



ASX RELEASE

11 July 2017

For immediate release to the market

DAVYHURST GOLD PROJECT REFURBISHMENT CONTRACT

GR Engineering Services Limited (ASX:GNG) (**GRES**) announces that it has commenced proceedings in the Supreme Court of Western Australia against Eastern Goldfields Limited (ASX:EGS) (**EGS**) and others to recover payments associated with outstanding progress and variation claims in relation to the Davyhurst Gold Project refurbishment contract entered into by GRES and EGS on 22 September 2016 (**Contract**).

The value of GRES' claim is \$9.9 million, plus interest and costs. The Contract price is approximately \$18.5 million, including variations for additional works. GRES has completed the work under the Contract.

These proceedings follow a breakdown in protracted commercial discussions where GRES considers that EGS failed to meet commitments to pay the majority of the claimed amount over the course of the preceding months.

EGS has alleged the existence of minor defects and omissions in respect of the Works, which GRES considers are immaterial and which pertinently were first raised following EGS' most recent failure to pay \$5 million towards the Contract payment arrears on 28 June 2017.

GRES suspended the works in May 2017 as a result of EGS' payment default, when GRES had substantially completed its work under the Contract. The suspension was initiated by GRES concurrently with the issuance of a statutory demand in May 2017 for approximately \$6.6 million. EGS alleged the wrongful suspension of the works by GRES and raised an associated offsetting claim for delay costs of approximately \$6.8 million in seeking to set aside the statutory demand. GRES will vigorously defend any Offsetting Claim in the course of proceedings.

GRES is assessing the impact that the claim may have on its FY17 financial results and will inform the market of any material developments.

Ends.

For further information please contact:

Geoff Jones

Managing Director

☎ +61 8 6272 6000

✉ geoff.jones@gres.com.au

Joe Totaro

CFO & Company Secretary

☎ +61 8 6272 6000

✉ joe.totaro@gres.com.au



GR Engineering Services Limited (ASX:GNG) is an ASX listed engineering design and construction contractor specialising in fixed price engineering design and construction services to the resources and mineral processing industry.

GR Engineering has successfully completed the engineering design and construction of projects for a diverse range of clients, including global mining houses, mid-tier miners and junior developers undertaking their first project. Traditionally an EPC contractor, GR Engineering also has the ability to contract through a variety of models, including EPCM and hybrid contracting arrangements.

GR Engineering also has a long history of providing a diverse range of process engineering consulting services, including feasibility study preparation and management, process design and peer review engagements. These services have been delivered for projects globally and play a key role in delivering organic growth opportunities through design and construction project execution.

The Company also has a presence in the hydrocarbons industry via its wholly owned subsidiary, Upstream Production Solutions. Upstream Production Solutions is a leading provider of operations and maintenance and well management services to the Australian and South East Asian oil and gas industry.

As a group, GR Engineering employs more than 450 professional and support staff throughout Australia and internationally, in addition to a direct construction workforce and subcontracted personnel.