

June 2018 Quarter Update

Well Positioned for Strong H1 2019 After Record-breaking Quarter

ASX Release

26 July 2018

**WESTSTAR
INDUSTRIAL LIMITED**
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Directors:
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Issued Capital:
458,254,616 shares
158,500,000 options

ASX Symbol:
WSI
WSIO

Activity Highlights:

- WestStar entered the property development market with new business Distinct Developments Pty Ltd (“**Distinct**”);
- Within only its first 2 months of operations, Distinct secured a contract to design and manage a \$9.0M mixed-use commercial property development;
- Precast Australia Pty Ltd (“**Precast Australia**”) was awarded contracts with a combined value of \$1.2M, with substantial works awarded by new clients;
- Precast Australia contract resulted in additional contract award for SIMPEC – offering both divisions in tenders provides compelling point of difference and extracts further value for WSI.

Post quarter end:

- WestStar’s engineering contractor subsidiary SIMPEC Pty Ltd (“**SIMPEC**”) awarded \$5.0M of contracts by tier one clients on major projects;
- SIMPEC is forging a strong relationship with MSP Engineering which awarded \$4.2M of new works at Talison Lithium Mine.

Corporate Highlights:

- The Group posted its second consecutive cash flow positive quarter from operating activities with a record \$3.5M in cash receipts banked;
- Completes heavily oversubscribed placement to professional investors raising \$1.0M at a price of \$0.015 per share.

The Directors of **WestStar Industrial Limited** (the “Company”, ASX: WSI) are pleased to report on the Company’s performance for the quarter ended 30 June 2018. The Directors take this opportunity to recognise the efforts of management and staff in a record-breaking quarter across all divisions which has delivered strong revenues, a healthy pipeline of work and positive cashflows.

DISTINCT OPERATIONS

On 1 May 2018, the Company announced the establishment of a new property development business **Distinct**. Distinct’s ambit is to address a niche market in small to mid-size commercial and mixed-use property projects. Distinct was a natural progression for WSI which, due to its existing businesses and management, has a wealth of contacts across the building, construction and investment sectors.

On 12 June 2018, the Company announced that Distinct had secured a management contract (the “Contract”) for the design and construction of a commercial mixed-use building (the “Project”) in West Perth, Western Australia.

Under the Contract awarded by 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 and oversight and planning of construction. For these services, Distinct will receive fees over of the 24-month construction period of ~\$1.1M.

In addition, Distinct has made a working capital facility of \$750,000 available to the Owner for the purposes of assisting with the property settlement, design consultants, development approvals, rates and taxes. Distinct will receive minimum interest of \$150,000 for provision of this facility.

The provision of services by Distinct has commenced. The Project as an estimated build completion date of early to mid-2020.



Figure : Distinct management contract - Indicative rendering of the Project Building from the Project Plan

PRECAST AUSTRALIA OPERATIONS

During the quarter, the Company announced that Precast Australia had been awarded new contracts with a combined total value in excess of \$1.2M. One of these awards was a significant contract with RHG Contractors (“RHG”) to supply concrete for an early childhood centre.

This award was of particular note as it was the first where Precast Australia and SIMPEC packaged their unique skillsets together to win a further contract for SIMPEC to supply and install structural steel on the same job.

This synergistic offering of both precast concrete and structural steel works in recent tenders has allowed the WSI Group to diversify and extract further value from Precast Australia’s contracts rather than only the precast concrete component.

In this instance, more than \$150,000 was added to WSI's revenue as a result of SIMPEC's involvement, resulting in a total contract of ~\$550,000.

The offering of precast concrete supply; precast concrete installation; and with assistance from SIMPEC, structural steel supply and installation as a package – is a compelling point of difference which is being well received in the market.

With the noted uptick in mining and construction activity, Precast Australia has been able to leverage its quality work to yield improved margins. This, in tandem with reducing labour hire costs by bringing key employees on full time, has assisted with delivering improved cashflow and profitability.

Over the past few months, Precast Australia has been involved in several prominent Western Australian projects including the Forrestfield Airport Rail Link, the Matagarup Bridge over the Swan River and the Thomson Bay boardwalk at Rottnest Island. These infrastructure projects demonstrate the diverse capabilities of Precast Australia.

SIMPEC OPERATIONS

Post quarter end, 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 \$1.8M (refer to ASX announcement dated 4 July 2018).

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.

Post quarter end, 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.

COMPANY FINANCIAL OVERVIEW

During the June 2018 quarter, the Company banked total net cash receipts of ~\$3,457,000 (Q3 FY2018: \$2,791,000). The significant increase in cash receipts reflects the increased activity from SIMPEC's operations which returned \$2.0M from its multiple projects, up from \$1.2M last quarter.

Precast Australia activities were consistent with the prior quarter with \$1.5M banked versus \$1.6M in the previous quarter.

Operating payments for the quarter totalled ~\$1,904,000 (Q3 FY2018: \$1,753,000). This again reflects increased activity from SIMPEC's operations. Staffing costs were higher at ~\$689,000 (Q3 FY2018: \$406,000) reflecting an increased head count for SIMPEC and more employees in the Precast business being moved from labour hire to direct payroll.

Net cash from operating activities witnessed an increase of ~\$733,000. This is the second consecutive quarter of positive cash operations for the WSI group after reporting a ~\$201,000 positive result last quarter.

On 12 June 2018, 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 will be 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.

At the end of the period, the Company reported a cash balance of \$1.7M and is well positioned for a strong first half in FY2019.

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 September quarter, based on current contracts, to be largely in line with the June quarter.

The Company also expects to execute on its Distinct business model. The Distinct business capitalises on the expertise within the WSI group resulting in a new low risk revenue stream at minimal overhead cost.

-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 June 2018

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	3,457	9,092
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,904)	(6,095)
(c) advertising and marketing	-	-
(d) leased assets	(50)	(573)
(e) staff costs	(689)	(1,618)
(f) administration and corporate costs	(82)	(1,157)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	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)	-	79
1.9 Net cash from / (used in) operating activities	733	(269)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	250
(c) investments	-	(75)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities*	(750)	(750)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(750)	575

*Facility made available by Distinct Developments as detailed in the Quarterly Review.

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1,000	1,000
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)	(3)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
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	997	997

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	732	1,559
4.2 Net cash from / (used in) operating activities (item 1.9 above)	733	(269)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(750)	(575)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	997	997

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,712	1,712

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	1,712	732
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)	1,712	732

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
52
-

Directors' fees and salaries paid to directors. All payments are on normal commercial terms.

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
20
-

Corporate advisory, secretarial, accounting and administrative support. Reimbursement of travel and other expenses related to performing directors' duties.

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:  Date: 26 July 2018
(Company Secretary)

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.