

Appendix 4E Preliminary Final Report

Name of entity

WESTSTAR INDUSTRIAL LIMITED

ABN or equivalent company reference:

38 119 047 693

1. Reporting period

| | |
|---|--------------|
| Preliminary report for the financial year ended | 30 June 2022 |
| Previous corresponding period is the financial year ended | 30 June 2021 |

2. Results for announcement to the market

| | | | | \$'000 |
|--|----|--------|----|---------|
| Revenues from ordinary activities (item 2.1) | up | 153.3% | to | 181,799 |
| Profit from ordinary activities after tax attributable to members (item 2.2) | up | 414.7% | to | 4,310 |
| Net profit for the period attributable to members (item 2.3) | up | 414.7% | to | 4,310 |

| Dividends (item 2.4) | Amount per security | Franked amount per security |
|---|---------------------|-----------------------------|
| Interim dividend | Nil | Nil |
| Final dividend | Nil | Nil |
| Record date for determining entitlements to the dividend (item 2.5) | Not Applicable | |
| Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6): Refer to item 12 | | |

3. Statement of profit or loss and other comprehensive income

Refer to attached unaudited Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2022.

4. Statement of financial position

Refer to attached unaudited Preliminary Consolidated Statement of Financial Position as at 30 June 2022.

5. Statement of Cash flows

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2022.

6. Statement of changes in equity

Refer to attached unaudited Preliminary Consolidated Statement of Changes in Equity for the year ended 30 June 2022.

7. Dividends

| | Date of payment | Total amount of dividend |
|--|-----------------|--------------------------|
| Interim dividend – year ended 30 June 2022 | N/A | N/A |
| Final dividend – year ended 30 June 2022 | N/A | N/A |

Amount per security

| | Amount per security | Franked amount per security at % tax | Amount per security of foreign sourced dividend |
|-------------------------------------|---------------------|--------------------------------------|---|
| Total dividend: Current year | N/A | N/A | N/A |
| Previous year | N/A | N/A | N/A |

Total dividend on all securities

| | Current period \$A'000 | Previous corresponding Period - \$A'000 |
|---|---------------------------|--|
| Ordinary securities (each class separately) | N/A | N/A |
| Preference securities (each class separately) | N/A | N/A |
| Other equity instruments (each class separately) | N/A | N/A |
| Total | N/A | N/A |

8. Details of dividend or distribution reinvestment plans in operation are described below:

| | |
|--|-----|
| | N/A |
| The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan | N/A |

9. Net tangible assets per security

| | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| Net tangible asset backing per ordinary security | \$0.156 | \$0.011 |

10. Details of entities over which control has been gained or lost during the period:

Control gained over entities

Name of entities (item 10.1)

N/A

Date(s) of gain of control (item 10.2)

N/A

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)

N/A

Loss of control of entities

Name of entities (item 10.4)

N/A

Date(s) of loss of control (item 10.5)

N/A

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 10.6).

N/A

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.7)

N/A

11. Details of associates and joint venture entities

Name of associate or joint venture entity (item 11.1)

% Securities held (item 11.2)

N/A

N/A

Aggregate share of profits (losses) of associates and joint venture entities (item 11.3)

Group's share of associates' and joint venture entities':

2022
\$

2021
\$

Profit (loss) from ordinary activities before tax

N/A

N/A

Income tax on ordinary activities

N/A

N/A

Net profit (loss) from ordinary activities after tax

N/A

N/A

Adjustments

Share of net profit (loss) of associates and JV entities

N/A

N/A

12. Significant information relating to the entity's financial performance and financial position.

Overview

WestStar Industrial Limited (Company or WestStar) (ASX: WSI), an Australian industrial services company, operating in the energy, resources, utility and infrastructure sectors, in metropolitan and remote areas, across Australia, is pleased to report on the Company's FY22 Preliminary Final Report.

Performance Highlights

- Revenue ~\$181.8M, a 153% increase on the previous corresponding period
- EBITDA of \$9,060,241
- This strong result demonstrated an EBITDA generation of 5.0%
- Contracted revenue awarded during FY22 of \$237M
- Significant existing order book remaining
- Additional Contracts Secured for FY23 of \$28M

| | Year ended 30 June 2022 |
|----------------------------------|----------------------------|
| | \$ |
| Profit before income tax expense | 6,030,449 |
| Add back: | |
| Interest and financing costs | 607,295 |
| Depreciation | 1,943,633 |
| Share Based Payments | 478,864 |
| EBITDA* | 9,060,241 |

*EBITDA is a non-AIFRS financial measure which is not prescribed by Australian Accounting Standards ('AAS')

Revenue

The Company achieved record revenue from ordinary activities of ~\$181.8M, a 153% increase on FY2021 (\$71.8M). The contribution to total Group revenue by subsidiaries SIMPEC and Alltype Engineering was \$130.7M and \$51.1M respectively. Revenue for 2HFY22 of \$107.1M was 43% higher than 1HFY22 (\$74.7M).

The Company's delivery of second half year revenue of \$107.1M was a record achievement and demonstrates the Group's ability to rapidly deliver large scale revenue. In addition, total FY22 revenue of \$181.8M represents yet another record full year revenue for the Group.

Earnings

The Group delivered record 2HFY22 revenue of \$107.1M and FY22 revenue of \$181.8M, contributing to underlying earnings for the year (EBITDA) of \$9.06M. This strong result produced an EBITDA margin of 5.0%. Unaudited preliminary NPAT for the year was \$4.31M, a consolidation of its 1HFY22 result of \$2.35M.

Outlook

The 2022 Financial year has been another successful year of both growth and profitability for the Group.

WestStar continues to demonstrate its ability to deliver increased level of construction activity over the financial year despite global logistic challenges and availability of workforce in Western Australia. Despite these challenges WestStar continues to deliver positive results.

Through substantial investment and support, WestStar possesses the capability to tender, execute and deliver specialised multidiscipline engineering and construction solutions across mining, oil and gas, energy, infrastructure and industrial sectors on a significant scale.

Outlook (continued)

The Company notes the current strong macro investment cycle for CAPEX in our target markets presenting a solid pipeline of opportunity for current and future works.

WestStar Industrial is already in possession of significant works under contract and in various stages of completion for delivery in FY23. To date, the company has received ~\$28M of awards for this financial year and combined with its significant order book, sees continued growth and profitability for the year ahead.

Due to the ability to deliver works for several of our completed and current significant flagship projects (Iron Bridge Wet Plant, Talison Greenbushes, Tianqi Lithium, First Quantum Minerals, Lynas Rare Earths, APA Group, AGIG) the Company has seen an acceleration of tendering activities in Western Australia's battery mineral sector (nickel, lithium and rare earth producers).

WestStar continues to strengthen its position, operationally, geographically and financially. Investors can expect the Company to advise the market in the coming months as these contract opportunities are awarded.

The Company continues to evaluate synergistic mergers and acquisitions to continue its strategy of accessing new geographies and industry segments. The Company will update the market should these opportunities become conclusive.

WestStar Industrial maintains a strong balance sheet basis, nil debt and access to government export bonding through Export Finance Australia to assist in execution of its growth strategy. The board is continually reviewing all aspects of both balance sheet and capital management in order to deliver best possible outcomes to all stakeholders across the business.

The Company looks forward to next updating the market and its shareholders on its FY22 Financial results, with results presentation and earnings calls with investor / broker roadshow to follow.

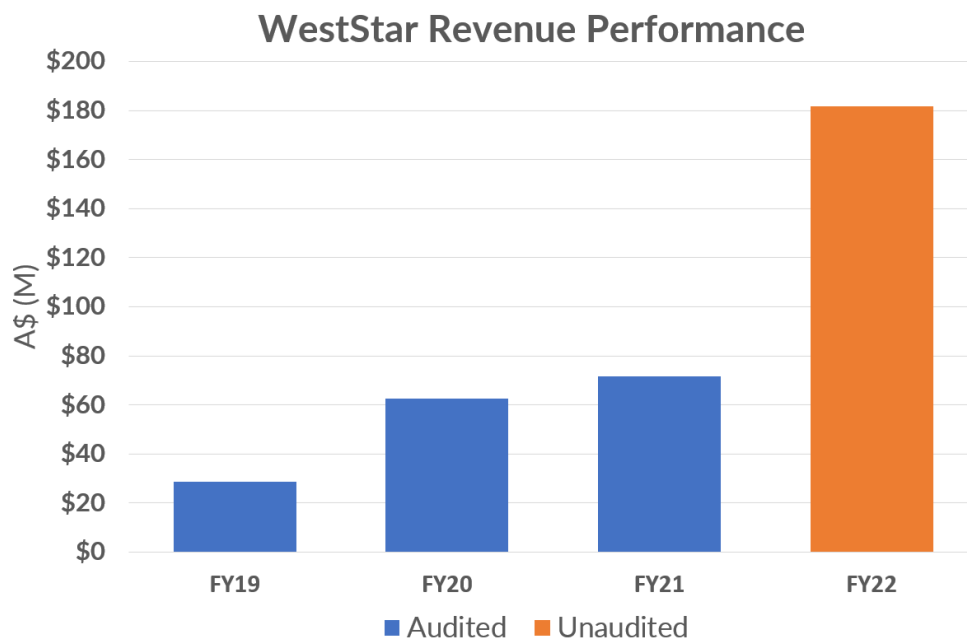


Figure 1: WestStar Industrial Limited Revenue Performance

Outlook (continued)

WestStar Industrial Group CEO Mr Robert Spadanuda commented:

"Buoyant economic conditions forecasted for the resources, energy and infrastructure sectors continue to provide the company with an ever-impressive pipeline of opportunities."

"During the year we have completed and significantly advanced major milestones on key projects."

"SIMPEC continues to advance works on the Iron Bridge Magnetite project with peak manning during the period at ~700 people. This project represents the Groups largest contract win to date and the progress achieved to date of the project for SIMPEC is a remarkable achievement."

"Alltype Engineering continues to grow sustainably across multiple industry segments, successfully delivering significantly larger and more complex projects for a broad range of clients, particularly in energy, water and resources. The investment made by WestStar to acquire this business in 2020 prior to the COVID-19 pandemic continues to be rewarded with access to a differing base of core clients and geographical opportunities."

"The 2022 financial year has seen a strong increase in construction activity and a strengthening forecast in the 2023 financial year." WestStar Industrial again delivers a strengthened profit and improved Balance Sheet position underwritten by the company's ability to win and successfully delivery profitable projects. The Company expects this trend to continue over the coming year."

"Our strategic plan to deliver upon the growth strategy across the Group is evident, all whilst successfully navigating COVID-19, tight labour market recruitment challenges and rising prices of materials. Our continuing growth at a profitable rate clearly demonstrates WestStar as a sustainable contracting business."

"We continue to develop our reputation as a well-respected, safe, cost competitive Group delivering reliable solutions to our clients."

"We take this opportunity to acknowledge another successful year in the Groups history and sincerely thank all of our employees across the Group who continue to help deliver our projects in a safe and well-respected manner."

"The coming year will be another exciting year and we look forward to a continued focus on delivering greater results to our shareholders."

"The Company looks forward to next updating the market and its shareholders on its FY22 Financial results, with result presentation and earnings call with investor/broker roadshow to follow."

"Furthermore, WestStar Industrial will provide a comprehensive operational update and be in a position to issue forward guidance for FY23 in the near term."

13. **The financial information provided in the Appendix 4E is based on the preliminary financial report (attached), which has been prepared in accordance with Australian accounting standards.**

14. Commentary on the results for the period.

Refer to explanation item 12.

15. Information on Audit.

This Appendix 4E and Preliminary Final Report is based on financial statements which are in the process of being audited.

16. Audit Opinion.

The audit of the Company is ongoing and so the audit opinion will be delivered in due course.

WestStar Industrial Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

| | Note | 30 June 2022 \$ | 30 June 2021 |
|---|------|----------------------|---------------------|
| Revenue | 2 | 181,798,560 | 71,763,693 |
| Other income | 2 | 1,006,587 | 419,062 |
| | | <u>182,805,147</u> | <u>72,182,755</u> |
| Expenses: | | | |
| Cost of goods sold | | (161,663,324) | (60,154,530) |
| Occupancy expenses | | (290,083) | (286,533) |
| Administration expenses | 3 | (12,043,247) | (7,885,778) |
| Depreciation | 8,9 | (1,943,633) | (1,405,631) |
| Loan written off | | - | (275,118) |
| Finance costs | 3 | (607,295) | (458,585) |
| Reversal of previously recognised doubtful debts expense | | 260,951 | (217,137) |
| Share based payments expense | | (478,864) | (676,253) |
| Profit/(loss) on sale of plant and equipment | | (9,203) | (8,631) |
| Expenses | | <u>(176,774,698)</u> | <u>(71,368,196)</u> |
| Profit / (loss) before income tax | | 6,030,449 | 814,559 |
| Income tax expense | 4 | (1,719,981) | - |
| Profit / (loss) after income tax | | 4,310,468 | 814,559 |
| Discontinued Operations | | | |
| Profit / (loss) after income tax from discontinued operations | | - | 22,918 |
| Other Comprehensive Income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | - | - |
| Other comprehensive profit/ (loss), net of tax | | - | - |
| Total comprehensive income / (loss) | | 4,310,468 | 837,477 |
| Earnings / (loss) per share | | | |
| Basic earnings cents per share | | 4.04 | 0.09 |

WestStar Industrial Limited
Consolidated Statement of Financial Position

AS AT 30 JUNE 2022

| | Note | 30 June 2022 \$ | 30 June 2021 \$ |
|--------------------------------------|------|--------------------|--------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 20,308,635 | 13,152,258 |
| Trade and Other receivables | 6 | 17,957,801 | 13,546,492 |
| Inventories | | 681,211 | 513,801 |
| Financial Assets | 17 | 2,114,273 | 2,195,096 |
| Contract Assets | 7 | 6,650,627 | 4,571,459 |
| Total Current Assets | | 47,712,547 | 33,979,106 |
| Non-Current Assets | | | |
| Financial Assets | 17 | 2,413,665 | 829,873 |
| Trade and Other receivables | 6 | 605,121 | 373,882 |
| Investments | | 283,075 | - |
| Property, plant & equipment | 8 | 5,184,972 | 4,551,278 |
| Right of Use Asset | 9 | 1,838,458 | 2,654,279 |
| Deferred tax asset, net | 4 | 441,349 | - |
| Loans receivable | | 75,000 | - |
| Intangible Assets | 10 | 4,508,116 | 4,508,116 |
| Total Non-Current Assets | | 15,349,756 | 12,917,428 |
| Total Assets | | 63,062,303 | 46,896,534 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade & Other payables | 11 | 29,259,457 | 22,740,588 |
| Income tax payable | 4 | 2,161,330 | - |
| Provisions | 12 | 2,995,242 | 1,332,759 |
| Borrowings | 13 | 68,216 | 535,803 |
| Lease Liabilities | 14 | 943,926 | 903,062 |
| Contract Liabilities | 7 | 2,168,504 | 3,969,551 |
| Total Current Liabilities | | 37,596,675 | 29,481,763 |
| Non-Current Liabilities | | | |
| Provisions | 12 | 194,571 | 161,503 |
| Lease Liabilities | 14 | 1,621,903 | 2,421,275 |
| Total Non-Current Liabilities | | 1,816,474 | 2,582,778 |
| Total Liabilities | | 39,413,149 | 32,064,541 |
| Net Assets / (Liabilities) | | 23,649,154 | 14,831,993 |
| EQUITY | | | |
| Issued capital | | 24,455,791 | 20,427,962 |
| Reserves | | 860,394 | 381,530 |
| Accumulated losses | | (1,667,031) | (5,977,499) |
| Total Equity / (Deficiency) | | 23,649,154 | 14,831,993 |

WestStar Industrial Limited
Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

Attributable to Owners of the Company

| Notes | Issued Capital \$ | Share-based Payments Reserve \$ | Accumulated Losses \$ | Total \$ |
|---|-------------------------|--|-----------------------------|-------------------|
| Balance at 30 June 2020 | 19,811,669 | 772,495 | (7,299,781) | 13,284,383 |
| Change in accounting policies | - | - | - | - |
| Profit (Loss) for the year | - | - | 837,477 | 837,477 |
| Total comprehensive profit (loss) for the year | - | - | 837,477 | 837,477 |
| Transactions with owners in their capacity as owners | | | | |
| Shares issued | 33,880 | - | - | 33,880 |
| Transfer of expired options value | - | (484,805) | 484,805 | - |
| Recognition of share-based payments | 582,413 | 93,840 | - | 676,253 |
| Balance at 30 June 2021 | 20,427,962 | 381,530 | (5,977,499) | 14,831,993 |
| Change in accounting policies | - | - | - | - |
| Profit (Loss) for the year | - | - | 4,310,468 | 4,310,468 |
| Total comprehensive profit (loss) for the year | - | - | 4,310,468 | 4,310,468 |
| Transactions with owners in their capacity as owners | | | | |
| Shares issued, net of costs | 4,027,829 | - | - | 4,027,829 |
| Options issued | - | 204,444 | - | 204,444 |
| Recognition of share-based payments | - | 274,420 | - | 274,420 |
| Balance at 30 June 2022 | 24,455,791 | 860,394 | (1,667,031) | 23,649,154 |

WestStar Industrial Limited
Consolidated Statement of Cashflows

FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | 30 June 2022 \$ | 30 June 2021 \$ |
|--|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 191,074,314 | 72,724,662 |
| Payments to suppliers and employees | | (184,631,033) | (62,530,267) |
| Interest received | | 8,874 | 3,512 |
| Interest paid | | (461,964) | (309,534) |
| Other income | | 997,713 | 255,111 |
| Net cash flows provided by operating activities | | 6,987,904 | 10,143,484 |
| Cash flows from investing activities | | | |
| Payments for financial assets | | (2,317,523) | (3,906,539) |
| Proceeds from return of financial assets | | 814,553 | 942,220 |
| Purchase of property, plant & equipment | | (1,625,567) | (262,056) |
| Payments for investments | | (283,075) | - |
| Proceeds from sale of property, plant & equipment | | - | 155,747 |
| Net cash flows used in investing activities | | (3,411,612) | (3,070,628) |
| Cash flows from financing activities | | | |
| Proceeds from share issues | | 4,150,000 | - |
| Share issue costs | | (134,388) | - |
| Proceeds from borrowings | | 165,000 | - |
| Amounts loaned | | (75,000) | (116,965) |
| Repayment of borrowings | | (525,527) | (445,696) |
| Net cash flows provided by / (used) in financing activities | | 3,580,085 | (562,661) |
| Net increase in cash and cash equivalents | | 7,156,377 | 6,510,195 |
| Cash and cash equivalents at the beginning of the period | | 13,152,258 | 6,642,063 |
| Cash and cash equivalents at the end of the period | 5 | 20,308,635 | 13,152,258 |

NOTE 1: BASIS OF PREPARATION OF THE FINAL REPORT

BASIS OF PREPARATION

This preliminary final report for the year ended 30 June 2022 relates to the consolidated entity consisting of WestStar Industrial Limited ("WestStar" or "the Group") and its controlled entities.

The preliminary final report has been prepared on an accrual's basis and a historical cost basis except for certain current and non-current assets and financial instruments which are measured at fair value or where otherwise stated. Cost is based on the fair value of consideration given in exchange for assets.

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report of the year ended 30 June 2022, the half year report for the period ended 31 December 2021 and any public announcements made by WestStar during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The amounts contained in this preliminary final report are presented in Australian dollars, the functional currency of the consolidated entity.

STATEMENT OF COMPLIANCE

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

NOTE 2: REVENUE AND OTHER INCOME

| | 2022 | 2021 |
|--|--------------------|-------------------|
| | \$ | \$ |
| REVENUE | | |
| - Revenue from construction and engineering services | 181,798,560 | 71,763,693 |
| | 181,798,560 | 71,763,693 |
| OTHER INCOME | | |
| - Interest income | 8,874 | 3,512 |
| - Insurance recoveries | 763,825 | - |
| - Scrap metal sales | 147,179 | 162,077 |
| - Sundry income | 86,709 | 153,473 |
| - Government grants | - | 100,000 |
| | 1,006,587 | 419,062 |

NOTE 3: EXPENSES

ADMINISTRATIVE EXPENSES

| | 2022 \$ | 2021 \$ |
|---|-------------------|------------------|
| - Employee wages and salaries | 7,898,429 | 4,758,160 |
| - Professional services and consultant fees | 2,159,169 | 1,657,162 |
| - Insurance | 590,446 | 740,965 |
| - ASX and Share registry fees | 78,074 | 60,750 |
| - Motor vehicle expenses | 39,961 | 81,972 |
| - General administrative costs | 1,277,168 | 586,769 |
| | 12,043,247 | 7,885,778 |

FINANCE COSTS

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| - Interest and associated borrowing costs to unrelated third parties | 607,295 | 458,585 |
| | 607,295 | 458,585 |

NOTE 4: INCOME TAX EXPENSE

(a) Income tax expense

Major component of tax expense for the year

| | | |
|--------------|------------------|-----------|
| Current tax | 1,931,956 | 198,005 |
| Deferred tax | (211,975) | (198,005) |
| | 1,719,981 | - |

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:

| | | |
|--|------------------|-----------|
| Profit / (Loss) from continuing operations before income tax expense | 6,030,449 | 837,477 |
| Tax at the Group rate of 30% (2021: 30%) | 1,809,135 | 251,243 |
| Other non-deductible expenses | 162,911 | 201,597 |
| Prior period under/(over) provision | 33,582 | - |
| Deferred tax assets not previously recognised | (285,647) | - |
| Recoupment of prior period losses | - | (452,840) |
| Income tax expense | 1,719,981 | - |

(c) Income tax liability

| | | |
|---------------------|-----------|---|
| Current tax payable | 2,161,330 | - |
|---------------------|-----------|---|

NOTE 4: INCOME TAX EXPENSE (CONT...)

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| (d) Deferred tax | | |
| A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable tax rate is as follows: | | |
| <i>Liabilities</i> | | |
| Net deferred income | 168,617 | - |
| Plant and Equipment | 769,839 | 443,992 |
| Debt Write-Off | 336,767 | 267,006 |
| Deferred tax liability | 1,275,223 | 710,998 |
| <i>Assets</i> | | |
| Losses available to offset against future taxable income | 336,763 | 267,006 |
| Provisions & accruals | 1,348,032 | 721,885 |
| Net deferred income | - | 107,884 |
| Capital raising costs | 11,736 | 46,469 |
| Borrowing costs | 473 | - |
| Lease Asset | 19,568 | 13,012 |
| Deferred tax asset | 1,716,572 | 1,156,256 |
| Net deferred tax asset recognised | 441,349 | 198,005 |
| Net deferred tax asset not recognised | - | 247,253 |

1. During the year ended 30 June 2021, the deferred tax asset recognised offset the income tax expense.

The benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income in Australia of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Group continues to comply with conditions for deductibility imposed by tax legislation in Australia; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

NOTE 5: CASH AND CASH EQUIVALENTS

| | 2022 \$ | 2021 \$ |
|--|-------------------|-------------------|
| Cash and bank balances | 20,308,635 | 13,152,258 |
| Balances as above | 20,308,635 | 13,152,258 |
| Bank overdraft | - | - |
| BALANCES PER STATEMENT OF CASHFLOWS | 20,308,635 | 13,152,258 |

NOTE 6: TRADE AND OTHER RECEIVABLES

| | 2022 \$ | 2021 \$ |
|------------------------------------|-------------------|-------------------|
| Trade receivables (Current) | | |
| Trade receivables | 15,191,532 | 12,362,477 |
| Less Allowance for doubtful debts | (2,567) | (317,692) |
| | 15,188,965 | 12,044,785 |
| Retentions | 2,702,876 | 1,407,847 |
| Other receivables | 23,214 | 21,018 |
| Prepayments | 42,746 | 72,842 |
| | 17,957,801 | 13,546,492 |

| | 2022 \$ | 2021 \$ |
|------------|-------------------|-------------------|
| <30 days | 12,196,911 | 9,855,437 |
| 30-60 days | 957,551 | 2,132,326 |
| 60-90 days | 105,464 | 50,924 |
| 90+ days | 1,929,039 | 6,098 |
| Total | 15,188,965 | 12,044,785 |

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| Trade receivables (Non-Current) | | |
| Retentions | 605,121 | 373,882 |
| | 605,121 | 373,882 |

The Group has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic.

NOTE 7: OTHER ASSETS AND OTHER LIABILITIES

The "Contract asset" value below represents under AASB 15, the unbilled amount expected to be collected from customers for contract work performed to date. Cost includes all expenditure related directly to specific projects. Recognised profit is based on the percentage completion method and is determined using the costs incurred to date and the total forecast contract costs.

| | 2022 \$ | 2021 \$ |
|---------------------|------------------|------------------|
| Other Assets | | |
| Contract assets | 6,650,627 | 4,571,459 |
| | 6,650,627 | 4,571,459 |

The "Contract liabilities" value below represents under AASB 15, unearned revenue the Group has invoiced the client in advance of performing the contracted services. Contract liabilities fluctuate based on progress of completion of contracts.

| | 2022 \$ | 2021 \$ |
|--------------------------|------------------|------------------|
| Other Liabilities | | |
| Contract liabilities | 2,168,504 | 3,969,551 |
| | 2,168,504 | 3,969,551 |

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

| | 2022 \$ | 2021 \$ |
|------------------------------|------------------|------------------|
| Gross carrying value at cost | 7,249,941 | 5,497,536 |
| Accumulated depreciation | (2,064,969) | (946,258) |
| Net carrying value at cost | 5,184,972 | 4,551,278 |

| | Plant & Equipment \$ | Motor Vehicles \$ | Total \$ |
|-------------------------------------|----------------------------|-------------------------|--------------------|
| Gross carrying value at cost | | | |
| At 1 July 2021 | 4,634,577 | 862,959 | 5,497,536 |
| Additions | 1,628,785 | 141,920 | 1,770,705 |
| Disposals | (18,300) | - | (18,300) |
| At 30 June 2022 | 6,245,062 | 1,004,879 | 7,249,941 |
| Accumulated depreciation | | | |
| At 1 July 2021 | (827,450) | (118,808) | (946,258) |
| Disposals | 9,102 | - | 9,102 |
| Depreciation | (959,744) | (168,069) | (1,127,813) |
| At 30 June 2022 | (1,778,092) | (286,877) | (2,064,969) |
| Total at 30 June 2022 | 4,466,970 | 718,002 | 5,184,972 |

NOTE 9: RIGHT OF USE ASSET AND LIABILITY

| | 2022 \$ | 2021 \$ |
|---------------------------|------------------|------------------|
| Right of Use Asset | | |
| Lease asset | 4,041,736 | 4,041,736 |
| Accumulated depreciation | (2,203,278) | (1,387,457) |
| | 1,838,458 | 2,654,279 |

| | Right of Use Asset \$ |
|-----------------------------|-----------------------------|
| Gross carrying value | |
| At 1 July 2021 | 4,041,736 |
| Additions | - |
| At 30 June 2022 | 4,041,736 |
| Accumulated dep'n | |
| At 1 July 2021 | (1,387,457) |
| Depreciation charge | (815,820) |
| At 30 June 2022 | (2,203,277) |

NOTE 10: INTANGIBLE ASSETS

| | 2022 \$ | 2021 \$ |
|--------------------------------|------------------|------------------|
| Goodwill - Alltype Engineering | 3,515,918 | 3,515,918 |
| Goodwill - SIMPEC | 992,198 | 992,198 |
| | 4,508,116 | 4,508,116 |

Impairment testing for cash-generating units containing goodwill. For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The two CGU's tested for impairment are

- a. SIMPEC Goodwill
- b. Alltype Engineering Goodwill

The aggregate carrying amounts of goodwill allocated to each segment are as follows:

- c. SIMPEC Goodwill
- d. Alltype Engineering Goodwill

The CGU are not larger than any of the segments as classified under *AASB 8 Operating Segments*.

The recoverable amounts of the above segments were based on their value in use with the group performing its annual impairment test in June 2022. The carrying amount of the operating segments were determined to be lower than their recoverable amounts and therefore no impairment charge has been recognised. The Group has paid particular attention to those indicators impacted by the Coronavirus pandemic. We have considered the effect of the pandemic on our clients' activities which may include resources commodity prices, commercial construction activity, awards of new contracts, deferrals of existing contracts, disruptions to supply chain and disruptions to existing operations. The management team continues to monitor and manage the impacts and risks arising from the global pandemic.

Value in use was determined by preparing five year discounted cash flow forecasts, and extrapolating the cash flows beyond the terminal year using a terminal growth-rate. The calculation of value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and independent research on the markets in which the segments operate.
- The five-year cash flow estimates used in assessments for all CGU's were based on Board approved budgets for the year ending 30 June 2023.
- Growth assumptions thereafter are Alltype Engineering 2%; SIMPEC 2% per annum for each future year.
- The terminal value assumes perpetual growth of 2.0% (2021: 2.0%).
- The margins included in the projected cash flow are the same rate that has been achieved by projects commencing in 2022.
- A pre-tax discount rate between 18% and 19% was applied. This discount rate was estimated based on past experience and industry average weighted cost of capital.

NOTE 11: TRADE AND OTHER PAYABLES

| | 2022 \$ | 2021 \$ |
|------------------------------|-------------------|-------------------|
| Trade payables | 18,942,784 | 14,386,671 |
| Other creditors and accruals | 10,316,673 | 8,353,917 |
| | 29,259,457 | 22,740,588 |

NOTE 12: PROVISIONS

| | 2022 \$ | 2021 \$ |
|----------------------------------|------------------|------------------|
| Annual Leave - Current | 2,239,697 | 1,151,127 |
| Long Service Leave - Current | 130,680 | 181,632 |
| Other provisions | 624,865 | - |
| | 2,995,242 | 1,332,759 |
| Long Service Leave – Non-Current | 194,571 | 161,503 |
| | 194,571 | 161,503 |

NOTE 13: BORROWINGS

| | 2022 \$ | 2021 \$ |
|-------------------------------|---------------|----------------|
| Financing facility (i) | - | 300,000 |
| Short term loan facility (ii) | 68,216 | 235,803 |
| | 68,216 | 535,803 |

(i) During the year ended 30 June 2022 the Company's unsecured working capital facility, bearing interest at 10% p.a, was fully repaid.

(ii) Short term loan facilities were provided during the year. The loans are unsecured and payable in equal instalments by September 2022 bearing interest at between 6.3% p.a. and 7.75% p.a.

NOTE 14: LEASE LIABILITIES

| | 2022 \$ | 2021 \$ |
|--|------------------|------------------|
| Right of Use Lease liability - Current | 818,965 | 793,972 |
| Other lease liabilities - Current | 124,961 | 109,090 |
| | 943,926 | 903,062 |
| Right of Use Lease liability – Non-Current | 1,084,715 | 1,903,680 |
| Other lease liabilities – Non-Current | 537,188 | 517,595 |
| | 1,621,903 | 2,421,275 |

NOTE 15: OPERATING SEGMENTS

Management has determined the operating segments based on reports reviewed by the Board of Directors for making strategic decisions. The current Board of Directors monitors the business based on operational and geographic factors and have determined that there is four relevant businesses segment being:

SIMPEC Pty Ltd is a construction contractor with specialist experience in both Structural, Mechanical and Piping and Electrical & Instrumentation works.

Alltype Engineering Pty Ltd provides workshop fabrication, site installation, construction and maintenance services to the Oil & Gas, Water, Power Generation, Infrastructure, Mining, Resources, Utility, Petrochemical and Defence Industries.

| Segment reporting | SIMPEC \$ | Alltype \$ | Group \$ |
|---|------------------|------------------|------------------|
| Year ended 30 June 2022 | | | |
| Segment revenue | 130,667,316 | 51,131,244 | 181,798,560 |
| Segment operational expense | (120,250,583) | (41,412,741) | (161,663,324) |
| Segment gross margin | 10,416,733 | 9,718,503 | 20,135,236 |
| Segment overheads | (5,412,493) | (7,127,570) | (12,540,063) |
| Segment operating profit (loss) | 5,004,240 | 2,590,933 | 7,595,173 |
| Other Income - operational | 718,600 | 287,976 | 1,006,576 |
| Net operating Profit/(Loss) before tax & Corporate Administration expenses | 5,722,840 | 2,878,909 | 8,601,749 |
| Other income | | | 11 |
| Corporate & administration | | | (2,571,311) |
| Net operating Profit (Loss) before Tax | | | 6,030,449 |
| Income tax expense | | | (1,719,981) |
| Net operating Profit (Loss) after Tax | | | 4,310,468 |
| 1. Alltype segment revenue excludes \$320,462 intercompany revenue | | | |
| 2. SIMPEC segment operational expense excludes \$320,462 intercompany cost of sales | | | |
| Year ended 30 June 2021 | | | |
| Segment revenue | 38,688,340 | 33,075,353 | 71,763,693 |
| Segment operational expense | (34,876,033) | (25,288,791) | (60,164,824) |
| Segment gross margin | 3,812,307 | 7,786,562 | 11,598,869 |
| Segment overheads | (3,438,771) | (5,197,628) | (8,636,399) |
| Segment operating profit (loss) | 373,536 | 2,588,934 | 2,962,470 |
| Other Income - operational | 51,583 | 361,693 | 413,276 |
| Net operating Profit/(Loss) before tax & Corporate Administration expenses | 425,119 | 2,950,627 | 3,375,746 |
| Other income | | | 5,786 |
| Corporate & administration | | | (2,566,973) |
| Discontinued Operations | | | 22,918 |
| Net operating Profit (Loss) before Tax | | | 837,477 |
| Income tax expense | | | - |
| Net operating Profit (Loss) after Tax | | | 837,477 |

NOTE 15: OPERATING SEGMENTS (CONTINUED)

| Segment reporting | SIMPEC \$ | Alltype \$ | Group \$ |
|--|-------------------|------------------|-------------------|
| Year ended 30 June 2022 | | | |
| Segment assets | 30,474,871 | 22,728,197 | 53,203,068 |
| Segment liabilities | (20,055,905) | (16,163,403) | (36,219,308) |
| Segment asset & liabilities | 10,418,966 | 6,564,794 | 16,983,760 |
| Cash and corporate assets | | | 9,859,235 |
| Corporate liabilities | | | (3,193,841) |
| Total asset & liabilities | | | 23,649,154 |
| Year ended 30 June 2021 | | | |
| Segment assets | 21,205,885 | 20,692,917 | 41,898,802 |
| Segment liabilities | (14,984,857) | (15,198,227) | (30,183,084) |
| Segment asset & liabilities | 6,221,028 | 5,494,690 | 11,715,718 |
| Cash and corporate assets | | | 5,152,526 |
| Corporate liabilities | | | (1,803,544) |
| Discontinued Operations | | | (232,707) |
| Total asset & liabilities | | | 14,831,993 |

NOTE 16: CONTINGENCIES AND COMMITMENTS

As at 30 June 2022, the Group has provided bank guarantees which are held in term deposits of \$4,527,938 (2021: \$3,024,969) to various customers and suppliers. During the financial year ended 30 June 2022 the Group entered into ~\$7.5M bond facilities ("the Facilities") with Export Finance Australia. As at 30 June 2022 \$7.5M of these bond facilities had been used.

NOTE 17: SUBSEQUENT EVENTS

There were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Group and the results of those operations or the state of the affairs of the Group in the financial period subsequent to 30 June 2022.