



PRIMERO GROUP LIMITED ABN 96 149 964 045 AND CONTROLLED ENTITIES

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	30 June 2020 \$000	30 June 2019 \$000	Change \$000	% Change
Revenue from ordinary activities	205,595	151,680	53,915	36%
Profit after tax from ordinary activities attributable to owners	4,648	6,189	(1,541)	(25%)
Net profit attributable to owners	4,648	6,189	(1,541)	(25%)

DIVIDENDS

Ordinary share capital:	30 June 2020 \$000	30 June 2019 \$000	Amount \$000
Dividend paid	Nil	Nil	Nil

NET TANGIBLE ASSETS PER SHARE

	30 June 2020 \$/share	30 June 2019 \$/share
Net tangible assets per share	0.25	0.23

CONTROL GAINED OR LOST OVER ENTITIES IN THE YEAR

Nil

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 2020 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.



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 for the 2020 Financial Year. 2020 has been another strong year of growth within the group setting for further growth into 2021. The group's diversity, capability and capacity is increasing year on year even with external factors and we are continuing to build our reputation in the industry as a business that delivers.

Earnings

Revenue and Earnings	FY20 (\$M)	FY19 (\$M)	Change
Total revenue	205.6	151.7	+36%
EBITDA	9.1	10.5	-14%
<i>EBITDA (excl one-off costs)</i>	9.5	11.7	-18%
<i>EBIT (excl one-off costs)</i>	7.7	10.5	-26%
<i>Pre-tax profit (excl one-off costs)</i>	7.1	10.4	-31%
Statutory NPAT	4.6	6.2	-26%

All figures in Australian dollars unless otherwise specified.

Total revenue of \$205.6 million was a 36% increase on FY19.

Gross operating margin (service revenue minus cost of sales) was 8.8% (FY19: 13.2%), impacted significantly by the conservative approach adopted with respect to Wartsila contract revenue recognition during the period.

EBITDA excluding one-off items was \$9.5 million (FY19: \$11.7 million), similarly impacted by the Wartsila contract revenue recognition approach. The sole one-off item was a \$0.5 million bad debts expense recorded with respect to contractual monies owed to Primero by Alita Resources Limited.

EBITDA margin (excluding one-off items) was 4.6% (FY19: 7.7%). Adjusted EBITDA margin (excluding one-off items and zero-margin Wartsila revenue) was 5.7%.

Cashflow

Cashflow	FY20 (\$M)	FY19 (\$M)
Net operating cashflow	(11.9)	3.1
Net investing cashflow	(3.7)	(1.8)
Net financing cashflow	9.0	20.1
<i>Net change in cash balance</i>	(6.6)	21.4

All figures in Australian dollars unless otherwise specified.

Net operating cashflow of -\$11.9 million (FY19: \$3.1 million) incorporates the significant build up in working capital associated with outstanding monies under the Wartsila contract.

Net investing cashflow of -\$3.7 million (FY19: -\$1.8 million) reflected the modest level of capital investment required during the period combined with a staged \$2.0 million principal investment in private Australian gold developer, Barton Gold Limited (**Barton**). At the 30th of June 2020 Primero held 4.97% of Barton and will eventually hold 7.3% once the transaction has been completed.



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Barton recently acquired the Tarcoola Gold Mine (on care and maintenance), Tunkillia Gold Project and regional infrastructure in South Australia including a 650ktpa plant, 240-person camp and airstrip. Primero’s investment in Barton is reflective of its incremental ‘ownership model’ strategy of building modest project equity positions in attractive pre-development mineral assets.

Net financing cashflow of \$9.0 million (FY19: \$20.1 million) was driven by the \$7.6 million of gross new equity funds raised via a placement in early December 2019.

Balance Sheet

Cash at balance date stood at \$15.2 million. Gearing remains very low with current and non-current debt totaling \$5.7 million (includes \$2.7 million of lease liabilities related to rental premises).

Work in progress and accrued Income is \$39.9 million of which \$37 million relates to the Wartsila contract. Trade and other receivables is \$48 million of which \$16.9 million relates to the adjudication decision against Wartsila Australia under the South Australian Security of Payment Act (SOPA). The payment of this receivable is pending due to the outcome of the judicial review of the adjudication decision in the Supreme Court of South Australia.

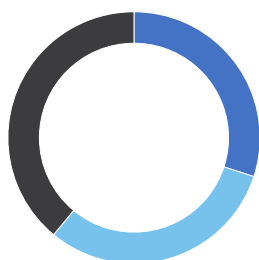
No dividend was declared or paid in respect of the FY20 results. Primero remains focused on growing its existing business and delivering on the strong level of contracted work in its current order book.

Business Segment Detail

The composition of FY20 service revenue by key business segment was approximately 39% Energy, 31% Non-Process Infrastructure (NPI) and 30% Minerals.

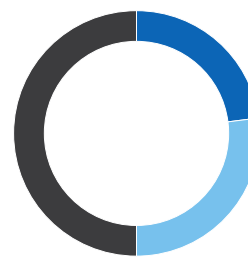
FY20 Revenue by Segment

- Minerals (30%)
- NPI (31%)
- Energy (39%)



FY19 Revenue by Segment

- Minerals (23%)
- NPI (27%)
- Energy (50%)



Energy

Primero’s Energy division has a successful track record of servicing clients that operate onshore and offshore power generation and oil and gas facilities.

The Energy division achieved revenue during the year of approximately \$79 million (FY19: \$76 million).

This outcome was driven by the progressive execution of Primero’s contract with Wartsila for the 211MW Barker Inlet Power Station in South Australia, which was developed for AGL Energy. This was a highly significant EPC contract for the construction of the first utility-scale reciprocating engine power plant in Australia’s National Energy Market. The contract was executed in April 2018 with practical completion of all Primero workstreams achieved in the first quarter of calendar 2020.



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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.

Revenue from the NPI business totaled approximately \$64 million for FY20 (FY19: \$41 million).

This 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.

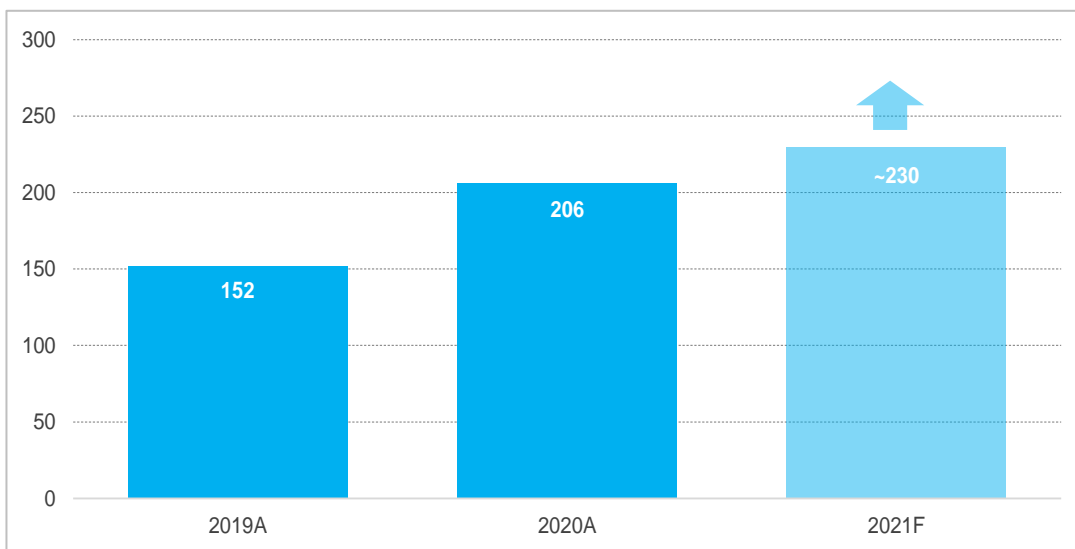
Revenue from the Minerals division in FY20 was approximately \$63 million (FY19: \$34 million).

Minerals contract revenues for the year were earned across a wide range of major mining projects, geographies, commodities and underlying workstreams.

Business Outlook

Current contracted orders for FY21 are approximately \$230 million. These revenues are expected to be delivered at an underlying FY21 EBITDA margin of approximately 6 - 8%.

Figure 1: Current FY21 contracted orders relative to reported FY19 and FY20 revenue (\$m)



The market remains both active and competitive with a large volume of further EPC opportunities up for award over 1H FY21.

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Primero has a current qualified tender pipeline of approximately \$1.4 billion (excludes contracted orders). The business holds preferred contractor status for five projects totaling approximately \$750 million (three EPC and two EPC/O&M), with preferred status decisions pending on two other projects totaling approximately \$240 million (both EPC).

The breadth of commodity exposure across the current contract portfolio encompasses all of precious, ferrous, industrial and battery metals. The capital programs of the Pilbara iron ore majors also continue to generate considerable opportunities across our Minerals and NPI segments.

Primero's Early Contractor Involvement (ECI) model is gaining further traction, with recent ECI wins delivering strong follow-on potential for large-scale EPC roles.

This ASX release was authorised on behalf of the Primero Board

Mark Connelly
Non-Executive Chairman

27th August 2020



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated Group	
		2020 \$000	2019 \$000
Revenue	2	205,595	151,680
Other Income	2	483	144
Expenses			
Cost of Sales		(187,452)	(131,674)
Depreciation and amortisation expense	2	(1,876)	(1,200)
Other overhead expenses		(8,825)	(8,230)
Finance Costs	2	(609)	(240)
IPO Costs		-	(185)
Employee Incentive Scheme		(192)	(124)
Bad Debts		(493)	(337)
Due diligence cost for potential business acquisition		-	(119)
Share based payments expense – employees		48	(512)
Profit before income tax		6,679	9,203
Tax expense		(2,031)	(3,014)
Net profit for the year		4,648	6,189
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		(23)	37
Unrealised gain(loss) on investments		(110)	24
Gain(loss) on investments		-	152
Total other comprehensive income/(loss) for the year		(133)	213
Total comprehensive income for the year		4,515	6,402
Net profit attributable to:			
Owners of the parent entity		4,648	6,189
Total comprehensive income attributable to:			
Owners of the parent entity		4,515	6,402
Earnings per share		2020	2019
Basic earnings per share		\$0.029	\$0.042
Diluted earnings per share		\$0.028	\$0.042

The accompanying notes form part of these financial statements.



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Consolidated Group	
		2020 \$000	2019 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		15,241	21,865
Trade and other receivables		48,180	13,378
Inventories		2,917	1,137
Work in progress and accrued Income		39,857	28,264
Other assets		580	522
TOTAL CURRENT ASSETS		106,775	65,166
NON-CURRENT ASSETS			
Investments in other companies		2,014	95
Property, plant and equipment		6,182	5,775
Deferred tax assets		986	1,195
Right to Use Asset - Buildings		2,707	-
TOTAL NON-CURRENT ASSETS		11,889	7,065
TOTAL ASSETS		118,664	72,231
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		47,097	30,339
Current tax liabilities		2,413	1,778
Employee benefits		2,251	1,905
Unearned Revenue		14,010	155
Lease Liability		1,371	896
TOTAL CURRENT LIABILITIES		67,142	35,073
NON-CURRENT LIABILITIES			
Lease Liability		4,333	2,067
Employee benefits		439	318
TOTAL NON-CURRENT LIABILITIES		4,772	2,385
TOTAL LIABILITIES		71,914	37,458
NET ASSETS		46,750	34,773
EQUITY			
Issued capital	4	27,007	19,688
Reserves		1,006	996
Retained earnings		18,737	14,089
TOTAL EQUITY		46,750	34,773

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

Consolidated Group	Note	Ordinary Share Capital \$000	Foreign Currency Translation Reserve \$000	Share Based Payments Reserve \$000	Asset Revaluation Reserve \$000	Retained Earnings \$000	Total \$000
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
Balance at 1 July 2019		19,688	33	787	176	14,089	34,773
Comprehensive income							
Profit for the year		-	-	-	-	4,648	4,648
Other comprehensive income for the year		-	(23)	-	(110)	-	(133)
Total comprehensive income for the year		-	(23)	-	(110)	4,648	4,515
Transactions with owners, in their capacity as owners, and other transfers							
Capital raising costs		(315)	-	-	-	-	(315)
Issued capital		7,634	-	-	-	-	7,634
Share based payments		-	-	143	-	-	143
Total transactions with owners and other transfers		7,319	-	143	-	-	7,462
Balance at 30 June 2020		27,007	10	930	66	18,737	46,750

The accompanying notes form part of these financial statements.



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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated Group	
		2020 \$000	2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		160,169	143,596
Payments to suppliers and employees		(171,408)	(137,732)
Interest received		31	315
Other revenue		392	142
Income tax paid		(1,081)	(3,240)
Net cash generated by operating activities		<u>(11,897)</u>	<u>3,081</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		363	-
Proceeds from sale of investments		-	1,121
Purchase of property, plant and equipment		(2,109)	(3,192)
Purchase of investments		(2,000)	-
Repayment/(advance) of loans made to employees		-	285
Net cash (used in)/generated by investing activities		<u>(3,746)</u>	<u>(1,786)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,082	3,624
Repayment of borrowings		(959)	(2,271)
Finance costs		(267)	(7)
Proceeds from issue of shares		7,634	20,010
Payments for Issue of Share		(449)	(1,247)
Net cash provided by/(used in) financing activities		<u>9,041</u>	<u>20,109</u>
Net increase in cash and cash equivalents		(6,602)	21,404
Cash and cash equivalents at the beginning of financial year		21,865	424
Effects of Foreign Exchange		(22)	37
Cash and cash equivalents at the end of financial year		<u>15,241</u>	<u>21,865</u>

The accompanying notes form part of these financial statements.



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general-purpose financial statements for year ended 30 June 2020 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	Year Ended
30 June 2020	30 June 2019
\$000	\$000

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Revenue

Service revenue	205,566	151,364
Interest	29	316
Total Revenue	205,595	151,680

Other Income

Gain on disposal of property, plant and equipment	25	-
Other Income	458	144
Total Other Income	483	144

Expenses

Depreciation – Plant and equipment	1,323	1,200
Depreciation – Right of use assets	553	-
Total Depreciation	1,876	1,200

Finance Cost	609	240
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NOTE 3: DIVIDENDS

Consolidated Group	
Year Ended	Year Ended
30 June 2020	30 June 2019
\$000	\$000

Distributions paid/provided for:

Dividends declared and paid for nil (2019: nil)	-	-
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NOTE 4: ISSUED CAPITAL

	Consolidated Group	
	Year Ended	Year Ended
	30 June 2020	30 June 2019
	\$000	\$000
Fully paid ordinary shares 171,687,315 (30 June 2019: 149,628,100)	27,007	19,688

NOTE 5: CONTROLLED ENTITIES

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

Subsidiary	Country of Incorporation	% Equity Interest	
		30 June 2020	30 June 2019
Primero Group Americas Inc.	Canada	100%	100%

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 Ltd has provided bank guarantees to various customers for satisfactory contract performance in the amount of \$51,591,665.

There are no contingent liabilities other than those listed above.

NOTE 8: EVENTS AFTER THE END OF THE PERIOD

Primero appointed two new non-executive directors on the 19th of August being Kristie Young and Bryn Hardcastle.

There has not been any other matters or circumstance that has arisen after the balance sheet date that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Forward looking information: This document contains forecasts and other forward looking information. Such forward looking information is not a guarantee of future performance and is subject to risks, uncertainties and assumptions which could cause actual results, timings or events to differ materially from the expectations described in such forward looking information. This forward looking information does not constitute any representation as to future performance and should not be relied upon as financial advice of any nature. Any forward looking information contained in this presentation is qualified by this cautionary statement. Before making an investment decision, investors should consider the risks and strategic objectives of Primero as set out in Primero's 2019 Statutory Financial Report.

Non-IFRS Information: Primero's financial reporting complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS"). This presentation includes material that is not included in Primero's statutory financial report and contains non-IFRS measures that are no subject to audit. The non-IFRS information has not been audited or reviewed by Moore Australia. This document has not been audited or reviewed by Moore Australia; however, IFRS data has been derived from the unaudited annual consolidated financial statements that are in the process of being audited by Moore Australia