PRIMERO GROUP LIMITED

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

DRIVING
PROJECTS
FORWARD

PRIMERO

Results for Announcement to the Market

Key Information

	Half-year Ended 31 Dec 2019 $	Half-year Ended 31 Dec 2018 $	Change $	%
Revenue	112,337,596	68,256,534	44,081,063	65%
Profit after tax from ordinary activities attributable to members	1,773,024	2,552,533	(779,529)	(31%)
Net profit attributable to members	1,773,024	2,552,553	(779,529)	(31%)

Dividends Paid and Proposed

The group does not propose to pay any dividend in the current period.

Explanation of Key Information

An explanation of the above figures is contained in the “Review of Results and Operations” included within the attached directors’ report.

Net Tangible Assets per Share	Half-year Ended 31 Dec 2019	Half-year Ended 31 Dec 2018
Net tangible assets per share	$0.24	$0.21

Control Gained or Lost over Entities in the Half-year

No new entities were gained or lost in the half year.

Dividend Reinvestment Plans

The Group does not have any dividend reinvestment plans in operation.

Investments in Associates and Joint Ventures

There are no investments in associates and joint ventures.

Accounting Standards

For foreign entity, the set of accounting standards used in the compiling report is IFRS.

Table of Contents

DIRECTORS' REPORT 4
AUDITOR'S INDEPENDENCE REPORT 7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION 9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 10
CONSOLIDATED STATEMENT OF CASH FLOWS 11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 12
DIRECTORS' DECLARATION 19
INDEPENDENT AUDITOR'S REVIEW REPORT 20

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2019.

Directors

The names of directors who held office during or since the end of the half-year:

Cameron Henry – Managing Director

Dean Ercegovic – Director of Operations

Brett Grosvenor – Director of Development

Mark Connelly – Non-Executive Chairman

Luke Graham – Non-Executive Director

Cliff Lawrenson – Non-Executive Director (appointed 17/10/2019)

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.

Review of Results and Operations

Earnings

Revenue and Earnings	1H FY20 ($M)	1H FY19 ($M)	Change
Total revenue	112.5	68.3	+65%
EBITDA	3.6	4.4	-18%
EBITDA (excl one-off costs)	*4.1*	*5.2*	*-21%*
EBIT (excl one-off costs)	*3.2*	*4.7*	*-32%*
Pre-tax profit (excl one-off costs)	*3.1*	*4.7*	*-34%*
Statutory NPAT	1.8	2.6	-31%

All figures in Australian dollars unless otherwise specified.

Total revenue of $112.5 million grew by 65% relative to 1H FY19. Approximately $70 million of this revenue was attributable to the Wartsila contract.

Gross operating margin (service revenue minus cost of sales) was 7.1% (1H FY19: 13.8%), impacted significantly by the conservative approach adopted with respect to Wartsila contract revenue recognition during the period.

EBITDA excluding one-off items was $4.1 million (1H FY19: $5.2 million), impacted also 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 3.6% (1H FY19: 7.7%).

Cashflow

Cashflow	1H FY20 ($M)	1H FY19 ($M)
Net operating cashflow	(28.1)	7.5
Net investing cashflow	(0.7)	(2.4)
Net financing cashflow	7.1	20.5
Net change in cash balance	*(21.7)*	*25.6*

All figures in Australian dollars unless otherwise specified.

Net operating cashflow of $(28.1) million (1H FY19 $7.5 million) reflected the significant working capital build associated with the Wartsila contract. Primero is targeting contractual close-out and finalisation of re-measurable claims with respect to this contract as rapidly as possible.

Net investing cashflow of $(0.7) million (1H FY19 ($(2.4) million) reflected the very modest level of capital investment required during the period.

Net financing cashflow of $7.1 million (1H FY19 $20.5 million) was driven by the approximate $8.0 million of gross new equity funds raised via a placement in early December 2019.

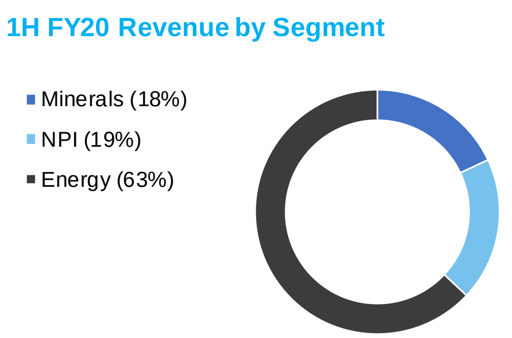
Balance Sheet

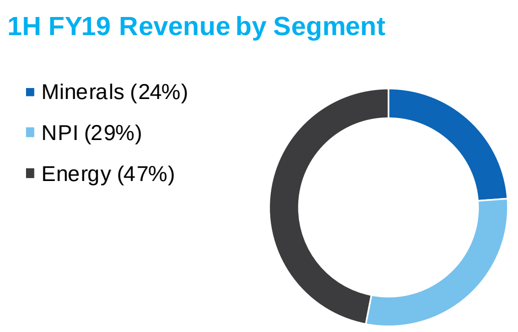
Cash at balance date stood at $0.2 million. Gearing remains very low with current and non-current debt totalling $6.1 million of which $3.1 million relates to the new accounting lease standard.

No dividend was declared or paid in respect of the 1H FY20 results. Primero remains focussed on growing its existing business and delivering on the record level of contracted work in its current order book.

Business segment performance

The composition of 1H FY20 service revenue by key business segment was approximately 63% Energy, 19% Non-Process Infrastructure (NPI) and 18% Minerals.





Energy

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

The Energy division achieved revenue during the half of approximately $71 million (1H FY19: $32 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 final quarter of calendar 2019.

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 totalled approximately $21 million for 1H FY20 (1H FY19: $20 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 1H FY20 was approximately $20 million (1H FY19: $16 million).

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

Strong growth outlook

Recent major announced contract wins with Rio Tinto Iron Ore (Koodaideri and Mesa K; NPI works) and Fortescue Metals Group (Christmas Creek WHIMS; Minerals works) have strongly validated Primero's strategy of positioning as a contractor of choice for the Pilbara-based iron ore majors.

The current Primero committed order book is at record levels. Contracted orders for FY20 are approximately $195 million and for FY21 stand at approximately $170 million.

Primero continues to target the financing of these substantial contract works via progressive unwinding of its current elevated working capital position and potentially additional debt facilities.

Current 2H FY20 contracted orders (approximately $83 million) are expected to grow further. These revenues are forecast to be delivered at an underlying 2H FY20 EBITDA margin of approximately 6-8%.

The proportion of total FY20 (and FY21) revenue from the Minerals division is currently expected to be significantly higher than the equivalent proportion in both the 1H FY20 and FY19 revenue outcomes.

Based on current business conditions and tendering opportunities across its three key divisions, Primero remains positive about the outlook for FY21 and the longer term. The market remains both active and competitive, with a further large volume of new contracts up for award over coming months. In particular, tendering activity in the Western Australian iron ore market continues to generate considerable NPI and Minerals opportunities given the magnitude of capital programs being undertaken by the Pilbara majors.

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.

Cameron Henry
Managing Director

Dated this 25th day of February 2020

MOORE STEPHENS

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace,
WA 6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

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 half year ended 31 December 2019, there have been:

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

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

SUAN LEE TAN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 25th day of February 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Group Half-year Ended 31 Dec 2019 $000	Half-year Ended 31 Dec 2018 $000
Revenue from Operations	2	112,337	68,257
Other income	2	177	49
Expenses			
Cost of sales		(104,344)	(58,856)
Other expenses		(4,031)	(4,182)
Depreciation and amortisation expense	2	(615)	(499)
Finance costs	2	(172)	(77)
Employee incentive scheme		(90)	(28)
Bad debts		(500)	(2)
Right to use asset depreciation		(204)	-
IPO Costs		-	(155)
Due diligence cost for potential business acquisition		-	(119)
Share based payments expense – employees		-	(512)
Profit before income tax		2,558	3,876
Income tax expense		(785)	(1,323)
Profit for the period		1,773	2,553
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		3	11
Unrealised gain(loss) on investments		(83)	(83)
Total other comprehensive income for the year, net of tax		(80)	(72)
Total comprehensive income for the period		1,693	2,481
Earnings per share			
Basic earnings per share		$0.012	$0.017
Diluted earnings per shares		$0.011	$0.017

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Consolidated Group	
		As at 31 Dec 2019	As at 30 June 2019
		$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		159	21,865
Trade and other receivables		26,360	13,378
Inventories		2,775	1,137
Work-in-progress and accrued income		54,760	28,264
Other assets		987	522
TOTAL CURRENT ASSETS		85,041	65,166
NON-CURRENT ASSETS			
Property, plant and equipment		5,616	5,775
Deferred tax assets		-	1,195
Investments		301	95
Right of Use Asset - Buildings	11	3,081	-
TOTAL NON-CURRENT ASSETS		8,998	7,065
TOTAL ASSETS		94,039	72,231
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		30,440	30,339
Employee benefits		1,807	1,905
Current tax liabilities		681	1,778
Unearned Revenue		10,430	155
Lease Liability	12	1,469	896
Other Financial Liabilities		554	-
TOTAL CURRENT LIABILITIES		45,381	35,073
NON-CURRENT LIABILITIES			
Employee benefits		421	318
Lease Liability	12	4,069	2,067
Deferred tax liability		290	-
TOTAL NON-CURRENT LIABILITIES		4,780	2,385
TOTAL LIABILITIES		50,161	37,458
NET ASSETS		43,878	34,773
EQUITY			
Issued capital	4	27,010	19,688
Reserves		1,006	996
Retained earnings		15,862	14,089
TOTAL EQUITY		43,878	34,773

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 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 2018		348	(4)	-	-	7,900	8,244
Comprehensive income							
Profit for the period		-	-	-	-	2,553	2,553
Other comprehensive income for the period		-	11	-	(83)	-	(72)
Total comprehensive income for the period		-	11	-	(83)	2,553	2,481
Transactions with owners, in their capacity as owners, and other transfers							
Capital raising costs		(836)	-	-	-	-	(836)
Issued capital		20,260	-	-	-	-	20,260
Employee share-based payments		-	-	540	-	-	540
Total transactions with owners and other transfers		19,424	11	540	(83)	-	19,964
Balance at 31 December 2018		19,772	7	540	(83)	10,453	30,689
Balance at 1 July 2019		19,688	33	787	176	14,089	34,773
Comprehensive income							
Profit for the period		-	-	-	-	1,773	1,773
Other comprehensive income for the period		-	3	-	(83)	-	(80)
Total comprehensive income for the period		-	3	-	(83)	1,773	1,693
Transactions with owners, in their capacity as owners, and other transfers							
Capital raising costs		(312)	-	-	-	-	(312)
Issued capital		7,634	-	-	-	-	7,634
Employee share-based payments		-	-	90	-	-	90
Total transactions with owners and other transfers		7,322	3	90	(83)	1,773	9,105
Balance at 31 December 2019		27,010	36	877	93	15,862	43,878

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated Group	
	Half-year Ended 31 Dec 2019	Half-year Ended 31 Dec 2018
	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	69,880	65,865
Payments to suppliers and employees	(97,849)	(58,064)
Interest received	20	143
Other revenue	177	49
Income tax paid	(303)	(459)
Net cash (used in)/provided by operating activities	(28,075)	7,535
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(659)	(2,358)
Proceeds from disposal of property, plant and equipment	190	-
Payments for investments	(249)	-
Loans made to employees	-	(82)
Repayment of loans made to employees	-	76
Net cash (used in)/provided by investing activities	(718)	(2,364)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	7,634	20,010
Proceeds from borrowings	119	2,238
Repayment of borrowings	(198)	(524)
Finance costs	(25)	(3)
Payments for issue of shares	(445)	(1,247)
Net cash (used in)/provided by financing activities	7,085	20,474
Net increase (decrease) in cash and cash equivalents	(21,708)	25,645
Cash and cash equivalents at beginning of period	21,865	424
Effects of exchange rate changes of balances of cash held in foreign currencies	2	11
Cash and cash equivalents at end of period	159	26,080

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Primero Group Ltd and its controlled entities (referred to as the “consolidated group” or “group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 25th February 2020.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for those changes described below.

New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following standard:

- AASB 16: Leases

The impact of the adoption of this standard and the respective accounting policy is disclosed in Note 9.

	Consolidated	
	Half-year Ended 31 Dec 2019	Half-year Ended 31 Dec 2018
	$000	$000

NOTE 2: PROFIT FOR THE PERIOD

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

	Half-year Ended 31 Dec 2019 $000	Half-year Ended 31 Dec 2018 $000
Revenue		
Service revenue	112,320	68,115
Interest	17	142
Total	112,337	68,257
Other Income		
Other	177	49
Total	177	49
Expenses		
Depreciation	615	499
Finance cost	172	77

b. 0.16% of Primero's revenue during 1H FY2020 has been derived at a point of time. All other revenue is derived over time.

NOTE 3: DIVIDENDS

Distributions paid/provided for:		
Dividends Nil (2018: Nil)	-	-

NOTE 4: ISSUED CAPITAL

	No	$000
Fully paid ordinary shares as at 30 June 2019	149,628,100	19,688
Shares issued as part of capital raise	22,451,715	7,634
Capital raising costs	-	(312)
Shares issued as part of employee share based payments	50,000	-
Options converted to shares	87,500	-
Fully paid ordinary shares as at 31 December 2019	172,217,315	27,010

NOTE 5: CONTROLLED ENTITIES

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

		% Equity Interest	
Subsidiary	**Country of Incorporation**	**31 Dec 2019**	**31 Dec 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 Ltd has provided bank guarantees to various customers for satisfactory contract performance in the amount of $32,879,521.

There are no contingent liabilities other than those listed above.

NOTE 8: EVENTS AFTER THE END OF THE INTERIM PERIOD

The directors are not aware of any significant events since the end of the interim period that have not been reflected in this financial statement.

NOTE 9: CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

Despite the changes in the Group's accounting policies, prior year financial statements have not been restated as permitted under AASB 16.

Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Initial Application of AASB 16: Leases

The Group has adopted the modified retrospective approach under AASB 16: Leases at 1 July 2019. In accordance with AASB 16 the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same was as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The Group’s weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 5%.

The impact of the adoption at 1 July 2019 is set out in Notes 11 and 12.

NOTE 10: 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 at fair value through other comprehensive income

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:

		31 December 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		52	-	-	52
– Australian private company shares		-	249	-	249
Total financial assets recognised at fair value on a recurring basis		52	249	-	301

		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		95	-	-	95
Total financial assets recognised at fair value on a recurring basis		95	-	-	95

There were no changes during the reporting period in the valuation techniques used by the Group to determine Level 1, Level 2 and Level 3 fair values.

There were no transfers between Level 1, Level 2 and Level 3 during the reporting period.

NOTE 11: RIGHT OF USE ASSETS

The Group's lease portfolio currently includes buildings. This lease runs for a period of 5 years with an option to renew for a further 5-year period after that period. The extension option which management were not reasonably certain to be exercised have been excluded in the calculation of the lease liability. Previously, this lease was classified as an operating lease under AASB 117.

The Group has elected not to recognise right-of-use assets for low value items and any short-term leases.

	31 December 2019
(i) AASB 16 related amounts recognised in the balance sheet	**$000**
Right-of-use assets	
Leased building – at 1 July 2019	703
Less: depreciation expense for the half year	(204)
Less: cancellation of leases at 31 December 2019	(499)
Add: new leases entered	3,081
	3,081
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	
Depreciation expense for the half-year ended	204
Net carrying amount	3,081

	31 December 2019
(ii) AASB 16 related amounts recognised in the statement of profit or loss	**$000**
Depreciation charge related to right-of-use assets	204
Interest expense on lease liabilities (under finance cost)	16
Short-term leases expense	-
Variable lease payment expense	-

	31 December 2019
	$000
(iii) Total half-yearly cash outflows for leases	
- Financing cash outflow (principal repaid)	198
- Financing cash outflow (finance costs)	16

NOTE 12: LEASE LIABILITIES

	31 December 2019	30 June 2019
	$000	$000
Lease Liability – Plant and Equipment (secured)	691	896
Lease Liability – Buildings	778	-
Total current	**1,469**	**896**
Lease Liability – Plant and Equipment (secured)	1,766	2,067
Lease Liability – Buildings	2,303	**-**
Total non-current	**4,069**	**2,067**
Total	**5,538**	**2,963**

The measurement principles of AASB 16 are only applied from 1 July 2019. At the date of initial application, the right-of-use assets equals to the lease liabilities and there was no adjustment to the retained earnings. Finance lease liabilities were reclassified to lease liabilities on 1 July 2019 from the adoption of AASB 16 Leases. Unsecured lease liabilities (in respect to operating leases under AASB 117) recognised in the statement of financial position on 1 July 2019 are reconciled as follows:

	$000
Operating lease commitments disclosed at 30 June 2019	700
Changes to extension options assumptions & discounting using incremental borrowing rate at date of initial application	3
Balance at 1 July 2019	703
Payments	(198)
Less cancellation	(505)
New leases signed	3,081
Balance at 31 December 2019	**3,081**

The carrying amount of right-of-use assets (under finance lease) classified within Property, Plant and Equipment is as follows:

	31 December 2019	30 June 2019
	$000	$000
Plant and Equipment (secured)	1,772	1,908
Motor Vehicles	603	569
Computer Software	30	40
Total	**2,405**	**2,517**

DIRECTORS' DECLARATION

In the opinions of the directors of Primero Group Ltd:

1. The financial statements and notes, as set out in this half year report, are in accordance with the Corporations Act 2001, including:
   - complying with Accounting Standard AASB 134: Interim Financial Reporting; and
   - giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
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.

This declaration is made in accordance with a resolution of the Board of Directors.

Cameron Henry

Director

Dated this 25th day of February 2020

MOORE STEPHENS

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace,
WA 6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Primero Group Limited (the Company and its controlled entity) (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

a. giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

.

MOORE STEPHENS

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PRIMERO GROUP LIMITED (CONTINUED)

Auditor's Responsibility (continued)

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

SUAN LEE TAN	MOORE STEPHENS
PARTNER	CHARTERED ACCOUNTANTS

Signed at Perth this 25th day of February 2020.