

December 2018 Quarter Update

ASX Release

17 January 2019

**WESTSTAR
INDUSTRIAL LIMITED**
ACN 119 047 693

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Issued Capital:
495,754,616 shares

ASX Symbol:
WSI

Activity Highlights:





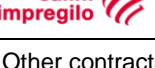
- **WestStar orderbook stands at \$30M** half way through FY2019;
- WestStar's engineering contractor subsidiary **SIMPEC Pty Ltd** ("**SIMPEC**") was awarded \$18M of contracts in the quarter including its largest to date – an \$8M contract with **MSP Engineering** at the Tianqi Lithium Kwinana processing plant;
- **SIMPEC** working on two **Rio Tinto** projects including a \$4.5M direct engagement at the Cape Lambert Port Facility;
- Prefabricated concrete subsidiary **Precast Australia Pty Ltd** added more than \$2M in contracts including further work at the Forrestfield-Airport Link Project with the **Salini Impregilo - NRW Joint Venture**.

Corporate Highlights:

- The Group posted a record \$5.8M in cash receipts banked resulting in a \$1.2M cash flow positive quarter from operating activities;
- Working capital facility of up to \$1M in place to ensure the Group is fully funded to complete newly awarded contracts.

The Directors of **WestStar Industrial Limited** (the "Company", ASX: WSI) are pleased to report on the Company's performance for the quarter ended 31 December 2018. The quarter may prove to be a turning point for the Company with a strong operational result and several large tenders awarded to the Group.

The Group now boasts a blue-chip client list order book consisting of:

	\$4.5M at Cape Lambert (Direct), \$4M at West Angelas via ATCO	\$8.5M
	\$1.7M at Cataby (Direct), \$0.3M at Cataby via Grounded	\$2.0M
	\$8M at Tianqi Lithium, \$6M over 3 awards at Talison Lithium	\$14.0M
	\$0.5M at South Flank – 2 nd contract	\$0.5M
	\$0.8M at Forrestfield Airport Rail link – 2 nd contract	\$0.8M
Other contracts including <i>iPilot, Vaughan, Lendlease, ADCO and Ertech</i>		\$4.2M

Total \$30.0M

SIMPEC OPERATIONS

SIMPEC is demonstrably gaining traction in the market. Leveraging a growing portfolio of completed works, SIMPEC added \$18.2M worth of contracts to the Group's order book in the December 2018 quarter alone.

SIMPEC has built a strong working relationship with **MSP Engineering (“MSPE”)** which began with SIMPEC’s successful ongoing work at the Talison Lithium Mine in Greenbushes, Western Australia.

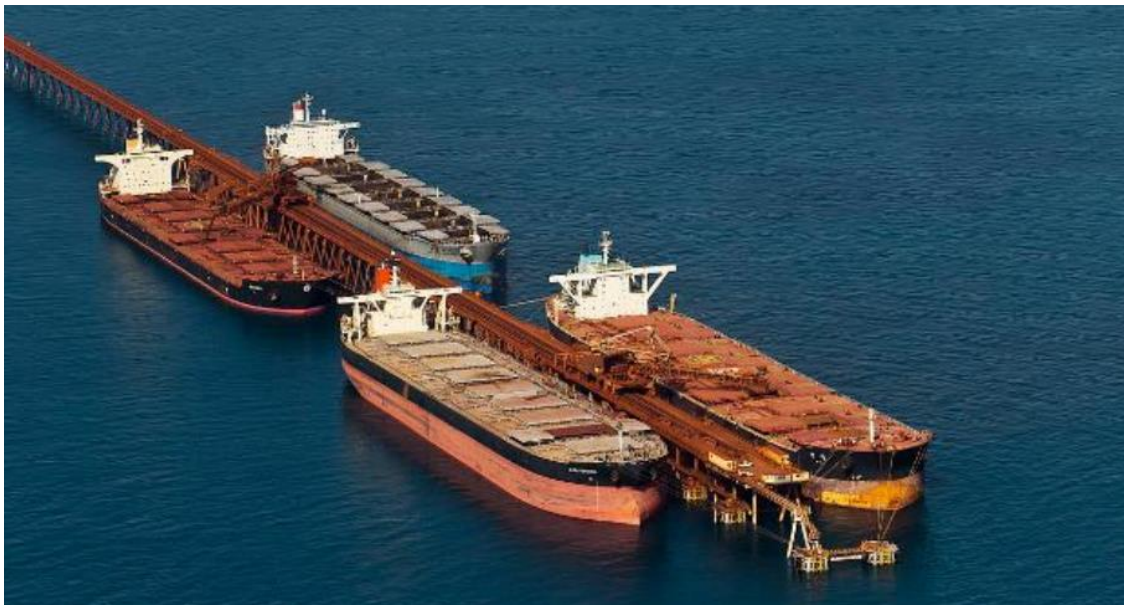
SIMPEC’s involvement in MSPE’s world-class work portfolio has been extended with the award of an **\$8M contract (SIMPEC’s largest contract award to date) at the Tianqi Lithium Kwinana** processing plant (ASX: 11 December 2018) under construction at Kwinana, Western Australia. SIMPEC will look to continue to build on its relationship with MSPE.

Aside from MSPE, SIMPEC was awarded a contract by international mineral sands company **Iluka Resources Limited** at their Cataby Project in Western Australia. Under the ~\$1.7 million contract, SIMPEC will construct a Flocculant Plant Package consisting of four tanks and related structural, mechanical and piping works.

This is SIMPEC’s second award at the Cataby Project having successfully completed a key Mechanical, Electrical and Communications contract in the construction of 2 separate accommodation camp facilities for use by Iluka and Tronox Limited respectively. The Flocculant Plant Package Contract is a direct engagement with Iluka.

SIMPEC was also able to gain a foothold into the substantial work on offer from **Rio Tinto Iron Ore**. Firstly, SIMPEC was awarded a \$4M contract by ATCO Structures and Logistics (ASX: 4 December 2018) in the construction and deconstruction of a 600-room camp at Rio Tinto’s West Angelas iron ore mine in the Pilbara region of Western Australia. This award built on the portfolio of camp work packages successfully undertaken by SIMPEC. Following this, SIMPEC was awarded a \$4.5M contract directly by Rio Tinto Iron Ore (ASX: 18 December 2018) at the Cape Lambert Port Facility.

Figure: Cape Lambert A Iron Ore terminal at the Cape Lambert Port Facility



Under the contract, SIMPEC will design and construct a Remote Draft Survey System which will aim to increase ship turnaround and safety at the Port. This award directly with Rio Tinto is a major milestone for SIMPEC and a strong endorsement of SIMPEC as a capable engineering contractor.

SIMPEC expects further significant contracts, which have been tendered for, to be awarded in the coming weeks. The awards to date form an excellent platform for SIMPEC to fulfil much larger contracts with its growing team.

PRECAST AUSTRALIA OPERATIONS

During the quarter, the Company announced that Precast Australia was awarded scope extensions totalling \$800k by the **Salini Impregilo – NRW Joint Venture** on the Forrestfield-Airport Link Project (ASX: 14 November 2018).

The Forrestfield-Airport Link is one of Western Australia's most transformational public transport projects, consisting of a train line connecting Forrestfield to the city, opening up Perth's eastern suburbs to rail for the first time. Under the scope extensions, Precast Australia will supply precast concrete elements for railway stations and service buildings along the rail line. This work will include supply of precast stairs and precast walls for the railway stations and emergency egress shafts.

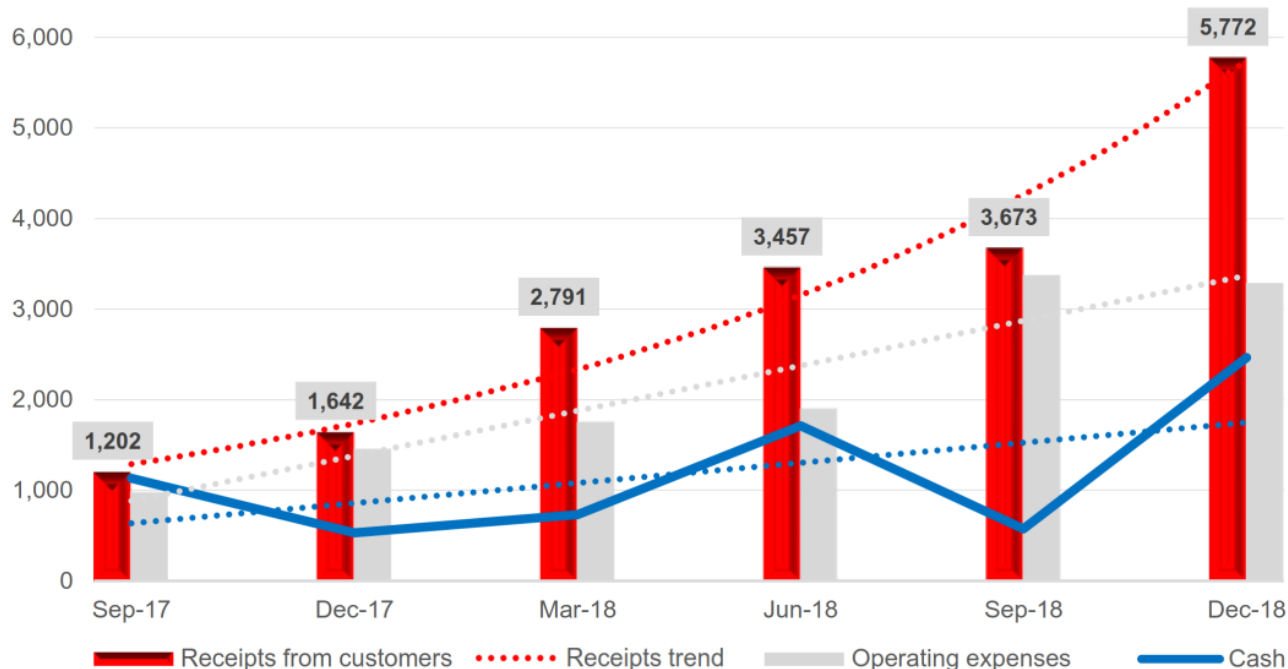
Given its involvement to date, Precast Australia is well placed to win further work on this substantial project as overall construction work progresses.

In addition, Precast Australia won a further \$1.3M of contracts largely from repeat clients such as Vaughan Constructions and ADCO Constructions.

COMPANY FINANCIAL OVERVIEW

During the December 2018 quarter, the Company banked total net cash receipts of ~\$5,772,000 (Q1 FY2019: \$3,673,000), a new historical high for the Company for quarterly cash receipts. At the end of the period, the Company reported a cash balance of \$2,465,000.

WestStar Group Quarterly Reported Cash Flows (\$A'000)



SIMPEC's operations returned \$4,640,000 in cash receipts from its multiple projects, materially higher than the \$2.2M banked in the previous quarter. Precast Australia activities were lower than the prior quarter with \$1.1M of receipts banked versus \$1.4M in Q1 FY2019. Overall, receipts are trending up on the back on SIMPEC's increasing activities.

Operating payments for the quarter totalled ~\$3,284,000 (Q1 FY2019: ~\$3,369,000). As noted in the September quarterly report, last quarter the Company made payments to key suppliers with short or zero day credit terms to commence and execute its new contracts. As these substantial payments (~\$610,000) were made in the previous quarter, operating payments made in the December quarter were disproportionately lower.

Group staffing costs were the best indicator of the increased activities at ~\$754,000 (Q1 FY2019: \$631,000) compared to the previous period.

Overall net cash inflow from operating activities for the quarter was \$1,189,000 (Q1 FY2019: outflow of \$864,000). As above this reflects the increase in SIMPEC's activities with higher cash receipts. This result also reflects the lower figure for operating payments due to the upfront payments made last quarter.

On 12 December 2018, the Company announced that it had received firm commitments for an unsecured working capital debt facility of up to \$1M with interest of 10% payable on the drawn balance. As the end of the quarter, the Company had drawn down \$650k.

OUTLOOK

At WestStar level, the Board continues to identify and assess potential projects and acquisitions complementary to the current business units. Ultimately the Board's focus is to grow the business such that it is a strong prospect for institutional investment.

For SIMPEC, now that a strong order book and client list has been established, the focus will be to execute its contracts efficiently and profitability. While focused on contracts delivery, SIMPEC will position itself to target increased on site scope.

Precast Australia will also be focussed on profitability and looking for opportunities to expand product line and increased on site scope. Precast Australia's pipeline of future work is appealing and the Company looks forward to adding several of these awards to its order book.

Property division Distinct Developments continues to lay the groundwork at its first project, construction of a mixed-use commercial building in West Perth, Western Australia. Development plans and feasibilities are progressing, and regulatory submissions are on track.

Overall, the Company has converted a major portion of its strong contract pipeline onto its order book. Although, the awards have been significant, both SIMPEC and Precast Australia are expected to win further awards based on tendering efforts along with scope extensions on existing contracts. Now that strong revenues are being achieved, the Company will focus on ensuring that its growth is managed effectively and sustainably.

-Ends-

For further information please contact:

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

WESTSTAR INDUSTRIAL LIMITED

ABN

38 119 047 693

Quarter ended ("current quarter")

31 December 2018

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	5,772	9,445
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,285)	(6,654)
(c) advertising and marketing	-	-
(d) leased assets	(104)	(273)
(e) staff costs	(754)	(1,385)
(f) administration and corporate costs	(442)	(811)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	3
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)	-	-
1.9 Net cash from / (used in) operating activities	1,189	325

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(30)	(30)
(b) businesses (see item 10)	-	-
(c) investments	-	(127)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	127	157
	(d) intellectual property	-	-
	(e) 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	96	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	749	874
3.6	Repayment of borrowings	(146)	(446)
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	603	428

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	577	1,712
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,189	325
4.3	Net cash from / (used in) investing activities (item 2.6 above)	96	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	603	428

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,465	2,465

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	2,465	577
5.2	Call deposits	-	-
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)	2,465	577

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
-
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
4
-

Corporate advisory, accounting and administrative support.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,000	650
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include 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.


Loan from WestStar Precast Pte Ltd of up to \$1M, a director related entity, secured with an interest rate of BBSY+6% on the drawn down balance. This facility is undrawn and available, subject to shareholder approval.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(3,000)
9.3 Advertising and marketing	-
9.4 Leased assets	(100)
9.5 Staff costs	(700)
9.6 Administration and corporate costs	(200)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(4,000)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here:  Date: 17 January 2019
(Company Secretary)

Print name: Derek Hall
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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.