



ASX RELEASE

12 May 2020

Operational update and contract additions

Highlights

- **Business activities remain steady**
- **FY21 contract order book now approximately \$200M**
- **Wartsila contract update**

Multi-disciplinary engineering and contracting firm Primero Group Limited (ASX:PGX) (**Primero** or the **Company**) provides the following operational update.

Operational update

Major project works currently underway are progressing well. Primero has experienced only minor interruptions to date, which is particularly noteworthy within the general COVID-19 operating environment. The Company continues to safely and efficiently mobilise large numbers of teams to remote sites within Western Australia, working closely with its clients in satisfying all testing protocols and operating procedures that are in place.

Primero can also confirm that initial return-to-work procedures have commenced for its Osborne Park and Bibra Lake offices, with progressive returns planned through the month of May. The Company's Americas division continues to operate entirely remotely, however is currently targeting a return to normal office standings by late May.

Business growth activities remain steady with ongoing awards of sustaining capital works, minerals processing feasibility works and Early Contractor Involvement (**ECI**) engagements. Tendering activity continues to be strong across all business units. Several significant contract awards are expected to be decided prior to the end of the current quarter.

Primero retains strong liquidity and a very low level of gearing. As at 8 May 2020, Primero's cash available balance stood at \$19 million (cash plus available overdraft)¹ with debt remaining unchanged from balance date (\$6.1 million of which \$3.1 million relates to the new accounting lease standard).

¹ Excludes approximately \$16.9 million the subject of the recent adjudication in respect of the Barker Inlet Power Station contract with Wartsila Australia – see further below.



FY20 and FY21 contracted order book

Primero continues to operate at a run-rate consistent with its FY20 contracted order book guidance of approximately \$195 million.

With respect to FY21, the timing of all major Primero project works remains substantively unaffected at this stage. The Company can confirm that there has been no major reduction in scope or contracted works volume for these projects. If this situation persists, Primero notes that its FY21 contracted order book now stands at approximately \$200 million.

There exists further potential to grow FY21 and FY22 contracted orders over coming months.

Wartsila contract

Primero continues to target the commercial close-out of the Barker Inlet Power Station contract with Wartsila Australia as rapidly as possible. This includes utilisation, where necessary, of available legal avenues to recover outstanding payments under the contract.

Primero recently escalated the dispute via the South Australian Security of Payment Act (**SOPA**) provisions. This initial application resulted in a recent adjudication that awarded Primero the sum of approximately \$16.9 million. It should be noted that this initial SOPA application by Primero covered only approximately 25% of total outstanding monies claimed under the contract.

The adjudication award was due to be paid by Wartsila last week. However, Wartsila has elected to transfer payment into the courts of South Australia and seek judicial review of the adjudication decision in the Supreme Court of South Australia. The proceedings are scheduled within the next month.

Further applications are currently being finalised by Primero to present under SOPA for the larger portion of outstanding monies. Primero has also commenced proceedings in the Supreme Court of Western Australia.

Primero can confirm that this is the first time in its history that legal proceedings have had to be commenced to recover monies owed in any contractual dispute.

The Company will provide further updates to the market with respect to this process in-line with its continuous disclosure obligations.



***This ASX release was authorised on behalf of the Primero Board by:
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ABOUT PRIMERO

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

