

September 2018 Quarter Update

ASX Release

26 October 2018

**WESTSTAR
INDUSTRIAL LIMITED**
ACN 119 047 693

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Directors:
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Issued Capital:
495,754,616 shares
191,833,333 options

ASX Symbol:
WSI
WSIO

Activity Highlights:

- WestStar orderbook stands at \$9.0M from only the first quarter of FY2019;
- WestStar's engineering contractor subsidiary SIMPEC Pty Ltd ("**SIMPEC**") awarded \$7.8M of contracts by tier one clients on major projects;
- Of this, SIMPEC is forging a strong relationship with MSP Engineering which awarded \$6.0M of new works at Talison Lithium Mine.

The Directors of **WestStar Industrial Limited** (the "Company", ASX: WSI) are pleased to report on the Company's performance for the quarter ended 30 September 2018. The Group has assembled a strong orderbook during the first quarter, already exceeding its total for FY2018.

SIMPEC OPERATIONS

The Company announced that SIMPEC, its engineering contracting subsidiary, had begun to reap the rewards of its demonstrated on-site capabilities and tendering efforts with the award of contracts totalling \$7.8M during the quarter.

SIMPEC obtained a significant contract scope extension from MSP Engineering ("MSPE") for work previously awarded at the Talison Lithium Mine - the world's biggest lithium mine - at Greenbushes, 90km south-east of the Port of Bunbury, Western Australia. The engagement to supply high voltage and fibre optic cables to the Chemical Grade Plant 2 Project ("CGP2 Project") was expanded to include the installation of these cables and construction of concrete pits where the cables will be housed. The value of this work was ~\$1.5M.

SIMPEC's first contract with Grounded Construction Pty Ltd (Grounded) at Iluka Resources' new mineral sands mine development at Cataby, 150km north of Perth, Western Australia was expanded in scope by ~\$300,000.

SIMPEC was also able to gain further involvement into the BHP Billiton Iron Ore Pty Limited ("BHP") South Flank Iron Ore Mine Project, 130km north-west of Newman, Western Australia. Under the scope of the current order, SIMPEC will provide expert engineering services directly to BHP in relation to efficiently completing the Ore Handling Plant area. The total value of orders from BHP to date are ~\$450,000.

On 17 July 2018, the Company announced that SIMPEC had been awarded further substantial works at the CGP2 Project with a \$2.7M contract to design, supply and construct process water tanks. This significant contract award is a strong endorsement for SIMPEC and builds on the relationship with MPSE.

SIMPEC anticipates that its initial involvement in projects with tier 1 clients like MSPE and BHP will result in further awards and this has been validated.

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

Although no new substantial contracts were announced during the quarter, Precast Australia continued to work through its orderbook as well as completing smaller business as usual contracts. The Company has been busy with tendering activities and expects the award of significant contracts in the coming weeks.

COMPANY FINANCIAL OVERVIEW

During the June 2018 quarter, the Company banked total net cash receipts of ~\$3,673,000 (Q4 FY2018: \$3,457,000), a new historical high for the Company for quarterly cash receipts. At the end of the period, the Company reported a cash balance of \$577,000.

SIMPEC's operations which returned \$2.2M from its multiple projects, higher than the \$2.0M posted in the previous quarter. Precast Australia activities were lower than the prior quarter with \$1.4M banked versus \$1.5M in the previous quarter.

Operating payments for the quarter totalled ~\$3,369,000 (Q4 FY2018: ~\$1,904,000). This again reflects increased activity from SIMPEC's operations. Substantial upfront contract costs (~\$610,000) were incurred in the current period to perform the new contracts including the provision of bank guarantees. Group staffing costs were consistent at ~\$631,000 (Q4 FY2018: \$689,000) with the previous period.

Net cash outflow from operating activities was \$864,000 (Q4 FY2018: inflow of ~\$733,000). As above this result was largely attributable to upfront contract costs and the Company expects to gain ground over the next two quarters while the contracts are performed.

In the prior quarter, the Company announced the completion of a heavily oversubscribed placement to professional investors which raised \$1.0M at a price of \$0.015 per share. The bulk of these funds were applied to the working capital facility provided by Distinct to facilitate its property development contract. On completion of the Distinct contract, these funds will be returned with interest.

OUTLOOK

The Company has a strong contract pipeline. Major awards to SIMPEC and Precast Australia are anticipated as several investment decisions have been held over. With improving economic conditions, it is expected that these decisions will be brought forward.

In terms of activity, the Company expects cash receipts banked for the December quarter, based on current contracts, to be largely in line with the September quarter.

-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")

30 September 2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 3,673 | 3,673 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs* | (3,369) | (3,369) |
| (c) advertising and marketing | - | - |
| (d) leased assets | (169) | (169) |
| (e) staff costs | (631) | (631) |
| (f) administration and corporate costs | (369) | (369) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | 1 |
| 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 | (864) | (864) |

*The Company made ~\$610,000 of payments to key suppliers with short or zero day credit terms to commence and execute its new contracts. As a result, the Company anticipates that these cashflow requirements will be lower over the next quarter and next half (i.e. the period over which these contracts will be completed).

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

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 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 | (96) | (96) |
| | (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) | (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 | 125 | 125 |
| 3.6 | Repayment of borrowings | (300) | (300) |
| 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 | (175) | (175) |

| | | | |
|-----------|--|-------|-------|
| 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 | 1,712 | 1,712 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (864) | (864) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (96) | (96) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (175) | (175) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of quarter | 577 | 577 |

| 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 | 577 | 1,712 |
| 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) | 577 | 1,712 |

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 |
|----------------------------|
| - |
| - |

| 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 | 1,000 | - |
| 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. | | |

Loan from WestStar Precast Pte Ltd, a director related entity, secured with an interest rate of BBSY+6% on drawn down balance. This facility is 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 | (1,500) |
| 9.3 Advertising and marketing | - |
| 9.4 Leased assets | (100) |
| 9.5 Staff costs | (500) |
| 9.6 Administration and corporate costs | (100) |
| 9.7 Other (provide details if material) | - |
| 9.8 Total estimated cash outflows | (2,200) |

| 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

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Company Secretary)

Date: 26 October 2018

Print name: Derek Hall

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.