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ASX RELEASE

Friday, 6 December 2019

## Substantial New Contract Awards and Successful \$7.6m Placement

### Highlights:

- **Awarded major Koodaideri contract by Rio Tinto Iron Ore (RTIO) valued at approximately \$115m**
- **Awarded Phase 2 process upgrade works at Pogo by Northern Star**
- **Major Barker Inlet Power Station project contract nearing completion, Primero delivering over 1.3 million manhours LTI free**
- **\$7.6m raised through strongly supported share placement to professional and sophisticated investors**
- **The proceeds of the placement will be used to bolster Primero's general working capital position, maintain a strong net cash position and to fund new awards and the strong pipeline of tenders**
- **Recent contract wins have increased Primero's total committed order book to record levels; approx. A\$165m in FY20 and A\$100m in FY21**

Primero Group Limited (ASX: PGX) (**Primero or the Company**) is pleased to advise the market of recent substantial contract awards and receipt of binding commitments for a \$7.6m share placement to professional and sophisticated investors (**Placement**).

### New contract awards

#### *Non-Process Infrastructure*

**Rio Tinto Iron Ore (Koodaideri):** Primero has secured a significant \$115m contract with RTIO for the design, fabrication, supply, delivery, construction, installation, testing and commissioning (**EPC**) of the Mine Infrastructure Area and associated facilities for the flagship 'greenfield' Koodaideri Mine situated in the Pilbara region of Western Australia.

The scope includes the complete EPC contract of the facilities for this project, which will commence immediately and is scheduled to be completed in mid-2021. It is expected to employ a workforce of over 150 personnel at its peak.

#### *Minerals*

**Northern Star Resources (Pogo):** Primero has been awarded Phase 2 of the proposed processing upgrade, on an Engineering, Procurement and Construction Management (**EPCM**) basis, for Northern Star Resources Pogo gold mine in Alaska. The works will be conducted predominantly from Primero's Americas Montreal office with works progressively executed this winter to ensure construction windows are met in the summer period. The upgrade works will increase throughput of the current



processing facility from 1.0mtpa to 1.3mtpa by January 2021, with the potential to move to a Phase 3 (1.5mtpa) over the coming years. Works are set to progress over the next 12 months including detailed design and equipment procurement with the planning for on-site works commencing over the winter period to be executed in the warmer months post winter.

The award of the project is the first major contract with Northern Star Resources.

**Neometals (Battery Recycling):** Primero has been awarded the Class 3 estimate or 'DFS' works on the Neometals Battery Recycling Project. Works are set to progress on the assessment and development of the Neometals process, with the demonstration plant now entering the next phase prior to targeted execution with development partner SMS Group (a large German manufacturing company entering the battery recycling market). Primero's association with the project has been a collaborative approach to developing concepts designs with research and development around new processes and products by the highly experienced chemical processing team within the group – both situated in Perth and Montreal.

### Major contract delivery

Primero's contracted workstreams on the major Barker Inlet Power Station project are nearing completion. All expected punch list finalisation and site tidy up is expected to be completed by the end of December. Given the pressing external requirements to ensure the facility is operational prior to the South Australian summer period, the timely completion of the project has been a huge achievement, including the delivery of over 1.3 million manhours of works on a LTI free basis. The project is currently commencing reliability testing after a seamless commissioning transition in readiness for practical completion and handover.

As previously announced under contract extension updates, there has been progressive and significant extension of the scope and value of works under the contract with the principal contractor (Wartsila Australia). This extension has been undertaken through the contract via a typical 're-measurable contract' whereby quantities installed are remeasured and verified by the principal prior to payment being made. The remeasuring process is currently underway and payment may be delayed pending completion of this process.

The assessment and substantiation of the increased physical quantities and associated costs is ongoing, with normal contractual close-out and finalisation of claims in progress. Given the significant amount of information required to be assessed approaching contract completion, it could take some time to finalise matters. However, Wartsila has indicated that it expects to finalise this process towards the end of December.

### Share Placement

The Company has received binding commitments for a \$7.6 million Placement (before costs) which will be settled through the proposed issue of 22,415,715 fully paid ordinary shares (**Placement Shares**) at an issue price of A\$0.34 per Share.

The issue price represents a:

- 8.1% discount to the last closing price of A\$0.37 per Share on 4 December 2019, being the last trading day prior to Primero entering a trading halt in connection with the Placement; and
- 5.5% discount to the 5 trading day volume weighted average price of A\$0.36 per Share, up to and including the last trading day prior to the trading halt.

The Placement Shares will be issued to certain professional and sophisticated investors in Australia and eligible investors in certain overseas jurisdictions. The Placement Shares will rank equally with existing Primero shares. The Placement will be undertaken using Primero's existing placement capacity under ASX Listing Rule 7.1 and shareholder approval is not required in connection with the Placement.

The net proceeds from the Placement will be used to bolster Primero's general working capital position, maintain a strong net cash position and to fund new awarded contracts and the strong pipeline of Primero's tender book. Ongoing assessment of contract extensions due to increased quantities and WUC with the current Wartsila contract has resulted in increased requirement of working capital. Primero expects this to normalise during the first half of calendar year 2020.



Additional information regarding the Placement can be found in the investor presentation released to the ASX on 6 December 2019.

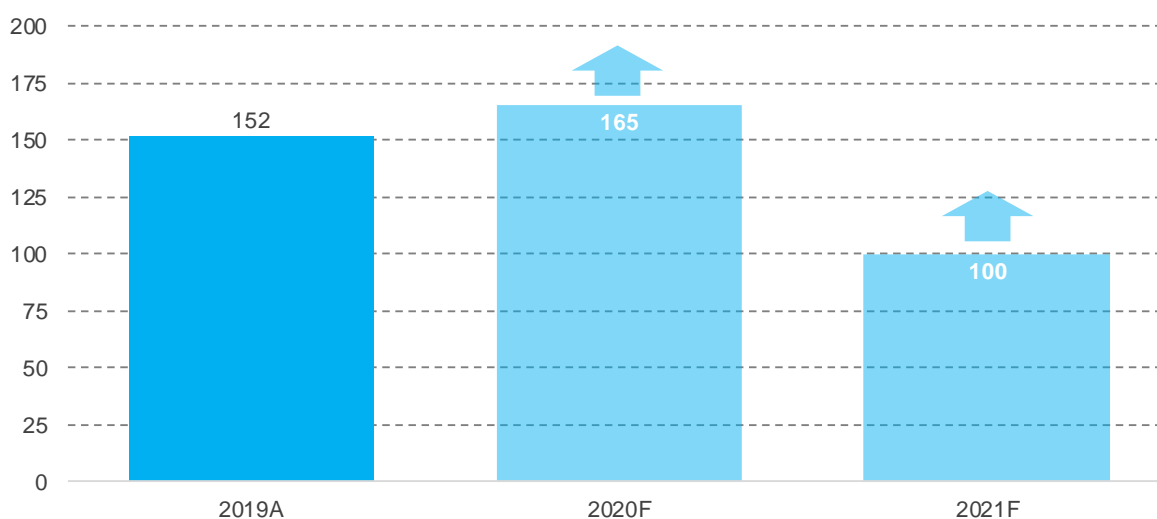
Settlement of the Placement is scheduled for 11 December 2019, with the Placement Shares expected to be issued on 12 December 2019 and trading to commence on the ASX on the same day.

Canaccord Genuity (Australia) Limited and Euroz Securities Limited acted as joint lead managers for the Placement.

#### FY20 and FY21 contracted order book

As a result of recent contract awards, Primero's committed order book now stands at record levels. Contracted orders for FY20 are now approximately A\$165m and for FY21, stand at approximately A\$100m. Both these levels are significantly ahead of those which existed 12 months ago with respect to FY19 and FY20.

**Figure 1: Forward contract order book relative to reported FY19 revenue (A\$m)**



#### **Managing Director, Cameron Henry, commented:**

*“The announcement of the new contract awards is particularly pleasing for the group and a real testament to the hard work put in by our teams over the past 12-18 months. From the early identification of projects such as the scale of Koodaideri and the strategic positioning and work completed from budget pricing through to contract award is another example of how Primero as a business has grown and matured over the years. Our teams in all sectors of Minerals, Energy and Non-process Infrastructure are continuing to grow with the business and are gaining further recognition as a group that delivers.*”

*I am also delighted with the success of the Placement which was very strongly supported by investors who clearly share our excitement around our growth opportunity evidenced by our recent major contract awards at Koodaideri and Pogo. We are particularly grateful for the support of our existing shareholders and also pleased to welcome a number of new, high quality institutions onto the Primero register.*

*The Placement will provide us with a stronger balance sheet in order to allow us to capture the growth and pipeline that we have in front of us.”*



This ASX release was authorised by: the Board of Primero Group.

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**ABOUT PRIMERO**

Primero provides engineering design, construction and operational services to the minerals, energy and infrastructure sectors. Primero has specialist expertise in project implementation and delivery with a complementary service offering comprising civil, structural, mechanical and electrical solutions. Primero provides these services to a diverse client base, ranging from mid-sized companies through to international mining and energy houses.

