

30 April 2020

ASX ANNOUNCEMENT

WestStar Industrial Limited March 2020 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 March 2020 (Quarter).

Highlights

- **Acquisition of Alltype Engineering completed:**
 - synergies and cost savings identified to date are expected to exceed \$1.2M per annum;
 - forward contracts strengthened and over \$400M of qualified tender book opportunities in pipeline.
- **Strong performance in difficult trading conditions with cash receipts of \$11.9M, up ~105% over the prior corresponding quarter (Mar-20 v Mar-19)**
- **Strong cash balance maintained of circa \$5.9M at end of Quarter with significant debtors due, banked in the current quarter**
- **Stakeholders including Directors and management team choose to accept shares in lieu of fees and salaries payable – to be approved by Shareholders**
- **Group wide proactive response to COVID-19 with policy disseminated widely and necessary health and safety measures implemented**
- **Group well positioned to deal with trading conditions in light of COVID-19 and ramp up as conditions improve**

Alltype Acquisition

On 28 January 2020, WestStar announced the completion of the acquisition of Alltype Engineering Pty Ltd.

Established in 1985 and with a current workforce of around 100 personnel, Alltype is a leading provider of workshop fabrication, site installation, construction and maintenance services to the Oil & Gas, Water, Power Generation, Infrastructure, Mining, Resources, Utility, Petrochemical and Defence industries, in both the private and public sectors across Australia.

Alltype's head office and state-of-the-art manufacturing facilities are located in Naval Base, Western Australia, providing excellent proximity to rail, road and port transport infrastructure and ready access to supply chain support and services.

On 20 February 2020, WestStar provided an update on the integration of Alltype, flagging that with the inclusion of Alltype:

- the Group's forward contracts were strengthened with an order book of ~\$25M;
- Over \$400M of qualified tender book opportunities were expected to provide a continuing pipeline of new opportunities during 2H FY20

Significant work has been undertaken since acquisition to integrate Alltype within WestStar's existing operations enabling management to effectively pursue horizontal and vertical integration opportunities and to identify various opportunities for significant overhead cost savings. The Company has commenced the relocation of its existing precast division personnel and equipment to Alltype's state-of-the-art facilities, representing an immediate cost saving that is expected to save the Company more than \$1.2M over the next 12 months.

Further strategic initiatives have been implemented that are also expected to provide operational efficiencies and cost savings, including various shared services and resources to remove duplication and access synergies across purchasing, tendering and reporting.

Alltype's results are included in the Group's results effective from the completion of the transaction. The June quarter will be the first full quarter of operations for the expanded Group.

Alltype Operations

During the quarter, Alltype Engineering continued to work through its current portfolio of orders and backlog. Some key achievements were:

- achieving practical completion of a turnkey multidiscipline industrial waste processing facility
- delivery of Smartway Freeway gantry signs to meet aggressive night shift installation timeframes. These signs are now iconic on the Kwinana Freeway, WA
- commencement of fabrication and construction of a number of oil and gas projects in the Midwest of WA
- completion of scheduled shut down gas turbine power station generator unit refurbishment works

Alltype continues to tender an increasing range of works across multiple industries, with current travel restrictions and border constraints driving an increase in local fabrication opportunities and service demands, particularly in the resources sector. The results of the current tendered opportunities will be reported on in due course.

SIMPEC Operations

During the Quarter, SIMPEC continued to work through its current portfolio of projects.

SIMPEC has a strong presence at Fortescue's Eliwana Mine under its contract with ATCO. Construction activities were ongoing at Rio Tinto's RDSS project post Cyclone Damien with a target completion date of June 2020. The main portion of work has commenced at the Fortescue's Eliwana Power station for EPSA. The team has commenced civil works on site with SMP and E&I work commencing shortly.

SIMPEC continues to tender an impressive portfolio of works both locally and nationally, the results of which will be reported on in due course.

Company Financial Overview

During the Quarter, the Company banked total cash receipts of \$11.9M continuing its strong FY2020 performance. This Quarter's result follows on from \$15.4M banked last quarter bringing total receipts to \$41.4M for the nine months to 31 March 2020. In comparison, the Company reported cash receipts of ~\$32M for the entire FY2019.

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

The Company maintained a strong cash position with ~\$5.9M cash on hand at the end of the Quarter. Significant cash receipts were outstanding at Quarter end with the balance of these amounts largely received. The Group is mindful of current economic conditions and is working well with its customers. All customers are operating within agreed terms.

Outlook

With the acquisition of Alltype Engineering complete, WestStar has capabilities and financial strength far greater than at any point in its operational history. Integration activities continued between WestStar and Alltype during the Quarter and the Company is confident that further cost and revenue synergies will be quickly achieved.

Commenting on the March Quarter, Chief Executive Officer, Robert Spadanuda noted:

“Alltype Engineering provides WestStar with a state-of-the-art production facility together with a broadened market focus across the oil and gas and water and infrastructure market segments. With SIMPEC, we look forward to what the combined Group can deliver together.

The safety and wellbeing of our people is the first priority in our Group. I commend our management team on their swift and considered approach to COVID-19.”

The Company has agreed with key stakeholders including the Directors and management team to further maintain the Company's cash balance with settlement of fees and charges owed via scrip. This initiative, subject to approval by Shareholders, should reduce the Company's liabilities by ~\$500k. The Shareholder meeting in the regard is to be held in June 2020.

Controlled Placement Facility

On 29 April 2020, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital. The CPA provides WestStar with up to AUD\$2.5 million of standby equity capital via placement over the coming 27 months. Importantly, WestStar retains full control of all aspects of the placement process, with sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any).

WestStar is not obligated to utilise the CPA and WestStar may terminate the CPA at any time, without cost or penalty. Acuity Capital and the CPA do not place any restrictions at any time on WestStar raising capital through other methods. If WestStar does decide to utilise the CPA, the Company is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by WestStar and a 10% discount to a Volume Weighted Average Price (VWAP) over a period of the Company's choosing (again at the sole discretion of WestStar).

To secure the CPA, WestStar has placed 44,000,000 fully paid ordinary shares from its ASX Listing Rule 7.1 capacity, at nil consideration to Acuity Capital (Collateral Shares). WestStar may, at any time, cancel the CPA and buy back the Collateral Shares for nil consideration (subject to shareholder approval). An Appendix 2A regarding the Collateral Shares has been lodged.

WestStar provides the following information pursuant to Section 708A(5)(e) of the Corporations Act. The Collateral Shares (referred to above) were issued without disclosure to investors under Part 6D.2 of the Corporations Act. The Collateral Shares were issued using WestStar's share placement capacity pursuant to ASX Listing Rule 7.1. As at the date of this notice WestStar has complied with:

- (a) The provisions of Chapter 2M of the Corporations Act;
- (b) Section 674 of the Corporations Act; and

there is no excluded information for the purposes of Sections 708A(7) and (8) of the Corporations Act.

-Ends-

For further information please contact:

Philip Re
+61 8 6380 2555
pre@weststarindustrial.com.au

Robert Spadanuda
+61 8 6380 2555
robert@weststarindustrial.com.au

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.

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 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		11,923	41,354
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(11,367)	(36,724)
(c) advertising and marketing		-	-
(d) leased assets		(247)	(463)
(e) staff costs		(1,786)	(6,717)
(f) administration and corporate costs		(976)	(2,357)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	11
1.5 Interest and other costs of finance paid		(73)	(73)
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		(2,525)	(4,969)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses		811	811
(c) property, plant and equipment		(22)	(54)
(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	-	454
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(25)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	789	818

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	-	19
3.6	Repayment of borrowings	(53)	(80)
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	(53)	(61)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,646	10,069
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,525)	(4,969)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	789	818

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)	(53)	(61)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,857	5,857

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	5,857	7,646 ¹
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)	5,857	7,646¹

1. In the previous quarterly report, the cash balance was reported as ~\$8,154,000. Due to administrative delays, bank guarantees totalling net \$508k intended for release in December were received in January 2020.

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
28
26

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

The aggregate amount of payments to related parties and their associates included in the current quarter totalled ~\$54,000. 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

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 Total financing facilities	-	-

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 31 December 2019), 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)	(2,525)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,857
8.3 Unused finance facilities available at quarter end (Item 7.5)	350
8.4 Total available funding (Item 8.2 + Item 8.3)	6,207
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.5

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

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 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.