

23 January 2020

ASX ANNOUNCEMENT

## WestStar Industrial Limited December 2019 Quarterly Report

**WestStar Industrial Limited (Company or WestStar)** (ASX: WSI), an Australian industrial services company providing engineering, construction and mining services to the resources, energy and infrastructure sectors, is pleased to report on the Company's performance for the quarter ended 31 December 2019 (Quarter).

### Highlights

- **Record increase in performance with cash receipts of \$15.4M up circa 10% on previous quarter**
- **Strong cash balance maintained of circa \$8.2M at end of Quarter**
- **WestStar's subsidiaries accounts reflect continued momentum and a second consecutive profitable quarter**
- **\$30M of contracts awarded during first half of FY2020 with strong outlook for second half**
- **Acquisition of Alltype Engineering approved by Shareholders – transaction completion imminent**
- **Synergies expected to be quickly achieved following completion of the Alltype acquisition and the expanded Group is very well positioned for a strong FY2020**

### Company Financial Overview

During the Quarter, the Company banked total cash receipts of \$15.4M continuing its strong FY2020 performance. This Quarter's result follows on from \$14.0M banked last quarter bringing total receipts to \$29.4M for the half year to 31 December 2019. In comparison, the Company reported cash receipts of ~\$32M for the entire FY2019.

December's quarterly result reflects WestStar's very focussed and responsible growth trajectory. The expansion of its operational footprint; together with disciplined cost control and revenue growth, has contributed to its underlying profitability.

The strategic acquisition and integration of Alltype Engineering this current March quarter will further drive underlying financial performance and continue to grow WestStar's profitability.

A significant contributor to the December financial result is the expansion and extension of scope of works with existing contracts with existing key clients such as Tianqi Lithium for their LHPP1 process plant in Kwinana, Western Australia along with its other existing portfolio of works.

The Company maintained a strong cash position with ~\$8.2M cash on hand at the end of the Quarter. Significant cash receipts were outstanding at Quarter end. The expected collection of these receivables, together with retention monies from completed projects, is anticipated to contribute to an increase in WestStar's cash balance during the current March quarter.

One off expense were incurred in relation to due diligence and integration work in relation to the Alltype acquisition.

Although timing of operating payments marginally reduced cash on hand versus the previous quarter, the Company's **subsidiaries have delivered a combined profit of ~\$1.5M for the half year** (based on unaudited management accounts of the Company's subsidiaries SIMPEC and Precast Australia, pre-AASB 15 adjustments and excluding parent corporate overhead costs). This result continues on from the Company posting its maiden full year profit in FY2019.

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Administrative staffing and corporate costs reduced due to increased efficiencies across the Company whilst maintaining the Company's growth projections during the Quarter. This largely fixed overhead cost base provides leverage to further earnings growth.

### SIMPEC Operations

During the Quarter, SIMPEC was awarded a total of ~\$6M in extensions to its existing portfolio of contracts (ASX: 14 October 2019). These extensions are strong endorsement of the onsite works and value add which SIMPEC is delivering to its clients.

In addition, SIMPEC was awarded a new ~\$5M SMP and E&I completions and commissioning support services contract directly with Tianqi Lithium for their LHPP1 process plant in Kwinana, Western Australia.

SIMPEC also continued its work on the Power Generation facilities for the Fortescue Eliwana Mine and Rail Project (ASX: 11 September 2019). This contract represents SIMPEC's first full vertical installation package – comprising of Civil, Structural, Mechanical, Piping, Electrical and Instrumentation works.

### Outlook

During the first half of FY2020, WestStar has been awarded ~\$30M of new contracts and contract scope extensions. Alltype Engineering continued to perform strongly during the Quarter and WestStar will report on its combined order book including Alltype Engineering upon settlement of the acquisition.

Integration activities continued between WestStar and Alltype Engineering during the Quarter and the Company is confident that cost and revenue synergies will be quickly achieved following the completion of the acquisition.

Commenting on WestStar's strong performance in the December Quarter, Chief Executive Officer, Robert Spadanuda noted:

*"In our continued pursuit to deliver sustainable growth and profitability, the Company has delivered another positive quarter.*

*The SIMPEC team led by Mark Dimasi have once again contributed significantly to the positive result and growth of WestStar and should be commended for their efforts.*

*WestStar now looks forward to welcoming Alltype to the Group and the opportunities it will deliver.*

*We are confident that this Acquisition broadens WestStar's horizons and will significantly accelerate it towards increased revenues and earnings.*

*We look forward to updating the market upon completion of the Acquisition".*

WestStar currently has an order book of ~\$15M with further awards expected following on from recent strong tendering activities that are expected to add to the Company's pipeline. In conjunction with the imminent completion of the Alltype acquisition, the Company is well positioned for a record FY2020.

**-Ends-**

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### About WestStar

WestStar Industrial Limited (ASX: WSI) is an industrial services company in the resources, energy and infrastructure markets with a focus on mining services and industrial contracting for tier 1 clients.

WestStar, through its subsidiaries delivers high quality Construction and Engineering services with specialisation in Structural Mechanical and Piping (SMP), Electrical and Instrumentation (E&I), Concrete Products and Civil Services.

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

WESTSTAR INDUSTRIAL LIMITED

**ABN**

38 119 047 693

**Quarter ended ("current quarter")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	15,388	29,431
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(13,914)	(25,357)
(c) advertising and marketing	-	-
(d) leased assets	(157)	(216)
(e) staff costs	(2,361)	(4,932)
(f) administration and corporate costs	(560)	(1,381)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,598)</b>	<b>(2,445)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(18)	(31)
(d) investments	-	(368)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	875	962
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(11)	(25)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>846</b>	<b>538</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	19
3.6	Repayment of borrowings	(8)	(27)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(8)</b>	<b>(8)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	8,914	10,069
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,598)	(2,445)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	846	538

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(8)	(8)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,154</b>	<b>8,154</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	8,154	8,914
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,154</b>	<b>8,914</b>

**6. Payments to related parties of the entity and their associates**

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

15

80

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	1,000	650
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

7.5 **Unused financing facilities available at quarter end** 350

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

On 12 December 2018, the Company announced that it had received commitments for an unsecured working capital facility of up to \$1M. This facility was drawn to the value of \$650,000 at the end of the quarter (no change from 30 September 2019).

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,598)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,154
8.3 Unused finance facilities available at quarter end (Item 7.5)	350
8.4 Total available funding (Item 8.2 + Item 8.3)	8,504
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

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**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

23 January 2020

Date: .....

By the Board

Authorised by: .....  
 (Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.