797,516). The balance payable at 30 June 2021 is \$57,910 (2020: \$57,536).

During the year ended 30 June 2021 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 2021 amounted to \$288,251 including GST (2020: \$698,987). The balance payable at 30 June 2021 is nil (2020: \$190,975).

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

### 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

A handwritten signature in black ink, appearing to read 'G Jones', is written over a large, stylized, hand-drawn oval shape.

**Geoff Jones**  
Managing Director

Date : 24 August 2021

For personal use only



## AUDITOR'S INDEPENDENCE DECLARATION

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

24 August 2021

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 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

**Nicole Menezes**  
Partner  
Chartered Accountants



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Consolidated	
		2021 \$	2020 \$
<b>Revenue</b>	5	392,385,045	222,401,774
Other income	6	4,287,638	4,398,580
<b>Expenses</b>			
Employee benefits expense	7	(102,088,346)	(70,707,941)
Superannuation expense	7	(8,202,191)	(6,076,221)
Depreciation and amortisation expense	7	(3,155,890)	(2,746,974)
Workers compensation expense		(998,173)	(783,467)
Equity based payments		(669,435)	(832,479)
Finance costs	7	(379,707)	(290,648)
Direct materials and subcontractor costs		(237,521,266)	(128,467,459)
Accountancy & audit fees		(474,908)	(474,320)
Marketing		(189,226)	(130,140)
Bad and doubtful debts	10	246,317	(17,660,944)
Occupancy		(493,641)	(417,777)
Administration		(9,003,980)	(7,873,483)
<b>Profit before income tax expense</b>		<u>33,742,237</u>	<u>(9,661,499)</u>
Income tax expense	8	(10,502,137)	2,411,583
<b>Profit after income tax expense for the year attributable to the owners of GR Engineering Services Limited</b>	21	<u>23,240,100</u>	<u>(7,249,916)</u>
<b>Other comprehensive income for the year, net of income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on financial assets		69,680	903,522
Exchange differences on translating foreign operations		(59,173)	(73,319)
Other comprehensive income for the year, net of income tax		<u>10,507</u>	<u>830,203</u>
<b>Total comprehensive income for the year attributable to the owners of GR Engineering Services Limited</b>		<u>23,250,607</u>	<u>(6,419,713)</u>
<b>Profit attributable to owners of the parent</b>		<u>23,240,100</u>	<u>(7,249,916)</u>
<b>Total comprehensive income attributable to the owners of the parent</b>		<u>23,250,607</u>	<u>(6,419,713)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	30	14.92	(4.72)
Diluted earnings per share	30	14.51	(4.72)



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	Consolidated	
		2021 \$	2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	68,972,970	37,528,995
Trade and other receivables	10	52,151,340	38,844,902
Inventories	11	33,832	23,800
Prepayments		1,378,449	1,365,359
Current tax assets	8	-	34,604
Total current assets		<u>122,536,591</u>	<u>77,797,660</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	8,672,089	6,369,694
Financial assets	13	2,192,175	5,262,757
Intangible assets	14	23,710,008	4,401,316
Deferred tax	8	289,745	4,157,054
Total non-current assets		<u>34,864,017</u>	<u>20,190,821</u>
<b>Total assets</b>		<u>157,400,608</u>	<u>97,988,481</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	64,084,181	44,622,237
Borrowings	16	4,717,382	4,986,214
Income tax	8	3,490,281	-
Provisions	17	11,167,353	9,407,321
Contract liabilities	18	16,585,801	1,102,997
Total current liabilities		<u>100,044,998</u>	<u>60,118,769</u>
<b>Non-current liabilities</b>			
Borrowings	16	3,539,762	2,473,753
Provisions	17	2,176,220	712,586
Total non-current liabilities		<u>5,715,982</u>	<u>3,186,339</u>
<b>Total liabilities</b>		<u>105,760,980</u>	<u>63,305,108</u>
<b>Net assets</b>		<u>51,639,628</u>	<u>34,683,373</u>
<b>Equity</b>			
Issued capital	19	39,141,677	30,594,847
Reserves	20	1,326,380	2,193,268
Retained profits	21	11,171,571	1,895,258
<b>Total equity</b>		<u>51,639,628</u>	<u>34,683,373</u>



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Consolidated	
		2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		425,733,083	215,228,517
Payments to suppliers and employees		(371,379,760)	(204,042,822)
Income tax paid		(4,926,821)	(111,515)
Interest received		69,680	165,583
<b>Net cash flows provided by operating activities</b>	9	<u>49,496,182</u>	<u>11,239,763</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,688,147)	(1,027,662)
Proceeds from sale of property, plant and equipment		4,515	60,031
Proceeds from sale of financial assets		6,106,738	4,038,117
Net cash outflow on acquisition of business	32	<u>(5,888,212)</u>	<u>(3,403,713)</u>
<b>Net cash flows used in investing activities</b>		<u>(1,465,106)</u>	<u>(333,227)</u>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(1,704,556)	(2,208,645)
Dividends paid		(13,963,787)	(6,144,928)
Proceeds from borrowings		<u>(984,393)</u>	<u>3,403,713</u>
<b>Net cash flows used in financing activities</b>	9	<u>(16,652,736)</u>	<u>(4,949,860)</u>
Net increase in cash and cash equivalents		31,378,340	5,956,676
Cash and cash equivalents at beginning of period		37,528,995	31,432,874
Effects of exchange rate changes of balances of cash held in foreign currencies		65,635	139,445
<b>Cash and cash equivalents at end of period</b>	9	<u>68,972,970</u>	<u>37,528,995</u>





# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Issued capital	Share Option Reserve	Performance Rights Reserve	Share Appreciation Rights Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 30 June 2019</b>	30,562,886	-	1,029,128	210,706	(710,315)	324,325	14,998,805	46,415,535
Profit for the period	-	-	-	-	-	-	(7,249,916)	(7,249,916)
Other comprehensive income for the period	-	-	-	-	(73,319)	903,522	-	830,203
Total comprehensive income for the period	-	-	-	-	(73,319)	903,522	(7,249,916)	(6,419,713)
Dividends	-	-	-	-	-	-	(6,144,928)	(6,144,928)
Issue of shares	31,961	-	(31,961)	-	-	-	-	-
Share based payments	-	-	751,888	80,591	-	-	-	832,479
Lapsed options/share appreciation rights transferred to retained earnings	-	-	-	(291,297)	-	-	291,297	-
<b>Balance as at 30 June 2020</b>	30,594,847	-	1,749,055	-	(783,634)	1,227,847	1,895,258	34,683,373
Profit for the period	-	-	-	-	-	-	23,240,100	23,240,100
Other comprehensive income for the period	-	-	-	-	(59,173)	69,680	-	10,507
Total comprehensive income for the period	-	-	-	-	(59,173)	69,680	23,240,100	23,250,607
Dividends	-	-	-	-	-	-	(13,963,787)	(13,963,787)
Issue of shares	8,546,830	-	(1,546,830)	-	-	-	-	7,000,000
Share based payments	-	-	492,097	177,338	-	-	-	669,435
Lapsed options/share appreciation rights transferred to retained earnings	-	-	-	-	-	-	-	-
<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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## 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 18 August 2021. 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 2020.

The following new and revised Standards and Interpretations effective for the current reporting period that are relevant to the consolidated entity include:

- AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
- AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*

The adoption of these standards and interpretations did not have a material impact on the consolidated entity.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## 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 2021 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
<ul style="list-style-type: none"> <li>AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2</li> </ul>	1 January 2021	30 June 2022
<ul style="list-style-type: none"> <li>AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021</li> </ul>	1 April 2021	30 June 2022
<ul style="list-style-type: none"> <li>AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</li> </ul>	1 January 2022	30 June 2023
<ul style="list-style-type: none"> <li>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</li> </ul>	1 January 2022	30 June 2023
<ul style="list-style-type: none"> <li>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</li> </ul>	1 January 2023	30 June 2024
<ul style="list-style-type: none"> <li>AASB 17 Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts</li> </ul>	1 January 2023	30 June 2024
<ul style="list-style-type: none"> <li>AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</li> </ul>	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 2021

## 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 117, 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

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.

### 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 lump 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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

### *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.

### *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*

When it is probable that total contract costs for a project will exceed total contract revenue, the expected loss is recognised as an expense immediately.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

### *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**

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.

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.





# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

### 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

### (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 (FVOCI)

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 FVOCI. Designation at FVOCI 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 FVOCI 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

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).

### (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.

Financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For financial instruments, the consolidated entity recognises lifetime expected credit loss (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

### *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.

### *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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the consolidated entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in 'Other income' (note 6) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

### *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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

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.

### 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 cost of sales 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 used 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

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 likelihood 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.

### Impairment of non-financial assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

### 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.





# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

### 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 2021

## 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 2. Significant accounting policies (continued)

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.

### 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 2021

## 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 probable will be recoverable.

Contract costs are recognised as expenses in the period in which they are incurred. Where construction contracts are still in the completion stage, they are included as contract assets.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## **Note 3. Critical accounting judgements, estimates and assumptions (continued)**

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**

The 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.

### **Impairment testing**

The consolidated entity assesses for impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists for a cash generating unit that has goodwill allocated, the recoverable amount of the asset is 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 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 2021

## 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

	2021	2020
	\$	\$
Mineral processing	269,004,457	138,028,472
Oil and gas	123,380,588	84,373,302
Total revenue	<u>392,385,045</u>	<u>222,401,774</u>

#### Segment profit before tax

	2021	2020
	\$	\$
Mineral processing	17,183,535	8,364
Oil and gas	13,372,925	(10,382,047)
Corporate	3,185,777	712,184
Total profit before tax	<u>33,742,237</u>	<u>(9,661,499)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2020: nil).

#### Segment assets and liabilities

##### Segment assets

	2021	2020
	\$	\$
Mineral processing	121,107,422	63,841,306
Oil and gas	34,101,011	28,884,418
Corporate	2,192,175	5,262,757
Total assets	<u>157,400,608</u>	<u>97,988,481</u>

##### Depreciation and amortisation

	2021	2020
	\$	\$
Mineral processing	2,142,127	1,547,936
Oil and gas	1,013,763	1,199,038
Total depreciation and amortisation	<u>3,155,890</u>	<u>2,746,974</u>

##### Segment liabilities

	2021	2020
	\$	\$
Mineral processing	88,609,168	48,180,500
Oil and gas	17,151,812	15,124,608
Total liabilities	<u>105,760,980</u>	<u>63,305,108</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 4. Operating segments (continued)

### Geographical information

The following table shows the revenue from external customers of the consolidated entity summarised by location.

#### Revenue

	2021	2020
	\$	\$
Australia	370,508,669	198,584,760
Overseas	21,876,376	23,817,014
Total revenue	<u>392,385,045</u>	<u>222,401,774</u>

#### Non-current assets

	2021	2020
	\$	\$
Australia	30,453,917	15,615,591
Overseas	4,410,100	4,575,230
Total non-current assets	<u>34,864,017</u>	<u>20,190,821</u>

### Information about major customers

During the financial year, two customers individually provided more than 10% of total revenue each for the consolidated entity (2020: 2 customers).

## Note 5. Revenue

	Consolidated	
	2021	2020
	\$	\$
Rendering of services - mineral processing - over time	269,004,457	138,028,472
Rendering of services - oil & gas - at a point in time	123,380,588	84,373,302
Total revenue	<u>392,385,045</u>	<u>222,401,774</u>

## Note 6. Other income

	Consolidated	
	2021	2020
	\$	\$
Net foreign exchange gain/(loss)	(105,464)	241,868
Net gain/(loss) on disposal of property, plant and equipment	(5,046)	(39,600)
Subsidies and grants	84,132	206,932
Interest revenue	69,680	165,583
Gain on sale of financial assets	3,185,777	712,184
Other revenue	1,058,559	3,111,613
Total other income	<u>4,287,638</u>	<u>4,398,580</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

### Note 7. Expenses

	Consolidated	
	2021	2020
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and leasing charges on leases	<u>379,707</u>	<u>290,648</u>
<i>Employee benefits</i>		
Employee benefits expense excluding superannuation	102,088,346	70,707,941
Defined contribution superannuation expense	<u>8,202,191</u>	<u>6,076,221</u>
Total employee benefits	<u>110,290,537</u>	<u>76,784,162</u>
<i>Administration costs</i>		
Net loss on disposal of inventories	<u>17,000</u>	<u>270,000</u>
<i>Depreciation and amortisation</i>		
Depreciation of property plant and equipment	1,263,968	1,372,272
Depreciation of right of use assets	<u>1,689,930</u>	<u>1,311,873</u>
Total depreciation	<u>2,953,898</u>	<u>2,684,145</u>
Amortisation of intangible assets	<u>201,992</u>	<u>62,829</u>
Total depreciation and amortisation	<u>3,155,890</u>	<u>2,746,974</u>



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2021

**Note 8. Income tax expense**

Major components of income tax expense for the years ended 30 June 2020 and 2021 are:

**Income tax recognised in the Consolidated statement of profit or loss**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Current income tax</i>		
Current income tax charge	10,360,716	(287,963)
Other current income tax charges	218,512	154,732
Adjustments in respect of current income tax of previous years	17,336	12,998
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	72,115	(2,291,350)
Adjustments in respect of previous deferred income tax	(166,542)	-
Income tax expense reported in statement of profit or loss	<u>10,502,137</u>	<u>(2,411,583)</u>

**Income tax recognised in statement of changes in equity**

<i>Deferred income tax</i>		
Revaluation of shares	84,529	(241,660)
Income tax expense reported in equity	<u>84,529</u>	<u>(241,660)</u>

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 2020 and 2021 is as follows:

Accounting profit before income tax	33,742,237	(9,661,499)
At the statutory income tax rate of 30% (2020: 30%)	10,122,671	(2,898,449)
Add:		
Non-deductible expenses	333,186	301,610
Adjustments in respect of previous year current income tax	17,336	12,998
Other current income tax charges	34,251	193,478
Impact to tax expense arising from foreign tax rate differential	(5,307)	(21,220)
At effective income tax rate of 31.0% (2020: 25.0%)	<u>10,502,137</u>	<u>(2,411,583)</u>
Income tax expense reported in statement of profit or loss	<u>10,502,137</u>	<u>(2,411,583)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2021

**Note 8. Income tax expense (continued)**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Deferred income tax</b>		
Deferred income tax at 30 June relates to the following:		
<i>Deferred income tax assets</i>		
Accrued employee entitlements	293,883	74,949
Accrued superannuation	46,612	226,335
Accrued audit fees	33,402	-
Provision for long service leave	336,712	127,744
Provision for warranty	1,074,196	862,377
Provisions - other	55,677	153,544
Payables - Upstream Production Solutions subsidiary	-	94,806
Accrued employee entitlements - Upstream Production Solutions subsidiary	1,263,355	1,172,384
Shares in listed entity	(8,028)	(92,557)
Plant and equipment	(444)	37,631
Right of use asset	87,710	258,720
Carry forward franking deficit tax offset and tax losses	-	2,173,285
	<u>3,183,075</u>	<u>5,089,218</u>
<i>Deferred income tax liabilities</i>		
Customer relationships and goodwill	(2,787,200)	(546,597)
Accrued income	(24,460)	
Other accrued income	-	(35)
Leasing	-	(49,846)
Lease liability	-	(221,710)
Unrealised foreign exchange gain/(loss)	23,580	(63,462)
Inventories	(7,371)	-
Work in progress	(97,879)	(50,514)
	<u>(2,893,330)</u>	<u>(932,164)</u>
Net deferred tax asset	<u>289,745</u>	<u>4,157,054</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2021

**Note 9. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	52,444	57,411
Cash at bank	68,920,526	37,471,584
Cash on deposit	-	-
	<u>68,972,970</u>	<u>37,528,995</u>

The fair value of cash and cash equivalents is \$68,972,970 (2020: \$37,528,995).

Cash at bank and in hand earns interest at floating rates based on daily bank rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the consolidated entity, and earn interest at the respective short-term deposit rates.

**Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	68,972,970	37,528,995
Cash on deposit	-	-
	<u>68,972,970</u>	<u>37,528,995</u>

**Reconciliation from the net profit after tax to the net cash flow from operating activities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Net profit after tax	23,240,100	(7,249,916)
<i>Adjustments for:</i>		
Depreciation and amortisation	3,155,890	2,746,974
(Profit)/loss on sale of assets	5,046	39,600
Expected credit loss expense reversal	(246,317)	-
Share based employee payments	669,435	832,501
Net foreign exchange (gain)/loss	87,008	(212,789)
Inventory write off	17,000	-
Interest expense on leases	302,678	249,636
Net (gain)/loss arising on sale of financial assets	(3,185,777)	(712,184)
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	(14,653,645)	4,196,333
(Increase)/decrease in inventories	(92,753)	270,000
(Increase)/decrease in deferred tax asset	1,891,858	(4,624,885)
(Decrease)/increase in trade and other payables	13,820,690	19,026,949
(Decrease)/increase in provisions	1,958,097	1,743,751
(Decrease)/increase in tax liabilities	3,524,884	2,101,787
(Decrease)/increase in contract liabilities	19,001,988	(7,167,994)
Net cash from operating activities	<u>49,496,182</u>	<u>11,239,763</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

**Note 9. Current assets - cash and cash equivalents (continued)****Non-cash transactions**

During the year ended 30 June 2021 and year ended 30 June 2020, 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 2021 the consolidated entity acquired equipment under lease of \$695,664 (2020: \$297,819).
- during the year ended 30 June 2021 the consolidated entity issued shares to the value of \$7,000,000 as part of the purchase price for Mipac Holdings Pty Ltd. Refer to note 32 for further information.

**Reconciliation of liabilities arising from cash flows from financing activities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Opening balance - leases	4,056,254	550,242
New non-cash leases	3,511,349	4,633,137
Insurance premium funding	277,455	831,884
Interest paid - leases	(302,678)	249,636
Repayments - leases	(1,704,556)	(2,208,645)
Closing balance - leases	<u>5,837,824</u>	<u>4,056,254</u>
Opening balance - bank loan	3,403,713	-
Proceeds from borrowings	-	3,403,713
Interest paid - bank loan	(70,841)	-
Repayments - bank loan	(913,551)	-
Closing balance - bank loan	<u>2,419,320</u>	<u>3,403,713</u>

**Note 10. Trade and other receivables****Current assets – trade and other receivables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	37,614,094	23,732,802
Less: Loss allowance	-	(257,339)
	<u>37,614,094</u>	<u>23,475,463</u>
Contract assets - oil and maintenance contracts	10,586,158	7,505,584
Contract assets - mineral processing contracts	1,301,371	7,435,308
Contract assets - contracts for sale of assets	1,598,703	-
	<u>13,486,232</u>	<u>14,940,892</u>
Term deposits held for security	234,934	-
Other receivables	816,080	428,547
	<u>52,151,340</u>	<u>38,844,902</u>

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

**Note 10. Trade and other receivables (continued)***Expected credit losses of receivables*

Movements in the loss allowance of receivables are as follows:

	Consolidated	
	2021	2020
	\$	\$
Opening balance	257,339	257,339
Transfer to credit impaired	11,023	-
Amounts written off	(11,023)	-
Amounts recovered	(257,339)	-
Closing balance	<u>-</u>	<u>257,339</u>

There is no loss allowance recognised for contract assets. 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. An allowance for expected credit losses requires significant judgement and estimation on behalf of the directors and management, as described in note 3.

The consolidated entity provides for a trade receivable and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Bad debts written off during the year as uncollectable amount to \$11,023 (2020: \$17,660,944).

*Past due but not impaired*

Customers with balances past due but without allowance for losses of receivables amount to \$1,736,834 as at 30 June 2021 (\$2,569,849 as at 30 June 2020).

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2021	2020
	\$	\$
0 to 3 months overdue	1,637,794	1,655,732
3 to 6 months overdue	56,911	236,403
Over 6 months overdue	42,129	677,714
	<u>1,736,834</u>	<u>2,569,849</u>

There are no overdue balances for contract assets.

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.

**Note 11. Current assets - inventories**

	Consolidated	
	2021	2020
	\$	\$
Consumables - at cost	<u>33,832</u>	<u>23,800</u>
	<u>33,832</u>	<u>23,800</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

### Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2021 \$	2020 \$
Plant and equipment - at cost	15,279,025	13,103,111
Less: Accumulated depreciation	(11,839,446)	(10,528,279)
	<u>3,439,579</u>	<u>2,574,832</u>
Right of use assets	8,205,960	5,136,863
Less: Accumulated depreciation	(2,973,450)	(1,342,001)
	<u>5,232,510</u>	<u>3,794,862</u>
	<u>8,672,089</u>	<u>6,369,694</u>

#### Reconciliations

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

	Right of use assets \$	Plant & Equipment \$	Total \$
Balance at 30 June 2019	216,808	3,164,479	3,381,287
Adoption of AASB 16	3,175,853	-	3,175,853
Additions - new leases	727,632	-	727,632
Assets acquired on acquisition of subsidiary	688,622	111,384	800,006
Additions	297,819	773,633	1,071,452
Disposals, Write off of assets	-	(102,391)	(102,391)
Depreciation expense	(1,311,873)	(1,372,272)	(2,684,145)
Balance at 30 June 2020	<u>3,794,861</u>	<u>2,574,833</u>	<u>6,369,694</u>
Additions - new leases	1,336,136	-	1,336,136
Assets acquired on acquisition of subsidiary	1,907,162	334,409	2,241,571
Additions	-	1,688,147	1,688,147
Disposals, Write off of assets	-	(9,561)	(9,561)
Transfers in/(out)	(115,719)	115,719	-
Depreciation expense	(1,689,930)	(1,263,968)	(2,953,898)
Balance at 30 June 2021	<u>5,232,510</u>	<u>3,439,579</u>	<u>8,672,089</u>

#### 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 2021 is 3.6 years (2020: 4 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 2021 is 3.7 years (2020: 3.5 years).

	Consolidated	
	2021 \$	2020 \$
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	1,689,930	1,311,873
Interest expense on lease liabilities	379,707	290,648
Expense relating to short-term and low value leases	474,494	110,889

At 30 June 2021 the consolidated entity is committed to \$10,176 for short term and low value property leases (2020: \$12,298).



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

### Note 13. Financial assets

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

	Consolidated	
	2021	2020
	\$	\$
Shares in listed entities	2,192,175	5,262,757

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.

### Note 14. Intangible assets

	Consolidated	
	2021	2020
	\$	\$
Goodwill acquired on acquisition of subsidiary	13,470,303	2,579,325
Customer assets acquired on acquisition of subsidiary	8,889,686	1,821,991
Intellectual property assets acquired on acquisition of subsidiary	1,350,019	-
	<u>23,710,008</u>	<u>4,401,316</u>

#### Movement in intangible assets

	Consolidated	
	2021	2020
	\$	\$
<i>Goodwill</i>		
Balance at beginning of year	2,579,325	-
Additional goodwill acquired	11,118,067	2,579,325
Translation differences related to goodwill held in foreign currencies	(227,089)	-
Amortisation	-	-
Balance at end of year	<u>13,470,303</u>	<u>2,579,325</u>
<i>Customer assets</i>		
Balance at beginning of year	1,821,991	-
Additional customer assets acquired	7,400,000	1,884,820
Translation differences related to customer assets held in foreign currencies	(158,926)	-
Amortisation	(173,379)	(62,829)
Balance at end of year	<u>8,889,686</u>	<u>1,821,991</u>
<i>Intellectual property assets</i>		
Balance at beginning of year	-	-
Additional intellectual property assets acquired	1,378,632	-
Amortisation	(28,613)	-
Balance at end of year	<u>1,350,019</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

### Note 14. Intangible assets (continued)

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. The acquisition, and goodwill arising from the acquisition, of Mipac Holdings Pty Ltd was finalised on 3 May 2021, being 2 months prior to reporting date. Based on the results achieved post acquisition, the directors are satisfied there has been no impairment testing required.

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	
	2021	2020
	\$	\$
Trade payables	38,635,498	24,261,936
Accrued expenses	10,520,270	12,434,349
GST payable	1,152,138	425,996
Prepaid revenue	1,851,619	294,212
Deferred consideration on acquisition of business (refer note 32)	4,004,155	600,655
Other payables	7,920,501	6,605,089
	<u>64,084,181</u>	<u>44,622,237</u>

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 2021

**Note 16. Borrowings****Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Lease liability - motor vehicles and office equipment	378,879	386,156
Lease liability - office premises	1,919,183	1,196,345
Bank loan	2,419,320	3,403,713
	<u>4,717,382</u>	<u>4,986,214</u>

**Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Lease liability - motor vehicles and office equipment	695,409	210,448
Lease liability - office premises	2,844,353	2,263,305
	<u>3,539,762</u>	<u>2,473,753</u>

The consolidated entity has a bank loan facility limit of USD \$2,750,000. The loan was taken out on 28 February 2020 and the maturity date is 28 February 2024. The loan carries an interest rate at 2.2% above the LIBOR rate. The LIBOR one month rate as at 30 June 2021 is 0.1%. Loan payments are made quarterly. The consolidated entity has provided the lender with a security interest in the fixed assets, inventory and other related property of its subsidiary Hanlon Engineering and Associates Inc.

Refer to note 23 for further information on financial instruments.

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Lease liability	1,074,288	596,604
Bank loan	2,419,320	3,403,713
	<u>3,493,608</u>	<u>4,000,317</u>

*Assets pledged as security*

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.

*Lease liabilities - maturity analysis*

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Year 1 - current liability	2,298,062	1,582,501
Year 2 - non-current liability	1,815,141	1,347,384
Year 3 - non-current liability	952,465	896,990
Year 4 - non-current liability	545,968	229,379
Year 5 - non-current liability	226,188	-
	<u>5,837,824</u>	<u>4,056,254</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2021

**Note 17. Provisions****Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Annual leave	5,369,641	3,906,003
Long service leave	2,217,060	2,334,339
Provision for redundancy	-	169,989
Warranties	3,580,652	2,874,591
Project returns	-	122,399
	<u>11,167,353</u>	<u>9,407,321</u>

**Movement in provisions**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<u>Provision for annual leave</u>		
Balance at beginning of year	3,906,003	4,038,384
Additional provisions on acquisition of subsidiary	634,736	-
Additional provisions recognised	3,410,647	2,413,694
Amounts used	<u>(2,581,745)</u>	<u>(2,546,075)</u>
Balance at end of year	<u>5,369,641</u>	<u>3,906,003</u>

Provision for warranty and defects liability

Balance at beginning of year	2,874,591	1,474,374
Additional provisions/(reduction in provisions) recognised	774,101	1,464,401
Amounts used	<u>(68,040)</u>	<u>(64,184)</u>
Balance at end of year	<u>3,580,652</u>	<u>2,874,591</u>

Provision for project returns

Balance at beginning of year	122,399	266,700
Additional provisions/(reduction in provisions) recognised	9,439	(144,301)
Amounts used	<u>(131,838)</u>	<u>-</u>
Balance at end of year	<u>-</u>	<u>122,399</u>

**Non-current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Long service leave	<u>2,176,220</u>	<u>712,586</u>

**Movement in provisions**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<u>Provision for long service leave</u>		
Balance at beginning of year	3,046,925	2,555,736
Additional provisions on acquisition of subsidiary	638,643	-
Additional provisions recognised	824,573	702,765
Amounts used	<u>(116,861)</u>	<u>(211,576)</u>
Balance at end of year	<u>4,393,280</u>	<u>3,046,925</u>

Provision for long service leave - reconciled as follows:

Long service leave - current	2,217,060	2,334,339
Long service leave - non-current	<u>2,176,220</u>	<u>712,586</u>
	<u>4,393,280</u>	<u>3,046,925</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

### Note 18. Contract liabilities

	Consolidated	
	2021	2020
	\$	\$
Contract liabilities - current liabilities	<u>16,585,801</u>	<u>1,102,997</u>

### Contracts in progress

	Consolidated	
	2021	2020
	\$	\$
Progress billings - mineral processing	312,327,694	138,354,880
Construction costs to date plus recognised profits - mineral processing	<u>(297,043,264)</u>	<u>(144,687,191)</u>
	<u>15,284,430</u>	<u>(6,332,311)</u>

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.

### Note 19. Equity - issued capital

	Consolidated		Consolidated	
	2021	2020	2021	2020
	Shares	Shares	\$	\$
<i>Ordinary shares - fully paid</i>				
Opening balance	153,653,189	153,623,189	30,594,847	30,562,886
Additional shares issued:				
Exercise of performance rights	1,500,000	30,000	1,546,830	31,961
Acquisition of subsidiary (refer note 32)	5,424,711	-	7,000,000	-
Ordinary shares - fully paid	<u>160,577,900</u>	<u>153,653,189</u>	<u>39,141,677</u>	<u>30,594,847</u>

#### *Ordinary shares*

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

#### *Share appreciation rights*

As at 30 June 2021, the consolidated entity had 1,474,447 share appreciation rights on issue as part of the consolidated entity's equity incentive plan (as at 30 June 2020: nil).

#### *Performance rights*

As at 30 June 2021, the consolidated entity had on issue a total of 4,645,000 performance rights (as at 30 June 2020: 1,850,000):

Number of performance rights	Grant date	Expiry date	Exercise price
50,000	16/07/2019	16/07/2022	Nil
4,350,000	14/09/2020	14/09/2023	Nil
95,000	18/02/2021	14/09/2023	Nil
150,000	9/06/2021	14/09/2023	Nil

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2021

**Note 20. Equity - reserves**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(842,807)	(783,634)
Performance rights reserve	694,322	1,749,055
Share appreciation rights reserve	177,338	-
Investment revaluation reserve	1,297,527	1,227,847
	<u>1,326,380</u>	<u>2,193,268</u>

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Foreign currency reserve</i>		
Balance at beginning of year	(783,634)	(710,315)
Additional amounts recognised	<u>(59,173)</u>	<u>(73,319)</u>
Balance at end of year	<u>(842,807)</u>	<u>(783,634)</u>

The above foreign currency reserve represents foreign exchange differences resulting from translation of foreign currency amounts held in subsidiaries of the consolidated entity.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Performance rights reserve</i>		
Balance at beginning of year	1,749,055	1,029,128
Additional amounts recognised	492,097	751,888
Amount exercised	<u>(1,546,830)</u>	<u>(31,961)</u>
Balance at end of year	<u>694,322</u>	<u>1,749,055</u>

The above performance rights reserve relates to performance rights granted and vested by the consolidated entity to its employees under its equity incentive plan.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Share appreciation rights reserve</i>		
Balance at beginning of year	-	210,706
Additional amounts recognised	177,338	80,591
Amount exercised	-	-
Lapsed and transferred to retained earnings	-	(291,297)
Balance at end of year	<u>177,338</u>	<u>-</u>

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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

### Note 20. Equity - reserves (continued)

	Consolidated	
	2021	2020
	\$	\$
<i>Investment revaluation reserve</i>		
Balance at beginning of year	1,227,847	324,325
Gain realised on sale of investment	(3,185,777)	(759,427)
Movement in fair value	3,537,513	1,421,289
Tax effect of movement in fair value	(282,056)	241,660
Balance at end of year	<u>1,297,527</u>	<u>1,227,847</u>

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 2021.

### Note 21. Equity - retained profits

	Consolidated	
	2021	2020
	\$	\$
Retained profits at the beginning of the financial year	1,895,258	14,998,805
Transfers from reserves	-	291,297
Profit after income tax expense for the year	23,240,100	(7,249,916)
Payment of dividends	(13,963,787)	(6,144,928)
Retained profits at the end of the financial year	<u>11,171,571</u>	<u>1,895,258</u>

### Note 22. Equity - dividends

	Consolidated	
	2021	2020
	\$	\$
<i>Dividends</i>		
<b>Year ended 30 June 2020</b>		
Dividend paid 23 October 2019 (unfranked):		
2 cents per ordinary share		3,072,464
Dividend paid 3 April 2020 (unfranked):		
2 cents per ordinary share		3,072,464
<b>Year ended 30 June 2021</b>		
Dividend paid 21 October 2020 (unfranked):	6,206,128	
4 cents per ordinary share		
Dividend paid 1 April 2021 (fully franked at 30% tax rate):	7,757,659	
5 cents per ordinary share		
	<u>13,963,787</u>	<u>6,144,928</u>

On 18 August 2021, the consolidated entity declared a fully franked dividend of 7.0 cents per share, an aggregate of \$11,261,871. The Record Date of the dividend is 3 September 2021 and the proposed payment date is 22 September 2021.

#### Franking credits

	Consolidated	
	2021	2020
	\$	\$
Franking (debits)/credits available for subsequent financial years based on a tax rate of 30%	<u>6,047</u>	<u>-</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## 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:

	Consolidated	
	2021	2020
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents - amortised cost	68,972,970	37,528,995
Trade and other receivables - amortised cost	52,151,340	38,844,902
Equity instruments - fair value through other comprehensive income	2,192,175	5,262,757
Total financial assets	<u>123,316,485</u>	<u>81,636,654</u>
<b>Financial liabilities</b>		
Trade and other payables - amortised cost	64,084,181	44,622,237
Lease liabilities - amortised cost	5,837,824	4,056,254
Bank loan - amortised cost	2,419,320	3,403,713
Total financial liabilities	<u>72,341,325</u>	<u>52,082,204</u>

### 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	
	2021	2020	2021	2020
	AUD \$	AUD \$	AUD \$	AUD \$
United States Dollars	4,838,162	4,141,248	(2,871,403)	(633,689)
Great British Pounds	720,996	117,414	(2,578)	(24,023)
Euro	1,730	4,166	(30,949)	(18,982)
Canadian Dollars	242,226	-	-	-
Papua New Guinea Kina	42,571	-	-	-
	<u>5,845,685</u>	<u>4,262,828</u>	<u>(2,904,930)</u>	<u>(676,694)</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

### Note 23. Financial instruments (continued)

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 2021 of AUD \$1 = USD \$0.75 (2020: 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 2021 of AUD \$1 = GBP £0.54 (2020: AUD \$1 = GBP £0.56).

The consolidated entity holds balances in Euro, these balances are translated into Australian dollars at the prevailing exchange rate at 30 June 2021 of AUD \$1 = EUR €0.63 (2020: AUD \$1 = EUR €0.61).

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 \$
<b>Consolidated - 2021</b>				
United States Dollars	(182,050)	(182,050)	214,552	214,552
Great British Pounds	(65,174)	(65,174)	79,992	79,992
Euro	2,657	2,657	(3,246)	(3,246)
Canadian Dollars	(22,112)	(22,112)	26,802	26,802
Papua New Guinea Kina	(3,870)	(3,870)	4,730	4,730
	<u>(270,549)</u>	<u>(270,549)</u>	<u>322,830</u>	<u>322,830</u>
	Effect of 10% increase in exchange rate	Effect of 10% decrease in exchange rate	Effect on profit before tax \$	Effect on equity \$
<b>Consolidated - 2020</b>				
United States Dollars	(293,785)	(293,785)	420,387	420,387
Great British Pounds	(8,464)	(8,464)	10,409	10,409
Euro	1,348	1,348	(1,645)	(1,645)
	<u>(300,901)</u>	<u>(300,901)</u>	<u>429,151</u>	<u>429,151</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

**Note 23. Financial instruments (continued)****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. The lower limit is a 0% interest rate, a reduction will not produce negative interest:

	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 \$
<b>Consolidated - 2021</b>				
Interest revenue	159,599	159,599	(21,114)	(21,114)
Interest expense	(11,574)	(11,574)	11,570	11,570
	<u>148,025</u>	<u>148,025</u>	<u>(9,544)</u>	<u>(9,544)</u>
	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 \$
<b>Consolidated - 2020</b>				
Interest revenue	46,446	46,446	(46,446)	(46,446)
Interest expense	(8,077)	(8,077)	7,033	7,033
	<u>38,369</u>	<u>38,369</u>	<u>(39,413)</u>	<u>(39,413)</u>

**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 2021 would increase by \$109,609 (2020: \$263,138) as a result of an increase of 5% in equity prices, and decrease by \$109,609 (2020: \$263,138) 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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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 2021

### 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.

Consolidated - 2021	Weighted average interest rate %	Remaining contractual maturities			Total \$
		Less than 6 months \$	6 to 12 months \$	Over 12 months \$	
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	-	64,084,181	-	-	64,084,181
<i>Interest-bearing - fixed rate</i>					
Lease liability	3.66%	415,240	1,882,822	3,539,762	5,837,824
Bank loan	2.45%	456,482	1,962,838	-	2,419,320
Total non-derivatives		<u>64,955,903</u>	<u>3,845,660</u>	<u>3,539,762</u>	<u>72,341,325</u>

Consolidated - 2020	Weighted average interest rate %	Remaining contractual maturities			Total \$
		Less than 6 months \$	6 to 12 months \$	Over 12 months \$	
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	-	44,622,237	-	-	44,622,237
<i>Interest-bearing - fixed rate</i>					
Lease liability	3.38%	955,160	627,341	2,473,753	4,056,254
Bank loan	4.20%	363,797	3,039,916	-	3,403,713
Total non-derivatives		<u>45,941,194</u>	<u>3,667,257</u>	<u>2,473,753</u>	<u>52,082,204</u>

#### 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	2021		2020	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Assets</b>				
Cash at bank	68,972,970	68,972,970	37,528,995	37,528,995
Cash on deposit	-	-	-	-
Trade receivables	52,151,340	52,151,340	38,844,902	38,844,902
Equity instruments	2,192,175	2,192,175	5,262,757	5,262,757
	<u>123,316,485</u>	<u>123,316,485</u>	<u>81,636,654</u>	<u>81,636,654</u>
<b>Liabilities</b>				
Trade payables	64,084,181	64,084,181	44,622,237	44,622,237
Lease liability	5,837,824	5,837,824	4,056,254	4,056,254
Bank loan	2,419,320	2,419,320	3,403,713	3,403,713
	<u>72,341,325</u>	<u>72,341,325</u>	<u>52,082,204</u>	<u>52,082,204</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

### Note 23. 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:

#### Fair value hierarchy - 2021

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Financial assets</i>				
Trade receivables	-	52,151,340	-	52,151,340
Equity instruments	2,192,175	-	-	2,192,175
	<u>2,192,175</u>	<u>52,151,340</u>	<u>-</u>	<u>54,343,515</u>
<i>Financial liabilities</i>				
Trade payables	-	64,084,181	-	64,084,181
Bank loan	-	2,419,320	-	2,419,320
	<u>-</u>	<u>66,503,501</u>	<u>-</u>	<u>66,503,501</u>

#### Fair value hierarchy - 2020

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Financial assets</i>				
Trade receivables	-	38,844,902	-	38,844,902
Equity instruments	5,262,757	-	-	5,262,757
	<u>5,262,757</u>	<u>38,844,902</u>	<u>-</u>	<u>44,107,659</u>
<i>Financial liabilities</i>				
Trade payables	-	44,622,237	-	44,622,237
Bank loan	-	3,403,713	-	3,403,713
	<u>-</u>	<u>48,025,950</u>	<u>-</u>	<u>48,025,950</u>

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories 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.

#### Reconciliation of Level 1 fair value measurements:

	Consolidated	
	2021 \$	2020 \$
<i>Equity instruments</i>		
Opening balance	5,262,757	7,879,585
Additions	-	-
Disposals	(6,106,738)	(4,038,117)
Net revaluations in other comprehensive income	3,036,156	1,421,289
Closing balance	<u>2,192,175</u>	<u>5,262,757</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

**Note 23. Financial instruments (continued)***Secured bank loan facilities:*

	Consolidated	
	2021	2020
	\$	\$
Amount used - term loan	2,419,320	3,403,713
Amount unused - term loan	1,232,496	600,655
Amount used - working capital facility	-	-
Amount unused - working capital facility	2,987,849	3,276,301
Total bank loan facility	<u>6,639,665</u>	<u>7,280,670</u>

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 1.95% above the LIBOR rate, the LIBOR one month rate as at 30 June 2021 is 0.1%. 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**

Geoff Jones	Managing Director
Tony Patrizi	Executive Director

**Non-executive directors**

Phil Lockyer	Non-Executive Chairman
Peter Hood	Non-Executive Director
Barry Patterson	Non-Executive Director (Deceased 9 December 2020)
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**

David Sala Tenna	Manager - Projects
Omesh Motiwalla	Chief Financial Officer and Company Secretary
Rodney Schier	Engineering Manager
Stephen Kendrick	Manager - Projects
Thomas Marshall	Manager - Eastern Region & Americas

**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:

	Consolidated	
	2021	2020
	\$	\$
Short term benefits	2,655,803	2,656,145
Post employment benefits	207,326	213,093
Share based payments	226,975	110,906
Other	125,000	-
	<u>3,215,104</u>	<u>2,980,144</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

**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	
	2021	2020
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements of the consolidated entity	202,272	192,358
Audit or review of the financial statements of subsidiaries	23,721	11,665
<i>Other services - Deloitte Touche Tohmatsu</i>		
Tax compliance - consolidated entity	125,767	79,056
Other services - consolidated entity	6,300	-
	<u>358,060</u>	<u>283,079</u>

During the financial year the following fees were paid or payable for services provided by MGI Audit Pty Ltd:

Audit or review of the financial statements of Mipac Holdings Pty Ltd	<u>50,000</u>	<u>-</u>
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**Note 26. Contingent liabilities**

The consolidated entity has bank guarantees in place as at 30 June 2021 of \$8,951,618 (2020: \$8,985,692) under its multi-option facility.

The consolidated entity's standby multi-option facility has a limit of \$70,000,000. 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 2021 is \$8,457,685 (30 June 2020: \$8,553,633).

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 \$722,129 (30 June 2020: \$432,059). The amount of bank guarantees issued under this facility at 30 June 2021 is \$722,129 (30 June 2020: \$432,059).

The consolidated entity has a \$45 million insurance bond facility with Berkshire Hathaway Specialist Insurance Company and an additional \$20 million insurance bond facility with Allianz Australia Insurance Limited. These facilities are utilised to provide retention and off site materials bonds in connection with certain projects. The amount of insurance bonds issued under the Berkshire Hathaway Specialist Insurance Company facility at 30 June 2021 is \$7,546,524 (2020: nil). The amount of insurance bonds issued under the Allianz Australia Insurance Limited facility at 30 June 2021 is \$1,802,051 (2020: \$2,449,602).

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

**Note 27. Related party transactions**

During the year ended 30 June 2021, the consolidated entity leased office space at 71 Daly Street, Ascot WA from Ashguard Pty Ltd. Directors of the consolidated entity, Tony Patrizi and Barry Patterson, each had a non-controlling interest in Ashguard Pty Ltd. The total amount invoiced by Ashguard Pty Ltd in the year ended 30 June 2021 amounted to \$734,639 including GST (2020: \$797,516). The balance payable at 30 June 2021 is \$57,910 (2020: \$57,536).

During the year ended 30 June 2020 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 2021 amounted to \$288,251 including GST (2020: \$698,987). The balance payable at 30 June 2021 is nil (2020: \$190,975).

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 2021.

**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.

*Statement of profit or loss and other comprehensive income*

	Parent	
	2021	2020
	\$	\$
Profit/(loss) after income tax	12,849,947	(61,850)
Total comprehensive income	12,919,627	841,672

*Statement of financial position*

	Parent	
	2021	2020
	\$	\$
Total current assets	102,225,416	57,117,976
Total assets	109,988,011	69,007,590
Total current liabilities	75,966,892	41,787,864
Total liabilities	77,050,766	42,695,620
Equity		
Issued capital	39,141,677	30,594,847
Performance rights reserve	694,322	1,749,055
Share appreciation rights reserve	177,338	-
Investment revaluation reserve	1,297,527	1,227,847
Retained profits	(8,373,619)	(7,259,779)
Total equity	32,937,245	26,311,970

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 2021

### Note 29. Events after the reporting period

On 2 August 2021, GR Engineering announced that it had signed an EPC Contract with Northern Star Resources Limited for its Thunderbox 6 Mtpa Expansion Project. The contract value is \$101.0 million.

On 10 August 2021, GR Engineering was appointed as preferred tenderer by Bardoc Gold Limited in relation to the EPC contract for the processing facility and associated infrastructure at its 100% owned Bardoc Gold Project.

On 18 August 2021, the consolidated entity declared a fully franked dividend of 7.0 cents per share, an aggregate of \$11,261,871. The Record Date of the dividend is 3 September 2021 and the proposed payment date is 22 September 2021.

### Note 30. Earnings per share

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax attributable to the owners of GR Engineering Services Limited	<u>23,240,100</u>	<u>(7,249,916)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	155,808,142	153,651,878
Adjustments for calculation of diluted earnings per share:		
Weighted average number of employee performance rights and share appreciation rights issued	<u>4,430,451</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>160,238,593</u>	<u>153,651,878</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	14.92	(4.72)
Diluted earnings per share	14.51	(4.72)

In the current financial year, diluted earnings per share is equal to basic earnings per share as performance rights and share appreciation rights are considered anti-dilutive.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 31. Share-based payments

An Equity Incentive Plan was adopted by the consolidated entity on 28 March 2012, and was updated on 25 October 2019. 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 10,205,000 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 2021 4,955,000 performance rights were issued under the Plan (2020: 50,000).

During the financial year a total of 1,500,000 performance rights vested (2020: 30,000). A total of 1,738,945 performance rights have lapsed due to resignations and redundancies of entitled employees since the date of issue of the first tranche of rights. Of this total 660,000 have lapsed in the financial year ending 30 June 2021 (2020: 90,000).

A summary of performance rights on issue as at 30 June 2021 follows:

	<b>Tranche 20</b>	<b>Tranche 21</b>	<b>Tranche 22</b>	<b>Tranche 23</b>
Number issued	50,000	4,350,000	95,000	150,000
Number lapsed	-	-	-	-
Grant date	16 Jul 2019	14 Sep 2020	18 Feb 2021	9 Jun 2021
Exercise price	Nil	Nil	Nil	Nil
Vesting date	16 Jul 2022	14 Sep 2023	14 Sep 2023	14 Sep 2023
Expiry date	16 Jul 2022	14 Sep 2023	14 Sep 2023	14 Sep 2023
Vesting period (years)	3	3	3	2
Vesting conditions	Nil	Nil	Nil	Nil
Fair value	\$0.670	\$0.683	\$0.967	\$1.130

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2021

**Note 31. Share-based payments (continued)**

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

	<b>Tranche 20</b>	<b>Tranche 21</b>	<b>Tranche 22</b>	<b>Tranche 23</b>
Grant date share price	\$0.930	\$1.440	\$1.440	\$1.320
Exercise price	-	-	-	-
Expected volatility	50%	50%	50%	50%
Term (years)	3	3	3	2
Dividend yield	11%	11%	11%	11%
Risk free interest rate	0.96%	0.24%	0.12%	0.11%

**Movement in performance rights**

<b>Consolidated</b>	<b>2021</b>		<b>2020</b>	
	<b>Number of performance rights</b>	<b>Weighted average exercise price</b>	<b>Number of performance rights</b>	<b>Weighted average exercise price</b>
Balance at beginning of year	1,850,000	-	1,920,000	-
Granted during the year	4,955,000	-	50,000	-
Vested during the year	(1,500,000)	-	(30,000)	-
Forfeited during the year	(660,000)	-	(90,000)	-
Balance at end of year	<u>4,645,000</u>	<u>-</u>	<u>1,850,000</u>	<u>-</u>

The weighted average fair value of performance rights granted at 30 June 2021 is \$0.70. The weighted average exercise price of these performance rights at 30 June 2021 is nil. The weighted average remaining contractual life of performance rights outstanding at 30 June 2021 is 801 days.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

### Note 31. Share-based payments (continued)

During the financial year ending 30 June 2021, the consolidated entity issued a total of 1,474,447 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 2021, no share appreciation rights vested (2020: nil). The share appreciation rights are subject to vesting conditions, namely the participant being employed by the consolidated entity as Managing Director and the share price being equal to or greater than the exercise price at the vesting date.

Class	Number of share appreciation rights	Grant date	Vesting date	Exercise price	Performance condition share price targets	Fair value at grant date
G	500,000	15 Nov 2016	30 Jun 2020	\$0.89	\$1.50	\$0.58
H	610,000	25 Nov 2020	1 Jul 2021	\$0.75	\$1.25	\$0.20
I	478,432	25 Nov 2020	1 Jul 2022	\$0.75	\$1.39	\$0.21
J	386,015	25 Nov 2020	1 Jul 2023	\$0.75	\$1.54	\$0.21

The fair value of share appreciation rights still on issue was calculated using a Monte Carlo pricing model applying inputs as follows:

	Class H	Class I	Class J
Grant date share price	\$1.09	\$1.09	\$1.09
Exercise price	\$0.75	\$0.75	\$0.75
Expected volatility	40%	40%	40%
Vesting period (years)	1	2	3
Dividend yield	8%	8%	8%
Risk free interest rate	0.08%	0.08%	0.14%

### Movement in share appreciation rights

Consolidated	2021		2020	
	Number of share appreciation rights	Weighted average exercise price	Number of share appreciation rights	Weighted average exercise price
Balance at beginning of year	-	-	500,000	-
Granted during the year	1,474,447	-	-	-
Vested, exercised or lapsed during the year	-	-	(500,000)	-
Balance at end of year	<u>1,474,447</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average fair value of share appreciation rights granted at 30 June 2021 is \$0.20. The weighted average exercise price of these share appreciation rights at 30 June 2021 is \$0.75. The weighted average remaining contractual life of share appreciation rights outstanding at 30 June 2021 is 311 days.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

### Note 32. Business combinations

#### Subsidiaries acquired

On 3 May 2021 the consolidated entity completed the acquisition of the business of Mipac Holdings Pty Ltd, located in Brisbane, Australia. Mipac Holdings Pty Ltd is a leading global provider of control systems engineering, automation and technology services. The strategic rationale of the transaction was to diversify the consolidated entity's offering into the delivery of stand alone process control design, control systems technology supply and automation solutions.

#### Consideration

	\$
Cash	7,500,000
Shares	7,000,000
Deferred consideration	4,004,155
	<u>18,504,155</u>

#### Assets acquired and liabilities assumed at the date of acquisition

The amounts recognised in respect to identifiable assets and liabilities assumed are set out below:

	\$
Intangible assets acquired in business combination	8,778,632
Cash	1,611,788
Trade receivables	3,847,515
Other current assets	255,451
Plant and equipment	334,409
Right of use assets	1,907,162
Goodwill	11,118,067
<i>Current liabilities</i>	
Lease liability	(2,021,474)
Provisions	(1,273,379)
Provision for income tax	(189,292)
Other current liabilities	(3,822,403)
<i>Non-current liabilities</i>	
Deferred tax liability	(2,042,321)
	<u>18,504,155</u>

#### Net cash outflow on acquisition of subsidiaries

	\$
Consideration paid in cash	7,500,000
Less cash and cash equivalent balances acquired	(1,611,788)
	<u>5,888,212</u>

The initial accounting for the acquisition of Mipac Holdings Pty Ltd has only been provisionally determined at the end of the reporting period. The fair value of trade and other receivables amounts to \$3,847,515. The gross amount of trade receivables is \$3,847,515 and it is expected that the full contractual amounts can be collected. The goodwill of \$11,118,067 comprised of the synergies arising from the acquisition from combining operations with the consolidated entity, and is the difference between the total consideration paid and fair value of the assets acquired. None of the goodwill is expected to be deductible for income tax purposes.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## Note 32. Business combinations (continued)

The consideration for this acquisition was \$18.5 million, which is comprised of \$7.5 million in cash, \$7.0 million in shares and \$4.0 million as deferred consideration. The fair value of the 5,424,711 ordinary shares issued as part of the consideration paid for of Mipac Holdings Pty Ltd was determined on the basis of 30 days VWAP of GR Engineering's share price, totalling \$7,000,000.

Further consideration of up to \$6.9 million (\$2.0 million in cash and the balance in GR Engineering Services Ltd shares) may become payable on or prior to 31 October 2021 (up to \$3.5 million) and 31 October 2022 (up to \$3.4 million), subject to Mipac achieving agreed normalised EBITDA targets. GR Engineering has accrued \$4.0 million in recognition of the deferred earn-out targets based on Mipac Holdings Pty Ltd's actual results for 30 June 2021 and forecast results for 30 June 2022.

Included in the profit before tax for the year is \$1,425,585 attributable to the additional business generated by Mipac Holdings Pty Ltd after the acquisition date 3 May 2021. Revenue contributed after the acquisition date by additional business generated by Mipac Holdings Pty Ltd is \$6,587,987. Acquisition related costs included in profit and loss amount to \$219,493.

## Note 33. Subsidiaries

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

Name of subsidiary	Country of incorporation	Equity holding	
		2021	2020
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 Peru S.A.	Peru	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%	-
Mipac Pty Ltd ***	Australia	100%	-
Mipac Holdings Pty Ltd ***	Australia	100%	-
Mipac Process Automation Canada Limited ***	Canada	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 Holdings Pty Ltd, Mipac Pty Ltd and Mipac Process Automation Canada Limited were acquired on 3 May 2021.



## 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

A handwritten signature in black ink, appearing to read 'G. Jones', is written over a large, hand-drawn oval scribble.

Name: Geoff Jones  
Managing Director  
Date: 24 August 2021



## INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

Deloitte Touche Tohmatsu  
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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 2021, 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:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the 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 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.



# INDEPENDENT AUDITOR'S REPORT



## 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 of 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.

Key Audit Matter and why it was considered to be a matter of most significance in the audit	How the Key Audit Matter was addressed in the audit
<p><b>Recognition of revenue</b></p> <p>As disclosed in Note 5, revenue recognised for the year ended 30 June 2021 relating to both mineral processing and oil and gas contracts was \$392,385,045.</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 monthly contract status report for all contracts;</li> <li>• The estimation, review and monitoring of costs to complete; 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>• Contract history;</li> <li>• Significant unapproved claims and variations;</li> <li>• Delay risk;</li> <li>• High-value contracts; and</li> <li>• Loss-making contracts.</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, as well as inspection of supporting documentation for contracted costs;</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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# INDEPENDENT AUDITOR'S REPORT

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Key Audit Matter and why it was considered to be a matter of most significance in the audit	How the Key Audit Matter was addressed in the audit
<p><b>Provision for warranty</b></p> <p>As disclosed in Note 17, the warranty provision as at 30 June 2021 was \$3,580,652.</p> <p>The assessment of the provision for warranty requires management to make an estimate of the likely future costs that may be incurred in relation to ongoing and completed contracts.</p>	<p>Our procedures included, but were not limited to:</p> <p>Obtaining an understanding of how management estimates their provision for warranty.</p> <p>Assessing the provision through:</p> <ul style="list-style-type: none"> <li>• Evaluating the contracts with applicable warranty obligations;</li> <li>• Reviewing historic claim outcomes and the accuracy of management’s estimate; and</li> <li>• Assessing the consistency of assumptions applied.</li> </ul> <p>Assessing the appropriateness of the disclosures in Notes 3 and 17 to the financial statements.</p>
<p><b>Acquisition of Mipac Holding Pty Ltd (“Mipac”)</b></p> <p>As disclosed in Note 32, the Group acquired Mipac during the year which resulted in the recognition of goodwill of \$11,118,067 and intangible assets of \$8,778,632 on acquisition date.</p> <p>The accounting for a business combination requires management to estimate the contribution the acquired company is expected to make to the Group.</p>	<p>Our procedures included, but were not limited to:</p> <p>Assessing management’s accounting in accordance with AASB 3 <i>Business Combinations</i>.</p> <p>Obtaining and reading the legal documentation surrounding the acquisition to confirm our understanding of the transaction.</p> <p>Obtaining the Purchase Price Allocation report prepared by management’s experts, assessing the qualifications of the expert used, and challenging the appropriateness of:</p> <ul style="list-style-type: none"> <li>• Purchase consideration;</li> <li>• Maintainable earnings of the company acquired, through comparison with historical results, analysis of expenses incurred, and review of contract wins;</li> <li>• Completeness and accuracy of the net book value of assets acquired, including consideration of any contingent liabilities acquired with the company;</li> <li>• Separately identifiable intangible assets identified, being that of customer relationships, and related customer life analysis;</li> <li>• Discount rate used in bring the future cashflows back to present value; and</li> <li>• The deferred tax liabilities recognised on acquisition.</li> </ul> <p>Assessing the appropriateness of the disclosures in Note 32 to the financial statements.</p>



## INDEPENDENT AUDITOR'S REPORT

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### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do 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 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, 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.

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

The directors 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 Group's ability 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 have 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.





## INDEPENDENT AUDITOR'S REPORT

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- 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 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's 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 Director's Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of GR Engineering Services Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

##### *Responsibilities*

The directors of GR Engineering Services Limited 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*

DELOITTE TOUCHE TOHMATSU

*Nicole Menezes*

**Nicole Menezes**

Partner

Chartered Accountants

Perth, 24 August 2021



# CORPORATE GOVERNANCE STATEMENT

## 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 (summary)
- Code of Conduct (summary)
- Policy on Continuous Disclosure (summary)
- Compliance Procedures (summary)
- 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 2020/2021 financial year (**Reporting Period**). The information in this statement is current at 18 August 2021. This statement was approved by a resolution of the Board on 23 August 2021.

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 2021, 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

## 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. A summary of the Company's Diversity Policy is disclosed on the Company's website.

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 2023."*

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	79 out of 566 (13%) (13% as at 30 June 2020)
Senior executive positions	7 out of 62 (2%) (2% as at 30 June 2020)
Board	0 out of 5 (0%) (0% as at 30 June 2020)



## CORPORATE GOVERNANCE STATEMENT

### 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 Phillip Lockyer (Chair), Peter Hood 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 4 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.



## CORPORATE GOVERNANCE STATEMENT

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, Mr Totaro's interest as substantial shareholders 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.

### Recommendation 2.4

The Board has a majority of directors who are independent.

The Board is comprised of 5 directors, 3 of whom are or are deemed to be independent. The two non-independent directors are Tony Patrizi and Geoff Jones. Tony Patrizi is a founding shareholder of the Company and Geoff Jones has been employed by the Company since 2011, initially as Chief Operating Officer and since 1 July 2013, as Managing Director. Messrs Patrizi and Jones have thorough knowledge of the Company's business and extensive experience in managing the risks it faces. Their continued presence on the Board is therefore highly valued.

The Board is of a size commensurate with the size and nature of the Company. Should the number of Board members increase, it is the intention of the Company to appoint an additional independent director thereby preserving a majority of independent directors.

### 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.



## CORPORATE GOVERNANCE STATEMENT

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

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.

Giuseppe (Joe) Totaro (*B.Comm, CPA*) is a Certified Practising 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.

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.



## CORPORATE GOVERNANCE STATEMENT

### Recommendation 4.2

Before the Board approved the Company financial statements for the half year ended 31 December 2020 and the full-year ended 30 June 2021, 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 25 November 2020.

## 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*.



## CORPORATE GOVERNANCE STATEMENT

### 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*.

### 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.





## CORPORATE GOVERNANCE STATEMENT

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 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 12 August 2021:

- the twenty largest shareholders held 80.15% of the Ordinary Shares; and
- there were 1,629 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	271	135,913	0.08%
1,001 - 5,000	519	1,473,612	0.92%
5,001 - 10,000	302	2,469,762	1.54%
10,001 - 100,000	470	14,196,635	8.82%
100,001 - 1,000,000	48	14,589,191	9.07%
1,000,001 - 9,999,999,999	19	128,018,755	79.57%
	<b>1,629</b>	<b>160,883,868</b>	<b>100.00%</b>

The number of shareholders holding less than a marketable parcel of ordinary shares is 83.

### Equity security holders

Top 20 Shareholders as at 12 August 2021

Name	Number of shares held	% of shares issued
1. Citicorp Nominees Pty Ltd	24,051,220	14.95%
2. Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna	12,325,000	7.66%
3. Joley Pty Ltd	10,524,000	6.54%
4. Paksian Pty Ltd	9,798,578	6.09%
5. Kingarth Pty Ltd	9,795,000	6.09%
6. Quintal Pty Ltd	8,500,000	5.28%
7. Ms Beverley June Schier	8,100,000	5.03%
8. Mr Giuseppe Totaro	8,000,000	4.97%
9. Polly Pty Ltd	7,500,000	4.66%
10. Ledgking Pty Ltd	6,075,000	3.78%
11. National Nominees Limited	4,478,611	2.78%
12. HSBC Custody Nominees (Australia) Limited	3,826,382	2.38%
13. Ms Barbara Ann Woodhouse	3,500,000	2.18%
14. Mr Stephen Paul Kendrick	3,491,000	2.17%
15. JP Morgan Nominees Australia Pty Ltd	3,024,542	1.88%
16. Sistar Pty Ltd	1,486,000	0.92%
17. Kendrick Investments Pty Ltd	1,384,000	0.86%
18. Mr Anthony John Mathison + Ms Kathryn Joy Mathison	1,149,422	0.71%
19. Mr Cono Antonino Angelo Ricciardo	1,010,000	0.63%
20. BNP Paribas Noms Pty Ltd	936,539	0.58%
	<b>128,955,294</b>	<b>80.15%</b>

### Substantial shareholders

Name	Number of shares held	% of shares issued
1. Spheria Asset Management Pty Limited	17,258,746	10.73%
2. Mitsubishi UFJ Financial Group, Inc.	15,012,015	9.33%
3. Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna	12,325,000	7.66%
4. Joley Pty Ltd	10,524,000	6.54%
5. Paksian Pty Ltd	9,798,578	6.09%
6. Kingarth Pty Ltd	9,795,000	6.09%
7. Quintal Pty Ltd	8,500,000	5.28%
8. Ms Beverley June Schier	8,100,000	5.03%



## ADDITIONAL ASX INFORMATION

### 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:

<i>Number</i>	<i>Vesting date</i>
50,000	16 Jul 2022
4,595,000	14 Sep 2023
65,000	22 Jul 2024

### Share appreciation rights

The following share appreciation rights are on issue:

<i>Number</i>	<i>Grant date</i>	<i>Expiry date</i>	<i>Exercise price</i>
478,432	25 Nov 2020	1 Jul 2022	\$0.75
386,015	25 Nov 2020	1 Jul 2023	\$0.75

### Company secretary

Mr 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

### Share registry

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

### On-market buyback

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

### Restricted securities

There are 5,424,711 shares that are subject to escrow until 3 May 2022. There are no other securities subject to any voluntary escrow or any transfer restrictions.