

29 January 2021

ASX ANNOUNCEMENT

WestStar Industrial Limited December 2020 Quarterly Report

WestStar Industrial Limited (Company or WestStar) (ASX: WSI), an Australian industrial services company, operating in the energy, resources, utility and infrastructure sectors, in metropolitan and remote areas, across Australia, is pleased to report on the Company's performance for the quarter ended 31 December 2020 (Quarter).

Highlights

- **Strong cash balance maintained at \$7.3M.**
- **Awarded Contracts for the quarter totalling \$21M.**
- **WestStar subsidiaries (the Group) continue to deliver strong tendering activity with ~\$200M of new live tenders added to the project pipeline for potential award.**
- **The Group is well positioned for a strong Q3 FY2021 with tendering activities expected to deliver further rewards and a strengthened Pipeline of projects for the Group in the near future.**

Company Financial Overview

During the Quarter, WestStar's objective to deliver sustainable growth and profitability continued to be met.

The Company continued to maintain a strong cash balance of \$7.3M. The Company banked total cash receipts of \$10.3M that continues on from its strong FY2020 performance.

Operating receipts for Q2 FY2021 were slightly lower than operating payments. This is a result of heavy upfront procurement on significant contracts awarded during the Quarter. The Company also took advantage of its strong cash reserves to reduce its financing facilities with the repayments of circa \$150k.

This result follows on from the recently awarded projects of circa \$21M announced during the Quarter, demonstrating reward for increased tenders submitted during this period.

WestStar continues to display its ability to manage its organic growth objectives whilst maintaining strong cash reserves as it has done over the last two years, commensurate with its growth trajectory. The Company materially funds its own contractual guarantees and working capital without the need for external funding which reinforces its projects' profitability, sophisticated cash management controls and on time successful delivery of its projects.

The result was strongly contributed to by both Alltype Engineering and SIMPEC.

Alltype Engineering Operations

Alltype Engineering (Alltype) had a busy close to calendar 2020, with tendering opportunities exceeding capacity to bid and execute and the award of new contracts and extensions to existing contracts.

Some key achievements were:

- Commenced major structural steel and modularisation package for the Rio Tinto Koodaideri iron ore mine development
- Award and commencement of an additional two fabrication and construction turnkey multidiscipline gas metering facilities in the Pilbara region, including the turnkey fabrication of 8 off gas processing skids
- Water Corporation utility relocation works on MRWA, bridge and Metronet road modification projects
- Award of a major power station piping fabrication package for a major power station expansion for a Tier One Iron ore producer

- Award and execution of a complex plate and launders package for the Newmont Boddington Gold mine
- Award of a gas delivery treatment station involving brownfield debottlenecking and capacity expansion in the Pilbara region
- Completion of end of line gas pipeline facilities for a Goldfields process plant to an aggressive completion schedule
- Ongoing works for the Waste to Energy plants being constructed in Kwinana, WA

Alltype continues to tender and secure an increasing range of works across multiple industries, both locally and interstate, with current and renewed travel restrictions and border closures continuing to drive an increase in local fabrication opportunities and service demands, particularly in the iron ore sector.

The execution team has grown, requiring facility and office capacity expansion which has now been established without major CAPEX expenditure, allowing better utilisation of existing infrastructure. Furthermore, the Alltype achieved certification to ISO45001, reflecting the proactive and contemporary approach taken to HSE, required for Tier Two contracting and fabrication services.

Alltype Engineering's Managing Director Kelvin Andrijich noted:

"Despite the busy conditions of the market, we have been able to grow our pre award and execution teams commensurate with both workload and capability. We are fortunate to have in house material processing equipment that is key to meeting aggressive fabrication schedules and optimising material utilisation. We currently have an engaged, experienced and tenured workforce that has allowed us to reliably deliver against our contractual milestones within a resource constrained environment."

SIMPEC Operations

During the Quarter SIMPEC continued to execute existing contracts and mobilise new contracts whilst performing a number of new tender submissions for new and existing clients. The Quarter highlights include:

Continued works on the following projects:

- Sydney WestConnex New M5 Project with the CPB Dragados Samsung JV Sydney M5 Project. The team performing commissioning activities safely on site with zero injuries.
- Completion of the FMG Power station project.
- Completion of the Rio Tinto RDSS project.

Mobilised new contracts for:

- First Quantum Minerals – Ravensthorpe Nickel Operations Shoemaker Levy Project
- Avertas Energy – Kwinana Waste to Energy Project
- CBH – Kwinana Jetty CP works
- Tianqi Lithium Australia – Onsite completions work
- BVCJV Woodman Point Wastewater Shutdown

Other highlights:

- Tendering and proposals for the quarter was at record levels. Several of the submissions were for new clients within the mining and infrastructure sectors, the results of which are expected to deliver positive outcomes for the business in the near term.
- Engagement of our first indigenous JV
- SIMPEC focused on increasing its recruitment capabilities and streamlining recruitment processes.

Outlook

The Company increased its tenders by circa ~ \$200M of new live project opportunities during the Quarter.

There is a definitive shift in 'Individual High Value' project opportunities that continue to be offered to both Alltype Engineering and SIMPEC for tender. The Group remains confident that these opportunities will continue to convert into contractual commitments in the near term.

Commenting on WestStar Industrial Outlook for the Quarter, WestStar Industrial Chief Executive Officer, Robert Spadanuda noted:

"During the second quarter of FY2021, we continued to demonstrate the ability to tender and win large scale projects that will deliver meaningful revenue and profitability to the group throughout the second half of the year."

Milestones to note:

- *The Increasing Opportunity Pipeline of tendered projects increased by ~\$200M in recent tenders.*
- *\$21M of contract wins announced during the quarter, an improvement on the \$15M in contract wins from the previous quarter.*
- *Total contract wins of \$36M for the half year expected to be completed during FY2021.*
- *Tendered work to increase sales further in the Q3 FY2021 with further imminent / near-term contract wins expected.*
- *The Company has an impressive track record and growing reputation with Tier 1 Resource Companies: SIMPEC and Alltype Engineering have delivered contracts across projects owned by BHP, Rio Tinto and FMG to name but a few with an impressive array of Oil and Gas clients now being added to the list of satisfied customers.*
- *Recent Supply chain disruption to overseas and interstate fabrication options continue to deliver short term contractual opportunities and increased scope potential to current contracts.*
- *New tender opportunities are being presented in NSW demonstrating our ability and focus to continue delivering on a greater Geographical footprint."*

Commenting further, Mr Spadanuda also noted:

"We continue to pursue and deliver our organic growth milestones within the Group."

WestStar continued to win and deliver large scale projects this quarter. Despite heavy upfront procurement expenses on recently awarded projects and repayment of debt to lower levels have delivered another strong and enviable closing cash position of \$7.3M.

WestStar will continue to self-fund these opportunities as a direct result of its profitability across the subsidiaries.

WestStar Industrial achieved a significant increase in revenue in FY2020, increasing revenue by \$29.5M to \$62.5M on the back of a stellar year from SIMPEC and the integration of Alltype contributing \$16.5 M in the last 5 months of FY2020. WestStar has now positioned itself with far greater capabilities and financial strength than at any other point in its operating history which looks likely to continue improving with further awards and delivery of major contracts over the second half of the year.

We look forward to updating the market upon execution of some of these opportunities as the company positions itself to sign a number of contracts that will deliver a diversified portfolio across a wide variety of sectors and geographical locations in Australia."

The aggregate amount of payments to related parties and their associates included in the Quarter totalled ~ \$22,000. These payments consisted of Directors' fees and salaries paid to directors, accounting and bookkeeping fees and corporate advisory fees. All payments were on normal commercial terms.

-Ends-

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About WestStar

WestStar Industrial Limited (ASX: WSI) is an industrial, steel fabrication, installation and maintenance services company focussed on the resources, oil and gas, water and infrastructure sectors.

About SIMPEC

SIMPEC 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.

For more information: www.simpec.com.au

About Alltype Engineering

Alltype Engineering leverages off its fabrication capability and provides complete project solutions including SMP and E&I site installation, construction and maintenance services, across almost every industry in Australia. Alltype's products and services have been delivered and installed state-wide, nationally and internationally through our workshops and sites and can be found on land, offshore on islands, FPSO's and platforms, below ground and even subsea. Supported by its team of experienced multi-disciplinary project personnel, Alltype delivers consistent quality products and services that underpin its commitment to its vision "to be recognised as the preferred partner in delivering integrated fabrication, site and maintenance services with reliable, innovative and cost-effective solutions".

For more information: www.alltypeengineering.com.au

ASX release authorised by the Board of Directors of WestStar Industrial Limited.

Appendix 4C

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

Name of entity	
WESTSTAR INDUSTRIAL LIMITED	
ABN	Quarter ended ("current quarter")
38 119 047 693	31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,269	26,175
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(5,220)	(14,819)
(c) advertising and marketing	-	-
(d) leased assets	(28)	(47)
(e) staff costs	(4,721)	(8,126)
(f) administration and corporate costs	(1,242)	(2,277)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(21)	(29)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	10	106
1.8 Other (provide details if material)	66	103
1.9 Net cash from / (used in) operating activities	(886)	1,087

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(36)	(41)
(d) investments	-	-
(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:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	56
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(36)	14

3.	Cash flows from financing activities		
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	-	-
3.6	Repayment of borrowings	(222)	(459)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(222)	(459)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,427	6,642
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(886)	1,087
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(36)	14

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

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)	(222)	(459)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,284	7,284

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	5,806	8,427
5.2	Call deposits	1,478	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,284	8,427

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**

22

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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 <i>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.</i>	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	Total financing facilities	1,000	650

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. At the end of the previous quarter (Sep 2020) this facility was drawn to the value of \$650,000, interest payable at 10% p.a. During the Dec 2020 quarter an amount of \$150,000 was repaid, reducing the value of the drawn facility to \$500,000.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(886)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,284
8.3	Unused finance facilities available at quarter end (Item 7.5)	350
8.4	Total available funding (Item 8.2 + Item 8.3)	7,634
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8.6

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

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.

29 January 2021

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.

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