

**VYSARN**  
LIMITED



**INVESTOR PRESENTATION**  
**SEPTEMBER 2020**

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# Corporate Snapshot



## About Vysarn Limited (ASX:VYS)

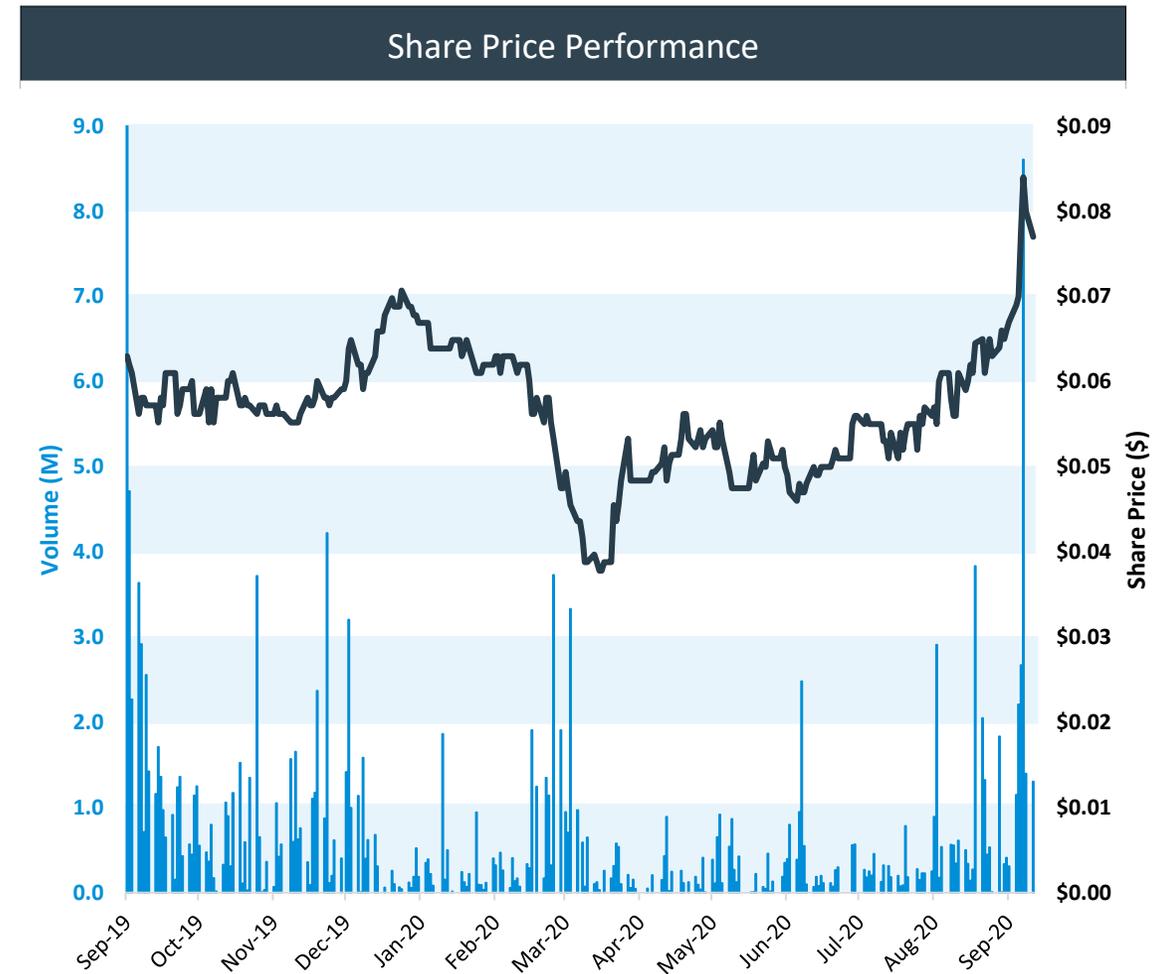
Vysarn Limited ('Vysarn' or 'the Company') via its wholly owned subsidiary Pentium Hydro Pty Ltd ('Pentium') commenced operations in September 2019, quickly establishing itself as a leading provider of production critical, hydrogeological drilling and dewatering services.

The Company has experienced significant interest for its offering, primarily driven by tier-1 iron ore and gold producers that are facing mounting dewatering issues as a greater proportion of their resources lie below the water table.

Driven by industry demand, Vysarn has formed a clear growth strategy that will transform the Company into a specialised 'end-to-end' water service provider.

## Corporate Snapshot (21.09.2020)

Share Price	\$0.077
Shares on Issue	~386.9m
Market Capitalisation	~\$29.8m
Cash at Bank (30.06.2020)	~\$9.7m
Debt (30.06.2020)	~\$9.7m
Enterprise Value	~\$29.8m
<b>Top 20 (30.06.2020)</b>	52.9%
<b>Management (30.06.2020)</b>	20.5%



# Highly Experienced Board



**Peter Hutchinson**  
Non-Executive Chairman

Business leader with over 30 years' experience managing a diverse portfolio of industrial investments in manufacturing, engineering, construction and property, at the most senior levels. Founding Director of Forge Group Ltd, floated in 2007 with a market cap of \$12m and reaching over \$450m at the time of his resignation as CEO and final sell down in July 2012. Also former Chair of Resource Equipment Ltd and founding shareholder and Chairman of Mareterram Ltd both subject to successful takeover bids at significant premiums to market



**James Clement**  
CEO & MD

James is an experienced manager and company director with a demonstrated history of working in finance and industry. Skilled in strategy, business planning, team building, management and mergers and acquisitions. He has a strong professional background having graduated from Latrobe University (MBA), Curtin University (BSc) and the AICD. Previously CEO and MD ASX:MTM, Institutional dealer Euroz Ltd, fund manager and investment adviser. Life member Collingwood Football Club



**Sheldon Burt**  
Executive Director

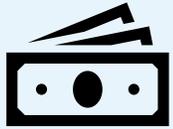
Drilling industry professional with over 30 years national and international experience including field based, operations, senior management and directorship roles. Former General Manager of Easternwell Minerals, a leading drilling contractor with operations throughout Australia, specifically in the hydro drilling space.



**Chris Brophy**  
Non-Executive Director

Accomplished business leader with over 15 years of senior leadership and consulting experience within the Mining, Oil & Gas and Infrastructure industries. Mr Brophy is a specialist in strategy, portfolio growth, financial and operational restructuring. Drilling experience gained during several years with Easternwell Minerals where he held operations and commercial management roles.

# Investment Highlights



## Delivering Profits

Grown monthly revenue from zero to \$2.5m in under 12 months during FY20. Expected to exceed \$6m EBITDA in FY21



## Strong Growth Thematic

Demand for hydrogeological services to grow as a greater proportion of resources lie below the water table



## Critical to Production, not Exploration

Vysarn's services are critical to maintaining production, resulting in secure long term contracts



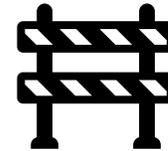
## Robust Balance Sheet

Net assets of ~\$24.3m (cash: ~\$9.7m & debt: ~\$9.7m) positions Vysarn to pursue its growth strategy



## Clear Growth Strategy

Vertical integration strategy to transform the Company into specialised 'end-to-end' water service provider



## Competitive Moat

Concentrated competition combined with the cost and long lead-time of new specialised rigs provides barrier to entry



## Tier-1 Customers

Vysarn has earned a great reputation servicing tier-1 iron ore and gold producers, providing a platform for further growth



## Experienced Board & Management

Experienced and highly regarded Board with a history of delivering significant shareholder returns

# Asset Acquisition to Profit

## FY20 Results – A Strong First Year

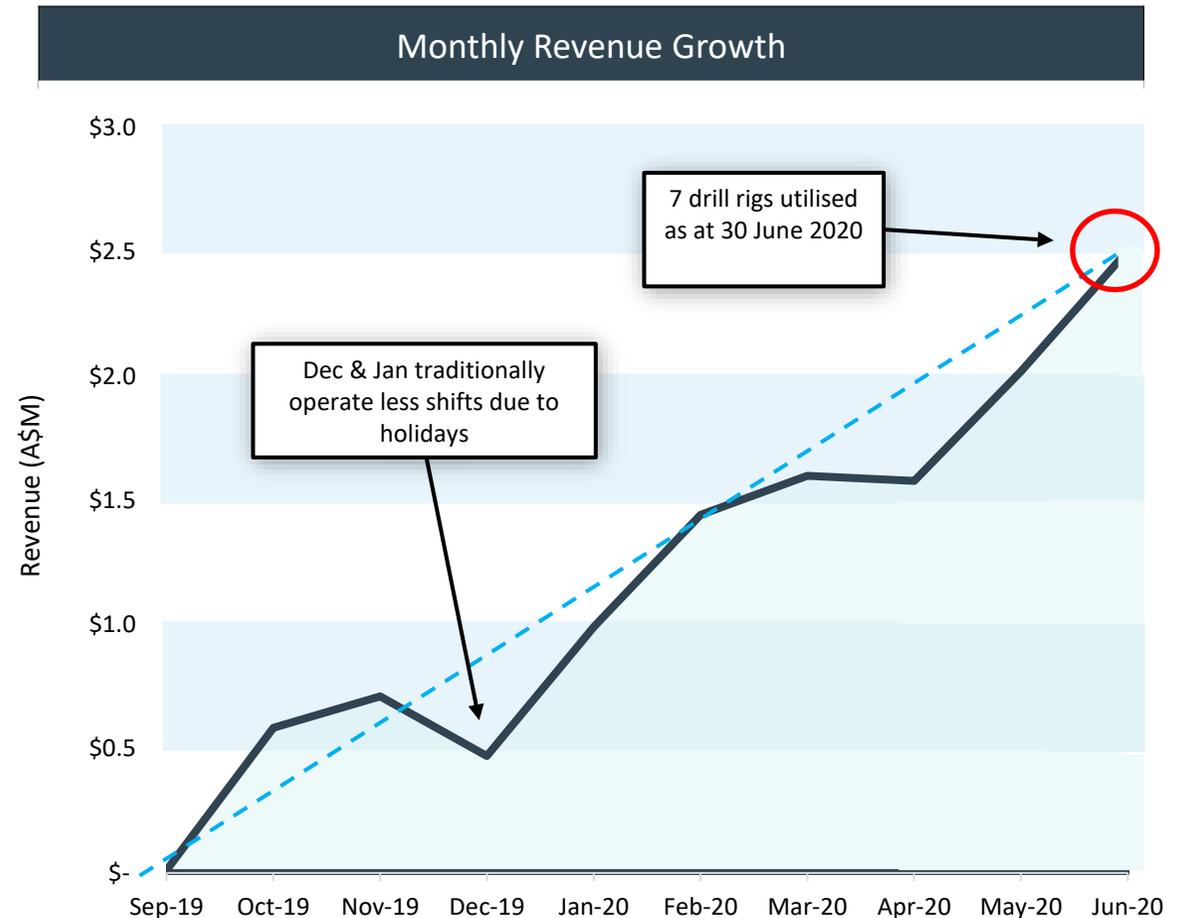
Since commencing operations (Sept 2019), Vysarn’s operational revenue has grown from zero to \$11.91m:

- 1HFY2020 – \$1.78m
- 2HFY2020 – \$10.13m – The majority of operational revenue was generated in Q4 as rig utilisation increased to 7 and operational systems, processes and workforces were bedded down
- Overheads (excl. interest & depn) – \$0.32m per month  
- Tight costs to remain throughout FY21

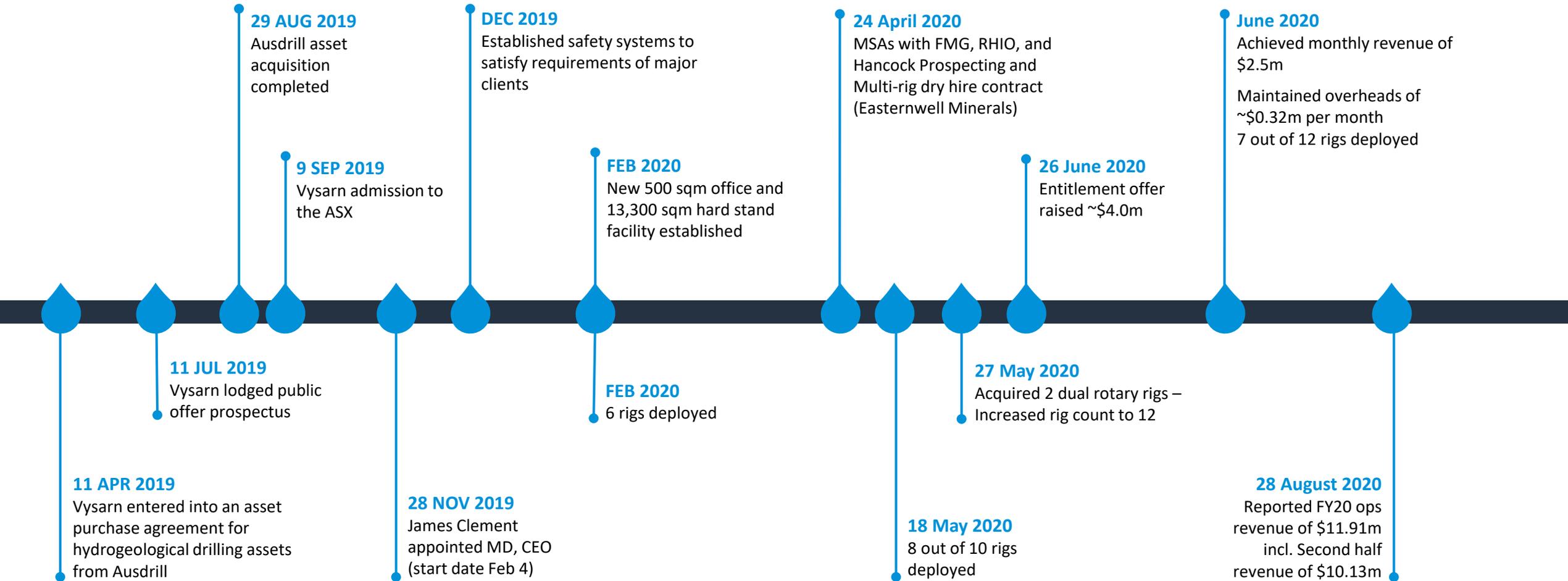
## Summary of Group Results for FY2020

Revenue from operations	\$11.9m
Total Revenue	\$19.3m*
EBITDA	\$6.0m
NPAT	\$4.8m
Net Operating Cashflow	\$2.0m
Net Tangible Assets	\$24.3m
Net Current Assets	\$7.1m

\*\$7.4m revenue recognised due to a gain on bargain purchase



# Asset Acquisition to Profit



# Services and Customers

Sector	Current Services
RESOURCES	<b>Mine Dewatering</b> Raw and saline water dewatering bores to limit ingress to mine
	<b>Production Related Drilling</b> Drilling wells into aquifers to assist mining operation water demand
	<b>Brackish Water Reinjection</b> Reinjection or recycling of water extracted from aquifers (often required by environmental guidelines)
	<b>Resource Monitoring</b> Allowing for hydrogeological analysis
CONSTRUCTION	<b>Mine and Civil</b> Mine service holes and concrete piling holes
UTILITIES AND AGRICULTURE	<b>Public Water &amp; Agricultural Drought Proofing</b>

## Key Customers\*



**ILUKA**

Vysarn will be actively pursuing notable tier-1 customers throughout FY21

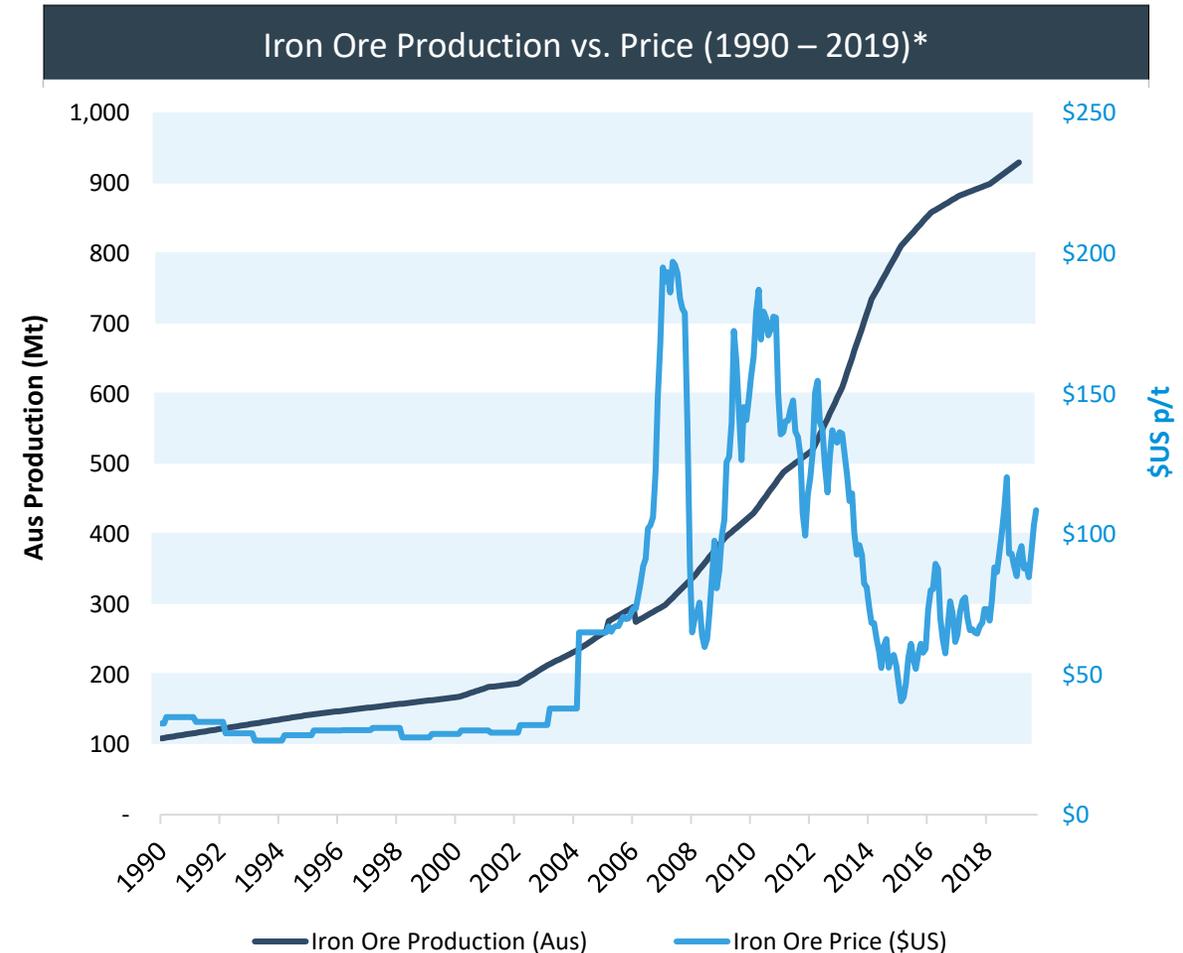
\*Rigs are not currently deployed at AngloGoldAshanti & Iluka

# Critical to Production

## Hydrogeological drilling services are critical to production

- Vysarn's iron ore customers face significant dewatering requirements
- Demand for dewatering is amplifying as a greater proportion of economic resources lie below the water table
- Australia has experienced consistent growth in iron ore production since 1975\*
- Growth has been sustained through multiple price cycles:
  - From December 2013 to December 2015 production rose by 33% while the price per/t fell 71%
  - Australia can increase production to offset lower \$/t
- Australia is a clear leader in the sector, accounting for:
  - 36% of global iron ore production\*
  - 29% of global iron ore resources\*
  - US\$12.50 - US\$15.00 p/t cost of production\*\*

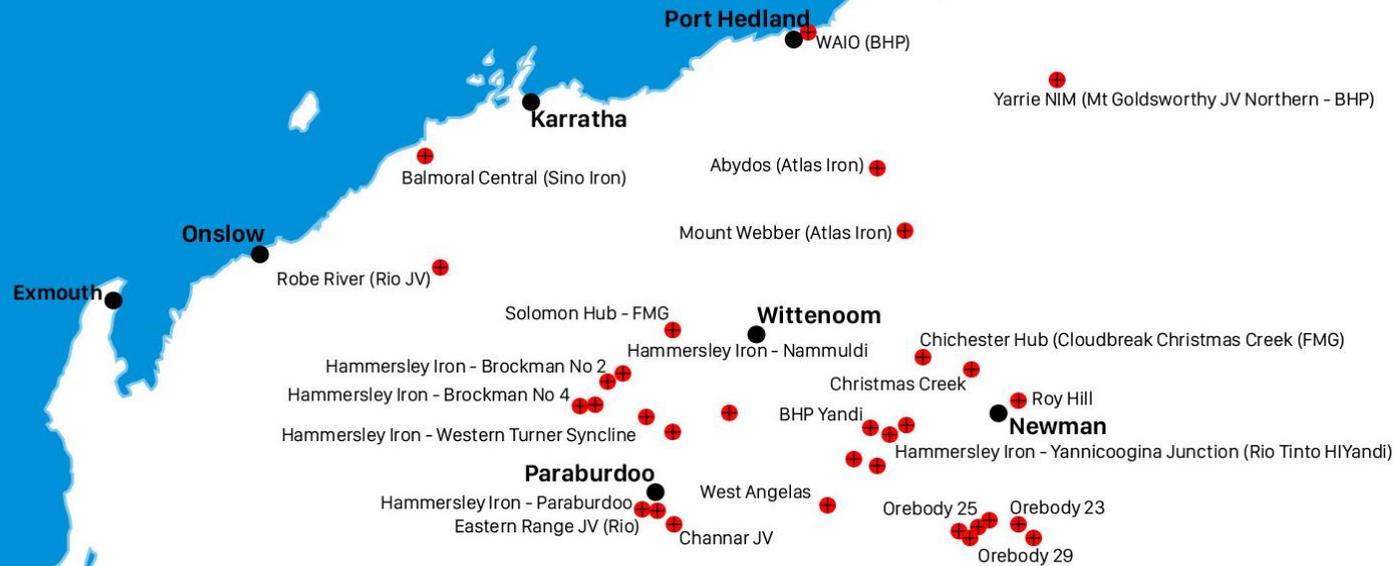
**It is Vysarn's goal to establish a robust business model capable of withstanding resource cycles**



\*Australian Resource Reviews: Iron Ore 2019 - [https://d28rz98at9flks.cloudfront.net/134851/134851\\_00\\_0.pdf](https://d28rz98at9flks.cloudfront.net/134851/134851_00_0.pdf)

\*\* Cost of production p/t for FMG / RIO / BHP

## Dewatering is an Operational Imperative



### Pilbara Production is Heading Under Water

- Nearly all Pilbara iron ore mines established post 2000 have a significant portion of their ore body below the water table
- Dewatering has become an operational imperative with water table issues becoming one of the largest impediments to ongoing production
- Pumping must be continuously maintained to keep the groundwater levels suppressed and the mine pit dry

### Significant Growth in Water Abstraction

- The Pilbara region abstracts over 450 GL of water p.a.
- Over 40% (265 GL) related to dewatering, which was returned to the environment or used in non-mining related activities
- Over 65% of resources are below the water table, fuelling dewatering requirements
- Total Pilbara water abstraction expected to increase to over ~525 GL by 2024

**Note:** information in this slide has been sourced from the Western Australian Resources Sector Outlook Report 2018-2028 prepared by KPMG and the Chamber of Minerals and Energy of Western Australia available here: <https://www.cmewa.com/policy-and-publications/annual-reports-submissions-publications/preview?path=2018-2028%2BResources%2BSector%2BOutlook%2BReport%2Bv1.0.pdf> Investors should have regard to the disclaimers set out in that report in assessing the information in this slide

# Iron Ore Dewatering Requirements



Source: RPS - Pilbara Dewatering Market Assessment Rev 0 12 July 2019

# The Dewatering Process

Dewatering must be vigilantly planned and executed to ensure successful drawdown

## The Dewatering Process

- Step 1**
  - Drill and case multiple bore holes using specialised equipment
- Step 2**
  - Install pumps, begin abstracting water away from pit for reuse or disposal
  - Monitor and account for abstracted water
- Step 3**
  - Abstraction creates cone of depression (fig. 1)
  - Dewatering must be operational for 3-6 months to allow sufficient drawdown

## Repeat Process

Mine pit bore holes are eventually decommissioned or destroyed as mining production progresses

Replace whole bore field every 1-2 years as mine expands and takes over bore holes or deepens beyond dewatered zone

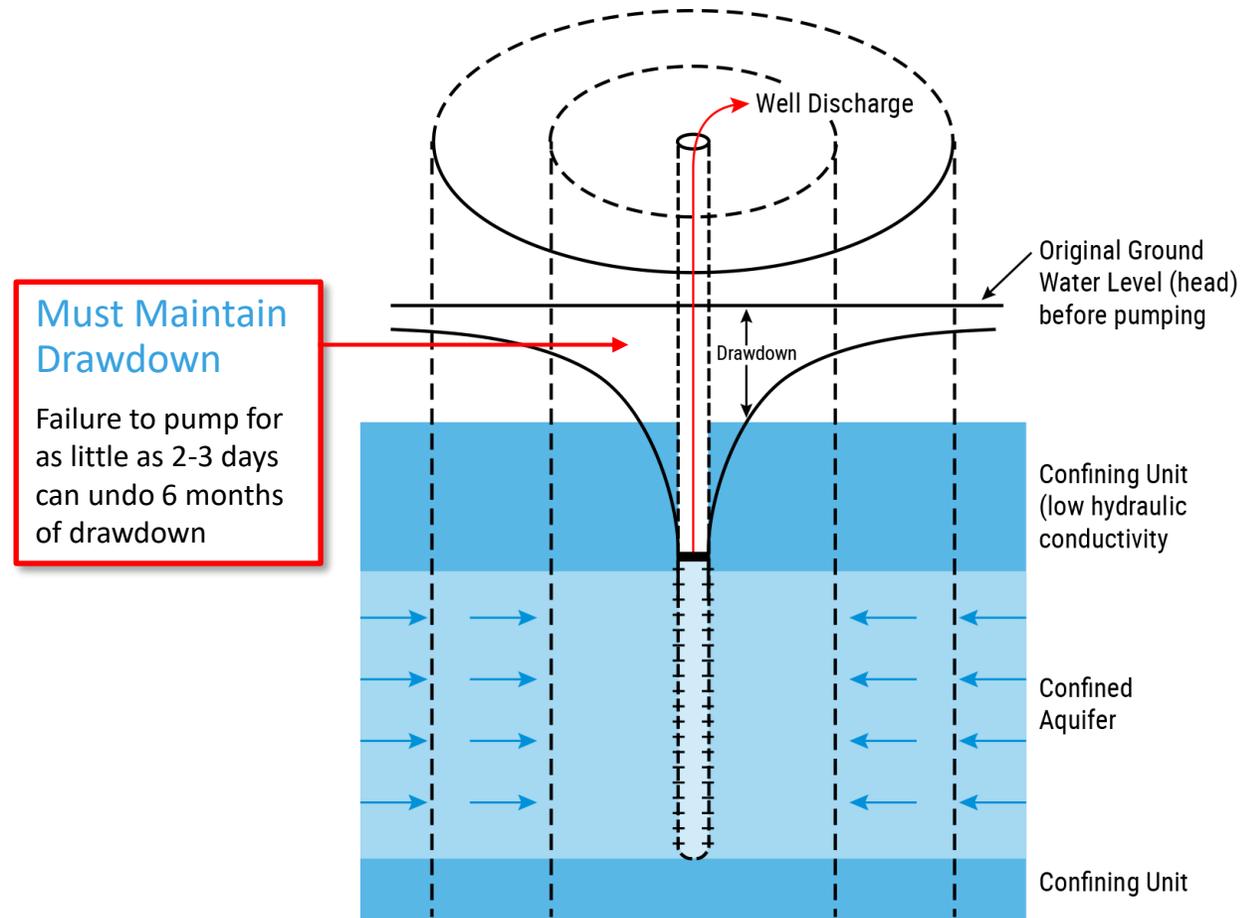


Figure 1 – The Dewatering process - <https://pubs.usgs.gov/circ/circ1186/pdf/boxa.pdf>



# Competitive Landscape

## Concentrated number of hydrogeological service providers

- Three prominent players – Vysarn – Easternwell – Boart Longyear
  - Only Vysarn and Easternwell possess strong fleets of dual rotary rigs
- Vysarn is the only pure hydrogeological services provider on the ASX
- Easternwell has ‘dry hired’ rigs from Vysarn, highlighting demand exceeds availability
- Smaller operators exist, but lack the scale of Vysarn
- New dual rotary rig costs and extensive lead-time is a significant barrier to entry



<b>Pure Hydro Focus</b>	Yes	No	No
<b>Dual Rotary Rig Count (Aust)</b>	7	7	0
<b>Public/Private</b>	ASX:VYS	Private Equity Owned	ASX:BLY
<b>Key Hydro Clients</b>	Tier 1 Miners	Tier 1 Miners	Tier 1 Miners



### Foremost DR24HD

Market leading dual rotary rigs capable of drilling and casing holes in the toughest environments

Vysarn is equipped with one of the largest, newest and most advanced fleet of hydrogeological dual rotary rigs in Australia.

New rig cost and lead-time is a significant barrier to entry.



# Safety Implementation

## Safety of our staff and clients is the bedrock of the Company's operations

- Since inception, Vysarn has focused on the highest standards of training and implementation of group safety management systems
- Program has culminated in a 'Verification of Competency' rate of more than 80% across all staff, a great achievement considering the rapid ongoing growth in staff headcount

## ISO Accreditation to drive customer acquisition

- Initiated ISO accreditation process in:
  - OH&S management systems (ISO 45001:2018)
  - Quality management systems (ISO 9001:2015)
  - Environmental management systems (ISO 14001:2015)
- Completion expected by December 2020
- Accreditation to position Vysarn as a preferred contractor for all tiers of current and prospective clients across multiple industries

## Lost Time Injuries were ZERO for the FY20





# Growth Strategy & Outlook



## ESTABLISH FOUNDATION



- ✓ Establish robust operational systems, processes and a highly qualified workforce
- Execute contracts and deploy rigs: Deployed up to 8 rigs in FY20. Increased rig count from 10 to 12 in anticipation of FY21 demand from new and existing tier-1 customers
- ✓ Maintain lean operating structure and deliver profitability: Delivered \$2.0m free cashflow from \$11.9m FY20 revenue. Stable overheads of \$0.32m per month.
- ✓ Broaden customer base and fully utilise rigs: FY21 will likely present opportunities to increase rig utilisation

## VERTICAL INTEGRATION



Staged expansion via vertical integration

- Downstream ancillary services may be vertically integrated to transform Vysarn into a significant provider of production critical services and solutions
  - **Stage 1** – Expand DR drilling & reinjection, add test pumping capabilities
  - **Stage 2** - Design fabrication, install & maintenance (pump, pipe transfer storage & reinjection)
  - **Stage 3** - Engineer, flow control, monitoring
  - **Stage 4** - Water as a resource – Own the vertical to become a holistic water manager

## M&A OPPORTUNITIES



Highly experienced Board and advisors with deep networks to source and execute M&A

### Current Focus

Vysarn's (Pentium Hydro) initial focus is on water management in the production phase of mining operations

### NOT

Drilling in the exploration phase

### HOWEVER

Management will consider horizontal & diversified growth opportunities should it provide significant increase in shareholder value

# Growth Via Vertical Integration

**Growth Strategy**  
Staged Vertical Integration

Vysarn has formed a three staged strategy to vertically integrate downstream ancillary services.

There is demand from current customers to expand the service offering downstream.

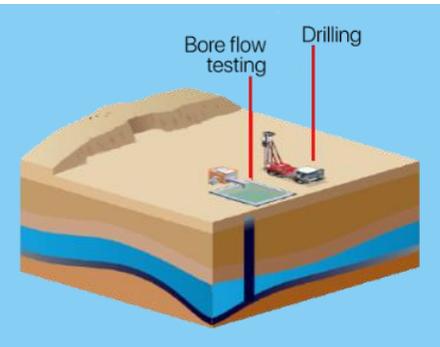
Execution will deliver significant scale and transform Vysarn into a specialised whole of life water service provider.

This may come about via acquisition and/or organic business development.

**Stage 1**

DR drilling  
Reinjection  
Pump Testing

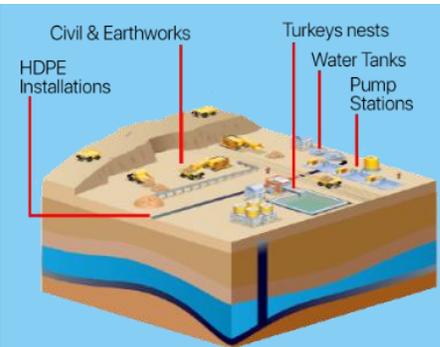
Strategy: Organic / M&A



**Stage 2**

Design fabrication,  
installation &  
maintenance

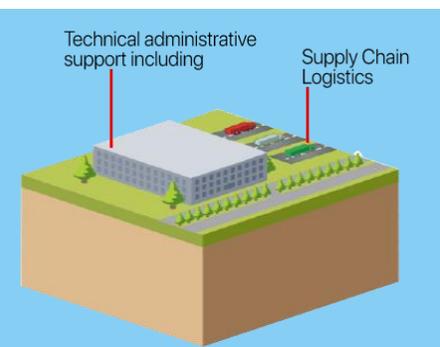
Strategy: Organic / M&A



**Stage 3**

Engineering,  
monitoring, consulting

Strategy: M&A



**Stage 4**

Water as a Resource

Successful transformation into an 'end-to-end' water management company will enable Vysarn to deliver an industry first 'water as a resource' model.

This holistic offering should result in larger, longer and more stable contracts of service.

It is also anticipated that this model will expand well beyond the resource sector.

Vysarn is well positioned entering the new financial year with a strong Balance Sheet, a strong management team and board, and a skilled workforce. The Company will continue to keenly focus on improving the operational and financial performance of the core business while seeking growth opportunities that deliver long term, sustainable value for shareholders

*“The hydrogeological drilling sector is looking promising for the foreseeable future and there continues to be strong demand for the Company’s assets and services”*

**James Clement**  
Vysarn’s CEO and MD

## Rig Utilisation

- Maintaining the Company’s current contracts and winning a portion of upcoming tenders will result in the majority of Vysarn’s rigs being deployed and utilised within FY21
- Two rigs arrived in September 2020 and are being prepared for deployment by Q3FY21

## Financial Performance

- The Company anticipates that if it can meet rig utilisation targets it will exceed FY2020’s EBITDA of \$6.03m from Pentium’s operational earnings
- Potential to outperform this EBITDA benchmark if several earmarked multi-rig, multi-year contracts are won leading into the 2HFY2021

## Corporate Development

- The Board has ascertained that there is a genuine business case for developing the current business into a vertically integrated whole of life water service provider.
- Several organic business development and acquisition opportunities are under review
- These opportunities encompass minor bolt-on services through to company transformational acquisitions



**VYSARN**  
LIMITED

## Key Contacts

**Mr Peter Hutchinson**  
Chairman

**Mr James Clement**  
Managing Director

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