

19 July 2021

ASX ANNOUNCEMENT

WestStar Industrial Limited June 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 30 June 2021 (**Quarter**).

Highlights

- **Record cash balance of \$13.18M an increase of 115% on previous quarter (Q3FY2021: \$6.12M).**
- **Record Quarter cash receipts of \$34.48M an increase of 186% on previous quarter.**
- **Record net cash generated from operating activities of \$10.12M during the Quarter.**
- **Record full year cash receipts of \$72.72M.**
- **Strong FY22 commencement with recently awarded project of \$10M to SIMPEC.**

Company Financial Overview

During the Quarter, WestStar maintained its strategic objective to deliver sustainable growth and profitability with a focus on delivering newly awarded contracts, increasing revenue and demonstrating its ability to manage strong cash reserves.

The Company achieved a record Quarter end cash balance of \$13.18M, an increase of 115% on Q3.

The Company banked total cash receipts of \$34.48M, an increase of 186% on Q3.

Receipts were significantly higher than operating payments by circa \$10.12M.

Record operating receipts for Q4 FY2021 indicate solid progress on contracts awarded in preceding months. This reflects the rapid commencement of works prepared for in Q3. The early onboarding process of blue and white-collar workforce, early fabrication procurement accompanied by increased CAPEX to mobilise the Q3 awarded projects has paid great dividends and has resulted in a very impressive end to the Quarter and full year.

This outstanding result validates WestStar Group's ability to deliver upon its ever-increasing organic growth targets and confirms WestStar's ability to continue growing its revenue in a well-planned and structured approach whilst maintaining impressive cash reserves. This is primarily a function of predicting the trends early in the year to maintain the resources required to deliver upon the awarded projects in Q3 of \$41M and awarded projects of \$77M for FY21. These new contracts were record sales for the Group and enabled the delivery of an outstanding result for the Quarter.

WestStar reconfirms that all projects are progressing well, successfully maintaining budget and in accordance with program cycles. The projects continue to be a healthy blend of turnkey projects and cost reimbursable works.

The result was well contributed to by both Alltype Engineering and SIMPEC delivering full year combined cash receipts of \$72.72M.

Alltype Engineering Operations

Alltype Engineering had a significant level of activity during Q4 FY2021, with tendering opportunities again continuing to grow in volume, size and complexity. Of note were multidiscipline opportunities for major iron ore and gas development and transmission operators, including turnkey fabrication and construction proposals reflecting the strategic direction of the business. These tenders represent a step change in the revenue generation position of the business and provide a platform for growth in FY22.

Alltype Engineering was successful with the award of multiple new contracts and extensions to existing contracts.

Notable achievements during the Quarter were:

- Completed the majority of the major structural steel and modularisation package for the Rio Tinto Koodaideri iron ore mine development inclusive of additional scope with only finishing works outstanding;
- Achieved practical completion on schedule of a remote brownfields turnkey multidiscipline gas delivery treatment station in the Pilbara region, including the turnkey fabrication of a major gas processing skid module and brownfield debottlenecking;
- Commenced execution of major water infrastructure projects in both Perth metro, to support road upgrade projects and regional water supply upgrades;
- Achieved practical completion on the Roe - Kalamunda Highway upgrade MSCL water infrastructure works;
- Secured and commenced major power station balance of plant infrastructure fabrication works;
- Continued ongoing works for energy, water and transport infrastructure sectors in both regional and metropolitan areas;
- Continued ongoing works for the Waste to Energy plants being constructed in Kwinana, WA;
- Commenced establishment of an East Coast presence securing office and administration infrastructure in advance of appointing regional representative.

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:

"Alltype Engineering finished the FY21 year with a strong quarter, exceeding our business plan metrics and delivering upon the plan targets. Working with WestStar Industrial, the parent company support and financial backing allowed the company to deliver one of our largest pure fabrication projects in the company's history and provide the platform to tender significant turnkey multidiscipline projects to major clients in the resources and energy sectors. Our customer feedback is positive and by delivering on our contracts, we are securing repeat and referral works which gives the company a strong backlog entering into FY22. We continue to grow our team and culture in line with our business growth strategy and are excited about the year ahead. The establishment of an east coast presence is also a significant milestone for the Company and we are looking forward to expanding our footprint across the country. I would like to thank our team, clients, business partners and stakeholders for all of their support during FY21 for these achievements."

SIMPEC Operations

SIMPEC contributed strongly to the Group's Q4 FY2021 result, with works being carried out across four major projects. SIMPEC has demonstrated its ability to deliver large volumes of works across a variety of disciplines in such a rapid timeframe. This is testimony to its executive management and unique transparent and flexible approach to its projects. Understanding of the entire scope and how the subcontract execution affects and supports the overall project success has been a key factor in contributing strong second half revenue to the group.

Highlights during the Quarter included:

SIMPEC 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. Works continued on Pilgangoora Stage 1 Improvement (Pilbara Minerals). During the Quarter additional resources were mobilized to site for a successful June shutdown overall progress was in line with expected programs with project completion on track for early September 2021. The IronMerge SIMPEC JV remains well positioned as a project and service delivery partner of choice in the Pilbara.

Waste to Energy SMP Team (Acciona)

Following an increase of blue-collar resources during June, there is now a sizeable team on nightshift at the project. We anticipate this team will continue to operate and carry out works until later this year. During the quarter SIMPEC also continued fabrication and detailing of pipe supports for the project.

Ravensthorpe Shoemaker Levy Project (First Quantum Minerals)

SIMPEC continued with SMP completions works and E&I installation and handover during the quarter. The overall project now has more than 100 personnel and are all working with FQM to hand over systems ready for commissioning.

Solomon Central Facilities (Centrals)

SIMPEC is expected to reach peak manning on the project by the middle of July. During the period works were focused on the LV and HME workshops, Support Buildings were also completed, energized and handed over to the client.

Outlook

Recruitment and onboarding activities for the newly awarded projects see nearly 270 people on board plus a large quantity of labour hire and contractors working for the project teams and 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 forefront for 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. A number of these projects are nearing final negotiations with preplanning and preparation being undertaken for fast-track mobilisation should the bids be successful.

Kwinana WTE Piping Package (Acciona)

This package was awarded in early July. This project is due to mobilise in mid-July and will have peak blue-collar labour workforce of 70 (across dayshift and nightshift). A firm foundation has been laid for this project and the SIMPEC management team looks forward to achieving significant progress over the next few months.

SIMPEC Managing Director Mark Dimasi quoted:

"The team has hit June 30 with an impressive order book and with a list of tenders that could dramatically change the business. FY22 is already shaping up for record growth and expansion across all our sectors and disciplines. Our team currently has more than 270 personnel plus a cast of labour hire and contractors working for the project teams. Works are progressing well across all projects attributed to our SIMPEC teams and valued clients.

I would like to thank our team and clients for their support during FY21. The outlook is looking extremely positive for our business, we look forward to meeting our clients demands, making sure all our people go home safely and growing the business with new clients."

Outlook

The company continues to successfully deliver upon its existing projects whilst pursuing new opportunities being presented and tendered for imminent large-scale projects. Group consolidated tender opportunities are now greater than \$500M. This is a direct 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 continues to be no shortage of increasing opportunities.

WestStar has commenced FY22 very strongly with SIMPEC having been awarded a \$10M contract by EPC Contractor, Acciona, for the Avertas Energy Project. SIMPEC will execute the site piping installation works for the plant based in Kwinana. The contract commences immediately and is expected to be completed by the end of 2021.

Alltype Engineering continues to tender strongly in conjunction with continued ongoing works for energy, water and transport infrastructure sectors in both regional and metropolitan areas.

Alltype Engineering has recently established an East Coast presence securing office and administration infrastructure in advance of appointing a regional representative. This is in line with the strategic growth strategy of WestStar Industrial to offer a broader market for its ever-expanding suite of services.

As previously stated, we continue to observe the shift to individual 'High Value' project opportunities being offered to both Alltype Engineering and SIMPEC. This step change for the company will continue to be pursued with the confidence that the potential projects are in line with the Group's strategic plan.

During the Quarter the company continued to fund its own contractual guarantees and working capital without the need for external funding which reinforces project profitability, sophisticated cash management controls and on time successful delivery of its projects across the group.

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

"The Company's decision to invest strategically and manage retention of workforce during Q3 has now delivered the result we set out to achieve during the final quarter of FY21. The final quarter was the strongest quarter the business has experienced since its inception. The ability to deliver \$34.5M cash receipts in a quarter represents a step change in confirming the company's ability to take on a variety of larger project values simultaneously."

Investment and the retention of a high-quality workforce enabled the group to deliver a strong result in a very challenging market for blue- and white-collar workforces."

We remain cognisant of the changing border restrictions and government enforced lockdowns across Australia and continue to deploy mitigation strategies to ensure the business can pivot quickly whilst maintaining its Essential Service classification."

The Group continues to focus on increasing our backlog of works with increased attention to near-term larger scale project opportunities. We expect and are confident these opportunities will eventuate into live projects during Q1 FY22. With the potential award of these larger scale projects the group will significantly increase its ability to provide record revenue and profitability in FY22."

Milestones to note:

- Record Quarter end Cash balance of \$13.18M.
- WestStar subsidiaries (the Group) deliver 186% increase to cash receipts of \$34.48M.
- Record Net Cash Generated from Operating activities of \$10.12M during the quarter.
- Record Full year Cash Receipts of \$72.72M.
- Increasing Tender Opportunity Pipeline of projects by >\$500M.
- Tendered work to increase sales further in the Q1 FY22 with imminent / near-term contract wins expected.
- Continued Supply chain disruption to overseas and interstate fabrication options continues to deliver short term contractual opportunities.
- Strong FY22 commencement with recently awarded project of \$10M to SIMPEC 12th July.
- East coast presence established with the appointment of a regional representative to explore opportunities.

Commenting further, Mr Spadanuda also noted:

"The final Quarter for FY21 validated the continued focus the Board and executive have delivered upon in building a well-respected Australian industrial services company operating in metropolitan and remote areas, across Australia.

It is my expectation that FY22 will ultimately deliver rewarding opportunity to our shareholders.

Whilst we continue to pursue and deliver our organic growth milestones within the group, the Board and executive continue to review acquisitive opportunities that can add further value to the WestStar Group."

The aggregate amount of payments to related parties and their associates included in the current quarter totalled ~ \$59,000. 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-

For further information please contact:

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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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	34,485	72,725
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(12,671)	(33,434)
(c) advertising and marketing	-	-
(d) leased assets	(51)	(129)
(e) staff costs	(10,375)	(24,611)
(f) administration and corporate costs	(1,271)	(4,601)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(22)	(60)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	106
1.8 Other (provide details if material)	26	132
1.9 Net cash from / (used in) operating activities	10,121	10,130

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(108)	(262)
(d) investments	(3,752)	(3,752)
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	156
	(d) investments	906	906
	(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	(2,955)	(2,953)

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	165	165
3.6	Repayment of borrowings	(278)	(806)
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	(113)	(641)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,126	6,642
4.2	Net cash from / (used in) operating activities (item 1.9 above)	10,121	10,130
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,955)	(2,953)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(113)	(641)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	13,179	13,179

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	13,179	4,739
5.2	Call deposits	-	1,387
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)	13,179	6,126

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
59
-

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

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	300	300
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	300	300

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 \$300,000. At the end of the quarter the total \$300,000 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)	10,121
8.2 Cash and cash equivalents at quarter end (Item 4.6)	13,179
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	13,179
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.3

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.

19 July 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.