

PRIMERO GROUP LIMITED ABN 96 149 964 045 AND CONTROLLED ENTITIES
APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	30 June 2018 \$000	30 June 2017 \$000	% Change
Revenue from ordinary activities	85,217	52,140	63%
Profit after tax from ordinary activities attributable to owners	5,215	1,151	353%
Net profit attributable to owners	5,215	1,151	353%

DIVIDENDS PAID AND PROPOSED

	Amount per Security	Franked Amount per Security at 30% of Tax
Ordinary shares:		
2017 final – paid 8/11/2017	\$0.004	100%
2017 final – paid 23/11/2017	\$0.002	100%
2018 final – declared	Nil	Nil

Dividend per share has been calculated on number of shares after share split.

	2018 \$000	2017 \$000
Ordinary share capital:		
Final dividend paid	559	109

Dividend Reinvestment Plan

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

NET TANGIBLE ASSETS PER SHARE

	2018 \$/share	2017 \$/share
Net tangible assets per share	0.09	55.78

The net tangible asset calculation for 2017 was calculated based on the number of shares prior to the 1:1400 share split.

CONTROL GAINED OR LOST OVER ENTITIES IN THE YEAR

From July 2017 the group began trading in Canada through a wholly owned Canadian subsidiary Primero Group Americas Inc. Primero Group Americas Inc contributed \$473,158 profit to the Group's consolidated profit from ordinary activities during the year ended 30 June 2018. Primero Group Americas Inc reported an operating profit after tax for the year ended 30 June 2017 of Nil.

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COMMENTARY ON THE FINANCIAL RESULTS AND CHAIRMAN'S REVIEW

On behalf of the Directors, I am pleased to report the financial results for Primero Group Limited (Primero) for the 2018 Financial Year. It was a very successful year for Primero which culminated in an Initial Public Offering (IPO) and listing on the Australian Securities Exchange (ASX) on 9 July 2018. The IPO left Primero in a very strong financial position, with \$20 million being raised for new working capital.

The 2018 Financial Year was equally successful for Primero's underlying engineering services business. All key financial metrics improved from the 2017 Financial Year with highlights for FY18 including:

- Revenue growth of 63% to \$85.2 million
- Normalised EBITDA growth of 259% to \$8.9 million
- Net profit after tax growth of 353% to \$5.2 million
- Borrowings falling by 35% to \$1.9 million
- Net Assets increasing by 124% to \$8.4 million

Importantly, the FY18 results are also improved from the financial forecasts provided in the (Replacement) IPO Prospectus lodged with the ASX on 19 June 2018. The improvement was due to the increase in scope or improved margins achieved in certain projects when compared to what was originally estimated.

For 2018 Financial Year, there was a notable change in the relative contribution of the three industry sectors which Primero operates in, being Minerals, Energy and Non-Process Infrastructure. Minerals processing contributed \$71.2 million in revenue which made up 84% of group turnover in FY18 compared to only 20.8% in FY17. This strong performance was driven by the increase in capital expenditure on projects in battery-related minerals including lithium and rare earths. Primero is a globally-recognised leader in the design, construction and operation of processing facilities in these commodities and expects its Minerals division to continue to perform strongly in the FY19 period.

The reduced contribution of Non-Process Infrastructure (NPI) to group turnover in FY18 was due to a number of major projects in the Pilbara iron ore industry reaching conclusion in FY17. The recent approval of a number of major Pilbara iron ore projects in recent months provides new contract opportunities.

Revenue from the Energy division was down slightly in FY18 however the scaling up of activities related to the EPC contract with Wartsila for the 211MW Barker Inlet Power Station in South Australia will see the Energy division become a greater revenue contributor in the FY19 Financial Year.

In FY18, Primero began trading in Canada through its Canadian subsidiary Primero Group Americas Inc after opening an office in Montreal, Quebec. The subsidiary revenue for the period was \$3.6 million for the year which accounted for 4.2% of the group's turnover for the period.

Primero has not declared a dividend for the 2018 Financial Year. Profits generated during the period will be retained in the company to support the numerous growth opportunities that exist in all three divisions of the business as we move into FY19.



Mark Connelly
Chairman

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DETAILS OF ASSOCIATES / JOINT VENTURES

Not applicable

ACCOUNTING STANDARDS

For foreign entity, the set of accounting standards used in compiling the report is International Financial Reporting Standards (IFRS)

STATUS OF AUDIT

The 30 June 2018 financial statements and accompanying notes for Primero Group Limited are in the process of being audited. At the date of this report, the Directors are not aware of any matter subject to any disputes or qualifications.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group	
		2018 \$000	2017 \$000
Revenue	2	85,217	52,140
Other Income		61	126
Expenses			
Cost of Sales		(71,327)	(46,617)
Depreciation and amortisation of expense	2	(847)	(565)
Other expenses		(4,900)	(3,017)
Finance Costs	2	(207)	(405)
Listing Costs		(606)	-
Profit before income tax		7,391	1,662
Tax expense		(2,176)	(511)
Net profit from continuing operations		5,215	1,151
Discontinued operations			
Profit/(Loss) from discontinued operations after tax		-	-
Net profit for the year		5,215	1,151
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		(4)	-
Total other comprehensive income/(loss) for the year		(4)	-
Total comprehensive income for the year		5,211	1,151
Net profit attributable to:			
Owners of the parent entity		5,215	1,151
Non-controlling interest		-	-
		5,215	1,151
Total comprehensive income attributable to:			
Owners of the parent entity		5,211	1,151
Non-controlling interest		-	-
		5,211	1,151

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	2018	2017
Earnings per share		
From continuing and discontinued operations:		
Basic earnings per share (cents)	\$0.056	\$17.24
Diluted earnings per share (cents)	\$0.056	\$17.24
From continuing operations:		
Basic earnings per share (cents)	\$0.056	\$17.24
Diluted earnings per share (cents)	\$0.056	\$17.24
From discontinued operations:		
Basic earnings/(loss) per share (cents)	-	

The earnings per share for 2017 was calculated based on the number of shares prior to the 1:1400 share split.

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated Group	
		2018	2017
		\$000	\$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		424	-
Trade and other receivables		15,486	5,934
Inventories		658	568
Work in progress and accrued Income		4,337	7,077
Other assets		1,151	214
TOTAL CURRENT ASSETS		22,056	13,793
NON-CURRENT ASSETS			
Investments in other companies		110	150
Property, plant and equipment		3,793	3,280
Deferred tax assets		715	187
TOTAL NON-CURRENT ASSETS		4,618	3,617
TOTAL ASSETS		26,674	17,410
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		12,300	7,123
Cash and cash equivalents		-	268
Borrowings		857	1,419
Current tax liabilities		1,641	593
Employee benefits		1,059	625
Provisions		-	22
Other		1,207	2,121
TOTAL CURRENT LIABILITIES		17,064	12,171
NON-CURRENT LIABILITIES			
Borrowings		1,060	1,514
Employee benefits		173	-
TOTAL NON-CURRENT LIABILITIES		1,233	1,514
TOTAL LIABILITIES		18,297	13,685
NET ASSETS		8,377	3,725

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated Group	
		2018	2017
		\$000	\$000
EQUITY			
Issued capital	4	348	348
Reserves		(4)	-
Retained earnings		8,033	3,377
Equity attributable to owners of the parent entity		8,377	3,725
TOTAL EQUITY		8,377	3,725

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

Consolidated Group

	Note	Issued Capital	Reserves	Retained Earnings	Total
		\$000	\$000	\$000	\$000
Balance at 1 July 2016		144	-	2,335	2,479
Comprehensive income					
Profit for the year		-	-	1,151	1,151
Total comprehensive income for the year		-	-	1,151	1,151
Transactions with owners, in their capacity as owners, and other transfers					
Dividends recognised for the year	3	-	-	(109)	(109)
Issue of shares		204	-	-	204
Total transactions with owners and other transfers		204	-	(109)	(95)
Balance at 30 June 2017		348	-	3,377	3,725
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)	-	
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

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group	
		2018 \$000	2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		78,343	48,951
Payments to suppliers and employees		(72,399)	(48,872)
Interest received		26	23
Other revenue		35	91
Income tax paid		(1,324)	(348)
Net cash generated by operating activities		4,681	(155)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		3	13
Proceeds from sale of investments		103	110
Purchase of property, plant and equipment		(1,360)	(1,606)
Purchase of investments		(40)	(19)
Loans made to Employees		(94)	-
Net cash (used in)/generated by investing activities		(1,388)	(1,502)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	204
Proceeds from borrowings other		1,022	2,343
Repayment of borrowings other		(2,555)	(2,580)
Finance costs		(48)	(59)
Dividends paid by parent entity		(559)	(109)
Payments for Issue of Share		(457)	-
Net cash provided by/(used in) financing activities		(2,597)	(201)
Net increase in cash and cash equivalents		696	(1,858)
Cash and cash equivalents at the beginning of financial year		(268)	1,590
Effects of Foreign Exchange		(4)	-
Cash and cash equivalents at the end of financial year		424	(268)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements for year ended 30 June 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

NOTE 2: PROFIT FOR THE PERIOD

	Consolidated Group	
	Year Ended 30 June 2018	Year Ended 30 June 2017
	\$000	\$000
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
<i>Revenue</i>		
Service revenue	85,195	52,121
<i>Other Income</i>		
Interest	22	19
Gain on disposal of property, plant and equipment	26	34
Other Income	35	92
<i>Expenses</i>		
Depreciation	847	565
Finance Cost	207	405

NOTE 3: DIVIDENDS

	Consolidated Group	
	Year Ended 30 June 2018	Year Ended 30 June 2017
	\$000	\$000
Distributions paid/provided for:		
Final fully franked ordinary dividend declared and paid on 8 th and 23 rd of November of \$559,250 (2017 \$109,201) \$8.375 per share franked at the tax rate of 30% (2017: \$1.63 per share franked at the tax rate of 30%)	559	109

NOTE 4: ISSUED CAPITAL

	Consolidated Group	
	Year Ended 30 June 2018	Year Ended 30 June 2017
	\$000	\$000
Fully paid ordinary shares: 93,490,600 after share split (1:1400) (30 June 2018: 66,779)	348	348

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NOTE 5: CONTROLLED ENTITIES

The consolidated financial statements include the financial statement of Primero Group Pty Ltd and the subsidiary listed in the following table:

Subsidiary	Country of Incorporation	% Equity Interest	
		30 June 2018	30 June 2017
Primero Group Americas Inc.	Canada	100%	-

On 25 May 2017, the Company incorporated a new wholly owned subsidiary, Primero Group Americas Inc., a Canadian domiciled entity.

NOTE 6: OPERATING SEGMENTS

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 constructions. 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.

NOTE 7: CONTINGENT LIABILITIES

Primero Group Pty Ltd has provided bank guarantees to various customers for satisfactory contract performance in the amount of \$8,305,404.

There are no contingent liabilities other than those listed above.

NOTE 8: EVENTS AFTER THE END OF THE PERIOD

On the 9th of July 2018 Primero Group listed on the Australian Stock Exchange raising \$25 million. The raise was made up of:

- 50,000,000 new shares issued at 40 cents per share raising \$20 million of new capital coming into the company.
- 12,500,000 shares sold by the existing shareholders at 40 cents per share raising a further \$5 million.