PRIMERO GROUP LIMITED

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

PRIMERO

Table of Contents

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of Primero Group Limited and its controlled entities for the financial year ended 30 June 2019.

General Information

Directors

The following persons were directors of Primero Group Limited during or since the end of the financial year up to the date of this report:

Cameron Henry – Managing Director

Dean Ercegovic – Director of Operations

Brett Grosvenor – Director of Development

Mark Connelly – Non-Executive Chairman

Luke Graham – Non-Executive Director

Particulars of each director's experience and qualifications are set out later in this report.

Principal Activities

Primero Group provides engineering, design, construction and operational services to the minerals, energy and infrastructure sectors.

Primero Group's principal activities in these sectors during the financial year include:

- Engineering and Design services which includes full plant design and feasibility studies
- Project Management and Planning
- Complete turnkey inhouse construction in civil, structural, mechanical, piping, electrical, instrumentation and control systems disciplines.
- Commissioning
- Operations and Maintenance

Most of Primero Group activities is in Australia. Its head office is in Perth with other offices in Port Hedland and Montreal, Canada.

Primero Group contracts range from straight design, straight construction and design and construction in all three sectors.

Significant Changes to Activities

There are no significant changes in the nature of the consolidated group's activities during the financial year.

Significant Events after the Reporting Period

Alita Resources a client of Primero Group entered voluntary administration on the 28th of August 2019. The amount of accrued revenue and receivables not paid when the company entered administration that relates to the 2019 financial year is $328,742. The company is confident some of not all of this will be recovered so it has decided not to impair any of this balance in the 2019 financial year while Alita Resources goes through the administration process. For the 2020 financial year Primero's maximum estimated exposure is another $650,000 bringing the total estimated exposure to $978,742.

Environmental Issues

The Groups operations are subject to a range of environmental regulations.

During the financial year, Primero Group and its subsidiaries met all reporting requirements under any relevant legislation. There were no incidents which required reporting.

Dividends Paid or Recommended

Dividends paid or declared for payment during the financial year are as follows:

- No dividend has been declared in relation to the 2019 Financial Year.

Dividends Reinvestment Plan

There was no dividend reinvestment plan in operation during the financial year.

Indemnifying Officers or Auditor

During and since the end of the financial year, the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to insure each of the directors (as named above), the company secretary, and all executive offices of the Company and of any related body corporate against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of officers of the company, other than conduct involving a wilful breach of duty in relation to the company.

The total amount of insurance premiums paid for the 2019 financial year in relation to directors and officers insurance was $44,180.

The company has not indemnified the auditor in respect of any matter.

Proceedings on Behalf of the Company

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

The company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the previous year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

– the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

No non-audit services were provided in the current year by the Company's auditor, refer to note 7 of accompanying Financial Statements for details of the auditor's remuneration.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 23 of the financial report.

Options

At the date of this report, the unissued ordinary shares of Primero Group Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
09/07/2018	09/07/2021	$0.50	1,000,000
09/07/2018	09/07/2021	$0.60	1,000,000
03/12/2018	03/12/2019	Nil	87,500
03/12/2018	03/12/2022	Nil	357,325
03/12/2018	03/12/2023	Nil	867,325
03/12/2018	03/12/2022	$0.558	1,542,325
			4,854,475

The Options were issued on the 9th of July 2018 to Canaccord Genuity as compensation for their brokerage work perform for Primero Group in the initial public offering on the Australian Stock Exchange.

The Options were issued on the 3rd of December 2018 to Primero employees were issued as part of Primero Employee Incentive scheme.

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

During the year ended 30 June 2019, no shares of Primero Group Limited were issued on the exercise of options.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Review of Operations

Earnings

2019 was Primero Group's first year listed on the Australian Stock Exchange. The company experienced enormous growth during the year with the revenue increasing by 78% compared to 2018 and EBITDA after one off''s increasing by 30% as summarised in the table below:

Revenue and Earnings	FY19 ($M)	FY18 ($M)	Change
Total revenue	151.7	85.2	+78%
EBITDA	10.5	8.4	+25%
EBITDA (excl one-off costs)	*11.7*	*9.0*	*+30%*
EBIT (excl one-off costs)	*10.5*	*8.1*	*+28%*
Pre-tax profit (excl one-off costs)	*10.4*	*8.0*	*+29%*
Statutory NPAT	6.2	5.2	+19%

Gross operating margin (service revenue minus cost of sales) was 13.0%, a robust result in the context of the substantial year-on-year increase in revenue from FY18.

EBITDA excluding one-off costs removes the impact of the following listing-related and other items:

- Issue of limited-recourse employee share loans for listing ($0.51 million);
- Initial Public Offering (IPO) costs ($0.19 million);
- Due diligence costs ($0.12 million); and
- Bad debts ($0.34 million) (most recent bad debts expense was previously FY15).

Underlying EBITDA margin of 7.7% reflected strong operational contract performance coupled with ongoing investment in people, systems and processes to further underpin our platform for confident and sustainable growth. Annual performance bonuses to staff were recognised and paid during the second half of FY19.

Cashflow

Net operating cashflow of $3.1 million (2018: 4.7 million) reflected typical working capital build in the business directly attributable to the large year-on-year increase in service revenue. Considerable milestone payments are expected to be received in the next few months with respect to the Wartsila Barker Inlet Power Station contract and the Clough South Flank project work (both reflected in the elevated Work in Progress and Accrued Income balance at 30 June 2019).

Net investing cash outflow of $1.8 million (2018: 1.4 million) included the major purchase of two cranes for the construction of the Barker Inlet Power Station.

Net financing cashflow of $20.1 million (2018: cash outflow of 2.6 million) was driven by the $20 million of gross new equity funds received through Primero's IPO and ASX listing in July 2018.

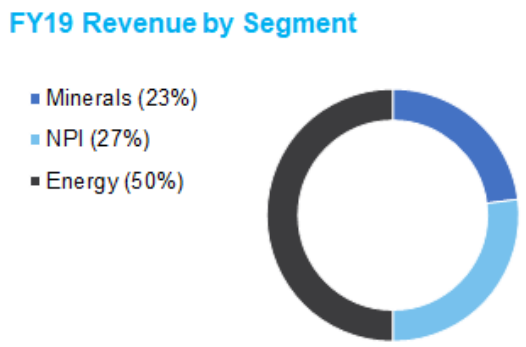
Balance Sheet

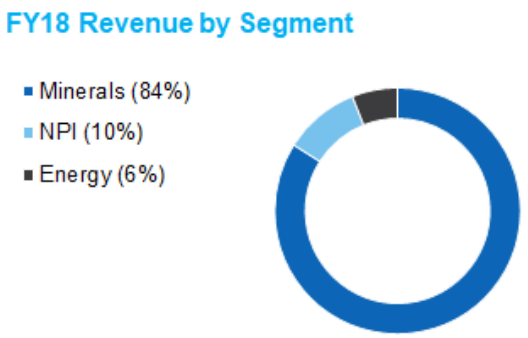
Cash at balance date stood at $21.9 million. Gearing remains very low with current and non-current debt totalling $3.0 million.

No dividend was declared or paid in respect of the FY19 results. Funds have been retained as working capital to help fund the strong pipeline of work.

Business Segment Detail

The composition of FY19 service revenue by key business segment was approximately 50% Energy, 27% Non-Process Infrastructure (NPI) and 23% Minerals.





Operations by Sector

Energy

Primero's Energy division has a successful track record of servicing clients that operate onshore and offshore gas facilities. The Energy division achieved outstanding growth during the year with revenue of approximately $76 million.

This outcome was driven strongly by the progressive execution of Primero's contract with Finnish company Wartsila for the 211MW Barker Inlet Power Station in South Australia, which is being developed for AGL Energy. This is a highly significant EPC contract for the construction of the first utility-scale reciprocating engine power plant in Australia's National Energy Market.

Non-Process Infrastructure

Primero's Non-Process Infrastructure (NPI) division services mining and energy clients that have processing facilities or are developing mineral and energy projects. Currently, Primero's NPI work is predominantly sourced from established mining companies in the iron ore sector.

Revenue from the NPI business totalled approximately $41 million for FY19.

This considerable growth was driven predominantly by the execution of major design and construct work on a number of projects for Pilbara-based iron ore majors.

Minerals

Primero's Minerals division provides services across the full project life-cycle from the early stage geochemical assessment of orebodies through to the expansion or optimisation of established operations. This includes the design, construction and operation of mineral processing facilities.

Revenue from the Minerals division in FY19 was approximately $34 million.

Minerals contract revenues for the year were earned across a wide range of major mining projects, geographies, commodities and underlying workstreams (including an increasing contribution from O&M contract work).

Business Outlook

Based on current business conditions and tendering opportunities across its three key divisions, Primero remains positive about the outlook for FY20 and the longer term.

Tendering activity in the Western Australian iron ore market is generating considerable NPI opportunities given the magnitude of capital programs being undertaken by the Pilbara majors. This is coupled with robust activity in the Minerals and Energy sectors.

The market remains both active and competitive, with a large volume of new contract opportunities up for award over coming months.

Current contracted revenue for FY20 is approximately $90 million. This is a broadly similar level to that which existed 12 months ago with respect to FY19.

We also continue to grow our Early Contractor Involvement (ECI) model and broaden our potential access to multi-year O&M and BOO project opportunities.

Our solid cash position, low gearing and funding liquidity place Primero in an excellent position to capitalise on available future growth opportunities. We also continue to invest in our capacity to deliver larger, and targeted higher margin projects.

Information Relating to Directors and Company Secretary

Mark Connelly	–	Non-Executive Chairman
Qualifications	–	Bachelor of Business and Member of Australian Institute of Company Directors
Experience	–	Mr Connelly has more than 28 years of experience in the mining industry and has held senior positions with Newmont Mining Corporation and Inmet Mining Corporation. He has extensive experience in financing, development, construction and operation of mining projects in a variety of commodities including gold, base metals and other resources in West Africa, Australia, North America and Europe. Mr Connelly was the former Managing Director and Chief Executive Officer of Papillion Resources Limited, a Mali-based gold developer which merged with Vancouver-based B2Gold Corp. Previously he was Chief Operating Officer of Endeavour Mining Corporation following the merger of Adamus Resources Limited where he was the Managing Director and CEO.
Interest in Shares and Options	–	75,000 ordinary shares 50,000 options
Special Responsibilities	–	Chairman of the Remuneration Committee and member of the Audit and Risk Committee
Directorships held in other listed entities during the three years prior to the current year	–	Current Director of West African Resources since September 2015 Current Director of Calidus Resources Limited since January 2018 Current Director of Tao Commodities Limited since May 2018 Current Director of Oklo Resources Limited since July 2019 Former Director of B2Gold Corp from October 2014 to June 2016 Former Director of Toro Gold plc from September 2013 to January 2018 Former Director of Tiger Resources Limited from December 2016 to July 2018 Former Director of Saracen Minerals Holdings Limited from May 2015 to November 2017 Former Director of Cardinal Resources Limited from 2015 to October 2017

Cameron Henry	–	Managing Director
Qualifications	–	Masters in Project Management and Member of Australian Institute of Company Directors
Experience	–	Mr Henry has brought with him over 15 years of extensive site based experience in both technical roles and also managing large portfolios at a senior level within rapid growth projects and large scale commissioning of projects. With a trade background, and formal tertiary qualifications in Project Management & Mechanical Engineering, the benefits of Mr Henry's understanding of site based technical engineering & construction issues, coupled with his commercial & project management skills bring a significant level of expertise to the Primero Group.

		During Mr Henry's time in Project Management he has been involved in many contracts ranging in value from $20 million through to $120 million across Materials handling, Compressor Station facilities, Hydrometallurgical processing projects, and infrastructure. These projects have run in both greenfields & brownfields environments within the base metals, precious metals, oil & gas & power generation fields. Mr Henry has broad experience from the project inception and design phases through to implementation construction management, commissioning and close-out. As a Director of Primero Group, his versatility and extensive experience through all of the disciplines makes him an asset to any project team.
Interest in Shares and Options	–	23,732,372 ordinary shares. 475,000 options
Special Responsibilities	–	None
Directorships held in other listed entities during the three years prior to the current year	–	Former Director of Titan Resources Limited from August 2017 to July 2019
Dean Ercegovic	–	Director of Operations
Qualifications	–	Bachelor of Engineering (Mechanical) with Honours
Experience	–	Mr Ercegovic has brought with him nearly 20 years of experience in project management, managing both EPC and EPCM contracts in mineral resources and energy across Australia and neighbouring countries. During Mr Ercegovic's time within engineering he has project managed and designed turnkey projects from the value of A$10 million to A$100 million across Gas, Gold, Zinc, Lead and Copper. With such experience across varied commodities Mr Ercegovic has brought a skill set quite unique in executing and delivering projects to major clients
Interest in Shares and Options	–	18,687,060 ordinary shares. 200,000 options
Special Responsibilities	–	Member of the Remuneration Committee
Directorships held in other listed entities during the three years prior to the current year	–	None
Brett Grosvenor	–	Director of Development
Qualifications	–	Master Business Administration, Bachelor Mechanical Engineering and Graduate of Australian Institute of Company Directors
Experience	–	Mr Grosvenor has brought additional strength and capability into the Company across a range of commodities including over 13 years' experience in the power industry. Mr Grosvenor has previously held senior and key roles in major national and international companies for both client and contractor sides such as Alstom, Laing O'Rourke, Sinclair Knight Mertz and Alinta Energy. With a dual tertiary qualification in Engineering and a Master in Business, Mr Grosvenor is able to balance the business requirements with his understanding of site based technical engineering & construction issues to bring a significant level of expertise to the Primero Group and our clients.

		As a Director of Primero Group, his proven leadership skills, including managing, motivating other staff and team members are valuable inputs to help us achieve our business strategies or project objectives.
Interest in Shares and Options	–	9,045,177 ordinary shares. 400,000 options
Special Responsibilities	–	Member of the Audit and Risk Committee
Directorships held in other listed entities during the three years prior to the current year	–	None

Luke Graham	–	Non-Executive Director
Qualifications	–	Bachelor of Engineering (Mechanical) with Honours
Experience	–	Mr Graham is an engineering professional with over 20 years' experience in the resources sector and has a broad range of international leadership, technical and commercial expertise in the execution of major engineering projects within the resources (mine and port) and industrial sectors, including minerals sands, coal, iron ore, copper, gold and alumina. Mr Graham has extensive experience in managing financial, operational performance and achieving strong business growth in softer market conditions. Mr Graham has served over 12 years in various senior leadership roles within the business. He is the Chief Executive Officer and Managing Director of ASX listed minerals sands developer Strandline Resources Limited was formerly Regional Manager of global minerals engineering and project delivery company, Sedgeman Pty Ltd a member of the CIMIC Group.
Interest in Shares and Options	–	50,000 ordinary shares 37,500 options
Special Responsibilities	–	Member of Remuneration Committee and Chairman of the Audit and Risk Committee.
Directorships held in other listed entities during the three years prior to the current year	–	Current Director of Strandline Resources since September 2016

Ryan McFarlane	–	Chief Financial Officer/Company Secretary
Qualifications	–	Member of the Chartered Accountants Australian and New Zealand, Bachelor of Business Degree, Graduate of Australian Institute of Company Directors and Certificate in Governance Practice.
Experience	–	Mr McFarlane is a Chartered Accountant with over 15 years' experience working for both public practice accounting firms and well as a corporate accountant for large companies. Mr McFarlane has been the Chief Financial Officer of Primero Group since 2012 whose strengths include the implementation of long and short-term strategies, system implementation, accounting, taxation and structuring matters.
Interest in Shares and Options	–	4,572,314 ordinary shares. 250,000 options
Special Responsibilities	–	None
Directorships held in other listed entities during the three years prior to the current year	–	None

Meetings of Directors

During the financial year, 11 meetings of directors (including committees of directors) were held. Attendances by each director during the year was as follows:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Dean Ercegovic	7	5	-	-	2	1
Cameron Henry	7	6	-	-	-	-
Brett Grosvenor	7	7	2	2	-	-
Luke Graham	7	7	2	2	2	2
Mark Connelly	7	7	2	2	2	2

REMUNERATION REPORT

Remuneration Policy

The remuneration policy of Primero Group Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Primero Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board after professional advice is sought from independent external consultants.
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration committee reviews KMP packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive, at a minimum, a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings (AWOTE). Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using Primero Group Limited shares as collateral in any financial transaction, including margin loan arrangements.

Engagement of Remuneration Consultants

BDO Australia was engaged during the year by the remuneration committee to review the elements of KMP remuneration and provide recommendations.

In addition, BDO Australia provided no other services during the year.

BDO Australia was paid $19,750 for the remuneration recommendations relating to the review of the elements of KMP remuneration.

In order to ensure that BDO Australia work is free from undue influence by KMP, the terms of the engagement, among other matters, required BDO Australia to report its recommendations to the Chair of the remuneration committee and the Chair of the Board, and not to any other members of KMP.

The Board is satisfied that the remuneration recommendations were free from undue influence by members of KMP to whom the recommendations relate.

Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Primero Group Limited bases the assessment on audited figures. The company incentive scheme is made up of both short and long term incentive schemes. Below are details of the 2019 incentive scheme.

Short Term Incentives

Short term incentives are remunerated through a combination of cash and zero price exercise options (ZEPOs) with the ZEPOs expiring 2 years after grant date. For all employees eligible for the short-term incentive scheme except for Mr Henry and Mr Ercegovic 20% is weighted on personal KPI's and 80% weighted on corporate KPI's. For Mr Henry and Mr Ercegovic 100% of their bonus is weighted to corporate KPI's.

For 2019 the short-term incentive cash portion will only be payable, and the STI Options will only be capable of vesting and being exercised into Shares, if the following conditions are satisfied:

- Primero achieves EBIT of at least AUD$9,422,165 for the financial year ending 30 June 2019 (**FY19**);
- the Board, in its discretion, determines that the employee has achieved at least 50% success against their personal performance objectives for FY19;
- for the Cash Bonus, the employee or officer of Primero or a subsidiary remains an employee 1 year after the Grant Date; and
- for the STI Options, the employee or officer of Primero or a subsidiary remains an employee 2 years after the Grant Date.

Subject to the satisfaction of the above Conditions (which are Vesting Conditions in respect of the STI Options issued under the Plan), the actual percentage of the Cash Bonus payable, and the percentage of STI Options that vest, will depend on the employees performance against the companies and employees objectives for FY19. The companies objectives with weightings are:

Performance Measure	**FY19**	**%**	**FY19**	**%**	**FY19**	**%**
Revenue	<$118,628,000	0%	$118,628,000 - $131,809,000	15%	>$131,809,000	20%
EBIT	<$9,422,165	0%	$9,422,165 - $11,399,308	45%	>$11,399,308	60%
TRIFR*	>6.0	0%	5.1-6.0	15%	<5.1	20%

* Total Recordable Injury Frequency Rate

Each employee will have their own KPI's which the Board will assess and give a percentage out of the 20%. The corporate objectives percentage and personal objectives percentage will be given a weighting on an 80:20 basis to generate the percentage of the Cash Bonus that is payable and STI Options that will vest.

Long Term Incentives

Long term incentives for the 2019 financial year are made up of ZEPOs and premium exercise options (PEPOs).

In the event that the LTI PEPOs vest the company will contribute the exercise price of $0.558 per share as a taxable payment to the employee.

The LTI PEPOs and LTI ZEPOs will only be issued if the employee continues to be employed or engaged by Primero or one of its subsidiaries at the Grant Date.

The LTI PEPOs and LTI ZEPOs will only be capable of vesting and being exercised into Shares if the following Vesting Conditions are satisfied:

- for the LTI PEPOs, the 14 day volume weighted average market price (as defined in the ASX Listing Rules) (**VWAP**) of Shares up to and including the date that is 3 years from the Grant Date is at least 43% higher than the 14 day VWAP of Shares up to and including the Grant Date;
- for the LTI Options, Primero's audited EBIT for the financial year ending 30 June 2021 is at least 35% higher than Primero's audited EBIT for FY18; and
- be employed at the time of vesting.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPIs, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue targets, gross profit targets, safety, utilisation and continued employment with the Group.

The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders. There has been no alteration to the terms of the bonuses paid since grant date.

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

2019 Financial Year

	Position Held as at 30 June 2019 and any Change during the Year	Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)		Proportions of Elements of Remuneration Not Related to Performance
		Non-salary Cash-based Incentives	Shares/ Units	Fixed Salary/ Fees
		%	%	%
Group KMP				
Cameron Henry	Managing Director	25	0	75
Dean Ercegovic	Operations Director	16	0	84
Brett Grosvenor	Director of Development	15	0	85
Ryan McFarlane	Chief Financial Officer/Company Secretary	17	0	83
Mark Connelly	Non-Executive Chairman	0	16	84
Luke Graham	Non-Executive Director	0	20	80
Peter Grigsby	General Manager - Technical	6	0	94
Ben Davies	Engineer Manager	7	0	93

2018 Financial Year

	Position Held as at 30 June 2018 and any Change during the Year	Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)		Proportions of Elements of Remuneration Not Related to Performance
		Non-salary Cash-based Incentives	Shares/ Units	Fixed Salary/ Fees
		%	%	%
Group KMP				
Cameron Henry	Managing Director	36	0	64
Dean Ercegovic	Operations Director	27	0	73
Brett Grosvenor	Director of Development	29	0	71
Ryan McFarlane	Chief Financial Officer/Company Secretary	0	0	100
Luke Graham	Non-Executive Director	0	0	100
Peter Grigsby	Engineer Manager	28	0	72
Ben Davies	Discipline Manager	17	0	83

The employment terms and conditions of all KMP are formalised in contracts of employment.

The satisfaction of the performance conditions is based on a review of the audited financial statements of the Group and publicly available market indices, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with any other measures or factors external to the Group at this time.

Remuneration Expense Details for the Year Ended 30 June 2019

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

Table of Benefits and Payments for the Year Ended 30 June

		Short-term Benefits			Long-term Benefits	Post-employment Benefits	
		Salary, Fees and Leave	Other	Cash Bonus STI	Cash and Options Bonus LTI	Pension and Superannu-ation	Total
		$		$	$	$	$
Group KMP							
Cameron Henry	2019	384,203	-	109,953	28,630	36,180	558,966
	2018	284,918	-	160,000	-	42,859	487,777
Dean Ercegovic	2019	322,473	-	55,555	12,055	30,613	420,696
	2018	284,812	-	108,000	-	37,482	430,294
Brett Grosvenor	2019	343,703	-	55,555	11,910	30,761	441,929
	2018	288,088	-	118,260	-	26,163	432,511
Luke Graham	2019	39,231	-	10,578	-	3,727	53,536
	2018	19,726	-	-	-	1,874	21,600
Peter Grigsby	2019	270,876	79,218	19,780	3,722	14,841	388,437
	2018	253,893	-	100,000	-	34,598	388,491
Ben Davies	2019	233,578	10,543	18,989	1,787	22,190	287,087
	2018	216,814	-	43,000	-	25,828	285,642
Mark Connelly	2019	66,058	-	14,104	-	6,275	86,437
	2018	-	-	-	-	-	-
Ryan McFarlane	2019	184,277	8,755	34,722	7,444	17,655	252,853
	2018	171,220	-	-	-	16,972	188,192
Total KMP							
	2019	1,844,399	98,516	319,236	65,548	162,242	2,489,941
	2018	1,519,471	-	529,260	-	185,776	2,234,507

REMUNERATION REPORT

Key Management Personal Contracts

For the 2020 financial year the managing director, Mr Henry executive services agreement principle terms are as follows:

- A base salary of $395,000 per annum excluding superannuation contributions
- Eligibility to receive an annual short-term incentive up to a maximum of 50% of his base remuneration package subject to achieving targets against key performance indicators agreed between Mr Henry and the board
- Eligibility to participate in the Company's new employee incentive plan and subject to shareholder approval and regulatory approvals, entitlement to an annual grant of employee incentives to a value of 100% of his annual base salary.
- Mr Henry may terminate the agreement by giving 3 months' notice
- The company may terminate the agreement (without cause) by giving 12 months' notice in writing to Mr Henry (or make a payment in lieu of notice) unless the Company is terminating as a result of serious misconduct (or on other similar grounds) by Mr Henry, in which case no notice is required.

All other key management personal for the 2020 financial year are employed under written terms with the company. The key conditions of their employment include:

- Total remuneration packages (excluding mandatory superannuation contributions)
- The potential to receive an annual short-term incentive payment ranging from 12.5-30% of their base remuneration package subject to achieving targets as against key performance indicators agreed between the relevant key management personnel and the board.
- Eligibility to participate in the Company's long term incentive plan and subject to shareholder approval and regulatory approvals, entitlement to an annual grant of employee incentives to the value of 10-50% of their annual base salary.
- The key management personal can terminate the agreement by giving 3 months' notice
- The company may terminate the agreement (without cause) by giving 12 months' notice in writing (or make a payment in lieu of notice) unless the Company is terminating as a result of serious misconduct (or on other similar grounds), in which case no notice is required.

A table summarising the base Key Management Personnel 2020 financial year contracts are below:

Name	Position	Base Salary
Cameron Henry	Managing Director	395,000
Dean Ercegovic	Director of Operations	333,000
Brett Grosvenor	Director of Development	333,000
Ryan McFarlane	Chief Financial Officer/Company Secretary	208,000
Peter Grigsby	General Manager - Technical	250,000
Ben Davies	Engineer Manager	230,000

Non-Executive Director Fees

Non-executive director's fees are determined within an aggregate director's fee pool which is periodically recommended for approval by the shareholders. The current aggregated director's fee pool is $300,000. This aggregate does not include any special remuneration which the board may grant to the Directors for special exertions or additional services performed by a Director.

The details of the non-executive director engagement is as follows:

- Total remuneration packages excluding mandatory superannuation contributions of $75,000 to Mark Connelly and $40,000 to Luke Graham
- Eligibility to participate in the Company's new employee incentive plan and subject to shareholder approval and regulatory approvals, entitlement to an annual grant of employee incentives to the value of 37.5% for Luke Graham and 26.7% for Mark Connelly of their annual base salary.

Securities Received that Are Not Performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

KMP Shareholdings

The number of ordinary shares in Primero Group Limited held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Shares Purchase during the Year	Shares Sold During the Year	Balance at End of Year
Cameron Henry	23,732,372	-	-	23,732,372
Dean Ercegovic	18,687,060	-	-	18,687,060
Brett Grosvenor	9,045,177	-	-	9,045,177
Ryan McFarlane	4,572,314	-	-	4,572,314
Peter Grigsby	14,062,595	-	-	14,062,595
Ben Davies	10,891,082	-	-	10,891,082
Mark Connelly	-	75,000	-	75,000
Luke Graham	-	50,000	-	50,000
Total	80,990,600	125,000	-	81,115,600

REMUNERATION REPORT

The number of options in Primero Group Limited held by each KMP of the Group during the financial year is as follow:

	Balance at Beginning of Year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at End of Year	Vested	Unvested at end of the year
Cameron Henry	-	475,000	-	-	475,000	-	475,000
Dean Ercegovic	-	200,000	-	-	200,000	-	200,000
Brett Grosvenor	-	400,000	-	-	400,000	-	400,000
Ryan McFarlane	-	250,000	-	-	250,000	-	250,000
Peter Grigsby	-	125,000	-	-	125,000	-	125,000
Ben Davies	-	60,000	-	-	60,000	-	60,000
Mark Connelly	-	50,000	-	-	50,000	-	50,000
Luke Graham	-	37,500	-	-	37,500	-	37,500
Total	-	1,597,500	-	-	1,597,500	-	1,597,500

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Loans to KMP

Temporary loans advanced and repaid during the year incur interest at nil per annum. Remaining loans incur interest at nil (2018: nil%) per annum.

	$000
Balance at beginning of the year	315
Repayment	(315)
Loans advanced	125
Balance at end of the year	125

The number of KMP with loans outstanding at the end of the period: one

KMP Loans Exceeding $100,000

Included in the loan balance above is a loan to Cameron Henry (Director) which represents an unsecured loan to Meesha Investments Pty Ltd, a related entity associated with Cameron Henry. The loan has subsequently been repaid. Details of the loan are outlined below:

	$000
Balance at beginning of the year	305
Loans advanced	125
Loan repayment received	(305)
Interest charged	-
Interest received	-
Provision for impairment	-
Balance at end of the year	125
Highest loan balance during the period	305

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors:

Dated: 27/09/2019

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF PRIMERO GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 27th day of September 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group	
		2019 $000	2018 $000
Revenue	3	151,680	85,217
Other income	3	144	61
Expenses			
Cost of sales	4	(131,674)	(71,327)
Depreciation and amortisation of expense		(1,200)	(847)
Other overhead expenses		(8,230)	(4,900)
Finance costs		(240)	(207)
Listing costs		(185)	(606)
Bad debts		(337)	-
Due diligence cost for potential business acquisition		(119)	-
Share based payments expense – employees		(512)	-
Employee incentive scheme		(124)	-
Profit before income tax		9,203	7,391
Tax expense	5	(3,014)	(2,176)
Net profit from continuing operations		6,189	5,215
Discontinued operations			
Profit/(Loss) from discontinued operations after tax		-	-
Net profit for the year		6,189	5,215
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	5(c)	37	(4)
Items that will not be reclassified to profit or loss:			
Unrealised gain (loss) on investments	5(c)	24	-
Gain (loss) on investments	5(c)	152	-
Total other comprehensive income/(loss) for the year		213	(4)
Total comprehensive income for the year		6,402	5,211
Net profit attributable to:			
Owners of the parent entity		6,189	5,215
Non-controlling interest		-	-
		6,189	5,215

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group	
		2019 $000	2018 $000
Total comprehensive income attributable to:			
Owners of the parent entity		6,402	5,211
Non-controlling interest		-	-
		6,402	5,211

		Consolidated Group	
		2019	2018
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share	9	$0.042	$0.056
Diluted earnings per share	9	$0.042	$0.056
From continuing operations:			
Basic earnings per share	9	$0.042	$0.056
Diluted earnings per share	9	$0.042	$0.056

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated Group	
		2019	2018
		$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	21,865	424
Trade and other receivables	11	13,378	15,486
Inventories	13	1,137	658
Work in progress and accrued Income	12	28,264	4,337
Other assets	16	522	1,151
TOTAL CURRENT ASSETS		65,166	22,056
NON-CURRENT ASSETS			
Investments in other companies	16	95	110
Property, plant and equipment	15	5,775	3,793
Deferred tax assets	19	1,195	715
TOTAL NON-CURRENT ASSETS		7,065	4,618
TOTAL ASSETS		72,231	26,674
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	30,339	12,300
Borrowings	18	896	857
Current tax liabilities	19	1,778	1,641
Employee benefits	20	1,905	1,059
Other	21	155	1,207
TOTAL CURRENT LIABILITIES		35,073	17,064
NON-CURRENT LIABILITIES			
Borrowings	18	2,067	1,060
Employee benefits	20	318	173
TOTAL NON-CURRENT LIABILITIES		2,385	1,233
TOTAL LIABILITIES		37,458	18,297
NET ASSETS		34,773	8,377
EQUITY			
Issued capital	22	19,688	348
Reserves	28	996	(4)
Retained earnings		14,089	8,033
Equity attributable to owners of the parent entity		34,773	8,377
TOTAL EQUITY		34,773	8,377

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

Consolidated Group	Note	Ordinary Share Capital	Foreign Currency Translation Reserve	Share Based Payments Reserve	Asset Revaluation Reserve	Retained Earnings	Total
		$000	$000	$000	$000	$000	$000
Balance at 1 July 2017		348	-	-	-	3,377	3,725
Comprehensive income							
Profit for the year		-	-	-	-	5,215	5,215
Foreign Exchange Translation Reserve		-	(4)	-	-	-	(4)
Total comprehensive income for the year		-	(4)	-	-	5,215	5,211
Transactions with owners, in their capacity as owners, and other transfers							
Dividends recognised for the year	3	-	-	-	-	(559)	(559)
Total transactions with owners and other transfers		-	-	-	-	(559)	(559)
Balance at 30 June 2018		348	(4)	-	-	8,033	8,377
Balance at 30 June 2018		348	(4)	-	-	8,033	8,377
Opening balance adjustment on application of AASB 15		-	-	-	-	(133)	(133)
Balance at 1 July 2018		348	(4)	-	-	7,900	8,244
Comprehensive income							
Profit for the year		-	-	-	-	6,189	6,189
Other comprehensive income for the year		-	37	-	176	-	213
Total comprehensive income for the year		-	37	-	176	6,189	6,402
Transactions with owners, in their capacity as owners, and other transfers							
Capital raising costs		(920)	-	-	-	-	(920)
Issued capital		20,260	-	-	-	-	20,260
Share based payments		-	-	787	-	-	787
Total transactions with owners and other transfers		19,340	-	787	-	-	20,127
Balance at 30 June 2019		19,688	33	787	176	14,089	34,773

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group	
		2019 $000	2018 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		143,596	78,343
Payments to suppliers and employees		(137,732)	(72,399)
Interest received		315	26
Other revenue		142	35
Income tax paid		(3,240)	(1,324)
Net cash generated by operating activities	10	3,081	4,681
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		-	3
Proceeds from sale of investments		1,121	103
Purchase of property, plant and equipment		(3,192)	(1,360)
Purchase of investments		-	(40)
Loans made to Employees		285	(94)
Net cash (used in)/generated by investing activities		(1,786)	(1,388)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings other		3,624	1,022
Repayment of borrowings other		(2,271)	(2,555)
Finance costs		(7)	(48)
Dividends paid by parent entity	8	-	(559)
Proceeds from issue of shares		20,010	-
Payments for Issue of Share		(1,247)	(457)
Net cash provided by/(used in) financing activities		20,109	(2,597)
Net increase in cash and cash equivalents		21,404	696
Cash and cash equivalents at the beginning of financial year		424	(268)
Effects of Foreign Exchange		37	(4)
Cash and cash equivalents at the end of financial year	10	21,865	424

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The consolidated financial statements and notes represent those of Primero Group Limited and Controlled Entities (the "consolidated group" or "group").

The financial statements were authorised for issue on 27th September 2019 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose consolidated financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. **New, revised and amended Accounting Standards and Interpretations adopted**

In the year ended 30 June 2019, the directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2019.

The Group had to change its accounting policies as a result of adopting the following standards:

- AASB 9: Financial Instruments; and
- AASB 15: Revenue from Contracts with Customers

Impact on adoption of new accounting standards are as follow:

AASB 9: Financial instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018)

There were financial assets/liabilities which the Group had previously designated as fair value through profit or loss under AASB 139: Financial Instruments: Recognition and Measurement that were subject to reclassification or elected reclassification upon the application of AASB 9. There were no financial assets/liabilities which the Group has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

The Group applied AASB 9 and the related consequential amendments to other Standards. New requirements were introduced for the classification and measurement of financial assets and financial liabilities, as well as for impairment.

When an equity investment at fair value through other comprehensive income realises a gain or loss previously recognised in other comprehensive income it is not reclassified to profit or loss.

Impairment

As per AASB 9, an expected credit loss model is applied and not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss model requires the group to account for expected credit loss since initial recognition. A simplified approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss as disclosed in Note 27(a) to the financial statements.

Impact on application of AASB 9

Based on the directors' assessment, the adoption of AASB 9 did not result in a material change to the financial statements in current and the prior period and there were no adjustments to opening balances required from the application of the accounting standards.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018)

Revenue Recognition

Revenue was previously recognised in relation to variable consideration when it is probable that work performed will result in revenue whereas the new standard requires a higher threshold of probability for recognition of contract claims and variations whereby revenue is recognised when it is highly probable that a significant reversal of revenue will not occur in the future. Primero Group Limited has operations across different industry sectors and geographical locations which are subject to different legal and contractual frameworks. Significant judgements and estimates are used in determining the impact of AASB 15, such as the assessment of the probability of approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project productivity. In making this assessment we have considered, for applicable contracts, the individual status of each contract variation.

Construction revenue

The Group derives revenue from short-term and long-term construction projects including minerals, energy, and non-process infrastructure. Contracts entered into may be for the construction of one or several separate inter-linked pieces of large infrastructure. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for the building of several projects the total transaction price is allocated across each project based on stand-alone selling prices. The transaction price is normally fixed at the start of the project. It is normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration, discussed below.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed, they are controlled by the consumer and have no alternative use to the Primero Group, with the Group having a right of payment for performance to date.

Generally, contracts identify various inter-linked activities required in the construction process. Revenue is recognised on the measured output or output of each process based on appraisals that are agreed with the customer on a regular basis.

Revenue earned is typically invoiced monthly or in some cases on achievement of milestones or to match major capital outlays. Invoices are paid on normal commercial terms, which may include the customer withholding a retention amount until finalisation of the construction. Certain construction projects entered into receive payment prior to work being performed in which case revenue is deferred on the balance sheet.

Services revenue

The Group performs maintenance and other services for mineral industry clients. Contracts entered into can cover servicing of related assets which may involve various different processes. These processes and activities tend to be highly inter-related and the Group provides a significant service of integration for these assets under contract. Where this is the case, these are taken to be one performance obligation. The total transaction price is allocated across each service or performance obligation and, where linked, the construction of the relevant asset. The transaction price is allocated to each performance obligation based on contracted prices. The total transaction price may include variable consideration.

Performance obligations are fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has right of payment for performance to date. Revenue is recognised in the accounting period in which the services are rendered based on the amount of the expected transaction price allocated to each performance obligation.

Customers are in general invoiced on a monthly basis for an amount that is calculated on either a schedule of rates or a cost-plus basis that are aligned with the stand-alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

Variable consideration

It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related KPIs. Where consideration is respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved, known as "constraint" requirements. The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the constraint requirement.

Tender costs & contract costs

Costs incurred prior to the commencement of a contract may arise due to mobilisation/site setup costs, feasibility studies, environmental impact studies and preliminary design activities as these are costs incurred to fulfil a contract. Under AASB 111 Construction Contracts, costs incurred during the tender process are capitalised when it is deemed probable the contract will be won. Under the new standard, costs can only be capitalised if they are incremental to obtaining the contract and the Group expects to recover those costs or where they are explicitly chargeable to the customer regardless of whether the contract is obtained.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component.

Loss-making contracts

Previously for contracts under the percentage of completion method, the expected loss on a contract is recognised immediately when it is probable that the contract costs will exceed total contract revenue. These loss-making contracts will now be recognised under AASB 137 Provisions, Contingent Liabilities and Contingent assets as onerous contracts.

Impact on application of AASB 15

- As a result of the change to a higher threshold of probability for recognising variable consideration, the Group estimated that there is no significant impact on the Group's financial statements from the application of AASB 15. The Board and management have implemented a highly probable threshold for revenue recognition in prior reporting periods hence no material adjustment noted.

- Due to the application of the new standard, tender costs on contracts of $132,191 previously capitalised was written off through opening retained earnings at 1 July 2018 using the cumulative approach method on initial application. The cumulative impact of the adoption is recognised in the opening retained earnings at 1 July 2018 with no restatement of comparatives.

- The opening equity adjustment due to the application of the new standard is analysed by financial statement line item below.

Impact on assets, liabilities and equity at 1 July 2018

	As reported	AASB 15 Transition adjustments	Opening balance
	30-Jun-18		1-Jul-18
	$000	$000	$000
Work-in-progress and accrued income	4,337	-133	4,204
Other current assets	17,719	-	17,719
Non-current assets	4,618	-	4,618
Total assets impact	**26,674**	**-133**	**26,541**
Current and non-current liabilities	18,297	-	18,297
Total liabilities impact	**18,297**	**-**	**18,297**
Net asset impact	**8,377**	**-133**	**8,244**
Issued capital	348	-	348
Reserves	-4	-	-4
Retained earnings	8,033	-133	7,900
Total equity impact	**8,377**	**-133**	**8,244**

b. **Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Primero Group Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 14.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (ie reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9: *Financial Instruments*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value *(full goodwill method)* or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets *(proportionate interest method).* In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

c. **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which: (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. **Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

e. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

f. **Construction Contract's Work in Progress and Unearned Revenue**

Construction work in progress is measured at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

A contract asset is recognised when the Group recognises revenue as set out in Note 1(o) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ('ECL') in accordance with the policy set out in Note 1(i) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability or unearned revenue is recognised when the customer pays consideration before the Group recognises the related revenue as set out in Note 1(o). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

g. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(j) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including and capitalised leased assets, is depreciated on a diminishing value basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	2.5%–40%
Plant and equipment	10%–67%
Motor Vehicles	13–25%
Computer Software	50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

h. **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

Leased assets are depreciated on a diminishing value basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

i. **Financial Instruments**

Accounting policies from 1 July 2018

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability; that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value (if not designated as at fair value through profit or loss and not arising from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with AASB 9.3.25.3; and
- the amount initially recognised less the accumulative amount of income recognised in accordance with the revenue recognition policies.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: Business Combinations applies, the Group may make an irrevocable election to measure any subsequent changes in fair value of the equity instrument in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss. Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for derecognition of financial assets:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

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.

On derecognition of a debt instrument classified at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in of equity which was elected to be classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment’s revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due, and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument. Under the AASB 9, there are two ways to measure expected credit loss:

- 12-months expected credit loss that result from possible default events within 12 months from the reporting date; and
- Lifetime expected credit loss that result from all possible default events over the expected life of a financial instruments

The Group expect to apply the simplified approach to recognise expected lifetime expected credit losses for trade receivables as permitted by AASB 9.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used, taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income. The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

Accounting policies applied until 30 June 2018

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's Accounting Policy.

The Group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at “fair value through profit or loss” when they are contingent consideration that may be paid by an acquirer as part of a business combination to which AASB 3: *Business Combinations* applies, held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned from the financial asset and is included in the face of the statement of profit and loss and other comprehensive income.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies is classified as a financial liability and measured at fair value through profit or loss.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 affected.

For available-for-sale equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for shares classified as available-for-sale. For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. 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 considered 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.

For financial assets measured at amortised cost, 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 that 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.

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract issued by a group entity are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of: the amount of the obligation under the contract, as determined in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

j. **Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position and allocated to non-controlling interest where relevant. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

l. **Employee Benefits**

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation benefits

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (i) the date when the Group can no longer withdraw the offer for termination benefits; and (ii) when the Group recognises costs for restructuring pursuant to AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

m. **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

n. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

o. **Revenue and Other Income**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation

Construction Contract Revenue

The Group provides design, engineering and construction services to customers through contracts. Contract revenue is recognised when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ('input method') or based on direct measurement of the value of the services completed to date (‘output method’). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measurement of progress and instead are expensed as incurred

In some circumstances, such as in the early stages of a contract where the Group may not be able to reasonably measure its progress but expects to recover the contract costs incurred, contract revenue is recognised only to the extent of the contract costs incurred until such time when the Group can reasonably measure its progress.

Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and included in the transaction only to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Estimates of revenues, costs or the extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

The period between the transfer of the promised services and customer payment may exceed one year. For such contracts, there is no significant financing component present as the payment terms are an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset (work-in-progress or accrued income) is recognised. If the payments exceed the value of the goods transferred, a contract liability (unearned revenue) is recognised.

Revenue from other goods and services

Revenue from the sale of goods and services in the ordinary course of business are recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

The transaction price is allocated to each performance obligation in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for the time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the performance obligation. If a performance obligation is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation.

The Group considers certain services to be a distinct service as it is both regularly supplied by the Group to other customers on a stand-alone basis and is available for customers from other providers in the market. A portion of the transaction price is therefore allocated to the maintenance services based on the stand-alone selling price of those services. Discounts are not considered as they are only given in rare circumstances and are never material. Revenue from the maintenance services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

Other revenue

Interest revenue is recognised using the effective interest method.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax.

p. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit loss (ECL). Refer to Note 1(i) for further discussion on the determination of impairment losses.

q. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

r. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

s. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

t. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

u. **Rounding of Amounts**

The parent entity has applied the relief available to it under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded off to the nearest $1,000.

v. **Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group

Key estimates and judgements

(i) *Impairment*

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(ii) *Impairment of trade and other receivables and contract assets*

As at 30 June 2019, the Group's trade and other receivables and contract assets amounted to $41,642,000 (2018: $19,823,000; 2017:13,011,000) respectively, net of allowance for impairment, if any, arising from the Group's different revenue as disclosed in Note 27.

Based on the Group's historical credit loss experience, trade receivables exhibited different loss patterns for each revenue segment. Within each revenue segment, the Group has common customers across the different geographical regions and applies credit evaluations by customer. Accordingly, management has determined the expected loss rates by grouping the receivables across geographical regions in each revenue segment. No allowance for impairment for trade and other receivables and contract assets respectively was recognized as at 30 June 2019 (2018: Nil; 1 July 2017: Nil). Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

The Group's and the Company's credit risk exposure for trade receivables by different revenue segment are set out in Note 27(a).

(iii) *Judgement and method used in estimating construction contract revenue*

As discussed in Note 1(o) to the financial statements, construction contract revenue is recognised over time by reference to the Group 's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ('input method') or based on direct measurement of the value of the services completed to date (‘output method’). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

Construction contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work to the extent that is highly probable that a significant reversal in the amount of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In estimating the variable consideration for contract revenue, the Group uses the expected value amount method to estimate the transaction price. The expected value is the sum of probability-weighted amounts in a range of possible consideration amounts. Management has relied on historical experience and where necessary, the work of experts, analysed by customers and nature of scope of work, from prior years.

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. For variations claims, management has determined that a portion of the estimated variable consideration is subject to the constraint as, based on past experience with the customers, it is highly probable that a significant reversal in the cumulative amount of revenue recognised will occur, and therefore will not be recognised as revenue.

(iv) *Estimation of total contract costs for construction contracts and earned value*

The Group has significant ongoing construction contracts as at 30 June 2019 that are non-cancellable. For these contracts, revenue is recognised over time by reference to the Group 's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ('input method') or based on direct measurement of the value of the services completed to date ('output method').

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

For output method, earned value approach is used in determining percentage complete for the recognition of construction revenue. Earned value is measured using assessment of work completed and services delivered to date against total contract deliverables.

Significant assumptions are used to estimate the total contract sum and the total contract costs and earned value of the project which affect the accuracy of revenue recognition based on the percentage-of-completion and completeness of provision for onerous contracts recognised. In making these estimates, management has relied on past experience and where necessary, the work of consultants.

w. **New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 July 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application

AASB 16 will affect primarily the accounting for the Group's operating leases. The Group has assessed the full impact of the standard and assuming its existing lease arrangements remain substantially unchanged, expects to recognise a Right of Use Asset and Lease Liability of approximately $700,000 and $700,000 respectively as at 1 July 2019. The Group does not expect any significant impact to Net Profit After Tax (NPAT) from the application of the standard.

NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the financial information of the parent entity set out below and has been prepared in accordance with Australian Accounting Standards.

	2019 $000	2018 $000
Statement of Financial Position		
ASSETS		
Current assets	64,102	21,286
Non-current assets	6,882	4,448
TOTAL ASSETS	70,984	25,734
LIABILITIES		
Current liabilities	34,533	16,594
Non-current liabilities	2,384	1,234
TOTAL LIABILITIES	36,917	17,828
EQUITY		
Issued capital	19,688	348
Reserves	963	-
Retained earnings	13,416	7,558
TOTAL EQUITY	34,067	7,906
Statement of Profit or Loss and Other Comprehensive Income		
Total profit	5,989	4,741
Total comprehensive income	6,952	4,741

Guarantees

During the reporting period, Primero Group Limited have not entered into any deed of cross guarantee with its subsidiary Primero Group Americas Inc.

Contingent liabilities

There are no contingent liabilities for the parent entity for both financial years ended 30 June 2019 and 30 June 2018 apart from those disclosed in Note 24.

Contractual commitments

The parent entity did not have capital expenditure commitments for the acquisition of property plant and equipment contracted but not provided for both financial years 30 June 2019 and 30 June 2018.

NOTE 3: REVENUE AND OTHER INCOME

	Note	Consolidated Group 2019 $000	2018 $000
a. **Revenue from continuing operations**			
Sales revenue:			
– provision of services		151,364	85,195
		151,364	85,195
Other revenue:			
– Interest		316	22
		316	22
Total revenue		151,680	85,217
Other income:			
– other		142	35
– gain on disposal of property, plant and equipment		2	3
– gain on disposal of non-current assets		-	23
		144	61
b. **Total revenue and other income from continuing operations**			
– attributable to owners of the parent entity		151,824	85,278
– attributable to non-controlling interests		-	-
		151,824	85,278

c. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, operating sector and timing of revenue recognition.

2019	**Engineering, design and constructions** $000	**Total** $000
Primary geographical markets		
Australia	146,884	146,884
Canada	4,480	4,480
	151,364	151,364
Operating sector		
Minerals	34,511	34,511
Non-Process Infrastructure	40,717	40,717
Energy	76,136	76,136
	151,364	151,364

NOTE 3: REVENUE AND OTHER INCOME (CONTINUED)

2019	**Engineering, design and constructions**	**Total**
	$000	**$000**
At a point in time:		
Other revenue	144	144
Over time:		
Construction contract revenue	151,364	151,364
Interest Revenue	316	316
	151,824	151,824

2018	**Engineering, design and constructions**	**Total**
	$	**$**
Primary geographical markets		
Australia	81,629	81,629
Canada	3,566	3,566
	85,195	85,195
Operating sector		
Minerals	73,439	73,439
Non-Process Infrastructure	6,619	6,619
Energy	5,137	5,137
	85,195	85,195
Timing of revenue recognition		
At a point in time:		
Other revenue	61	61
Over time:		
Construction contract revenue	85,195	85,195
Interest Revenue	22	22
	85,278	85,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: PROFIT FOR THE YEAR

	Note	Consolidated Group	
		2019 $000	**2018 $000**
Profit before income tax from continuing operations includes the following specific expenses:			
a. **Expenses**			
Cost of sales		131,674	71,327
Employee benefits expense:			
– superannuation expense		3,820	2,559
Rental expense on operating leases:			
– minimum lease payments		733	574

NOTE 5: TAX EXPENSE

	Note	Consolidated Group	
		2019 $000	**2018 $000**
a. The components of tax (expense) income comprise:			
Current tax		3,392	2,418
Adjustments to Prior Periods		(13)	(46)
Deferred tax		(369)	(196)
Adjustments to Prior Periods		4	-
		3,014	2,176
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)		2,761	2,217
Add:			
Tax effect of:			
– Share based payments expenses - employees		192	-
– non-allowable items		48	37
– Gain on sale of assets		45	-
Less:			
Tax effect of:			
– Adjustments to Prior Periods		(9)	46
– Canada Tax Rate difference		(23)	32
Income tax attributable to entity		3,014	2,176
The weighted average effective tax rates are as follows:		**32.7%**	**29.4%**

NOTE 5: TAX EXPENSE (CONTINUED)

Following recent amendments to Australian corporate tax rate, a gradual reduction in company tax rate from 30% to 25% by the 30 June 2022 will apply as follows:

- Companies with a turnover under 25m will pay tax at 27.5% from the 2017-18 financial year
- Companies with a turnover under 50m will pay tax at 27.5% from the 2018-19 financial year

Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The tax rate used in the reconciliation above is the corporate tax rate of 30% payable by Australian Companies with an aggregate turnover in excess of $50 million in the financial year ended 30 June 2019. There has been no change in the tax rate since the previous reporting period. From financial year ended 2020, all companies with aggregate turnover in excess of $50 million will continue to be taxed at 30% tax rate.

c. Tax effects relating to each component of other comprehensive income:

	2019			2018		
	Before-tax Amount $000	**Tax (Expense) Benefit $000**	**Net-of-tax Amount $000**	**Before-tax Amount $000**	**Tax (Expense) Benefit $000**	**Net-of-tax Amount $000**
Consolidated Group						
Exchange differences on translating foreign operations	37	-	37	(4)	-	(4)
Unrealised gain (loss) on investments	24	-	24	-	-	-
Gain(loss) on investments	152	(46)	106	-	-	-
	245	(46)	167	(4)	-	(4)

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2019.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2019 $	2018 $
Short-term employee benefits	2,262,151	2,048,731
Post-employment benefits	162,242	185,776
Long Term Benefits	65,548	-
Total KMP compensation	2,489,941	2,234,507

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits, cash bonuses and short-term incentive plan awarded to executive directors and other KMP.

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Post-employment benefits

These amounts are the current-year's estimated costs of providing for the Group's, superannuation contributions made during the year.

Long Term Benefits

These amounts relating to the company's long-term incentive plan.

NOTE 7: AUDITOR'S REMUNERATION

	Consolidated Group	
	2019	**2018**
	$	**$**
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	80,213	58,068
– Investigating Accountants Report	-	59,233
	80,213	117,301

NOTE 8: DIVIDENDS

	Consolidated Group	
	2019	**2018**
	$000	**$000**
2017 final dividend (fully franked) of 0.004 cents per share paid on 8/11/2017	-	411
2017 final dividend (fully franked) of 0.002 cents per share paid on 23/11/2017	-	148
	-	559
Balance of Franking account at year end	4,874	1,794

NOTE 9: EARNINGS PER SHARE

		Consolidated Group	
		2019	**2018**
		$000	**$000**
a.	Reconciliation of earnings to profit or loss:		
	Profit	6,189	5,215
	Earnings used to calculate basic EPS	6,189	5,215
	Earnings used in the calculation of dilutive EPS	6,189	5,215

NOTE 9: EARNINGS PER SHARE (CONTINUED)

		Consolidated Group	
		2019	**2018**
		No.	**No.**
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	148,591,148	93,490,600
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	148,590,490	93,490,600

NOTE 10: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group	
		2019	**2018**
		$000	**$000**
Cash at bank and on hand		21,577	(24)
Short-term bank deposits		288	448
	18	21,865	424

The effective interest rate on short-term bank deposits was 1.95% (2018: 2.04%); these deposits have an average maturity of 169 days.

Reconciliation of cash

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	21,875	1,618
Bank overdrafts	(10)	(1,194)
	21,865	424

A floating charge over cash and cash equivalents has been provided for certain debts. Refer to Note 18 for further details.

NOTE 10: CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation of profit after income tax to net cash from operating activities

	Consolidated Group	
	2019 $000	**2018 $000**
Profit after income tax expense for the year	6,189	5,215
Adjustments for:		
Depreciation and amortisation	1,200	847
Net (gain)/Loss on disposal of non-current assets	12	(26)
Finance Costs	175	207
Initial public offering costs	246	939
Share based payments expense – employees	512	-
Employee Incentive Scheme	124	-
Shares received in Lieu of cash	(930)	-
Opening balance adjustment on application of AASB 15	(133)	-
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	1,578	(9,040)
(Increase)/Decrease in inventories and work in progress	(15,387)	(768)
(Increase)/Decrease in accrued revenue & retentions	(8,679)	3,220
(Increase)/Decrease in deferred tax assets	(480)	(527)
(Increase)/Decrease in prepayments	(242)	(65)
Increase/(decrease) in trade and other payables	18,821	3,960
Increase/(decrease) in provision for income tax	136	1,048
Increase/(decrease) in employee benefits	990	607
Increase/(decrease) in other provisions	-	(22)
Increase/(decrease) in unearned revenue	(1,051)	(914)
Net cash from operating activities	3,081	4,681

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2019 $000	**2018 $000**
CURRENT		
Trade receivables	13,250	14,829
	13,250	14,829

NOTE 11: TRADE AND OTHER RECEIVABLES (CONTINUED)

		Consolidated Group	
		2019 $000	**2018 $000**
Other receivables			
Retentions	12	-	339
Interest receivable		3	2
Amounts receivable from related parties		125	316
		128	657
Total current trade and other receivables		13,378	15,486

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 11. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia and Canada given the substantial operations in those regions. The Group’s exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

	Consolidated Group	
AUD	**2019 $000**	**2018 $000**
Australia	11,904	13,476
Canada	1,346	1,353
	13,250	14,829

The following table details the Group’s trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as “past due” when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

NOTE 11: TRADE AND OTHER RECEIVABLES (CONTINUED)

	Gross Amount $000	Past Due and Impaired $000	Past Due but Not Impaired (Days Overdue) < 30 $000	31–60 $000	61–90 $000	> 90 $000	Within Initial Trade Terms $000
2019							
Trade and term receivables	13,250	-	4,703	-	4	18	8,525
Total	13,250	-	4,703	-	4	18	8,525
2018							
Trade and term receivables	14,829	-	769	36	21	2	14,001
Total	14,829	-	769	36	21	2	14,001

The group's internal credit evaluation practices and basis for recognition and measurement for expected credit loss (ECL) are disclosed in Note 27(a) to the financial statements.

	Note	Consolidated Group 2019 $000	2018 $000
Trade and other receivables:			
– total current		13,378	15,486
– total non-current		-	-
Total financial assets classified as loans and receivables		13,378	15,486

A floating charge over trade receivables has been provided for certain debts. Refer to Note 18 for further details.

NOTE 12: WORK IN PROGESS AND ACCRUED INCOME

	Note	Consolidated Group	
		2019 $000	2018 $000
Accrued Income		12,168	3,149
Work in Progress		16,096	1,188
		28,264	4,337
Summarised as follows:			
Construction Contracts in Progress			
Contract costs incurred		121,920	74,546
Recognised profits		16,358	15,842
		138,278	90,388
Progress billings		(110,169)	(86,919)
		28,109	3,469
Amounts due from customers for contract work		12,168	3,149
Amounts due to customers for contract work	21	(155)	(1,207)
Work in Progress		16,096	1,188
		28,109	3,130
Retentions on construction contracts in progress	11	-	339
Progress billings and advances received and receivable on construction contracts in progress		28,109	3,469

NOTE 13: INVENTORIES

	Note	Consolidated Group	
		2019 $000	2018 $000
CURRENT			
At cost:			
Inventory		1,137	658
		1,137	658

NOTE 14: INTERESTS IN SUBSIDIARIES

a. **Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		2019	2018
		%	%
Primero Group Americas Inc	Quebec Canada	100	100

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

NOTE 15: PROPERTY PLANT AND EQUIPMENT

	Note	Consolidated Group	
		2019 $000	2018 $000
Plant and Equipment			
Plant and equipment:			
At cost		6,690	4,028
Accumulated depreciation		(2,430)	(1,648)
		4,260	2,380
Motor Vehicles:			
At cost		2,044	1,659
Accumulated depreciation		(936)	(680)
		1,108	979
Leasehold improvements:			
At cost		425	403
Accumulated depreciation		(175)	(150)
		250	253
Computer Software:			
At cost		642	541
Accumulated amortisation		(485)	(360)
		157	181
Total property, plant and equipment		5,775	3,793

NOTE 15: PROPERTY PLANT AND EQUIPMENT (CONTINUED)

a. **Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Motor Vehicles $000	Leasehold Improvements $000	Plant and Equipment $000	Computer Software $000	Total $000
Consolidated Group:					
Balance at 1 July 2017	846	274	2,103	57	3,280
Additions	344	8	807	202	1,361
Disposals	-	-	-	(1)	(1)
Depreciation expense	(211)	(29)	(530)	(77)	(847)
Balance at 30 June 2018	979	253	2,380	181	3,793
Additions	411	21	2,649	101	3,182
Disposals	(11)	-	-	-	(11)
Depreciation & Amortisation expense	(271)	(24)	(780)	(125)	(1,200)
Exchange Difference	-	-	11	-	11
Balance at 30 June 2019	1,108	250	4,260	157	5,775

NOTE 16: OTHER ASSETS

	Consolidated Group	
	2019 $000	**2018 $000**
CURRENT		
Prepayments	466	255
Prepaid Listing Costs	-	777
Other	56	119
	522	1,151
NON-CURRENT		
Investment in Other Companies	95	110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: TRADE AND OTHER PAYABLES

	Note	Consolidated Group	
		2019 $000	2018 $000
CURRENT			
Unsecured liabilities:			
Trade payables		19,028	5,532
Sundry payables and accrued expenses		11,311	6,768
		30,339	12,300

a. **Financial liabilities at amortised cost classified as trade and other payables**

Trade and other payables:		
– total current	19,028	12,300
– total non-current	-	-
	19,028	12,300
Financial liabilities as trade and other payables	19,028	12,300

NOTE 18: BORROWINGS

	Note	Consolidated Group	
		2019 $000	2018 $000
CURRENT			
Related parties – unsecured	26	-	3
Lease liability - secured	23	896	854
Total current borrowings		896	857
NON-CURRENT			
Lease liability - secured	23	2,067	1,060
Total non-current borrowings		2,067	1,060
Total borrowings		2,963	1,917

a. Total current and non-current secured liabilities:

Lease liability	2,963	1,914
	2,963	1,914

b. The carrying amounts of non-current assets pledged as security are:

Charge over assets	2,718	2,140

Hire Purchase agreements have an average term of 3-5 years. The interest rate was 5.5%.

NOTE 18: BORROWINGS (CONTINUED)

		Note	Consolidated Group	
c.	**Collateral provided**		**2019 $000**	**2018 $000**
	The bank facility is secured by a first registered charge over the assets of the group. Covenants imposed by the bank require. Capital adequacy Ratio is more than 40%. Net Leverage Ratio not exceed 1.25:1			
	Lease liabilities are secured by the underlying leased assets.			
	Financial assets that have been pledged as part of the total collateral for the benefit of the bank are as follows:			
	Cash and cash equivalents	10	21,865	424
	Trade receivables	11	13,250	14,829
	Total financial assets pledged		35,115	15,253

The collateral over cash and cash equivalents represents a floating charge.

The Company has an insurance bonding facility of $20 million. At 30 June 2019 the amount drawn on the facility was $8.995 million (2018: $7.868 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 19: TAX

	Consolidated Group	
	2019 $000	**2018 $000**
CURRENT		
Income tax payable	1,778	1,641

		Consolidated Group	
		2019 $000	**2018 $000**
a.	Deferred Tax Asset:		
	The balance comprises temporary differences attributable to:		
	Accrued Expenses	145	1
	Payable/Provisions	1,041	619
	Capital Raising Costs	395	410
	Other	85	18
	Total deferred tax assets	1,666	1,048
	Less deferred tax liabilities set off from Note 19b	(471)	(332)
	Net deferred tax assets	1,195	715

Movement	**Accrued Expenses $000**	**Payable/Provisions $000**	**Capital Raising Costs $000**	**Other $000**	**Closing Balance $000**
At 1 July 2017	-	340	-	22	362
(Charged)/credited to the income statement	1	279	77	(4)	353
(Charged)/credited directly to equity	-	-	333	-	333
Balance at 30 June 2018	1	619	410	18	1,048
(Charged)/credited to the income statement	144	422	(76)	67	557
(Charged)/credited directly to equity	-	-	61	-	61
Balance at 30 June 2019	145	1,041	395	85	1,666

NOTE 19: TAX (CONTINUED)

		Consolidated Group	
		2019 $000	**2018 $000**
b.	Deferred Tax Liabilities:		
	The balance comprises temporary differences attributable to:		
	Work in Progress	441	320
	Accrued Interest	1	1
	Prepayments	28	14
	Other	1	(3)
	Total deferred tax liabilities	471	332
	Set-off deferred tax liabilities, pursuant to set-off provisions (note 19a)	(471)	(332)
	Net deferred tax liabilities	-	-

Movement	**Work in Progress $000**	**Accrued Interest $000**	**Prepayments $000**	**Other $000**	**Closing Balance $000**
At 1 July 2017	153	2	16	3	174
(Charged)/credited to the income statement	167	-1	-2	-6	158
(Charged)/credited directly to equity	-	-	-	-	-
Balance at 30 June 2018	320	1	14	-3	332
(Charged)/credited directly to equity	(55)	-	-	-	(55)
(Charged)/credited to the income statement	176	-	14	4	194
Balance at 30 June 2019	441	1	28	1	471

NOTE 20: PROVISIONS

	Employee Benefits	Other	Total
	$000	$000	$000
Consolidated Group			
Opening balance at 1 July 2018	1,232	-	1,232
Additional provisions	991	-	991
Amounts used	-	-	-
Balance at 30 June 2019	2,223	-	2,223

Provision for Employee Benefits

	Consolidated Group	
	2019 $000	2018 $000
Current	1,905	1,059
Non-current	318	173
	2,223	1,232

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21: OTHER CURRENT LIABILITIES

	Consolidated Group	
	2019 $000	**2018 $000**
CURRENT		
Unearned Revenue	155	1,207

NOTE 22: ISSUED CAPITAL

	No	**$000**
Fully paid ordinary share at 1 July 2017	66,779	348
Shares split (1:1400)	93,423,821	-
Fully paid ordinary shares at 30 June 2018	93,490,600	348
Shares issued as part of Initial Public Offering (IPO) net capital raising costs	50,000,000	20,000
Capital raising costs for IPO	-	(920)
Shares issued to consultant in lieu of fees	625,000	250
Shares issued as part of employee share based payments	5,512,500	10
Fully paid ordinary shares as at 30 June 2019	149,628,100	19,688

On 19/4/2018 the Group did a 1 to 1400 share split of every ordinary share.

	Consolidated Group	
	2019 $000	**2018 $000**
Fully paid ordinary shares	19,688	348

NOTE 22: ISSUED CAPITAL (CONTINUED)

b. **Capital Management**

The Group prior to 30 June 2018 was a private company funded by debt and retained profits therefore there was no policy in place regarding debt to equity ratios.

As a listed company, management has implemented controls around the capital of the group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital, borrowings supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

This strategy is to ensure that the Group's gearing ratio remains between 5% and 15%. The gearing ratios for the years ended 30 June 2019 and 30 June 2018 are as follows:

	Note	**Consolidated Group**	
		2019 $000	**2018 $000**
Total borrowings	18	2,963	1,917
Less cash and cash equivalents	10	(21,865)	(424)
Net debt		(18,902)	1,493
Total equity		34,773	8,377
Total capital		15,871	9,870
Gearing ratio		(119%)	15%

NOTE 23: CAPITAL AND LEASING COMMITMENTS

		Note	Consolidated Group	
			2019 $000	2018 $000
a.	**Finance Lease Commitments**			
	Payable – minimum lease payments:			
	– not later than 12 months		1,020	931
	– between 1 and 5 years		2,272	1,139
	Minimum lease payments		3,292	2,070
	Less future finance charges		(329)	(156)
	Present value of minimum leave payments	18	2,963	1,914

b.	**Operating Lease Commitments**			
	Non-cancellable operating leases contracted for but not recognised in the financial statements			
	Payable – minimum lease payments:			
	– not later than 12 months		650	544
	– between 1 and 5 years		446	842
			1,096	1,386

The property leases are non-cancellable leases with a 1-3 year term, with rent payable monthly in advance.

NOTE 24: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Primero Group Ltd has provided bank guarantees and insurance bonds to various customers for satisfactory contract performance in the amount of $9,246,619.

There are no other contingent liabilities other than those listed above.

NOTE 25: SHARE BASED PAYMENTS

The expense recognised for share based payments during the period are as follows:

		Consolidated Group	
	Note	**2019**	**2018**
		$000	**$000**
Total expenses arising from			
Brokers options (Listing Costs)	25(a)	151	
Non-recourse loan to employees	25(b)	512	-
Employee Incentive Scheme	25(c)	124	-
		787	-

a. On 9 of July 2018, 2 million options were issued to Canaccord Genuity as compensation for their brokerage work perform for Primero Group in the initial public offering on the Australian Stock Exchange. The terms of the options issued are as follows:

1. 1,000,000 unlisted options to acquire Shares that expire on 9 July 2021 and have an exercise price of $0.50 per Share;
2. 1,000,000 unlisted options to acquire Shares that expire on 9 July 2021 and have an exercise price of $0.60 per Share;

The value of options granted during the period was calculated using the Black-Scholes Option Pricing Model totalled $151k. The expense during the period ended 30 June 2019 amounted to $151k (2018: $Nil). The values and inputs are as follows:

Options	**PGXO1**	**PGXO2**
Options issued	1,000,000	1,000,000
Underlying share value	$0.40	$0.40
Exercise price of options	$0.50	$0.60
Risk free interest rate	2.08%	2.08%
Share price volatility	40%	40%
Expiration period	9-Jul-21	9-Jul-21
Valuation per option	$0.09	$0.06

b. On 14 August 2018, 5.2 million shares were issued to employees under the Employee Share Schemes in form of non-recourse loan. The share-based payments were valued using the Black-Scholes Option Pricing Model totalled $512k (2018: $Nil). The value and inputs are as follow:

Non-recourse loan	**Shares**
Shares issued	5,200,000
Underlying share value	$0.40
Exercise price	$0.40
Risk free interest rate	2.10%
Share price volatility	54%
Estimated time to maturity	1.2 years
Valuation per share	$0.10

NOTE 25: SHARE BASED PAYMENTS (CONTINUED)

c. On 3 December 2018, 2,854,475 options were issued to employees under the Employee Incentive Schemes.

The terms of the options issued are as follows:

1. Short term incentives (STI) are remunerated through a combination of cash and zero price exercise options (ZEPOs) with the ZEPOs expiring 2 years after grant date. For 2019 the short-term incentive cash portion will only be payable, and the STI Options will only be capable of vesting and being exercised into Shares, if the following conditions are satisfied:

   - Primero achieves EBIT of at least AUD$9,422,165 for the financial year ending 30 June 2019 (FY19);
   - the Board, in its discretion, determines that the employee has achieved at least 50% success against their personal performance objectives for FY19; and
   - for the STI Options, the employee or officer of Primero or a subsidiary remains an employee 2 years after the Grant Date.

2. Long term incentives (LTI) for the 2019 financial year are made up of ZEPOs and premium exercise options (PEPOs). The LTI PEPOs and LTI ZEPOs will only be issued if the employee continues to be employed or engaged by Primero or one of its subsidiaries at the Grant Date. The LTI PEPOs and LTI ZEPOs will only be capable of vesting and being exercised into Shares if the following Vesting Conditions are satisfied:

   - for the LTI PEPOs, the 14 day volume weighted average market price (as defined in the ASX Listing Rules) (VWAP) of Shares up to and including the date that is 3 years from the Grant Date is at least 43% higher than the 14 day VWAP of Shares up to and including the Grant Date;
   - for the LTI Options, Primero's audited EBIT for the financial year ending 30 June 2021 is at least 35% higher than Primero's audited EBIT for FY18; and
   - be employed at the time of vesting.

The STI ZEPOs and LTI ZEPOs were valued using the Black-Scholes Option Pricing Model totalled $173k and $338k respectively. The LTI PEPOs were valued using hybrid employee share option pricing model that incorporating a Monte Carlo simulation totalled $205k. The value and inputs are as follow:

Options	**STI ZEPOs**	**STI ZEPOs**	**LTI ZEPOs**	**LTI PEPOs**
Options issued	87,500	357,325	867,325	1,542,325
Underlying share value	$0.39	$0.39	$0.39	$0.39
Exercise price of options	Nil	Nil	Nil	$0.56
Risk free interest rate	2.11%	2.11%	2.11%	2.11%
Share price volatility	60%	60%	60%	60%
Expiration period	3-Dec-19	3-Dec-22	3-Dec-23	3-Dec-22
Valuation per option	$0.39	$0.39	$0.39	$0.13

NOTE 25: SHARE BASED PAYMENTS (CONTINUED)

25.d to include table to summarise the options:

Options	**2019**	**2018**
	No	**No**
Balance at Beginning of Year	-	-
Granted as remuneration during the year - Canaccord Genuity	2,000,000	
Granted as remuneration during the year - Employee Incentive Scheme	2,854,475	-
Exercised during the year	-	-
Other changes during the year	(305,418)	-
Balance at End of Year	4,549,057	-
Vested at end of the year	-	-

NOTE 26: RELATED PARTY TRANSACTIONS

a. **Related parties**

The Group's main related parties are as follows:

(i) *Entities exercising control over the Group:*

The ultimate parent entity that exercises control over the Group is Primero Group Limited, which is incorporated in Australia.

(ii) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 6.

(iii) *Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

NOTE 26: RELATED PARTY TRANSACTIONS (CONTINUED)

b. **Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated Group	
	2019 $000	**2018 $000**
Other related parties:		
Interest revenue:	-	18

	Consolidated Group	
	2019 $000	**2018 $000**
c. **Amounts outstanding from related parties**		
(i) *Loans to other key management personnel related entities*		
Beginning of the year	315	-
Loans advanced	125	315
Loans repayment received	(315)	-
End of the year	125	315
(ii) *Loans to controlled entity at reporting date was as follows*		
Beginning of the year	1,133	-
Loans advanced	11	1,133
End of the year	1,144	1,133

d. **Amounts payable to related parties**

Trade and other payables:

Loans from other key management personnel related entities:		
Beginning of the year	3	633
Loans advanced	-	-
Loan repayment received	(3)	(648)
Interest charged	-	18
End of the year	-	3

NOTE 27: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB9: *Financial Instruments* as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2019 $000	**2018 $000**
Financial assets			
Cash and cash equivalents	10	21,865	424
Loans and receivables	11	13,378	15,486
Total financial assets		35,243	15,910
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	17	30,339	12,300
– borrowings	18	2,963	1,917
Total financial liabilities		33,302	14,217

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 30 to 45 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the senior management and board has otherwise assessed as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount (net of any provisions) as presented in the statement of financial position

The Group had significant concentration with two of their clients at the 30th of June 2019. One client represents $20,444,521 of work in progress and accrued revenue while the other represents $5,208,306 in trade debtors, work in progress and accrued revenue receivable. On a geographical basis, the Group has significant credit risk exposures to Australia and Canada given the substantial operations in those regions. Details with respect to credit risk of trade and other receivables are provided in Note 11

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 11.

Credit risk related to balances with banks and other financial institutions is managed by the FOC in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA–. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Note	Consolidated Group	
		2019	2018
		$000	$000
Cash and cash equivalents:			
– AA rated	10	21,865	424

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement for expected credit losses ('ECL'):

Internal rating system	Definition	Basis for recognition ar measurement of ECL
1. Performing	The counterparty has a low risk of default and does not have any past-due amount	12-month ECL
2. Under-performing	There has been a significant increase in credit risk since initial recognition	Lifetime ECL (not credit impaired)
3. Non-performing	There is evidence indicating that the asset is credit impaired.	Lifetime ECL (not credit impaired)
4. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty	Asset is written off

NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade receivables and contract assets

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group has adopted the policy of dealing with customers with an appropriate credit history as a means of mitigating the credit risk exposures. Credit evaluation which takes into account qualitative and quantitative profile of each customer is performed and approved by management before credit is granted and debtor balance insured as assessed by Insurance company. The Group also closely monitors customers' payment patterns, coverage by debtor insurance and credit exposures on an on-going basis.

The Group applies the simplified approach to provide for the ECL for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to the lifetime ECL.

The Group uses a provision matrix to measure the lifetime ECL allowance for trade receivables and contract assets. In measuring the ECL, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due.

The contract assets relate mainly to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the ECL rates, the Group considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data. The Group considers a financial asset as in default when the counterparty fail to make contractual payments for a prolonged period of time when they fall due, and the Group may also consider internal and external information, such as significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation. Financial assets are written off when there is no reasonable expectation of recovering the contractual cash flow, such as a debtor failing to engage in a repayment plan with the Group and it becoming probable that the debtor will enter bankruptcy or other financial reorganisation. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Management has assessed and concluded that the ECL rate for trade receivables past due less than 1 year is immaterial. There is no ageing analysis for contract assets as these mainly relate to variable considerations which have yet to be invoiced. The Group has assessed and concluded that trade receivables are subject to immaterial credit loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting year.

b. **Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial assets and financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

FINANCIAL LIABILITY AND FINANCIAL ASSET MATURITY ANALYSIS

	Within 1 Year		**1 to 5 Years**		**Over 5 Years**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Consolidated Group	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Financial liabilities due for payment								
Bank overdrafts and loans	10	1,194	-	-	-	-	10	1,194
Trade and other payables	30,339	12,300	-	-	-	-	30,339	12,300
Amounts payable to related parties	-	3	-	-	-	-	-	3
Finance lease liabilities	896	854	2,067	1,060	-	-	2,963	1,914
Total expected outflows	31,245	14,351	2,067	1,060	-	-	33,312	15,411
Financial assets – cash flows realisable								
Cash and cash equivalents	21,875	1,618	-	-	-	-	21,875	1,618
Trade, term and loan receivables	13,378	15,486	-	-	-	-	13,378	15,486
Total anticipated inflows	35,253	17,104	-	-	-	-	35,253	17,104
Net (outflow)/ inflow on financial instruments	4,008	2,753	(2,067)	(1,060)	-	-	1,941	1,693

NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

c. **Market risk**

(i) *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Group to interest rate risk are borrowings, and cash and cash equivalents.

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2019 approximately 100% of group debt is fixed rate. The group has no policy on what this should be.

Consolidated Group	**Effective Average Fixed Interest Rate Payable**		**Notional Principal**	
Maturity of notional amounts	**2019**	**2018**	**2019**	**2018**
	%	**%**	**$000**	**$000**
Less than 1 year	6.07	6.46	370	276
1 to 2 years	5.38	6.24	681	634
2 to 5 years	4.92	5.21	1,911	1,004
			2,962	1,914

The net effective variable interest rate borrowings (ie unhedged debt) expose the Group to interest rate risk, which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Note	**Consolidated Group**	
		2019	**2018**
		$000	**$000**
Floating rate instruments			
Bank overdrafts	10	10	1,194
		10	1,194

(ii) *Foreign currency risk*

Exposure to foreign currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the CAD dollar and USD dollar impact on the Group's financial results. The management believes the currency risk for the Group is minimal and therefore its policy is not to hedge.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations.

NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

2019	**Net Financial Assets/(Liabilities) in AUD (000)**				
Consolidated Group	**USD**	**AUD**	**GBP**	**Other**	**Total AUD**
Functional currency of entity:					
Canadian dollar	-	1,688	-	-	1,688
Statement of financial position exposure	-	1,688	-	-	1,688

2018	**Net Financial Assets/(Liabilities) in AUD (000)**				
Consolidated Group	**USD**	**AUD**	**GBP**	**Other**	**Total AUD**
Functional currency of entity:					
Canadian dollar	-	1,618	-	-	1,618
Statement of financial position exposure	-	1,618	-	-	1,618

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
	Profit	**Equity**
Year ended 30 June 2019	**$000**	**$000**
+/–10% in interest rates	1/(1)	-
+/–10% in $A/$CAD	-	187/(153)
Year ended 30 June 2018		
+/–10% in interest rates	3/(3)	-
+/–10% in $A/$CAD		180/(147)

NOTE 28: RESERVES

	Note	Consolidated Group	
		2019	2018
		$000	$000
Foreign currency translation reserve			
Opening		(4)	-
Movement in foreign currency translation reserve	5	37	(4)
Closing		33	(4)
Asset revaluation reserve			
Opening		-	-
Movement in unrealised gain (loss) on investments	5	24	-
Movement in gain (loss) on investments	5	152	-
Closing		176	-
Share based payments reserve			
Opening		-	-
Movement in share reserve		787	-
Closing		787	-
Other comprehensive income for the year attributable to:		213	(4)
Owners of the parent entity		213	(4)
Non-controlling interest		-	-
Total		213	(4)

NOTE 29: SEGMENT REPORTING

The consolidated entity has adopted AASB 8 Operating Segments which requires operating segments to be identified on the basis of internal reports about components of the Consolidated Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The consolidated entity operates in one operating segment being engineering, design and construction. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the consolidated entity.

The Group has a number of customers to whom it provides services to in the resources sector. The Group has three external customers who accounts for 46%, 20% and 7% of external revenue (2018: 45%, 18% and 12%).

NOTE 30: FAIR VALUE MEASUREMENTS

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

– financial assets held for trading;

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

a. **Fair Value Hierarchy**

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

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

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

– *Market approach* uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

– *Income approach* converts estimated future cash flows or income and expenses into a single discounted present value.

– *Cost approach* reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

NOTE 30: FAIR VALUE MEASUREMENTS (CONTINUED)

		30 June 2019			
	Note	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Recurring fair value measurements					
Financial assets					
Financial assets at fair value through other comprehensive income:					
– Australian listed shares	16	95	-	-	95
Total financial assets recognised at fair value on a recurring basis		95	-	-	95

		30 June 2018			
	Note	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Recurring fair value measurements					
Financial assets					
Financial assets at fair value through profit or loss:					
– Australian listed shares	16	110	-	-	110
Total financial assets recognised at fair value on a recurring basis		110	-	-	110

There were no changes during the reporting period in the valuation techniques used by the Group to determine Level1, Level 2 and Level 3 fair values.

There were no transfers between Level1, Level 2 and Level 3 during the reporting period.

NOTE 31: EVENTS AFTER THE REPORTING PERIOD

Alita Resources a client of Primero Group entered voluntary administration on the 28th of August 2019. The amount of accrued revenue and receivables not paid when the company entered administration that relates to the 2019 financial year is $328,742. The company is confident some of not all of this will be recovered so it has decided not to impair any of this balance in the 2019 financial year while Alita Resources goes through the administration process. For the 2020 financial year Primero's maximum estimated exposure is another $650,000 bringing the total estimated exposure to $978,742.

NOTE 32: COMPANY DETAILS

The registered office of the company is:

78 Hasler Road
Osborne Park WA 6017

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Primero Group Listed Public Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 24 to 83**,** are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
   b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Cameron Henry, Director

Dated this 27th day of September 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PRIMERO GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Primero Group Limited (the Company and its subsidiaries) (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 directors' 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 2019 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* (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 Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report 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 Matters (continued)

Recognition of Revenue from Construction Contracts Refer to Note 3 "Revenue and Other Income", Note 12 "WIP & Accrued Income" and Note 21 "Unearned Revenue"	
The Group's revenue arising from engineering, consulting, construction and operational services amounted to $151.3 million for the financial year ended 30 June 2019, the majority of which is based on contracts which determine the services, materials and rates to be charged. Revenue is recognised by reference to the stage of completion of the contract activity at the balance sheet date. These determinations will also impact on other account balances being Work in Progress (WIP), Accrued Income and Unearned Revenue. We have focused on this area as a key audit matter because of the significant judgement involved in estimating the contract revenue, contract costs and the percentage of completion of each project.	Our procedures included, amongst others: • We performed procedures to understand, evaluate and test key controls put in place by management in relation to the recognition of revenue and costs relating to contracted services; • We assessed management's assumptions in determining forecast contract revenue, percentage of completion of projects and total budgeted costs for each project; • We assessed the appropriateness of variations and claims included in revenue. In particular, we focussed on whether there was subsequent approval of these variations and claims and whether it is highly probable that the revenue recognised will not subsequently be reversed; • We selected a sample of sales invoices raised during the year and contract assets and performed the following procedures; – agreed to contractual terms and rates – agreed to general ledger accounts and subsequent receipts from the customer – for variations or claims we checked they were in accordance with contract terms and evaluated for risk of non-recovery; • We evaluated and tested, on a sample basis, inputs such as materials, subcontractors and labour costs used by management in their estimation of total costs to complete; • We examined key project documentation and discussed the progress of significant projects with the Group's management for potential disputes, variations or significant events that could impact the estimated contract revenue, estimated contract costs and stage of completion. We then assessed the accuracy of revenue, WIP, Accrued Income and Unearned Revenue recognised for individually significant projects; • We also checked management's assessment of foreseeable losses on projects by reviewing projects with low or negative margins; • We have evaluated management's assessment of the impact on revenue recognition and reviewed the transitional adjustments resulting from the adoption of AASB 15 Revenue from Contracts with Customers; and • We have also reviewed and assessed the adequacy of the disclosures in relation to key accounting estimates

Key Audit Matters (continued)

Valuation of Receivables	
Refer to Note 11 "Trade and Other Receivables" and Note 12 "WIP & Accrued Income"	
The carrying amount of trade and other receivables of the Group was $13.4 million and contract assets was $28.3 million as at 30 June 2019. We focussed on this area as a key audit matter because of its significance and the degree of judgement required in determining their carrying value as at the reporting date. The Group assesses at each financial year end whether there is objective evidence that the receivables are impaired. When there is objective evidence of impairment, the amount and timing of future cashflows are estimated based on historical loss experience for assets with similar credit risk characteristics.	Our procedures included, amongst others: • We obtained an understanding of the Group's credit policy and evaluated the processes for identifying impairment of trade and other receivables including contract assets; • We have reviewed and tested the ageing of trade and other receivables; • We reviewed the level of credit insurance cover for each debtor, subsequent receipt collections from debtors and ageing analysis post year end; • We audited expected credit loss workings and assessments prepared by management in relation to trade and other receivables including an analysis of the credit risk characteristics attributed to significant trade debtors and contract assets as part of our assessment of the adequacy of impairment provisions; • We have discussed with management as to the existence of any arrears or disputes with debtors, review of correspondence and the impact these factors have had on the assessment of impairment provisions raised by management; • We reviewed assessments of the financial viability of debtors, where considered necessary; • We evaluated management's assessment of the impact to financial assets and liabilities and reviewed the transitional adjustments resulting from the adoption of AASB 9 Financial Instruments; and • We have also assessed the adequacy of the disclosures in relation to key accounting estimates.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, 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 accordingly 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 of the Group 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.

Responsibilities of the Directors for the Financial Report (continued)

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentation, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group 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.

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Auditor's Responsibilities for the Audit of the Financial Report (continued)

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, related safeguards.

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 14 to 22 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Primero Group Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group 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.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth on the 27th day of September 2019

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 27/09/2019:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding):	Ordinary Shares
1 – 1,000	3,228
1,001 – 5,000	198,822
5,001 – 10,000	512,233
10,001 – 100,000	13,001,728
100,001 and over	135,912,089
	149,628,100

b. The number of shareholdings held in less than marketable parcels is 8.

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder:	**Ordinary Shares**
Cameron Henry and Associated Entities	23,732,372
Dean Ercegovic and Associated Entities	18,687,060
National Nominees Limited	16,856,012
Peter Grigsby and Associated Entities	14,062,595
Ben Davies and Associated Entities	10,891,082
Brett Grosvenor and Associated Entities	9,045,177

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

– Each ordinary share is entitled to one vote when a poll is called; otherwise each member present at a meeting or by proxy has one vote on a show of hands.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. **20 Largest Shareholders – Ordinary Shares**

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	MEESHA INVESTMENTS PTY LTD <THE HENRY FAMILY A/C>	23,732,372	15.86
2.	RAVCA PTY LTD <THE MAKARSKA A/C>	18,687,060	12.49
3.	NATIONAL NOMINEES LIMITED	16,856,012	11.27
4.	PRITA HOLDINGS PTY LTD <THE PRITA INVESTMENT A/C>	14,025,595	9.40
5.	MATUVI ENTERPRISES PTY LTD <THE DAVIES FAMILY A/C>	10,891,082	7.28
6.	SALVADOR CONSULTING PTY LTD <THE B&U FAMILY A/C>	9,045,177	6.05
7.	BNP PARIBAS NOMS PTY LTD <DRP>	7,473,028	4.99
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,882,509	4.60
9.	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	6,537,643	4.37
10.	TWO BEANIES PTY LTD <MCFARLANE FAMILY A/C>	4,572,314	3.06
11.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	2,552,198	1.71
12.	CITICORP NOMINEES PTY LIMITED	1,901,627	1.27
13.	UBS NOMINEES PTY LTD	1,560,048	1.04
14.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,109,345	0.74
15.	BNP PARIBAS NOMS PTY LTD <IOOF INSMT MGMT LTD DRP>	929,537	0.62
16.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	582,836	0.39
17.	WASHINGTON SOUL PATTINSON AND COMPANY LIMITED	581,947	0.39
18.	GINGA PTY LTD <T G KLINGER SUPER A/C>	550,000	0.37
19.	DMX CAPITAL PARTNERS LIMITED	495,000	0.33
20.	CAPE BOUVARD EQUITIES PTY LTD	424,000	0.28
		129,426,330	86.50

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

2. The name of the company secretary is Ryan McFarlane.

3. The address of the principal registered office in Australia is 78 Hasler Road, Osborne Park WA 6018.
Telephone 08 6500 9500.

4. Registers of securities are held at the following addresses:

   Automic Pty Ltd Level 5, 126 Phillip Street, Sydney NSW 2000

5. **Stock Exchange Listing**

   Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**

   Options over Unissued Shares:

   A total of 4,854,475 options are on issue. 4,854,475 options are on issue to 1 holder of ordinary securities.