

PRIMERO GROUP LIMITED ABN 96 149 964 045 AND CONTROLLED ENTITIES
APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	30 June 2019	30 June 2018	Amount	% Change
	\$000	\$000	\$000	
Revenue from ordinary activities	151,680	85,217	66,463	78%
Profit after tax from ordinary activities attributable to owners	6,189	5,215	974	19%
Net profit attributable to owners	6,189	5,215	974	19%

DIVIDENDS PAID AND PROPOSED

	Amount per Security	Franked Amount per Security at 30% of Tax
	2019	2018
	\$000	\$000
Ordinary shares:		
2019 final – declared	Nil	Nil
Ordinary share capital:		
Final dividend paid	-	559

Dividend Reinvestment Plan

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

NET TANGIBLE ASSETS PER SHARE

	2019	2018
	\$/share	\$/share
Net tangible assets per share	0.23	0.09

CONTROL GAINED OR LOST OVER ENTITIES IN THE YEAR

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 for the 2019 Financial Year. We are very proud with our achievements in the 2019 being the company's first as a listed entity with a strong set of financial results as summarised below:

Earnings

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

All figures in Australian dollars unless otherwise specified.

Total revenue of \$151.7 million grew by 78%.

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 of \$11.7 million was in-line with guidance (\$10.5 to \$12.0 million) and represented a 30% increase on 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

Cashflow	FY19 (\$M)	FY18 (\$M)
Net operating cashflow	3.1	4.7
Net investing cashflow	(1.8)	(1.4)
Net financing cashflow	20.1	(2.6)
<i>Net change in cash balance</i>	<i>21.4</i>	<i>0.7</i>

All figures in Australian dollars unless otherwise specified.

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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 totaling \$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.

FY19 Revenue by Segment

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



FY18 Revenue by Segment

- Minerals (84%)
- NPI (10%)
- Energy (6%)



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.

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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. 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.

An increased proportion of total FY20 revenue is expected to be comprised from the Minerals division, which typically yields higher margins to those from the NPI and Energy businesses.

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.



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 2019 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 2019

	Note	Consolidated Group	
		2019 \$000	2018 \$000
Revenue	2	151,680	85,217
Other Income	2	144	61
Expenses			
Cost of Sales		(131,674)	(71,327)
Depreciation and amortisation of expense	2	(1,200)	(847)
Other overhead expenses		(8,230)	(4,900)
Finance Costs	2	(240)	(207)
IPO Costs		(185)	(606)
Employee Incentive Scheme		(124)	-
Bad Debts		(337)	-
Due diligence cost for potential business acquisition		(119)	-
Share based payments expense – employees		(512)	-
Profit before income tax		9,203	7,391
Tax expense		(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 will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		37	(4)
Unrealised gain(loss) on investments		24	-
Gain(loss) on investments		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

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS 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		-	-
		<u>6,402</u>	<u>5,211</u>
		2019	2018
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share		\$0.042	\$0.056
Diluted earnings per share		\$0.042	\$0.056
From continuing operations:			
Basic earnings per share		\$0.042	\$0.056
Diluted earnings per share		\$0.042	\$0.056

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated Group	
		2019 \$000	2018 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		21,865	434
Trade and other receivables		13,378	15,486
Inventories		1,137	658
Work in progress and accrued Income		28,264	4,337
Other assets		522	1,151
TOTAL CURRENT ASSETS		65,166	22,056
NON-CURRENT ASSETS			
Investments in other companies		95	110
Property, plant and equipment		5,775	3,793
Deferred tax assets		1,195	715
TOTAL NON-CURRENT ASSETS		7,065	4,618
TOTAL ASSETS		72,231	26,674
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		30,339	12,300
Borrowings		896	857
Current tax liabilities		1,778	1,641
Employee benefits		1,905	1,059
Other		155	1,207
TOTAL CURRENT LIABILITIES		35,073	17,064
NON-CURRENT LIABILITIES			
Borrowings		2,067	1,060
Employee benefits		318	173
TOTAL NON-CURRENT LIABILITIES		2,385	1,233
TOTAL LIABILITIES		37,458	18,297
NET ASSETS		34,773	8,377

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated Group	
		2019	2018
		\$000	\$000
EQUITY			
Issued capital	4	19,688	348
Reserves		996	(4)
Retained earnings		14,089	8,033
Equity attributable to owners of the parent entity		<u>34,773</u>	<u>8,377</u>
TOTAL EQUITY		<u><u>34,773</u></u>	<u><u>8,377</u></u>

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 2019

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 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	176	-	20,127
Balance at 30 June 2019		19,688	33	787	176	14,089	34,773

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

	Note	Consolidated Group	
		2019	2018
		\$000	\$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		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)
Repayment/(advance) of 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		-	(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		21,865	424

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements for year ended 30 June 2019 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 2019	Year Ended 30 June 2018
\$000	\$000

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

Revenue

Service revenue	151,364	85,195
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Other Income

Interest	316	22
Gain on disposal of property, plant and equipment	-	26
Other Income	144	35

Expenses

Depreciation	1,200	847
Finance Cost	240	207

NOTE 3: DIVIDENDS

Consolidated Group	
Year Ended 30 June 2019	Year Ended 30 June 2018
\$000	\$000

Distributions paid/provided for:

Nil dividends declared and paid for 2019. (2018 Final fully franked ordinary dividend declared and paid on 8 th and 23 rd of November of \$559,250 \$8.375 per share franked at the tax rate of 30%)	-	559
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NOTE 4: ISSUED CAPITAL

Consolidated Group	
Year Ended 30 June 2019	Year Ended 30 June 2018
\$000	\$000

Fully paid ordinary shares 149,628,100 (30 June 2018: 93,490,600)	19,688	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 2019	30 June 2018
Primero Group Americas Inc.	Canada	100%	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 \$9,246,619.

There are no contingent liabilities other than those listed above.

NOTE 8: EVENTS AFTER THE END OF THE PERIOD

There has not been any matter 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.