



VYSARN FINANCIAL RESULTS FOR FY2022

Vertically integrated water service provider Vysarn Limited (ASX:VYS) (Vysarn or the Company) announces its financial results for the twelve (12) months to 30 June 2022 (FY2022).

Summary of group results for FY2022:

- Revenue from Operations \$46.30 million
- EBITDA \$9.08 million
- NPBT \$4.10 million
- Net Tangible Assets \$28.09 million
- Cash and Cash Equivalents \$5.71 million

FY2022 Results Commentary

Vysarn's revenue from operations to 30 June 2022 of \$46.30 million exceeded previous corresponding period revenue from operations by \$20.47 million.

Revenue from operations in FY2022 represents a full twelve month operational contribution from the Company's hydrogeological drilling division, a nine month operational contribution from the test pumping division (post acquisition in 2021) and a five month operational contribution from the consultancy division (post organic launch in 2022).

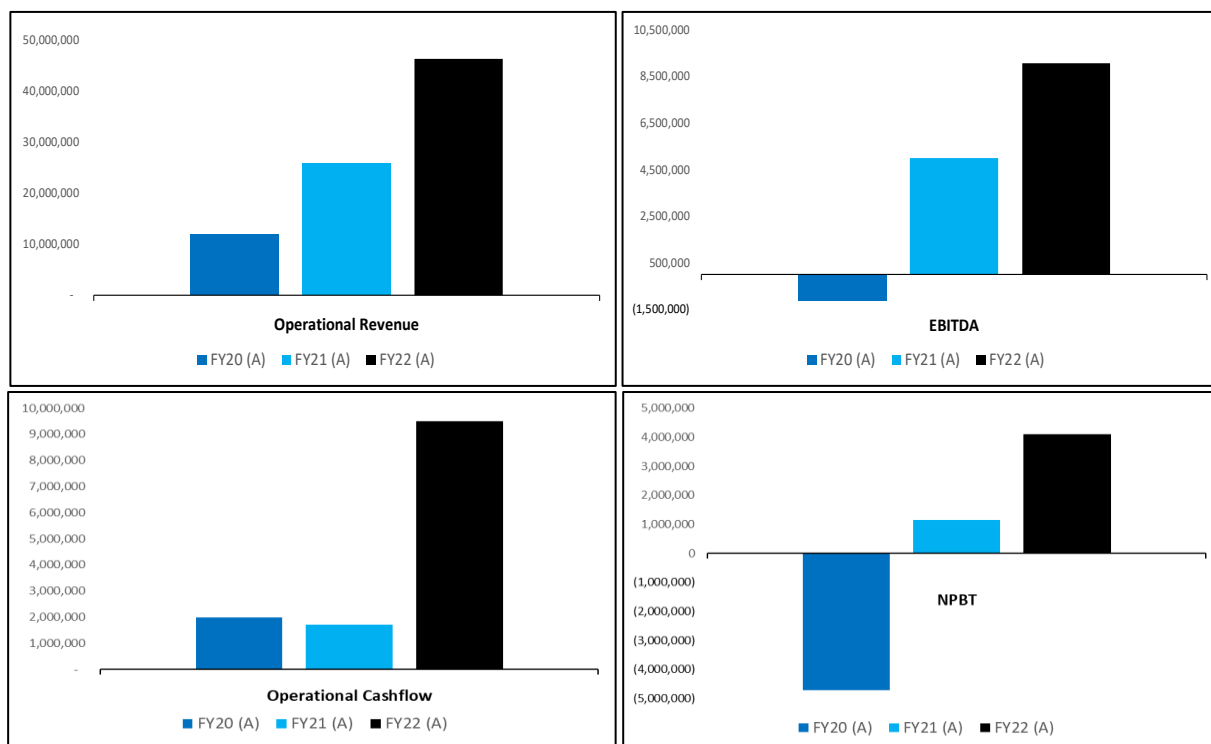
While revenue generated by the test pumping and consultancy divisions were broadly in line with management expectations, second half revenue in the hydrogeological drilling division was adversely and materially affected by COVID-19 interruptions (as disclosed in ASX announcement 5 May 2022).

FY22 Key Financial Metrics	FY22	FY21	Variance	Variance
Description	\$	\$	\$	%
Operational Revenue	46,297,406	25,824,506	20,472,900	79%
EBITDA	9,075,292	5,001,161	4,074,132	81%
NPBT	4,095,180	1,137,420	2,957,760	260%
NPAT	2,856,729	344,819	2,511,910	728%
Operational Cashflow	9,499,462	1,707,085	7,792,377	456%

Net Profit Before Tax (NPBT) was \$4.10 million and Net Profit After Tax (NPAT) was \$2.86 million for the 12 months to 30 June 2022. The tax expense in FY2022 was non-cash due to the Company employing carried forward tax losses from previous financial periods. The Company continues to carry tax losses of \$11.27 million that can be used to offset future taxable income. The Company has Net Tangible Assets (NTA) of \$28.09 million, representing a NTA backing of \$0.072 a share. Net Current Assets were \$3.98 million, Cash and Cash Equivalent position was \$5.71 million and net debt was \$4.20 million as at 30 June 2022.



Key Financial Metrics



Operations Commentary

(a) Pentium Hydro

Throughout FY2022 Vysarn's wholly owned subsidiary Pentium Hydro Pty Ltd (Pentium Hydro – www.pentiumhydro.com.au) continued to focus on achieving and maintaining the full deployment of staff and equipment. Pleasingly, this objective was successfully achieved in the December half of the financial year providing the Company with valuable insight into the operational and earnings capacity of a fully deployed Pentium Hydro. COVID-19 case numbers in the June half of the financial year unfortunately created issues in worker availability and client site access which in turn created short-term interruptions in operational and earnings momentum experienced in the December half.

Post the COVID-19 delays the Pentium Hydro operations team were able to quickly re-establish asset utilisation and subsequently repositioned the division to begin trading in line with the December half operational performance as it entered the 2023 financial year.

Ongoing Master Service Agreements with Fortescue Metals Group and Roy Hill Iron Ore continued to underpin the majority of Pentium Hydro's asset utilisation. During the period, Pentium Hydro entered into a Goods and Services Contract with BHP Nickel West for the provision of hydrogeological drilling services for the supply of one rig suite with the potential for an expanded scope of works in future periods. During the year Pentium Hydro also completed work for IGO, Western Areas, Iluka Resources and Dacian Gold.



Leading into the new financial year Pentium Hydro is well positioned to take advantage of additional long term contract opportunities with tier one resource companies that will support long term full deployment and higher utilisation rates across the drilling fleet. Commercial discussions in this regard are well progressed. Importantly, the realisation of these opportunities will help avoid the mobilisation timing and operational vagaries that often accompany short term fixed scope work, in turn improving operations, asset utilisation and margins.

While the domestic labour market for hydrogeological drilling professionals and the inflationary economic environment continued to be challenging throughout the period, the Company was still able to grow employee headcount, keeping rigs fully resourced. COVID-19 interruption was the major caveat in the period regarding employee availability.

(b) Pentium Test Pumping

The Company completed the acquisition of Yield Test Pumping Pty Ltd in November 2021 with the business subsequently renamed Pentium Test Pumping Pty Ltd (Pentium Test Pumping – www.pentiumtestpumping.com.au). Via the acquisition, the Company assumed the Master Service Agreement providing test pumping services to Fortescue Metals Group, strengthening the group's relationship and suite of service offerings to this key client.

Pentium Test Pumping exceeded initial expectations in its first months of trading with staff and management proving to be an immediate cultural fit within the group. Of note, the utilisation and operational performance of the test pumping division was strong with clear avenue for the addition of extra test pumping units to service the resources sector as well as the creation of ancillary down hole services.

(c) Pentium Water

In February 2022 the Company launched Pentium Water Pty Ltd (Pentium Water – www.pentiumwater.com.au) as a wholly owned subsidiary of the Company to provide consulting services covering ground water, surface water and environmental planning.

Pentium Water has provided the Company with an organic entry into the consulting sector and in the early stages of operations has proved to be a successful and strategically important initial entry point into the design phase of the Company's vertical integration strategy.

Since its launch Pentium Water has been able to establish a complement of staff across disciplines in surface water, ground water, environmental planning and water resource engineering. The division has already established a pipeline of future work across all disciplines and capacity remains for future growth in the consulting team. Subsequently, as it enters the new financial year Pentium Water has positioned itself to arrive at an initial steady state phase of business operations.

As has been previously outlined, Pentium Water is not expected to provide a material earnings contribution to the group in its own right, but rather it is anticipated that the line of sight that the division will provide on forthcoming projects and opportunities in the broader water sector will be substantial. Pentium Water is already seeing and providing new and material



opportunities for the Company to expand and invest beyond its current capacity and suite of services.

One such early opportunity identified by Pentium Water is the growing demand for managed aquifer recharge capabilities and adjacent services, particularly within the iron ore sector in the Pilbara region of Western Australia. The Company has subsequently announced that it has entered into a share sale agreement to purchase the shares in Project Engineering (WA) Pty Ltd (ProEng), a domestic leader in the provision of managed aquifer recharge technology.

(d) Group

Operationally and structurally the whole Company has had a transformative twelve months. In this time the Company has pivoted away from being solely a hydrogeological driller, to having executed the early stages of a clearly defined strategy to establish itself as a vertically integrated, whole of life water service provider. Within the period this has been achieved by moving Pentium Hydro to an operational steady state (albeit with COVID-19 interruptions), the acquisition and integration of Pentium Test Pumping, the organic establishment of Pentium Water, and an agreement to acquire ProEng.

Entering the new financial year, the Company is well positioned to meet continued demand for a broad range of end to end water services across multiple sectors.

Outlook

The water services market continues to experience strong trading conditions with sustained demand anticipated for the foreseeable future. This is particularly the case in the resources sector where the removal of ground water is an operational imperative for the production of key commodities such as iron ore. Anecdotal evidence continues to suggest that surplus water issues are one of the biggest ongoing constraints to ore production.

Water and environmental services demand outside of the resources sector is also growing strongly as the importance of water and its related environmental issues pertaining to sustainability and social license come into sharper focus.

Management anticipates that the current market dynamics in water and environmental services bode well for the ongoing demand of each of the Company's divisional service offerings as well as providing future opportunities to continue to refine the group's water vertical integration strategy by creating scale and subsequently driving shareholder value.

(a) Pentium Hydro

Management anticipates that for the twelve months to 30 June 2023 (FY2023) opportunities to maintain high utilisation rates across Pentium Hydro's rig suites will be underpinned not only by the Company's current multi-rig multi-year contracts, but also by the additional award of expected near term contracts to supply hydrogeological drilling services to new tier one resource clients. The opportunity to replicate and then build on previous steady state earnings performances in Pentium Hydro could however be subject to COVID-19 interruptions, wet weather, unforeseen repairs and maintenance and other unbudgeted operational expenses.



Management's key focus and strategic intent for Pentium Hydro in FY2023 is to have all twelve Company owned drill rigs plus associated ancillary equipment deployed, fully utilised and set under long term multi-year contracts, across a balanced distribution of tier one resource clients. Ongoing improvements in Pentium Hydro's safety and incremental operational efficiencies will also continue to be pursued.

(b) Pentium Test Pumping

It is anticipated that Pentium Test Pumping's current fleet of equipment will remain fully utilised under its current contractual arrangements with ongoing and increasing opportunities to double shift the equipment at intervals throughout FY2023.

Subject to current domestic supply chain constraints it is also anticipated that a second test pumping unit recently approved by the board will be delivered and operational within FY2023. Considerable research and development has gone into the new unit to implement structural and technological improvements identified over time whilst operating Pentium Test Pumping's first generation equipment.

In addition to test pumping, the proposed acquisition of ProEng will provide Pentium Test Pumping with an avenue to potentially build significant and industry leading capability in injection testing using the registered and patented valve technology developed by ProEng. Management intends to develop this capability within Pentium Test Pumping as soon as practicable post acquisition of ProEng.

(c) Pentium Water

Pentium Water's consulting team has grown to fifteen employees since its inception in February 2022. Management has established a pipeline of future work for FY2023 to be executed across scopes in ground water, surface water and water resource engineering, as well as environmental planning. The division's clientele is diverse with representation from the resource sector, large scale urban developers and government agencies.

In addition to its primary initiative of delivering consultancy services across multiple disciplines, Pentium Water is expected to identify and develop investment opportunities for the Company across a broad spectrum of water and environmental industries. The division has visibility on material early-stage projects through the provision of its front-end consultancy services. In addition to the consultancy piece, Pentium Water regularly identifies opportunities to not only consult to projects but to co-invest or own projects in its own right (subject to the availability of funding).

The Company intends to foster and pursue a number of these opportunities throughout 2023. Early stage opportunities identified by Pentium Water have been in managed aquifer recharge, water ownership, water infrastructure, asset management, carbon farming, irrigated agriculture, mine closure and urban rehabilitation.

(d) ProEng

Subject to finalising the acquisition of ProEng, management's intention is to immediately integrate the business within the group and to deliver forecast earnings in line with what was discovered during the due diligence process. This will primarily be driven by earnings



generated by ProEng's core competency in the provision of managed aquifer recharge systems to tier one iron ore clients in the Pilbara. Ancillary earnings are expected to be generated by ongoing work in the commercial fishing sector.

The Company intends to pursue organic growth opportunities for ProEng as well as what management views as material integration opportunities with Pentium Test Pumping and Pentium Water. As previously outlined, the intention is to expand Pentium Test Pumping's service offering into injection testing and Pentium Water's service offering into managed aquifer recharge consulting.

In addition, there is growing interest in managed aquifer recharge systems and their ability to assist in processes aimed at water harvesting and water banking to future proof water supplies from both regulated and non-regulated water abstraction sources.

FY2023

Driving an increase in shareholder value remains a key focus of Vysarn's board and management. The Company will continue to execute the vertical integration strategy patiently and meticulously. In past commentary management has emphasised the need to reduce concentration risk associated with the capital intensive, single service nature of the hydrogeological drilling division. This strategic initiative is still at the forefront of board and management thinking.

In line with the Company's strategy, providing multiple services via Pentium Water, Pentium Hydro, Pentium Test Pumping and ProEng will provide the Company with a broader and differentiated competitive moat by being able to better service clients across multiple fronts as well as providing cross selling opportunities across sectors, projects and clients.

With a focus on driving shareholder value, diversification also provides an opportunity for the expansion in valuation multiples as the market recognises the value of a diverse portfolio of services across water, diversified revenue streams and a balanced mix of capital light and capital intensive business units.

Vysarn is well positioned entering FY2023. The Company continues to be sufficiently funded, has a clearly defined strategy with early execution success, has a broad range of growth prospects and remains well placed to deliver long term, sustainable value for its shareholders.

This ASX announcement has been authorised for release by the Board of Vysarn Limited.

For further information:

James Clement
Managing Director
Vysarn Limited
Telephone: +61 8 9486 7244
Email: info@vysarn.com.au