

Distinct Secures \$9M Mixed-Use Development Project

ASX Release

12 June 2018

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Issued Capital:
391,587,949 shares
158,500,000 options

ASX Symbol:
WSI
WSIO

Highlights:

- WestStar business **Distinct Developments Pty Ltd** has secured a contract to design and manage an inner city mixed-use commercial property development in Perth, Western Australia (the 'Project');
- According to the current proposed Project Plan, this development has a total construction value of ~\$9M;
- Distinct's Project management responsibilities will include: procuring all development approvals, appointment of builders, marketing activities and planning and oversight of construction activities for the Project;
- Distinct will provide a line of credit facility to the Project owner to fast-track the development program;
- Distinct will generate a minimum of \$1.26M of revenue over the period to Project completion.

WestStar Industrial Limited ("WSI" or "the Company") is pleased to announce that its subsidiary, **Distinct Developments Pty Ltd** ("Distinct") has secured a management contract (the "Contract") for the design and construction of a commercial mixed-use building (the "Project") in West Perth, Western Australia.

The award of the Contract follows on from WSI's establishment of Distinct, as announced on 1 May 2018, and is in line with the strategy set out for Distinct, i.e. to address a niche market in small to mid-size commercial and mixed-use property projects. This strategy capitalises on the expertise within the WSI Group resulting in a new low risk revenue stream at minimal overhead cost.

Contract details

Under the Contract awarded by the property landowner, 24 Prowse Street Pty Ltd (the "Owner"), Distinct's responsibilities include:

- Management of the Project Plan with a forecast all-in build cost of ~\$9M;
- Coordinating and liaising with all relevant authorities and obtain all necessary approvals including development approvals through to occupancy certificates;
- Oversight and planning of construction activity including appointment of builders and subcontractors; and
- Advise on sale, lease and marketing matters and coordinate an international and domestic sales campaign for the sale of the Project.

For these services, Distinct will be paid a project management fee of \$15,000 per month for a minimum 24-month period from completion of the conditions precedent to the Contract. Upon completion of the Project i.e. upon the sale of all Project apartments and payment of all Project costs, Distinct will also be paid a development bonus of \$750,000.

Additionally, to fast-track the development, Distinct will make a working capital facility (“Facility”) of \$750,000 available to the Owner for the purposes of assisting with the property settlement, design consultants, development approvals, rates and taxes. The Facility is provided with an interest rate of 10% per annum payable to Distinct with a 36 months’ maturity period. Should the Facility be repaid before the end of the maturity period, Distinct will still be entitled to a minimum interest payment of \$150,000. Distinct will have security over the property until the Facility is repaid.

With the project management fee, the development bonus and minimum payable interest on the Facility, Distinct will generate at least \$1.26M in revenue from the Project. Full terms of both the Contract and the Facility are included as an annexure to this announcement.

Distinct synergies for WSI

Distinct’s capability to leverage WSI’s access to capital markets to assist with financing facilities could open up further opportunities to collaborate with other landholding groups.

As project manager, Distinct will be responsible for appointing the builder and key subcontractors. Distinct becoming a party which can award jobs to builders will give WSI and its other subsidiaries increased negotiating power in winning more work. Notably, in the Project, works to be awarded include supply and installation of decorated precast concrete panels and the supply of electrical and high-end security products. Precast Australia and SIMPEC are in prime position to win these works. Commenting on this, WSI director Phillip Re noted:

“This Project is the first significant contract for Distinct Developments. Situated in the highly desirable West Perth precinct the \$18M dollar Commercial and Residential mixed-use complex is a welcome addition to ongoing contracts within the WestStar Group.”

Project location and details

The new building (“Building”) will be situated in the West Perth Office/Commercial precinct, approximately two kilometres west of Perth city centre. This prime inner-city location:

- Has exposure to busy Thomas Street which is zoned Other Regional Road (beneficial for commercial development);
- Has proximity to:
 - the Perth-Fremantle railway line;
 - the Mitchell Freeway onramp and Graham Farmer Freeway;
 - the entertainment areas of Leederville and Subiaco; and
- Is opposite to the Perth Modern School (area proposed to undergo significant redevelopment including a new high school).

Figure: Project property location and dimensions (Source: domain.com.au)



The Building will be a commercial and residential mixed-use complex. The Project Plan anticipates:

- Basement car parking
- Two levels of commercial office space
- 5 levels of apartments consisting of 20 apartments with various configurations
- Estimated build completion date of early to mid 2020

Figure: Indicative rendering of the Project Building from the Project Plan



Outlook

Distinct is also exploring further opportunities on other significant projects involving similar activities. Commenting on this, WSI director Phillip Re noted:

“Our Strategy in the Construction sector is gaining traction as we can now provide the Design and Management process as well as implementing our construction capabilities though the synergies of our different subsidiaries.”

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About WestStar

WestStar Industrial Limited (ASX: WSI) is an Australian industrial conglomerate with a unique offering comprised of three specialist operating businesses: Precast Australia Pty Ltd (Precast Australia), SIMPEC Pty Ltd (SIMPEC) and Distinct Developments. Precast Australia is an established name in the concrete fabrication industry with a portfolio of Tier 1 clients and projects. SIMPEC is a construction contractor with specialist experience in both Structural, Mechanical and Piping (SMP), and Electrical and Instrumentation (E&I) works. Distinct Developments is a property developer targeted at small to mid-size commercial and mixed-use projects.

Annexure 1: Development Management Agreement

The Annexure outlines the proposed main commercial terms (the "Contract") for Distinct Developments Pty Ltd (the "Development Manager") to manage the design and development of the commercial and residential mixed-use complex (the "Project") situated on the Property, on behalf of 24 Prowse Street Pty Ltd (the "Owner"):

- The Contract is conditional upon the following Conditions Precedent:
 - The Owner will procure an Initial Debt Funding Facility for the Project
 - The Development Manager will enter into a further Loan Facility Agreement with the Owner, subject to conditions set out in that agreement
 - The Conditions Precedent of Loan Facility Agreement are satisfied
 - The Development Manager being satisfied with its due diligence on the Project and the Property
- Along with the Loan Facility Agreement a General Security Deed will be entered with the Owner for the advance of \$750,000 (the "Loan") giving the Development Manager security over the Property until the Loan is repaid
- In this regard, the Owner charges the Property in favour of the Development Manager for the purpose of the Development Manager lodging an absolute caveat on the Certificate of Title to the Property to protect the Development Manager's rights under this Contract
- The Owner appoints the Development Manager as the Owner's agent to do all things the Development Manager considers necessary or desirable to undertake the Project in accordance with the Project Plan, including performing the Services
- The Project Plan means the plan for development of the Project from time to time including agreed activities of the Project, a budget or feasibility for each phase of the Project, marketing plans, plans and specifications for the development of the Project etc.
- The Services include:
 - Prepare the Project Plan and update as required.
 - Co-ordinating and liaising with all relevant Authorities to progress the Project in accordance with the Project Plan.
 - Procuring of all necessary Authorisations (including any development approval, building licence and occupancy certificate) to allow the Project to proceed in accordance with the Project Plan.
 - If required, advising and making recommendations to the Owner about planning, design, selling, leasing and marketing matters relevant to the Project.
 - Arrange for payment of all Project Costs.
 - Obtaining and preparing development costings and cash-flow budgets in accordance with the Project Plan.
 - Establishment and management of bank accounts for the Project.
 - Procurement and management all accounting and book keeping activities, including accounts payable and receivable, financial accounts, and tax returns for the Project.
 - Preparation of monthly reports to the Owner as required.
 - Attending meetings with the Owner.
 - Procuring any additional third party equity capital for the Project.
 - Procuring any external debt financing for the Project.
 - Coordinating a sales campaign for the sale of the Property.
 - Overseeing construction activity on the Property in liaison with the Builder and site managers and attending to associated administrative matters as the Development Manager deems necessary.
 - Integrating sales, leasing and marketing and public relations activities with respect to the Project, into the construction works programme in accordance with the agreed sales, leasing and marketing and public relations strategy.
 - Any other services and activities consistent with the initial Project Plan that the Owner (acting reasonably) requires the Development Manager to carry out from time to time.
- Term: this Contract commences on the date that the Conditions Precedent are met or waived and continues until the earlier of:
 - the expiry of the Defect Liability Period;
 - the termination of the Contract under the termination clause;
 - 6 months after the disposal of all Units; and
 - A date otherwise agreement in writing between the parties
- The Development Manager must effect and maintain necessary insurance policies;
- Fees: The Owner must pay the Development Management Fee to the Development Manager until the later of 24 months or Practical Completion, from the date that the Conditions Precedent are satisfied. The Development Management fee is \$15,000 per month exclusive of GST;
- Fees: The Owner will make payment of the Development Manager Bonus of \$750,000 to the Development Manager, within 20 Business Days after all Units have been sold and all Project Costs have been paid;
- The Owner means 24 Prowse Street Pty Ltd with its sole director Mr Mark Dimasi, also a Director of SIMPEC Pty Ltd;
- The Property means 24 Prowse Street, West Perth;
- The Development Manager is not responsible to the Owner for any Claim that:
 - the Owner may suffer, incur or sustain; and
 - arises out of the activities of the Development Manager in performing its Contract obligations, except to the extent that that the Claim arises from the negligent act or omission or wilful default of the Development Manager in carrying out the Project.

- Notwithstanding anything to the contrary in this Contract, the Development Manager is not liable for Consequential Loss.
- Termination by Default: If:
 - the Owner commits any breach of any material term of this Contract and does not remedy the breach within a reasonable period given the nature of the default (but not less than 20 Business Days) after receiving written notice from the Development Manager which specifies the breach and requires the Owner to remedy the breach;
 - or if an Insolvency Event occurs in respect of the Owner;the Development Manager is entitled to terminate this Contract and pursue its common law rights to recover any loss or damage it suffers as a consequence of that breach
- Assignment: a party may only assign this Contract or a right under this Contract with the prior written consent of each other party. The Owner must not unreasonably withhold, delay or condition its consent to the Development Manager assigning this Contract .

Annexure 2: Loan Facility Agreement

The Annexure outlines the proposed main commercial terms (the "Loan Facility Agreement" or this "Agreement") for Distinct Developments Pty Ltd (the "Lender") to make a Loan of \$750,000 to 24 Prowse Street Pty Ltd (the "Borrower"):

- The Loan Facility Agreement is conditional upon the following Conditions Precedent:
- the Parties entering into:
 - a development management agreement with respect to the Property, between the Borrower and the Lender, or any of the Lender's Related Body Corporates, on terms to be determined by the Lender in its sole and absolute discretion (Development Agreement);
 - the General Security Deed;
 - a Mortgage over the property; and
- the Parties obtaining any relevant consents from any third parties that have Security Interests registered against the Property
- the Loan together with all Outstanding Monies shall be repaid by the Borrower to the Lender on the Repayment Date which means thirty-six (36) months after the Draw Date or the Completion, whichever occurs first where:
- Draw Date means 7 Business Days after completion of the Conditions Precedent.
- Completion means the first day that both of the below requirements are satisfied:
 - the Builder has certified that practical completion of the Development has occurred; and
 - the City of Vincent has issued an occupancy permit with respect to the Development.
- Builder means the main contractor for the Development appointed under the Development Agreement.
- The Borrower must apply the Loan towards the Approved Purpose. Approved Purpose means the purpose of Development of the Property.
- Interest on the Loan will accrue daily from the Draw Date and will be calculated daily in advance on the amount outstanding at a rate of 10% per annum until the Repayment Date, payable on the Repayment Date or such earlier date that the Loan and all Outstanding Monies are repaid.
- The minimum interest payable on the Loan by the Borrower to the Lender is \$150,000
- Breach of obligations: If the Borrower commits a breach of any of its obligations pursuant to the provisions of this Agreement, the Lender may by written notice to the Borrower declare all monies owing pursuant to this Agreement due and payable, upon which these monies shall become due and payable within 5 Business Days after receipt of the notice.
- Events of default: Without prejudice to any other provision of this Agreement, the following acts, omissions or events are agreed to be a default of this Agreement and the Loan together with all Outstanding Monies shall become immediately due and payable to the Lender at the Lender's option:
 - non-remediable failure: the Borrower fails to perform or observe any other material undertaking, obligation or agreement expressed or implied in this Agreement or any other Transaction Document and that failure is not, in the reasonable opinion of the Lender, remediable;
 - remediable failure: the failure is, in the reasonable opinion of the Lender, remediable, and the Borrower does not remedy the failure within 7 days, or a longer period determined by the Lender, after receipt by the Borrower of a notice from the Lender specifying the failure;
 - misrepresentation: any warranty, representation or statement by the Borrower is or becomes false, misleading or incorrect in a material respect when made or regarded as made by the Borrower under any Transaction Document;
 - judgment: a judgment in an amount exceeding \$50,000 is obtained against the Borrower and is not set aside or satisfied within 7 days;
 - receiver: a receiver, receiver and manager, official manager, trustee, administrator or similar official is appointed, or steps taken for such appointment, over any of the assets or undertaking of the Borrower;
 - insolvency: the Borrower is or becomes unable to pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act or is presumed to be insolvent under the Corporations Act;
 - arrangements: the Borrower enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them otherwise than while solvent and with the prior written consent of the Lender;

Annexure 2: Loan Facility Agreement (continued)

- administrator: an administrator is appointed or a resolution is passed or any steps are taken to appoint, or to pass a resolution to appoint, an administrator to the Borrower;
- winding up: an application or order is made for the winding-up or dissolution of the Borrower or a resolution is passed or any steps are taken to pass a resolution for the winding-up or dissolution of the Borrower otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Lender;
- suspends payment: the Borrower suspends payment of its debts generally;
- Approved Purpose: the Loan is not applied to the Approved Purpose; or
- Breach of Transaction Documents: the Borrower is in breach of any Transaction Document;
- vitiation of Transaction Documents: all or any part of any provision of any Transaction Document is or becomes illegal, void, voidable, unenforceable or otherwise of limited force or effect; or any person other than the Lender becomes entitled to terminate, rescind or avoid all or any material part or material provision of any Transaction Document, where a Transaction Document is any document related to this Agreement.