

30 April 2021

ASX ANNOUNCEMENT

WestStar Industrial Limited March 2021 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 March 2021 (Quarter).

Highlights

- **Strong Cash balance maintained at \$6.12M.**
- **WestStar subsidiaries (the Group) delivered stronger quarter with cash receipts of \$12.06M.**
- **Record Quarter Awards totalling \$41M.**
- **FY21 YTD Awarded projects of \$77M.**
- **The Group is well positioned for a strong Q4 FY21 with Tendering activities expected to deliver further rewards and strengthened Pipeline of projects for the group moving into FY22.**

Company Financial Overview

During the Quarter, WestStar maintained its objective to deliver sustainable growth and profitability with a focus on newly awarded contracts, increased revenue and the provision of strong cash reserves.

The company continued to maintain a strong Cash Balance of \$6.12M.

The Company banked total cash receipts of \$12.06M which is an increase of 20% on the previous quarter. This trend is expected to continue as the record Quarterly awards of \$41M are being rapidly commenced and as the business nears completion of the heavy up front procurement phase of the projects. All projects are now underway, successfully maintaining budget and in accordance with program cycles.

Operating receipts for Q3 FY2021 were slightly lower than operating payments which is a reflection of the early onboarding process of Blue and White-collar workforce, early fabrication procurement accompanied by increased CAPEX to mobilise the recently awarded large-scale projects. The projects continue to be a healthy blend of turnkey projects and cost reimbursable works.

This result follows on from the recently awarded projects of circa \$41M announced during the Quarter and \$77M total for FY21, demonstrating reward for increased tenders submitted during the year.

The Group continues to deliver and manage organic growth whilst maintaining strong cash reserves as demonstrated over the last two years commensurate with its growth trajectory. The Company currently funds its own contractual guarantees and working capital without the need for external funding which reinforces the project profitability, sophisticated cash management controls and on time successful delivery of its projects. As revenue and contract awards continue to grow the Company will monitor its requirement for alternate funding in line with the growth trajectory

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

The aggregate amount of payments to related parties and their associates included in the current quarter totalled ~ \$31k. 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.

Alltype Engineering Operations

Alltype Engineering continues to be busy for Q3 FY2021, with tendering opportunities continuing to grow in volume, size and complexity. The Company was also successful with the award of new contracts and extensions to existing contracts.

Notable achievements during the Quarter were:

- Award of rail infrastructure fabrication project for International Tier One contractor.
- Award of Pilgangoora pipe spooling package by SIMPEC / Ironmerge JV, demonstrating synergies between the WestStar Group.
- Accelerated major structural steel and modularisation package for the Rio Tinto Koodaideri iron ore mine development, inclusive of additional scope.
- Achieved Practical Completion on schedule of two turnkey multidiscipline gas metering facilities in the Pilbara region, including the turnkey fabrication of 8 off gas processing skids.
- Mobilisation and offsite fabrication and E&I work of a gas delivery treatment station involving skid fabrication, brownfield debottlenecking and capacity expansion in the Pilbara region.
- Ongoing works for gas, water and transport infrastructure sectors in both regional and metropolitan areas.
- Ongoing works for the Waste to Energy plants being constructed in Kwinana, WA.
- Submission of construction proposals and budgets for works in South Australia, Victoria and Queensland, building brand awareness and expanding capabilities nationally.

Alltype Engineering continues to tender and secure an increasing range of works across multiple industries, both locally and interstate.

Alltype Engineering's managing director Kelvin Andrijich quoted:

"The start of 2021 is in stark contrast to the uncertainty the industry faced just 12 months ago, with significant project opportunities being presented, tendered and executed. Alltype Engineering continues to deliver against time critical and aggressive schedules and grow industry presence in size and complexity of project offerings, both for site construction and workshop fabrication capabilities. We have a motivated team and are excited about the upcoming opportunities being presented in the market."

SIMPEC Operations

During the Quarter SIMPEC continued to execute existing contracts while mobilising its newly awarded contracts for new and existing clients.

Highlights during the Quarter included:

- SIMPEC forming Joint Venture with IronMerge Pty Ltd - a Nyamal family business.
- IronMerge is SIMPEC's first Indigenous JV Partner representing a milestone achievement in SIMPEC's Aboriginal Engagement Strategy. The IronMerge SIMPEC JV is well positioned as a project and service delivery partner of choice in the Pilbara.
- Newly formed JV delivered immediate success with a \$15M award for Pilgangoora Stage 1 Improvement (Pilbara Minerals) in the SIMPEC Iron Merge JV announced in March.
- Successful recruitment and onboarding activities in order to deliver the newly awarded projects, workforce has now increased to circa 250 people. Whilst the blue-collar market remains challenging SIMPEC continues to implement strategic employment techniques to achieve its targets.

- All projects have now been mobilised safely and all Management onboarded. Execution and the support of the execution teams have been at the focus of all our personnel.
- The number of Tender Proposals for the period was at record highs, with submissions to a variety of Tier 1 high profile projects both locally and within the Pilbara region. SIMPEC continue to tender high value projects commensurate with its desire to grow its contract value Pipeline.

New Contracts Mobilised for:

Pilgangoora Stage 1 Improvement (Pilbara Minerals) Iron Merge SIMPEC JV

During the period, the following milestones were successfully completed on time and on budget for the project:

- Site Mobilisation commenced with facilities and batch plant installed,
- Management team commenced mobilisation to site, and
- First personnel onsite with 50% indigenous employment for SIMPEC employees.

Fortescue's Hopper 5 Jaw Crusher Replacement at Cloudbreak.

SIMPEC was contracted to replace two C160 jaw crushers at Cloudbreak mine.

It has been a long-term goal of SIMPEC to work directly for Fortescue and to break into the field of sustaining capital works. During the period SIMPEC continued pre-shutdown planning works and mobilized to site with both dayshift and nightshift operations handing the area over to the civil contractor. The shutdown was completed ahead of schedule with remaining works to be completed at the end of April as scheduled.

Solomon Central facilities (Centrals).

SIMPEC was awarded a \$7M contract by Central Systems for Fortescue's Solomon Hub Central Facilities project.

Under the contract, SIMPEC will supply and install the electrical work for Fortescue Metals Group's Solomon Hub central facilities in the Pilbara, Western Australia. The contract has commenced and is expected to be delivered by the completion of FY21.

Existing Contracts continued at:

First Quantum Minerals at the Ravensthorpe Nickel Operations

SIMPEC was awarded a \$9M contract by First Quantum Minerals at the Ravensthorpe Nickel Operations. During the period works continued to progress successfully with overall project completion nearing 50%.

Acciona – Waste to Energy Kwinana.

SIMPEC continues to carry out varied scopes and variation works to Acciona Waste to Energy project in Kwinana. The general scopes include boiler making rigging and fabrication works and are ongoing.

Outlook

During the Quarter the Company was awarded \$41M in new contracts, a record for the Group.

This is a function of increased tender book opportunities; strengthening reputations of both business subsidiaries and a buoyant contracting environment currently being experienced in the Western Australian economy. There appears to be no signs of the growing opportunities slowing as the Group prepares for the FY22 forward order book.

There continues to be a definitive shift to the Groups Individual High Value project opportunities being offered to both Alltype Engineering and SIMPEC. This opportunity represents a step change for the company in line with our strategic plan, in both capability and achieving our financial growth metric and profitably within a reasonable risk profile.

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

“During the third quarter of FY2021, early financial investment and management into the onboarding of Labour, resources and upfront procurement was a focus to enable successful contract delivery of recently awarded \$41M in new projects. Existing projects continued to be delivered on schedule across the group despite economic challenges to blue and white-collar supply.”

“The group delivered on previous commitments with the award of \$41M in new contracts. The Group has now certainly demonstrated its ability to tender and win large scale projects that will deliver meaningful revenue and profitability to the group. Our Focus remains on increasing our backlog of works with increased attention to some near-term larger scale project opportunities currently available. With the potential award of these larger scale projects the group will significantly increase its ability to provide record revenue moving into FY22. Revenue grew at circa 20 % for the period with this trend expected to continue into the foreseeable future.” The Western Australian economic landscape certainly suggests this trend to continue in the near term.”

Milestones to note:

Strong Cash balance maintained at \$6.12M.

- WestStar subsidiaries (the Group) deliver 20% increase to cash receipts of \$12.06M.
- Q3 Awards totalling \$41M increasing from Q2 awards of \$21M.
- FY21 YTD Awarded projects of \$77M.
- Increasing Tender Opportunity Pipeline of projects by ~\$300M.
- Tendered work to further increase revenue in the Q4 FY21 with additional imminent / near-term contract wins expected.
- Recent supply chain disruption to overseas and interstate fabrication options continue to deliver short term contractual opportunities.

Commenting further, Mr Spadanuda also noted:

“Whilst we continue to pursue and deliver our organic growth milestones within the group, The Board and executives are reviewing further acquisitive opportunities that will add value to the WestStar Group now and into the future.”

-Ends-

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About WestStar

WestStar Industrial Limited (ASX: WSI) is an industrial, steel fabrication, installation, and maintenance services company focused 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

38 119 047 693

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12,065	38,240
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(5,944)	(20,763)
(c) advertising and marketing	-	-
(d) leased assets	(32)	(78)
(e) staff costs	(6,109)	(14,236)
(f) administration and corporate costs	(1,053)	(3,330)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(8)	(38)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	106
1.8 Other (provide details if material)	3	106
1.9 Net cash from / (used in) operating activities	(1,077)	9
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(112)	(154)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	100	156
(d) investments	-	-
(e) intellectual property	-	-
(f) 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	(12)	2

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	(69)	(527)
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	(69)	(527)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	7,284	6,642
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,077)	9
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(12)	2

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(69)	(527)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,126	6,126

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	4,739	5,806
5.2	Call deposits	1,387	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)	6,126	7,284

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	31
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

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

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	500	500
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	500	500

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

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 which has been reduced to \$500,000. At the end of the Quarter the total \$500,000 of this facility had been drawn with no remaining balance available. Interest is payable at 10% p.a.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,077)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	6,126
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	6,126
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5.69

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.

30 April 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.